INTERPROVINCIAL PIPE LINE INC.

1991 ANNUAL REPORT

Interprovincial Pipe Line Inc. ("IPL") was incorporated in Canada on April 30, 1949, as Interprovincial Pipe Line Company. Lakehead Pipe Line Company, Inc. ("Lakehead") was incorporated in the United States on August 29, 1949, and Interprovincial Pipe Line (NW) Ltd. ["IPL (NW)"] was incorporated in Canada on March 3, 1980.

On August 1, 1973, the Corporation's name was changed to Interprovincial Pipe Line Limited. On May 5, 1988, the Corporation changed its name to Interhome Energy Inc. ("Interhome") to reflect the acquisition of Home Oil Company Limited ("Home Oil") in December 1986. On May 1, 1991, Home Oil became a separate, publicly traded company and Interhome was renamed Interprovincial Pipe Line Inc.

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The U.S. pipeline business owned by Lakehead was transferred to Lakehead Pipe Line Partners, L.P. (the "Partnership") on December 27, 1991. Lakehead retained an approximate 20% interest in the Partnership.

On January 22, 1992, IPL's Board of Directors approved in principle a plan of reorganization which would create Interprovincial Pipe Line System Inc., a new public corporation to hold the assets and liabilities currently owned and managed by IPL. The reorganization would segregate the Canadian Main System (which includes the Sarnia-Montreal line) from IPL's other investments, which include IPL (NW), Lakehead, and the Corporation's head office building in Edmonton, Alberta. Shareholder approval of the proposed reorganization will be sought at IPL's shareholders' meeting on May 6, 1992.

COVER LEFT TO RIGHT:

BONNIE STOWKOWY
ACTING MANAGER,
BUSINESS DEVELOPMENT
EDMONTON

OSVALDO MORALES
CONTROL CENTRE OPERATOR
EDMONTON

KRAIG ERICKSON
ENGINEER
EDMONTON

LEFT TO RIGHT:

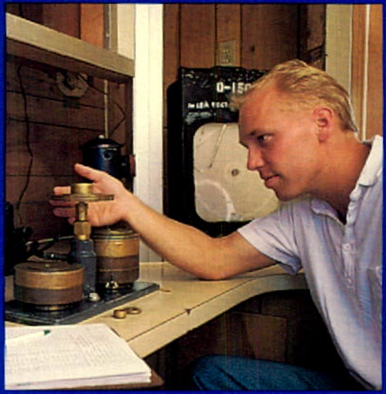
SONYA BUYS
SUPERVISOR,
FINANCIAL REPORTING
EDMONTON

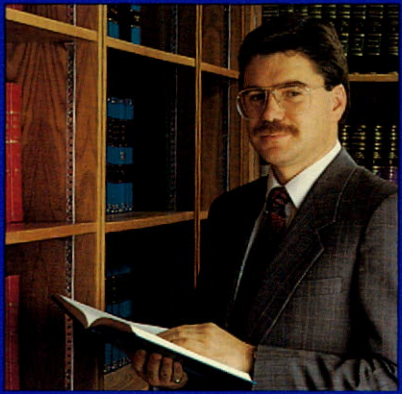
JEFF HAGEN
ASSOCIATE ENGINEER
SUPERIOR

GREG CARTWRIGHT
LEGAL COUNSEL
EDMONTON

Financial *(dollars in millions, except per share amounts)*	1991	*Per Share*	1990	*Per Share*	1989	*Per Share*
Pipeline earnings	$ 93.2	$ 2.35	$ 105.1	$ 2.65	$ 100.0	$ 2.53
After-tax gain on U.S. Master Limited Partnership transaction	$ 251.5	$ 6.34	–	–	–	–
Discontinued Oil and Gas Operations	$ (7.5)	$ (0.19)	$ 38.9	$ 0.99	$ 30.6	$ 0.77
Earnings	$ 337.2	$ 8.50	$ 144.0	$ 3.64	$ 130.6	$ 3.30
Cash from operations	$ 181.2	$ 4.57	$ 200.2	$ 5.05	$ 189.8	$ 4.79
Regular dividends	$ 79.3	$ 2.00	$ 79.2	$ 2.00	$ 79.2	$ 2.00
Special dividend	$ 278.4	$ 7.00	–	–	–	–
Return on average shareholders' equity	19.5 %		23.3 %		23.3 %	
Debt to debt plus equity at year-end	55.4 %		56.3 %		60.1 %	

Operating *(dollars in millions)*	1991	1990	1989
Operating revenue	$ 626.7	$ 622.2	$ 600.8
Capital expenditures	$ 118.1	$ 97.4	$ 81.2
Deliveries *(thousands of barrels per day)*	1,443	1,439	1,449
Barrel miles *(billions)*	671	691	708
Average haul *(miles)*	1,274	1,315	1,338





Interprovincial Pipe Line Inc. operates the world's longest petroleum pipeline, extending more than 2,300 miles through Canada and the United States. Three-quarters of the crude oil produced in Western Canada is transported by IPL to refining centres and markets in the Midwest United States and Eastern Canada. More than 1.4 million barrels of crude oil and other liquid hydrocarbons are delivered by the system every day.

The Canadian Main System, originating at Edmonton, Alberta, and ending at Montreal, Quebec, is owned and operated by IPL. A 540-mile pipeline which transports crude oil from Norman Wells, Northwest Territories, to Zama, Alberta, is owned and operated by Interprovincial Pipe Line (NW) Ltd., a wholly owned subsidiary of the Corporation. The U.S. portion of the system is operated by another wholly owned subsidiary, Lakehead Pipe Line Company, Inc. Lakehead is the General Partner and holds an approximate 20% interest in Lakehead Pipe Line Partners, L.P., a Master Limited Partnership which owns the U.S. pipeline assets.

> **The Corporation will strive to increase shareholder value by actively pursuing pipeline opportunities, consistent with its strengths and capabilities, for the transportation of crude oil and other liquid hydrocarbons, natural gas, or other commodities.**

MISSION STATEMENT

The Corporation will strive to increase shareholder value by actively pursuing pipeline opportunities, consistent with its strengths and capabilities, for the transportation of crude oil and other liquid hydrocarbons, natural gas, or other commodities. It will capitalize on its unique experience to lead pipeline development in North America. In all of its endeavours, the Corporation will conduct its activities with integrity and in a safe, efficient, environmentally sound manner.

Nineteen ninety-one was a year of changes, challenges and opportunities for Interprovincial Pipe Line Inc. Changes occurred in corporate structure, new operational challenges emerged, and several opportunities for future growth were pursued. A "business as usual" approach enabled us to take the events of the past year in stride. Our ongoing efforts to maintain, enhance and expand our pipeline system continue to be directed toward our key goals of serving the petroleum industry and building value for our shareholders.

BRIAN MacNEILL, PRESIDENT & CHIEF EXECUTIVE OFFICER

1991 FINANCIAL RESULTS

Earnings before Discontinued Oil and Gas Operations were $344.7 million or $8.69 per share for 1991 compared with earnings of $105.1 million or $2.65 per share in 1990. When the results of Discontinued Oil and Gas Operations are included, 1991 earnings were $337.2 million or $8.50 per share compared with $144.0 million or $3.64 per share last year.

The increase in earnings reflects a $365.9 million gain ($251.5 million after tax) resulting from the transfer, on December 27, 1991, of our U.S. pipeline business to a Master Limited Partnership. This increase was partially offset by lower earnings from the U.S. pipeline system. Lower U.S. earnings reflected non-recurring items, including reduced volumes due to temporary pressure restrictions and increased costs due to a hydrostatic test program resulting from a line break at Grand Rapids, Minnesota. Excluding the gain and the results of Discontinued Oil and Gas Operations, 1991 pipeline earnings decreased to $93.2 million or $2.35 per share from $105.1 million or $2.65 per share in 1990.

Oil and gas operations were discontinued on April 30, 1991. Prior to this date, lower crude oil and natural gas prices and volumes, together with higher operating costs and interest charges, resulted in a loss from discontinued operations.

Operating revenue increased slightly in 1991 to $626.7 million compared with $622.2 million last year. The effect of a 6.8% increase in annualized tolls on the Canadian Main System was partially offset by a decline in system utilization and a stronger Canadian dollar.

Cash from pipeline operations in 1991 declined to $181.2 million from $200.2 million in 1990 due primarily to lower earnings from our United States System.

A YEAR OF CHANGES

A major change occurred on May 1, 1991, when a restructuring of Interhome resulted in the spin-off of the oil and gas operations conducted by Home Oil. The pipeline assets and operations were retained by Interhome, which then changed its name to Interprovincial Pipe Line Inc. Interhome shareholders received one share of IPL and one share of Home Oil in exchange for each share of Interhome. Upon completion of the restructuring, IPL's corporate and registered office was transferred from Calgary, Alberta to Edmonton, where operational management has always been located.

Having our shares widely held ensures that IPL will remain a Canadian corporation and continue to operate a fully integrated pipeline system. We see this as positive for the shippers, refiners and suppliers who use our pipeline system and for all employees of the Corporation.

The issues associated with regulated pipeline operations are significantly different from those associated with oil and gas exploration and development. The separation of IPL and Home Oil into two publicly traded corporations allows each to be evaluated on its own merits by investors.

A second change involved the restructuring and refinancing of IPL's wholly owned U.S. subsidiary. Effective December 27, 1991, Lakehead transferred its U.S. pipeline business to the Master Limited Partnership, Lakehead Pipe Line Partners, L.P. An approximate 80% interest in the Partnership was sold to the U.S. public. Lakehead holds an approximate 20% interest and retains operational control of the U.S. pipeline business as the General Partner.

A portion of the net proceeds from the restructuring and refinancing was distributed to IPL shareholders on January 31, 1992, as a special dividend of $7.00 per share. The balance has been retained by IPL.

During 1991, approximately half of the Corporation's pipeline earnings were generated by the United States System. Lakehead's contribution to IPL's earnings will now decline, reflecting the reduction in IPL's ownership interest in the U.S. pipeline business. However, this decline may be partially mitigated by future earnings from the proceeds retained and invested.

On January 22, 1992, the Board of Directors approved in principle a plan for corporate reorganization to segregate the Canadian Main System, including the Sarnia-Montreal line, from IPL's other investments. This will simplify the regulation of IPL's tolls by the National Energy Board ("NEB"). It will also provide greater flexibility for the management of existing operations and future business opportunities which are either non-regulated or regulated separately.

The reorganization will create Interprovincial Pipe Line System Inc., a new public corporation to hold the assets and liabilities currently owned and managed by IPL. The investments which will be segregated from the Canadian Main System include: IPL (NW) in Northern Canada, Lakehead in the United States, and our head office building in Edmonton. The proposed reorganization requires approval by special resolution of IPL's shareholders at the Corporation's Annual and Special Meeting on May 6, 1992.

In 1990, GW Utilities Limited, which held approximately 64% of IPL's common shares, advised the Board of Directors of its intention to sell its interest in IPL, provided that acceptable terms could be obtained.

On March 5, 1992, GW Utilities announced the sale of its 25.2 million shares of IPL through an agreement with a group of Canadian underwriters. The shares will be offered to investors in Canada on an instalment basis. Any shares not subscribed for by investors will be purchased by the underwriters at the close of the sale.

The closing date is expected to be March 31, 1992, but will be no later than April 20, 1992. The first instalment will be due on the closing date, with the second instalment due one year later. Holders of instalment receipts will be entitled to receive dividends and vote at IPL shareholder meetings in the same manner as registered holders of IPL common shares.

As a result of this sale, IPL will become a more widely held public corporation, with many individual and institutional shareholders, rather than one large controlling shareholder and a smaller group of minority shareholders. Having our shares widely held ensures that IPL will remain a Canadian corporation and continue to operate a fully integrated pipeline system. We see this as positive for the shippers, refiners and suppliers who use our pipeline system and for all employees of the Corporation.

A YEAR OF CHALLENGES

Nineteen ninety-one was also a year in which our operational expertise and management abilities were put to the test. In March, a pipeline break on Line 3 at Grand Rapids, Minnesota, caused approximately 40,000 barrels of crude oil to be spilled. Lakehead had developed procedures for emergency response, and invested in equipment, technology and training to handle such an event. With the cooperation of local and state officials and the citizens of Grand Rapids, the spilled oil was quickly contained and a thorough cleanup undertaken.

A complete hydrostatic test of the U.S. portion of Line 3 began in July, and by year-end approximately 70% of the line had been successfully tested. Meanwhile, the maximum operating pressure of the line has been temporarily restricted. Both the pressure restriction and the testing program reduced the system's capacity for moving crude oil to destinations in the United States and Eastern Canada. Meeting the industry's needs during this period required careful planning, ingenuity, and hard work.

The deactivation in 1991 of our Line 9 from Sarnia, Ontario, to Montreal, Quebec, presented another type of challenge. Utilization of this line has declined steadily since 1980. The challenge now is to determine the most appropriate alternative use.

A YEAR OF OPPORTUNITIES

We are currently considering two possibilities for Line 9: reversal to transport imported crude oil from Portland, Maine, via Montreal to refineries in Ontario, or conversion to transport natural gas. Either alternative represents significant growth potential for the Corporation.

Our proposal for development of a new refined products pipeline in Quebec was accepted by Ultramar Canada late in 1991. Assuming regulatory approvals are received and the project continues to be economically viable, construction will begin in 1993. When completed, IPL will own and operate the line, with the entire capacity dedicated to Ultramar. At an estimated capital cost of more than $110 million (1991 dollars), this project represents an important addition to our pipeline operations.

A number of long-term programs are under way to preserve the integrity of our system and extend its life. In addition, we are constantly evaluating new technology, processes and procedures which may enhance the level of service we provide.

We see Northern Canada as another important area for future expansion. IPL has a one-sixth interest in a proposed joint venture to pursue the construction of a natural gas pipeline from the Mackenzie Delta. We are currently working with gas producers and other pipeline companies to develop a common-purpose approach to the project. However, at current prices such a project would not be viable without major financial support. Similarly, we are continuing to explore opportunities for increased transportation of liquid hydrocarbons in Northern Canada. Northern opportunities remain important on our long-term planning horizon.

CORPORATE OBJECTIVES AND STRATEGY

During 1991 we completed a long-range plan which identifies our overall goals and strategies. IPL's primary objective is to increase value for its shareholders by pursuing investment opportunities in the pipeline industry consistent with our strengths and capabilities. Our strategy to achieve this objective has four major components:

- maintaining our pipeline system in a safe and environmentally responsible manner to provide a high level of service to customers;
- enhancing the operation of our system to meet changing safety and environmental standards and evolving customer needs;
- expanding and extending the pipeline system to meet the growing needs of industry and respond to new sources of supply and demand;
- pursuing opportunities involving pipeline transportation of other commodities.

The maintenance of our pipeline system in a safe and environmentally responsible manner is our first priority. A number of long-term programs are under way to preserve the integrity of our system and extend its life. In addition, we are constantly evaluating new technology, processes and procedures which may enhance the level of service we provide.

In view of recent changes in our corporate structure, in the oil industry, and in national and international market conditions, critical self-examination of our activities is in order. We are currently undertaking a study to assess the effectiveness and efficiency of all aspects of our operations. A group of senior employees has been appointed full time to coordinate the study. Their findings will form the basis of a Continuous Improvement Program scheduled for implementation by the end of 1992.

At the same time, we recognize that maintaining our existing pipeline system and enhancing the service we provide will not by itself ensure continued success. During the past three years, total deliveries have remained constant while system utilization, which is a function of both delivery volumes and distance transported, has declined. Reduced demand in Ontario and Quebec and the availability of lower-priced foreign crude oil has produced a shift in deliveries from Eastern Canada to the U.S. Midwest. This has resulted in a decrease in the average distance crude oil is transported by the IPL system.

We must adapt to this change in our business by pursuing opportunities to expand our system and by developing new ways to serve the industry. Modifications to Line 9 and the Ultramar project are two examples of important new opportunities we are pursuing. Our good relationship with the petroleum industry, financial stability, and the expertise and experience gained through 42 years of pipeline operation, are important strengths to build upon for the future.

MANAGEMENT AND EMPLOYEES

Upon the restructuring of Interhome, Mr. R.F. Haskayne resigned as Chairman, President and Chief Executive Officer of the Corporation. Mr. B.F. MacNeill was elected President and Chief Executive Officer and a Director of IPL on May 1, 1991, and Mr. H.G. MacNeill, a Director since 1984, was elected Chairman.

