The
Alberta Gas Trunk Line
Company Limited

Annual Report 1972

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Transfer Agents and Registrars

CLASS "A" COMMON SHARES

National Trust Company, Limited
Montreal, Toronto, Winnipeg, Calgary, Edmonton, and Vancouver and Canada Permanent Trust Company, as agent for National Trust Company, Limited in Regina

PREFERRED SHARES SERIES C AND D

Crown Trust Company
Montreal, Toronto, Winnipeg, Calgary and Vancouver

Stock Exchange Listings

CLASS "A" COMMON SHARES

Toronto Stock Exchange
Montreal Stock Exchange
Calgary Stock Exchange

PREFERRED SHARES SERIES C AND D

Toronto Stock Exchange
Calgary Stock Exchange

Auditors
Clarkson, Gordon & Co.

Solicitors
Howard, Moore, Dixon, Mackie & Forsyth

Contents

Annual Meeting

The Annual Meeting of the shareholders of the Company will be held at the Calgary Inn, Calgary, Alberta on April 9, 1973 at 10:30 a.m.

The Alberta Gas Trunk Line Company Limited

Incorporated by Special Act under the Laws of Alberta

The Company's compressor station at Turner Valley is in a typical Alberta foothills setting southwest of Calgary.

Highlights

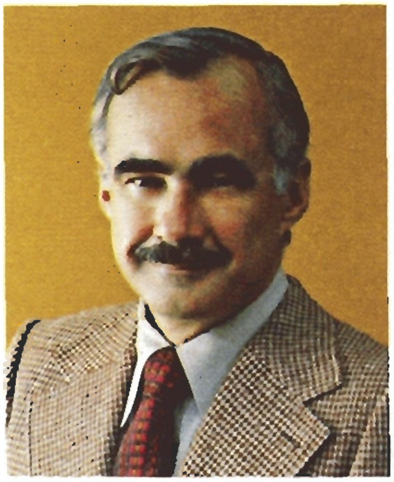
FINANCIAL

(The per share figures have been restated from those previously reported to reflect the 1972 subdivision on a 4 for 1 basis.)

	1972	1971	Increase (Decrease) Per Cent
Operating revenues	$ 64,666,000	$ 56,351,000	14.8
Operating profit	$ 33,775,000	$ 29,907,000	12.9
Net income	$ 14,067,000	$ 11,399,000	23.4
Dividends on preferred shares	$ 1,611,000	$ 1,826,000	(11.8)
Net income applicable to common shares	$ 12,456,000	$ 9,573,000	30.1
Net income per common share			
On average shares outstanding	$ .75	$ .66	13.6
On fully-diluted basis	$ .74	$ .64	15.6
Dividends paid per common share	$ .39¾	$ .37½	6.0
Average common shares outstanding	16,530,000	14,584,000	13.3
Additions to plant	$ 44,604,000	$ 60,892,000	(26.7)
Investment in plant (cost)	$507,903,000	$463,761,000	9.5
Investment in plant (net)	$432,000,000	$398,622,000	8.4
Average rate base	$386,000,000	$355,159,000	8.7
Average rate of return	8.75%	8.42%	3.9

OPERATING

	1972	1971	Increase (Decrease) Per Cent
Miles of pipeline in service	4,030	3,493	15.4
Compression horsepower	365,635	355,955	2.7
Annual throughput (MMcf)	1,628,613	1,435,735	13.4
Maximum day throughput (MMcf)	5,261	4,701	11.9
Average day throughput (MMcf)	4,460	3,934	13.4



S. R. Blair

J. C. Mayne

Report To Shareholders

ALBERTA SERVICE EXPANSIONS

The recent yearly growth of the Company's principal and original business of providing transmission service for Alberta-produced natural gas has been:

	Total additions to gas plant	Net growth after depreciation
1969	$ 68 million	$ 60 million
1970	$ 83 million	$ 74 million
1971	$ 61 million	$ 50 million
1972	$ 45 million	$ 33 million
1973	$ 24 million	$ 11 million

These figures are set out to be plain about slower growth which the Company experienced in 1972 and faces again for 1973. The management is optimistic that this immediate trend can be countered. If it is not, it would produce slower growth in revenue and income.

We know such a trend to be opposite to the general trend of gas supply availability in Alberta. Therefore we believe the growth prospect of our Company, if only as a transporter of Alberta gas, is stronger than implied superficially by the record of the last few years.

For instance, it was mentioned in previous annual reports that our additions to gas plant in 1971 would have been $110 million and in 1972 $100 million if our customers had been able to deliver into United States and Canadian markets outside of Alberta all the gas for which they had contracted in Alberta and received Alberta authorization. Most of this gas is still waiting for market; hence, the corresponding deferred service expansion orders remain in prospect for our Company.

As another case in point, should Pan-Alberta Gas Ltd. (which is discussed in greater detail under "Other Major Developments") receive the necessary regulatory authorizations to market the additional gas supply which it is contracting and which is over and above the customers' supply described above, the corresponding expansion of our gas transmission services would have a capital cost of the order of $200 million for operation starting in 1974.

So we note some current dearth of growth in a period and province of plenty. This aberration should prove temporary. However, we have no illusion that the situation will correct itself while we watch; instead, we will continue through Pan-Alberta and otherwise to do what we can to contribute to healthy growth and incentive for production of natural gas in Alberta.

In the meantime, your management is engaged in other endeavours to provide further for continuing growth of the Company in the long term, as will be described under "Other Major Developments".

CONSTRUCTION AND OPERATIONS ECONOMICS

Our unit charges for gas transmission services in 1972 averaged 1.65 cents to transport each Mcf of gas one hundred miles, after adding costs of all gathering lateral, measurement and quality control services as well as mainline transmission charges.

This figure was slightly below the average of 1.67 cents calculated for 1971.

So measured, the Company's performance continued to be relatively economical within its industry.

Part of the reason for the Company's good cost performance historically has been its continuous advance into innovative use of larger sizing of mainline pipe and equipment to produce lower unit costs. In recent years, such activity has been directed particularly towards field compressor equipment of which a 24,000-horsepower unit was put into service in 1971 and a 35,000-horsepower unit was contracted and under design in 1972. Each of which will be the first of its size within Canada.

At the 1972 annual meeting, attention was called to the effects which our past practice of deferring income tax have produced in helping to keep our transmission charges low, and to our conclusion that we should commence charging for a portion of such taxes in 1973. In December, we announced that we estimated such tax charges for 1973 will be $5 million. This will start a necessary transition towards an inevitably higher level of future average service charges.

It was also announced that in December following extensive review with our customers that our overall rate of return was set at 9% effective January 1, 1973 to maintain return to common equity in the range determined reasonable by regulatory finding.

OTHER MAJOR DEVELOPMENTS

In reporting on Alberta service expansions we commented briefly on our current situation as a transporter of gas produced within Alberta.

