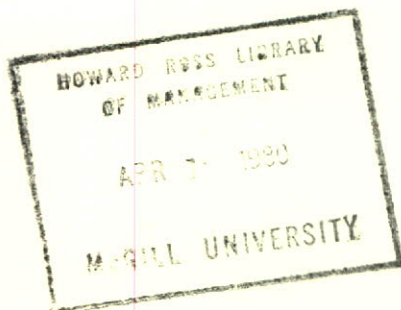




Annual Report 1979
NORTHWESTERN UTILITIES LIMITED





NORTHWESTERN UTILITIES LIMITED

March 31, 1980

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1001 Sherbrooke Street, West
MONTREAL, P.Q.
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Dear Sir/Madam:

For your information, I am enclosing a copy of Northwestern
Utilities Limited 1979 Annual Report.

Yours truly,

G. Y. Sommerville,
Secretary.

GYS:nb
Encl.

Board of Directors

K. A. Biggs, Edmonton
Senior Vice-President, Finance, Canadian Utilities Limited

B. M. Dafoe, Edmonton
Vice-President and General Manager
Northwestern Utilities Limited

H. Hole, Edmonton
General Manager, Lockerbie and Hole Western Limited

E. W. King, Edmonton
President, Canadian Utilities Limited

J. E. Maybin, Edmonton
Chairman and Chief Executive Officer, Canadian Utilities Limited

A. R. McBain, Edmonton
President, McBain Camera Specialty Ltd.

A. H. Mitchell, Edmonton
President, Mitchell & Associates Ltd.

J. H. Pletcher, Edmonton
Senior Vice-President, Canadian Western Natural Gas Company Limited
and Northwestern Utilities Limited

J. L. Schlosser, Edmonton
President, Tri-Jay Investments Ltd.

Honorary Director

D. K. Yorath, Edmonton

Officers

E. W. King
President and Chief Executive Officer

J. H. Pletcher
Senior Vice-President

B. M. Dafoe
Vice-President and General Manager

D. L. Weiss
Vice-President, Gas Supply

D. M. Mitchell
Vice-President, Industrial Relations

A. M. Anderson
Treasurer

H. R. Lewis
Controller

G. Y. Sommerville
Secretary

C. K. Sheard
Assistant Secretary



NORTHWESTERN UTILITIES LIMITED

(incorporated under the laws of Canada)

and subsidiary: Northland Utilities (B.C.) Limited

10040 - 104 Street, Edmonton, Alberta, Canada T5J 2S3

Report to the Shareholders

The year 1979 was one of challenge and progress for Northwestern Utilities Limited. The company reached new heights in capital and operating expenditures, revenues and earnings, as north-central Alberta continued to enjoy a buoyant economy and vigorous growth.

Such growth places special demands on staff. The good relations that exist between the company and its 1400 employees are an invaluable asset to the company in meeting its expanding responsibilities, and in this connection agreement has been reached between the company and the employees' association on a two-year contract extending through 1981. The commitment and achievements of the employees during 1979 are warmly appreciated.

Earnings from operations attributable to common shares in 1979 increased 22% over 1978 to \$10.4 million (\$4.54 per common share) while the company's net fixed assets to serve customers increased 21% to \$209.6 million. On the average over the years the company, with regulatory approval, has been able to achieve an earnings growth rate approximately equal to the rate of asset growth.

As Northwestern responded to the demand for expanded service, the quarter-million customer mark was reached and surpassed. At the end of 1979, the company served 260,133 customers. During the year, 17,289 service connections were installed, with the highest rate of growth taking place in the Grande Prairie — Peace River area where the company completed 2,146 service connections, almost 75% more than in the previous year.

A record \$43 million was spent on capital projects during 1979, an increase of \$15 million from the previous year. The largest single project was a \$12 million, 64-mile pipeline capable of bringing 300 million cubic feet of natural gas per day from the Viking area to industries in Fort Saskatchewan and to meet increasing peak demand on the system. Among the sources of financing was the issue of \$16 million in long-term debt and \$1.9 million in common shares to the parent company, Canadian Utilities Limited.

