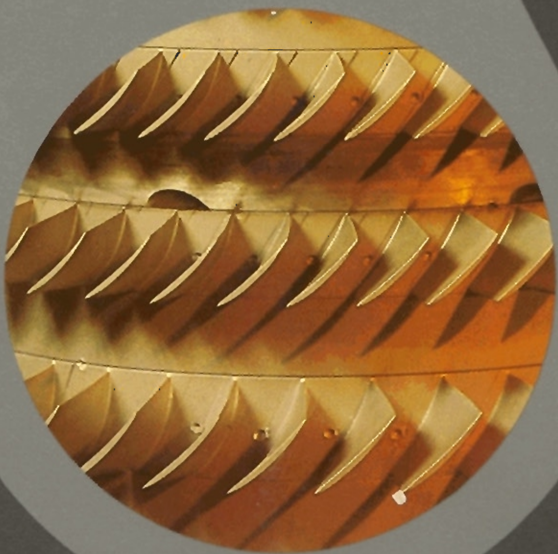
ALBERTA GAS TRUNK LINE ANNUAL REPORT 1976



"We believe that there are good purposes and ideals for this Company that can go far beyond growth in its revenues and income.

There are jobs which need to be done for the Canadian public and for all Alberta residents through strengthening of the economy of this province, for security of supply to other provinces, for the producing industry, and for more interesting and rewarding lives for our employees."

The Alberta Gas Trunk Line Company Limited, a public company, was incorporated in 1954 by a Special Act of the Alberta Legislature. Its corporate objects include to act as a carrier and purchaser of gas, to construct pipelines and plants, to purchase and develop hydrocarbon resources, to engage in petrochemicals, manufacturing, engineering, industrial research and development. It is owned by 26,400 shareholders, 97.5% in Canada; about one half of its common shares are held by Canadian investment institutions and the other half by individual investors across Canada including 15,600 individuals in Alberta. Its preferred shares are also held by Canadian institutional and individual investors.

ALBERTA GAS TRUNK LINE

– Incorporated by Special Act under the Laws of Alberta

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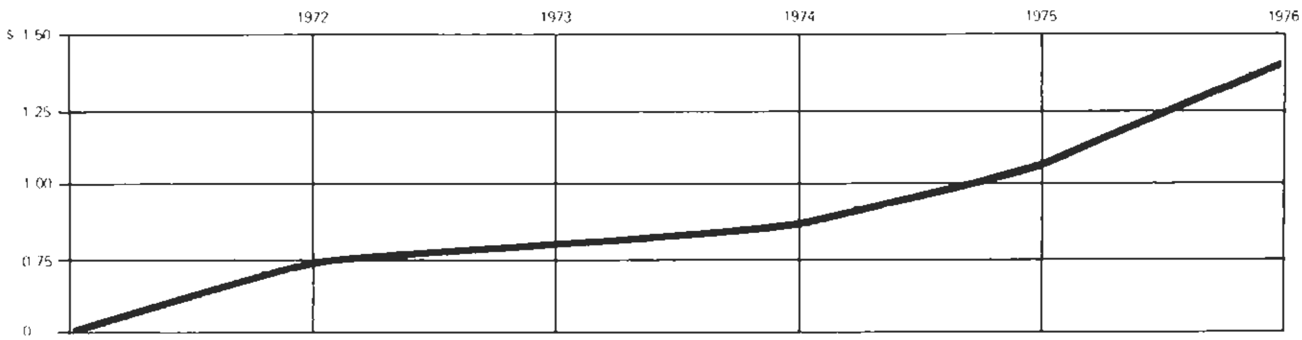
Annual Meeting

The Annual Meeting of the Shareholders of the Company will be held at the Calgary Inn, Calgary, Alberta on May 13, 1977 at 2:30 p.m.

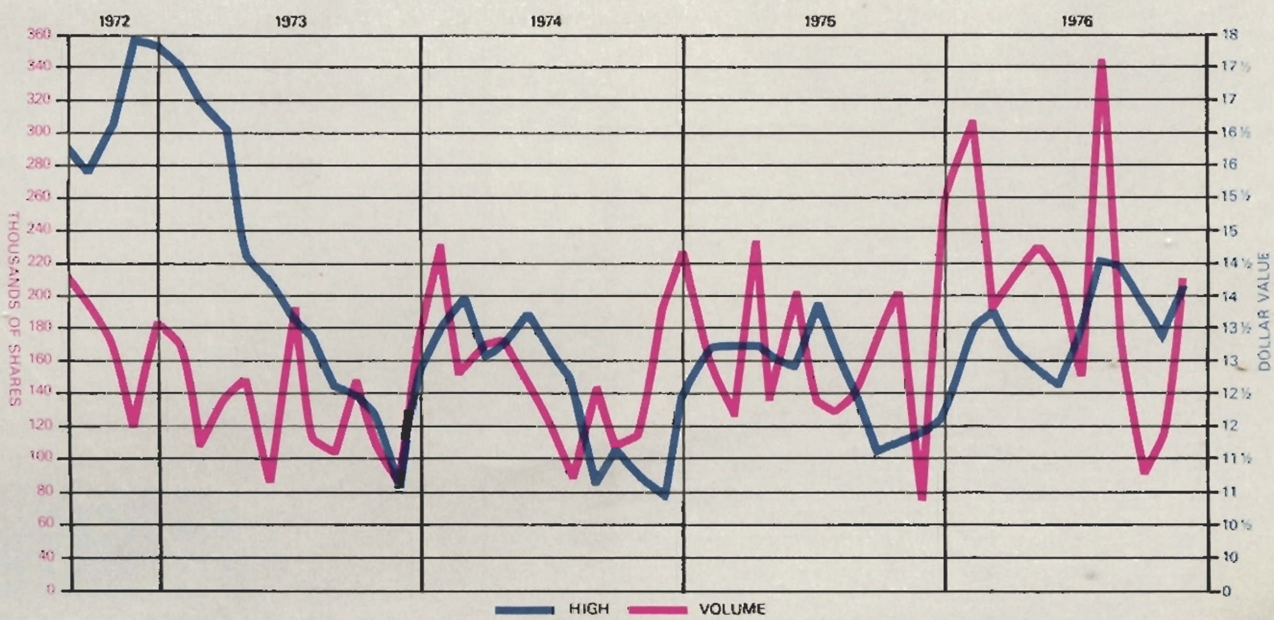
Highlights

FINANCIAL	1976	1975	% Increase
Total revenues	$281,561,000	$147,867,000	90.4
Consolidated net operating income	$104,172,000	$ 60,668,000	71.7
Net income	$ 39,417,000	$ 26,050,000	51.3
Dividends on preferred shares	$ 8,121,000	$ 2,940,000	176.2
Net income applicable to common shares	$ 31,296,000	$ 23,110,000	35.4
Net income per common share			
Basic	$ 1.42	$ 1.08	31.5
Fully diluted	$ 1.34	$ 1.04	28.8
Dividends paid per common share	$ 0.6136	$ 0.5200	18.0
Average number of common shares outstanding	22,021,000	21,344,000	3.2
Additions to plant, property and equipment	$152,244,000	$108,306,000	40.6
Investment in plant, property and equipment (cost)	$863,007,000	$680,009,000	26.9
Investment in plant, property and equipment (net)	$712,674,000	$558,472,000	27.6
Average rate base in gas transmission	$516,627,000	$449,067,000	15.0
Average rate of return on gas transmission	10.375%	9.66%	7.4
OPERATING			
Miles of gas transmission pipeline	5,413	4,728	14.5
Compression horsepower	467,335	449,417	4.0
Total gas transmission receipts (MMcf @ 14.65 p.s.i.a.)	1,822,695	1,766,390	3.2
Maximum day receipts (MMcf @ 14.65 p.s.i.a.)	5,820	5,595	4.0
Average day receipts (MMcf @ 14.65 p.s.i.a.)	4,994	4,839	3.2

Earnings Per Common Share (Basic)



Alberta Gas Trunk Class "A" Shares



1976 was a significant year for your Company with gross operating revenue rising by 90% and net income by 51% over last year. The major increase was derived from activities other than gas transmission and in particular the increase in revenue received from manufacturing.

This year's report is taking on a somewhat new format from those of previous years. For each business area in which we are now engaged we will try to give some projections and thoughts in the commentary on future prospects, rather than dealing only with the historical. Because some new shareholders may not be fully aware of certain of our projects, or the business of subsidiaries and affiliates, we are including an updated copy of the Company's profile which covers our beginnings, major changes throughout the years, objectives, philosophy and individual company and project descriptions.

Also, this year we are including two new sections which we hope to continue for so long as there is an interest in them. The first is a personal commentary by the Chief Executive Officer, which each year will cover his view on some very current, topical (and at times controversial) subjects concerning the Company, the industry or our country generally. The second new section is contained in the financials and is the Chief Executive's own comments and interpretation of financial results. This has been added particularly for security analysts and investors, but may hold general interest for all shareholders.

The Company's construction program for 1976 amounted to $83 million in actual cash expenditure, less than originally budgeted. This was due to a number of factors including one very large project that was started in late 1976, approximately 6 months behind schedule. Regulatory proceedings and mild weather conditions in late fall and early winter were in part responsible for the delay in start-up. Budget projections for 1977 have taken into account our new experience in the timing of projects and contain more conservatism in estimates, an approach we believe will more accurately reflect current conditions.

Although the main business of the Company is its utility operation, the last year has seen a large revenue growth from other lines of business. This is a trend which should continue and increase.

Other revenues were derived from manufacturing, petrochemicals, gas development, production, sales and marketing. Although petrochemicals were not a large factor in 1976, earnings from that business will gradually increase and when the main component of the Alberta Petrochemical Complex (the $350 million dollar ethylene plant owned by our subsidiary, The Alberta Gas Ethylene Company Ltd.) comes on stream in 1979, revenues will sharply increase. As well, income will be received from our participation in the Cochin pipeline, the ethane gathering system within the province and the polyvinyl chloride plant at Fort Saskatchewan. The start-up of the Alberta Petrochemical Complex in 1976 was a most significant development in the Company's future growth and the team of persons, led by Robert Pierce, responsible for seeing it through over the last three years are to be congratulated.

The manufacturing segment of our business was particularly strong in 1976. This was due in large part to the acquisition of a majority of the shares of WAGI International, S.p.A., Italy, a licensee of Grove valves and as well a manufacturer of its own product line of valves and regulators, with main markets in Europe and the Eastern bloc countries. The favorable business climate for WAGI is expected to continue in 1977 and we look forward to continued good results from that company. Grove Valve and Regulator Company, headquartered in Oakland, also performed well and met its target projections for the year.

The Company itself and a number of subsidiaries and affiliates, participate in the area of gas development, marketing, storage, supply and services. The largest budget is that allocated to Algas Mineral Enterprises Ltd., a small gas acquisition and development company which presently owns approximately 150 Bcf of reserves within the province and constantly monitors and pursues further acquisitions with which to build its base as a medium-sized integrated oil and gas company.

For the year 1977, the Company has authorized a budget of $1.9 million to Algas Resources Ltd. for that company's use

Report to Shareholders

in the investigation and research into the development of alternate sources of energy. The emphasis this year is on coal research by participation in projects for gasification of coal and the extraction of methane from coal beds in Alberta. It is realized that the budgeted amount is very modest for any real research and development. However, it is a start in an area we hope to significantly develop and expand over the coming years.

The Company is also extensively investigating the prospects of gas storage facilities in Alberta which would be used primarily to achieve transmission and gathering efficiencies through balancing of gas flows and also to provide a measure of protection against interruptions in transmission service or gas production that may from time to time occur. The prospects of purchasing a depleted gas field for this purpose looks promising and discussions are now in progress with owners of such fields within the Province.

Investigation is on-going with Petro-Canada Ltd. and Pan-Arctic Oils Ltd. for a liquified natural gas pilot project in the Arctic Islands which involves the drilling of off-shore under-ice wells, pipeline systems to an LNG plant to be installed in the Islands and transport of the liquified gas by tanker to domestic or export markets. At the time of writing this report, negotiations and planning are still underway for this project.

Information on current northern pipeline projects follows later in this report and project descriptions are contained in the Profile.

We continue to be interested in and pursue from time to time opportunities within the renewable resource area, with a particular interest in the wood products industry.

For 1977 your Company has budgeted $197 million for pipeline service expansions and participation in various other projects requiring total expenditures of about $800 million. All such projects have received the necessary government authorizations, have financing substantially arranged and are expected to be in full service by mid-1979 or earlier. The eventual net investment responsibility of the Company in other projects, after deducting interests of partners, is presently estimated at about $450 million. A majority of the funds required will be raised by project-financing.