The other main bases of the Company's present business interest and prospects for future growth are its future participation in moving new supplies of gas from regions north of Alberta, its participation in Pan-Alberta Gas Ltd. and its initial effort to select diversification of some investment beyond gas transmission operations.

Two-fold contribution by our Company is in prospect for the transportation of gas to be produced from the north slope of Alaska, from the Mackenzie Delta and the other sources tributary to a Mackenzie Valley gas mainline. First, we are one of the pipeline carriers in western Canada which may provide such transmission services by expanding existing systems wherever such service is more desirable, after weighing economic and all other factors, than the arranging of entirely new systems following new routes. Second, we are offering to take a substantial position as a co-investor in the equity securities of the new company which would be financed to build at least the mainlines in the Northwest and Yukon Territories.

The Pan-Alberta project was conceived in 1972 as capable of meeting the federal export conditions that gas be surplus to Canadian requirements, that the export price be high enough to achieve real opportunity value and that there be substantial Canadian ownership content.

The project is designed to marshal part of the present excess gas production capability in Alberta which has not been purchased by any others and to re-sell it for early delivery on a short-term and full-value basis to some companies which have obtained the dedication of new proven Arctic gas reserves. Such customers, which so far are United States gas distribution companies, are committed to re-sell equivalent quantities of gas from their Alaskan or other Arctic supply to Pan-Alberta in the 1980's and 1990's. Therefore the project in one sense can provide a gas banking arrangement in which present excess production in Alberta is to be delivered as an advance on future Arctic supply.

The project is also designed to enhance further gas exploration and development and economic benefits in Alberta and Canada. If the project does indeed meet the federal export criteria and obtain export authorization from Alberta and import authorization in the United States, it will then provide a field price in Alberta commensurate with the present trend of field prices in other gas producing areas plus very substantial other revenue benefits to Canadian companies and public.

While the project is subject to future examination for authorization by several jurisdictions, we believe that it has real potential. The project applicant, Pan-Alberta Gas Ltd., is currently a wholly-owned subsidiary of our Company. If its applications succeed, it would evolve into a public, Canadian-owned and entrepreneurial company in which our Company would retain a minority interest.

With regulatory applications being launched in the first half of 1973, there will be further reporting on Pan-Alberta's proposals within the procedures of public hearings.

In our intention of gradual but persistent selection of attractive investment in industry fields which are broader than gas transmission, the Company is reviewing a number of new opportunities for which evaluation was begun during 1972. Progress will be reported as appropriate from time to time.

At present, the total of all diversification ventures which we are considering is in terms of capital costs equivalent to about 5% of our current gas plant in service. We hope that the eventual revenue and income contributions from such investment will be in greater proportion than the asset additions.

CORPORATE CHANGES

On June 2, 1972, pursuant to amendment of the Company's Act of Incorporation, the Class "A" shareholders received the right to vote for three directors. At the annual meeting on July 17, they elected Arthur J. E. Child of Calgary and Peter L. P. Macdonnell, Q.C. and H.J.S. Pearson of Edmonton. The Lieutenant Governor in Council of Alberta appointed one additional director, John R. McCaig of Calgary.

These four welcome additions to the board then joined the five continuing directors, A. T. Baker, J. E. Baugh, J. C. Mayne, D. E. Mitchell and L. M. Rasmussen of Calgary and two appointees from the Company's management, S. R. Blair and W. J. Deyell, in forming the new eleven-man board.

We acknowledge with respect and appreciation the past performance as directors of Senator the Hon. E. C. Manning and John E. Maybin.

Using one aspect of the flexibility afforded to the Company's financial powers by the same June amendment of our Act of Incorporation, the Company on September 29, 1972 split its Class "A" common shares 4 for 1.

On November 16, 1972, the rate of dividend paid to the Class "A" common shareholders was increased to 10½¢ per share quarterly.

We recognize the dedicated efforts of our management team and all employees during 1972. Such performance augurs well for the future growth and success of the Company.

J. C. Mayne

Chairman of the Board

S. R. Blair

President and
Chief Executive Officer

Calgary, Alberta
February 28, 1973

General Operations

A record for maximum throughput of gas on a single day was reached on December 14, 1972 when 5,261 million cubic feet were transported. The previous high for a day was 4,701 million cubic feet, measured in December 1971.

The total volume transported during 1972 was 1,630,000 million cubic feet, an increase of 13.4% over 1971. The 1972 throughput was equivalent to an average of 4,460 million cubic feet per day, up from 3,930 million cubic feet per day in 1971.

For 1973, it is estimated that throughput will approximate 4,500 million cubic feet per day on average.

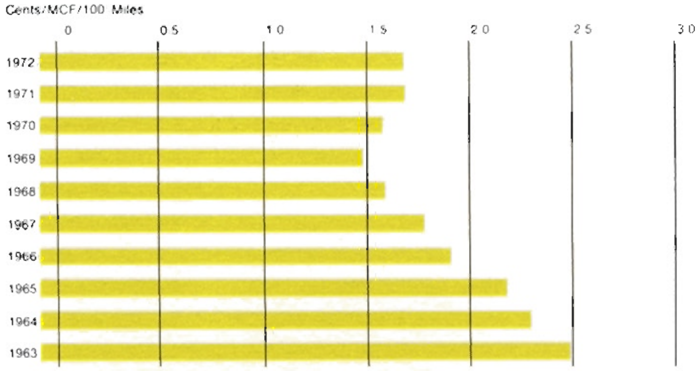
The general operations division was restructured with the appointment of W. J. Deyell as senior vice-president in mid-1972. The division's largest component is the gas transmission group, which reported the details of system performance noted on these pages.

Other major groups in the division are corporate safeguard, composed of accounting, computer services, personnel and rate administration, reporting to W. J. Hopson, vice-president and secretary; and operations business development and administrative services, reporting to R. J. Abercrombie, vice-president.

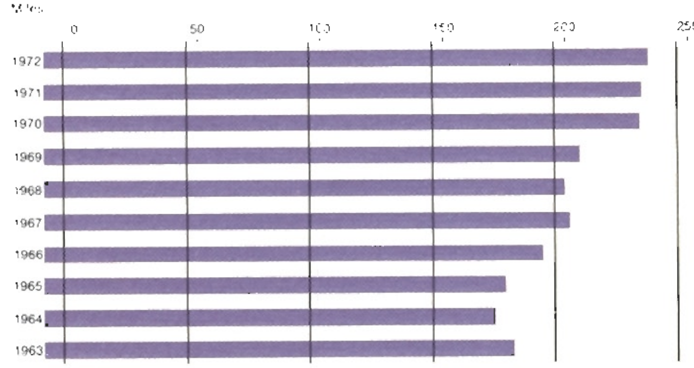
Operations business development is a new group created in 1972 to concentrate on such fields as the identification and study of gas reserves in the province of Alberta and the study of prospective diversification projects.

Hundreds of feet of "plumbing" form an important part of the Company's large compressor station at Princess.

