ICG UTILITIES (ONTARIO) LTD

DIVISION OF INTER-CITY GAS CORPORATION

Annual Report
1987

ICG UTILITIES (ONTARIO) LTD
DIVISION OF INTER-CITY GAS CORPORATION

Business of the Company

ICG Utilities (Ontario) Ltd, a wholly owned subsidiary of Inter-City Gas Corporation, owns and operates, either directly or through subsidiaries, natural gas distribution facilities in the provinces of Ontario and Manitoba. The Ontario operation serves approximately 100 communities in northwestern, northern and eastern Ontario. In Manitoba, Greater Winnipeg Gas Company operates gas distribution facilities in the greater Winnipeg area and adjacent communities.

Highlights

Financial ($000's)	1987	1986
Operating revenue		
Ontario Operations	**$423,111**	$480,777
Manitoba Operations	**184,492**	213,708
	$607,603	$694,485
Net Income		
Ontario Operations	**$ 22,983**	$ 25,566
Manitoba Operations	**3,243**	4,702
	$ 26,226	$ 30,268
Operating		
Customers at year-end	**336,429**	327,214
Expenditures on properties, plant and equipment, net ($000's)	**$ 45,137**	$ 48,888
Properties, plant and equipment ($000's)	**$473,570**	$448,591

ICG UTILITIES (ONTARIO) LTD
DIVISION OF INTER-CITY GAS CORPORATION

Report to Shareholders

Revenues and Earnings

Net income for the year was $26.2 million, compared to $30.3 million last year, a decrease of $4.1 million. Earnings per common share decreased to $1.33 from $1.54 last year.

Total sales volumes, including transportation volumes, decreased by 12 million cubic metres to 4,331 million cubic metres, due primarily to the significantly warmer weather and conservation. As a result the Ontario and Manitoba operations both reported decreased contributions to earnings. At December 31, 1987 there were 336,429 customers compared to 327,214 a year earlier, a 2.8% increase.

Investment income declined to $9.9 million from $14.2 million reflecting the 1986 sale of the Company's investment in long term debt of Gaz Métropolitain, inc.

Financial expenses were $40.1 million compared to $38.3 million last year. In 1986, a $5.1 million gain on the sale of Gaz Métropolitain, inc. debt was realized. Proceeds from the sale of Gaz Métropolitain, inc. debt were used to reduce demand bank credits, which reduced interest expense.

Ontario Operations

The contribution to net income was $23.0 million compared to a net income of $25.6 million last year, a decrease of $2.6 million. The prior year's results reflect the non-recurring $5.1 million gain on sale of Gaz Métropolitain, inc. debt. Residential and commercial sales volumes declined by 49 million cubic metres to 909 million cubic metres as a result of 13% warmer weather and conservation, partially offset by customer growth.

Industrial sales volumes increased by 112 million cubic metres to 2,012 million cubic metres. This increase results from higher customer demands, including the displacement of coal and oil with gas due to lower gas prices. Sales to Gaz Métropolitain, inc. have been discontinued.

Transportation volumes have increased by 95 million cubic metres to 217 million cubic metres, reflecting a further move by industrial customers from sales service to transportation service.

At December 31, the total number of customers increased by 3.3% to 159,354 from 154,312 a year earlier.

Total capital expenditures, after deducting contributions in aid of construction, totalled $32.1 million, of which 55% was for new business, compared with $35.8 million in 1986.

Manitoba Operations

The contribution to net income for the year was $3.2 million compared to $4.7 million last year, a decrease of $1.5 million. Residential and commercial sales volumes were 905 million cubic metres, a decrease of 104 million cubic metres from the prior year as a result of 14% warmer weather marginally offset by customer growth.

Industrial sales volumes increased to 288 million cubic metres from 280 million cubic metres last year.

The number of customers increased by 2.4% to 177,075 at year end, compared to 172,902 a year earlier.

Capital expenditures were $13.0 million in 1987, no change from the previous year.