The Alberta Gas Ethylene Company Ltd. is presently negotiating the private placement of $325 million in debentures for future draw-down from institutional investors in the United States. These monies will be used for the construction of that subsidiary's ethylene plant near Red Deer, Alberta.

With permission from the Anti-Inflation Board, the Company twice increased its dividends on Class "A" common shares in 1976, raising the dividend to its present level of 18.36¢ per share. We were also pleased to be able to raise approximately $167 million in equity funds during the year from Canadian markets.

It has been a busy and exciting year for your Company and real credit and thanks is due to the dedication of a large number of employees who have put out well beyond the normal work day. At a time when extra effort cannot be rewarded financially, we are most pleased and gratified to see the unified team spirit that exists.

The year of 1977 will continue to require a high level of activity as projects become realities and opportunities continue to grow for an aggressive Canadian company. Notwithstanding the economic and at times political problems in our country, there still continues to be in our view, a place and time for growth in regions of Canada which have previously been industrially under-developed.

H.J.S. Pearson
Chairman of the Board

S.R. Blair
President and Chief Executive Officer

Calgary, Alberta, Canada   March 18, 1977

Perspective on Gas Pipelines and Politics

Few subjects centered in industry have received as much newspaper, television and radio coverage during the last months as the shortage of natural gas in the United States and the selection and controversies applying to gas pipeline systems from the Arctic. Your Company has been in the forefront on every aspect of the Canadian part of these reports . . . partly because of our key operating responsibility in gathering 1.9 trillion cubic feet of Alberta gas a year (70% of gas production in Canada) and pipelining it to Alberta's borders and partly because we elected to contest hard for:

(i) stepping up production of gas from Alberta

(ii) arranging transport of gas from the Arctic while fighting for Canadian interest and management therein.

Of all these important subjects, the second received more media attention during 1976 and for that reason and because we will have extended over $20 million of shareholder-risk investment by the end of 1977 in pipeline proposals for Alaskan and Mackenzie Delta gas alone, I will concentrate some remarks on it first.

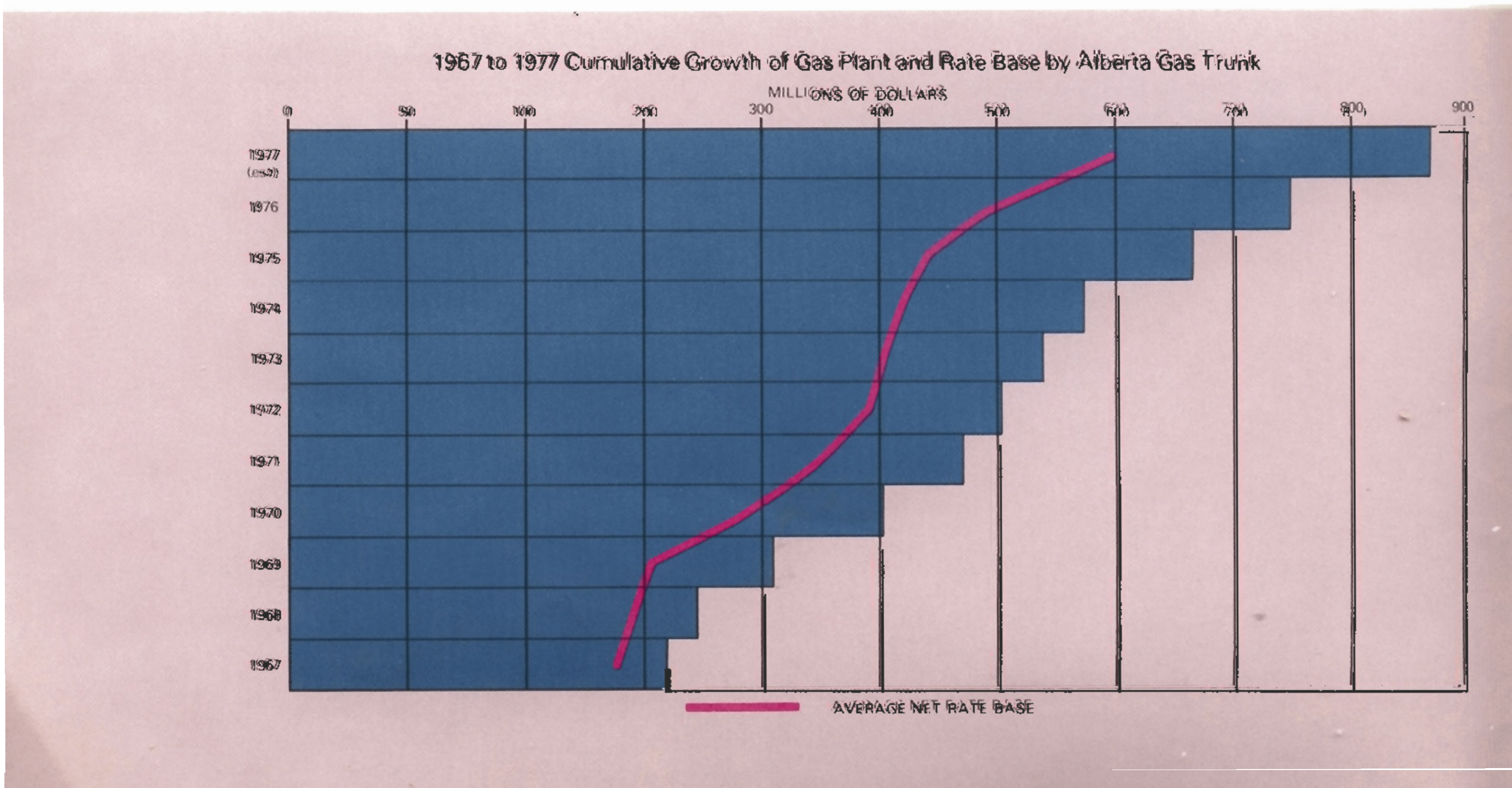
The battle on future timing and control of frontier gas pipelines has been raging; a political battle which might erupt in government arenas in the next year and is fierce in the politics of companies, consortia and the people who run them. Not, I might add, for the reason that construction projects to transport gas from the Arctic are in themselves particularly attractive for careers in management or quick profits to companies. Having worked for over 10 years personally in field contractor's jobs and project management of pipelines across Canada, I have no illusions during this Company's continuous years of planning that dreams would be realized by an arctic project. The North will be a tough, uncomfortable and risk-present place to go into with a pipeline and will be hard on contractors and owners both, even where well managed. It will demand a great deal of work, care, and concentration.

Also a gas pipeline as an investment is not all that romantic an objective for Canadian purposes. For some $50 million of invested capital, Alberta Gas Chemicals has created at Medicine Hat the 4th ranking industrial producer of methanol in North America. It has turned Canada's balance-of-trade in methanol from a $15 million deficit into a $20 million surplus and generates an annual operating revenue of some $40 million. Direct employment in Alberta is 70 skilled chemical workers and a head office staff. From this base that company has created tankage and sales establishments spread from New Jersey to Vancouver and is expanding into food acid production in Minnesota, entirely Canadian owned and directed. An equal $50 million within a pipeline project to move gas from the Arctic would generate about $10 million annually (of which about $4 million would have to be paid immediately for interest on debt, probably to the United States) and would provide operating employment for perhaps 10 people.

My point is that pipelines do not do so much for the places they go through as for where they go to or come from. Pipelines are instruments for industrial strategy more than being objectives in themselves. Accordingly, their effects must be considered very carefully in the public interest.

Part of the reason that my colleagues and I have battled so vigorously in recent years against the proposals of the large "Arctic Gas" consortium is that we have perceived its strategy to be one which will insert into Western Canada a huge artery to suck all major future supplies of Mackenzie Delta, Mackenzie Valley and Alberta gas out through our area and into the United States, with politically safe side deliveries to Ontario, but without regard to the regional requirements or economics in Western Canada and with careful avoidance of dealing at arms length with any Canadian companies. Such a major energy strategy cannot possibly be weighed adequately in its loss for Canada by counting dollars per year of transmission tariffs or operating labour created by the pipeline.

Seeing this clearly and knowing the realities of our business, my colleagues and I in Alberta Gas Trunk, our project partner Westcoast Transmission and our joint company Foothills Pipe Lines Ltd., have considered it right



to keep up a very earnest and determined dedication to see that the arctic pipeline systems are installed which will over-all be sound for the realities in Canada — even though in maintaining this we have had to stubbornly oppose a large consortium of international major oil companies, U.S. utilities and Ontario-based utilities which make up the Arctic Gas project sponsors.

The realities inside Canada just have to include: the native rights situation in the Mackenzie Valley; the dependency of the biggest arctic pipeline projects upon special government financial supports; and the importance of Canadians continuing to manage and develop their country's gas pipeline networks, one of the things we really know how to do to international standards; and contrast those realities to the Arctic Gas consortium result of selling the biggest new pipeline artery into foreign ownership influence.

We have been working on each of these realities but I feel like commenting on the Mackenzie Valley native rights matter in particular because within our organization the matters reserved for direct responsibility of the chief executive, like accountability to shareholders and governments, include communication with the native people's management whether in Alberta, the Yukon Territory, or the Northwest Territories. That travel and meeting experience has convinced me that the unique social atmosphere in the Mackenzie Valley would make it absolutely inconceivable to try to start a pipeline development until much more review and negotiation has been conducted; I would estimate not less than three years more is required. Perhaps Mr. Justice Berger will have published his findings by the time my comments are read. Whatever his findings I have seen how thorough and well qualified has been his inquiry.

In contrast we have come during 1976 and early 1977 to believe that an Alaska Highway Project for transportation of gas from Prudhoe Bay could be introduced expeditiously and managed without serious disruption to social, environment and industry sectors of Canada. Accordingly we are actively engaged in sponsoring the Alaska Highway — 48" Alternative as an arrangement through which Canada could afford such overland gas pipeline accommodation, providing service of a sort sought by the U.S., but preserving full ownership and project management by Canadians in the Canadian portions.

The other of the topical subjects I noted at the start of this section was the shortage of natural gas in the U.S. I will connect this particularly to the stepping up of production of gas from Alberta.

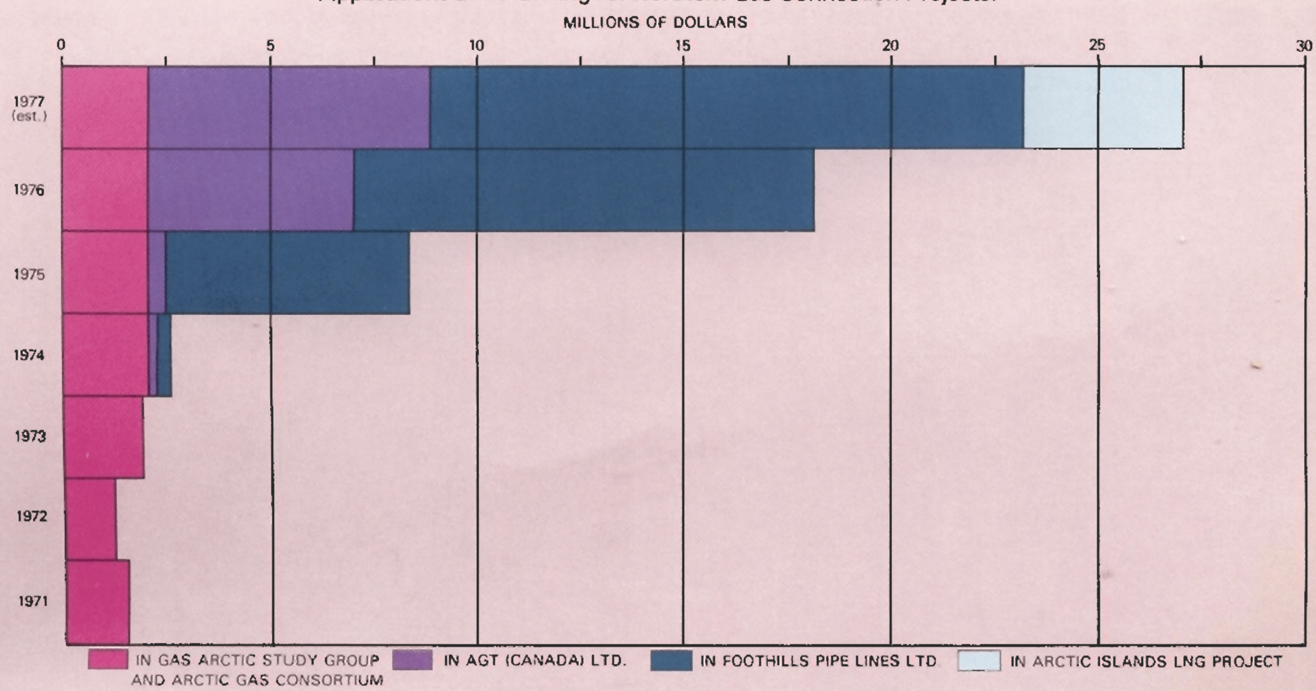
By very good fortune of timing, favourable geology, provincial government incentives and hard effort by producing companies featuring a growing leadership of smaller independent and Canadian companies, Alberta has come up with a lot of gas supply. We have seen this coming to a degree, and have certainly encouraged it starting with the initiatives of Pan-Alberta Gas Ltd. in 1973. In the unusual company politics of the gas business, we have seen others attempt to suppress the taking of new gas from Alberta and even call our gas supply assessments irresponsible. Various self-interest games have been attempted but here we are today with considerable extra gas supply in Alberta.