We wish to express our sincere appreciation to all IPL employees for their efforts during the past year. Their dedication and expertise are the key to the standard of excellence achieved in 1991. With a year of changes behind us, we look forward to a future of new challenges and opportunities for IPL and for all of its employees.

On behalf of the Board of Directors

H.G. MacNeill
Chairman

B.F. MacNeill
President &
Chief Executive Officer

March 11, 1992

THE PIPELINE SYSTEM AND THE INDUSTRY

Canada's major oil pipeline is the IPL system, which transports crude oil produced in Western Canada to destinations in the Midwest United States and Eastern Canada. IPL operates as a "common carrier," receiving, transporting and delivering oil upon request and charging a transportation fee, or toll, to shippers. The system carries approximately 40 commodity types, most of which are crude oil based, but also including refined petroleum products and natural gas liquids.

More than 40 shippers use the IPL system. Shippers estimate how much oil they will have available in a particular month and nominate it for shipment. IPL then compares the total of offered shipments with the capacity of the system. If nominations exceed capacity, space on the pipeline is allotted to shippers through apportionment.

IPL's revenue is dependent on the quantity of oil shipped and the distance it is transported. Maintaining the system's reliability to ensure crude oil and other petroleum products are delivered to their destinations is of the utmost importance.

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Building, operating and maintaining a pipeline system thousands of miles long requires substantial investment and a long-term financial commitment. IPL operates the only pipeline system moving crude oil from Western Canada to Eastern markets. In the absence of direct market competition, pipeline tolls are government regulated to ensure reasonable rates to shippers and to permit a fair return on investment to pipeline owners.

STORAGE TANKS ALONG THE PIPELINE SYSTEM HOLD CRUDE OIL AND OTHER LIQUID HYDROCARBONS FOR SHIPMENT.

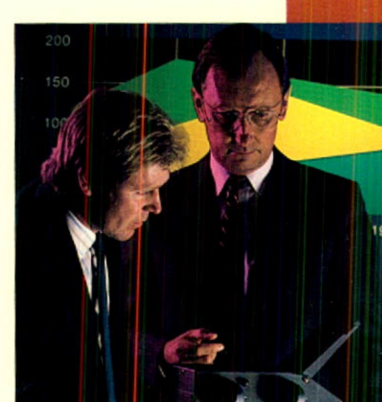
LEFT TO RIGHT:

DAVE STEWARD (LEFT)
COORDINATOR, BUSINESS GRAPHICS & PUBLISHING

HUGH SANGSTER (RIGHT)
VICE PRESIDENT, ENGINEERING
EDMONTON

GERRIT KLOET
TELECOMMUNICATIONS TECHNICIAN II
EDMONTON

KRIS ALBION
HUMAN RESOURCES ADVISOR
EDMONTON



REGULATION AND TOLLS

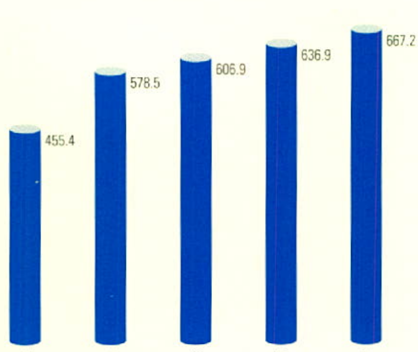
The tolls IPL charges to shippers for use of its pipeline system are regulated in Canada by the National Energy Board. The system of regulation, called "original cost ratemaking," uses historical cost less depreciation in setting the rate base. Under this system, IPL is allowed, though not guaranteed, the opportunity to recover its investment in pipeline facilities, as well as to earn a return on rate base. New tolls are approved by the NEB based on the estimated costs of operating the pipeline, projections of system deliveries, and an allowed rate of return.

IPL has historically been a low-cost transporter of crude oil and other liquid hydrocarbons. The rate of increase in IPL's tolls during the past 20 years has been less than the rate of inflation. For example, IPL's toll for transporting light crude oil from Edmonton to Sarnia was $0.48 per barrel in 1970. Restated in 1991 dollars, that would be $1.95 per barrel, compared with the actual 1991 toll of $1.31 per barrel. IPL's tolls also compare favourably with the historical price of crude oil. The Edmonton to Sarnia toll for light crude oil, which represented 13% of the price of a barrel of oil in 1970, had dropped to 5% by 1991.

The fact that the IPL system is an economical means of transporting liquid hydrocarbons from Western oil fields to Eastern refineries can also be illustrated by consumer costs. Currently, IPL's toll represents only 1.15 cents of the price of a litre of gasoline in Ontario.

Since 1987, IPL has been allowed a rate of return of 13.25% on 40% of the rate base for the Canadian Main System between Edmonton and Sarnia. The Norman Wells Pipeline is regulated on a full cost-of-service basis and earns a 16% rate of return on equity. The Sarnia-Montreal line is maintained on a break-even basis under an agreement with the Canadian Government.

CANADIAN MAIN SYSTEM RATE BASE (millions of dollars)



IPL filed a Class 3 Toll Adjustment Application with the NEB on June 28, 1991. The Corporation is requesting a 12% increase in tolls to offset increased costs, including higher fuel and power costs and property taxes. Of the requested increase in tolls, approximately 90% is the result of costs which are outside of IPL's control.

If the increase is approved, the toll for shipment of light crude oil from Edmonton to Sarnia will increase by nine cents to $1.40 per barrel. Effective January 1, 1992, IPL has been placed on interim tolls of $1.38 per barrel, an increase of 9%. Public hearings of IPL's application were completed in February and the NEB's decision is expected in the third quarter of this year.

IPL has also applied to have the allowed rate of return on the Canadian Main System increased from 13.25% to 13.5%, and for the rate of return to be calculated on 42.5% of its rate base rather than 40%, to reflect the economic and business risks associated with operating a pipeline system.

DALE BROOK
TERMINAL OPERATIONS
EDMONTON

The U.S. portion of the system is rate-regulated by the Federal Energy Regulatory Commission ("FERC"). Lakehead's tolls have not been adjusted since 1982. A new general policy announced by FERC in 1985 has not been uniformly applied, and it is not yet clear what methodology would be used in determining the tolls for any specific pipeline. The Partnership plans to file an application for toll adjustment in April, 1992.

SYSTEM DELIVERIES AND UTILIZATION

Pipeline system deliveries of crude oil and other liquid hydrocarbons averaged 1,443,000 barrels per day ("Bbls/day") in 1991. This represented a slight increase over 1990 deliveries.

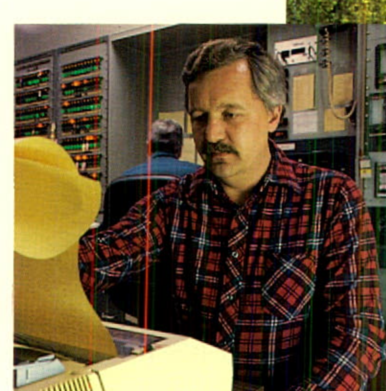
During 1991, deliveries to the Prairie Provinces averaged 232,000 Bbls/day, which was 9% higher than in the previous year. Increased light crude oil deliveries to Regina, Saskatchewan, for export to the United States, as well as higher condensate deliveries required for heavy crude oil blending, accounted for the increase.

Crude oil deliveries to the United States averaged 687,000 Bbls/day in 1991, which was a 16% increase over 1990. Deliveries to Eastern Canada averaged 524,000 Bbls/day, a 17% decrease from the prior year.

During 1991, IPL worked with industry representatives to develop new procedures to improve production forecasts and verify shipper nominations. These procedures were implemented on a trial basis in February 1992.

System utilization during 1991 totalled 671 billion barrel miles, which was 3% lower than in 1990. Lower crude oil demand in Eastern Canada and the cessation of deliveries to Montreal in mid-1991 resulted in increased crude oil volumes being exported to the United States. As a result, average distance transported declined 3%, producing a corresponding decrease in system utilization.

Volumes nominated for shipment on the pipeline system exceeded capacity throughout 1991, resulting in the need to apportion space in the pipeline. Apportionment during the year ranged from a low of 8% in April to a high of 36% in August. The line break at Grand Rapids, Minnesota, and resulting temporary pressure restriction and hydrostatic testing of Line 3, contributed to the need for apportionment. The magnitude of apportionment increased significantly during the latter part of the year.



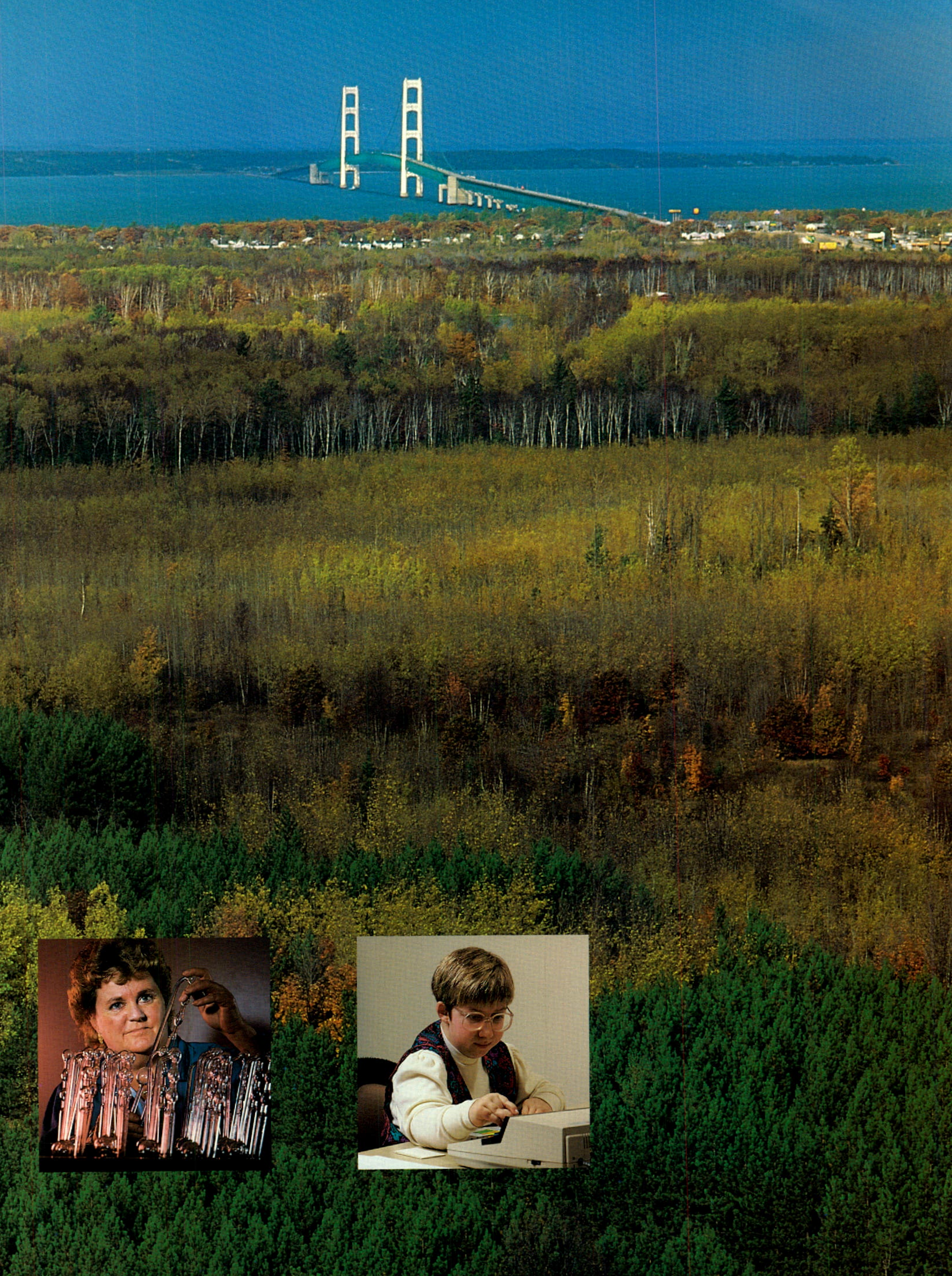
IPL'S PIPELINE CROSSES THE STRAITS OF MACKINAC, AT THE CONVERGENCE OF LAKES SUPERIOR, MICHIGAN AND HURON.

LEFT TO RIGHT:

RICK AUNET
TERMINAL FOREMAN
SUPERIOR

JANE McINNES
LAB SUPERVISOR
EDMONTON TERMINAL

VALORIE GORMAN
SENIOR CLERK,
ACCOUNTING SERVICES
EDMONTON



Lack of precision in volumes nominated for shipment is recognized as a problem for the petroleum industry as a whole. During 1991, IPL worked with industry representatives to develop new procedures to improve production forecasts and verify shipper nominations. These procedures were implemented on a trial basis in February 1992.

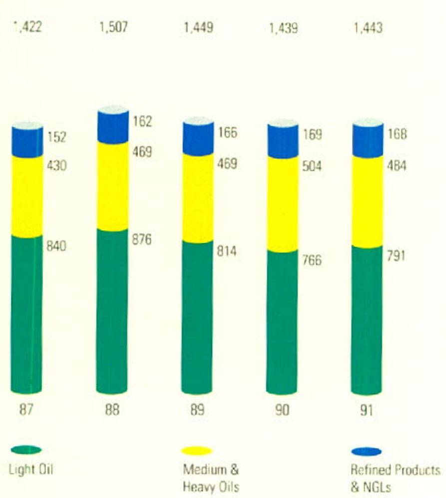
DEALING WITH AN OIL SPILL

On March 3, 1991, a break occurred on Lakehead's 34" pipeline at Grand Rapids, Minnesota, and 40,000 barrels of light, sweet crude oil leaked from the line. The pipeline was shut down and Lakehead implemented its emergency response plan. Local officials evacuated approximately 250 residents near the site of the spill as a precautionary measure. Air monitoring equipment was used to check hydrocarbon levels, and traffic was temporarily rerouted from a section of highway near the spill. Lakehead personnel were at the site less than an hour after the leak was confirmed.

Residents were allowed to return to their homes a few hours later when it was determined that no danger to public health or safety existed. Meanwhile, Lakehead crews were at work containing the spilled oil, and an emergency response centre was set up near the site. Most of the oil collected in a low-lying area where the break occurred, but about one-fifth of it seeped into a drainage system emptying into the nearby Prairie River. At that time of year, the river was still ice-covered and most of the oil pooled on top of the ice.

Cleaning up the oil was a 24-hour-a-day operation for as many as 100 workers over a period of several weeks. Booms were set up to prevent further spreading of the oil, which was then vacuumed from the river ice and from the ground at the spill site. All of the oil-contaminated soil was removed to a containment area to be disposed of in an environmentally safe manner by controlled incineration at a nearby power station. The drainage system was excavated and rebuilt, topsoil replaced, grass and trees replanted, and property restored. To date, containment, cleanup and restoration costs have totalled more than $7 million.

DELIVERIES
BY TYPE (thousands of barrels per day)

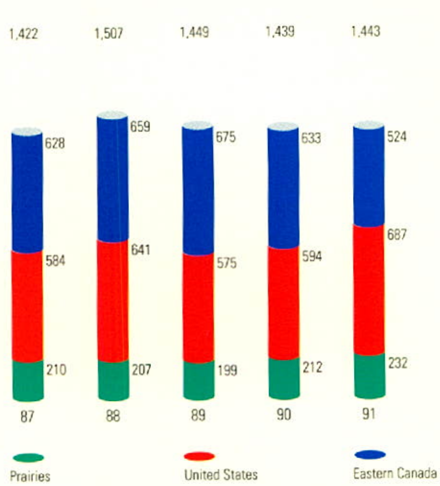


Lakehead's prompt response and intensive cleanup effort minimized the effect on the public and the environment. Regular tests were conducted by state and federal environmental and public safety agencies. Monitoring of air emissions showed that the vapours, while noticeable immediately after the spill, were well within safe limits. Water samples taken at frequent intervals revealed no contamination of ground or well water. Within two weeks of the spill, no detectable levels of oil were found in the Prairie River. The effects of the spill on fish and other wildlife of the area were found to be negligible.

State and local officials praised Lakehead's response, and the Governor of Minnesota described the cleanup as exemplary. Lakehead continues to work with landowners to settle claims and restore property affected by cleanup operations.

THE PRAIRIE RIVER DOWNSTREAM OF THE OIL SPILL AT GRAND RAPIDS, MINNESOTA, TWO MONTHS AFTER THE LINE BREAK.