The company recorded revenues of \$277 million during 1979, up \$35 million over 1978. Operating expenses, which include the costs of natural gas, operations, maintenance, depreciation and property and franchise taxes, were \$256 million compared to \$224 million in 1978. Natural gas costs continue to be the largest expense item, accounting for 80% of operating expenses. Gas costs in 1979 were \$205 million, an increase of \$25 million from the previous year. Gas costs were net of \$64 million in rebates received from the Alberta government under the Natural Gas Price Protection Act. In 1978, rebates totalled \$57 million.

Sales volume increased by 11% to 219 billion cubic feet from 197 billion cubic feet in 1978. The higher volume is attributable to system growth, slightly colder than normal temperatures, and an increase in sales to the Dome-CU Ethane extraction plant, reflecting its first full year of operation. In 1979 the company also commenced natural gas service to the expanded Dow Chemical plant, as well as the Diamond Shamrock Alberta Gas Trunk and Alberta Food Processors plants in the Fort Saskatchewan area. In terms of degree days, a measure of space heating requirements, 1979 was colder than normal and also colder than 1978.

Growth in total sales volume resulting from an expanding customer base continues to be offset by a reduction in usage per customer in the residential and commercial markets. The decline is the result of customer conservation efforts, together with an increasing proportion of better insulated, smaller multiple-family housing units.

The company did not increase rates during 1979, although the net cost of gas after rebates was higher than the previous year. Northwestern is awaiting a Public Utilities Board ruling on a proposal by Northwestern and its associated company, Canadian Western Natural Gas Company Limited, to have uniform rates for equivalent service throughout each of their systems. The British Columbia Energy Commission approved a rate increase for Northwestern's subsidiary, Northland Utilities (B.C.) Limited, on December 20, 1979. The commission decision increased rates by 6.4% for customers in Dawson Creek, Pouce Coupe and Rolla.

In the final disposition of Northwestern's 1975 rate case, the Public Utilities Board directed the company to refund to customers \$1.8 million during the latter part of 1979. A lengthy court case involving the board, the company, and the City of Edmonton caused the delay in settling the matter.

Northwestern, together with Canadian Western, is attempting to negotiate a lower price for natural gas purchased from suppliers under existing contracts. This action is being taken in response to the competitive market situation in which some Alberta producers with a surplus of gas are willing to sell it for use within the province at less than the export price. Negotiations with the producers will likely result in arbitration to determine the contractual price. Residential, small commercial and small industrial customers would not benefit directly as it is unlikely the reduction would be large enough to lower the price below the provincial support level. Industrial customers who are not sheltered by the Provincial Price Protection Plan on volumes greater than one billion cubic feet per year would benefit directly from lower gas costs.

During the year the company acquired additional petroleum and natural gas leases and was involved in drilling 38 wells, of which 26 were successful gas wells. The company also purchased one successful gas well. Cost of the successful

wells was added to assets; the cost of unsuccessful projects will be recovered, with Public Utilities Board approval, from border-flowback funds. Under the border-flowback program all Alberta gas producers, including Northwestern, receive a pro rata share of the extra revenues generated by the differential in price between gas exported to the U.S. and that marketed in Canada.

The purchase of the natural gas distribution system operated by Beaver River Utilities in the communities of Cold Lake, Grand Centre and Ardmore in early 1979 was reported in the previous report. Later in the year the company purchased a distribution system operated by the Town of Coronation, serving 500 customers, and also began service to the Village of Wembley, near Grande Prairie. The hamlets of Kingman and Armena were previously included in the Beaverhill Co-op but are now included separately in the community count. All the above communities are in Alberta.