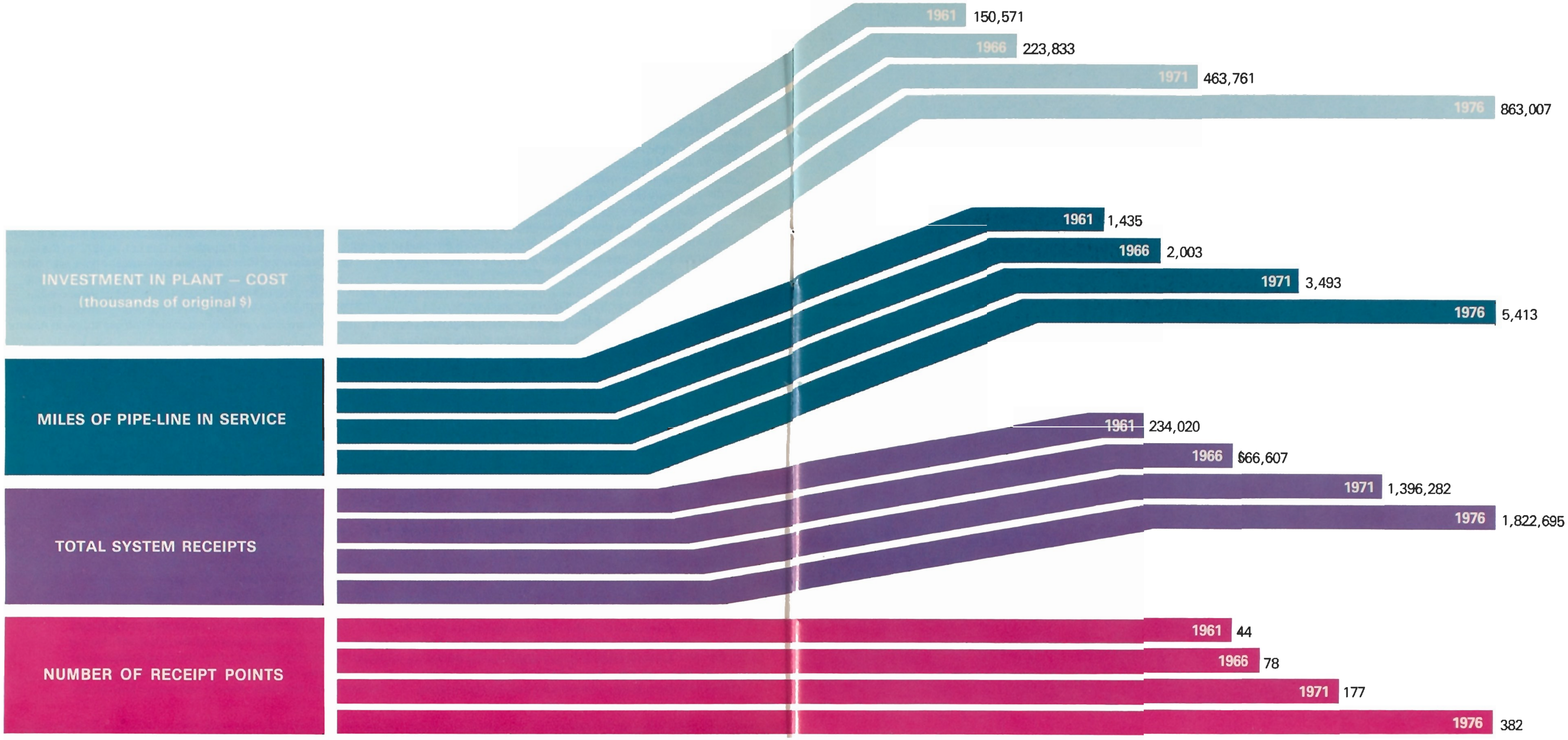
You can count on us now, I believe, to help see that this Alberta surplus of gas production capacity is used in ways which will really benefit both the Alberta-based gas industry and Canada. I believe this job will increase our gas gathering responsibility from 1.9 trillion cubic feet in 1976 to over 2.5 trillion cubic feet by the mid-1980's.

Those were my points of emphasis for this report, whose editor has arranged coverage of other interesting developments throughout the following pages.

Robert Blair

Funding (Cumulative) by Alberta Gas Trunk of Studies, Applications and Planning for Northern Gas Connection Projects.





Record of Growth

Senior officers and managers review the 1977 budget projections

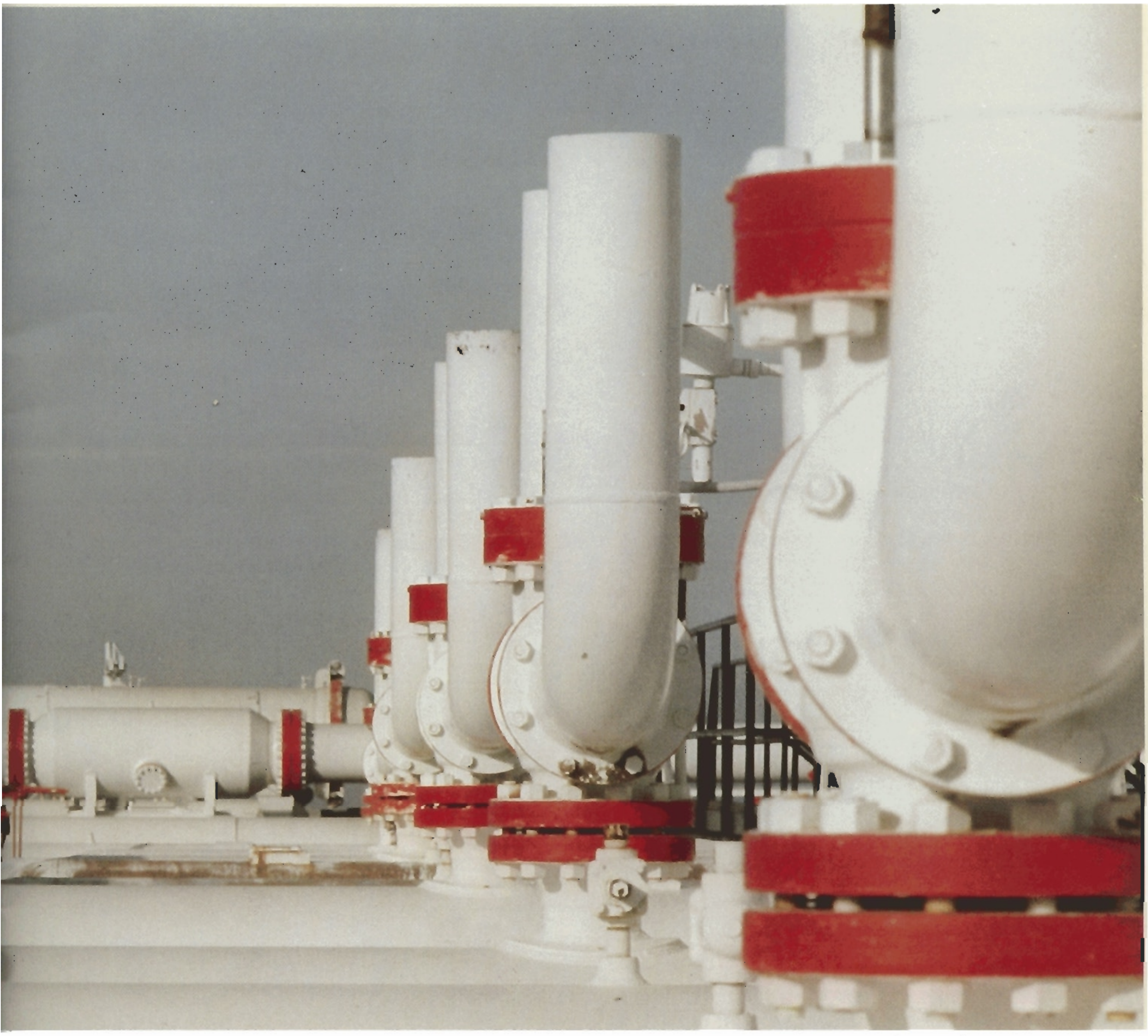
Gas Transmission

ENGINEERING, CONSTRUCTION, AND OPERATIONS

The total capital budget for natural gas service expansion was estimated in 1976 as $159 million, however, by year end only $83 million in cash expenditure had been made. Of the remaining amount, $44 million has been carried over into 1977 and is included in this year's budget and $32 million has been deferred indefinitely as the corresponding connection of new gas sources has not been requested by customers. Because of this substantial deferral, the Company's 1977 capital budget, estimated at $197 million of which about $126 million should be spent, has been confined mainly to service expansions which our customers have indicated are firm service request commitments for the year. Expansions to connect other new proven gas producing fields in Alberta have not been included in the 1977 budget estimate. The Company is nevertheless continuing to do everything it can to help accomplish the gathering and marketing of new supply sources as soon as possible for growing Canadian use and future substitution of imported oil.

The major construction projects started in 1976 were the Foothills mainline extension of 89 miles of 36" pipe and the addition to the Edson mainline of 29 miles of 36" loop. A hearing was held during the year for the construction of that combined 120 miles of 36" line. Our in-house System Planning Department supplemented customer information by obtaining data directly from producers on the potential of the Peace River area and as a result of those contacts, recommended the Company install a 36" line rather than the 30" requested by our customers.

In June of 1976, the Energy Resources Conservation Board granted a permit for the 36" line, as applied for, based primarily on the reserve studies and economics prepared in-house. Recent developments in the Peace River area have already proven that the 36" sizing was correct and will be fully utilized when completed in March 1977.



Compressor station yard valves resemble futuristic sculpture

The Company has been innovative in the past on techniques to save cost and improve efficiency within its system. Over the years, the total system has become very complex and more emphasis is being placed on optimization. The System Planning Department is a key part to bringing that optimization about and has now recommended and gained customer approval for the installation of 23 miles of 42″ mainline loop at a cost of $11.7 million which is justified through future savings in compressor fuel gas consumption. Studies are underway continuously to identify facility additions on flow patterns which will result in fuel gas conservation and the resultant lower cost of service.

In other parts of this report, there is reference and comment on the future connection of frontier gas supply sources. An interesting side-benefit from our participation and study of the connection of northern gas has been the realization of how the incorporation of frontier gas into our present system could produce some real savings in the movement of Alberta gas by making better use of existing facilities.

New designs for compressors are now producing units with twice the efficiency of a number of the older units presently installed in our system. In 1975 the Company ordered a 10,300 horsepower Solar Mars compressor unit with a rated efficiency of 34% ISO, which will replace a unit with less than one-half that efficiency rating at our Nordegg Compressor Station. The Solar Mars unit is presently being tested and installation will take place sometime this year. It is expected that as this and other more efficient generations of compressors are developed, gradual replacement of older, less efficient units will take place and substantial fuel gas economies be realized.

The trend of connection of more and smaller gas sources continued throughout 1976 and the Company now collects gas from 382 receipt points throughout the province. Many of the new supply areas are located in the northern part of the province where access to meter stations and other facilities is difficult. In 1975, the Company recognized that its centralized maintenance and technical operations were not producing maximum efficiency in that many man hours were being spent travelling to and from field locations. A program of decentralization of these areas of operations has now been completed and over 70 city-based employees have been moved to field locations. As well, permanently located at each district headquarters is a senior engineer specializing in technical operations.

The pipeline industry is highly computerized and the movement of gas across Alberta is primarily accomplished by sophisticated computer systems. In head office, many of the administrative departments are also making more and better use of computer programs which hold down staff increases in those areas and allow the increase to take place in remote field locations where manpower is a necessity and cannot as yet be replaced or supplemented by automation. Studies are taking place on the practicality of gas measurement being computerized but to date a program has not been devised that would fit our particular needs.

A study is also taking place on a computerized drafting program which the Company hopes to implement within the next couple of years.