DELIVERIES BY DESTINATION (thousands of barrels per day)



HYDROSTATIC TESTING OF LINE 3

Line 3 was shut down for four days while the break at Grand Rapids was repaired. When it returned to service, the pressure at which the line operates was temporarily restricted by the United States Department of Transportation ("DOT"), reducing sustainable capacity from 675,000 to 565,000 Bbls/day.

In addition, Lakehead agreed to carry out hydrostatic testing of Line 3 from the international border near Neche, North Dakota, to Superior, Wisconsin. This testing required that the line be shut down for short periods, during which time system deliveries were further affected.

The effects of reduced capacity were minimized through redistribution of crude oil types between lines, coordination with shippers and refiners, and use of flow-improving agents during hydrostatic testing.

The purpose of hydrostatic testing is to identify and repair any weaknesses in the line which could cause it to fail. The process involves injecting water into the line and increasing the pressure of the water inside the line well above the maximum pressure allowed when the line is in operation. If any breaks or leaks occur, the damaged sections of pipe are excavated and replaced and the line is retested. When the test is complete, the water is removed from the line as oil shipments resume.

In November 1991, IPL signed a project development agreement with Ultramar for a 10" refined products pipeline in Quebec. The 157-mile line will connect Ultramar's refinery in St. Romuald, near Quebec City, with its product terminal in Montreal East.

The overall testing program began in July 1991, with the final portion of the line scheduled to be tested by mid-1992. To date, a total of 227 miles, or approximately 70% of the U.S. portion of Line 3, has been tested. Replacement of pipe was carried out at four locations during testing, and all tests were completed on or ahead of schedule.

When the total program has been completed, an Operational Reliability Assessment will be submitted to the DOT describing the tests and their results. The DOT will then decide at what pressure the line will operate in the future.

REFINERIES PROCESS CRUDE OIL TRANSPORTED BY THE IPL SYSTEM.

LEFT TO RIGHT:

RAY PRYSKO
SUPERVISOR,
MECHANICAL DESIGN SERVICES
EDMONTON

JAMES LIN
MANAGER, OIL MOVEMENTS
EDMONTON

CHERYL ARMSTRONG
SECRETARY, RATE REGULATION
EDMONTON

PROJECT DEVELOPMENT

In November 1991, IPL signed a project development agreement with Ultramar for a 10" refined products pipeline in Quebec. The 157-mile line will connect Ultramar's refinery in St. Romuald, near Quebec City, with its product terminal in Montreal East. At a capacity of approximately 40,000 Bbls/day, the line will transport gasoline, heating oil and other refined products to Montreal consumers.

IPL recently completed a project plan and expects to file applications for construction with Quebec regulatory authorities later this year. Providing regulatory approvals are received and the project continues to be economically viable, construction could begin in 1993, with the line in service by early 1994. The capital cost of this project is estimated at more than $110 million (1991 dollars).

During 1991, the availability of lower-priced foreign oil made it uneconomical for Montreal refiners to continue purchasing Western Canadian crude oil. IPL's Line 9 from Sarnia to Montreal was taken out of service in July 1991, when the last shipper using the line requested delivery of its linefill and no further nominations were received. The line has been purged and is being maintained and monitored to preserve operating integrity for possible future use. Under the terms of an agreement with the Canadian Government, IPL is protected against the costs of maintaining the line until mid-1996.

Throughout the past year, IPL explored possible uses of Line 9 through discussions with shippers, refiners, natural gas distribution companies and government agencies. One option is reversal of the line to transport imported crude oil from Portland, Maine, through Montreal, to Ontario refineries. As part of its Class 3 Application for 1992 tolls, IPL has requested that the NEB consider an appropriate toll structure for Line 9 in the event that the line remains in crude oil service and is reversed.

Another option is to convert Line 9 to transport natural gas. IPL has entered into a letter of intent with ANR Pipeline Company to establish InterCoastal Pipeline. This new natural gas transmission system would serve markets in Eastern Canada. An assessment of the economics and level of support from gas distribution companies and consumers is currently under way.

Early in 1991, IPL's application to construct a storage and injection facility for natural gas liquids ("NGLs") at Edmonton was approved by the NEB. However, the stand-alone toll design imposed by the NEB made the project uneconomical.

During 1991, modifications were made to increase flexibility in delivering to the Esso refinery at Sarnia. A crude oil delivery metering system was completed for the Sunoco Inc. refinery, also in Sarnia. Construction of additional metering projects to improve oil measurement and leak detection at Edmonton; Superior; Clearbrook, Minnesota; and Mokena, Illinois, are scheduled for completion in 1992.

At Hardisty, Alberta, construction is proceeding on additional tankage to accommodate receipts of synthetic crude oil from the Lloydminster, Alberta, area. This $14-million project is scheduled to be in service by June 1992. As well, long-term programs to upgrade pipeline controls, fire protection systems and switchgear continue at locations in Canada and the United States. These programs are essential to the safe and environmentally responsible operation of the pipeline system.

CONSTRUCTION OF A GEODESIC DOME ROOF FOR A NEW STORAGE TANK AT HARDISTY, ALBERTA.

SYSTEM INTEGRITY

IPL believes in taking a proactive approach to the protection and maintenance of its pipeline system. The goal of the Corporation's system integrity programs is to protect IPL's facilities and to identify any irregularities in the line so that corrective action can be taken before a leak occurs.

Pipeline maintenance crews along the line carry out routine maintenance, regular visual inspections and, if necessary, pipeline repairs. The entire system is patrolled weekly from the air by IPL's aviation department. Computerized monitoring systems in Edmonton, Superior, Sarnia and Norman Wells identify any disruptions in flow, such as a drop in pressure, which might indicate a problem. Remote-controlled valves and pumps allow the system to be shut down if an unsafe condition is detected.

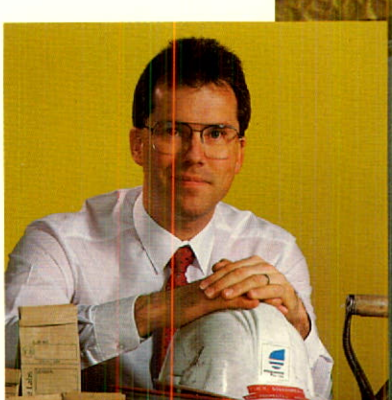
IPL believes in taking a proactive approach to the protection and maintenance of its pipeline system. Operating in an environmentally responsible manner is an aspect of good corporate citizenship that also makes good business sense.

IPL's System Integrity and Protection Department focuses on three areas: protective coatings and cathodic protection, both of which prevent corrosion, and internal inspection using electronic instruments to identify pipeline problem areas. IPL has a substantial and ongoing commitment to researching new technologies that offer increased effectiveness in pipe protection and damage detection.

ENVIRONMENTAL PROTECTION

IPL believes that operating in an environmentally responsible manner is an aspect of good corporate citizenship that also makes good business sense. The Corporation's Environment Group reviews operating procedures, trains employees, monitors IPL's activities for environmental impact, and liaises with regulatory and special interest groups. During 1991, environmental reviews were conducted to measure performance against internal standards and government regulations and to identify areas for improvement.

Regional facilities to reclaim oil-contaminated soils are currently being developed, with three bioremediation facilities scheduled for construction during 1992. IPL has also undertaken a variety of initiatives to increase the awareness of employees and the general public, including paper recycling and support of selected environmental projects in communities along the pipeline route.



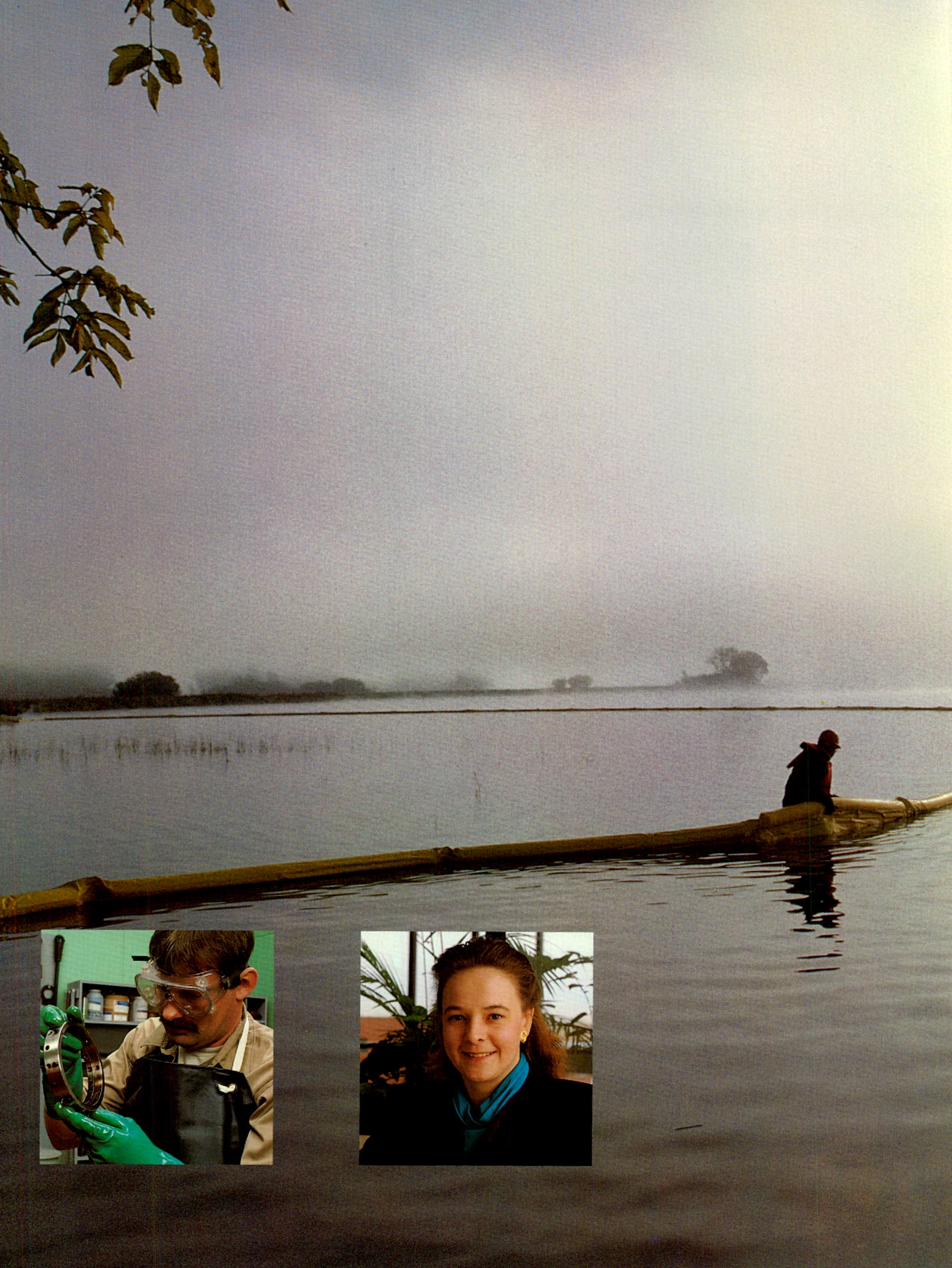
MORNING MIST RISES AS WORKERS DEPLOY A CONTAINMENT BOOM DURING AN OIL SPILL EXERCISE.

LEFT TO RIGHT:

TIM BOSSENBERRY
ENVIRONMENTAL ANALYST
EDMONTON

CHARLIE THELANDER
MECHANICAL SUPERVISOR
GRIFFITH

SUSAN MILLER
PROTECTION SYSTEMS COORDINATOR,
SYSTEM INTEGRITY
EDMONTON



SAFETY

IPL makes safety a priority in all operations and activities, to protect both its employees and the public. A written Health and Safety Policy provides guidelines for employees in carrying out their duties in a safe manner. Safety training is combined with job training to emphasize that safety is not a special skill, but integral to employees' work. Safety meetings are held regularly at every work location, and procedures have been established to ensure safety concerns are dealt with quickly and effectively.

Safety inspections are conducted quarterly to measure how well objectives are being met and identify areas for improvement. Safety forms part of performance appraisals for employees, and a safety award program recognizes employees' achievements.

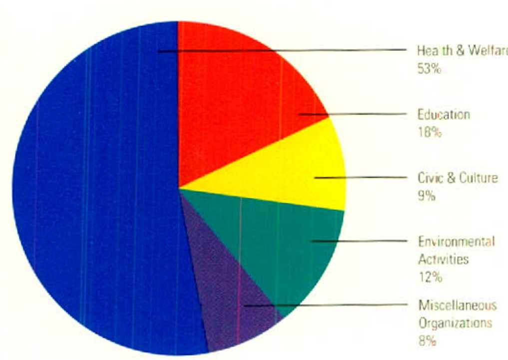
IPL's concern with employees' well-being extends beyond the workplace. Safety information events are hosted at locations along the pipeline route for employees and their families. As part of this ongoing commitment, IPL sponsored "Heroes," a travelling audio-visual production aimed at increasing safety consciousness among teenagers, in four communities in Western Canada during 1991.

CONTRIBUTIONS AND COMMUNITY INVOLVEMENT

IPL's strategy for contributions focuses on four major areas: health and welfare, education, civic and culture, and environmental. Whenever possible, support is given to communities along the pipeline route, many of which are small and unable to share in the benefits of large national campaigns. In addition to financial support from the Corporation, IPL employees make valuable contributions as volunteers in the communities in which they live and work.

The largest portion of IPL's contributions budget is devoted to helping the needy through health and welfare programs such as the United Way. Education is supported primarily through bursaries for students at colleges, universities and technical schools across Canada and in the United States. Support of cultural and civic events ranges from major symphony, opera, ballet and theatre companies to museums and amateur theatre groups in small communities. IPL also contributes to major environmental organizations such as the World Wildlife Fund and the Canadian Parks and Wilderness Society.

CONTRIBUTIONS BY TYPE



IPL recently launched a new initiative to support community groups in their efforts to restore, enhance or increase understanding and appreciation of their local environment. During 1991, financial support was provided to 15 communities in Saskatchewan. Over the next few years, the program will be expanded to other communities along the pipeline route.

HUMAN RESOURCES

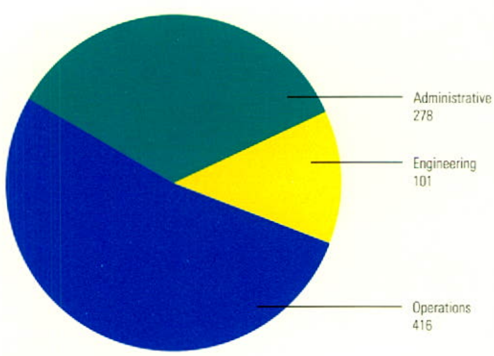
IPL takes a progressive approach to employee training and development. In 1991, internal programs on Practical Supervision and Effective Performance Management were initiated for current and potential supervisors and managers. In addition to these two new programs, employees from all levels were referred to existing programs on topics such as time management, writing skills, stress relief, and safety and environmental awareness.

Employees are also supported and encouraged in part-time attendance at universities, colleges and technical schools. In 1991, approximately 160 employees participated in the Corporation's Educational Refund Program, which provides financial sponsorship for courses to upgrade employees' skills and knowledge.

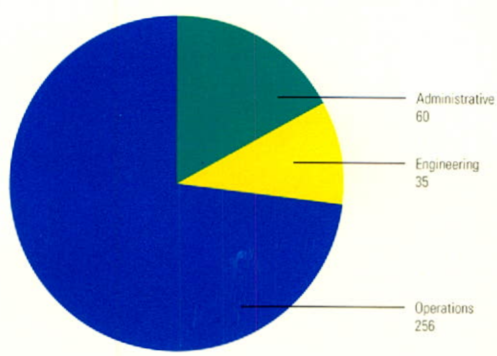
In conjunction with the Corporation's pay equity and employment equity policies, a comprehensive job evaluation system is being developed to complement the salary administration program.

IPL's Employee Assistance Program, initiated in 1990, is a professional assessment and referral service to assist employees and their families in dealing with personal problems. The Corporation recognizes that employee expertise, motivation and well-being are essential to the continued safe and successful operation of the pipeline system.

CANADIAN EMPLOYEES (total employees 795)



UNITED STATES EMPLOYEES (total employees 351)



IPL's 1991 results were affected, both positively and negatively, by specific non-recurring factors: the transfer of the U.S. pipeline business to a Master Limited Partnership, the discontinuance of oil and gas operations, and a leak at Grand Rapids, Minnesota.