Regulation

In July 1987, the Ontario Energy Board released its final decision with respect to the 1987 test year. The Company was granted a final revenue deficiency of $10.8 million annually, effective February 20, 1987. The Board decreased the allowed rate of return on common equity from 15%, set in 1986, to 13.25%.

Following a hearing in late 1987, the Ontario Energy Board approved a rate increase which provides an additional $1.4 million in revenue for 1988. The allowed rate of return on common equity was increased to 13.5%.

In Manitoba, Greater Winnipeg Gas received approval to maintain existing gas sales rates. The return on common equity was set at 13.25%.

Market Responsive Pricing

The Companies signed amended gas pricing agreements with Western Gas Marketing, a subsidiary of TransCanada PipeLines in the fall of 1987 for the contract year ended October 31, 1988. The Regulatory Boards approved these agreements with some reservations relating to the variance in price charged to the different customer groups.

ICG UTILITIES (ONTARIO) LTD
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Deregulation

The Agreement on Natural Gas Markets and Prices, signed by the federal government and gas producing provinces on October 31, 1985, was designed to deregulate Government administered prices and promote a market-responsive pricing system.

Large volume customers are able to self-displace volumes under contract and make their own arrangements on both supply and price, whereas small volume users (core market customers), residential and commercial, are not entitled to self-displace.

Alberta has not been issuing gas removal permits for core market customers currently under long term contracts.

In Ontario and Manitoba, the Provincial Regulatory Boards regulate ICG's rates and those of other utilities.

The Ontario Energy Board, for one, is on record that it would like all customers, to be treated in the same way when it comes to pricing—in essence, a common commodity price for gas available to all groups of customers. However, the Ontario Energy Board cannot order Alberta to issue removal permits, or the National Energy Board to bend its rulings on self-displacement.

Complete market-responsive pricing is therefore not yet a reality and the industry is still in a transition period.

Sale of Manitoba Operations

During the spring of 1987, the Manitoba government entered into negotiations with the Company to purchase Greater Winnipeg Gas Company, however late in the year these negotiations were mutually terminated. The Government of Manitoba is on record as saying that it has no intention of expropriating or buying the Company.

Outlook

Progress towards market responsive pricing has been achieved but deregulation is far from being a complete success. ICG supports the principle of deregulation and recognizes that market-responsive pricing will enhance our competitive position. The producing provinces and the federal government must work together to remove the remaining impediments to true deregulation. ICG will, however, deal with the existing complexities to obtain the best arrangements for all its customers and the most equitable results for the shareholders.

On behalf of the Board of Directors,

R. G. Graham,
Chairman of the Board

N. J. Didur,
President and General Manager

April 20, 1988.

ICG UTILITIES (ONTARIO) LTD
DIVISION OF INTER-CITY GAS CORPORATION

Consolidated Statement of Income

Year ended December 31, 1987
(thousands of dollars)

	1987	1986
Operating revenue		
Gas sales	**$591,839**	$677,661
Other revenues	**15,764**	16,824
	607,603	694,485
Operating costs		
Cost of gas	**447,257**	537,585
Operating, selling and administrative	**78,729**	74,807
Depreciation	**16,656**	15,411
	542,642	627,803
Operating profit	**64,961**	66,682
Investment income (note 2)	**9,903**	14,182
	74,864	80,864
Financial expenses		
Interest on long-term debt	**39,301**	41,483
Loss (gain) on foreign exchange	**1,020**	(2,876)
Interest capitalized	**(215)**	(344)
	40,106	38,263
Income before taxes	**34,758**	42,601
Provision for income taxes (note 9)	**8,532**	12,333
Net income	**$ 26,226**	$ 30,268
Dividends on preference shares	**$ 2,544**	$ 2,825
Income applicable to common shares	**$ 23,682**	$ 27,443
Earnings per common share	**$1.33**	$1.54