The Company's largest compressor station, Princess Alberta

In 1976, the Company purchased $50 million worth of material for its operations and engineering work. By the use of a computerized Bill of Material System to forecast material and equipment for construction, we are able to reduce the number of purchase orders and receive full benefit of quantity discounts. Also, during 1976, a fully computerized inventory control system was implemented and now covers central stores and 60 field locations. Design was completed and total implementation will be made in 1977 to a computerized Materials Management System (MMS). It is the second of this type of an advanced system to come on line in Canada and the first for a pipeline company. By utilizing a common data base, remote entry and access to the data base, the processing of material functions from a drawing material list through purchasing, receiving, issuing from stores and payment for the goods, will be handled quickly with minimal paperwork.

All departments in engineering, construction and operations have placed efficiency and optimization of the system in a priority position for the coming year and budget additions reflect the strengthening of the areas in which this can be accomplished.

ARCTIC PROJECTS

The National Energy Board continues to hear the applications of our 70%-owned subsidiary, Foothills Pipe Lines Ltd., for the Maple Leaf project and the Alaska-Highway Pipeline project. It is expected these hearings will conclude in the spring of 1977 and a recommendation made to the federal Cabinet. Hearings before Mr. Justice Berger concluded in February and his report is expected shortly. The Federal Power Commission in the United States has concluded its hearings of the competitive proposals for the movement of Alaskan Gas and the Administrative Law Judge has made public his findings. Recommendations are still forthcoming from the Commission itself for consideration by the President and Congress.

Your Company continues to believe its proposals are in the best interests of Canada and does not believe the expertise and interest of the major Western Canadian pipeline companies and provinces will be put aside when the final decisions are made in Canada.

Petrochemicals

Petrochemical interests of the Company now include the two methanol plants owned and operated by Alberta Gas Chemicals Ltd. at Medicine Hat, Alberta and its participation in various components of the Alberta Petrochemical Complex, which began construction in mid-1976.

Through its wholly-owned subsidiary, The Alberta Gas Ethylene Company Ltd., the company is constructing a $350 MM ethylene plant at Joffre, Alberta. In its own name the Company is also participating with a 50% interest (in partnership with Dome Petroleum Limited) in the ethane gathering system to transport feedstock from Alberta supply points to the Joffre plant and to the western terminus of the Cochin pipeline at Fort Saskatchewan. It also has a 20% interest in the Cochin pipeline (with Dome Petroleum Limited and Dow Chemical of Canada, Limited), which is presently under construction and will be used to ship ethane, ethylene and other products from Alberta, and has a 50% interest (with Diamond Shamrock Canada Ltd.) in a polyvinyl chloride plant under construction at Fort Saskatchewan.

Construction of the ethylene plant is moving ahead well, with site preparation, foundations and underground piping all well advanced. Although construction commenced behind schedule in 1976, the excellent weather conditions experienced in Alberta this winter have permitted the lost time to be made up. The ethylene plant is expected to come on stream during the second half of 1979 with a design output of 1.2 billion lbs. of product per year, all of which has been sold to Dow Chemical of Canada, Limited under a take or pay contract. Financing for the plant is being negotiated through private placement of $325 MM in debentures to U.S. lending institutions.

The polyvinyl chloride plant at Fort Saskatchewan has a design capacity of 220 MM lbs/year. Production and marketing will be undertaken by the joint venture company Diamond-Shamrock Alberta Gas Ltd. As an integral part of this complex, Dow Chemical of Canada, Limited is constructing a vinyl chloride monomer plant at Fort

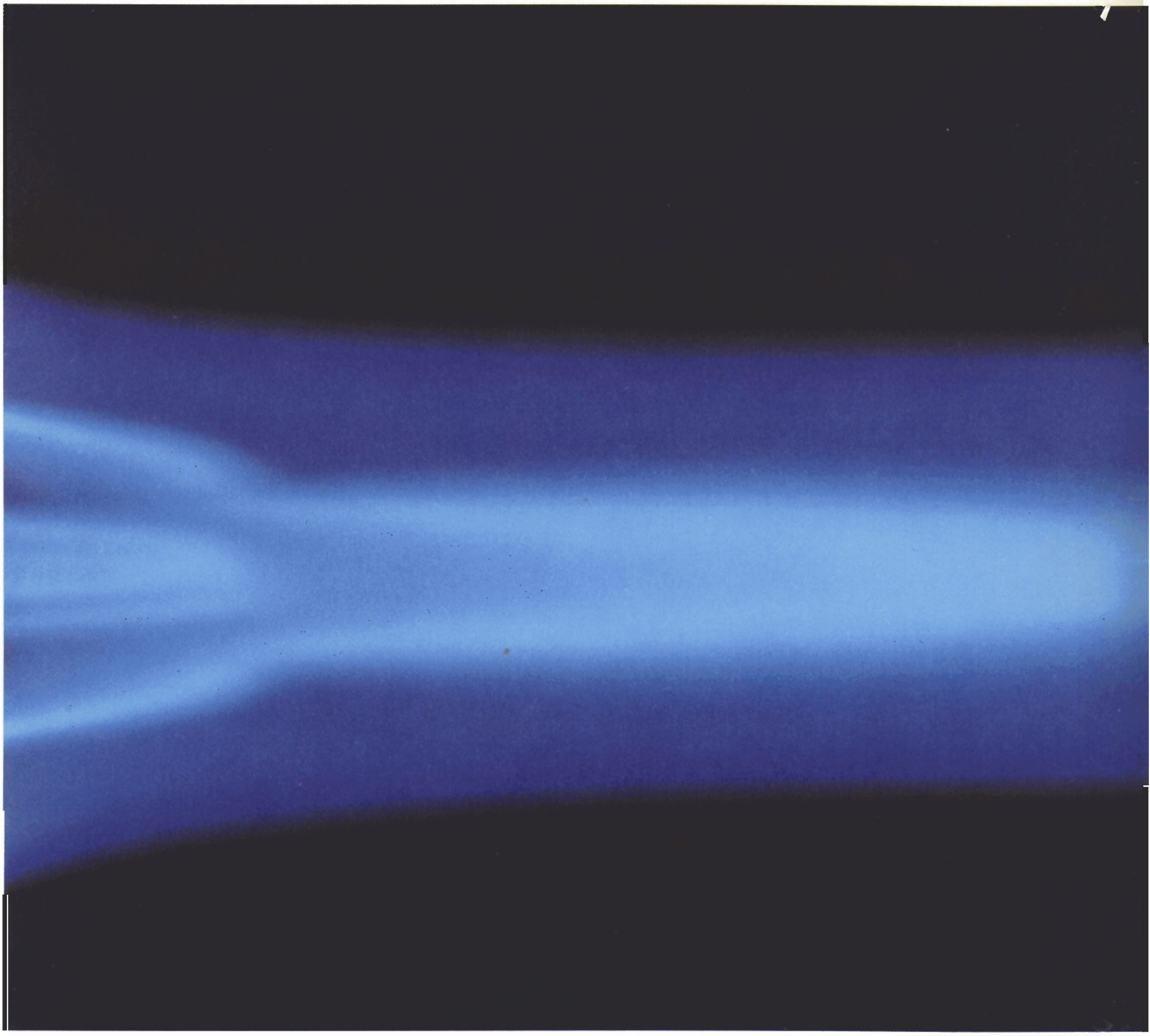
Intricate networks of pipe form an integral part of the methanol plant

Saskatchewan which will supply monomer to the Diamond Shamrock Alberta Gas PVC plant.

As your Company has stated on many other occasions, the value of this new industry to the Province of Alberta and Western Canada is very significant and we are most pleased to see it on its way. When fully operational the financial benefits to our Company will be significant and during the construction phase it will produce some small benefit through the accumulation of interest during construction.

The twin (600-ton per year each) methanol plants of Alberta Gas Chemicals Ltd. are now operating at or near design capacity. During 1976, earnings were below projections due to unscheduled shut-downs in late summer and early fall. The shut-downs were caused primarily by electric power interruptions and Alberta Gas Chemicals Ltd. has now installed its own auxiliary power units to prevent this particular problem arising again in the future.

The market for methanol has remained fairly stable and long-term prospects appear promising. Although permits have been issued for two more identical plants in Medicine Hat, a decision has yet to be made on the timing for construction of these plants and also supply of natural gas as feedstock has not been firmly purchased or contracted to date. Construction is continuing on the malic and fumaric acid plant in Duluth, Minnesota, which was purchased by Alberta Gas Chemicals Inc. in 1976 and is scheduled for completion in early 1977.



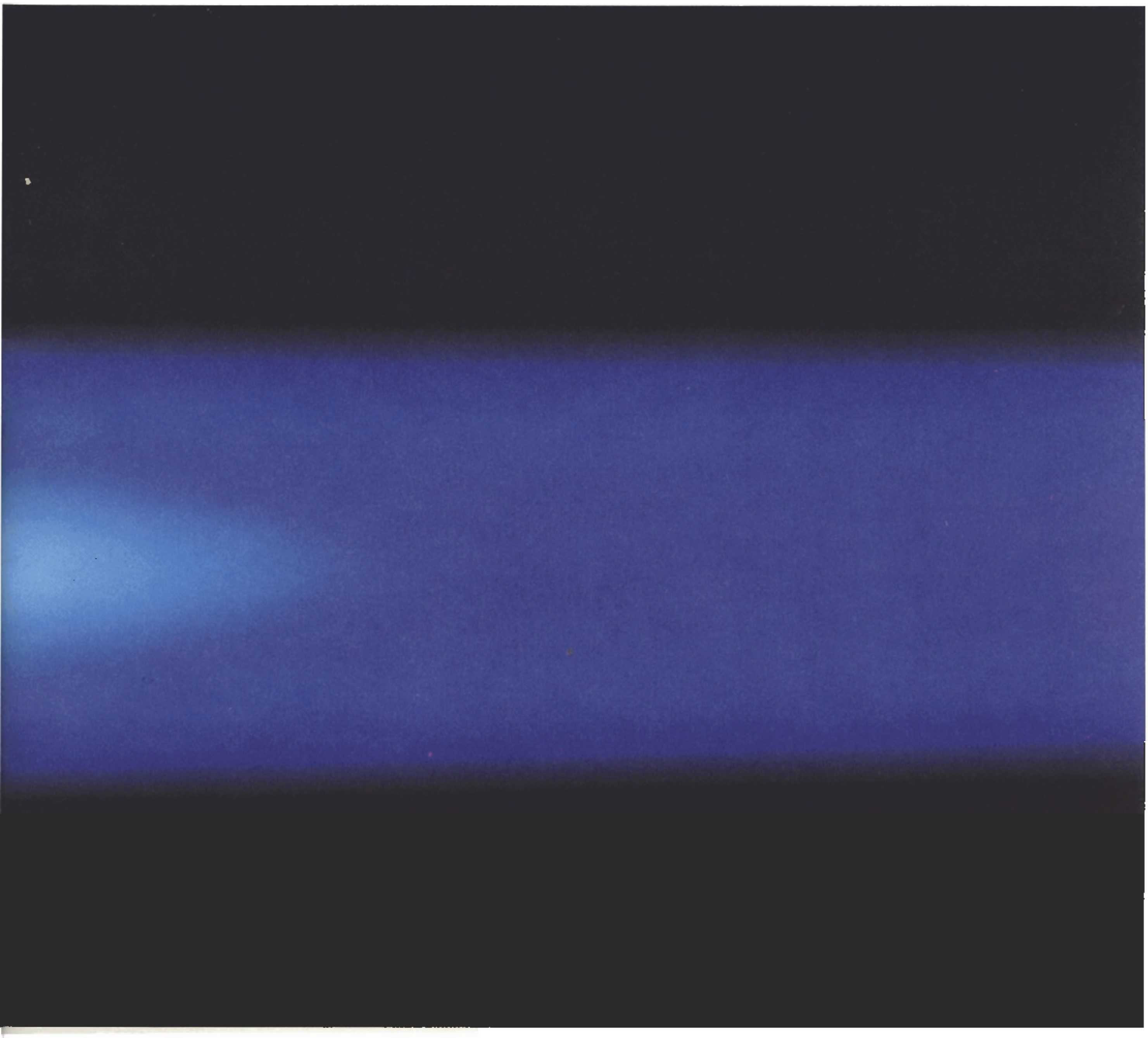
Gas Production and Sales

During 1976, the Company's wholly-owned subsidiary, Algas Mineral Enterprises Ltd., made a good contribution to its business by the purchase of Pennant-Puma Oils Ltd. and the corresponding interests of the main shareholders of that company. In January, 1977 Pennant Puma was liquidated and all properties and assets have now been incorporated into the Algas Mineral Enterprises Ltd. structure.

Algas Mineral Enterprises has a modest budget for 1977 which meets its main objectives for some exploration on acquired lands and the further development of producing reserves.

That company also is a joint venture partner in Gas Initiatives Venture Ltd. and acts as the operator of its properties. In addition, it has developed and operates the properties of Alberta Gas Chemicals Ltd. which are situated in the Princess area of the province and provide feedstock to the second methanol plant in Medicine Hat.