Interprovincial Pipe Line Inc.'s 1991 results were affected, both positively and negatively, by specific non-recurring factors. The gain resulting from the transfer of the U.S. pipeline business to a U.S. Master Limited Partnership (the "Partnership"), the discontinuance of oil and gas operations, and the effect of a leak at Grand Rapids, Minnesota, significantly impacted this year's results.

Including the unusual after-tax gain of $251.5 million from the Partnership transaction, earnings before Discontinued Oil and Gas Operations were $344.7 million ($8.69 per share) compared with $105.1 million ($2.65 per share) in 1990 and $100.0 million ($2.53 per share) in 1989. When the results of Discontinued Oil and Gas Operations are included, 1991 earnings were $337.2 million ($8.50 per share) versus $144.0 million ($3.64 per share) last year and $130.6 million ($3.30 per share) in 1989.

Return on average shareholders' equity, excluding the effects of the corporate restructurings, declined to 19.5% from 23.3% in the previous two years. This decline is attributable to the non-recurring factors which affected the 1991 results.

Cash from operations in 1991 declined to $181.2 million from $200.2 million in 1990 and $189.8 million in 1989. The decline in 1991 was primarily a result of lower earnings from the United States System. In comparison with 1989, the 1990 cash from operations increased due to a higher contribution from the Canadian Main System.

SEGMENTED RESULTS

The segmented results reflect the three distinct components of the Corporation's pipeline operations.

Segmented Earnings

(dollars in millions)	1991	1990	1989
Canadian Main System	$ 36.0	$ 35.5	$ 26.5
Norman Wells Pipeline	14.2	14.1	14.5
United States System	42.9	57.0	57.0
Corporate	0.1	(1.5)	2.0
Pipeline Earnings	93.2	105.1	100.0
After-Tax Gain on U.S. Master Limited Partnership Transaction	251.5	–	–
Earnings Before Discontinued Oil and Gas Operations	344.7	105.1	100.0
Discontinued Oil and Gas Operations	(7.5)	38.9	30.6
Earnings	$ 337.2	$ 144.0	$ 130.6

Canadian Main System earnings were consistent with 1990, as increases in power costs and operating and administrative expenses were offset by increased operating revenue and a decline in interest expense. Lower earnings in 1989 reflected higher operating expenses and lower system utilization than anticipated in the 1989 approved tolls.

Over the three-year period, *Norman Wells Pipeline* earnings have been stable, as this system earns a 16% return on an approximate $89 million equity investment.

Earnings from the *United States System,* which due to the Partnership transaction in 1991 includes only the results to December 26, declined from the level reached in 1990 and 1989. As a result of the line break at Grand Rapids, the United States Department of Transportation ("DOT") imposed a temporary pressure restriction and the Corporation agreed to perform hydrostatic testing on Line 3. These factors adversely impacted system results in 1991. In the absence of any toll increases, the impact of higher power costs, normal operating cost increases, and a stronger Canadian dollar also contributed to the decline in earnings in 1991 compared with 1990. System earnings in 1990 were consistent with the previous year as reductions in power costs offset the effect of lower barrel miles.

As a result of the corporate restructuring and refinancing involving the Corporation's U.S. pipeline business, an after-tax gain of $251.5 million was realized on the U.S. Master Limited Partnership Transaction.

Corporate activities consist primarily of investment and other income. In 1991, such income was offset by foreign exchange losses. The negative contribution from Corporate activities in 1990 was the result of a write-down of short-term investments partially offset by interest income received on tax refunds.

As a result of the corporate restructuring and refinancing involving the Corporation's U.S. pipeline business, an after-tax gain of $251.5 million was realized on the *U.S. Master Limited Partnership Transaction.*

For 1991, ***Discontinued Oil and Gas Operations*** represented the results of Home Oil Company Limited for the four months ended April 30. Lower crude oil and natural gas prices and volumes, together with higher operating costs and interest charges, contributed to the loss for the four months prior to the restructuring. This compares with a contribution to earnings for the full fiscal years ended December 31, 1990 and 1989, including an extraordinary gain of $14.4 million in 1989 from the sale of an investment in the United Kingdom.

Segmented Cash from Operations

(dollars in millions)	1991	1990	1989
Canadian Main System	$ 92.3	$ 93.5	$ 78.5
Norman Wells Pipeline	28.7	28.6	30.0
United States System	56.5	74.6	76.8
Corporate	3.7	3.5	4.5
	$ 181.2	$ 200.2	$ 189.8

The 1991 decline in cash from operations is primarily attributable to lower earnings from the United States System. The increase in the 1990 level when compared with 1989 was the result of the improvement in Canadian Main System earnings.

CONSOLIDATED RESULTS

The Corporation's consolidated results in 1991 were impacted primarily by changes in operating income and the gain from the restructuring of the U.S. pipeline business.

Operating Income

(dollars in millions)	1991	1990	1989
Operating Revenue	$ 626.7	$ 622.2	$ 600.8
Power Costs	(127.9)	(124.4)	(132.9)
Operating and Administrative Expenses	(191.8)	(164.5)	(147.1)
Depreciation	(83.5)	(81.5)	(79.5)
Operating Income	$ 223.5	$ 251.8	$ 241.3

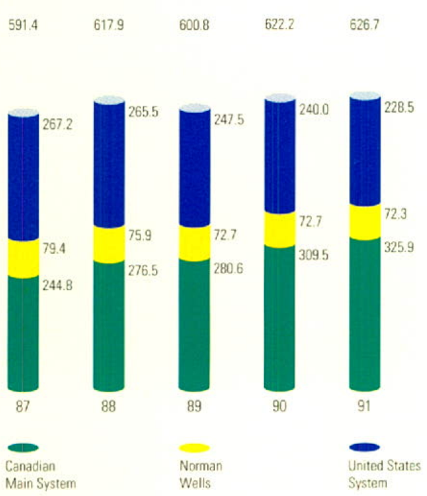
Operating revenue for 1991 increased marginally when compared with last year, as the effect of a 6.8% increase in annualized tolls on the Canadian Main System was offset by the decline in barrel miles on both the Canadian Main and United States Systems. The decline in system utilization is primarily attributable to a shift in deliveries from Eastern Canada to the U.S. Midwest, resulting in shorter average hauls, as well as the effect of the temporary pressure restriction imposed by the DOT following the leak at Grand Rapids. The increase in 1990 operating revenue over 1989 was the result of a Canadian Main System toll increase of 12.8%, partially offset by a decline in barrel miles in both Canada and the United States. A strengthening Canadian dollar had a negative impact on operating revenue in each of the three years.

In 1991, the shift in system delivery patterns resulted in higher *power costs* despite an overall decline in barrel miles. In both Canada and the United States, the portion of the system west of Chicago was operating near capacity, which resulted in disproportionately higher power costs. The portion of the system east of Chicago was operating significantly below capacity which, due to the effect of power contract minimum charges, resulted in power savings not proportionate with the decline in barrel miles. The decline in power costs in 1990 versus 1989 was primarily the result of an overall reduction in barrel miles partially offset by higher electrical rates in Canada.

The Corporation's liquidity position improved significantly as a result of the U.S. Partnership transaction. At December 31, 1991, the Corporation held $625.6 million in cash, a portion of which was used to pay the $7.00 per share special dividend in 1992.

When compared with 1990, ***operating and administrative expenses*** increased, mainly due to unusual factors: hydrostatic testing of Line 3 and other costs incurred as a result of the Grand Rapids line break, corporate restructuring costs incurred on the spin-off of Home Oil, and expenses related to taking Line 9 out of service and maintaining it in an idle state. These, combined with normal cost increases, resulted in higher operating and administrative expenses. The increase in 1990 over 1989 was mainly the result of higher pipeline repair and oil loss costs, increased property taxes, and staff additions required to perform essential ongoing safety and maintenance programs.

OPERATING REVENUE (millions of dollars)



Earnings

(dollars in millions)	1991	1990	1989
Operating Income	$ 223.5	$ 251.8	$ 241.3
Gain on U.S. Master Limited Partnership Transaction	365.9	–	–
Investment and Other Income	8.4	2.9	5.6
Interest Expense	(64.6)	(65.8)	(69.9)
Income Taxes	(188.5)	(83.8)	(77.0)
Discontinued Oil and Gas Operations	(7.5)	38.9	30.6
Earnings	$ 337.2	$ 144.0	$ 130.6

Pursuant to the terms of the ***U.S. Master Limited Partnership Transaction,*** the Corporation transferred its U.S. pipeline business to the Partnership in return for cash proceeds, the assumption of certain liabilities, and an approximate 20% equity interest in the Partnership. A complete description of the transaction, which resulted in a pretax gain of $365.9 million, is provided in Note 2 to the consolidated financial statements.

Investment and other income in 1990, when compared with both the preceding and current year, was abnormally low due to the $6.9 million write-down of short-term investments in that year partially offset by the interest received on tax refunds.

Over the three-year period, ***interest expense*** has decreased as a result of declining debt balances. In addition, lower interest rates on variable rate financing contributed to the decline in 1991.

Income taxes included $114.4 million on the gain from the U.S. pipeline restructuring which was taxed at an effective U.S. tax rate of 38.5%. The income tax rate on this gain was further reduced by the reversal of deferred taxes that had been recorded at higher historical rates. Consequently, the Corporation's overall effective tax rate in 1991 was 35.4%, a significant decrease from 44.4% in 1990 and 43.5% in 1989.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's liquidity position improved significantly as a result of the U.S. Partnership transaction. At December 31, 1991, the Corporation held $625.6 million in cash, a portion of which was used to pay the $7.00 per share special dividend in 1992.

Operating Activities

Cash from operations in 1991 totalled $181.2 million compared with $200.2 million in 1990 and $189.8 million in 1989. The decline in 1991 from the previous year is primarily due to increased operating revenue being more than offset by the increase in operating and administrative expenses. The increase in 1990 over 1989 was the result of higher revenues and lower power costs, partially offset by higher operating and administrative expenses.

Investing Activities

Investing activities, which usually consist of cash outflows to fund capital programs, provided a net source of cash in 1991. This is a result of $621.2 million in cash proceeds received from the U.S. Master Limited Partnership transaction.

Pipeline capital expenditures for the past three years have been incurred primarily to improve the operating efficiency and reliability of the system, and to construct additional storage facilities.

Pipeline capital expenditures for the past three years have been incurred primarily to improve the operating efficiency and reliability of the system, and to construct additional storage facilities. Total capital expenditures rose to $118.1 million in 1991 from $97.4 million in 1990 and $81.2 million in 1989 as the Corporation increased its effort to achieve these goals.

Financing Activities

In 1991, the Corporation retired $50.4 million in debentures resulting from sinking fund requirements and the full extinguishment of the debentures of its U.S. subsidiary, Lakehead Pipe Line Company, Inc. ("Lakehead"), prior to the Partnership transaction. The Corporation increased its variable rate financing by $72.7 million in 1991, a portion of which provided the proceeds to retire Lakehead's debentures. Of this amount, $58.0 million was assumed by the Partnership.

In addition to a special dividend of $7.00 per share declared in 1991, which was paid January 31, 1992, the Corporation continued its regular annual dividend program of $2.00 per share.

Over the three-year period, the Corporation's debt to debt plus equity ratio (excluding Discontinued Oil and Gas Operations) continuously improved to 55.4% at December 31, 1991 from 56.3% and 60.1% at December 31, 1990 and 1989, respectively. Excluding the after-tax gain on the Partnership transaction, earnings coverage of interest was 3.6 times, compared with 3.9 times and 3.5 times in 1990 and 1989, respectively.

At the end of 1991, the Corporation had access to approximately $350 million in unutilized credit facilities. These facilities represent an additional source of liquidity available to fund future operating, investing or financing activities.

FUTURE PROSPECTS

The corporate restructurings completed in 1991 will have a notable effect on the Corporation in future years. The spin-off of Home Oil into a separate entity resulted in a significant distribution of the Corporation's equity to its shareholders. In addition, the December 27, 1991 U.S. Master Limited Partnership transaction involving Lakehead has resulted in a reduction of the Corporation's share of future earnings from the U.S. pipeline business to 20%. Subsequent to the date of the Partnership transaction, the results of the United States System are not consolidated.

Financial Sensitivities

Earnings and cash flow from the Canadian Main System are sensitive to the regulatory environment and to changes in rate base.

The Corporation has applied to the National Energy Board of Canada ("NEB") to have its allowed rate of return on equity increased from 13.25% to 13.5% and its deemed equity component increased from 40% to 42.5%. The Corporation anticipates a decision from the NEB in the third quarter of this year. The impact of the application, if granted in its entirety, will result in an increase in earnings and cash flow of approximately $3 million. Of this increase, $1 million is related to the requested increase in return on equity with the balance attributable to the change in the deemed equity component.

In addition, earnings from the Canadian Main System are sensitive to variances in system utilization and in other operating factors, compared with those filed in the annual toll application. However, in accordance with regulatory and management practices, should the anticipated rate of return on equity for the year vary by more than 2% from the allowed rate, an application for revised tolls is filed with the NEB.

Furthermore, the Canadian Main System earnings are affected by a change in the rate base; a \$20 million change impacts annual earnings by approximately \$1 million.

Given the "full cost-of-service" methodology, earnings from the Norman Wells Pipeline are not sensitive to operating variances.

With no change in tolls, earnings from the United States System have been sensitive to variations in barrel miles and other operating factors. In addition, these results were sensitive to fluctuations in the U.S./Canadian dollar exchange rate. As a result of the Partnership transaction, financial sensitivities affecting the Corporation's U.S. operations have been significantly moderated.

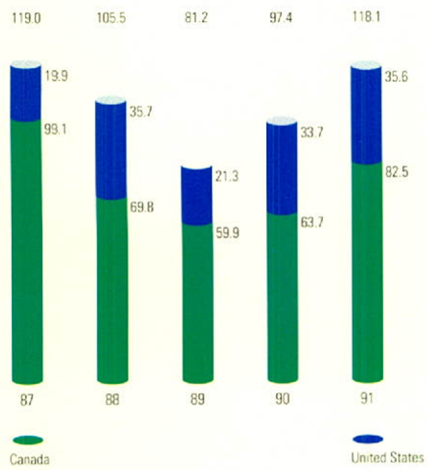
The 1992 capital expenditures, combined with sinking fund requirements and dividends, will be funded by cash from operations supplemented by cash retained from the Partnership transaction after the payment of the special dividend.

Capital Expenditures

For 1992, the Corporation has planned capital expenditures of approximately \$120 million for Canadian pipeline operations. A further \$50 million is forecast to be expended by the Partnership for U.S. pipeline operations. The capital programs in the United States will be funded by the Partnership and managed by Lakehead as the General Partner. The majority of these expenditures relate to maintaining a safe, efficient and environmentally sound pipeline system. Expenditures for a new refined products pipeline in Quebec, the Ultramar project, anticipated to total more than \$110 million (1991 dollars), are not scheduled to commence until 1993.

The 1992 capital expenditures, combined with sinking fund requirements and dividends, will be funded by cash from operations supplemented by cash retained from the Partnership transaction after the payment of the special dividend.

CAPITAL EXPENDITURES (millions of dollars)



MANAGEMENT'S REPORT

To the Shareholders of Interprovincial Pipe Line Inc.

Management is responsible for the accompanying consolidated financial statements and all other information in this Annual Report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include certain amounts that reflect management's judgement and best estimates. Financial information contained elsewhere in this Annual Report is consistent with the consolidated financial statements.

Management has established systems of internal control that provide reasonable assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The internal control system is augmented by an internal audit function and an established code of business conduct.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board, composed of directors who are not officers or employees of the Corporation, has a specific responsibility in this area. The Committee meets with management, internal auditors and independent auditors to review the internal controls, consolidated financial statements and auditors' reports. The Audit Committee reports its findings to the Board for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Price Waterhouse, appointed by the shareholders as the Corporation's independent auditors, conduct an examination of the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their examination includes a review of the Corporation's systems of internal control, and such tests and procedures as they consider necessary in order to express an opinion on the consolidated financial statements.

B. F. MacNeill
President & Chief Executive Officer

D. P. Truswell
Vice President, Finance

AUDITORS' REPORT

To the Shareholders of Interprovincial Pipe Line Inc.

We have audited the consolidated statement of financial position of Interprovincial Pipe Line Inc. as at December 31, 1991 and 1990 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended December 31, 1991. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1991 and 1990 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, 1991 in accordance with Canadian generally accepted accounting principles.