ICG UTILITIES (ONTARIO) LTD
DIVISION OF INTER-CITY GAS CORPORATION

Consolidated Balance Sheet

as at December 31, 1987
(thousands of dollars)

Assets

		1987	1986
Current assets	Accounts receivable and unbilled gas	$ 87,152	$103,701
	Inventory of gas in storage and supplies	22,680	21,642
	Current portion of investments (note 2)	56,688	
	Total current assets	166,520	125,343
Investments (note 2)		78,119	138,110
Properties, plant and equipment (note 3)		473,570	448,591
Other assets (note 4)		19,080	22,235
		$737,289	$734,279

Liabilities

		1987	1986
Current liabilities	Bank indebtedness	$ 2,455	$ 852
	Accounts payable and accrued charges	81,054	87,946
	Income and other taxes	11,215	13,671
	Current maturities on long-term debt (note 6)	79,407	14,139
	Current liabilities, excluding demand bank credits	174,131	116,608
	Demand bank credits (note 5)	38,117	13,050
	Total current liabilities	212,248	129,658
Long-term debt (note 6)		246,807	330,844
	Total liabilities	459,055	460,502

Shareholders' Equity

		1987	1986
Capital stock (note 7)			
Issued			
	First preference shares		
82,786	$2.60 cumulative, first series (85,986 in 1986)	4,139	4,299
22,854	$2.70 cumulative, second series (24,523 in 1986)	1,143	1,226
	Second preference shares		
942,075	7.85% cumulative, series A, issue price $25 (998,075 in 1986)	23,552	24,952
	Third preference shares		
138,000	$1.94 cumulative, Series C (184,000 in 1986)	3,450	4,600
17,860,630	Common shares	140,838	140,838
Retained earnings (note 8)		105,112	97,862
	Total shareholders' equity	278,234	273,777
		$737,289	$734,279

Approved by the Board

Director

Director

ICG UTILITIES (ONTARIO) LTD
DIVISION OF INTER-CITY GAS CORPORATION

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1987
(thousands of dollars)

		1987	1986
Operations			
	Net income	**$ 26,226**	$ 30,268
	Charges not affecting cash		
	Depreciation	**16,656**	15,411
	Amortization	**1,803**	1,177
	Change in non-cash working capital	**1,912**	(2,783)
		46,597	44,073
Financing			
	Issue of long-term debt		75,000
	Increase (decrease) in demand bank credits	**25,067**	(103,898)
	Repayment of long-term debt	**(15,370)**	(17,757)
	Sale of GMi debt holdings		67,077
	Redemption of preference shares	**(2,676)**	(3,444)
		7,021	16,978
Total cash provided		**53,618**	61,051
Dividends paid			
	Preference shares	**2,544**	2,825
	Common shares	**16,432**	20,005
		18,976	22,830
Investments			
	Expenditures on property, plant and equipment	**44,241**	54,145
	Disposal of fixed assets	**85**	(472)
	Contributions in aid of construction	**(4,931)**	(8,722)
	Notes receivable under financial contracts	**(1,367)**	(291)
	Reduction of investments	**(2,138)**	(8,837)
	Deferred costs and other	**355**	614
		36,245	36,437
Increase (decrease) in bank indebtedness		**1,603**	(1,784)
Bank indebtedness at beginning of year		**852**	2,636
Bank indebtedness at end of year		**$ 2,455**	$ 852

ICG UTILITIES (ONTARIO) LTD
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Consolidated Statement of Retained Earnings

Year ended December 31, 1987
(thousands of dollars)

		1987	1986
Balance at beginning of year		**$97,862**	$90,424
Net income		**26,226**	30,268
		124,088	120,692
Dividends			
First preference shares	–first series	**221**	228
	–second series	**63**	67
Second preference shares	–series A	**1,903**	2,035
Third preference shares	–series A		1
	–series B		48
	–series C	**357**	446
Common shares		**16,432**	20,005
		18,976	22,830
Balance at end of year		**$105,112**	$97,862

Auditors' Report

To the Shareholders of
ICG Utilities (Ontario) Ltd

We have examined the consolidated balance sheet of ICG Utilities (Ontario) Ltd as at December 31, 1987 and the consolidated statements of income, 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, 1987 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.