A continuing strong demand for utility services is expected in the Fort McMurray and Cold Lake — Grand Centre areas because of planned oil sands and heavy oil extraction

projects. Northwestern Utilities is in a good position with its financial and staff resources to meet this growth as well as developments anticipated elsewhere in its service area.

In an effort to improve service while accommodating expanding customer numbers and their information needs, the company introduced during the year a new computerized billing system which provides for fast, accurate response to individual customer account inquiries. The system is now functioning well after some start-up difficulties with the billing system.

B. M. Dafoe, Vice-President and General Manager of Northwestern Utilities, was elected to the company's Board of Directors at the annual meeting in April, 1979.

On behalf of the Board of Directors



E. W. KING

President and Chief Executive Officer
February 4, 1980

NORTHWESTERN UTILITIES LIMITED and subsidiary

Highlights in Review

| | <u>1979</u> | <u>1978</u> | <u>1977</u> | <u>1976</u> | <u>1975</u> | <u>1969</u> |
|--|----------------|-------------|-------------|-------------|-------------|-------------|
| STATISTICAL | | | | | | |
| Customers at year-end | 260,133 | 241,606 | 227,094 | 211,460 | 197,297 | 135,299 |
| Natural gas sales (millions of cubic feet)* | 219,282 | 197,247 | 158,242 | 166,781 | 166,277 | 96,334 |
| Kilometres of pipelines | 13,613 | 12,673 | 11,771 | 10,931 | 10,230 | 6,721 |
| Maximum daily demand (millions of cubic feet)* | 1,073 | 1,147 | 942 | 912 | 812 | 493 |
| Communities serviced | 160 | 153 | 153 | 153 | 153 | 113 |
| Populations served | 870,000 | 824,000 | 797,000 | 789,000 | 757,000 | 575,000 |
| Degree days — per cent normal | 102.2 | 99.8 | 91.5 | 87.3 | 99.2 | 103.1 |
| Owned gas reserves (millions of cubic feet)* | 692,160 | 714,600 | 709,400 | 695,400 | 691,994 | 657,247 |
| *Based on 1,000 BTU's per cubic feet | | | | | | |
| FINANCIAL | | | | | | |
| (thousands of dollars except per share data) | | | | | | |
| Revenue | 276,676 | 241,988 | 170,442 | 130,752 | 86,320 | 30,430 |
| Net Income | | | | | | |
| From services and other income | 12,666 | 10,775 | 8,672 | 6,599 | 5,772 | 4,512 |
| Total including extraordinary items | 12,666 | 10,775 | 9,991 | 6,599 | 5,772 | 4,512 |
| Earnings per common share | | | | | | |
| before extraordinary items | 4.54 | 3.84 | 3.21 | 3.03 | 2.79 | 2.40 |
| Gross additions to plant | 42,979 | 28,185 | 23,371 | 22,174 | 17,604 | 6,241 |
| Gross plant | 281,016 | 238,895 | 212,373 | 189,714 | 170,839 | 102,475 |

Note: As of August 1, 1972 the gas assets and operations of Northland Utilities Limited, previously an affiliated company, were transferred to Northwestern Utilities. Data prior to 1971 excludes the results of Northland's gas operations.