Price Waterhouse

Chartered Accountants

Edmonton, Alberta, Canada
February 4, 1992

CONSOLIDATED STATEMENT OF EARNINGS

Year ended December 31, *(dollars in millions, except per share amounts)*	1991	1990	1989
Operating Revenue	$ 626.7	$ 622.2	$ 600.8
Expenses			
Power	127.9	124.4	132.9
Operating and administrative	191.8	164.5	147.1
Depreciation	83.5	81.5	79.5
	403.2	370.4	359.5
Operating Income	223.5	251.8	241.3
Gain on U.S. Master Limited Partnership Transaction *(Note 2)*	365.9	–	–
Investment and Other Income *(Note 6)*	8.4	2.9	5.6
Interest Expense *(Note 7)*	(64.6)	(65.8)	(69.9)
Earnings Before Undernoted	533.2	188.9	177.0
Income Taxes *(Note 8)*	188.5	83.8	77.0
Earnings Before Discontinued Oil and Gas Operations	344.7	105.1	100.0
Discontinued Oil and Gas Operations *(Note 4)*	(7.5)	38.9	30.6
Earnings	$ 337.2	$ 144.0	$ 130.6
Earnings per Share *(Note 14)*			
Before Discontinued Oil and Gas Operations	$ 8.69	$ 2.65	$ 2.53
After Discontinued Oil and Gas Operations	$ 8.50	$ 3.64	$ 3.30

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended December 31, *(dollars in millions, except per share amounts)*	1991	1990	1989
Retained Earnings at Beginning of Year	$ 689.2	$ 624.4	$ 573.0
Distribution Under Plan of Arrangement *(Note 4)*	(431.0)	–	–
Earnings	337.2	144.0	130.6
Dividends Declared			
Regular	(79.3)	(79.2)	(79.2)
Special *(Note 2)*	(278.4)	–	–
Retained Earnings at End of Year	$ 237.7	$ 689.2	$ 624.4
Dividends per Share			
Regular	$ 2.00	$ 2.00	$ 2.00
Special	$ 7.00	$ –	$ –

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, *(dollars in millions)*	1991	1990	1989
Operating Activities			
Cash from operations *(Note 9)*	$ 181.2	$ 200.2	$ 189.8
Change in non-cash working capital *(Note 9)*	(0.7)	(2.8)	15.1
Deferred credits	(1.9)	3.3	(0.9)
	178.6	200.7	204.0
Investing Activities			
Additions to property, plant and equipment	(118.1)	(97.4)	(81.2)
Net cash proceeds from U.S. Master Limited Partnership transaction *(Note 2)*	621.2	–	–
Acquisition of subsidiary	(6.0)	–	–
Short-term investments	0.6	–	(5.2)
Other	(7.7)	(2.7)	(1.5)
	490.0	(100.1)	(87.9)
Financing Activities			
Retirement of debentures	(50.4)	(67.7)	(33.3)
Variable rate financing, net	72.7	19.5	(1.2)
Issuance of capital stock	1.7	0.7	1.5
Regular dividends paid	(79.3)	(79.2)	(79.2)
	(55.3)	(126.7)	(112.2)
Discontinued Oil and Gas Operations *(Note 4)*	7.8	8.7	(8.2)
Increase (Decrease) In Cash	621.1	(17.4)	(4.3)
Cash at Beginning of Year	4.5	21.9	26.2
Cash at End of Year	$ 625.6	$ 4.5	$ 21.9

The accompanying notes to the consolidated financial statements are an integral part of these statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, *(dollars in millions)*	1991	1990
Assets		
Current Assets		
Cash	$ 625.6	$ 4.5
Short-term investments	–	1.0
Accounts receivable	57.1	54.3
Inventories	2.5	6.9
	685.2	66.7
Investment in U.S. Master Limited Partnership *(Note 3)*	5.7	–
Discontinued Oil and Gas Operations *(Note 4)*	–	635.5
Deferred Charges and Other Assets *(Note 10)*	16.9	17.2
Property, Plant and Equipment *(Note 11)*	1,062.6	1,361.9
	$ 1,770.4	$ 2,081.3
Liabilities and Shareholders' Equity		
Current Liabilities		
Short-term borrowings *(Note 12)*	$ –	$ 18.2
Accounts payable and accrued liabilities	59.6	72.4
Income and other taxes	21.7	17.4
Special dividend payable	278.4	–
Current portion of long-term debt	26.6	27.5
Current portion of deferred credits	2.2	7.5
	388.5	143.0
Long-Term Debt *(Note 12)*	543.2	559.7
Deferred Credits *(Note 13)*	13.2	20.3
Deferred Income Taxes	366.8	252.8
Contingencies *(Note 3)*		
	1,311.7	975.8
Shareholders' Equity		
Capital stock *(Note 14)* Issued – 39,699,156 common shares (1990 – 39,637,179)	219.7	389.6
Contributed surplus *(Note 4)*	–	23.3
Retained earnings	237.7	689.2
Foreign currency translation adjustment	1.3	3.4
	458.7	1,105.5
	$ 1,770.4	$ 2,081.3

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Approved by the Board:

Director *Director*

(tabular amounts expressed in millions of dollars, except number of shares and per share amounts)

1. Summary of Significant Accounting Policies

The consolidated financial statements of Interprovincial Pipe Line Inc. are prepared in accordance with Canadian generally accepted accounting principles and conform in all material respects with the historical cost accounting standards of the International Accounting Standards Committee.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and all of its subsidiaries. Investments in entities which are not subsidiaries, but over which the Corporation exercises significant influence, are accounted for using the equity method.

Regulation of Pipeline System

The Corporation has ownership in and operates a pipeline system in Canada and the United States for the transportation of crude oil and other liquid hydrocarbons. Construction, operations, accounting and rates in Canada are under the regulatory authority of the National Energy Board ("NEB"). Rates and accounting in the United States are under the regulatory authority of the Federal Energy Regulatory Commission.

Foreign Currency Translation

The operations of the Corporation's self-sustaining foreign subsidiary are translated into Canadian dollars using the current rate method. Revenue and expenses are translated at exchange rates prevailing during the year. Assets and liabilities are translated at rates of exchange in effect at the date of the statement of financial position. Gains or losses resulting from these translation adjustments are deferred as a separate component of shareholders' equity until there is a realized reduction of the net investment in the foreign subsidiary.

Revenue Recognition

Substantially all pipeline system revenues are derived from transportation of crude oil and other liquid hydrocarbons and are recognized in earnings upon delivery.

Cash

Cash includes short-term deposits, which are all highly marketable securities with a maturity of three months or less when purchased.

Short-Term Investments and Inventories

Short-term investments are valued at the lower of cost and market; inventories are stated at the lower of cost and net realizable value.

Deferred Financing Charges

Deferred financing charges are amortized on the straight-line basis over the life of the related debt.

Property, Plant and Equipment

Expenditures for system expansion and major renewals and betterments are capitalized; maintenance and repair costs are expensed as incurred. Canadian operations follow the practice of capitalizing, at rates authorized by the NEB, an allowance for debt and equity funds required to finance construction.
U.S. operations capitalize an allowance for interest incurred on external borrowings during construction.

Depreciation

Depreciation of property, plant and equipment, other than the Montreal Extension, is provided on the straight-line basis over their estimated service lives. In accordance with the terms of the Deficiency Agreement with the Government of Canada, the Montreal Extension facilities are depreciated on a 20-year straight-line basis. Future removal and site restoration obligations have not been accrued since it is expected that such costs will be recoverable through tolls. Regulatory approval has not yet been sought and the recovery method and timing have not been determined.

When property, plant and equipment are retired or otherwise disposed of, the cost less net proceeds is charged to accumulated depreciation except for unusual disposals for which the gain or loss is included in earnings.

Deferred Income Taxes

Income taxes are accounted for using the tax allocation basis of accounting. Under this method, deferred income taxes are recorded with respect to differences between depreciation and other items recorded in the accounts and those claimed or included for income tax purposes.

Comparative Amounts

Certain comparative amounts are reclassified to conform with the current year's financial statement presentation.

2. *U.S. Master Limited Partnership Transaction*

On December 27, 1991, the Corporation completed a restructuring and refinancing transaction involving its wholly-owned U.S. subsidiary, Lakehead Pipe Line Company, Inc. ("Lakehead"), whereby Lakehead transferred substantially all of its assets and liabilities related to its pipeline business to Lakehead Pipe Line Partners, L.P., a U.S. Master Limited Partnership (the "Partnership"). Under the terms of the transaction, Lakehead retained an effective 2% general partner interest and an 18% limited partner interest in the Partnership.

Proceeds of the transaction were as follows:

Cash	$ 631.7
Debt defeasance costs	(10.5)
Net cash proceeds	621.2
Liabilities assumed	79.6
Partnership interest retained	5.5
Net foreign exchange gain [1]	1.1
Proceeds	$ 707.4

[1] *Net foreign exchange gain includes realization of the foreign currency translation adjustment in the amount of $2.5 million arising from the transaction.*

The transaction resulted in the following gain:

Proceeds	$ 707.4
Assets conveyed	
Property, plant and equipment	(331.6)
Other	(9.9)
Gain before taxes	365.9
Income taxes deferred	(104.6)
U.S. withholding taxes	(9.8)
Gain after taxes	$ 251.5

On completion of the transaction, a special dividend of $7.00 per share was declared payable January 31, 1992 to shareholders of record on January 15, 1992.

To facilitate the ongoing financing of the Partnership, Lakehead Services, Limited Partnership (the "Services Partnership"), a U.S. limited partnership, was formed. Lakehead owns a 99% limited partner interest in the Services Partnership and the Partnership holds a 1% general partner interest. The Services Partnership has irrevocably placed U.S. $214.1 million of U.S. Government Securities in a trust to be used solely for satisfying scheduled payments of both interest and principal on borrowings of U.S. $205.0 million assumed by the Services Partnership from the Partnership. This transaction has been recognized as an in-substance defeasance and the debt is considered to be extinguished.

For comparison purposes, the following table presents the Corporation's historical results as if it held only a 20% interest in its former U.S. pipeline business accounted for using the equity method. The gain on the U.S. Master Limited Partnership transaction and the results of Discontinued Oil and Gas Operations are excluded.

Year ended December 31,	1991	1990	1989
Operating revenue	$ 398.2	$ 382.2	$ 353.3
Expenses			
Power	69.1	66.4	68.7
Operating and administrative	116.9	105.9	91.6
Depreciation	62.8	60.5	57.8
	248.8	232.8	218.1
Operating income	149.4	149.4	135.2
Equity earnings from U.S. pipeline business [1]	14.3	19.5	20.2
Investment and other income [2]	9.7	6.6	8.7
Interest expense	(62.8)	(64.6)	(67.6)
Earnings before income taxes	110.6	110.9	96.5
Income taxes	50.9	50.2	41.2
Earnings	$ 59.7	$ 60.7	$ 55.3

[1] *Equity earnings from U.S. pipeline business does not reflect interest expense related to additional debt financing arranged by the Partnership.*

[2] *The income effect of cash proceeds from the transaction, net of payment of the special dividend, is not reflected in investment and other income.*

Cash from operations determined on the same basis would have amounted to $133.2 million, $135.9 million and $122.9 million for 1991, 1990 and 1989, respectively.

3. *Investment In U.S. Master Limited Partnership*

The carrying value of Lakehead's investment in the Partnership, which is based on the historical cost of net assets transferred, was derived as follows:

Partners' capital as at December 27, 1991	$ 403.1
Excess of the Partnership's property, plant and equipment over Lakehead's historical cost	
Gain on U.S. Master Limited Partnership transaction	365.9
Charges (credits) not affecting partners' capital	
Debt defeasance costs	10.5
Net foreign exchange gain	(1.1)
	375.3
Net assets of the Partnership at historical cost	$ 27.8

Lakehead's 20% investment in U.S. Master Limited Partnership at December 27, 1991	$ 5.5
Equity earnings for period ended December 31, 1991	0.2
Investment in U.S. Master Limited Partnership at December 31, 1991	$ 5.7

Equity earnings reflect Lakehead's 20% interest in the earnings of the Partnership adjusted for the restatement of depreciation on a historical basis and any related foreign exchange gains and losses.

The assets and liabilities of the Partnership are summarized below:

	December 31, 1991	December 27, 1991
Current assets	$ 73.9	$ 171.2
Deferred charges and other assets	8.7	8.7
Property, plant and equipment	703.8	707.0
	$ 786.4	$ 886.9
Current liabilities	$ 25.9	$ 124.2
Long-term debt	358.2	359.6
Partners' capital	402.3	403.1
	$ 786.4	$ 886.9

The Partnership, which does not have any employees, uses the services of the Corporation for managing and operating its pipeline business. These services are reimbursed at cost in accordance with service agreements.

In conjunction with Lakehead's transfer of its pipeline business, the Partnership assumed all of Lakehead's indebtedness and substantially all of the liabilities associated with the contributed assets. If, and to the extent that, the Partnership is unable to recover the costs relating to such liabilities in its tolls, Lakehead will indemnify the Partnership from and against substantially all liabilities (including liabilities relating to environmental matters) associated with the contributed assets that relate to events prior to December 27, 1991, other than any liabilities resulting from a change in laws after such transfer. In addition, in the event of default, Lakehead as the General Partner is subject to recourse from the holders of U.S. $310.0 million, 9.15% First Mortgage Notes payable by the Partnership. The Corporation has also guaranteed minimum quarterly distributions on the 80% limited partnership interest held by the public to a cumulative maximum of U.S. $60.0 million over the guarantee period expiring December 31, 1996.

4. *Discontinued Oil And Gas Operations*

On April 25, 1991, the shareholders of Interhome Energy Inc. approved a Plan of Arrangement whereby ownership of its oil and gas subsidiary, Home Oil Company Limited, was distributed to Interhome shareholders on May 1, 1991. The shareholders also approved changing the name of Interhome to Interprovincial Pipe Line Inc.

Under the terms of the Arrangement, the principal and interest obligations on certain indebtedness of the Corporation were assumed by Home Oil effective May 1, 1991. These obligations comprised the 11% Series J Debentures ($125.0 million), notes issued under the Note Issuance Facility (U.S. $75.0 million) and certain commercial paper ($10.0 million). The Note Issuance Facility and commercial paper obligations were effectively repaid by Home Oil on May 1, 1991. The Series J Debentures will continue to be the legal obligation of the Corporation. However, a letter of credit has been received from a financial institution in favour of the Corporation supporting Home Oil's payment obligations which match and offset the Corporation's liability for principal and interest payments on these debentures. Accordingly, Series J Debentures are not shown as debt of the Corporation after May 1, 1991.

In addition to the prescribed debt allocation, the terms of the Arrangement specified that Home Oil repay advances made to it by the Corporation. These advances had been directly supported by short-term borrowings. All advances made by the Corporation to Home Oil were repaid subsequent to the effective date of the Arrangement, and the proceeds were utilized to retire short-term borrowings.

Earnings (loss) from Discontinued Oil and Gas Operations was comprised of:

	Four months ended April 30, 1991	Year ended December 31, 1990	1989
Operating revenue	$ 93.1	$ 325.8	$ 270.5
Operating and administrative expenses	(33.2)	(92.7)	(83.8)
Depletion and depreciation	(42.6)	(118.1)	(122.0)
Investment and other income	1.6	6.1	5.5
Interest expense	(25.4)	(69.2)	(54.0)
Earnings (loss) before income taxes and extraordinary gain	(6.5)	51.9	16.2
Income taxes	1.0	13.0	–
Earnings (loss) before extraordinary gain	(7.5)	38.9	16.2
Extraordinary gain on sale of investment	–	–	14.4
	$ (7.5)	$ 38.9	$ 30.6

Home Oil followed the full cost method of accounting for its oil and gas operations and used the unit-of-production method to calculate depletion.

Cash flow from (to) Discontinued Oil and Gas Operations was comprised of:

	Four months ended April 30, 1991	Year ended December 31, 1990	1989
Dividends from Home Oil	$ 2.9	$ 11.6	$ 11.6
After-tax interest on debt allocated to Home Oil	(4.0)	(12.9)	(12.4)
Tax benefit of resource expenditure renouncements	2.9	11.0	7.9
Investment in Home Oil	–	–	(15.0)
Issuance of long-term debt	–	124.0	–
Variable rate financing, net	6.0	(125.0)	(0.3)
	$ 7.8	$ 8.7	$ (8.2)

The investment in Discontinued Oil and Gas Operations was comprised of:

	April 30, 1991	December 31, 1990
Current assets	$ 75.6	$ 95.4
Deferred charges and other assets	36.7	36.7
Property, plant and equipment	1,620.0	1,603.3
Current liabilities	(164.3)	(165.2)
Long-term debt	(446.4)	(443.7)
Deferred credits	(30.0)	(33.2)
Deferred income taxes	(437.2)	(429.9)
Minority interest	(28.5)	(27.9)
	$ 625.9	$ 635.5

The investment in Home Oil was distributed to the shareholders, resulting in the following reductions to the components of shareholders' equity:

April 30,	1991
Capital stock	$ 171.6
Contributed surplus	23.3
Retained earnings	431.0
	$ 625.9

5. *Segmented Information*

The Corporation operates principally in one business segment of the energy industry: the transportation of crude oil and other liquid hydrocarbons through a common carrier pipeline system. These operations are conducted in Canada and the United States. The Corporation does not have any inter-segment sales.