Coopers & Lybrand

Toronto, Canada
February 5, 1988

Coopers & Lybrand
Chartered Accountants

Notes to Consolidated Financial Statements

Year ended December 31, 1987

(Tabular amounts are in thousands of dollars)

1. Accounting policies

The Company and its subsidiary are engaged primarily in regulated gas distribution operations in Manitoba through Greater Winnipeg Gas Company and in Ontario through ICG Utilities (Ontario) Ltd which are classified as one business segment for financial reporting purposes.

The principal accounting policies followed by the Company and its subsidiary are summarized here to facilitate a review of the consolidated financial statements.

Principles of consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries.

The excess of acquisition costs over underlying value of net assets at date of purchase in respect of companies amalgamated on January 1, 1968 are included in "Other Assets" and are not being amortized.

Foreign currency translation
Long-term debt and investments denominated in U.S. dollars are translated at the rates of exchange prevailing at the balance sheet date. Any exchange gains or losses arising on translation of these amounts are deferred and amortized over the remaining term to maturity.

Inventories
Gas in storage is carried at cost which includes transportation and storage. Supplies are carried at the lowest of historic cost, replacement cost and net realizable value.

Properties, plant and equipment
Properties, plant and equipment are carried at cost which includes direct costs, overhead attributable to construction and interest on funds used during construction, less contributions in aid of construction.

Contributions in aid of construction are represented primarily by non-refundable grants from governmental bodies in support of specific transmission and distribution facilities.

Depreciation is provided on the straight-line method at rates approved by regulatory authorities. The application of such rates is equivalent to a composite rate of approximately 3.33% (3.25% in 1986).

The original cost of property retired is removed from plant accounts and charged to accumulated depreciation, which is credited with the salvage proceeds less removal costs. Under this method, no profit or loss is recognized on ordinary retirements of depreciable property.

Maintenance, repairs and minor renewals are charged to maintenance expense accounts. Renewals and betterments of property are capitalized.

Deferred charges
Costs of issuing long-term debt are deferred in the year incurred and amortized against income over the term of the applicable issue.

The Companies defer, in the year incurred, certain expenses which the regulatory authorities require or permit to be recovered from future revenues; such charges are being amortized over various time periods.

Income taxes
The Companies' rates and revenues, established for regulatory purposes, include recovery of only such income taxes as are currently payable or are recoverable through the rates charged to customers. Accordingly, the Companies provide for income taxes on this basis and do not provide for income taxes which may be payable in future years as a result of current differences in timing of deductions, principally in respect of depreciation and amortization, for financial reporting and income tax purposes. Such income taxes not provided and not recovered in revenues amounted to $7,263,000 in 1987, ($7,578,000 in 1986) and $90,441,000 in total to December 31, 1987. The Companies do provide for income taxes which result from a difference in the timing of income recognition on unbilled sales.

Pension Costs
Pension costs and obligations are determined annually by independent actuaries using management's best estimate assumptions and the projected benefit method prorated on services. Adjustments arising from plan amendments, changes in assumptions, experience gains or losses and the initial actuarial surplus as at January 1, 1987 are amortized on a straight-line basis over the expected average remaining service life of the employee group.

2. Investments

	1987	1986
Investment in Noverco (i)		
Common shares of Noverco (ii)	**$ 55,016**	$ 55,016
Preference shares of Gaz Métropolitain, inc.		
7.85% 1978 series, issue price $25	**13,458**	14,258
	68,474	69,274
Demand note from ICG (iii)	**47,300**	47,300
Mortgages receivable	**3,249**	5,347
Finance contracts	**15,708**	16,152
Other	**76**	37
	134,807	138,110
Deduct current portion of investments		
Common shares of Noverco to be tendered in 1988	**55,016**	
Current maturity on demand note from ICG	**1,672**	
	56,688	
	$ 78,119	$138,110

(i) Effective June 16, 1986 the Company's common shares of Gaz Métropolitain, inc. (GMi) were exchanged for an equal number of common shares of Noverco, GMi's newly formed parent company.

