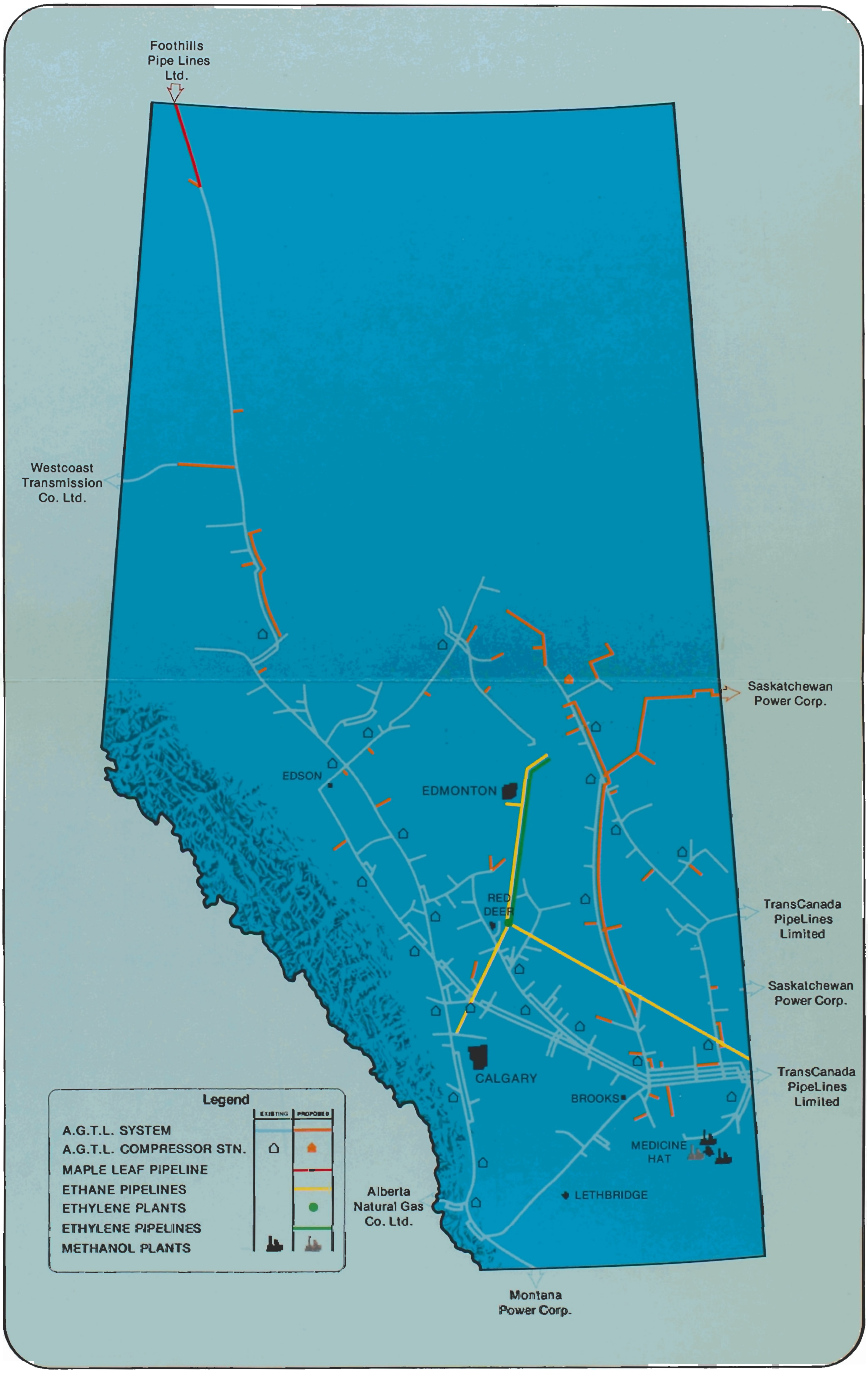
The
Alberta Gas Trunk Line
Company Limited

Annual Report 1974

focus on diversification





Foothills Pipe Lines Ltd.
Westcoast Transmission Co. Ltd.
Saskatchewan Power Corp.
EDSON
EDMONTON
RED DEER
TransCanada PipeLines Limited
Saskatchewan Power Corp.
TransCanada PipeLines Limited
CALGARY
BROOKS
MEDICINE HAT
LETHBRIDGE
Alberta Natural Gas Co. Ltd.
Montana Power Corp.
Legend
EXISTING
PROPOSED
A.G.T.L. SYSTEM
A.G.T.L. COMPRESSOR STN.
MAPLE LEAF PIPELINE
ETHANE PIPELINES
ETHYLENE PLANTS
ETHYLENE PIPELINES
METHANOL PLANTS

Focus on diversification

In addition to describing the main business operations of the Company in 1974, this report features the Company's diversification program and describes in some detail the projects and companies currently within the scope of that activity.

The

Alberta Gas Trunk Line

Company Limited

· Incorporated by Special Act under the Laws of Alberta

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Annual Meeting

The Annual Meeting of the Shareholders of the Company will be held at the Calgary Convention Centre, Calgary, Alberta on May 15, 1975 at 10:30 a.m.

Highlights

FINANCIAL	1974	1973	Increase Per Cent
Operating revenues	$ 89,860,000	$ 78,715,000	14.2
Operating profit	$ 39,522,000	$ 37,455,000	5.5
Net income	$ 17,810,000	$ 14,868,000	19.8
Dividends on preferred shares	$ 3,021,000	$ 1,524,000	98.2
Net income applicable to common shares	$ 14,789,000	$ 13,344,000	10.8
Net income per common share			
Basic	$ 0.85	$ 0.79	7.6
Fully diluted	$ 0.83	$ 0.77	7.8
Dividends paid per common share	$ 0.445	$ 0.42	6.0
Average common shares outstanding	17,371,000	16,793,000	3.4
Additions to plant, property and equipment	$ 44,255,000	$ 26,804,000	65.1
Investment in plant (cost)	$578,448,000	$535,009,000	8.1
Investment in plant (net)	$477,539,000	$446,396,000	7.0
Average rate base	$438,411,000	$416,167,000	5.3
Average rate of return	9.00%	9.00%	
OPERATING			
Miles of pipeline in system	4,313	4,113	4.9
Compression horsepower	427,867	420,535	1.7
Total system receipts (MMcf)	1,744,154	1,720,637	1.4
Maximum day receipts (MMcf)	5,566	5,573	
Average day receipts (MMcf)	4,779	4,714	1.4

Report to Shareholders

Alberta Service Expansions

During the first half of 1974 the growth of our pipeline systems proceeded at the relatively slow rate experienced in 1973 - equivalent to about $25 million of new investment per year.

In the second half of 1974 the pace quickened. By the end of the year the amount of new plant installation completed had reached over $30 million and an additional $17 million of projects had been started. The carry-over into 1975, and new projects already committed, make our 1975 construction the largest ever booked. The budget for such expansions as approved by the company's Board of Directors in January is $100 million, however the figures will be adjusted from time to time during the year.

This surge of growth is occurring while only limited increases are expected in the daily quantities of gas delivered from the province.

Some of the new plant in 1975 is to accomodate deliveries for our associate, Pan-Alberta Gas Ltd. (51% owned) which is expected to build up to about one-third of its annual authorized volume in 1975.

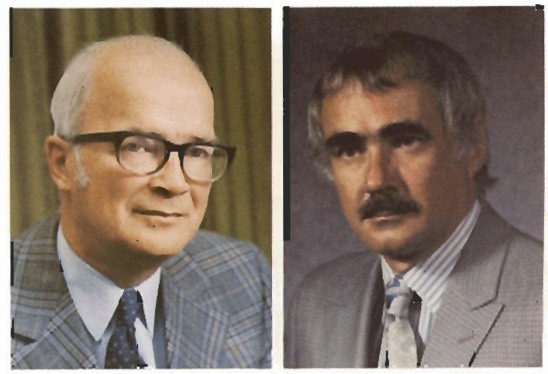
Overall, our forecast of gas throughputs relative to the $100 million capital investment assume that the average daily rate of our deliveries will increase from 4,779 million cubic feet per day at the end of 1974 to 5,112 million cubic feet per day at the end of 1975. Of this increase, only about one-half will be for volumes of gas leaving the province.

Participation In Other Gas Development

The Company is proceeding with some limited but interesting involvements in marketing gas production and in acquiring and developing gas reserves.

Two wholly-owned subsidiaries, Algas Resources Ltd. and Algas Mineral Enterprises Ltd., continue in the banking of gas reserves offered to them by producing companies and which they are developing to encourage establishment of new industries in the province.

During 1974 our Company also provided administrative and operational support to the Provincial Government's Gas Alberta program for the further extension of natural gas supply to rural consumers across Alberta.



Through a small participation in the Canadian Hunter Foothills Drilling program to re-enter and fracture certain old gas pools in the province, the Company is supporting an imaginative approach to the possible definition of additional gas reserves for which it would have a first right to purchase.

Through participation in a new gas supply acquisition venture, we are negotiating for a supply position from future frontier gas sources.

Future Expansion For Arctic Gas

Much has and is being said about the imminent need for the connection of new sources of gas in the Mackenzie Delta and about the economics and policies which will be best fitted for this project.

Your Company together with Westcoast Transmission Company Limited is taking an approach to this project which we believe to be best in terms of engineering economics and the practicability of management and financing; distinctly suited to Canadian interests. A complete description of the proposal is contained under the section "Foothills Pipe Lines Ltd." of this report.

Important Amendment To Our Act Of Incorporation

Our Company was incorporated in 1954 by Special Act of the Legislature of Alberta. That Act included a list of business activities in the natural gas industry in which the Company might operate. However, the listing was inconclusive as to distinction between the powers and the objects of the Company and was restrictive to a degree that we found we could not engage in some appropriate new ventures because of technical definitions of the geographical or operational scope stipulated for our business enterprises.

This situation was brought to the attention of the Government of Alberta in late 1973 following detailed study by a committee of officers and the solicitor of the Company in review with our Board of Directors.

In May, 1974, a Government Bill was introduced in the Alberta Legislature to provide us with much clearer and broader corporate powers to proceed with our activities in the gas industry and to permit our active sponsorship of a wide range of industrial diversification. This bill, assented to by the Lieutenant Governor of the Province of Alberta on June 6, will in the long run prove to be an exceedingly important event for the Company and its shareholders.