Geographic Segments

Year ended December 31,	1991	1990	1989
Operating revenue			
Canada	$ 398.2	$ 382.2	$ 353.3
United States	228.5	240.0	247.5
	$ 626.7	$ 622.2	$ 600.8
Operating income			
Canada	$ 149.4	$ 149.4	$ 135.2
United States	74.1	102.4	106.1
	$ 223.5	$ 251.8	$ 241.3

December 31,	1991	1990	1989
Identifiable assets			
Canada	$ 1,080.2	$ 1,063.9	$ 1,058.8
United States	24.1	346.1	329.5
	1,104.3	1,410.0	1,388.3
Corporate	666.1	671.3	663.7
	$ 1,770.4	$ 2,081.3	$ 2,052.0

6. *Investment And Other Income*

Year ended December 31,	1991	1990	1989
Interest	$ 1.1	$ 1.8	$ 1.7
Allowance for equity funds used during construction	1.4	1.1	1.7
Other	5.9	–	2.2
	$ 8.4	$ 2.9	$ 5.6

7. *Interest Expense*

Year ended December 31,	1991	1990	1989
Long-term debt	$ 64.7	$ 66.8	$ 71.0
Short-term borrowings	2.1	1.0	1.0
Capitalized	(2.2)	(2.0)	(2.1)
	$ 64.6	$ 65.8	$ 69.9

8. *Income Taxes*

The geographic components of pretax earnings and income taxes were as follows:

Year ended December 31,	1991	1990	1989
Pretax earnings			
Canada	$ 91.1	$ 88.2	$ 73.6
United States	442.1	100.7	103.4
	$ 533.2	$ 188.9	$ 177.0

Year ended December 31,	1991	1990	1989
Current income taxes			
Canada	$ 35.0	$ 33.7	$ 19.9
United States	32.6	39.8	39.6
U.S. withholding taxes	13.5	4.9	6.1
	81.1	78.4	65.6
Deferred income taxes			
Canada	8.1	6.9	11.5
United States	99.3	(1.5)	(0.1)
	107.4	5.4	11.4
	$ 188.5	$ 83.8	$ 77.0

Deferred income taxes result from timing differences in the recognition of items for income tax and financial statement purposes. These differences have arisen principally as a result of the deferral of the gain on the U.S. Master Limited Partnership transaction for income tax purposes and claiming capital cost allowance in excess of depreciation provided in the accounts.

Taxable dividends received from Lakehead are subject to a 10% withholding tax. In 1991, U.S. withholding taxes included $9.8 million related to the non-exempt portion of dividends received from Lakehead from the proceeds of the U.S. Master Limited Partnership transaction.

The income tax provision differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates to pretax earnings. The differences result from the items shown in the following table:

Year ended December 31,	1991	1990	1989
Pretax earnings	$ 533.2	$ 188.9	$ 177.0
Canadian statutory income tax rate	43.5%	43.2%	42.3%
Income taxes at statutory rate	$ 231.9	$ 81.6	$ 74.9
Increase (decrease) resulting from:			
U.S. withholding taxes	13.5	4.9	6.1
U.S. income tax rate differentials [1]	(59.2)	(5.3)	(4.4)
Other	2.3	2.6	0.4
Income taxes	$ 188.5	$ 83.8	$ 77.0
Effective income tax rate	35.4%	44.4%	43.5%

[1] *U.S. income tax rate differentials in 1991 include $54.0 million related to the gain on the U.S. Master Limited Partnership transaction.*

9. *Cash Flows Information*

Cash from Operations

Year ended December 31,	1991	1990	1989
Earnings before Discontinued Oil and Gas Operations	$ 344.7	$ 105.1	$ 100.0
Charges (credits) not affecting cash			
Gain on U.S. Master Limited Partnership transaction	(365.9)	–	–
Depreciation	83.5	81.5	79.5
Deferred income taxes	107.4	5.4	11.4
Allowance for equity funds used during construction	(1.4)	(1.1)	(1.7)
Other	12.9	9.3	0.6
	$ 181.2	$ 200.2	$ 189.8

Change in Non-Cash Working Capital

Year ended December 31,	1991	1990	1989
Accounts receivable	$ (2.8)	$ (8.5)	$ (5.8)
Inventories	4.4	(0.7)	(0.4)
Accounts payable and accrued liabilities	(12.8)	3.3	19.4
Income and other taxes	4.3	3.1	1.9
Change in non-cash working capital related to the U.S. Master Limited Partnership transaction	6.2	–	–
	$ (0.7)	$ (2.8)	$ 15.1

Other Cash Flows Information

Interest paid (net of amounts capitalized) in 1991, including interest allocated to Discontinued Oil and Gas Operations, was $84.5 million (1990 – $97.7 million; 1989 – $92.2 million). Income taxes paid, net of the benefits arising from Discontinued Oil and Gas Operations, amounted to $72.0 million (1990 – $53.8 million; 1989 – $45.7 million).

10. *Deferred Charges And Other Assets*

December 31,	1991	1990
Deferred financing charges	$ 3.9	$ 4.6
Deferred transportation charges	4.7	4.9
Deferred pension plan asset	2.5	1.9
Other	5.8	5.8
	$ 16.9	$ 17.2

11. *Property, Plant And Equipment*

December 31,	1991	1990
Land and rights-of-way	$ 12.5	$ 29.4
Pipeline	783.4	1,182.5
Pumping equipment, buildings and tanks	671.5	848.4
Montreal Extension	251.9	251.7
Construction in progress	25.3	25.5
	1,744.6	2,337.5
Accumulated depreciation	(682.0)	(975.6)
	$ 1,062.6	$ 1,361.9

12. *Debt*

December 31,	Maturity	1991	1990
Sinking fund debentures			
Unsecured			
6.50% (1990 – U.S. $2.1)	1992	$ –	$ 2.4
7.125% (1990 – U.S. $7.5)	1993	–	8.7
7.60% (1990 – U.S. $11.8)	1997	–	13.7
8.625%	1993	17.6	18.7
10.00%	2006	114.7	115.2
10.125%	1996	13.3	15.9
10.875%	1996	25.0	29.4
11.375%	1996	25.0	29.4
		195.6	233.4
Secured [1]			
11.10%	1999	45.7	51.5
12.70%	2004	60.0	63.0
13.40%	2004	80.0	84.0
		185.7	198.5
Other debentures			
Unsecured			
10.80%	2008	100.0	100.0
12.25%	1993	50.0	50.0
		150.0	150.0
Variable rate financing [2]		38.5	23.5
Classified as short-term borrowings		–	(18.2)
		38.5	5.3
		569.8	587.2
Current portion of long-term debt		(26.6)	(27.5)
Long-term debt		$ 543.2	$ 559.7

[1] *Secured by an assignment of the benefits of the Norman Wells Pipeline Agreement and a first mortgage on the Norman Wells pipeline properties.*

[2] *Variable rate financing for pipeline assets which are supported by committed long-term bank lines of credit are classified as long-term.*

The Corporation's available bank lines of credit total $387.5 million, of which $38.5 million was utilized at December 31, 1991. Upon drawdown, the loans bear interest at prevailing market rates and are unsecured. One of the facilities, a $240.0 million revolving term loan, is committed until 1995 subject to annual reductions of $60.0 million and carries standby fees of 0.0625% to 0.125% per annum on the unutilized portion.

The interest rate on variable rate financing, including amounts allocated to Discontinued Oil and Gas Operations, averaged 10.0% during 1991 (1990 – 13.0%; 1989 – 11.9%) and was 7.7% at the end of 1991 (1990 – 12.5%).

The amounts of long-term debt maturities and sinking fund requirements for the years ending December 31, 1992 through 1996 are $26.6 million, $99.2 million, $31.6 million, $31.6 million, and $30.4 million, respectively.

13. *Deferred Credits*

December 31,	1991	1990
Frontier Pipeline Company	$ 10.3	$ 12.9
Deferred investment tax credits	–	8.8
Deferred cost recovery	–	4.1
Deferred pension settlement	4.1	–
Other	1.0	2.0
	15.4	27.8
Current portion of deferred credits	(2.2)	(7.5)
	$ 13.2	$ 20.3

Frontier Pipeline Company

The Corporation has a 35% partnership interest in Frontier Pipeline Company and is required to support to this extent Frontier's financial obligations. Pipeline operations were suspended early in 1988, but were reactivated in July 1990. The deferred liability of $10.3 million, including the current portion of $1.2 million (1990 – $12.9 million and $2.5 million, respectively), represents the Corporation's obligation in respect of the repayment of Frontier's debt. This obligation is payable in varying annual instalments through 1994.

Deferred Investment Tax Credits

Prior to 1986, the Corporation was allowed credits against income taxes payable of a specified percentage of the cost of certain depreciable assets acquired and placed into service in the United States. These credits were deferred and were being taken into earnings over the life of the related assets. As a result of the U.S. Master Limited Partnership transaction, all remaining credits were taken into earnings in 1991.

Deferred Cost Recovery

In 1990, the NEB undertook to assess parties under its jurisdiction for its operating costs. The Corporation recovered the proposed assessment from shippers in its 1990 tolls. The NEB subsequently postponed the assessment until 1991 and such recovered amounts were refunded to shippers through 1991 tolls.

Deferred Pension Settlement

The deferred pension settlement relates to certain projected benefit obligations transferred to the Corporation's pension plan subsequent to the Arrangement involving Home Oil. The deferred pension settlement is being amortized over the expected average service lives of the employees.

14. *Capital Stock*

Prior to April 25, 1991, the authorized capital stock of the Corporation consisted of 42.0 million common shares and an unlimited number of preferred shares. Under the terms of the Arrangement involving Home Oil, the authorized share capital of the Corporation was amended to permit the issuance of an unlimited number of common shares. No preferred shares have been issued.

	Common Shares	
	Number	Amount
Balance at December 31, 1988	39,581,260	$ 387.4
Exercise of stock options	26,225	0.9
Stock dividends	13,181	0.6
Balance at December 31, 1989	39,620,666	388.9
Exercise of stock options	3,000	0.1
Stock dividends	13,513	0.6
Balance at December 31, 1990	39,637,179	389.6
Distribution under the Arrangement *(Note 4)*	–	(171.6)
Shares dissented under the Arrangement	(682)	–
Exercise of stock options	49,041	1.3
Stock dividends	13,618	0.4
Balance at December 31, 1991	39,699,156	$ 219.7

Earnings per share are computed on the weighted average number of shares outstanding of 39,662,741, 39,628,114 and 39,603,656 in 1991, 1990 and 1989, respectively. There would have been no material dilution of earnings per share if outstanding stock options had been exercised during the year.

15. *Stock Options*

Year ended December 31,	1991	1990	1989
Shares under option at beginning of year	372,005	387,965	340,905
Options granted	111,000	–	88,100
Options exercised	(49,041)	(3,000)	(26,225)
Options cancelled	(28,569)	(12,960)	(14,815)
Shares under option at end of year	405,395	372,005	387,965

Under the Incentive Stock Option Plan (1989) and the Incentive Stock Option Plan (1984), full-time key employees of the Corporation were granted options to purchase unissued common shares. Effective May 1, 1991, the option prices were adjusted to reflect the distribution of the Corporation's investment in Discontinued Oil and Gas Operations under the Arrangement. At December 31, 1991, the following options were outstanding under the two Plans:

	Option Price		Number of
Expiry date	Original	Revised	Shares
June 7, 1994	$ 27.00	$ 8.96	8,000
June 6, 1995	$ 42.25	$ 24.21	20,000
June 5, 1996	$ 44.13	$ 26.09	29,725
December 10, 1996	$ 38.75	$ 20.71	20,000
June 3, 1997	$ 48.875	$ 29.40	56,200
September 16, 1997	$ 52.75	$ 29.40	11,850
August 3, 1998	$ 47.75	$ 29.40	78,340
August 2, 1999	$ 49.75	$ 29.40	70,280
August 7, 2001	$ 30.00	$ 30.00	111,000
			405,395

Effective January 9, 1992, the revised prices for the stock options were decreased by $6.54 to reflect the impact of the special dividend on the Corporation's share price.

16. *Montreal Extension Deficiency Agreement*

The Corporation and the Government of Canada are parties to a Deficiency Agreement, whereby the Government will pay the deficiency if operating revenue in respect of the Montreal Extension is not sufficient to meet the fixed and variable costs. Under the Agreement, which expires in June 1996, the Government has an option to purchase the Montreal Extension at its capital cost, less depreciation, plus related expenses. Tolls prescribed by the NEB in respect of the Montreal Extension do not produce sufficient operating revenue to meet the fixed and variable costs. Deficiency payments in 1991 amounted to $10.9 million (1990 – $8.3 million; 1989 – $10.1 million) and are included in operating revenue.

Due to market competition from imported crude oil and other economic factors, the last shipper utilizing the Montreal Extension requested delivery of its crude oil contained in the pipeline. As a result, the Montreal Extension has been purged with nitrogen and is being maintained in an idle state.

17. *Related Party Transactions and Major Customers*

During the year, the Corporation recorded operating revenue from Gulf Canada Resources Limited and Home Hydrocarbons Inc., both affiliates of GW Utilities Limited, under published pipeline tariff terms.

December 31,	1991	1990	1989
Percentage of the Corporation's common shares held directly and indirectly by:			
GW Utilities and affiliates	64.0%	64.0%	41.2%
Operating revenue for the year			
Gulf	$ 13.0	$ 11.7	$ 9.5
Home Hydrocarbons	$ 0.8	$ 0.9	$ 1.3
Accounts receivable			
Gulf	$ 0.7	$ 0.4	$ 0.5
Home Hydrocarbons	$ –	$ 0.1	$ 0.1

Operating revenue received from major customers was as follows:

Year ended December 31,	1991	1990	1989
Imperial Oil Limited	$ 168.4	$ 176.4	$ 172.8
Petro-Canada	$ 55.0	$ 77.6	$ 72.4
Amoco Corporation	$ 89.5	$ 79.1	$ 69.4

Imperial Oil was previously affiliated with the Corporation through the ownership of 22.8% of the Corporation's shares which Imperial Oil sold to Gulf on June 14, 1990.

18. *Pension Plans*

The Corporation has non-contributory defined benefit pension plans which cover substantially all employees. The plans are funded by the Corporation based on independent actuarial valuations. Plan assets are invested primarily in publicly traded equity and fixed income securities. Retirement benefits are based on the employees' years of service and salaries during the last years of employment. Pension cost is based on the projected benefits and is charged to earnings as services are rendered. The cost reflects management's best estimates of the rate of return on pension plan assets, rate of salary increases and various other factors including mortality rates, terminations and retirement ages. Adjustments arising from plan amendments, experience gains and losses, and changes to assumptions are amortized over the expected average remaining service lives of the employees.

Based on actuarial valuations dated January 1, 1991, the status of the plans was as follows:

December 31,	1991	1990
Pension plan assets at market values	$ 151.2	$ 126.0
Projected benefit obligations	126.5	112.5
Pension plan assets in excess of projected benefit obligations	$ 24.7	$ 13.5

The Corporation's pension cost for the year ended December 31, 1991 was $3.1 million (1990 – $2.2 million; 1989 – $0.2 million).

19. *Postretirement Benefits Other Than Pensions*

The Corporation provides group health care and life insurance benefits to retirees, their spouses and qualified dependants. The cost of providing these benefits, which is charged against earnings and funded in the year incurred, amounted to $0.9 million in 1991 (1990 – $0.8 million; 1989 – $0.7 million).