AVERAGE TRANSPORTATION COSTS
Cents/MCF/100 Miles



AVERAGE DISTANCE OF GAS MOVEMENT
Miles



Construction

System expansion in 1972 at $45 million was not of great magnitude compared to the additions to plant in other recent years, for reasons described in the report of the president and the chairman of the board.

But the 1972 capital program was significant for the fact that it included construction of the Company's first local, inter-field gathering system to be built on a development basis, without the preconstruction commitment of a customer — 71.1 miles of line in the Wainwright area. The Wainwright system also included a new compressor station. Total cost of the project was $3.5 million. Pipe diameter ranges from four inches to 10 inches.

In all, mainline additions in 1972 totalled $17 million. The addition of 537 miles of line in the total system brought the network to 4,030 miles.

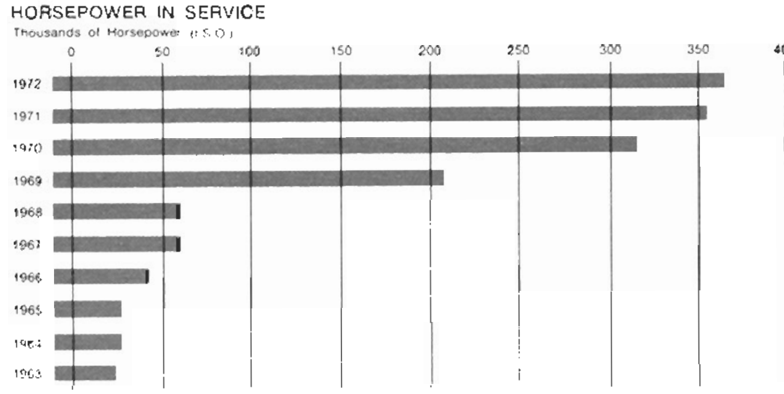
Compression additions during the year brought the total to 365,635 horsepower. A 1,100-horsepower centrifugal unit was added at Smoky Lake. Two 1,100-horsepower units went into the new station at Bens Lake. The new Wainwright station has a 2,000-horsepower reciprocating unit and Valleyview has a 3,500-horsepower centrifugal unit. Mainline compressor stations accounted for $6 million of the total capital program.

(During the year, the Company adopted the International Standards Organization method of rating gas turbine horsepower; thus all references to compression in this report are expressed in ISO terms rather than by the ratings of the National Electrical Manufacturers Association as in the past. The NEMA standards are being replaced internationally as a matter of preference of manufacturers and users of gas turbines and because ISO conditions can be converted easily to European measurement units.)

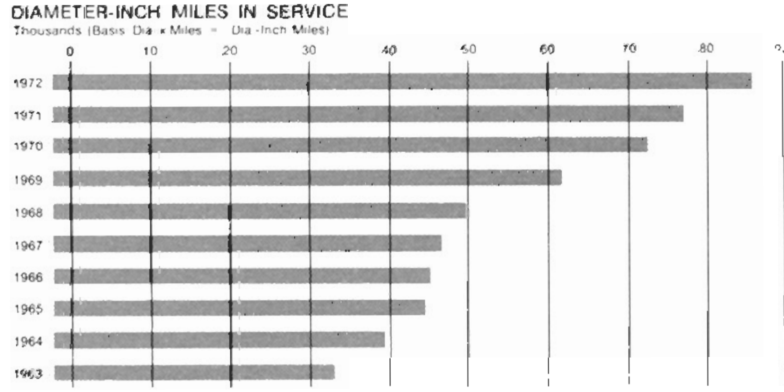
The Company's second gathering system, in the Suffield region of southeastern Alberta, was started late in the year.

Conversion to gas service of the former Peace River oil pipeline from the Zama region of northern Alberta continued during 1972 and into 1973.

HORSEPOWER IN SERVICE



DIAMETER-INCH MILES IN SERVICE



Zama
Proposed Mackenzie Valley Pipeline
Major Gas Export Routes
Westcoast Transmission Co. Ltd.
Marten Hills
Gold Creek
Flat Lake
Kaybob
Judy Creek
Simonette
Bigstone
SASKATCHEWAN
Whitecourt
West Whitecourt
B.C.
Edson
EDMONTON
Buck Lake
Brazeau River
Rimbey
TransCanada PipeLines Limited
Nevis
Strachan
Ricinus
Wimborne
Saskatchewan Power Corp.
Harmattan Elkton
Morrin
Ghostpine
Burnt Timber
Cessford
CALGARY
TransCanada PipeLines Limited
Quirk Creek
A.G.T.L. SYSTEM MAP
ALBERTA
Pipeline Size
Prior to 1972
1972 Expansion
42"
30" — 36"
20" — 26"
18" & Under
Medicine Hat - Roseglen
Alberta Natural Gas Company Ltd
LETHBRIDGE
Compressor Units
Waterton
Major Gas Plants
Edson
U.S.A.

New Corporate Opportunities

Gas Arctic-Northwest Project Study Group

The Company's participation in studies towards a pipeline project to transport natural gas from Alaska and Arctic Canada to markets to the south was altered somewhat in 1972. During the year the Gas Arctic Systems Study Group, a six-company group of which Alberta Gas Trunk was an original sponsor and to which it provided leadership and staff, was merged with the Northwest Project Study Group, also having six members, to form the Gas Arctic-Northwest Project Study Group, also known now by its service corporation, Canadian Arctic Gas Study Ltd. The addition of new members at the time of the merger and since brought the number of participants to 25 early in 1973.

The group, with a growing staff and offices of its own in Toronto, Calgary and Yellowknife, continues to work towards applications to regulatory authorities for the required permission to construct new systems from the far north. Senior representatives of the Company continue to serve on all committees of the study group.

Various route alternatives are under study by the group, including the use of existing Canadian gas pipeline systems as the basic networks which could be expanded for moving Arctic gas across the western provinces.

Pan-Alberta Gas Ltd.

This affiliate and, at present, wholly-owned subsidiary of Alberta Gas Trunk was established in mid-1972 when it became evident that a large excess of uncontracted as well as contracted gas production capability existed in Alberta and that it could be marketed under favourable and timely terms as an advance of Arctic gas supply, with valuable spin-offs for the industry in Alberta generally.

In the period since it went to work in July, Pan-Alberta has identified uncontracted gas sources sufficient to deliver in the order of 600 billion cubic feet per year. Contracts involving sufficient volume for application to remove more than 400 billion cubic feet of gas per year have gone out to producers and execution of these agreements is progressing satisfactorily.

International Portable Pipe Mills Ltd.

The Company is a shareholder to the extent of approximately 45% of the equity in this private venture. Its large plant at Cochrane, Alberta has produced experimentally 48-inch and 42-inch pipe and IPPM is continuing to work towards the commercial manufacture of pipe. The Company is investigating overseas projects offering favourable opportunities for the use of the portable pipe manufacturing concept.

Other ventures

The Company intends to strengthen its industrial base for future growth, consistent with stronger economic development of the province of Alberta. During 1972, the Company investigated a number of areas of possible diversification which could support that commitment and enhance future revenue and income expectations.