Investment In Industrial Diversification

In January, 1975, the President noted in a speech to the Montreal Society of Financial Analysts:

> "As an organization, we endorse and add our support to the position of the Government of Alberta, that a stronger economy for the province in the long term and a more balanced distribution of processing industry in Canada should be achieved now through the establishment of intensified petrochemical development in western provinces based on hydrocarbons produced and owned by Alberta.
>
> We support also the contention of many parties within Canada that our new processing industries should, in the future, feature much more an independent ownership and Canadian management and dealing at arms length with the ultimate customers in our export trade.
>
> We are supporting these concepts on three separate but parallel business fronts in 1975."

The new projects are our participation in Alberta Gas Chemicals Ltd. (50% owned); The Alberta Gas Ethylene Company Ltd. (wholly-owned at the present time); and a prospective Alberta petrochemical refinery (wholly-sponsored so far).

Each of these projects may have its particular potential for the development of western Canadian industry and so each will receive further description in special sections of this report.

In a lesser way, but also supportive of our shareholders' interest and of regional development in western Canada, we are participating in International Portable Pipe Mills Ltd. (48% owned) and Steel Alberta Limited. Through our equity investment in 1974 in The Canadian Enterprise Development Corporation Limited (4.9% interest) and also through the analytical talents of a number of our corporate officers, the Company is engaged in regular investigation and development of new investment opportunities.

For each of these new opportunities, we are following the policy which we outlined in our Annual Report for 1973-

> "That the forecast return be greater than that which we presently receive from our gas transmission operations and also that each venture have the potential of contributing substantial and early returns to the Company's earnings on a pre-tax consolidated accounting basis."

The Corporate Team

At our Annual Meeting on May 1, 1974, we recorded with deep respect and affection the retirement from our Board of Directors of John C. Mayne, who had been the Chairman of our Board since 1963. Mr. Mayne has been and continues to be a director of many Canadian companies, including our affiliates Alberta Gas Chemicals Ltd. and Pan-Alberta Gas Ltd.

In June, H. J. Sanders Pearson (53) of Edmonton was elected to the office of Chairman of the Board of Directors.

At our Annual Meeting in May, the previous Board of Directors was returned to office excepting that Harold A. Irving (48) who heads the company Irving Industries (Irving Wire Products Division) Ltd. of Calgary was appointed by the Lieutenant Governor in Council to succeed Mr. Mayne.

At the end of 1974 we accepted with regret the resignation as a Director of David E. Mitchell. At its regular meeting in

February of 1975, our Board of Directors was pleased to appoint Frederick A. McKinnon (57) as a Director to succeed Mr. Mitchell during his term of office. Mr. McKinnon is Senior Vice President of B.P. Canada Limited.

To meet our growth in services and scope of business we made a number of changes in executive appointments.

Robert L. Pierce (45) was promoted to Executive Vice President in which position he provides back-up to the chief executive officer for most of our activities. Mr. Pierce also performs, through his presidency of The Alberta Gas Ethylene Company Ltd., a leading role in the sponsorship of new industrial development.

The former Senior Vice President of our Engineering and Construction Division, D. Howard Hushion (51), has moved to the full-time responsibility of Executive Vice President of Foothills Pipe Lines Ltd.

Upon Mr. Hushion's move, William J. Deyell (51) has assumed, as Senior Vice President of the Company, the direction of our Engineering and Construction Division as well as the continuing direction of our Operations Division.

Prior to year end, we were pleased to announce the appointment of Douglas R. Hagerman (54) as Vice President and Controller. Mr. Hagerman will act as the principal financial officer of the Company with respect to all of our accounting, audit, tax and related functions. Formerly the chief financial officer of one of the largest independent petroleum companies in Canada, Mr. Hagerman adds a particular competence to our overall management group.

We also record the resignation of F. A. Richard McKinnon, who has moved on to accept a senior financial officer appointment with another company.

Within the activities of our associated companies, the necessary arrangement of new officers will soon become too extensive to be capable of individual definition in this principal report to the shareholders of The Alberta Gas Trunk Line Company Limited.

In 1974 such appointments did include the appointment of John Sutherland (40) and Alexander Warke (45) as Vice Presidents of The Alberta Gas Ethylene Company Ltd; of Ronald Rutherford (50) as Vice President and Assistant to the President of Foothills Pipe Lines Ltd; and Donald Olafson (38) as Vice President of Algas Resources Ltd. and Algas Mineral Enterprises Ltd.

And again, finally and of top importance, we pay respect to the long hours, high spirit and earnest commitment of all of the first rate professional, administrative and operating staff teams who are making our Company and its affiliated companies go ahead.

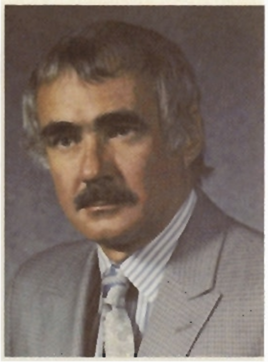
Chairman of the Board

President and
Chief Executive Officer

Calgary, Alberta, Canada
March 21, 1975

Board of Directors


H. J. Sanders Pearson


S. Robert Blair


J. Edward Baugh


Arthur J. E. Child


William J. Deyell


Harold A. Irving


Peter L. P. Macdonnell


John R. McCaig


Frederick A. McKinnon


L. Merrill Rasmussen


Daryl K. Seaman

Operations and Engineering

When reviewing our construction and operations record and forecasting next year's growth we have traditionally stressed the importance of maximum day throughput, maximum annual receipts, miles of pipeline, and new compression facilities. While these data are important and are highlighted in graphical form on the following page, this year we will emphasize the part people play in our operations.

Early in 1975 over 100,000 copies of the insert reproduced below were placed in 35 newspapers throughout Alberta. We are proud of our people and wanted them to present the Company's message.

During 1974 all of the groups whose work assignments are employee-oriented were brought together to form the industrial relations group and to work under the direction of Terry Befus. This group is responsible for salary administration, personnel recruitment, employee benefits, industrial and transportation safety, internal communications, and training. Throughout the year much effort was spent on human resources planning, technical training, and career development.


FACE TO FACE!

Face to face — the only way to get to know people. And if you live in one of over 40 Alberta communities where we live and work, chances are you come face to face with us almost every day.

In 1954 we began our gas transmission operations with a small group of seven in Calgary.

Today there are over 800 of us participating in a new wave of industrial expansion in Alberta. You are likely to meet us in small towns and big cities, corner store or office tower.

Alberta Gas Trunk Line is changing ... changing with Alberta.

Our program of informational meetings in Alberta communities is progressing as scheduled with over 40 meetings held in the past two years and an additional 60 planned to complete the schedule. This program involves personnel from our operations division and is led by our Edmonton area superintendent Gordon Bullymore.

Charlie McCall, manager of gas transmission, heads up the largest group within the operations division and his department is now well established following some major reorganizations in the early 70's.

The report to shareholders mentioned the many new supply sources required to sustain existing levels of deliveries. These will create new workloads for the gas transmission group and add to existing assignments especially in the gas control and dispatch section. This section under the direction of Emery Fodor provides around-the-clock, computer-assisted surveillance of gas receipts and distributions, on-line control of measuring and compression facilities, and province-wide radio communications. In addition these new gas supplies and the increasing need for gas deliveries and interchanges within the province place increasing importance on accurate and prompt gas measurement accounting. This data is provided by electronic scanning devices and computers operated by some 20 men and women who are supervised by Shirley Uptigrove.

The 1975 construction program coupled with the increased activity in the latter part of 1974 has led to the establishment of a fourth field operations district encompassing the northeast portion of the province and based in Vegreville. This new district will eventually become as operationally autonomous as districts based in Edson, Brooks, and Calgary and will more equitably divide the operational responsibilities. Each district has its own shop and equipment facilities and a staff of technicians, maintenance men, operators, and administrative personnel under the direction of a superintendent.

The new plant expansion is of particular importance to our engineering and construc-

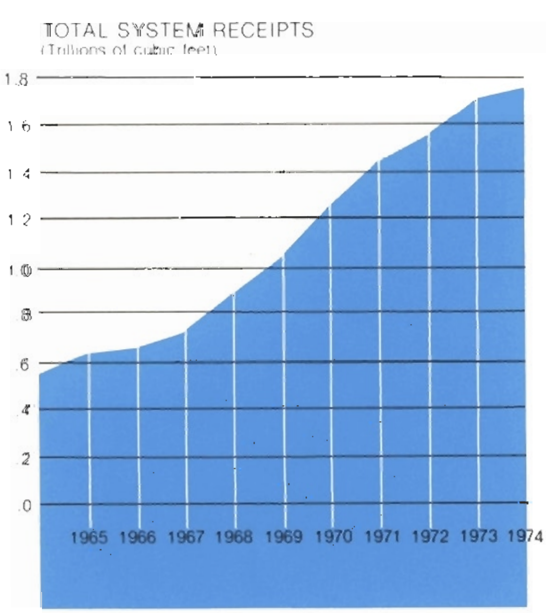
Roy Walters, Jim Wong, Doug White, Bill Deyell

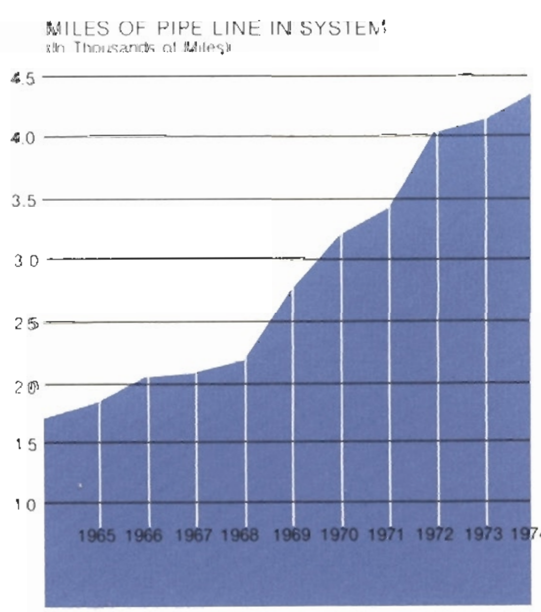
tion division. While the pace of compression facilities construction slowed in 1974 and will increase modestly in 1975, the present expansion of pipeline and metering facilities to connect the many new and relatively small gas sources has placed our pipeline engineering department into the forefront of the workload. This department is headed by Frank Hagedorn who with his staff of engineers and assistants will design, construct, and bring into service over 80 meter stations and 50 laterals totalling approximately 800 miles of pipeline during the next year.