(ii) In 1980 and 1981, the Company issued two series of exchangeable subordinated debentures. The issues conferred upon the holders the right to vote the shares subject to exchange during the terms of the issues and prior to exercising the exchange right. As a result, the Company no longer has a voting interest in Noverco. Accordingly, the Company accounts for its investment in Noverco by the cost method.

During 1985, the first issue of $26,000,000 principal amount of 12% exchangeable subordinated debentures due in 2000 was exchanged into 3,250,000 common shares of GMi, resulting in a loss on the exchange of shares of $603,000 after income taxes payable of $1,396,000.

The second issue of $55,016,000 of 13% exchangeable subordinated debentures redeemable in 1988 are exchangeable at any time into 6,877,049 common shares of Noverco. The Company has the option to pay the redemption in cash or by tendering the common shares of Noverco subject to the exchange right. In 1988, the Company intends to tender the common shares of Noverco.

(iii) The subordinated demand note from the Company's parent, Inter-City Gas Corporation bears interest at 7.6% per annum and is subject to minimum annual repayments of $1,672,000 in 1988 and $4,148,000 from 1989 to 1999. Annual interest of $3,595,000 is included in investment income in 1987 and 1986. Interest receivable of $1,048,000 is included in accounts receivable at December 31, 1987 and 1986.

3. Properties, plant and equipment

	1987			1986
	Cost	**Accumulated Depreciation**	**Net**	**Net**
Gas storage	**$ 20,512**	**$ 7,759**	**$ 12,753**	$ 13,299
Gas distribution	**504,609**	**100,467**	**404,142**	382,854
Rental equipment	**51,400**	**20,376**	**31,024**	27,737
General and other plant	**41,255**	**15,604**	**25,651**	24,701
	$617,776	**$144,206**	**$473,570**	$448,591

4. Other assets

	Basis or Period of Amortization	**1987**	1986
Intangible assets arising from acquisitions		**$ 8,833**	$ 8,833
Unrealized foreign currency translation losses (i)	*	**3,455**	7,953
Long-term debt issue expense	*	**1,848**	2,121
Sales promotion expense	**5 years**	**1,874**	1,934
Preliminary survey and engineering		**1,124**	936
Rate hearing expense	**1-3 years**	**997**	360
Other		**949**	98
		$19,080	$22,235

*Amortized over term of applicable issue.

(i) Represents the unrealized foreign currency loss on translation of long-term debt denominated in U.S. dollars $37,450,000 U.S. ($43,061,000 U.S. in 1986). The exchange rate as at December 31, 1987 was $1.30 ($1.38 in 1986).

5. Demand bank credits

While demand bank credits are by their terms due within one year and therefore classified as current liabilities, the Company has in the past retired and anticipates in the future retiring such obligations through the issue of long term capital.

6. Long-term debt

	Due within one year	1987	1986
8% – 11⅜% first mortgage bonds, 1989–1998	**$10,884**	**$ 84,674**	$ 98,098
9⅝% – 14% senior debentures, 1991–2008	**6,625**	**174,433**	178,603
6% subordinate notes, 1987			415
6½% – 11¼% debentures, 1988-1991	**6,882**	**12,091**	12,851
13% exchangeable subordinated debentures, 1988 (note 2(ii))	**55,016**	**55,016**	55,016
	$79,407	**326,214**	344,983
Deduct			
Current maturities on long-term debt		**79,407**	14,139
		$246,807	$330,844

The first mortgage bonds are secured by specific mortgage on real and immovable property, franchises, gas purchases and sales contracts, monies deposited under Trust Deed, securities, appliances and equipment and additional property pledged with Trustee and a floating charge on all other assets.