Various uses of natural gas have provided starting points for many of the Company's studies. One such study has led the Company early in 1973 to join Allarco Developments Ltd. in an $18.7 million project to construct a methanol plant in Medicine Hat. Nor have variations of the Company's historic role as a transporter of energy been overlooked. As other prospective projects develop there will be further public statements.

The
Alberta Gas Trunk Line
Company Limited

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1 R. J. Gibbs, QC, (left) and M. E. Kilik, respectively secretary and manager of gas supply for Pan-Alberta Gas Ltd., checking areas of uncommitted reserves on Alberta map

2 The plant of International Portable Pipe Mills Ltd. at Cochrane, west of Calgary

3 Engineer studying aerial photographs of Mackenzie Valley route

4 One of 25 young men from Arctic Canada undergoing on-the-job training in the Company's system

5 Mountain terrain to be encountered by gas pipeline from the Arctic.

4

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Public and Employee Affairs

As a large and growing Alberta company, Alberta Gas Trunk feels special responsibilities to the communities in which it operates, as well, of course, as to its employees.

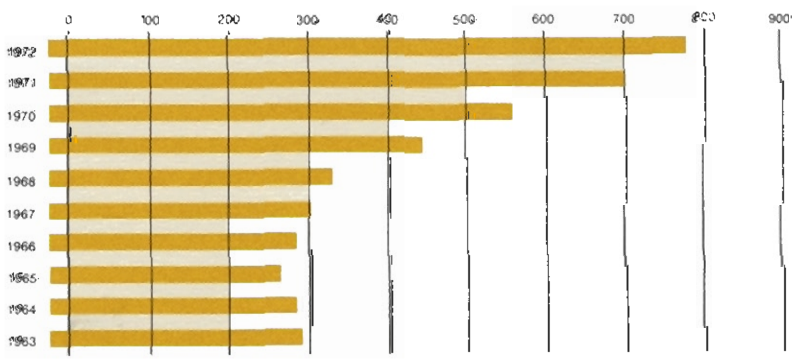
More than 40% of the Company's 781 permanent employees are based in field locations throughout the system. With some co-ordination assistance from head office personnel, key district employees in 1972 began a program of community relations designed to identify the Company as well as its local employees as conscientious and concerned citizens of the districts in which they operate.

Part of the program has been a series of public but informal get-togethers with district residents. Owners of land traversed by Company lines, plus any interested citizens are invited to meet Company personnel and to discuss the Company's operations in their areas. The response to the program, started in the fourth quarter of 1972, was gratifying and encouraging and the community sessions are continuing in 1973.

Company representatives at a community get-together in Turner Valley.

Training in fire-fighting techniques.

COMPANY EMPLOYEES



Another part of the program and of the Company's desire to participate in community life has been support of worthwhile local ventures having broad appeal. Campaigns for community capital projects (arenas, community halls, etc.), youth and recreation groups and charitable programs were supported in 35 Alberta communities in 1972 and the Company is expanding its efforts in 1973.

During 1972, the Company paid property and business taxes totalling more than $3.9 million in communities in the province.

The Company's permanent employee force at the end of 1972 included 138 professional and management staff, 368 technical and 275 support such as secretarial and clerical.

During the year more than 50% of the employees upgraded their skills by taking a variety of courses from Arctic survival to gas measurement to cost accounting.

Total payroll was almost $9.5 million. After deductions, this placed disposable income of $6.8 million in the hands of Alberta employees who for the most part spent it in Alberta.

Assuming an Alberta average of 3.5 persons per household, the Company "supports" 2,733 persons in Alberta, based on 781 permanent employees.

The foregoing perhaps can be considered an "interim report" of the Company's overall impact on the economic and social fabric of Alberta. A detailed study is under way and its results will help the Company respond in a meaningful way to the need and desires of its employees and of the communities in which it operates.

The Environment

The nature of natural gas transmission is such that the Company has relatively less to worry about in the realm of environmental protection than do some other industries in Canada.

However, given that installing pipelines does create terrain interference, the Company strives for standards that will keep upset to a minimum. The Company's practices in right-of-way restoration — through conservation of topsoil and immediate reseeding, for example — and pipeline inspection are progressive and effective.

Early in 1973, a senior employee was appointed to co-ordinate environmental policy objectives and maintain a regular liaison with appropriate regulatory authorities.

Financial

(Figures in parentheses are for 1971)

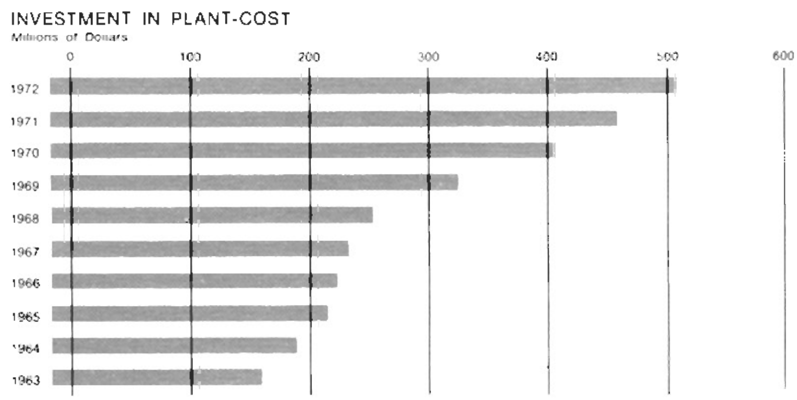
Operating revenues for the year were $64,666,000 ($56,351,000) and the operating profit or annual return of $33,775,000 ($29,907,000) was earned on an average rate base of $386,000,000 ($355,159,000).

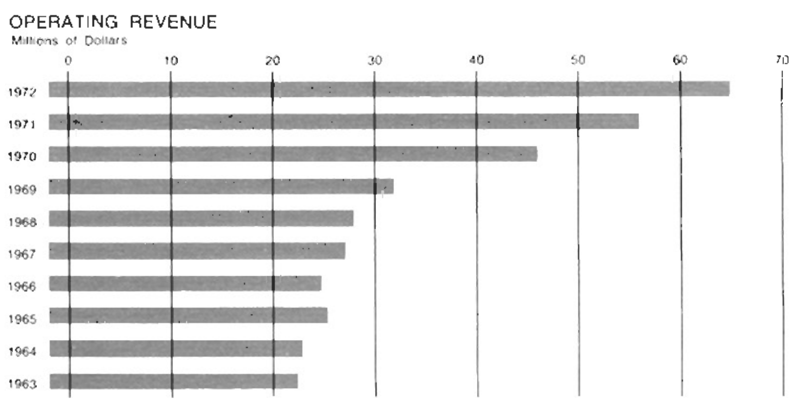
Net income for the year was $14,067,000 ($11,399,000) before providing $1,611,000 ($1,826,000) for preferred dividends. Net income applicable to common shares was $12,456,000 ($9,573,000) or 75¢ (66¢) per common share on the average number of shares outstanding during the year. The third and fourth quarterly dividends were increased to 10½¢ from 9⅜¢ per share, resulting in total dividends paid during 1972 on common shares of 39¾¢ (37½¢) per share. Included in net income is a gain of $394,000 ($469,000) realized on the purchase in the market of long-term debt securities for sinking fund purposes.