Consolidated Statement of Earnings

Year ended December 31, 1979 with comparative figures for 1978

| | Thousands | |
|---|------------------|-----------|
| | 1979 | 1978 |
| Revenues | \$276,676 | \$241,988 |
| Operating Expenses | | |
| Natural gas supply | | |
| Gross cost of natural gas | 269,574 | 237,475 |
| Alberta government rebates | 64,433 | 57,432 |
| Net cost of natural gas | 205,141 | 180,043 |
| Operating and maintenance | 32,218 | 26,429 |
| Taxes — other than income | 12,209 | 11,893 |
| Depreciation | 5,945 | 5,317 |
| | 255,513 | 223,682 |
| | 21,163 | 18,306 |
| Allowance for Funds Used During Construction | 759 | 341 |
| Other Income | | |
| Dividends from affiliates | 183 | 46 |
| Interest on loans to parent company | 455 | 1,420 |
| Other income | 565 | 432 |
| | 1,203 | 1,898 |
| | 23,125 | 20,545 |
| Interest Expense | | |
| Interest on loans from parent company | 5,023 | 4,119 |
| Other interest | 1,683 | 1,737 |
| | 6,706 | 5,856 |
| | 16,419 | 14,689 |
| Income Taxes (Note 1) | 3,753 | 3,914 |
| Net Earnings | 12,666 | 10,775 |
| Preference Dividend Requirements | 2,303 | 2,307 |
| Balance Attributable to Common Shares | \$ 10,363 | \$ 8,468 |
| Earnings — Dollars Per Common Share | \$ 4.54 | \$ 3.84 |

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Balance Sheet

December 31, 1979 with comparative figures for 1978

| | Thousands | |
|--|------------------------------|------------------|
| | 1979 | 1978 |
| ASSETS | | |
| Current Assets | | |
| Accounts receivable (Note 2) | \$ 55,108 | \$ 46,446 |
| Owing by parent and affiliated companies | 3,360 | 18,329 |
| Materials and supplies — at average cost | 4,743 | 3,635 |
| Income tax recoverable | 2,008 | |
| Prepaid expenses | 357 | 313 |
| | <u>65,576</u> | <u>68,723</u> |
| Trust Assets Held for Income Tax Rebate for Consumers, Per Contra | 2,530 | 472 |
| Investment in Affiliated Company at Cost | 2,158 | 2,158 |
| Property, Plant and Equipment at Cost Less | | |
| Accumulated Depreciation (Note 3) | 209,625 | 173,442 |
| Deferred Expenses (Note 4) | 9,799 | 4,390 |
| | <u>\$289,688</u> | <u>\$249,185</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Due to bank | \$ 2,072 | \$ 9,960 |
| Accounts payable and accrued liabilities | 55,116 | 52,967 |
| Dividends payable | 573 | 577 |
| Owing to parent and affiliated companies | 19,257 | 2,006 |
| Long-term debt — current maturities (Note 5) | 1,003 | 1,357 |
| Deposits | 888 | 955 |
| Income and other taxes | 2,128 | 3,922 |
| | <u>81,037</u> | <u>71,744</u> |
| Amounts Held in Trust, Per Contra | 2,530 | 472 |
| Long-Term Debt (Note 5) | 75,899 | 61,563 |
| Contributions for Extensions to Plant | 28,680 | 23,377 |
| Deferred Income Taxes (Note 1) | 227 | 129 |
| Amount Received Under The Natural Gas Pricing Agreement Act | 7,293 | 4,666 |
| Other Liabilities | 909 | 689 |
| Shareholders' Equity | | |
| Preference shares (Note 6) | 31,676 | 31,857 |
| | <u>1979</u> | <u>1978</u> |
| Common shares (Note 7) | \$20,676 | \$18,743 |
| Retained earnings (Note 5) | 40,761 | 35,945 |
| | <u>61,437</u> | <u>54,688</u> |
| | <u>93,113</u> | <u>86,545</u> |
| | <u>\$289,688</u> | <u>\$249,185</u> |
| On behalf of the Board: | | |
| E. W. King /Director | K. A. Biggs /Director | |