20. *United States Accounting Principles*

The consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). These principles conform in all material respects to those in the United States (U.S. GAAP) except for the following:

(i) Under U.S. GAAP, the discounted future net cash flows from proved oil and gas properties plus the lower of the cost or fair market value of unproved properties must exceed the net book value of such properties net of related deferred income taxes, or a write-down is required. The price of crude oil and natural gas declined during 1991 resulting in a downward revision in the discounted value of proved reserves. Under these rules, a $135.0 million reduction in the net carrying value of Discontinued Oil and Gas Operations, net of income taxes of $65.0 million, would have been recorded by a charge against earnings from Discontinued Oil and Gas Operations. This write-down would have been in addition to the $130.0 million reduction in the net carrying value of Discontinued Oil and Gas Operations recorded to meet the "ceiling test" in 1987.

As described in Note 4, Home Oil assumed principal and interest obligations to match the Corporation's 11% Series J Debenture obligations with a principal of $125.0 million originally issued February 2, 1990. Under U.S. GAAP, such debt would be shown as long-term debt of the Corporation with a corresponding long-term receivable from Home Oil. In addition, offsetting interest expense and interest income of $13.8 million for the year ended December 31, 1991 (1990 – $12.5 million) would have been reflected in the statement of earnings.

As a result of adjustments to depletion and depreciation under U.S. GAAP, the earnings (loss) from Discontinued Oil and Gas Operations would have been restated to $(140.3) million, $43.5 million and $35.3 million for the years ended December 31, 1991, 1990 and 1989, respectively. Correspondingly, earnings after Discontinued Oil and Gas Operations would have been $204.4 million ($5.15 per share), $148.6 million ($3.75 per share), and $135.3 million ($3.42 per share) for these years.

Under U.S. GAAP, the following items in the statement of financial position would have been restated:

December 31,	1991	1990
Discontinued Oil and Gas Operations	$ –	$ 559.0
Long-term receivable from Home Oil	$ 125.0	$ 125.0
Long-term debt	$ 668.2	$ 684.7
Retained earnings	$ 237.7	$ 612.6

(ii) The Financial Accounting Standards Board ("FASB") requires the following additional disclosure under the Statement of Financial Accounting Standard ("SFAS") No. 87 – "Employers' Accounting for Pensions" related to the Corporation's pension plans.

Projected Benefit Obligations

December 31,	1991	1990
Actuarial present value of accrued pension benefits		
Vested	$ 88.2	$ 78.8
Non-vested	8.3	7.7
Accumulated benefit obligations	96.5	86.5
Additional amounts related to future salary increases	30.0	26.0
Projected benefit obligations	$ 126.5	$ 112.5

Net Pension Asset

December 31,	1991	1990
Pension plan assets in excess of projected benefit obligations *(Note 18)*	$ 24.7	$ 13.5
Unrecognized pension plan surplus	(8.6)	(9.5)
Unrecognized net gain	(13.6)	(2.1)
Net pension asset as recognized in the Corporation's statement of financial position *(Note 10)*	$ 2.5	$ 1.9

Pension Cost

Year ended December 31,	1991	1990	1989
Benefits earned during the year	$ 4.3	$ 4.2	$ 3.3
Interest cost on projected benefit obligations	10.2	8.9	6.7
Return on plan assets	(21.4)	(9.2)	(17.7)
Amortization and deferral of unrecognized amounts	10.0	(1.7)	7.9
Pension cost	$ 3.1	$ 2.2	$ 0.2

Economic Assumptions

The most significant economic assumptions made in the measurement of the pension costs and the projected benefit obligations of the pension plans were as follows:

Year ended December 31,	1991	1990	1989
Discount rate	8.5%	8.5%	8.0%
Average rate of salary increases	6.5%	6.5%	6.5%
Average rate of return on pension plan assets	8.5%	8.5%	8.0%

(iii) In December 1987, FASB issued a revised statement on "Accounting for Income Taxes", SFAS No. 96, which will require companies to recognize current changes in tax rates in recording their deferred income tax liabilities. The effective implementation date has been deferred to fiscal years beginning after December 15, 1992. The FASB is reconsidering certain aspects of this statement and a revised statement is anticipated in 1992. Due to the revisions which may arise, the effect of applying this statement on a consolidated basis has not been determined.

(iv) In December 1990, FASB issued a statement on "Employers' Accounting for Postretirement Benefits Other Than Pensions", SFAS No. 106, effective for fiscal years beginning after December 15, 1992. This will require the accrual, during the years employees render service, of the expected cost of providing all forms of postretirement benefits to employees, their beneficiaries and qualified dependants. The effect of applying this statement has not been determined.

Selected Quarterly Financial Data

1991 Quarters	First	Second	Third	Fourth	Total
Operating revenue	$ 160.3	$ 160.2	$ 149.3	$ 156.9	$ 626.7
Operating income	$ 61.2	$ 58.6	$ 48.7	$ 55.0	$ 223.5
Earnings before Discontinued Oil and Gas Operations	$ 25.9	$ 26.0	$ 18.8	$ 274.0	$ 344.7
Earnings	$ 23.2	$ 21.2	$ 18.8	$ 274.0	$ 337.2
Cash from operations	$ 49.2	$ 45.8	$ 44.2	$ 42.0	$ 181.2
Earnings per share					
Before Discontinued Oil and Gas Operations	$ 0.65	$ 0.66	$ 0.47	$ 6.91	$ 8.69
After Discontinued Oil and Gas Operations	$ 0.58	$ 0.54	$ 0.47	$ 6.91	$ 8.50
Dividends per share	$ 0.50	$ 0.50	$ 0.50	$ 7.50	$ 9.00

1990 Quarters	First	Second	Third	Fourth	Total
Operating revenue	$ 154.8	$ 151.4	$ 157.2	$ 158.8	$ 622.2
Operating income	$ 67.0	$ 59.6	$ 66.4	$ 58.8	$ 251.8
Earnings before Discontinued Oil and Gas Operations	$ 28.6	$ 22.6	$ 30.0	$ 23.9	$ 105.1
Earnings	$ 35.8	$ 27.4	$ 41.2	$ 39.6	$ 144.0
Cash from operations	$ 58.6	$ 50.0	$ 47.0	$ 44.6	$ 200.2
Earnings per share					
Before Discontinued Oil and Gas Operations	$ 0.72	$ 0.58	$ 0.75	$ 0.60	$ 2.65
After Discontinued Oil and Gas Operations	$ 0.90	$ 0.70	$ 1.03	$ 1.01	$ 3.64
Dividends per share	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 2.00

Quarterly Share Trading Information

TSE (The Toronto Stock Exchange)

1991 Quarters [1]	First	Second	Third	Fourth
High	$ 49½	$ 49	$ 31	$ 32¾
Low	$ 46	$ 28⅝	$ 29⅝	$ 30
Close	$ 48⅞	$ 30½	$ 30⅜	$ 32⅜
Volume *(thousands)*	498	2,090	930	1,341

1990 Quarters	First	Second	Third	Fourth
High	$ 47¾	$ 50	$ 50½	$ 49¼
Low	$ 43¼	$ 42¾	$ 47½	$ 47⅛
Close	$ 47¼	$ 49⅜	$ 48¾	$ 47¾
Volume *(thousands)*	772	465	524	305

NASDAQ (The National Association of Securities Dealers Automated Quotation System)

1991 Quarters *(U.S. dollars)* [1]	First	Second	Third	Fourth
High	$ 42¾	$ 42	$ 27½	$ 28¾
Low	$ 39¼	$ 24	$ 25½	$ 26
Close	$ 42¼	$ 26	$ 27¼	$ 28¾
Volume *(thousands)*	80	47	19	24

1990 Quarters *(U.S. dollars)*	First	Second	Third	Fourth
High	$ 40⅜	$ 42	$ 43¼	$ 42
Low	$ 36¾	$ 37¾	$ 41¼	$ 40½
Close	$ 40⅜	$ 42	$ 42¼	$ 41
Volume *(thousands)*	21	21	42	230

[1] *Share prices in the second and subsequent quarters of 1991 reflect the distribution of the ownership of Home Oil to the Corporation's Shareholders on May 1, 1991.*

FINANCIAL

Consolidated Statement of Earnings

(dollars in millions)	1991	1990	1989	1988	1987
Operating revenue	$ 626.7	$ 622.2	$ 600.8	$ 617.9	$ 591.4
Power costs	(127.9)	(124.4)	(132.9)	(140.5)	(122.6)
Operating and administrative expenses	(191.8)	(164.5)	(147.1)	(129.6)	(112.4)
Depreciation	(83.5)	(81.5)	(79.5)	(77.9)	(73.6)
Operating income	223.5	251.8	241.3	269.9	282.8
Gain on U.S. Master Limited Partnership transaction	365.9	–	–	–	–
Investment and other income (loss)	8.4	2.9	5.6	6.1	(7.7)
Interest expense	(64.6)	(65.8)	(69.9)	(73.4)	(62.7)
Earnings before undernoted	533.2	188.9	177.0	202.6	212.4
Income taxes	188.5	83.8	77.0	91.5	100.8
Earnings before Discontinued Oil and Gas Operations	344.7	105.1	100.0	111.1	111.6
Discontinued Oil and Gas Operations	(7.5)	38.9	30.6	8.2	10.8
Earnings	$ 337.2	$ 144.0	$ 130.6	$ 119.3	$ 122.4

Consolidated Statement of Cash Flows

(dollars in millions)	1991	1990	1989	1988	1987
Operating activities					
Cash from operations	$ 181.2	$ 200.2	$ 189.8	$ 200.8	$ 198.8
Change in non-cash working capital	(0.7)	(2.8)	15.1	(8.7)	(7.9)
Deferred credits	(1.9)	3.3	(0.9)	(0.9)	4.7
	178.6	200.7	204.0	191.2	195.6
Investing activities					
Additions to property, plant and equipment	(118.1)	(97.4)	(81.2)	(105.5)	(119.0)
Net cash proceeds from U.S. Master Limited Partnership transaction	621.2	–	–	–	–
Short-term investments	0.6	–	(5.2)	–	22.8
Other	(13.7)	(2.7)	(1.5)	(4.4)	(0.9)
	490.0	(100.1)	(87.9)	(109.9)	(97.1)
Financing activities					
Issuance of debentures	–	–	–	98.8	–
Retirement of debentures	(50.4)	(67.7)	(33.3)	(39.1)	(49.7)
Variable rate financing, net	72.7	19.5	(1.2)	(9.2)	12.2
Issuance of capital stock	1.7	0.7	1.5	0.8	0.7
Dividends	(79.3)	(79.2)	(79.2)	(79.1)	(79.1)
	(55.3)	(126.7)	(112.2)	(27.8)	(115.9)
Discontinued Oil and Gas Operations	7.8	8.7	(8.2)	(58.9)	(5.7)
Increase (decrease) in cash	$ 621.1	$ (17.4)	$ (4.3)	$ (5.4)	$ (23.1)

Consolidated Statement of Financial Position

(dollars in millions)	1991	1990	1989	1988	1987
Assets					
Cash	$ 625.6	$ 4.5	$ 21.9	$ 26.2	$ 31.6
Short-term investments	–	1.0	7.9	2.7	2.7
Other current assets	59.6	61.2	52.0	45.7	52.1
Investment in U.S. Master Limited Partnership	5.7	–	–	–	–
Discontinued Oil and Gas Operations	–	635.5	604.7	567.8	546.8
Deferred charges and other assets	16.9	17.2	17.3	17.9	18.5
Property, plant and equipment, net	1,062.6	1,361.9	1,348.2	1,354.3	1,349.6
	$1,770.4	$ 2,081.3	$2,052.0	$2,014.6	$2,001.3

Liabilities and Shareholders' Equity					
Short-term borrowings	$ –	$ 18.2	$ –	$ –	$ 9.6
Current portion of long-term debt	26.6	27.5	52.5	28.6	29.6
Current portion of deferred credits	2.2	7.5	3.9	3.4	3.7
Other current liabilities	359.7	89.8	83.4	62.1	77.1
Long-term debt	543.2	559.7	602.3	662.0	650.4
Deferred credits	13.2	20.3	24.2	28.8	35.8
Deferred income taxes	366.8	252.8	246.5	238.0	235.1
Shareholders' equity	458.7	1,105.5	1,039.2	991.7	960.0
	$1,770.4	$ 2,081.3	$2,052.0	$2,014.6	$2,001.3

Consolidated Segmentation of Earnings

(dollars in millions)	1991	1990	1989	1988	1987
Canadian Main System	$ 36.0	$ 35.5	$ 26.5	$ 31.1	$ 35.3
Norman Wells Pipeline	14.2	14.1	14.5	14.2	14.3
United States System	42.9	57.0	57.0	63.5	59.2
Corporate	0.1	(1.5)	2.0	2.3	2.8
Pipeline earnings	93.2	105.1	100.0	111.1	111.6
After-tax gain on U.S. Master Limited Partnership transaction	251.5	–	–	–	–
Discontinued Oil and Gas Operations	(7.5)	38.9	30.6	8.2	10.8
Earnings	$ 337.2	$ 144.0	$ 130.6	$ 119.3	$ 122.4

Since January 1, 1987, Canadian Main System earnings are based on a deemed common equity ratio of 40% and a rate of return on equity of 13.25%. Over the same period, the rate base has grown by approximately 50% to $667 million in 1991. Lower earnings in 1989 reflected higher operating expenses and lower system utilization than anticipated in the 1989 approved tolls. In addition to the allowed rate of return, 1987 results included a significant contribution from the allowance for equity funds used during construction as a result of the completion of the three-phase expansion program started in 1985.

Earnings from the Norman Wells Pipeline have remained relatively constant over the past five years and reflect a 16% return on approximately $89 million equity invested under a full cost-of-service methodology.

United States System earnings, after peaking in 1988, declined to $42.9 million in 1991. With no change in tolls, this trend reflected the change in system utilization and increased operating and administrative expenses. In addition, these earnings were adversely affected by a continuously strengthening Canadian dollar over the five years.

Canadian Dollar Exchange Rate

(U.S. dollars)	1991	1990	1989	1988	1987
Average	$ 0.87	$ 0.86	$ 0.84	$ 0.82	$ 0.76
Year-end	$ 0.87	$ 0.86	$ 0.86	$ 0.84	$ 0.77

In 1991, the Corporation realized an after-tax gain of $251.5 million as a result of the corporate restructuring and refinancing involving its U.S. pipeline business.

The contribution to earnings from Discontinued Oil and Gas Operations over the five-year period reflected the fluctuating prices and volumes of crude oil and natural gas. In addition, the 1989 and 1988 results included extraordinary gains of $14.4 million and $16.2 million, respectively, relating to the disposition of an investment in the United Kingdom.

Consolidated Segmentation of Cash From Operations

(dollars in millions)	1991	1990	1989	1988	1987
Canadian Main System	$ 92.3	$ 93.5	$ 78.5	$ 84.3	$ 73.4
Norman Wells Pipeline	28.7	28.6	30.0	30.1	32.9
United States System	56.5	74.6	76.8	82.9	89.1
Corporate	3.7	3.5	4.5	3.5	3.4
	$ 181.2	$ 200.2	$ 189.8	$ 200.8	$ 198.8

Cash from operations over the five years ended December 31, 1991 averaged approximately $194 million per annum. The annual changes reflect fluctuations in earnings from the operating segments.

OPERATIONS

Operating Income

(dollars in millions)	1991	1990	1989	1988	1987
Operating revenue					
Canadian Main System	$ 325.9	$ 309.5	$ 280.6	$ 276.5	$ 244.8
Norman Wells Pipeline	72.3	72.7	72.7	75.9	79.4
United States System	228.5	240.0	247.5	265.5	267.2
	626.7	622.2	600.8	617.9	591.4
Power costs					
Canadian Main System	67.7	65.0	67.7	67.7	54.2
Norman Wells Pipeline	1.4	1.4	1.0	1.0	0.8
United States System	58.8	58.0	64.2	71.8	67.6
	127.9	124.4	132.9	140.5	122.6
Operating and administrative expenses					
Canadian Main System	107.7	96.3	82.9	67.4	61.3
Norman Wells Pipeline	9.2	9.6	8.7	8.0	7.2
United States System	74.9	58.6	55.5	54.2	43.9
	191.8	164.5	147.1	129.6	112.4
Depreciation					
Canadian Main System	48.1	45.9	43.1	41.4	36.5
Norman Wells Pipeline	14.7	14.6	14.7	14.9	14.8
United States System	20.7	21.0	21.7	21.6	22.3
	83.5	81.5	79.5	77.9	73.6
Operating income	$ 223.5	$ 251.8	$ 241.3	$ 269.9	$ 282.8

Additions to Property, Plant and Equipment

(dollars in millions)	1991	1990	1989	1988	1987
Canadian Main System	$ 81.6	$ 61.1	$ 57.0	$ 66.8	$ 94.1
Norman Wells Pipeline	0.9	2.6	2.9	3.0	5.0
United States System	35.6	33.7	21.3	35.7	19.9
	$ 118.1	$ 97.4	$ 81.2	$ 105.5	$ 119.0

Since 1988, Canadian Main and United States Systems capital expenditures have predominantly related to system upgrading and storage facility additions. Expenditures during 1991 included the construction of additional tankage in Canada, new and replacement metering facilities, upgrades of the tank fire protection systems, replacement of aging switchgear, and pipeline integrity programs. The 1990 and 1989 expenditures included an improvement program for pumping stations, the construction of additional tankage in Canada and the United States, a Line 3 upgrading program in Canada and efficiency enhancements. Expenditures during 1988 included an upgrading program of Line 1 in both Canada and the United States and a modest program for system capacity additions in Western Canada. The 1987 expenditures included amounts for the Line 1 upgrade program and completion of the three-phase expansion program started in 1985.