Pan-Alberta Gas Ltd. (50.8% owned) purchases uncommitted Alberta gas for sale to buyers within the province or for export under its existing permit. At present,



its main export contracts are for 39.8 MMcf/d to Gaz Metropolitain, inc. of Montreal; 58 MMcf/d to Westcoast Transmission Company Limited for delivery to Northwest Pipeline Corporation in the United States; and 20 MMcf/d to Saskatchewan Power Corporation. In addition, a new sales contract of 70 MMcf/d to Gaz Metropolitain will commence on November 1, 1977, and negotiations are nearing completion for the sale of additional volumes to Westcoast to bring the total sale up to 200 MMcf/d.

The new wellhead gas price in Alberta has greatly increased exploration and development with the result that substantial amounts of surplus gas now exist for which there is no market. Pan-Alberta Gas Ltd. is one of the companies actively working to find a market for this surplus gas, which has been found mostly by small independent Canadian producing companies who do not have the financial resources to continue their exploration unless a market can be found for their present reserves.

In a recent comprehensive study on Alberta supply and requirements, your Company found there is over 20 Tcf of uncommitted marketable gas reserve in the province that could be put on-stream within the next two to three years. The information available now certainly points to a surplus of Alberta gas over the next few years and completely refutes the need for an urgent connection of Mackenzie Delta gas before an orderly project can be installed.

Out of the confusion of the last few years, a clearer picture is now emerging of gas supply in Canada and Pan-Alberta Gas may be one organization that could be instrumental in finding appropriate short-term markets for the small Alberta producers.

Manufacturing

The Company's manufacturing interests include WAGI International, S.p.A., Grove Valve and Regulator Company and Steel Alberta Ltd. Although Alberta Gas Chemicals Ltd. could also be placed in this category, we have chosen to include it in our petrochemical interests.

World markets for the sale of gas and oil pipeline valves and valves and regulators for the chemical industry appear to be strong for the next year and beyond. Domestic markets in Canada and the United States have fallen off somewhat. However, it is expected that these will regain strength once some of the larger pipeline projects presently being discussed are authorized by the appropriate authorities. WAGI in particular has a very strong market position in the USSR and the other Comcon countries while Grove covers its world markets quite effectively. Grove is projecting a small but steady increase in its sales and WAGI has been performing well over its projections.

Both companies place considerable emphasis on new product development. Grove has received excellent market response to a new valve designed in 1976 which performs as well as one of its older designs but is simpler and much lighter in weight and can be produced more economically due to reduced steel quantities and the labor component required in manufacture.

The Company still hopes that, in the future, valve manufacturing facilities can be constructed in Canada using the expertise of Grove and WAGI as a base for product development and marketing. However, such facilities will not be built until we are assured of their feasibility.

Our affiliate, Steel Alberta Ltd., continues to study the means to best establish a steel industry in the province and during 1976 acquired an aggressive qualified management team who are devoting their efforts towards this objective.

Steel Alberta owns 20% of the outstanding shares of Interprovincial Steel and Pipe Corporation of Regina,

Steam cleaning helps to ensure a quality manufacture of valve parts

Saskatchewan and at present, its income is derived from the receipt of dividends from IPSCO.

The manufacturing interests of the Company are so far showing good results and although we are not aggressively seeking opportunities to add to our existing base, we are monitoring and investigating interesting prospects as they arise.

WAG plant locations [illegible]

General Programs

In late 1976, the Company was approached by the University of Calgary, Rare Books Library, with a request to sponsor the University in the purchase of the unpublished manuscripts and papers of George Ryga. Mr. Ryga, an eminent Western Canadian playwright, is best known for "The Ecstacy of Rita Joe". The picture above was taken during the presentation of his papers to the University staff.

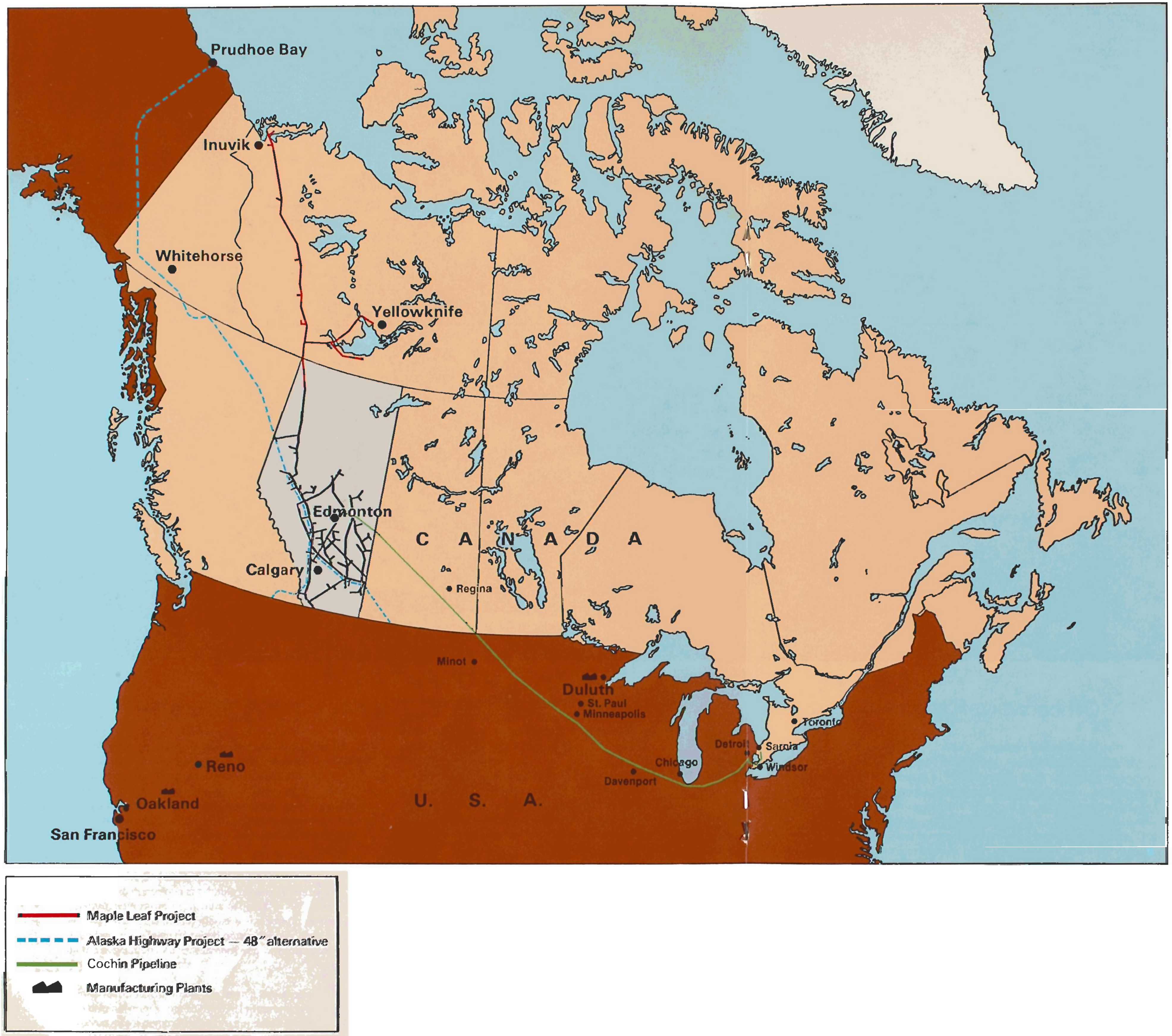
Last year, the Company contributed approximately $280,000 to numerous charitable organizations in the welfare, cultural and educational fields. In 1977 that amount will substantially increase and additional staff members have been recruited on a volunteer basis to assist in the evaluation and assessment of proposals received from across the country.

Since 1970, the Company has been a major participant (and the original one) in the NORTRAN program, which has evolved into a general industry-sponsored program for the training of natives for permanent work on an arctic pipeline. At present some 18 natives are employed on our Alberta pipeline system through the NORTRAN program.

During 1976 the Company started making a concentrated effort to employ a greater number of natives from within the province itself and particularly in our head office. To do this in an orderly and proper manner which would give native employees better opportunities to succeed, it was decided to hire a full-time native counsellor. With her assistance, we hope to gradually develop an easier system of integration and substantially increase the percentage of natives who will stay with us and move up as the proper training and needs are identified.

The Company conducts a community relations program in the rural areas of the province close to our system. This program provides a place for residents and landowners of the community to ask questions or voice their views or criticisms. The Land Department has recently decentralized its staff to the extent that all district headquarters offices now have a resident landman to cover each area continually.

Through our own in-house environmental staff, the Company attempts to keep up-to-date on new government policies and regulations. A good rapport has been established with major public interest groups and as much as possible their concerns are taken into account or dealt with before any major disputes arise. Constant air surveillance is made of pipeline rights-of-way and any environmental damage is corrected as soon as practical after it has been reported.


Prudhoe Bay
Inuvik
Whitehorse
Yellowknife
Edmonton
CANADA
Calgary
Regina
Minot
Duluth
St. Paul
Minneapolis
Toronto
Detroit
Sarnia
Windsor
Chicago
Davenport
Reno
Oakland
San Francisco
U. S. A.
Maple Leaf Project
Alaska Highway Project — 48″ alternative
Cochin Pipeline
Manufacturing Plants


System Map
A.G.T.L. Pipeline System
1977 Pipeline Additions
Ethane Pipeline
Ethylene Pipeline
Compressor Station
1977 Compressor Station Additions
Chemical Plants
Westcoast Transmission Company Ltd.
Edmonton
Red Deer
Calgary
Medicine Hat
TransCanada PipeLines Limited
Saskatchewan Power Corporation
TransCanada PipeLines Limited
Alberta Natural Gas Company Limited
Montana Power Corporation

Directors

H.J. Sanders Pearson
Chairman

S. Robert Blair
President and Chief Executive Officer

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

Officers

H.J. Sanders Pearson
Chairman

S. Robert Blair
President and Chief Executive Officer

Robert L. Pierce
Executive Vice President and Secretary

Robin J. Abercrombie
Senior Vice President

William J. Deyell
Senior Vice President

Douglas R. Hagerman
Vice President and Controller

Dianne I. Narvik
Vice President, Administration and Assistant Secretary

Donald G. Olafson
Vice President

James Shutiak
Treasurer

Financial Review

Summary

In 1976, consolidated gross revenues reached $282 million, an increase of $134 million over 1975. Operating revenues in 1976 were $268 million (almost equally divided between gas transmission and other business activities) and were $128 million or 91% ahead of last year, principally due to the growth in revenues from other business activities. This growth is primarily a reflection of the expansion of the Company's operations into the valve manufacturing field through an acquisition in the United States in mid-1975 and another in Italy in 1976. Interest capitalized during construction for both gas transmission and petrochemicals amounted to $8.5 million, up from $4 million in 1975. Royalty income from valve manufacturing added $3.2 million and the equity in earnings of affiliated companies aggregated $1.6 million.

Cost of sales and operating expenses rose from $66 million in 1975 to $148 million in 1976, an increase of 123%, again principally due to the addition of valve manufacturing activities. Provisions for depreciation, depletion and amortization increased by $8.6 million, or 41%, to a level of $29.5 million.

Consolidated net operating income (defined as income before interest costs, outside shareholder interests in partially owned subsidiaries and income taxes) reached $104.2 million, an increase of $43.5 million over 1975. A significant part ($16.6 million) of the increase was derived from valve manufacturing operations.

Reportable net income increased in 1976 to $39.4 million, up 51% from the $26.0 million earned in 1975. Although consolidated net operating income increased by $43.5 million, the increases of $4.5 million in interest costs, of $4.5 million in minority interests, and $21.1 million in income taxes were offsetting factors. Basic earnings per common share for 1976 were $1.42 on an average of 22.0 million common shares outstanding, versus $1.08 earned in 1975 on an average of 21.3 million common shares, for an increase of 34¢/share or 31%.

Gas Transmission

Total revenues from gas transmission activities were $147.7 million (including $5 million from interest during construction), an increase of $34.8 million over 1975. Excluding higher revenues derived from the rate of return on rate base (discussed below), the increase principally related to increased costs of fuel gas ($3.7 million), higher provisions for depreciation of gas plant in service ($5.3 million), and increased income taxes collected from customers ($13.6 million).

After deducting operating expenses and depreciation, this segment of the Company's activities generated $76.5 million in net operating income before recognition of interest costs on long term debt and before provisions for current and deferred income taxes, an increase of $22.0 million over last year. The major reasons for this improvement were increased contributions of $7.1 million from a higher average rate base, $3.3 million from a higher average rate of return, and $13.6 million from the recovery of increased deferred income taxes. The increase in income taxes partially reflects the recovery of taxes from the Company's largest gas transmission customer commencing July 1, 1976.