During the year the Company continued to obtain some funds in the money market by issuing short-term notes, the total of which reached a maximum of $25.5 million. Long-term funds for 1972 plant expansion were obtained by the issue of $35 million of 8⅛% Sinking Fund Debentures, Series 5.

The transportation contracts with the Company's customers, TransCanada PipeLines Limited, Alberta and Southern Gas Co. Ltd., Westcoast Transmission Company Limited, Westcoast Transmission Company (Alberta) Ltd. and Consolidated Natural Gas Limited, provide that the Company will be paid transportation charges on a cost of service basis which includes the Company's operating expenses, income and other taxes and depreciation of its pipeline and plant facilities, together with an annual return on the rate base, which is composed of the depreciated investment in plant and an allowance for working capital. Small volumes of gas are transported for other customers on a tariff basis. Financing costs, interest on debt and dividends on preferred and common shares are payable from the annual return.

The depreciation component which is included in the charges to the Company's customers is calculated on a straight line basis which at the present





time results in a composite rate of approximately 2½% per annum. The transportation contracts provide for full depreciation of the Company's plant facilities during the life of the contracts and the depreciation rates are subject to adjustment to attain that result.

The rate of return included in the Company's transportation charges was increased from 8¼% to 8¾% at September 1, 1971 and the latter rate was applicable during the year 1972. On November 15, 1972 the Company fixed the rate of return at 9% effective January 1, 1973.

The Company has been deferring its income taxes and passing on the full savings resulting from these deferrals to its customers. The Company will increase transportation charges commencing in 1973 to provide for a portion of such deferred income taxes.

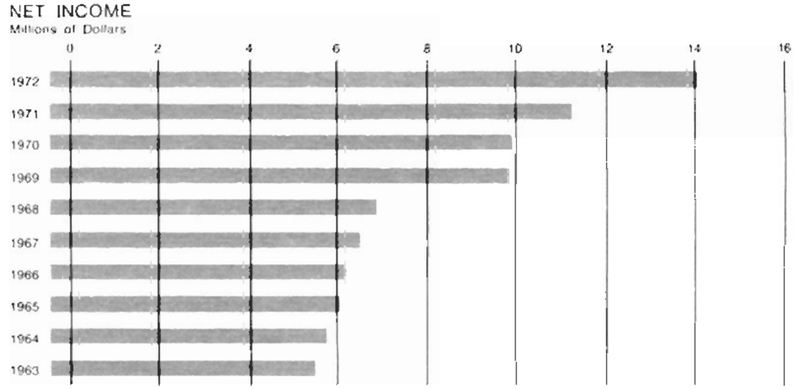
The Class "A" common shares of the Company were subdivided on a 4 for 1 basis on September 29, 1972. Certificates for the additional shares to which shareholders were entitled were mailed out at that time.

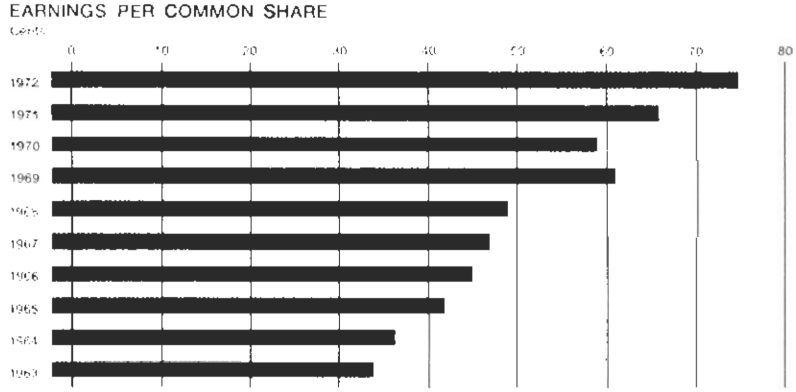
At the end of the year under review, the Company had 21,374 shareholders who owned 16,709,277 Class "A" common shares. Of these 20,778 or 98% were resident in Canada and held 16,424,151 shares, being 98% of the total.

At the year end 321,420 preferred shares were outstanding and were owned by 8,289 shareholders. Of these 8,220 were Canadian residents holding 320,012 shares, being 99% of that total.

The decrease in outstanding preferred shares is due to the conversion of 6,427 5⅜% Cumulative Redeemable Convertible Preferred Shares Series D, and the purchase and cancellation of 11,030 4¾% Cumulative Redeemable Preferred Shares Series C, in accordance with the Purchase Fund provisions attaching to these preferred shares.

The Income Tax Act provides that commencing January 1, 1972, one-half of the net capital gains and losses on the sale or disposal of shares and securities will be taken into account when computing income of all taxpayers.





To provide a basis for the determination of capital gains or losses, all publicly traded shares were valued on Valuation Day, December 22, 1971. The value assigned to each of the Company's publicly traded shares is:

Class "A" common shares (After giving effect to the 1972 subdivision on a 4 for 1 basis.)	$ 12.44
4¾% Cumulative Redeemable Preferred Shares, Series C	$ 76.00
5⅜% Cumulative Redeemable Convertible Preferred Shares, Series D	$138.00

For the assistance of bondholders and debentures holders, the following Valuation Day values are provided for the most widely held of the Company's outstanding debt issues.

5¼% First Mortgage Sinking Fund Bonds, Series A	$ 89.00
5½% First Mortgage Sinking Fund Bonds, Series C	$ 84.00
6½% Secured Sinking Fund Debentures, Series A	$ 94.00
5¾% Secured Sinking Fund Debentures, Series B	$ 85.00
7½% Convertible Sinking Fund Debentures, Series 1	$129.00
9¾% Sinking Fund Debentures, Series 2	$109.00
9¼% Sinking Fund Debentures, Series 3	$106.50
8% Sinking Fund Debentures, Series 4	$100.00

Auditors' Report

To the Shareholders of
The Alberta Gas Trunk Line Company Limited

We have examined the balance sheet of The Alberta Gas Trunk Line Company Limited as at December 31, 1972 and the statements of income, reinvested earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.
Chartered Accountants.