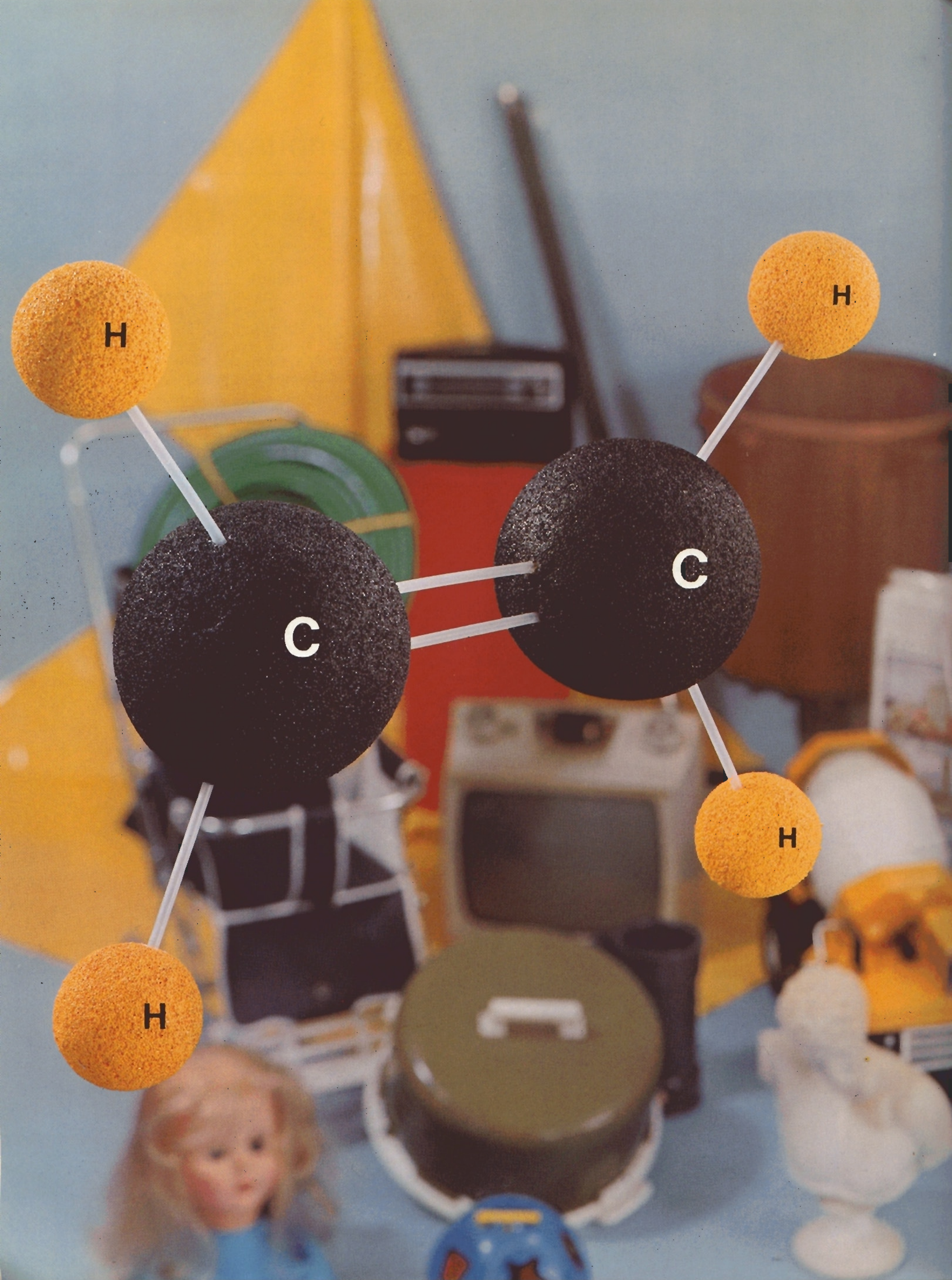
The Company along with others in the industry has been faced with shortages and extended delivery times of construction material that severely challenged efforts to complete new plant facilities on schedule. However, under the management of Ben Kromand, our materials administration department has been able to obtain the necessary materials for construction, increased the stock of spares to ensure maximum operation of the system, and have on occasion helped meet supply problems of other companies in the industry.

In conjunction with the Foothills Pipe Lines Ltd. application our engineering division is preparing an application for incremental additions to our system that will continue the southerly transportation of arctic gas through Alberta.

Roy Walters and Jim Wong are coordinating the efforts of personnel from the operations engineering, finance and facilities design departments in the planning of construction for new gas supply. With over 800 people participating in our administrative, operations, and engineering workload it is impossible to recognize everyone in this report but we consider each one to be as essential to our system as the miles of pipe and the cubic feet of throughput.



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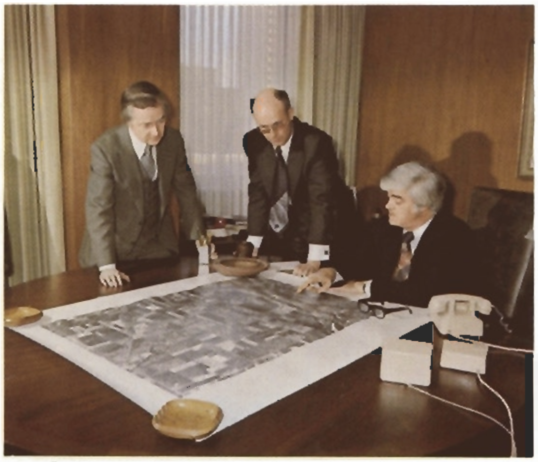
The Alberta Gas Ethylene Company Ltd.



John Sutherland, Alex Warke, Robert Pierce

The Company, Canadian Industries Limited, DuPont of Canada Limited and B.F. Goodrich Canada Limited, early in 1974, formed an association to study and develop a petrochemical complex in Alberta for the manufacture of ethylene and various ethylene derivatives. In May, 1974, the Company incorporated a wholly owned subsidiary, The Alberta Gas Ethylene Company Ltd. (AGE), to construct and operate facilities for the production of ethylene in Alberta for use in the manufacture of derivatives.

A plant site has now been optioned in the Joffre area east of Red Deer, Alberta, with access to the necessary water supply, transportation services, electric power and natural gas for fuel.

Applications are in preparation with the governmental agencies for all permits required and will be filed early in 1975.

It is estimated that the first ethylene plant will be in production in late 1977 or early 1978. The timing of construction of additional ethylene plants will be determined at a later date but, according to present estimates, could follow within three years.

Approximately 95% of the ethylene production from the first plant will be upgraded in Alberta to such first-line derivatives as low density polyethylene, high density polyethylene, vinyl chloride monomer, vinyl acetate or ethylene glycol. Negotiations are ongoing by Alberta Gas Ethylene with Alberta, Canadian and international companies for the sale of ethylene for upgrading into derivatives in Alberta. AGE will manufacture and sell ethylene on a cost-of-service basis, plus a return on the capital invested.

Alberta Gas Ethylene is actively pursuing negotiations for the supply of ethane to be extracted from Alberta natural gas and expects these to be concluded in the near future.

Production of first-line derivatives in Alberta should lead to the development of many end product manufacturing ventures within the Province. Low density polyethylene becomes plastic film from which garbage and industrial bags, cable coverings and toys are made. High density polyethylene becomes plastic bottles, pipe, and automobile components. Vinyl chloride monomer converted to polyvinyl chloride is used in sewer pipe, hose, plastic fabric, phonograph records, floor tiles and home siding.

The network of plants up to the first-line derivative stage will require a permanent operating work force in excess of 1,000. It is estimated that more than 10,000 jobs will ultimately be produced in related and support activities. During the construction period, 1976/77, the work force will peak at more than 5,000 and average almost 2,000 persons.

Since earliest discussions of the project, the management team of the Company has pressed to realize economic advantage to Alberta and Canada. This advantage should be substantial and the Company has stipulated that it be protected by keeping management and ownership control to the greatest extent practicable Canadian and centered in Alberta.

Typical group of end products from upgrading ethylene and some of its derivatives.


BEAUFORT SEA
Richards Is.
Tuktoyaktuk
Inuvik
NORTHWEST
TERRITORIES
Fort Good Hope
GREAT BEAR LAKE
Norman Wells
MACKENZIE RIVER
Fort Norman
YUKON
TERRITORY
Wrigley
Rae-Edzo
Yellowknife
Fort Simpson
Fort Providence
GREAT SLAVE LAKE
Hay River
To Pine Point
FOOTHILLS PIPE LINES LTD.
LEGEND
Proposed Maple Leaf Pipeline
Proposed Compressor Stations
Proposed service to Northern Communities
WESTCOAST TRANSMISSION CO. LTD.
THE ALBERTA GAS TRUNK LINE COMPANY LIMITED
BRITISH
COLUMBIA
Fort Nelson
ALBERTA

Foothills Pipe Lines Ltd.

Howard Hushion, Ron Rutherford, Reg Gibbs

Foothills Pipe Lines Ltd., a "special act" company, incorporated by statute of the Parliament of Canada is the corporate vehicle being advanced to construct and operate an Arctic gas pipeline to connect to existing Canadian pipeline systems and move frontier gas to its ultimate Canadian markets. This project is referred to frequently as the "Maple Leaf" project.

In September of 1974 the Company formally withdrew as a participant of the Gas Arctic/Northwest Project Study Group. The decision to withdraw from the Study Group was not taken lightly but with the strong belief that the Study Group's proposal did not conform sufficiently with the Company's understanding of the important aspirations of Canadian provinces and territories as well as with fundamental national policies.

Foothills is capitalized at 10 million shares, each at the par value of $5.00. At present there are 4,500 shares issued and outstanding, of which 80% are held by or for The Alberta Gas Trunk Line Company Limited and 20% by or for Westcoast Transmission Company Limited of Vancouver, British Columbia. The Company and Westcoast are generally known as the "sponsor companies". As other companies join as participants, the AGTL percentage of the issued shares will be reduced by transfers to the new sponsor companies.

Foothills is directed by a seven member Board having representatives from each of AGTL and Westcoast, and by an Executive Committee of the Board. In addition, it has a normal complement of officers and support staff operating from its own offices in Calgary.