Other Business Activities

Gross revenues from non-utility operating activities aggregated $138.4 million in 1976 versus $38.0 million generated in 1975, an increase of 265%. Royalty income and interest capitalized during construction comprised $3.2 million and $3.5 million respectively of the revenue total in 1976.

The contribution to net operating income totalled $27.7 million, an increase of $21.5 million over last year. The principal reason for the increases in both gross revenues and net operating income was the acquisitions of the share interest in Italian valve manufacturing operations (WAGI International, S.p.A.) effective on May 1, 1976, which accounted for $49.2 million and $12.6 million respectively, of the increases.

Capital Expenditures

Cash capital expenditures for 1976 totalled $171.7 million compared to $127.6 million in 1975. These expenditures represent $82.7 million for gas transmission plant, $54.4 million for manufacturing and petrochemical facilities, $14.9 million for natural gas properties, and $11.5 million for Northern gas pipelines and other projects. The remaining amount of $8.2 million (net of working capital acquired) was incurred for common share ownership in companies involved in manufacturing valves and in natural gas production, acquired by purchase from others in 1976.

New Funds

In 1976, the Company obtained a total of $341 million in new funds representing the largest pool of funds ever utilized by the Corporation in any one year. Cash flow from operations generated $91 million, which is an increase from this source of $37 million or 69% over 1975. A further $167 million was arranged through the public issue of equity securities, both preferred and common, and $82 million was obtained from long term debt.

Most of the funds derived from new long term debt were arranged by subsidiaries and were directly related to the acquisitions concluded during 1976 and to the commencement of construction of the ethylene plant.

During 1976, the Company issued two additional classes of preferred shares aggregating $100 million. In February, 1.6 million 9¾% preferred shares were registered for $40 million, and in September, 2.4 million 9.76% preferred shares were registered for $60 million. Both issues were offered publicly in Canada, received wide acceptance and were fully subscribed.

In November, 1976, the Company offered 5,225,000 of its Class "A" common shares to Canadians across Canada at a price of $12.75 per share. The offering was fully subscribed and the gross proceeds of the issue of $66.7 million represented the largest single common share offering ever underwritten in Canada for a public company from the private sector. A special effort was made to make the common shares available to all Alberta residents and approximately 2,000 Albertans purchased just over 10% of the issue.

Dividends

Dividend payments to the Company's common shareholders aggregated $15.4 million during 1976, based on a quarterly dividend rate of 13¢ per share for the Class "A" shares for the first two quarters of the year; 17¢ per share was paid in the third quarter and 18.36¢ per share was paid in the last quarter. The increases in quarterly dividends were as authorized by the Anti-Inflation Board.

Rate of Return

The rate of return included in gas transmission charges by the Company remained unchanged during the year at 10.375%, the last increase being effective on Nov. 1, 1975 when the rate was increased from 9.5%. The average annual rate base in 1976 was approximately $517 million, an increase of $68 million over 1975.

The transportation contracts with the Company's major gas transmission customers provide that the Company will be paid transportation charges on a cost of service basis. This 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. The rates, tolls and charges set by the Company are subject to Provincial regulation. Financing costs, interest on debt and dividends on preferred and common shares are payable from the annual return.

Small volumes of gas are transported for other customers, principally utility and industrial companies. Rates for these services are designed to cover similar costs and annual return as provided with the cost of service customers.

Common Shares

At December 31, 1976, there were outstanding 26.9 million Class "A" common shares and 1,653 Class "B" common shares. The Class "A" common shares are owned by 26,405 shareholders, of whom 15,624 or 59% were registered in Alberta. In addition, a number of residents of Alberta indirectly hold shares represented by institutions with addresses in other provinces.

The average common shares outstanding in 1976 were 22.0 million, compared to 21.3 million in 1975 and the increase reflects the issue in December of the additional Class "A" common shares described above. Additional shares were issued during the year primarily through the conversions of Series 1 Unsecured Debentures and 5 ⅜% Series D Preferred Shares.

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31 (thousands of dollars)

	Gas Transmission		Manufacturing		Gas Sales and Services		Petrochemicals		Gas Production		Total	
	1976	1975	1976	1975	1976	1975	1976	1975	1976	1975	1976	1975
Revenue:												
Operating revenue (Notes 1 and 2)	$138,021	$105,854	$91,272	$20,739	$34,876	$12,403	$ —	$ —	$ 3,995	$ 1,420	$268,164	$140,416
Intersegment revenue	4,592	3,029	—	—	—	—	—	—	—	—	—	—
Other revenue -												
Allowance for funds used during construction	5,043	4,030	—	—	—	—	3,501	—	—	—	8,544	4,030
Royalties	—	—	3,233	1,428	—	—	—	—	—	—	3,233	1,428
Equity in earnings of affiliated companies	—	—	851	937	—	—	769	1,056	—	—	1,620	1,993
	147,656	112,913	95,356	23,104	34,876	12,403	4,270	1,056	3,995	1,420	281,561	147,867
Costs and expenses:												
Cost of sales and operating expenses	45,375	37,951	70,792	17,746	29,708	9,944	—	—	2,021	697	147,896	66,338
Intersegment expenses	—	—	—	—	3,986	2,380	—	—	606	649	—	—
Depreciation and depletion	25,773	20,501	2,980	246	—	—	—	—	740	114	29,493	20,861
	71,148	58,452	73,772	17,992	33,694	12,324	—	—	3,367	1,460	177,389	87,199
Net operating income (loss) before the undernoted expenses	$ 76,508	$ 54,461	$21,584	$ 5,112	$ 1,182	$ 79	$ 4,270	$ 1,056	$ 628	$ (40)	104,172	60,668
Interest and expense on long term debt (Net of interest income: 1976 - $4,086; 1975 - $1,645)											29,470	25,015
Minority interest											4,947	415
											34,417	25,430
Income before income taxes											69,755	35,238
Income taxes (Note 6):												
Current											11,396	944
Deferred											18,942	8,244
											30,338	9,188
Net income (Notes 1, 2 and 6)											$ 39,417	$ 26,050
Earnings per common share:												
Basic											$1.42	$1.08
Fully diluted											$1.34	$1.04

See accompanying summary of accounting policies and notes

CONSOLIDATED BALANCE SHEET

Assets

	December 31 1976	December 31 1975
	(thousands of dollars)	
Current Assets:		
Cash and short term deposits	$ 99,066	$ 4,082
Accounts receivable	54,741	32,488
Inventories —		
Manufacturing	22,153	13,819
Other	9,103	6,717
Prepaid expenses	3,031	1,276
	188,094	58,382
Investments and Advances:		
Affiliated companies (Note 3)	13,958	13,277
Other	1,510	1,510
	15,468	14,787
Plant, Property and Equipment:		
Gas transmission plant (Note 1)		
In service	684,350	573,895
Under construction	62,652	91,316
Manufacturing facilities	17,991	6,136
Petrochemical facilities under construction	58,965	—
Natural gas properties	38,255	8,147
Other	794	515
	863,007	680,009
Less accumulated depreciation and depletion	150,333	121,537
	712,674	558,472
Deferred Costs:		
Unamortized debt discount and expense	4,938	5,444
Deferred charges (Note 4)	24,182	20,833
	29,120	26,277
	$945,356	$657,918

On behalf of the Board:

, Director

, Director

See accompanying summary of accounting policies and notes

Liabilities and Shareholders' Equity

	December 31 1976	December 31 1975
	(thousands of dollars)	
Current Liabilities:		
Bank loans	$ 3,566	$ —
Accounts payable and accrued liabilities	44,080	24,733
Income taxes payable	13,312	440
Dividends payable	8,065	3,519
Interest accrued on long term debt	6,671	6,746
Long term debt instalments due within one year	21,491	16,330
	97,185	51,768
Long Term Debt (Note 5)	411,311	377,369
Other Long Term Liabilities	3,630	—
Deferred Income Taxes (Note 6)	40,747	20,248
Minority Interest in Subsidiary Companies	10,293	446
Shareholders' Equity:		
Capital stock (Notes 7 and 9)		
Preferred shares	142,254	45,413
Common shares	33,677	26,863
Contributed surplus	136,662	80,897
Reinvested earnings	69,597	54,914
	382,190	208,087
Contingencies and Commitments (Notes 3 and 11)		
	$945,356	$657,918

ALBERTA GAS TRUNK LINE

CONSOLIDATED STATEMENT OF REINVESTED EARNINGS

	Year Ended December 31	
	1976	1975
	(thousands of dollars)	
Balance at beginning of year	$ 54,914	$ 42,941
Net income for the year	39,417	26,050
	94,331	68,991
Less dividends paid or payable:		
Preferred shares	9,341	2,940
Common shares	15,393	11,137
	24,734	14,077
Balance at end of year	$ 69,597	$ 54,914

CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS

	Year Ended December 31	
	1976	1975
	(thousands of dollars)	
Balance at beginning of year	$ 80,897	$ 76,881
Premium on issue of common stock (Note 7)	61,966	3,369
Gain on purchase of preferred shares for cancellation (Note 7)	678	719
Capital stock issue expenses written off	(6,879)	(72)
Balance at end of year	$136,662	$ 80,897

See accompanying summary of accounting policies and notes

ALBERTA GAS TRUNK LINE

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31 1976	1975
	(thousands of dollars)	
Source of funds:		
Operations	$ 91,423	$ 53,945
Common shares	68,780	3,864
Less common shares issued on conversion of —		
Preferred shares	(898)	(246)
Debentures	(1,089)	(3,499)
Preferred shares	100,000	—
Long term debt	82,035	93,076
Sale of natural gas properties	—	6,431
Other	1,009	25
	$341,260	$153,596
Use of funds:		
Plant, property and equipment		
Gas transmission plant	$ 82,682	$100,112
Manufacturing facilities	1,861	6,136
Petrochemical facilities	52,555	—
Natural gas properties	14,943	1,757
Other	203	301
	152,244	108,306
Acquisition of WAGI International S.p.A. and Pennant-Puma Oils Ltd. (Note 10)	23,924	—
Less working capital acquired	15,763	—
	8,161	—
Investments and advances	183	6,194
Deferred charges		
Gas transmission — Arctic projects	9,735	5,512
Other	1,377	7,553
Retirement of long term debt	52,058	17,578
Dividends	24,734	14,077
Cost of issuing securities	6,890	1,337
Purchase of preferred shares for cancellation	1,583	1,604
Working capital increase (decrease)	84,295	(8,565)
	$341,260	$153,596

See accompanying summary of accounting policies and notes

SUMMARY OF ACCOUNTING POLICIES

December 31, 1976

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 the Company and all subsidiaries: principally A.G. Industries International, Inc., The Alberta Gas Ethylene Company Ltd., The Alberta Gas Trunk Line (Canada) Limited, Algas Engineering Services Ltd., Algas Mineral Enterprises Ltd., Algas Resources Ltd., Pennant-Puma Oils Ltd. (see Note 10), (all 100% owned); Energy Equipment & Systems Inc. (80% owned); Grove Valve and Regulator Company (75% owned); Foothills Pipe Lines Ltd. (70% owned); WAGI International, S.p.A. (53.3% owned — see Note 10); and Pan-Alberta Gas Ltd. (50.8% owned). Companies acquired have been accounted for using the purchase method. The accounts of foreign subsidiaries have been translated into Canadian dollars using current rates of exchange for current assets and current liabilities and historical rates of exchange for non-current assets and non-current liabilities. Gains or losses resulting from exchange adjustments are included in income.

Inventories

Manufacturing inventory is carried at the lower of cost and net realizable value and the inventory of materials and supplies is carried at cost.

Investments and advances

The Company accounts for its investment in three affiliated companies, Alberta Gas Chemicals Ltd. and Steel Alberta Ltd. (both 50% owned) and International Portable Pipe Mills Ltd. (47.8% owned) on the equity basis.

Other investments are carried at cost.

Plant, property and equipment

Plant, property and equipment is carried at cost.

An allowance for funds used during construction is capitalized. For gas transmission plant under construction the rate is equivalent to the annual rate of return and for petrochemical facilities the rate approximates the agreed cost of capital.

Depreciation of gas transmission plant is provided in an amount equal to depreciation included in the transportation charges at a composite rate which approximated 4% per annum for 1976 and 1975 on a straight line basis.

Manufacturing facilities and other plant, property and equipment are depreciated on a straight line basis at rates varying from 5% to 20% which rates are designed to write these assets off over their estimated useful lives.

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

Unamortized debt discount and expense

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

Deferred charges

Costs relating to gas transmission from the Arctic and other projects which may benefit future periods are being deferred pending evaluation and completion of the projects. Deferred charges applicable to projects which have been evaluated and completed are being amortized over periods of up to 10 years. Deferred charges applicable to projects that have been terminated are expensed.