Calgary, Canada
February 12, 1973

The
Alberta Gas Trunk Line
Company Limited

Statement of Income

	Year ended December 31	
	1972	**1971**
Operating revenue:		
Transportation of gas (Notes 1 and 2)	$64,666,000	$56,351,000
Operating revenue deductions:		
Operating and maintenance expenses	15,715,000	12,812,000
Depreciation (Note 1)	11,227,000	10,282,000
Taxes — property	3,949,000	3,350,000
	30,891,000	26,444,000
Operating profit	33,775,000	29,907,000
Other income:		
Interest on short term deposits	297,000	203,000
Gain on redemption of long term debt	394,000	469,000
Allowance for funds used during construction	2,635,000	1,027,000
	37,101,000	31,606,000
Income deductions:		
Interest on long term debt	22,036,000	18,602,000
Other interest	557,000	1,215,000
Amortization of debt discount and expense	441,000	390,000
	23,034,000	20,207,000
Net income for the year (Notes 1, 2 and 7)	$14,067,000	$11,399,000
Earnings per common share	$ .75	$ .66
Fully diluted earnings per common share	$ .74	$ .64

Statement of Reinvested Earnings

	Year ended December 31	
	1972	**1971**
Balance at beginning of year	$24,923,000	$20,998,000
Net income for the year	14,067,000	11,399,000
	38,990,000	32,397,000
Less dividends paid or payable		
Preferred shares	1,611,000	1,626,000
Common shares	6,780,000	5,648,000
	8,391,000	7,474,000
Balance at end of year	$30,599,000	$24,923,000

See accompanying notes to financial statements.

The
Alberta Gas Trunk Line
Company Limited

Balance Sheet

Assets

	December 31	
	1972	**1971**
Plant, Property and Equipment — at cost (Note 1):		
Gas plant in service (land, buildings, gas transmission system equipment, motor vehicles, etc.)	$491,022,000	$441,132,000
Less accumulated depreciation	75,903,000	65,139,000
	415,119,000	375,993,000
Gas plant under construction	16,881,000	22,629,000
	432,000,000	398,622,000
Current Assets:		
Cash and short term deposits	8,199,000	11,828,000
Accounts receivable	6,946,000	7,952,000
Materials and supplies at cost	3,381,000	2,886,000
Prepaid expenses	182,000	161,000
	18,708,000	22,827,000
Other:		
Unamortized debt discount and expense	5,642,000	5,020,000
Gas Arctic - Northwest Project expenditures (Note 3)	1,230,000	1,582,000
Sundry assets	1,577,000	1,595,000
	8,449,000	8,197,000
	$459,157,000	$429,646,000

On behalf of the Board:

Director.

Director.

See accompanying notes to financial statements.

Liabilities

	December 31 1972	December 31 1971
Shareholders' Equity:		
Capital (Note 5)		
Authorized —		
2,000,000 Preferred Shares of the par value of $100 each		
32,000,000 Class "A" common shares of the par value of $1.25 each		
2,003 Class "B" common shares of the par value of $5 each		
Issued —		
220,769 4¾% Cumulative Redeemable Preferred Shares Series C (1971 — 231,799 shares)	$ 22,077,000	$ 23,180,000
100,651 5⅝% Cumulative Redeemable Convertible Preferred Shares Series D (1971 — 107,078 shares)	10,065,000	10,708,000
16,709,277 Class "A" common shares (1971 — 16,372,712 shares)	20,887,000	20,466,000
1,699 Class "B" common shares (1971 — 1,698 shares)	9,000	9,000
	53,038,000	54,363,000
Contributed surplus	44,199,000	41,110,000
Reinvested earnings	30,599,000	24,923,000
	127,836,000	120,396,000
Long Term Debt (Note 6)	315,329,000	292,013,000
Current Liabilities:		
Accounts payable	1,956,000	3,198,000
Dividends payable February 15	2,152,000	1,954,000
Interest accrued on long term debt	4,504,000	4,552,000
Sinking fund instalments due within one year	7,380,000	7,533,000
	15,992,000	17,237,000
	$459,157,000	$429,646,000

The
Alberta Gas Trunk Line
Company Limited

Statement of Source and Application of Funds

	Year ended December 31	
	1972	**1971**
Source of funds:		
Funds provided from internal sources		
Net income for the year	$14,067,000	$11,399,000
Charges against income not requiring an outlay of cash		
Depreciation	11,227,000	10,282,000
Amortization of debt discount and expense	441,000	390,000
Received under settlement agreements		372,000
	25,735,000	22,443,000
New money provided		
Common shares	291,000	20,946,000
Sinking fund debentures	35,000,000	50,000,000
	$61,026,000	$93,389,000
Application of funds:		
Dividends		
Preferred shares	$ 1,611,000	$ 1,826,000
Common shares	6,780,000	5,648,000
	8,391,000	7,474,000
Additions to plant, property and equipment	44,604,000	60,892,000
Retirement of long term debt	9,352,000	8,337,000
Cost of issuing securities	1,098,000	1,637,000
Purchase of preferred shares for cancellation	825,000	825,000
Gas Arctic - Northwest Project	(352,000)	1,582,000
Sundry assets	(18,000)	1,356,000
Working capital increase (decrease)	(2,874,000)	11,286,000
	$61,026,000	$93,389,000

Statement of Contributed Surplus

	Year ended December 31	
	1972	**1971**
Balance at beginning of year	$41,110,000	$16,463,000
Premium on issue of capital stock (Note 5)	2,846,000	24,951,000
Gain on purchase for cancellation of preferred shares (Note 5)	278,000	250,000
Capital stock issue expenses written off	(35,000)	(554,000)
Balance at end of year	$44,199,000	$41,110,000

See accompanying notes to financial statements.

Notes to Financial Statements
December 31, 1972

1. Plant, property and equipment

Gas plant in service consists of facilities for the transportation of gas owned by TransCanada PipeLines Limited, Alberta and Southern Gas Co. Ltd., Westcoast Transmission Company Limited, Westcoast Transmission Company (Alberta) Ltd., Consolidated Natural Gas Limited and others.

The transportation contracts with the above named owners provide that the Company will be paid transportation charges on a cost of service basis which includes operating expenses, income and other taxes (see Note 7) and depreciation of its facilities together with an annual return on its investment (see Note 2). Depreciation of gas plant in service has been provided in an amount equal to depreciation included in the transportation charges at a composite rate of approximately 2½% per annum on a straight line basis.

The cost of construction of additional facilities during 1973 is estimated at $24,000,000.

2. Rate of return

The Company's rate of return included in its transportation charges was increased from 8¼% to 8¾% at September 1, 1971. On November 15, 1972 the Company fixed the rate of return at 9% effective January 1, 1973.

3. Gas Arctic - Northwest Project expenditures

The Company is participating in the sponsorship of a gas pipeline from Alaska and the Arctic. It is estimated that the Company's share of expenditures will amount to approximately $1,955,000 at December 31, 1973 ($1,230,000 at December 31, 1972). Return from these expenditures is dependent on the Company's ultimate participation in the transportation of gas.

4. Subsidiary company

The investment in the Company's wholly-owned subsidiary, Pan-Alberta Gas Ltd., amounts to $221,000 at December 31, 1972 and is included in sundry assets in the accompanying balance sheet. Although Pan-Alberta has contracted for the purchase of large daily quantities of gas and the resale of such gas to utility companies, implementation of the contracts is dependent upon the approval of various regulatory bodies in Canada and the United States. It is estimated that Pan-Alberta's expenditures in 1973 will amount to $1,200,000. Recovery of the investment in Pan-Alberta is dependent upon the success of that company's future operations.