The Maple Leaf Project

Foothills Pipe Lines contribution to the Maple Leaf project consists of a plan to construct a wholly-Canadian-owned and operated natural gas transmission pipeline from the Mackenzie Delta/Beaufort Sea area, along the Mackenzie Valley to a point some five miles north of the 60th parallel and just east of the common boundry of Alberta and British Columbia. A major connection to be owned by Westcoast Transmission Company Limited will branch off from this point and lead generally southwesterly to connect with the transmission system of Westcoast at Fort Nelson in northern British Columbia. The other major connection will run southward from this point into Alberta to connect in about 70 miles with the present systems of AGTL at their northern extremity near Zama. This connection is proposed to be owned by a newly incorporated federal subsidiary company of AGTL. From Zama, the arctic gas would then travel through the expanded AGTL and subsidiary systems and, on the eastward side of Alberta through the expanded TransCanada PipeLines Limited (TPCL) system, to its Canadian markets.

The Maple Leaf project is not in any way directed to or dependent upon any new export transaction.

The project will be coordinated to provide expanded gas supply to existing and new markets across Canada, from Quebec City to Victoria.

Engineering and cost calculations have demonstrated that the appropriate pipe size for the Maple Leaf line to meet market requirements is 42" outside diameter. Proper scheduling of the construction of the new line and expansion of the existing systems will make it possible to have all of the pipe manufactured in Canadian mills.

Foothills is satisfied that, taking into account a reasonable estimate of the time required for regulatory hearings prior to certification, construction of the pipeline could commence at the start of the winter season of 1977/78. This would enable the first Beaufort/Mackenzie gas to reach Canadian markets by late fall of 1979, in time to offset the forecast deficiencies resulting from the inability of conventional sources of supply to continue to meet Canadian requirements before these deficiencies reach a critical stage.

The scale of capital requirements for the overall project in the first round of construction would be approximately $1.9 billion by Foothills, approximately $0.3 billion by Westcoast; $0.7 billion by AGTL and $0.8 billion by TCPL -- for a total capital cost of $3.7 billion. These figures were arrived at by using 1974 capital cost experience in our industry, using all parameters that have been developed in the last five years for estimating arctic pipeline costs, and then escalating to each year of installation by factors representing the trends of cost inflation.

Your Company firmly believes in the viability of the Maple Leaf project and that it will stand up to all tests as to engineering design, economies of scale, cost of service charges, financing and the availability of enough proven gas reserves in the Mackenzie Delta/Beaufort Basin area to support an all-Canadian line.

Socio-Economic and Environmental Programs

In preparation for its filings in early May to the National Energy Board and the Department of Indian and Northern Affairs; Foothills, as part of its long-term planning is also directing its attention to those environmental and socio-economic concerns associated with its proposed pipeline system.

One of the first socio-economic undertakings by Foothills has been to initiate a Community Information Program. It is through this program Foothills intends to provide the northern people with the opportunity to become better informed about its proposal and also have the opportunity to express their concerns about the project. It is hoped that in this way, the northern people will gain the assurance that Foothills will listen to their concerns and desires and will consider them when the pipeline construction and operational plans are being developed.

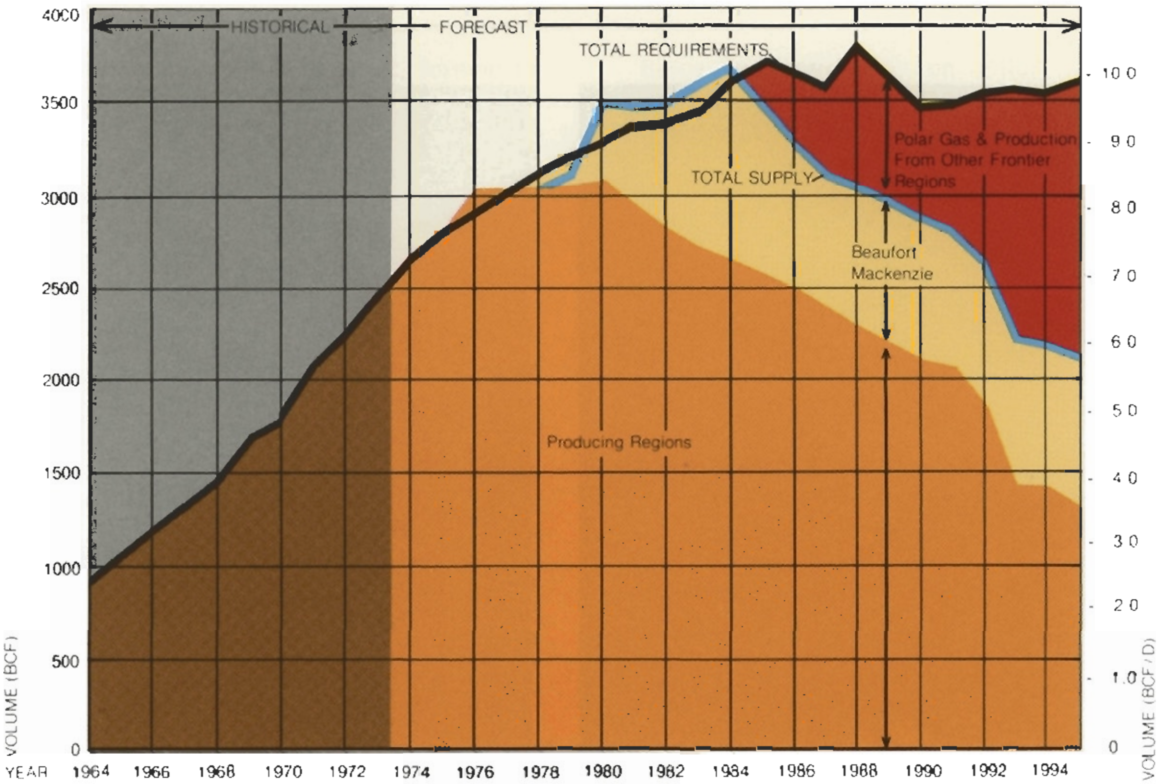
Another important area of socio-economic development is the training of northern people to enable them to take advantage of the employment opportunities which will result from the pipeline project. As a part of its overall Northern Employment Opportunities Program, Foothills sponsors (with four other companies) NORTRAN, an independent petroleum industry training program which offers northern people on-the-job training to equip them for construction, operation and supervisory careers in the pipeline and other petroleum related industry. NORTRAN evolved from the northern training program originally established by AGTL in 1971. Since 1971, AGTL has continued to be active in the training of northern people, both under its own program and NORTRAN, currently providing 26 of the approximately 90 training positions which are open to northerners through the NORTRAN program. To date, the majority of the training offered has been towards acquiring skills used in the operational phase and an expansion of NORTRAN is planned for this year in which northern trainees will be given construction skills training on pipeline spreads that are doing work for AGTL. Not all the employment opportunities resulting from the pipeline project will be wage employment oriented and as such, an expansion of the Foothills Northern Employment Opportunities Program is planned this year to acquaint the northern people with the entrepreneurial opportunities which can be available to them.

With regard to the environmental considerations, Foothills has assembled a dedicated team of specialists to first assess the environmental concerns and then in concert with the Foothills engineering staff, develop the protective measures necessary to keep the environmental disturbance within acceptable limits. One of the main sources of environmental data being utilized by Foothills is that generated as a result of AGTL's previous involvement in studies pertaining to northern pipeline development.

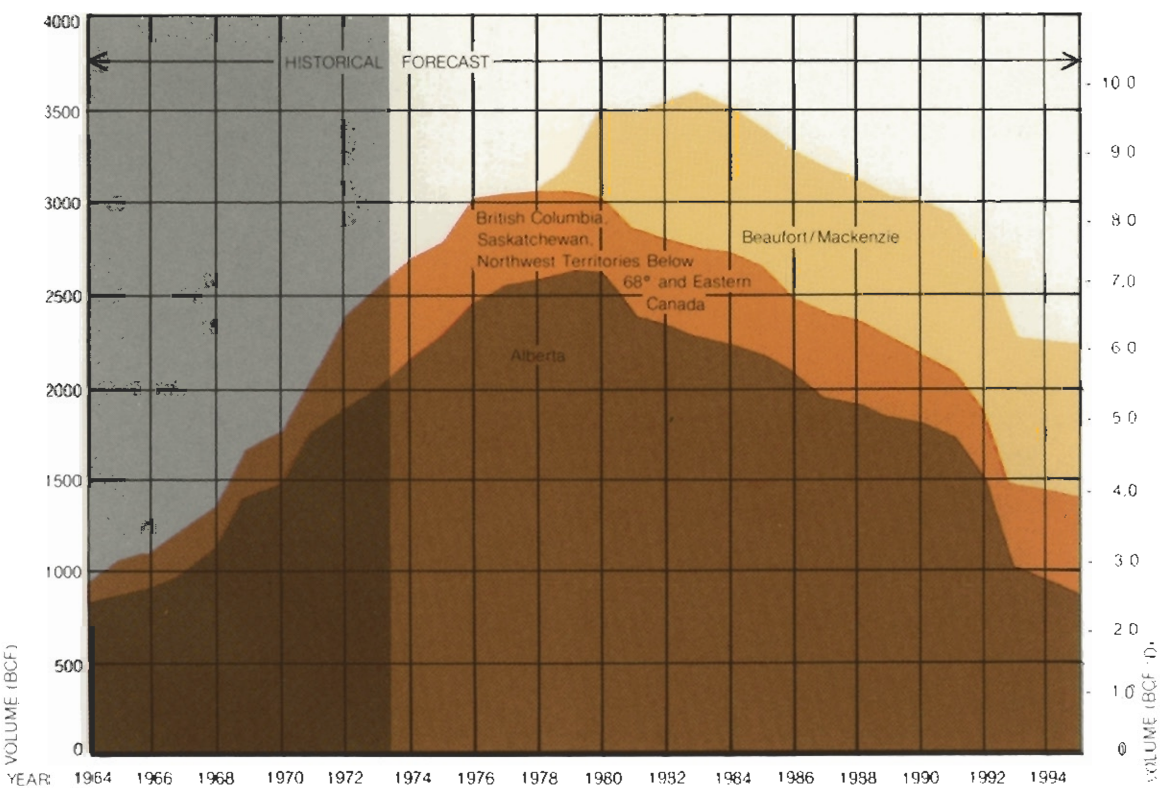
Gas To Northern Communities

One of the major concerns of the northern people is the supply of natural gas to their communities. It is well recognized that by following the approach traditionally taken by utilities, the supply of natural gas to the majority of these communities cannot be economically feasible. Foothills takes the position, however, that it has an obligation to the people of the Northwest Territories to do more than just remove the natural gas from the Northwest Territories. On February 21, 1975, in Yellowknife, Foothills announced that as part of its undertaking, it would provide gas to a number of communities along the Mackenzie Valley and in the Great Slave Lake area at a price which would compete favorably with other fuel supplies, and to do this, it would take the extra expense of this operation into its overall account.