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1979 with comparative figures for 1978

| | Thousands | |
|--|-----------------|----------|
| | 1979 | 1978 |
| Sources of Working Capital | | |
| Net earnings | \$12,666 | \$10,775 |
| Add non-cash items, principally depreciation | 6,003 | 5,684 |
| Provided from operations | 18,669 | 16,459 |
| Issue of long-term debt | 16,000 | |
| Issue of common shares | 1,933 | 5,300 |
| Increase in contributions for extensions to plant | 5,778 | 7,098 |
| Disposition of property, plant and equipment | 376 | 339 |
| Net proceeds under The Natural Gas Pricing Agreement Act | 2,628 | 1,738 |
| Other | 201 | (76) |
| | 45,585 | 30,858 |
| Uses of Working Capital | | |
| Purchase of property, plant and equipment | 42,979 | 28,185 |
| Reduction in long-term debt | 1,664 | 2,087 |
| Dividends — preference | 2,303 | 2,307 |
| — common | 6,063 | 3,000 |
| Redemption of preference shares | 180 | 23 |
| Increase in deferred expenses | 4,836 | 2,132 |
| | 58,025 | 37,734 |
| Decrease in Working Capital | \$12,440 | \$ 6,876 |

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

Consolidated Statement of Retained Earnings

Year ended December 31, 1979 with comparative figures for 1978

| | Thousands | |
|---|-----------------|----------|
| | 1979 | 1978 |
| Balance at Beginning of Year | \$35,945 | \$30,663 |
| Add | | |
| Net earnings | 12,666 | 10,775 |
| Adjustment for deferral of preference share issue expense less related income taxes of \$115 | 552 | |
| | 49,163 | 41,438 |
| Deduct | | |
| Dividends | | |
| Preference shares | 2,303 | 2,307 |
| Common shares | 6,063 | 3,000 |
| | 8,366 | 5,307 |
| Share issue expense less related income taxes of \$32 in 1979 and \$69 in 1978 | 36 | 186 |
| | 8,402 | 5,493 |
| Balance at End of Year | \$40,761 | \$35,945 |

Summary of Significant Accounting Policies

December 31, 1979

Basis of consolidation

The consolidated financial statements include the accounts of the company and its subsidiary company. All material inter-company balances and transactions have been eliminated.

Property, plant and equipment

Property, plant and equipment includes cost of land, resource properties, buildings and equipment. The gross cost of additions includes an allowance for funds used during construction based on the debt and equity cost of capital components. Certain additions are made with assistance of cash contributions where the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. These contributions are amortized on the same basis as the assets to which they relate.

Depreciation is provided on classes of assets at various rates on a straight line basis over the estimated useful lives of the assets. In accordance with the orders of regulatory bodies, depreciation is provided after giving effect to contributions for extensions to plant. The major assets are depreciated at rates varying from 2.17% to 6.5%. Certain resource properties are depreciated in part on a unit withdrawal basis.

On retirement of depreciable plant, the accumulated depreciation is charged with the cost of the retirement unit less net salvage. Gains and losses on extraordinary retirements are recognized as extraordinary items in the financial statements.

Deferred expenses

Expenses of issue of long-term debt are amortized over the periods that the debt is outstanding and expenses of issue of preference shares are amortized over 30 years from the date of issue.

Deferred charges relating to gas exploration include expenditures related to the development of gas reserves. Costs resulting in a successful venture are capitalized and depreciated on a unit withdrawal basis. With the approval of the Public Utilities Board of Alberta, costs of unsuccessful exploration, net of income taxes, incurred by the company are charged against the amounts received under The Natural Gas Pricing Agreement Act.

Income taxes

In fixing rates, except for the matters referred to below, the companies recover only taxes payable currently and, accordingly, to the extent that capital cost allowances are

claimed in excess of recorded depreciation, there has been a related reduction in the amount of income taxes otherwise payable which has not been reflected in the financial statements. The reduction will become a charge to be borne by the consumer in future years when recorded depreciation exceeds capital cost allowances claimed for income tax purposes.

The companies are permitted to claim deferred income taxes with respect to acquisition of natural gas rights, deferred gas costs, rate case expenses and share issue costs.

Amounts available under The Natural Gas Pricing Agreement Act

Under The Natural Gas Pricing Agreement Act, the company as an Alberta gas producer has available a pro rata share of monies under the Act which has been recorded net of royalties and income taxes. It is the company's intention, subject to approval of the Public Utilities Board of Alberta, to charge the costs of unsuccessful exploration against this amount.