Long-term debt maturities and sinking fund requirements for each of the four years subsequent to 1987 are as follows:

1989	$30,213	1991	$38,180
1990	$14,959	1992	$20,567

7. Capital stock

Authorized:

505,848	First preference shares issuable in series
3,542,075	Second preference shares issuable in series
138,000	Third preference shares issuable in series
2,500,000	Junior preference shares issuable in series
34,622,139	Common shares

First preference shares, first and second series, (currently redeemable at the Company's option at $50.50 per share) do not presently have voting rights.

Second preference shares, series A, (redeemable at the Company's option at $25.00 per share) do not presently have voting rights.

Third preference shares, series C (redeemable at the Company's option at $25.00 per share) have voting rights.

The following shares were redeemed for cash during the year:

3,200	First preference shares, first series
1,669	First preference shares, second series
56,000	Second preference shares, series A
46,000	Third preference shares, series C

8. Dividend restrictions

The indentures and agreements relating to the Company's long-term debt obligations contain covenants limiting the payment of dividends.

9. Income taxes

A reconciliation between the statutory and the effective rate of income taxes is provided as follows:

	1987	1986
Income before income taxes	**$34,758**	$42,601
Federal statutory tax rate	**45.5%**	46.0%
Computed income taxes	**$15,814**	$19,596
Increases (decreases) in income taxes resulting from:		
Capital cost allowance deducted for income tax purposes in excess of depreciation	**(1,790)**	(2,221)
Corporate surtax	**205**	405
Provincial income taxes in excess of federal abatement	**1,085**	1,330
Non-taxable dividend income	**(2,872)**	(2,749)
Difference between accounting gains/losses and taxable capital gains/losses	**45**	35
Deferred charges and other items claimed for tax purposes in the year incurred	**(2,985)**	(3,836)
Other, net	**(970)**	(227)
Actual income tax expense	**$ 8,532**	$12,333
Effective tax rate	**24.5%**	29.0%

10. Pension plan

Substantially, all full-time salaried employees of the Company are members of a defined benefit non-contributory Inter-City Gas Corporation pension plan. The plan is fully funded as at December 31, 1987.

For employees who are members of a union, the Company provides non-contributory defined benefit pension plans. A summary of pension fund assets and accrued pension benefits for the union plans at December 31, 1987 is as follows:

Market value of pension fund assets	$15,327
Actuarial present value of accrued pension benefits	$ 7,824

11. Related party transactions

ICG Utilities (Canada) Ltd charged the Company $2,006,000 ($4,019,000 in 1986) for services provided.