CANADIAN NATURAL GAS - SUPPLY/REQUIREMENTS BALANCE



CANADIAN MARKETABLE NATURAL GAS PRODUCTION



Alberta Gas Chemicals Ltd.

Pan-Alberta Gas Ltd.

Morris Kilik and Servulus Schmaltz return from gas contract talks

Alberta Gas Chemicals Ltd.

Alberta Gas Chemicals Ltd., formed in February, 1973, is owned jointly (50% each) by the Company and Allarco Developments Ltd. of Edmonton. Through the aggressive leadership and acumen of Dr. C. A. Allard, Chairman of the Board, Alberta Gas Chemicals has established a world-scale methanol complex at Medicine Hat and is continuing to study the feasibility of an ammonia/urea complex in Alberta.

The first of the world-scale methanol plants has been completed and went into production in February, 1975. Mr. J.J. LoPorto, President and a seasoned senior petrochemical executive, has put together a professional team to operate this and future plants in the complex. The capacity of this first plant is 600 tons of methanol per day with one-third of its production under firm contract to a United States buyer. The balance of production is being sold on the open market, particularly the Canadian market.

The second methanol plant, a twin of the first, is currently about 60% complete and it is expected to be on stream in late fall of 1975. Again one-third of the production of this second plant has been committed on short-term contracts with the balance for sale on the open market.

Production from these plants has moved Canada from the position of being a net importer (some 80% had previously been imported) to complete self-sufficiency in methanol.

Feedstock supply for the first and second plants has been secured, as to the first, by contract with the City of Medicine Hat, and as to the second, by the sale to Alberta Gas Chemicals of gas owned by an Alberta Gas Trunk Line subsidiary, Algas Resources Ltd.

Plans and studies are still underway for the construction of additional capacity of 1,000 tons per day of methanol mainly for the manufacture of further derivatives in western Canada.

Alberta Gas Chemicals Inc., a wholly-owned subsidiary of Alberta Gas Chemicals, was formed in late 1973 to carry on business in the United States as a commodity dealer in petrochemicals.

Pan-Alberta Gas Ltd.

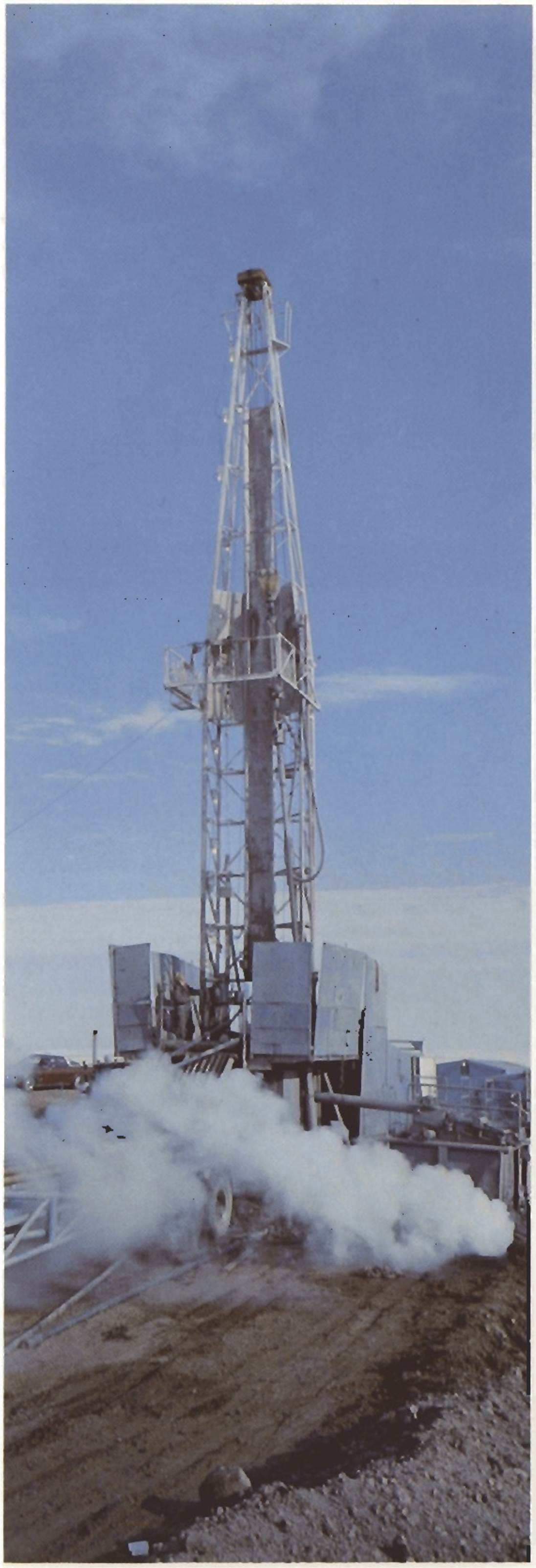
Since its original conception and formation in 1972, Pan-Alberta Gas Ltd. has changed its character in response to the changing conditions of gas purchase and supply.

On June 26, 1974, Pan-Alberta received a permit from the Government of Alberta to export a total of 460 mmcfd of natural gas over a six-year period. Subject to the approval of the National Energy Board, 400 mmcfd of that gas was to be exported to California on a high-price, short-term basis. On September 5, 1974, Pan-Alberta terminated the contract as it was not feasible to proceed further with applications for licences to export large new quantities of Canadian natural gas at this time.

Early in the year Pan-Alberta signed an initial contract with Gaz Metropolitain, inc. of Montreal to deliver to that company, 40 mmcfd per day commencing November 1, 1974. Deliveries of gas began on the scheduled date but due to a number of actions by other companies Pan-Alberta has experienced some difficulty in obtaining from its contracted sources the full daily quantities under contract and this deficiency has received publicity. Meanwhile Pan-Alberta is negotiating with Gaz Metropolitain for increased sales under an additional contract and has given evidence before regulatory hearings that its total gas supply under control is presently estimated at about 300 mmcfd. This is mainly gas contracted more recently at higher field prices and that is coming on stream gradually in 1975 and into 1976.

Pan-Alberta has signed a contract with Westcoast Transmission Company Limited to supply 58 mmcfd through a connection near Worsley, Alberta, commencing October 1, 1975, to help alleviate serious curtailments Westcoast has had to make to its export customers this past winter. No additional export license was required and approval was received from the U.S. Federal Power Commission on February 26, 1975.

Pan-Alberta continues to work with Alberta producers for the purchase of additional gas supply and to negotiate gas sales with Canadian utility and distribution companies, including Saskatchewan Power Corporation and Greater Winnipeg Gas Company, for additional supply to help alleviate shortages in their market areas.



Robin Abercrombie, Bob Newell, Robin May, Ken Craig

Algas Resources Ltd. and Algas Mineral Enterprises Ltd.

Don Kestevan, Don Olafson

Algas Resources Ltd. incorporated as a private company on November 9, 1973; and Algas Mineral Enterprises Ltd. on July 30, 1974 have as their objective the acquisition, development and production of gas reserves in Alberta.

The first acquisition by Algas Resources Ltd. was an average 93% working interest in 58 sections of proven partially developed gas reserve acreage in the Princess Field of southeastern Alberta.

Algas Mineral Enterprises Ltd., owns a 100% working interest in 16 sections of proven partially developed leases in the Tide Lake area (Alderson and Princess Fields), including all royalty burdens exclusive of the freehold lessors royalty. Late in the year, an additional 5-3/4 sections of proven freehold lands adjacent to the Tide Lake property were acquired.

A 100% working interest in a 480-acre proven drilled tract located in an active part of the Cessford Field was purchased in July.

A further 9.39% working interest in 47 sections known as the Patricia Property (Princess and Bantry Fields) has been acquired. Gas production from Patricia is being sold under a pre-existing contract to TransCanada PipeLines Limited at 60 cents per mcf in December, 1974.

Total gas reserves acquired to the end of 1974 are approximately 160 billion cubic feet net after royalty and reserves controlled total about 300 billion cubic feet.

Other Diversifications

Alberta Refinery/Petrochemical Project

The company has now completed Phase II of an engineering and feasibility study of the viability of creating in Alberta, a refinery complex to concentrate on the manufacture of chemical aromatics and olefins from the cracking of crude oil. The Company having so far proceeded on its own with this study, is now in discussion with a number of other prospective corporate participants in the project.

Steel Alberta

In April of 1974 the Government of Alberta announced that it had purchased 20% of the outstanding shares of Interprovincial Steel and Pipe Corporation Ltd. of Regina (IPSCO) as the basis of a joint venture with the Company to further development of an integrated steel industry for western Canada. To achieve this end, the Government has formed Steel Alberta Ltd. which will be the vehicle to staff and sponsor joint ferrous metal projects in the western region. The joint venture plans are still in the negotiation stage but we expect to see this new company commence operations in 1975. It is proposed that our Company will hold a 50% interest in Steel Alberta.

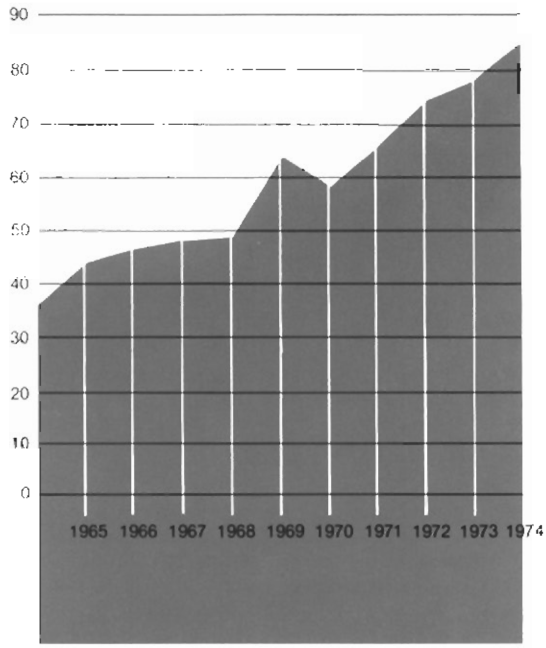
The investment in Steel Alberta has been chosen in conformity with the dual corporate objectives of responsible and profitable investment of shareholders' capital while accommodating the regional development policies articulated by responsible levels of the government.