Natural gas supply

The Province of Alberta enacted The Natural Gas Rebates Act effective January 1, 1974 to shelter the majority of Alberta natural gas consumers from the full impact of significant price increases for natural gas. Under the provisions of the Act, the gas utilities are reimbursed for the excess price paid to their suppliers over the support price. The statement of earnings is charged with the net cost of natural gas.

Equipment leases

The regulatory process in Alberta does not permit capitalization of leases in the determination of consumer rates. Because of this regulation, leases that would otherwise be treated as capital leases are accounted for by the companies as operating leases.

Notes to Consolidated Financial Statements

December 31, 1979

1. Income taxes

The provision for income taxes in the consolidated statement of earnings includes a deferred tax provision of \$259,000 in 1979 (a deferred tax draw-down of \$1,304,000 in 1978).

Total deferred income taxes increased by \$3,335,000 during 1979 (\$509,000 in 1978). The cumulative amount of deferred income taxes to December 31, 1979 is \$19,017,000 of which \$227,000 has been recorded in the accounts as a deferred credit.

2. Accounts receivable

| | 1979 | 1978 |
|---|------------------------|-----------------|
| | (Thousands) | |
| Consumer accounts | \$33,132 | \$30,661 |
| Receivable from the Province of Alberta | 17,409 | 12,634 |
| Other receivables and deposits | 4,567 | 3,151 |
| | <u>\$55,108</u> | <u>\$46,446</u> |

3. Property, plant and equipment

| | 1979 | | 1978 | |
|---------------------------------|-------------------------|---|------------------|---|
| | Cost | Accumulated Depreciation and Depletion | Cost | Accumulated Depreciation and Depletion |
| | (Thousands) | | (Thousands) | |
| Gas utility plant and equipment | \$280,141 | \$71,391 | \$238,368 | \$65,453 |
| Land | 875 | | 527 | |
| | <u>\$281,016</u> | <u>\$71,391</u> | <u>\$238,895</u> | <u>\$65,453</u> |
| | <u>\$209,625</u> | | <u>\$173,442</u> | |

4. Deferred expenses

| | 1979 | 1978 |
|---------------------------|-----------------------|----------------|
| | (Thousands) | |
| Debt discount and expense | \$ 559 | \$ 566 |
| Gas exploration | 8,605 | 3,818 |
| Other | 635 | 6 |
| | <u>\$9,799</u> | <u>\$4,390</u> |

5. Long-term debt

| | 1979 | 1978 |
|---|------------------------|-----------------|
| | (Thousands) | |
| First mortgage sinking fund bonds 5 ³ / ₈ % to 9 ³ / ₄ % due to 1994 | \$18,805 | \$20,000 |
| Sinking fund debentures 7 ¹ / ₄ % due 1985 | 2,600 | 2,706 |
| Sinking fund debentures payable to parent company 8.57% to 11.74% due to 2002 | 55,497 | 40,214 |
| Total long-term debt | 76,902 | 62,920 |
| Deduct current maturities | 1,003 | 1,357 |
| Long-term debt less current maturities | <u>\$75,899</u> | <u>\$61,563</u> |

The long-term debt outstanding and current maturities thereof have been reduced by bonds and debentures purchased for future sinking fund payments and exclude requirements which may be satisfied by certification of property additions.

Annual sinking fund requirements for each of the following years are:

| | (Thousands) |
|------|-------------|
| 1980 | \$1,003 |
| 1981 | 1,462 |
| 1982 | 2,680 |
| 1983 | 5,375 |
| 1984 | 2,739 |

The bond and debenture indentures executed by the company place limitations on the company and its subsidiary including restrictions on the payment of dividends. Of the consolidated retained earnings at December 31, 1979, approximately \$10,529,000 (1978 — \$8,855,000) were free from such restrictions.