ICG UTILITIES (ONTARIO) LTD
DIVISION OF INTER-CITY GAS CORPORATION

Financial and Operating Summary—1983-1987

Consolidated Results

Financial Statistics ($000's)	1987	1986	1985	1984	1983
Operating revenue					
Gas sales	**$591,839**	$677,661	$759,793	$728,081	$703,634
Other revenues	**15,764**	16,824	14,848	10,563	9,799
	607,603	694,485	774,641	738,644	713,433
Costs and expenses					
Cost of gas	**447,257**	537,585	624,444	610,804	595,923
Operating, selling and administrative	**78,729**	74,807	69,365	63,687	56,829
Depreciation	**16,656**	15,411	14,050	12,254	11,435
	542,642	627,803	707,859	686,745	664,187
Operating profit	**64,961**	66,682	66,782	51,899	49,246
Investment income	**9,903**	14,182	20,125	18,822	18,781
	74,864	80,864	86,907	70,721	68,027
Financial expenses	**40,106**	38,263	43,386	39,819	33,274
Income before taxes	**34,758**	42,601	43,521	30,902	34,753
Income taxes	**8,532**	12,333	16,532	5,399	8,077
Net income[1]	**$ 26,226**	$ 30,268	$ 26,989	$ 25,503	$ 26,676
Operating Statistics					
Gas sales ($000's)					
Residential	**$188,552**	$207,356	$216,865	$196,501	$186,954
Commercial	**167,038**	175,774	186,539	178,231	167,052
Industrial—firm	**105,173**	165,178	198,965	197,371	202,015
—interruptible	**131,076**	118,494	147,513	155,978	147,613
GMi		10,859[2]	9,911[2]		
	$591,839	$677,661	$759,793	$728,081	$703,634
Volumes ($10^6 m^3$)					
Residential	**919**	1,001	1,051	976	967
Commercial	**895**	966	1,019	976	944
Industrial—firm	**1,176**	1,193	1,307	1,279	1,314
—interruptible	**1,124**	987	1,084	1,126	1,066
GMi		74[2]	69[2]		
Transportation service	**217**	122			
	4,331	4,343	4,530	4,357	4,291
Customers at year-end					
Residential	**303,313**	295,580	287,750	278,746	266,730
Commercial	**32,036**	31,080	30,003	29,043	27,973
Industrial	**1,080**	554	556	542	544
	336,429	327,214	318,309	308,331	295,247
Capital expenditures ($000's)	**$ 45,137**	$ 48,888	$ 61,391	$ 54,639	$ 45,095
Kilometres of pipe at end of period	**8,977**	8,788	8,476	8,176	7,612

(1) Before extraordinary loss on the sale of an oil and gas subsidiary on September 30, 1984 and income from its operations up to that date.
(2) Subsequent to the sale of Le Gaz Provincial du Nord de Québec Ltée on April 30, 1985.

ICG UTILITIES (ONTARIO) LTD
DIVISION OF INTER-CITY GAS CORPORATION

Financial and Operating Summary—1983-1987

Ontario Operations

Financial Statistics ($000's)	1987	1986	1985	1984	1983
Operating revenue					
Gas sales	**$408,096**	$466,156	$532,030	$508,697	$491,659
Other revenues	**15,015**	14,621	12,945	8,252	7,030
	423,111	480,777	544,975	516,949	498,689
Costs and expenses					
Cost of gas	**310,937**	376,651	448,980	439,468	429,117
Operating, selling and administrative	**45,851**	41,262	39,206	36,207	30,811
Depreciation	**12,546**	11,583	10,600	9,231	8,008
	369,334	429,496	498,786	484,906	467,936
Operating profit	**53,777**	51,281	46,189	32,043	30,753
Investment income	**9,903**	14,182	20,125	18,822	18,781
	63,680	65,463	66,314	50,865	49,534
Financial expenses	**32,352**	31,178	36,650	33,167	27,797
Income before taxes	**31,328**	34,285	29,664	17,698	21,737
Income taxes	**8,345**	8,719	10,622	(527)	1,590
Net income[1]	**$ 22,983**	$ 25,566	$ 19,042	$ 18,225	$ 20,147

Operating Statistics	1987	1986	1985	1984	1983
Gas sales ($000's)					
Residential	**$101,738**	$107,549	$110,006	$ 95,664	$ 89,695
Commercial	**93,487**	99,620	105,466	100,691	91,430
Industrial—firm	**102,032**	161,172	194,447	193,201	197,844
—interruptible	**110,839**	86,956	112,200	119,141	112,690
GMi		10,859[2]	9,911[2]		
	$408,096	$466,156	$532,030	$508,697	$491,659
Volumes ($10^6 m^3$)					
Residential	**432**	456	471	427	421
Commercial	**477**	502	531	515	486
Industrial—firm	**1,153**	1,168	1,279	1,253	1,288
—interruptible	**859**	732	816	852	807
GMi		74[2]	69[2]		
Transportation service	**217**	122			
	3,138	3,054	3,166	3,047	3,002
Customers at year-end					
Residential	**141,015**	136,863	132,786	127,129	118,495
Commercial	**17,906**	17,082	16,312	15,706	14,804
Industrial	**433**	367	367	336	335
	159,354	154,312	149,465	143,171	133,634
Capital expenditures ($000's)	**$ 32,123**	$ 35,812	$ 50,666	$ 46,202	$ 37,004
Kilometres of pipe at end of period	**6,016**	5,896	5,644	5,386	4,884