Deliveries by Destination

(unaudited; thousands of barrels per day)	1991	1990	1989	1988	1987
Canada					
From Canadian sources					
Prairie Provinces	232	212	199	207	210
Ontario	505	531	543	516	506
Quebec	15	84	102	130	106
	752	827	844	853	822
From United States and offshore sources					
Ontario	3	17	29	13	16
Quebec	1	1	1	–	–
	4	18	30	13	16
	756	845	874	866	838
United States					
From Canadian sources	645	550	532	592	525
From United States and offshore sources	42	44	43	49	59
	687	594	575	641	584
	1,443	1,439	1,449	1,507	1,422

Deliveries by Type

(unaudited; thousands of barrels per day)

	1991	1990	1989	1988	1987
Prairie provinces					
Light oil	120	96	99	107	114
Medium and heavy oil	25	26	10	5	7
Refined products	87	90	90	95	89
	232	212	199	207	210
United States					
Light oil	309	233	244	291	268
Medium and heavy oil	377	361	331	350	316
Natural gas liquids	1	–	–	–	–
	687	594	575	641	584
Eastern Canada					
Light oil	362	437	471	478	458
Medium and heavy oil	82	117	128	114	107
Natural gas liquids	80	79	76	67	63
	524	633	675	659	628
	1,443	1,439	1,449	1,507	1,422

Barrel Miles

(unaudited; billions of miles)

	1991	1990	1989	1988	1987
Canadian Main System	325	339	350	369	337
Norman Wells Pipeline	6	6	6	6	5
United States System	340	346	352	366	341
	671	691	708	741	683

Other Operating Data

(unaudited)	1991	1990	1989	1988	1987
Average haul *(miles)*	1,274	1,315	1,338	1,343	1,316
Average operating revenue					
Per barrel	$ 1.19	$ 1.18	$ 1.14	$ 1.12	$ 1.14
Per 100 barrel miles *(cents)*	9.3	9.0	8.5	8.3	8.7
Edmonton, Alberta to Sarnia, Ontario tolls for light crude oil *(per barrel)*					
Canadian tolls	$ 0.727	$ 0.709	$ 0.583	$ 0.530	$ 0.538
United States tolls *(U.S. dollars)*	0.511	0.511	0.511	0.511	0.511

System deliveries reached their highest level in 1988 utilizing increased pipeline capacity. Subsequent to 1988, lower Western Canadian light crude oil production due to reduced drilling activity and the decline in production from maturing oil fields resulted in a decline in deliveries. This decline has been mitigated by an increasing trend in deliveries of medium and heavy crude oil. Deliveries of refined products and natural gas liquids also showed a marginal increase over the same period. While total deliveries remained constant, a significant shift in delivery patterns occurred between Eastern Canada and the United States in 1991. This shift was caused by lower crude oil demand in Eastern Canada as a result of the recession and availability of lower priced offshore crude oil.

DISCONTINUED OIL AND GAS OPERATIONS

Production/Sales Data

(unaudited; before royalties)	1991[1]	1990	1989	1988	1987
Daily production/sales					
Crude oil *(barrels)*	24,354	25,019	26,342	27,234	26,131
Natural gas liquids *(barrels)*	5,921	6,532	5,854	5,211	4,019
Natural gas *(millions of cubic feet)*	186.2	159.5	150.6	148.0	113.6
Average prices					
Crude oil *(per barrel)*	$ 20.75	$ 25.57	$ 20.23	$ 16.87	$ 22.66
Natural gas liquids *(per barrel)*	$ 14.96	$ 15.66	$ 11.64	$ 10.27	$ 15.26
Natural gas *(per thousand cubic feet)*	$ 1.49	$ 1.62	$ 1.52	$ 1.54	$ 1.67

[1] *The 1991 data reflects the oil and gas volumes and prices prior to the May 1 corporate restructuring.*

OTHER DATA

Shareholder and Investor Information

	1991	1990	1989	1988	1987
Shares outstanding at year-end *(thousands)*	39,699	39,637	39,621	39,581	39,558
Average shares outstanding weighted monthly during the year *(thousands)*	39,663	39,628	39,604	39,572	39,550
Number of shareholders at year-end	6,511	7,070	7,688	8,987	9,549
Percentage of shares registered in Canada at year-end	97%	99%	97%	97%	97%
Share trading					
High	\$ 49½	\$ 50½	\$ 50½	\$ 48¾	\$ 55¾
Low	\$ 28⅝[1]	\$ 42¾	\$ 41¾	\$ 41	\$ 38½
Close	\$ 32⅜[1]	\$ 47¾	\$ 44	\$ 42⅞	\$ 43⅛
Volume *(thousands)*	4,859	2,066	1,351	2,217	2,664
Per share data					
Earnings					
Before Discontinued Oil and Gas Operations	\$ 8.69	\$ 2.65	\$ 2.53	\$ 2.81	\$ 2.82
After Discontinued Oil and Gas Operations	\$ 8.50	\$ 3.64	\$ 3.30	\$ 3.01	\$ 3.09
Cash from operations	\$ 4.57	\$ 5.05	\$ 4.79	\$ 5.07	\$ 5.03
Dividends	\$ 9.00	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00

[1] *Reflects the distribution of the ownership of Home Oil Company Limited to the Corporation's shareholders on May 1, 1991.*

The Corporation's common shares are traded on the Toronto and Montreal stock exchanges in Canada under the symbol IPL and on the National Association of Securities Dealers Automated Quotation (NASDAQ) System in the United States under the symbol IPPIF. The Toronto Stock Exchange (TSE) is the principal market for the Corporation's common shares. Share prices and volumes shown above are as reported by the TSE.

There are no limitations under Canadian law or under the Corporation's Articles of Continuance or By-laws on the right of non-Canadians to hold securities of the Corporation or the right of non-Canadian shareholders of the Corporation to vote on matters presented at shareholder meetings.

Dividends, including stock dividends, paid to non-residents of Canada are generally subject to a 15% withholding tax where a tax treaty exists between Canada and the recipient's country. In the absence of a treaty, the withholding tax is at a maximum rate of 25%.

Financial Ratios [1]

	1991	1990	1989	1988	1987
Return on average shareholders' equity [2]	19.5%	23.3%	23.3%	26.5%	26.1%
Return on average capital employed [3]	9.6%	10.5%	10.2%	10.9%	10.4%
Debt/debt plus shareholders' equity					
Including project debt [4]	55.4%	56.3%	60.1%	62.0%	62.5%
Excluding project debt	40.8%	41.0%	44.7%	46.1%	44.7%
Debt/total capital employed					
Including project debt	40.4%	44.6%	48.0%	49.9%	50.1%
Excluding project debt	22.4%	24.1%	25.7%	26.1%	24.3%
Earnings coverage of interest [5]					
Including project debt	3.6x	3.9x	3.5x	3.8x	4.4x
Excluding project debt	7.2x	8.3x	7.8x	8.6x	14.6x
Regular dividend payout ratio [6]	85.1%	75.4%	79.1%	71.2%	70.9%

[1] *Exclude Discontinued Oil and Gas Operations.*

[2] *Pipeline earnings divided by average shareholders' equity before the after-tax gain on the U.S. Master Limited Partnership transaction and the special dividend.*

[3] *Sum of pipeline earnings and after-tax interest expense divided by average capital employed. Capital employed is equal to the sum of shareholders' equity, deferred income taxes, deferred credits and total debt. For purposes of calculating the average capital employed in 1991, shareholders' equity is before the after-tax gain on the U.S. Master Limited Partnership transaction and the special dividend, and deferred income taxes exclude the tax on the transaction gain.*

[4] *Project debt comprises debt related to the Montreal Extension which is supported by a Deficiency Agreement with the Government of Canada and debt related to the Norman Wells Pipeline which is secured by a long-term contract with the major shipper.*

[5] *Sum of pretax pipeline earnings and interest expense, divided by interest expense.*

[6] *Regular dividends divided by pipeline earnings.*

(CENTRE): BRIAN F. MacNEILL (SEATED, LEFT TO RIGHT): R.HUGH B. SANGSTER, PATRICK D. DANIEL, DONALD B. MacDERMOTT (STANDING, LEFT TO RIGHT): DONALD D. SAVARD, A. (SANDY) STEPHENS (DIRECTOR, HUMAN RESOURCES), BENNY J. PHILLIPS, DEREK P. TRUSWELL

SENIOR MANAGEMENT

Brian F. MacNeill
President & Chief Executive Officer

Patrick D. Daniel
Vice President, Planning

Donald B. MacDermott
Vice President, Law
& Corporate Secretary

Benny J. Phillips
Vice President, Operations

R. Hugh B. Sangster
Vice President, Engineering

Donald D. Savard
Vice President, Corporate Services

Derek P. Truswell
Vice President, Finance

(effective March 1, 1992)

BOARD OF DIRECTORS

J. Lorne Braithwaite
President & Chief Executive Officer
Cambridge Shopping Centres Limited

Robert J. Butler
Chairman
GW Utilities Limited &
Gulf Canada Resources Limited

Donald G. Campbell
Chairman
Maclean Hunter Limited

William A. Dimma
Deputy Chairman
Royal LePage Limited

Lionel G. Dodd
Chief Operating Officer
O & Y Enterprises Inc.

Brian F. MacNeill
President & Chief Executive Officer
Interprovincial Pipe Line Inc.

H. Gordon MacNeill
Chairman
Jannock Limited
Chairman
Interprovincial Pipe Line Inc.

Gilbert I. Newman
Executive Vice President
Olympia & York
Developments Limited

Earl H. Orser
Chairman
London Life Insurance Company

Albert Reichmann
Chairman
Olympia & York
Developments Limited

Paul Reichmann
President
Olympia & York
Developments Limited

Charles E. Shultz
President & Chief Executive Officer
Gulf Canada Resources Limited

Donald J. Taylor
Director

BOARD COMMITTEES

Audit Committee

The principal function of the Audit Committee is to review the Corporation's financial statements and to recommend their approval or otherwise to the Board. The Audit Committee also reviews the effectiveness of internal controls and the terms of engagement of, and compensation payable to, the Corporation's independent auditors.

Members:
E.H. Orser, Chairman
J.L. Braithwaite
G.I. Newman

Compensation Committee

The Compensation Committee reviews the Corporation's compensation policies and budgets, including benefit programs, senior management appointments and management succession plans. The Committee makes its recommendations on these matters to the full Board.

Members:
H.G. MacNeill, Chairman
R.J. Butler
L.G. Dodd

Safety & Environment Committee

This Committee monitors and makes recommendations with respect to safety and environment policies, practices, and procedures of the Corporation. Policies are established for the protection of the environment and worker safety. The Committee regularly conducts its review to update policies and ensure compliance throughout the Corporation's operations.

Members:
W.A. Dimma, Chairman
D.J. Taylor

SHAREHOLDER INFORMATION

Registrar and Transfer Agent

The Royal Trust Company
Halifax, Montreal, Toronto, Winnipeg, Regina, Edmonton, Calgary, and Vancouver

Co-Registrar and Co-Transfer Agent

Manufacturers Hanover Trust Company
450 West 23rd Street
New York City, New York
U.S.A. 10001

Dividend Disbursing Agent

The Royal Trust Company
P.O. Box 2955
Calgary, Alberta T2P 2Z3
Telephone: (403) 237-1700

Dividend Payment

Quarterly dividend cheques are mailed out several days prior to the payable dates, which are the first days of March, June, September and December.

Stock Dividend Program

Interprovincial Pipe Line Inc. has a Stock Dividend Program which enables shareholders to receive dividends in the form of IPL shares rather than cash. Details may be obtained by contacting the Royal Trust Company at any of the locations listed above.

Shareholder Relations

Vice President, Law
& Corporate Secretary
Interprovincial Pipe Line Inc.
IPL Tower
10201 Jasper Avenue
Edmonton, Alberta
T5J 3N7
Mailing Address:
P.O. Box 398
Edmonton, Alberta T5J 2J9
Telephone: (403) 420-5165
Facsimile: (403) 420-5166

Form 10-K

The Corporation files annually with the Securities and Exchange Commission of the United States a report known as the Annual Report on Form 10-K. Copies of the Form 10-K are available to shareholders, free of charge, upon written request to the Corporate Secretary of the Corporation.

Trustee and Registrar for Debentures

Montreal Trust Company
Montreal, Toronto, Winnipeg, Edmonton, and Vancouver

Auditors

Price Waterhouse
Edmonton, Alberta

ANNUAL AND SPECIAL MEETING

The Annual and Special Meeting of Shareholders will be held in Edmonton, Alberta, Canada, on May 6, 1992.
A copy of this Annual Report is mailed with the Notice of Annual and Special Meeting of Shareholders, Management Information Circular, and Proxy Statement and Form of Proxy to all registered shareholders.

GLOSSARY OF TERMS

Allowance for Equity Funds Used During Construction: *The capitalized equity carrying costs for pipeline construction work in progress.*

Apportionment: *The process of allocating available pipeline capacity when volumes nominated for shipment exceed the capacity of the system. Apportionment is determined on a monthly basis and expressed as a percentage.*

Barrel Miles: *A measurement of how fully the pipeline is used over its length. Calculated by multiplying individual deliveries by their distances shipped and summing the product of this multiplication.*

Bioremediation: *The use of naturally occurring micro-organisms to break down organic substances into non-toxic compounds. One application of bioremediation uses soil bacteria to convert crude oil into harmless substances containing carbon dioxide, water, and fatty acids.*

Condensate: *Liquid hydrocarbons condensed from gas and oil wells and used as a dilutent for heavy crude oil and as a refinery feedstock.*

Deemed Common Equity Ratio: *The proportion of the rate base upon which an equity return can be earned.*

Deliveries: *The amount of liquid hydrocarbons delivered by the pipeline to certain points along the system.*

Hydrocarbons: *Organic compounds, containing only carbon and hydrogen, which form the basis of all petroleum products. Hydrocarbons may be in the form of solids, liquids, or gases. Crude oil and natural gas are often referred to as hydrocarbons.*

Linefill: *The amount of crude oil, natural gas, or petroleum products required to fill a pipeline.*

Liquid Hydrocarbons: *A hydrocarbon in liquid form, such as crude oil or refined products. See also "hydrocarbons."*

Natural Gas Liquids (NGLs): *Components of natural gas, including methane, ethane, propane, butane, and pentane, which are in liquid form.*

Refined Products: *Liquid hydrocarbons produced by separating crude oil into its various components.*

Tariff: *The terms, conditions and tolls for transportation on the pipeline system.*

Toll: *The charge to transport liquid hydrocarbons from a receipt point to a delivery point.*

CONVERSION FACTORS

Imperial System of Units	International System of Units
1 barrel of liquid hydrocarbons	= 0.159 cubic metre
1 cubic foot of natural gas	= 0.028 cubic metre
1 mile	= 1.609 kilometres
1 barrel mile	= 0.256 cubic metre kilometre

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CORPORATE AND REGISTERED OFFICE

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IPL Tower
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Edmonton, Alberta
T5J 3N7
Mailing Address:
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Telephone: (403) 420-5210
Facsimile: (403) 420-5389

U.S. Operations

Lakehead Pipe Line Company, Inc.
119 North 25 Street East
P.O. Box 789
Superior, Wisconsin
U.S.A. 54880
Telephone: (715) 394-1400
Facsimile: (715) 394-1564

Norman Wells Operations

Interprovincial Pipe Line (NW) Ltd.
P.O. Box 280
Norman Wells, Northwest Territories
X0E 0V0
Telephone: (403) 587-2834
Facsimile: (403) 587-2780

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