International Portable Pipe Mills Ltd.

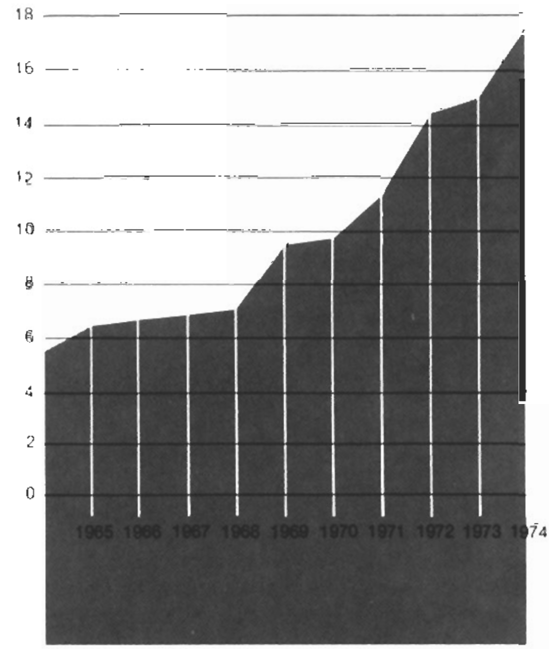
International Portable Pipe Mills Ltd. (48% owned by each of the Company and Dominion Foundries and Steel, Limited) has been awarded a contract to provide 18" and 19" structural pipe which will support elevated sections of the oil pipeline being built by the Alyeska Pipe Line Company. The value of pipe contracted for approximates $40 million. The size of the contract led to leasing the Big Inch Pipe rolling mill in Calgary. The production run of 19" supports has been completed and the 18" support runs have commenced. The Company is continuing to explore further commercial applications of the prototype portable mill which was assembled and performed an experimental run of 48" pipe and a successful production run of 42" pipe in 1973.

Record of Growth

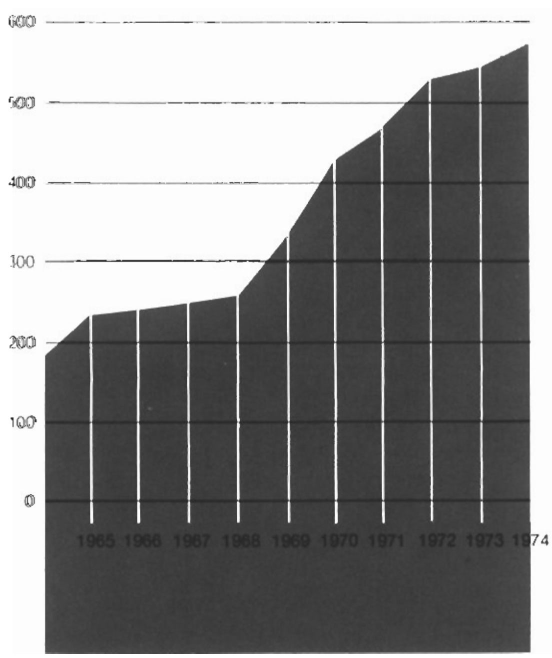
EARNINGS PER COMMON SHARE
Cents



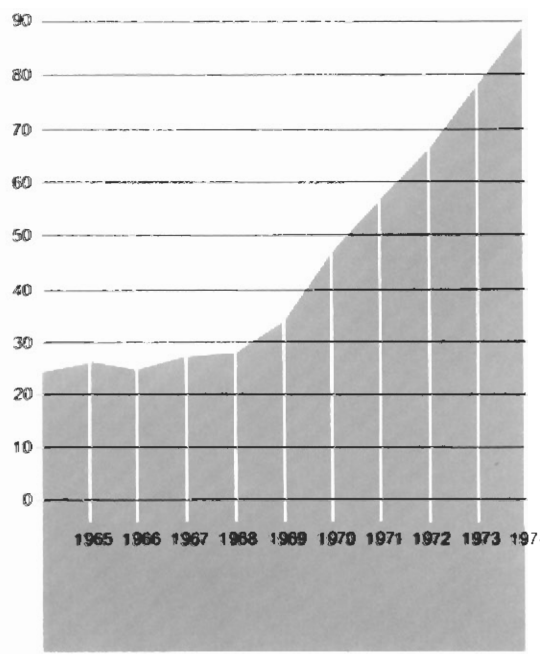
NET INCOME
Millions of Dollars



INVESTMENT IN PLANT-COST
Millions of Dollars



OPERATING REVENUE
Millions of Dollars



Financials

Financial Review

Ed Jorgensen, Bruce Simpson, Al Novodvorski, Douglas Hagerman

The Company's financial growth during 1974 has amply confirmed its ability to broadly expand the scope and diversity of its operations as set out earlier in this report.

New records were set for operating revenues, net income and earnings per share. When compared with the previous year, operating revenues increased 14%, net income rose 20% and earnings per common share were up 8%. Net new funds available to the corporation from internal and external sources exceeded $100 million for the first time.

Earnings

Operating revenues totalled $89.9 million in 1974, up from $78.7 million in 1973.

Operating profit was $39.5 million, and after deduction of financial costs of $21.7 million, net income rose to $17.8 million from $14.9 million the previous year.

Net income applicable to the common shares, after provision for preferred dividends, increased to $14.8 million. This was 10% above the $13.3 million generated in 1973.

Earnings per common share rose to $0.85, based on an average of 17.4 million common shares outstanding during 1974 compared to $0.79 per share for 1973 on a smaller average of 16.8 million shares outstanding.

Capital Expenditures

A total of $31.4 million was spent for system expansion to serve our customers in 1974, compared to $26.8 million last year. A further $12.9 million was incurred in the year for the purchase of natural gas reserves in Alberta as part of a continuing program of acquisition and development of such reserves.

An additional $6.3 million was accounted for on other growth programs of which $1.8 million represented the acquisition of interests in or advances to affiliates, $0.8 million was for an interest in the Canadian Enterprise Development Corporation Limited and $3.7 million represented additional costs of advancing the Company's role in the transportation of natural gas from the Arctic and in the development of a petrochemical industry in Alberta.

Net New Funds

An aggregate of $104.3 million of net new funds was generated or arranged in 1974. Of the total, $37.6 million was generated by cash flow from operations, an increase of $3.9 million over 1973, and $66.7 million came from external sources, net after deducting costs of issue, excluding conversion of convertible securities.

In February, $25 million of 7-3/4% preferred shares were sold publicly at par, net proceeds to the company being $24.1 million. In December, approximately 3.5 million common shares were issued under a very successful Rights Offering at $9.00 per share. This financing added over 300 new shareholders and $30.4 million to available funds. Term bank loans of $11.9 million and miscellaneous sources of $0.3 million accounted for the balance of external funds arranged in the year.

An additional 750,000 common shares were issued in 1974 on the partial conversion of the Series D Convertible Preferred Shares, and of the 7-1/2% Sinking Fund Debentures, Series 1 and on the exercise of stock options.

Dividends

In October, the Company increased the dividend rate of Class "A" shares. The new annual rate, placed in effect during the fourth quarter of 1974 is $0.52 per common share. The former annual rate was $0.42 per share. Dividend payments to the Company's common shareholders aggregated $8.5 million during 1974.

Rate Of Return

Effective January 1, 1975, the rate of return charged by the Company was increased from 9% to 9.5%. The average annual rate base in 1974 was approximately $438 million.

The transportation contracts with the Company's customers provide that the Company will be paid transportation charges on a cost of service basis which includes 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.

Common Shares

At December 31, 1974, there was outstanding 21.1 million Class "A" common shares and 1,699 Class "B" common shares. The Class "A" common are owned by 23,200 shareholders, of whom 15,200 shareholders or 66% were registered in Alberta.

Auditors' Report

To the Shareholders of
The Alberta Gas Trunk Line Company Limited

We have examined the consolidated balance sheet of The Alberta Gas Trunk Line Company Limited as at December 31, 1974 and the consolidated statements of income, reinvested earnings, contributed surplus and changes in financial position 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 consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their 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.

Clarkson, Gordon & Co.

Calgary, Canada
February 21, 1975

Chartered Accountants

The
Alberta Gas Trunk Line
Company Limited

CONSOLIDATED BALANCE SHEET

Assets

	December 31 1974	December 31 1973
Plant, Property and Equipment:		
Gas plant in service (land, buildings, gas transmission system equipment, motor vehicles, etc.) (Note 1)	$545,805,000	$530,411,000
Less accumulated depreciation	100,909,000	88,613,000
	444,896,000	441,798,000
Gas plant under construction	19,755,000	4,598,000
Natural gas properties	12,888,000	
	477,539,000	446,396,000
Investments and Advances:		
Affiliated companies (Note 3)	5,816,000	3,840,000
Other	784,000	
	6,600,000	3,840,000
Current Assets:		
Cash and short term deposits	23,431,000	2,905,000
Accounts receivable	9,485,000	7,160,000
Materials and supplies	4,083,000	3,416,000
Prepaid expenses	1,100,000	548,000
	38,099,000	14,029,000
Other:		
Unamortized debt discount and expense	4,667,000	5,139,000
Arctic gas expenditures	2,775,000	1,902,000
Deferred charges	4,993,000	2,185,000
	12,435,000	9,226,000
	$534,673,000	$473,491,000

On behalf of the Board:

S. R. Blair, Director

W. J. Deyell, Director

See accompanying summary of accounting policies and notes

Liabilities

	December 31 1974	1973
Shareholders' Equity:		
Capital (Note 4)		
Preferred shares of the par value of $100 each		
Authorized - 2,000,000 shares		
Issued - 4-3/4% cumulative redeemable series C 196,256 shares (1973 - 209,495)	$ 19,626,000	$ 20,950,000
5-3/8% cumulative redeemable convertible series D 33,564 shares (1973 - 95,972)	3,356,000	9,597,000
Preferred shares of the par value of $25 each		
Authorized - 2,000,000 shares		
Issued - 7-3/4% cumulative redeemable 1,000,000 shares	25,000,000	
Class "A" common shares of the par value of $1.25 each		
Authorized - 32,000,000 shares		
Issued - 21,087,296 shares (1973 - 16,834,816)	26,359,000	21,043,000
Class "B" common shares of the par value of $5 each		
Authorized - 2,003 shares		
Issued - 1,699 shares	9,000	9,000
	74,350,000	51,599,000
Contributed surplus	76,881,000	45,525,000
Reinvested earnings	42,941,000	36,878,000
	194,172,000	134,002,000
Minority Interest in Subsidiary Companies	6,000	
Long Term Debt (Note 5)	305,370,000	315,113,000
Current Liabilities:		
Notes payable	1,140,000	
Accounts payable	3,994,000	2,383,000
Dividends payable	3,505,000	2,146,000
Interest accrued on long term debt	4,273,000	4,425,000
Sinking fund instalments due within one year	10,008,000	9,538,000
	22,920,000	18,492,000
Deferred Income Taxes (Note 6)	12,205,000	5,884,000
Contingency (Note 3)		
	$534,673,000	$473,491,000

The
Alberta Gas Trunk Line
Company Limited

CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31	
	1974	1973
Operating revenue:		
Transportation of gas (Notes 1 and 2)	$88,985,000	$78,715,000
Gas sales	875,000	
	89,860,000	78,715,000
Operating revenue deductions:		
Operating and maintenance expenses	25,077,000	18,733,000
Depreciation	13,112,000	12,408,000
Property taxes	5,226,000	4,235,000
Income taxes (Note 6)	6,321,000	5,884,000
Gas purchases	602,000	
	50,338,000	41,260,000
Operating profit	39,522,000	37,455,000
Other income:		
Interest on short term deposits	747,000	312,000
Gain on redemption of long term debt	508,000	177,000
Allowance for funds used during construction	1,228,000	1,668,000
Equity in undistributed earnings of affiliated companies	135,000	
	42,140,000	39,612,000
Income deductions:		
Interest on long term debt	23,090,000	23,892,000
Other interest	768,000	349,000
Amortization of debt discount and expense	472,000	503,000
	24,330,000	24,744,000
Net income for the year (Notes 1, 2 and 6)	$17,810,000	$14,868,000
Earnings per common share:		
Basic	$.85	$.79
Fully diluted	$.83	$.77

See accompanying summary of accounting policies and notes

CONSOLIDATED STATEMENT OF REINVESTED EARNINGS

	Year Ended December 31	
	1974	1973
Balance at beginning of year	$36,878,000	$30,599,000
Net income for the year	17,810,000	14,868,000
	54,688,000	45,467,000
Less dividends paid or payable:		
Preferred shares	3,223,000	1,524,000
Common shares	8,524,000	7,065,000
	11,747,000	8,589,000
Balance at end of year	$42,941,000	$36,878,000

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

	Year Ended December 31	
	1974	1973
Balance at beginning of year	$45,525,000	$44,199,000
Premium on issue of capital stock (Note 4)	32,954,000	1,027,000
Gain on purchase of preferred shares for cancellation (Note 4)	499,000	302,000
Capital stock issue expenses written off	(2,097,000)	(3,000)
Balance at end of year	$76,881,000	$45,525,000

The
Alberta Gas Trunk Line
Company Limited

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31	
	1974	1973
Source of Funds:		
Net income for the year	$ 17,810,000	$14,868,000
Charges against income not requiring an outlay of funds		
Depreciation	13,112,000	12,408,000
Deferred income taxes	6,321,000	5,884,000
Other	337,000	503,000
	37,580,000	33,663,000
Common shares	38,270,000	1,183,000
Preferred shares	25,000,000	
Long term debt	12,280,000	10,613,000
	$113,130,000	$45,459,000
Application of Funds:		
Dividends		
Preferred shares	$ 3,223,000	$ 1,524,000
Common shares	8,524,000	7,065,000
	11,747,000	8,589,000
Gas transmission plant	31,367,000	26,804,000
Natural gas properties	12,888,000	
Retirement of long term debt	21,573,000	10,376,000
Conversion of debentures	450,000	453,000
Conversion of preferred shares	6,241,000	468,000
Purchase of preferred shares for cancellation	825,000	825,000
Cost of issuing securities	2,097,000	3,000
Investments and advances	2,625,000	2,826,000
Arctic gas and other deferred charges	3,675,000	2,294,000
Working capital increase (decrease)	19,642,000	(7,179,000)
	$113,130,000	$45,459,000

See accompanying summary of accounting policies and notes

SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies of The Alberta Gas Trunk Line Company Limited and its subsidiaries are summarized as follows:

Principles of consolidation

The consolidated financial statements include the accounts of all subsidiaries: Algas Engineering Services Ltd., Algas Resources Ltd., Algas Mineral Enterprises Ltd., and The Alberta Gas Ethylene Company Ltd. (all 100% owned), Foothills Pipe Lines Ltd. (80% owned) and Pan-Alberta Gas Ltd. (50.8% owned).

Plant, property and equipment

Gas plant in service and under construction is carried at cost.

Depreciation of gas plant in service is provided in an amount equal to depreciation included in the transportation charges at a composite ràte of approximately 2 1/2% per annum on a straight line basis.

An allowance for funds used during construction is charged to plant, property and equipment at a rate equivalent to the annual rate of return.

The companies follow the full cost method of accounting wherein all costs relative to the exploration and development of natural gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit of production method based on estimated proven reserves.

Materials and supplies

Materials and supplies are carried at cost.

Investments and advances

The Company accounts for its investment in its two affiliated companies, Alberta Gas Chemicals Ltd. (50% owned) and International Portable Pipe Mills Ltd. (47.8% owned) on the equity basis.The Company's share of their undistributed earnings and losses is included in other income.

Other investments are carried at cost.

Unamortized debt discount and expense

These costs are being amortized over the terms of the respective issues.

Arctic gas expenditures

All costs related to the Company's eventual participation in the transportation of gas from the Arctic are being deferred pending determination of the Company's ultimate role in this project.

Deferred charges

Costs relating to projects which may benefit future periods are being deferred pending completion and evaluation of the projects. Deferred charges applicable to projects which have been completed and evaluated are being amortized over periods of up to six years.

Bank loans and short term notes

Because short term borrowings are customarily repaid from the proceeds of long term financing, the Company follows the policy of including in long term debt those borrowings for which financing arrangements have been completed.

Income taxes

Since the Company's transportation revenues are determined by contracts on a cost of service basis, deferred income taxes are recorded in the accounts only to the extent that they are included in allowable costs under these contracts.

Earnings per common share

Earnings per common share are calculated using the weighted average number of shares outstanding during the year. The calculation of earnings per common share on a fully diluted basis assumes conversion of all securities which have a dilutive effect on earnings per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1974

1. Gas plant in service

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 Pan-Alberta Gas Ltd.

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 6) and depreciation of its facilities together with an annual return on its investment (see Note 2).

2. Rate of return

The Company's rate of return included in its transportation charges was increased from 9% to 9 1/2%, effective January 1, 1975.

3. Investments and advances - affiliated companies

	1974	1973
Alberta Gas Chemicals Ltd. (50% owned)	$4,733,000	$2,612,000
International Portable Pipe Mills Ltd. (1974 - 47.8% owned; 1973 - 45% owned)	1,083,000	1,228,000
	$5,816,000	$3,840,000

Alberta Gas Chemicals Ltd. is constructing and will own and operate two methanol plants at Medicine Hat, Alberta, estimated to cost $42,000,000 when completed, and has arranged bank financing amounting to $32,700,000, of which $14,700,000 is jointly and severally guaranteed by the Company and the other 50% shareholder. Initial methanol production from the first plant commenced in February 1975.

4. Capital

On February 1, 1974 the Company authorized a class of 2,000,000 preferred shares of the par value of $25 each, of which 1,000,000 shares were designated 7-3/4% Cumulative Redeemable Preferred Shares. These latter shares were issued and sold pursuant to an Underwriting Agreement dated February 1, 1974 for $25,000,000 cash.

The Company is required to set aside on its books as Purchase Funds $2,175,000 annually or such lesser amount as would increase the Funds to $4,350,000 for the purchase for cancellation, if and when available, of its 4-3/4% Cumulative Redeemable Preferred Shares Series C and 5-3/8% Cumulative Redeemable Convertible Preferred Shares Series D, at a price not in excess of $100 and costs of purchase or for the redemption thereof, and in the case of its 7-3/4% Cumulative Redeemable Preferred Shares, at a price not exceeding the sum of $25 per share, accrued and unpaid dividends and costs of purchase.

The Preferred Shares Series C are redeemable at $104 per share on or before May 15, 1975, the Preferred Shares Series D at $106 per share on or before May 15, 1980, and the 7-3/4% Preferred Shares at $27 per share on or before May 15, 1979, and at reducing amounts after those dates.

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

	Shares	Consideration
Pursuant to a rights offering dated November 8, 1974	3,502,846	$31,526,000
On conversion of 5-3/8% Preferred Shares Series D	698,618	6,241,000
On conversion of 7-1/2% Sinking Fund Debentures, Series 1	45,016	450,000
On exercise of options granted to officers and employees	6,000	53,000
	4,252,480	$38,270,000

Of the total consideration received $5,316,000 was credited to share capital and $32,954,000 to contributed surplus.