5. Capital

The Company is required to set aside on its books as Purchase Funds $1,425,000 annually or such lesser amount as would increase the funds to $2,250,000 ($2,850,000 commencing in 1973) for the purchase for cancellation of its 4¾% Cumulative Redeemable Preferred Shares Series C and 5⅜% Cumulative Redeemable Convertible Preferred Shares Series D, if and when available, at a price not in excess of the par value and costs of purchase or for the redemption thereof. Preferred Shares Series C of the par value of $1,103,000 were purchased for cancellation at a cost of $825,000 during 1972 and the gain of $278,000 has been credited to contributed surplus. No Preferred Shares Series D were purchased for cancellation during 1972. The preferred shares are redeemable at the option of the Company — the Series C at $104 per share on or before May 15, 1975 and the Series D at $106 per share on or before May 15, 1980 and at reducing amounts after those dates.

Class "A" common shares were subdivided on a 4 for 1 basis on September 29, 1972 and the accompanying financial statements and notes thereto have been adjusted to reflect the subdivision.

Class "A" common shares were issued during the year as follows:

	Shares
On conversion of 5⅝% Preferred Shares Series D	72,165
On conversion of 7½% Sinking Fund Debentures, Series 1	233,200
On exercise of options granted to officers and employees	31,200
	336,565

Of the total consideration received, $421,000 was credited to share capital and $2,846,000 to contributed surplus.

Class "A" common shares were reserved at December 31, 1972 as follows:

	Shares
For conversion of the 5⅝% Cumulative Redeemable Convertible Preferred Shares Series D until July 15, 1980 on a conversion basis of 11.20 Class "A" common shares for each preferred share converted	1,127,775
For conversion of the 7½% Convertible Sinking Fund Debentures, Series 1 until July 15, 1982 on a conversion basis of 100 common shares for each $1,000 principal amount of Series 1 Debentures	3,169,600
Under an Incentive Stock Option Plan	180,400
Options are outstanding to officers and employees to purchase 26,800 shares at a price of $8.875 per share and 8,000 shares at a price of $11.625 per share, exercisable in 1973 and expiring in 1975 and 1976.	
145,600 shares remain reserved under the Plan but unallocated.	
For the exercise of an option outstanding to an officer of the Company to purchase shares at a price of $9.75 per share, exercisable as to 16,000 shares in 1973, 8,000 in 1974 on a cumulative basis and expiring on December 31, 1980	24,000
	4,501,775

6. Long term debt

Details of the Company's long term debt are as follows:

	Maturity	1972	1971
First Mortgage Bonds			
5¼% Series A	1981	$ 16,221,000	$ 18,533,000
5¾% Series B	1981	40,598,000	43,887,000
(1972—$40,598,000 U.S.)			
(1971—$43,887,000 U.S.)			
5½% Series C	1985	14,325,000	15,324,000
8¾% Series D	1989	62,678,000	64,395,000
(1972—$58,400,000 U.S.)			
(1971—$60,000,000 U.S.)			
Secured Debentures			
6½% Series A	1981	12,154,000	12,502,000
5¾% Series B	1985	22,387,000	22,877,000
Unsecured Debentures			
7½% Series 1 (Convertible)	1990	31,696,000	34,028,000
9¾% Series 2	1990	19,820,000	20,000,000
9¼% Series 3	1990	17,830,000	18,000,000
8% Series 4	1991	50,000,000	50,000,000
8⅛% Series 5	1992	35,000,000	
		322,709,000	299,546,000
Less sinking fund instalments due within one year shown as current liability		7,380,000	7,533,000
		$315,329,000	$292,013,000

The 5¾% First Mortgage Bonds, Series B are payable in United States funds. The Company will receive under its transportation contracts with Alberta and Southern Gas Co. Ltd. and Westcoast Transmission Company Limited (see Note 1) sufficient United States dollars to discharge its future principal and interest payments in connection with the Series B bonds. Accordingly, the principal amount of the bonds has been, and future revenue receipts and interest payments in United States dollars will be, translated to Canadian dollars on the basis that one United States dollar is equal to one Canadian dollar.

TransCanada PipeLines Limited and Alberta and Southern Gas Co. Ltd. have agreed that losses or gains experienced by the Company in purchasing United States dollars to meet principal and interest payments of the First Mortgage Bonds, Series D, at rates above or below the rates at which the entire issue was converted into Canadian dollars, will be for their account.

Sinking fund requirements in respect of long term debt for the years 1974 to 1977 are: 1974 — $10,376,000; 1975 — $10,961,000; 1976 — $11,589,000; 1977 — $12,352,000.

7. **Income taxes**

For income tax purposes the Company claims capital cost allowances and other deductions in excess of the related amounts charged against income in the accounts and accordingly no liability for income taxes exists at December 31, 1972. Under the taxes payable basis of accounting followed by the Company, no provision for deferred income taxes has been recorded in the accounts. This accounting treatment differs from the tax allocation basis under which the income tax provision is based on reported income. If the tax allocation basis had been followed in the current and prior years the cumulative amount of deferred tax credits would have been approximately $49,000,000 to December 31, 1972 of which $7,500,000 is applicable to 1972 and $5,500,000 to 1971. The method used by the Company is appropriate since income taxes associated with the Company's operations under its transportation contracts are a component of the transportation charges (see Note 1) and will be included in such charges in subsequent periods.

8. **Remuneration of directors and senior officers**

The aggregate direct remuneration paid during the year to directors was $35,000 and to senior officers was $238,000.

9. **Subsequent event**

Pursuant to an agreement dated February 8, 1973, the Company has agreed to acquire for $500,000 a 50% interest in the shares of a new company which has been incorporated for the purpose of constructing a methanol plant at an estimated cost of $18,700,000. Subject to closing in accordance with the terms and conditions of the agreement, including receiving a commitment from the Department of Regional Economic Expansion (Canada) for an incentive grant of not less than $1,381,000, the Company has agreed to purchase $1,000,000 of 8% debentures of the new company and to acquire additional debentures or to arrange bank or other third party financing up to $14,319,000 to be jointly and severally guaranteed by the Company and the other 50% shareholder of the new company.

The

Alberta Gas Trunk Line
Company Limited

Ten Year Review

FINANCIAL

(In thousands of dollars except per share amounts and rate of return percentages). The per share figures have been restated from those previously reported to reflect the 1972 subdivision on a 4 for 1 basis.