License agreements and patents are being amortized over a period of eight years.

Long term debt

Because short term borrowings are customarily repaid from the proceeds of long term financing, the Company follows the policy of including such borrowings in long term debt.

Long term lease obligations which relate to transactions which are similar in nature to a purchase have been capitalized and included in long term debt.

Income taxes

The provision for income taxes includes income taxes related to gas transmission income only to the extent they are included in allowable costs of service under transportation contracts. The companies have adopted the tax allocation basis of recording income taxes on income from all operations other than gas transmission.

Earnings per common share

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1976

1. Gas transmission plant

Gas plant in service consists primarily of facilities for the transmission 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 9½% effective January 1, 1975 to 10⅜% effective November 1, 1975 and has remained unchanged since that date.

3. Investments and advances — affiliated companies

	December 31	
	1976	1975
	(thousands of dollars)	
Alberta Gas Chemicals Ltd.	$ 6,432	$ 5,523
Steel Alberta Ltd.	7,458	6,607
International Portable Pipe Mills Ltd.	68	1,147
	$13,958	$13,277

Alberta Gas Chemicals Ltd. owns and operates two methanol plants at Medicine Hat, Alberta. The Company and the other shareholder have jointly and severally guaranteed bank loans in connection with construction of the first plant amounting to $11,880,000 at December 31, 1976 ($14,700,000 at December 31, 1975). Initial methanol production from the first plant commenced in February, 1975 and from the second plant in May, 1976.

In 1975 the Company acquired a 50% interest in Steel Alberta Ltd. The principal asset of Steel Alberta Ltd. is 938,400 common shares of Interprovincial Steel and Pipe Corporation Ltd. ("IPSCO"). Steel Alberta Ltd. employs the equity method of accounting for its investment in IPSCO.

In 1976 the Company provided for a possible loss on its investment in and advances to International Portable Pipe Mills Ltd. to the extent of $1,100,000.

4. Deferred charges

	December 31	
	1976	1975
	(thousands of dollars)	
Gas transmission — Arctic projects	$18,022	$ 8,287
Alberta Gas Ethylene project (see Note 11)	—	6,410
License agreements and patents	2,222	2,617
Other	3,938	3,519
	$24,182	$20,833

5. Long term debt

	Maturity	December 31 1976	1975
		(thousands of dollars)	
First Mortgage Bonds			
5¼% Series A	1981	$ 9,734	$ 12,145
5¾% Series B (1976 — $25,621,000 U.S.) (1975 — $29,659,000 U.S.)	1981	25,621	29,659
5½% Series C	1985	11,171	11,970
8¾% Series D (1976 — $50,700,000 U.S.) (1975 — $52,800,000 U.S.)	1989	54,414	56,668
Secured Debentures			
6½% Series A	1981	10,811	11,160
5¾% Series B	1985	20,502	20,708
Unsecured Debentures			
7½% Series 1 (Convertible)	1990	26,205	27,294
9¾% Series 2	1990	18,880	19,124
9¼% Series 3	1990	16,975	17,205
8% Series 4	1991	47,590	48,260
8⅛% Series 5	1992	33,739	34,150
11⅜% Series 6	1995	60,000	60,000
Bank Loans		59,085	30,587
Other Loans		32,602	9,570
Long Term Lease Obligations		5,473	5,199
		432,802	393,699
Less instalments due within one year shown as current liability		21,491	16,330
		$411,311	$377,369

The First Mortgage Bonds are secured by a fixed and specific mortgage, pledge and charge and floating charge on the assets of the Company. The Secured Debentures are secured in the same manner, subject to prior charge of the First Mortgage Bonds.

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.

Bank loans are secured by natural gas properties as to $35,541,000 ($8,402,000 at December 31, 1975), shares of a subsidiary as to $8,240,000 ($10,000,000 at December 31, 1975), manufacturing inventories, facilities and accounts receivable as to $4,930,000 ($7,085,000 at December 31, 1975) and mature by agreement to 1987. The interest rate will vary during the terms of the loans and approximated 9% at December 31, 1976 and 10% at December 31, 1975.

Other loans are secured by manufacturing facilities and petrochemical facilities under construction and mature by agreement to 1999. The effective interest rate on the loans varies and approximated 9% at December 31, 1976.

Sinking fund and repayment requirements in respect of long term debt for the years 1978 to 1981 are: 1978 — $23,863,000; 1979 — $51,101,000; 1980 — $25,531,000; 1981 — $31,351,000.

6. Income taxes

Commencing January 1, 1973 the Company arranged with certain of its customers to include in its transportation charges to them a portion of the income taxes which have been deferred to future years. 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 such income taxes does not affect net income. The 1976 provision for income taxes includes approximately $8,900,000 (1975 — $1,000,000) related to non-transportation operations.

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 deferred tax credits would have been increased by approximately $70,000,000 to December 31, 1976 and $67,000,000 to December 31, 1975. $3,000,000 and $7,600,000 of these amounts are applicable to 1976 and 1975 respectively.

7. Capital Stock

	December 31 1976	December 31 1975
	(thousands of dollars)	
(a) Preferred shares		
(i) Preferred shares of a par value of $100 each		
Authorized — 2,000,000 shares		
Issued — 4¾% Cumulative Redeemable Series C		
168,083 shares (1975 — 181,775)	$ 16,808	$ 18,178
5⅞% Cumulative Redeemable Convertible Series D		
22,120 shares (1975 — 31,096)	2,212	3,110
(ii) Preferred shares of a par value of $25 each		
Authorized — 6,000,000 shares		
Issued — 7¾% Cumulative Redeemable		
929,596 shares (1975 — 965,001)	23,240	24,125
9¾% Cumulative Redeemable		
1,599,745 shares	39,994	—
9.76% Cumulative Redeemable		
2,400,000 shares	60,000	—
	$142,254	$ 45,413

On January 12, 1976 the Company increased the authorized class of 2,000,000 preferred shares of the par value of $25 each to 4,000,000 preferred shares of the par value of $25 each and designated 1,600,000 shares thereof as 9¾% Cumulative Redeemable Preferred Shares, which shares were issued and sold pursuant to an Underwriting Agreement dated January 12, 1976 for $40,000,000 cash. The Company is required to call for redemption and redeem annually commencing in 1977, through the operation of a cumulative mandatory sinking fund, 64,000 9¾% Preferred Shares at par value plus accrued and unpaid dividends. In addition, the Company may call for redemption and redeem annually commencing in 1977, through the operation of a non-cumulative optional sinking fund, 48,000 9¾% Preferred Shares at par value plus accrued and unpaid dividends.

On August 19, 1976 the Company increased the authorized class of 4,000,000 preferred shares of the par value of $25 each to 6,000,000 preferred shares of the par value of $25 each and designated 2,400,000 shares thereof as 9.76% Cumulative Redeemable Preferred Shares, which shares were issued and sold pursuant to an Underwriting Agreement dated August 19, 1976 for $60,000,000 cash. The Company is required to call for redemption and redeem annually commencing in 1977, through the operation of a cumulative mandatory sinking fund, 96,000 9.76% Preferred Shares at par value plus accrued and unpaid dividends. In addition, the Company may call for redemption and redeem annually commencing in 1977, through the operation of a non-cumulative optional sinking fund, 72,000 9.76% Preferred Shares at par value plus accrued and unpaid dividends.

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 4¾% Cumulative Redeemable Preferred Shares Series C and 5⅞% Cumulative Redeemable Convertible Preferred Shares Series D, at a price not in excess of $100 per share plus costs of purchase and in the case of its 7¾% Cumulative Redeemable Preferred Shares, at a price not in excess of $25 per share plus accrued and unpaid dividends and costs of purchase.

The Preferred Shares Series C are redeemable at $103 per share on or before May 15, 1980, the Preferred Shares Series D at $106 per share on or before May 15, 1980 and the 7¾% Preferred Shares at $27 per share on or before May 15, 1979 and at reducing amounts after those dates.

During the year the Company purchased for cancellation 13,692 4¾% preferred shares, 35,405 7¾% preferred shares and 255 9¾% preferred shares at a discount of $678,000 which has been credited to contributed surplus. In addition, 8,976 5⅞% preferred shares were converted into 100,534 Class "A" common shares.

(b) Common shares

(i) Authorized:

32,000,000 Class "A" common shares of the par value of $1.25 each (non-voting except for the election of three directors)

2,003 Class "B" common shares of the par value of $5.00 each

(ii) Issued:

	Shares Class A	Shares Class B	Par Value Class A	Par Value Class B
			(thousands of dollars)	
Balance at December 31, 1975	21,483,351	1,699	$26,854	$ 9
Issued during the year	5,451,714	(46)	6,815	(1)
Balance at December 31, 1976	26,935,065	1,653	$33,669	$ 8

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

	Shares	Consideration Share Capital	Consideration Contributed Surplus	Consideration Total
		(thousands of dollars)		
On conversion of —				
5⅜ % Preferred Shares Series D	100,534	$ 126	$ 772	$ 898
7½ % Sinking Fund Debentures Series 1	110,630	138	951	1,089
On exercise of options granted to officers and employees	15,550	19	155	174
Issued pursuant to an Underwriting Agreement dated November 10, 1976 for $12.75 each	5,225,000	6,531	60,088	66,619
	5,451,714	$6,814	$61,966	$68,780

Pursuant to The Alberta Gas Trunk Line Company Act, 1,696 Class "B" common shares outstanding at December 31, 1975 were repurchased during the year and 1,650 were issued.

(iii) Reserved:
Class "A" common shares were reserved at December 31, 1976 as follows:

	Shares
For conversion of the 5⅜% Cumulative Redeemable Convertible Preferred Shares Series D until July 15, 1980, on a conversion basis of 11.20 common shares for each preferred share	248,400
For conversion of the 7½% 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	2,662,726
Under stock option plans, options are outstanding to officers and employees to purchase 325,400 common shares at prices ranging from $9.375 (8,000 shares) to $13.25 per share (292,350 shares at December 31, 1975 at prices ranging from $9.375 to $12.00), exercisable in annual instalments on a cumulative basis from 1977 to 1981 and 42,450 common shares are reserved but unallocated	367,850
	3,278,976

8. Remuneration of directors and senior officers

The aggregate remuneration paid during the year by the Company and its subsidiaries to directors of the Company, as such, was $83,000 (1975 — $76,000) and, directly or indirectly to senior officers of the Company, as such, was $496,000 (1975 — $478,000).

In 1976 the aggregate amount paid in respect of the year 1975 to the trustee of the Company's Profit Sharing Deferred Bonus Plan for the benefit of senior officers was $204,000.

9. Anti-inflation program

The salaries, wages and dividends paid by the Company are subject to regulation under the Anti-Inflation Act. The Company's rates, tolls and charges are subject to Provincial regulation and the Government of Alberta has indicated that it expects the Public Utilities Board will permit regulated companies that provide the Province with essential utility services to earn rates of return sufficient to assure the continued viability and economic strength of such companies. Management is of the opinion that the Company is in compliance with the requirements of the Anti-Inflation Act.

10. Acquisitions

On April 21, 1976, Energy Equipment & Systems Inc. acquired 66⅔% of the issued and outstanding shares of WAGI International S.p.A. ("WAGI"), an Italian corporation, for $9,000,000.

In 1976 Algas Mineral Enterprises Ltd. acquired 100% of the issued and outstanding shares of Pennant-Puma Oils Ltd. ("Pennant-Puma") for $14,924,000.

Particulars of the net assets acquired are:

	WAGI	Pennant-Puma	Total
	(thousands of dollars)		
Working capital	$14,631	$ 1,132	$15,763
Other assets and liabilities			
Manufacturing facilities	9,875	–	9,875
Natural gas properties	-	14,833	14,833
Deferred charges	25	–	25
Long term debt	(4,634)	(420)	(5,054)
Deferred income taxes	(3,376)	(621)	(3,997)
Other long term liabilities	(3,021)		(3,021)
Minority interest	(4,500)	–	(4,500)
	(5,631)	13,792	8,161
Total cost of acquisition	$ 9,000	$14,924	$23,924

The following pro-forma information shows the Company's consolidated operating results for the year ended December 31, 1976 as though the acquisitions had occurred as of January 1, 1976.