Class "A" common shares were reserved at December 31, 1974 as follows:

	Shares
For conversion of the 5-3/8% Cumulative Redeemable Convertible Preferred Shares Series D until July 15, 1980, on a conversion basis of 11.20 common shares for each preferred share converted	376,668
For conversion of the 7-1/2% Convertible Sinking Fund Debentures, Series 1 until July 15, 1982, on a conversion basis of 101.61 common shares for each $1,000 principal amount of Series 1 Debentures	3,128,877
Under stock option plans, options are outstanding to officers and employees to purchase 240,550 common shares (at prices ranging from $8.875 to $14.25 per share, exercisable in annual instalments on a cumulative basis from 1975 to 1980) and 155,650 common shares are reserved but unallocated.	396,200
	3,901,745

5. Long term debt

	Maturity	1974	1973
First Mortgage Bonds			
5-1/4% Series A	1981	$ 13,405,000	$ 15,404,000
5-3/4% Series B	1981	33,493,000	37,137,000
(1974 - $33,493,000 U.S.)			
(1973 - $37,137,000 U.S.)			
5-1/2% Series C	1985	13,010,000	13,655,000
8-3/4% Series D	1989	58,815,000	60,853,000
(1974 - $54,800,000 U.S.)			
(1973 - $56,700,000 U.S.)			
Secured Debentures			
6-1/2% Series A	1981	11,700,000	12,054,000
5-3/4% Series B	1985	21,527,000	21,962,000
Unsecured Debentures			
7-1/2% Series 1 (Convertible)	1990	30,793,000	31,243,000
9-3/4% Series 2	1990	19,400,000	19,620,000
9-1/4% Series 3	1990	17,440,000	17,645,000
8% Series 4	1991	48,885,000	49,465,000
8-1/8% Series 5	1992	34,630,000	35,000,000
Bank Loans		11,916,000	10,613,000
8% Note Payable (Unsecured)	1976	364,000	
		315,378,000	324,651,000
Less sinking fund instalments due within one year shown as current liability		10,008,000	9,538,000
		$305,370,000	$315,113,000

The First Mortgage Bonds, Series B have been translated to Canadian dollars at par. The Company will receive under its transportation contract with Alberta and Southern Gas Co. Ltd. and Westcoast Transmission Company Limited sufficient United States dollars to discharge its future principal and interest payments in connection with these bonds.

The First Mortgage Bonds, Series D have been translated to Canadian dollars on the basis that one United States dollar is equal to 1.07325 Canadian dollars, being the average rate at which the entire issue was converted into Canadian dollars. 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 these bonds at rates above or below the rates at which the entire issue was converted into Canadian dollars will be for their account.

The bank loans at December 31, 1974 are secured by natural gas properties and mature in 1985. The interest rate will vary during the term of the loans and at December 31, 1974 was 11.2%.

Sinking fund and repayment requirements in respect of long term debt for the years 1976 to 1979 are: 1976 - $12,533,000; 1977 - $13,146,000; 1978 - $13,949,000; 1979 - $14,897,000.

6. 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, 1974.

Commencing January 1, 1973 the Company arranged with certain of its customers to include in its transportation charges to those customers a portion of the income taxes which have been deferred to future years and has adopted a policy of providing for income tax expense in amounts equal to the income taxes included in such charges. Because income taxes associated with the Company's transportation operations are a component of its transportation charges (see Note 1), the payment or deferral of income taxes does not affect net income.

If the tax allocation basis of accounting under which income tax expense is based on reported income had been followed in respect of all customers in the current and prior years, the cumulative amount of the deferred tax credits would have been approximately $71,500,000 to December 31, 1974, of which $12,500,000 is applicable to 1974 and $10,000,000 to 1973.

7. Remuneration of directors and senior officers

The aggregate direct remuneration paid during the year by the Company and its subsidiaries to its directors was $60,000 and to its officers was $363,000.

The
Alberta Gas Trunk Line
Company Limited

Ten Year Review

ALBERTA GAS TRUNK

FINANCIAL

(in thousands of dollars)

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
Operating revenues	$ 89,860	78,715	64,666	56,351	45,469	31,930	27,929	26,309	24,976	25,511
Operating expenses, depreciation and taxes	$ 50,338	41,260	30,891	26,444	21,499	14,926	13,087	12,037	10,823	12,354
Operating profit	$ 39,522	37,455	33,775	29,907	23,970	17,004	14,842	14,272	14,153	13,157
Interest expense - net	$ 21,712	22,587	19,708	18,508	13,988	7,184	7,892	7,692	7,815	7,106
Net income	$ 17,810	14,868	14,067	11,399	9,982	9,820	6,950	6,580	6,338	6,051
Dividends on preferred shares	$ 3,021	1,524	1,611	1,826	2,143	2,280	1,495	1,306	1,306	1,397
Net income applicable to common shares	$ 14,789	13,344	12,456	9,573	7,839	7,540	5,455	5,274	5,032	4,654
Net income per common share										
Basic	$ 0.85	0.79	0.75	0.66	0.59	0.62	0.49	0.47	0.45	0.43
Fully diluted	$ 0.83	0.77	0.74	0.64	0.57	0.60				
Dividends paid per common share	$ 0.44½	0.42	0.39¾	0.37½	0.37½	0.37½	0.35¼	0.30¾	0.30	0.28¾
Average common shares outstanding during year (thousands)	17,371	16,793	16,530	14,584	13,368	12,224	11,208	11,200	11,168	10,880
Working capital (deficiency) at year end	$ 15,179	(4,463)	2,716	5,590	(5,696)	(5,864)	(5,078)	(3,570)	(2,637)	1,897
Additions to plant, property and equipment	$ 44,255	26,804	44,604	60,892	82,808	68,251	23,132	11,309	7,703	23,521
Investment in plant, property and equipment (cost)	$ 578,448	535,009	507,903	463,761	404,003	321,611	254,046	231,155	223,833	216,319
Investment in plant, property and equipment (net)	$ 477,539	446,396	432,000	398,622	348,384	274,615	214,154	197,030	191,443	189,351
Average rate base	$ 438,411	416,167	386,000	355,169	294,766	212,550	197,800	190,293	188,702	175,424
Average rate of return	9.00%	9.00%	8.75%	8.42%	8.13%	8.00%	7.50%	7.50%	7.50%	7.50%
Long term debt (less due within one year)	$ 305,370	315,113	315,329	292,013	251,316	176,980	132,024	138,684	135,973	140,802
Shareholders' equity										
Preferred shares	$ 47,982	30,547	32,142	33,888	41,607	44,548	46,475	27,500	27,500	27,500
Common shares	$ 146,190	103,455	95,694	86,508	54,331	49,428	33,808	30,420	28,638	26,413

STATISTICAL

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
Shareholders and employees										
Number of preferred shareholders	7,195	7,977	8,289	8,833	10,385	10,781	11,087	3,172	3,254	3,214
Number of common shareholders	23,184	22,148	21,374	22,277	21,838	22,543	23,452	24,833	26,007	26,782
Number of employees	892	762	781	701	577	442	322	301	290	278

OPERATING

	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965
Miles of pipeline in system	4,313	4,113	4,030	3,493	3,246	2,778	2,198	2,094	2,003	1,945
Compression horsepower	427,867	420,535	365,635	355,955	315,945	209,125	60,015	60,015	43,185	26,355
Total system receipts (MMcf)	1,744,154	1,720,637	1,595,465	1,420,524	1,259,337	1,047,780	873,254	740,905	678,180	636,876
Maximum day receipts (MMcf)	5,566	5,573	5,131	4,567	4,337	3,892	3,094	2,757	2,242	2,058
Average day receipts (MMcf)	4,779	4,714	4,371	3,892	3,450	2,870	2,392	2,029	1,858	1,744

OFFICERS

H. J. Sanders Pearson
Chairman of the Board

S. Robert Blair
President and Chief Executive Officer

Robert L. Pierce, QC
Executive Vice President and Secretary

William J. Deyell
Senior Vice President

Douglas R. Hagerman
Vice President, Controller and Treasurer

Robin J. Abercrombie
Vice President

James D. Kadlec
Vice President

Dianne I. Narvik
Assistant Secretary and
Assistant to the President

Barry E. Harper
Assistant Secretary

COMPANY LOCATIONS:

Head Office:
505 - 2 Street S.W.
P.O. Box 2535
Calgary, AB
T2P 2N6

Other Calgary Offices:

444 - 5 Avenue S.W.
Calgary, AB
T2P 2L8

140 6 Avenue S.W.
Calgary, AB
T2P 0P6

500 - 4 Avenue S.W.
Calgary, AB
T2P 2V6

Calgary Service Centre
7210 Blackfoot Trail S.E.
Calgary, AB
T2H 1M5

Works Department
2611 - 58 Avenue S.E.
Calgary, AB
T2C 0B4

(For complete information on
department locations
telephone (403) 267-1910)

Edmonton Offices:

11th Floor, Petroleum Plaza
9945 - 108 Street
Edmonton, AB
T5K 2G6

Edmonton Service Centre
15810 - 114 Avenue
P.O. Box 3240, Station 'D'
Edmonton, AB
T5L 4J1

District Offices:

District No. 1 Headquarters
Calgary Service Centre

District No. 2 Headquarters
P.O. Box 819
Brooks, AB
T0J 0J0

District No. 3 Headquarters
P.O. Box 1239
Edson, AB
T0E 0P0

Offices of Subsidiaries and Affiliates:

Alberta Gas Chemicals Ltd. (Plant)
P.O. Box 757
Medicine Hat, AB
T1A 7G7

The Alberta Gas Ethylene Company Ltd.
2200 Bow Valley Square 2
205 - 5 Avenue S.W.
Box 9150
Calgary, AB
T2P 2W4

Algas Engineering Services Ltd.
505 - 2 Street S.W.
Calgary, AB
T2P 2N6

Algas Resources Ltd.
140 - 6 Avenue S.W.
Calgary, AB
T2P 0P6

Foothills Pipe Lines Ltd.
1600 Bow Valley Square 2
205 - 5 Avenue S.W.
Box 9083
Calgary, AB
T2P 2W4

International Portable Pipe Mills Ltd.
DAON Building
444 - 5 Avenue S.W.
P.O. Box 1760
Calgary, AB
T2P 2L8

Solicitors
Howard, Dixon, Mackie, Forsyth,

Auditors
Clarkson, Gordon & Co.

Transfer Agents and Registrars
PREFERRED SHARES
Crown Trust Company
Montreal, Toronto, Winnipeg, Calgary and Vancouver
Canada Permanent Trust Company as agent for Crown Trust Company in Edmonton and Regina

CLASS "A" COMMON SHARES
National Trust Company, Limited
Montreal, Toronto, Winnipeg, Calgary, Edmonton and Vancouver
Canada Permanent Trust Company as agent for National Trust Company, Limited in Regina

CLASS "B" COMMON SHARES
National Trust Company, Limited
Calgary

Stock Exchange Listings
CLASS "A" COMMON SHARES
Toronto Stock Exchange
Montreal Stock Exchange
Alberta Stock Exchange

PREFERRED SHARES
Toronto Stock Exchange
Alberta Stock Exchange

Les personnes désirant des exemplaires en français du présent rapport sont priées de s'adresser au secrétaire adjoint de la Compagnie, P.O. Box 2535, CALGARY, ALBERTA.

Duplicate Annual Reports

Every effort has been made to eliminate duplications in our shareholders mailing list. However, if you do have more than one holding you will receive a separate report for each registration unless your shares are registered under exactly the same name.

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