6. Preference shares

Authorized:

105,000 4% cumulative redeemable preference shares of the par value of \$100 each.

1,987,060 series second preference shares of the par value of \$25 each, issuable in series, of which 115,200 shares have been designated as 10¼% Cumulative Redeemable Second Preference Shares Series A, 500,000 shares have been designated as 9.24% Cumulative Redeemable Second Preference Shares Series B and 231,860 shares have been designated as 7.30% Cumulative Redeemable Second Preference Shares Series C.

| Issued: | 1979 | | 1978 | |
|---|---------|----------------------|---------|----------------------|
| | Number | Value (Thousands) | Number | Value (Thousands) |
| 4% preference shares redeemable at a premium of 3% | 105,000 | \$10,500 | 105,000 | \$10,500 |
| 10¼% second preference shares Series A redeemable at a premium reducing from 5% to nil | 115,200 | 2,880 | 115,200 | 2,880 |
| 9.24% second preference shares Series B redeemable at a premium reducing from 5% to nil | 500,000 | 12,500 | 500,000 | 12,500 |
| 7.30% second preference shares Series C redeemable at a premium reducing from 4% to nil | 231,860 | 5,796 | 239,060 | 5,977 |
| | | <u>\$31,676</u> | | <u>\$31,857</u> |

The preference shares may be redeemed at the option of the company subject to premiums listed plus dividends accrued and unpaid. During the year the company purchased 7,200 shares of the 7.30% series reducing the capital of the company by \$180,000.

7. Common shares

Authorized:

3,000,000 shares without nominal or par value

| Issued: | 1979 | | 1978 | |
|---------------------------------|------------------|----------------------|------------------|----------------------|
| | Number | Value (Thousands) | Number | Value (Thousands) |
| Balance at beginning of year | 2,279,216 | \$18,743 | 2,100,645 | \$13,443 |
| Issued during the year for cash | 58,460 | 1,933 | 178,571 | 5,300 |
| Balance at end of year | <u>2,337,676</u> | <u>\$20,676</u> | <u>2,279,216</u> | <u>\$18,743</u> |

8. Remuneration of directors and officers

During the year ended December 31, 1979 the company paid aggregate remuneration of \$15,000 to nine directors as directors (\$14,000 to nine directors in 1978) and \$388,000 to 11 officers as officers (\$349,000 to 11 officers in 1978).

Three officers were also directors.

9. Commitments and contingencies

The cost of the company's planned construction and expansion program for 1980 will amount to approximately \$29,214,000 of which \$3,350,000 was under contract at December 31, 1979.

Minimum yearly equipment lease payments for 1979 were \$1,485,000 and \$1,485,000 for the years 1980-1984. Leases range in length from three to ten years. Under the normal course of business leases will generally be renewed or replaced by other leases.

The company has a pension plan covering substantially all its employees. The aggregate unfunded past service liability amounted to approximately \$4,059,000 at December 31, 1979. Of this amount \$1,379,000 must be funded by December 31, 1981 and the balance over a period not exceeding 14 years.

10. Comparative figures

Certain of the 1978 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1979.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Northwestern Utilities Limited as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Canada
January 29, 1980

Reat, Marwick, Mitchell & Co.
Chartered Accountants

TRANSFER AGENTS AND REGISTRARS

Montreal Trust Company

Edmonton, Alberta — Calgary, Alberta
Toronto, Ontario — Montreal, Quebec

Canada Permanent Trust Company

Edmonton, Alberta
Toronto, Ontario
Vancouver, British Columbia

AUDITORS

Peat, Marwick, Mitchell & Co.

2500 Alberta Telephone Tower
10020 - 100 Street
Edmonton, Alberta

ANNUAL MEETING

The annual meeting of shareholders will be held in
Edmonton, Alberta on April 23, 1980.