	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Operating revenues	$ 64,666	56,351	45,469	31,930	27,929	26,309	24,976	25,511	23,417	22,467
Operating expenses, depreciation and taxes	$ 30,891	26,444	21,499	14,926	13,087	12,037	10,823	12,354	11,440	11,077
Operating profit	$ 33,775	29,907	23,970	17,004	14,842	14,272	14,153	13,157	11,977	11,390
Interest expense — net	$ 19,708	18,508	13,988	7,184	7,692	7,692	7,815	7,106	6,404	6,187
Net income	$ 14,067	11,399	9,982	9,820	6,950	6,580	6,338	6,051	5,573	5,203
Dividends on preferred shares	$ 1,611	1,826	2,143	2,280	1,495	1,306	1,306	1,397	1,512	1,513
Net income applicable to common shares	$ 12,456	9,573	7,839	7,540	5,455	5,274	5,032	4,654	4,061	3,690
Net income per common share										
On average shares outstanding	$ .75	.66	.59	.62	.49	.47	.45	.43	.38	.34
On fully diluted basis	$ .74	.64	.57	.60						
Dividends paid per common share	$ .39¾	.37½	.37½	.37½	.35¼	.30	.28¾	.25	.25	.25
Average common shares outstanding during year (thousands)	16,530	14,584	13,368	12,224	11,208	11,200	11,168	10,880	10,860	10,840
Working capital (deficiency)	$ 2,716	5,590	(5,696)	(5,864)	(5,078)	(3,570)	(2,637)	1,897	(1,807)	(655)
Additions to plant, property and equipment	$ 44,604	60,892	82,808	68,251	23,132	11,309	7,703	23,521	25,845	8,379
Investment in plant, property and equipment (cost)	$ 507,903	483,761	404,003	321,611	254,046	231,155	223,833	216,319	192,896	167,018
Investment in plant, property and equipment (net)	$ 432,000	398,622	348,384	274,615	214,154	197,030	191,443	189,351	173,207	154,115
Bank loans and short term notes	$			40,945	6,500	7,800			22,700	2,700
Long term debt (less due within one year)	$ 315,329	292,013	251,316	136,035	125,524	130,884	135,973	140,802	101,028	104,566
Shareholders' equity										
Preferred shares	$ 32,142	33,888	41,607	44,548	46,475	27,500	27,500	27,500	25,000	25,000
Common share equity	$ 95,694	86,508	54,331	49,428	33,808	30,420	28,638	26,413	25,610	24,446
Average rate base	$ 386,000	355,159	294,766	212,550	197,800	190,293	188,702	175,424	159,688	151,864
Average rate of return	8.75%	8.42%	8.13%	8.00%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

STATISTICAL

	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Shareholders and employees										
Number of preferred shareholders	8,289	8,833	10,385	10,781	11,087	3,172	3,254	3,214	8,457	8,805
Number of common shareholders	21,374	22,277	21,838	22,543	23,452	24,833	26,007	26,782	28,251	29,718
Number of employees	781	701	577	442	322	301	290	278	290	294

OPERATING

	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Miles of pipeline in service	4,030	3,493	3,246	2,778	2,198	2,094	2,003	1,945	1,765	1,560
Compression horsepower	365,635	355,955	315,945	209,125	60,015	60,015	43,185	26,355	26,355	24,330
Annual throughput (MMcf)	1,628,613	1,435,735	1,259,337	1,047,780	873,254	740,905	678,180	636,876	578,773	496,528
Maximum day throughput (MMcf)	5,261	4,701	4,337	3,650	3,094	2,757	2,242	2,058	1,993	1,749
Average day throughput (MMcf)	4,460	3,934	3,450	2,870	2,392	2,029	1,858	1,744	1,585	1,360

Directors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1 **S. Robert Blair, P. Eng.**
President and Chief Executive Officer
of the Company.

2 **John C. Mayne**
Chairman of the Board
of the Company

3 **Albert T. Baker**
Vice President of the Company.
President
Glenbow Alberta Institute.

4 **James E. Baugh, P. Eng.**
Vice President
Exploration-Production
Petrofina Canada Ltd.

5 **Arthur J. E. Child, FCIS**
President and Chief Executive Officer
Burns Foods Limited.

6 **David E. Mitchell, P. Eng.**
President and Chief Executive Officer
Great Plains Development Company
of Canada, Ltd.

7 **Peter L. P. Macdonnell, QC**
Partner
Milner and Steer.

8 **William J. Deyell, P. Eng.**
Senior Vice President.
of the Company.

9 **H. J. Sanders Pearson**
President
Century Sales and Service Limited.

10 **John R. McCaig**
President and Chief Executive Officer
Trimac Limited.

11 **L. Merrill Rasmussen, P. Eng.**
President
Pacific Petroleums Ltd.

Other Officers


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12 **D. Howard Hushion, P. Eng.**
Vice President.

13 **Walter J. Hopson**
Vice President and Secretary.

14 **Robin J. Abercrombie**
Vice President.

15 **F. A. Richard McKinnon, CA**
Treasurer.

Senior Personnel

Corporate Development

John C. Osler
Director, Public Relations

Adrian Smith, RIA
Director, Financial Planning

General Operations

Charles T. McCall
Manager, Gas Transmission

Alexander G. Warke, P. Eng.
Manager, Operations Business Development

Terence N. Befus, P. Eng.
Superintendent, Field Operations

Harry J. Brown
Manager, Land

Robert F. Buchanan
Supervisor, Off-Line Sales

Gordon W. Bullymore
Superintendent, Edmonton Area

Ronald L. Curtis
Superintendent, District 2 (Brooks)

Joyce M. Falkenberg
Manager, Administrative Services

Emery Fodor, P. Eng.
Superintendent, Technical Operations

Donald G. Gow, RIA
Manager, Computer Services

Edgar D. Haverland
Superintendent, Works

Jack Innes
Superintendent, District 1 (Calgary)

William P. Janewski
Superintendent, Measurement

Frank O. Jenkins
Superintendent, District 3 (Edson)

Edgar Jorgensen, CA
Manager, Accounting

W. Herbert Joslin
Superintendent, Service Centre (Calgary)

Donald C. Kesteven, P. Eng.
Superintendent, Gas Supply and Development

Robert H. Mackie
Economics Analyst

Donald A. McLeod
Manager, Employee Relations

Alexander L. Paul
Superintendent, Operations Administration

P. Oliver Skjenna
Manager, Personnel

James F. Wong, P. Eng.
Supervising Engineer

William Zboroluk, RIA
Manager, Rate Administration

Engineering & Construction

Roy M. Walters, P. Eng.
Manager, System Planning

Douglas A. White, P. Eng.
Assistant Manager, Engineering

Gerald B. Allan, P. Eng.
Manager, Purchasing

John R. Jameson, P. Eng.
Supervising Engineer, Pipeline Engineering

V. Ben Kromand, P. Eng.
Supervising Engineer, Technical Studies

Edward A. Mirosh, P. Eng.
Supervising Engineer, Automation Engineering

Frank F. Smith, P. Eng.
Supervising Engineer, Compressor Engineering

James B. Wetterberg, P. Eng.
Supervising Engineer, Materials Engineering

David R. Rodger
Supervisor, Construction

William G. Vice
Supervisor, Construction

The
Alberta Gas Trunk Line
Company Limited

Annual Report 1972

Pipeline crosses Red Deer River north of Sundre, Alberta in the Company's 42-inch looping program in 1972.

LITHO'D IN CANADA