(1) Before extraordinary loss on the sale of an oil and gas subsidiary on September 30, 1984 and income from its operations to that date.
(2) Subsequent to the sale of Le Gaz Provincial du Nord de Québec Ltée on April 30, 1985.

ICG UTILITIES (ONTARIO) LTD
DIVISION OF INTER-CITY GAS CORPORATION

Financial and Operating Summary—1983-1987

Manitoba Operations

Financial Statistics ($000's)	1987	1986	1985	1984	1983
Operating revenue					
Gas sales	$183,743	$211,505	$227,763	$219,384	$211,975
Other revenues	749	2,203	1,903	2,311	2,769
	184,492	213,708	229,666	221,695	214,744
Costs and expenses					
Cost of gas	136,320	160,934	175,464	171,336	166,806
Operating, selling and administrative	32,878	33,545	30,159	27,480	26,018
Depreciation	4,110	3,828	3,450	3,023	3,427
	173,308	198,307	209,073	201,839	196,251
Operating profit	11,184	15,401	20,593	19,856	18,493
Financial expenses	7,754	7,085	6,736	6,652	5,477
Income before taxes	3,430	8,316	13,857	13,204	13,016
Income taxes	187	3,614	5,910	5,926	6,487
Net income	$ 3,243	$ 4,702	$ 7,947	$ 7,278	$ 6,529

Operating Statistics

	1987	1986	1985	1984	1983
Gas sales ($000's)					
Residential	$ 86,814	$ 99,807	$106,859	$100,837	$ 97,259
Commercial	73,551	76,154	81,073	77,540	75,622
Industrial—firm	3,141	4,006	4,518	4,170	4,171
—interruptible	20,237	31,538	35,313	36,837	34,923
	$183,743	$211,505	$227,763	$219,384	$211,975
Volumes ($10^6 m^3$)					
Residential	487	545	580	549	546
Commercial	418	464	488	461	458
Industrial—firm	23	25	28	26	26
—interruptible	265	255	268	274	259
	1,193	1,289	1,364	1,310	1,289
Customers at year-end					
Residential	162,298	158,717	154,964	151,617	148,235
Commercial	14,130	13,998	13,691	13,337	13,169
Industrial	647	187	189	206	209
	177,075	172,902	168,844	165,160	161,613
Capital expenditures ($000's)	$ 13,014	$ 13,076	$ 10,725	$ 8,437	$ 8,091
Kilometres of pipe at end of period	2,961	2,892	2,832	2,790	2,728

ICG UTILITIES (ONTARIO) LTD
DIVISION OF INTER-CITY GAS CORPORATION

Directors and Officers*

Officers

Robert G. Graham	*Chairman of the Board*
Norman J. Didur	*President and General Manager*
Richard R. Burke	*Vice-President, Regulatory Affairs and Planning*
Michael F. Burton	*Vice-President, Marketing and Sales*
H. Gordon Cook	*Vice-President, Management Information Systems*
Mark A. Wolnik	*Vice-President, Operations*
Edward C. Wroblewski	*Vice-President, Human Resources*
Jeffrey Hunter	*Controller*
John E. Carstairs	*Secretary*
George R. Laidlaw	*Assistant Secretary*

*As at March 10, 1988

Board of Directors

**Preston R. Cook	*Thunder Bay*
**Murray W. Cooper	*New Liskeard*
Norman J. Didur	*Toronto*
Robert G. Graham	*Toronto*
**Wayne R. Harding	*Largo, Florida*

**Audit Committee

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