Revenue	$288,828,000
Net income	$ 41,423,000
Earnings per common share:	
Basic	$1.51
Fully diluted	$1.42

11. Contingencies and Commitments

On July 14, 1976 the Company, The Alberta Gas Ethylene Company Ltd. ("Alberta Gas Ethylene"), Dow Chemical of Canada, Ltd. ("Dow Canada") and Dome Petroleum Limited ("Dome") entered into several contracts with respect to the development of a petrochemical complex in Alberta. Alberta Gas Ethylene has agreed to construct a 1.2 billion pound per year ethylene plant near Red Deer, Alberta at an estimated cost of $350,000,000, the production from which will be purchased by Dow Canada on a cost of service basis under a take or pay contract. The Company, Dow Canada and Dome have also agreed to construct, own and operate the Cochin Pipe Line for the transportation of ethane and ethylene to eastern Canadian and United States markets. The Company would have a 20% interest in this pipeline which is estimated to cost $320,000,000. The Company and Dome have further agreed to form a joint venture on an equal basis for the construction, ownership and operation of a pipeline gathering system and storage cavern for use in the transportation of ethane from extraction facilities to the ethylene plant and to the western terminus of the Cochin Pipe Line. The construction costs of the pipeline system and cavern are estimated to be $40,000,000. To December 31, 1976 $58,123,000 had been incurred by the Company and Alberta Gas Ethylene in respect of these projects.

On November 22, 1976 the Company and Diamond Shamrock Canada Ltd. ("Diamond Shamrock") agreed to form a joint venture on an equal basis to construct, own and operate a polyvinyl chloride plant near Fort Saskatchewan, Alberta. The cost of the plant, having an annual capacity of 220 million pounds of polyvinyl chloride, is estimated to be $60,000,000 and to December 31, 1976 $842,000 had been incurred by the Company in respect of this project.

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, 1976 and the consolidated statements of income, reinvested earnings, contributed surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Calgary, Canada
February 24, 1977

Chartered Accountants.

Interpretation and Comments on Financial Results

Introduction

The Consolidated Statement of Income shows our net operating income (before deducting costs of debt, outside shareholder interest and income taxes), arranged according to the following segments of our operating activities:

Gas Transmission
Manufacturing
Gas Sales and Service
Petrochemicals
Gas Production

Every operating activity of the Company and its subsidiaries has been assigned into one or the other of these five segments.

Other business activities, such as our substantial investment in engineering, environmental study, planning and applications for gas pipelines from the Arctic or research into new techniques for synthesis of hydrocarbons from coal, are not yet included in any of the five operating segments. As those activities are developed, they will be included in the appropriate operating segment or if they are sufficiently different in their nature or size, they may become the basis for the reporting of an additional operating segment.

I have thought for sometime we should provide some comments annually on the background of the operations in each segment which I consider might be of interest to shareholders or analysts and I will try to do so in this section of the report. This set of comments will be more in the style of operating management's interpretations than accounting terminology although of course there should be no inconsistency in the end between the two approaches. With respect to those of our subsidiaries or affiliates' operations which are engaged in highly competitive pricing situations I will try to make comment to a degree useful to our shareholders but which do not divulge confidential information to the benefit of our competitors.

Gas Transmission

This segment comprises the operations of the Company providing the natural gas measurement, quality control, gathering and transmission services for nearly all gas delivered from the province of Alberta to other markets plus some of the other gas used in the province. Net operating income for this segment in 1976 was $76.5 million.

The original role of the Company, and still a very important role, is acting as an instrument of policy of the Province in providing this comprehensive service within the industry to all parties purchasing or owning natural gas intended for delivery beyond the province and doing so under the regulatory control of provincial government authorities. As a natural gas supply resource area, Alberta can be recognized properly as one of the very largest of the source areas in North America. It has long been acknowledged that the ultimate potential natural gas reserves in the province will be at least 100 trillion cubic feet (Tcf) and some new geological concepts of growing influence recently suggest that the ultimate in the province may really be greater. Compared to such ultimate figures only about 24 Tcf have been produced to date and an additional 55 Tcf of the ultimate total has already been discovered and proved up.

Over the year 1976 the rate base of the Company increased by $91.9 million and at January 1, 1977 the net rate base was $549.0 million. At the end of 1976 there was also $62.7 million of gas transmission facilities still under construction which will be added to rate base during 1977 to go with the investment in other new facilities starting construction in 1977.

The utility rate of return earned on rate base was 10 ⅜% throughout 1976. Within this overall return on corporate invested capital the approximate rate of return to common equity invested averaged about 15% during 1976. This rate is very similar to the rate of return to common equity earned by comparable regulated companies. It provides a steady flow of earnings to contribute to the financial base necessary to continue gas service expansions and raise the necessary additional outside financings. It may become necessary to establish a somewhat higher rate of return to common equity for the future for gas transmission as costs of capital may rise and the scale of projects become larger.

It is also a fact of life that as embedded costs of long term debt have gradually worked upward in the last decade, with each new debt issue carrying a higher interest rate than the old bonds and debentures gradually retired, it is necessary periodically to increase the overall rate of return to maintain a given return to common equity. That will probably be the case for our Company during 1977.

The operating revenue of our gas transmission segment in 1976 showed a substantial increase over that for 1975. The largest items of increase were a result of our commencing to charge our largest single customer for deferred taxes, faster depreciation and the increased costs of gas used as fuel in compressor stations.

The deferred tax charge to TransCanada PipeLines was preceded by a very long period of negotiation and was also indicated by the Public Utilities Board of Alberta decision regarding our charges in 1971.

Manufacturing

The manufacturing segment of our operations produced net operating income of $21.6 million for 1976. This was produced largely by our two partially-owned valve manufacturing subsidiaries. In Italy, WAGI International, S.p.A., in which we acquired a net interest equivalent to 53% on May 1, 1976, had an excellent year from its manufacture and export internationally of Grove and other valve product lines including large sales into Eastern Bloc countries. This was by far the best year that WAGI has ever had however it also entered 1977 with a good backlog of orders and tight cost control and we are looking forward to its continuing success. Grove Valve and Regulator Company, 75% owned, our other valve manufacturer which has plants in California and Nevada, had a reasonably good year under very tight market conditions in North America. Although markets for this equipment remained the same in early 1977 the Grove product lines continue to be regarded as high quality in the industry and we are hopeful that this company can retain the approximate level of last year's performance. Together the sales of the two valve companies accounted for all of the operating revenue of $91.3 million included in this segment.

The other two components of our manufacturing segment are Steel Alberta Ltd. and International Portable Pipe Mills Ltd. Steel Alberta, in which our ownership is 50%, contributed to the $0.9 million of equity in earnings of affiliates through its minority interest in Interprovincial Steel and Pipe Corporation Ltd. IPPM is dormant with the mill now in storage because of the present over-capacity of pipe rolling in Canada. We have written down the value of our 48% interest in that company to allow for disposition of the mill on the basis of salvage if that should become necessary in the future. That write-down resulted in a decrease in our reported 1976 earnings of about five cents per common share.

Gas Sales and Service

Of the $34.9 million of operating revenue for this segment in 1976, the gas sales revenues of Pan-Alberta Gas Ltd., 50.8% owned, accounted for $28.2 million. Pan-Alberta is a gas purchasing and marketing company whose operations are up in volume but had less than 2% profitability in sales in 1976. Its sales are expected to increase substantially, hopefully with a more reasonable profit margin in the future. Algas Engineering Services Ltd., a wholly-owned subsidiary, accounted for $6.7 million of the operating revenue through engineering services provided principally to gas distribution co-ops in Alberta. Algas Engineering made a modest profit on those services in 1976 but expects a rather lower scale of such activity in the future.

Petrochemicals

The contribution in 1976 of the $3.5 million revenue as allowance for funds used during construction was provided by The Alberta Gas Ethylene Company Ltd. whose large primary ethylene manufacturing plant at Joffre, Alberta commenced construction in the fall. The particular contract under which the plant's product will be sold includes provision for such earnings during the construction period and therefore for a substantial increase in such contributions in 1977 and subsequent years.

In this segment the equity in earnings of affiliates of $0.8 million derived from our 50% ownership in Alberta Gas Chemicals Ltd. That methanol manufacturing and marketing company brought its second plant at Medicine Hat on stream in the summer after experiencing some temporary delays in equipment deliveries and start-up. Financial performance in 1976 for AGC was down somewhat from 1975 largely because of the second plant start-up expenditures and also because gas reserves which it owns experienced both lower producibility and higher field development costs than expected. Some sales contracts also continue to provide for sale of part of the methanol at fixed prices which limit profitability as costs have increased. Nevertheless this company is thoroughly established as one of the major methanol producers in North America with particularly high product quality and with a fleet of modern railway tankcars and terminals established at Vancouver and New Jersey, it is competing energetically in marketing methanol in North America and Japan and administering an important up-grade of an Alberta resource as a significant contribution to improving Canada's balance of trade.

Gas Production

The revenue and income reported for this segment in 1976 included the operations of Algas Mineral Enterprises Ltd., a wholly-owned subsidiary under which we have placed our rather modest gas reserve and lands and other gas and oil development related investments. After deducting operational expenses and depreciation and depletion, these production activities generated a modest net operating income of $0.6 million. Going into 1977 it is continuing an active acquisition program of purchasing gas reserve properties or ownership of small companies having gas reserves, particularly those of U.S. interests who are prepared to dispose of their investments in Canada. Entering 1977 it is shaping up as a profitable and active small Canadian producing company.

Robert Blair

Ten Year Review

FINANCIAL

(in thousands of dollars)

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
Operating revenue	$268,164	140,416	89,860	78,715	64,666	56,351	45,469	31,930	27,929	26,309
Equity in net income of affiliates	$ 1,620	1,993	135	—	—	—	—	—	—	—
Other income (excluding interest income)	$ 11,777	5,458	1,228	1,668	2,635	1,027	1,248	2,006	262	241
Costs and expenses	$147,896	66,338	31,434	23,099	19,664	16,162	13,409	8,715	7,079	6,315
Depreciation and depletion	$ 29,493	20,861	13,112	12,408	11,227	10,282	8,090	6,211	6,008	5,722
Net operating income	$104,172	60,668	46,677	44,876	36,410	30,934	25,218	19,010	15,104	14,513
Interest and expense on long term debt (net of interest income)	$ 29,470	25,015	22,546	24,124	22,343	19,535	15,236	9,190	8,154	7,933
Minority interest	$ 4,947	415	—	—	—	—	—	—	—	—
Income before income taxes	$ 69,755	35,238	24,131	20,752	14,067	11,399	9,982	9,820	6,950	6,580
Income taxes	$ 30,338	9,188	6,321	5,884	—	—	—	—	—	—
Net income	$ 39,417	26,050	17,810	14,868	14,067	11,399	9,982	9,820	6,950	6,580
Dividends on preferred shares	$ 8,121	2,940	3,021	1,524	1,611	1,826	2,143	2,280	1,630	1,306
Net income applicable to common shares	$ 31,296	23,110	14,789	13,344	12,456	9,573	7,839	7,540	5,320	5,274
Net income per common share										
Basic	$ 1.42	1.08	0.85	0.79	0.75	0.66	0.59	0.62	0.49	0.47
Fully diluted	$ 1.34	1.04	0.83	0.77	0.74	0.64	0.57	0.60	—	—
Dividends paid per common share	$ 0.6136	0.52	0.445	0.42	0.3975	0.375	0.375	0.375	0.3525	0.3075
Average common shares outstanding during year (thousands)	22,021	21,344	17,371	16,793	16,530	14,584	13,368	12,224	11,208	11,200
Working capital (deficiency) at year end	$ 90,909	6,614	15,179	(4,663)	2,716	5,590	(5,696)	(5,864)	(5,078)	(3,570)
Additions to plant, property and equipment	$152,244	108,306	44,255	26,804	44,604	60,892	82,808	68,251	23,132	11,309
Investment in plant, property and equipment (cost)	$863,007	680,009	578,448	535,009	507,903	463,761	404,003	321,611	254,046	231,155
Investment in plant, property and equipment (net)	$712,674	558,472	477,539	446,396	432,000	398,622	348,384	274,615	214,154	197,030
Average rate base	$516,627	449,067	438,411	416,167	386,000	355,169	294,766	212,550	197,800	190,293
Average rate of return	10.375%	9.66%	9.00%	9.00%	8.75%	8.42%	8.13%	8.00%	7.50%	7.50%
Long term debt (less due within one year)	$411,311	377,369	305,370	315,113	315,329	292,013	251,316	176,980	132,024	138,684
Shareholders' equity										
Preferred shares	$142,254	45,413	47,982	30,547	32,142	33,888	41,607	44,548	46,475	27,500
Common shares	$239,936	162,674	146,190	103,455	95,694	86,508	54,331	49,428	33,808	30,420

STATISTICAL

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
Shareholders and employees										
Number of preferred shareholders	12,524	6,894	7,195	7,977	8,289	8,833	10,385	10,781	11,087	3,172
Number of common shareholders	26,405	23,508	23,184	22,148	21,374	22,277	21,838	22,543	23,452	24,833
Number of employees	1,130	995	892	762	781	701	577	442	322	301

GAS TRANSMISSION OPERATIONS

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
Miles of pipeline in system	5,413	4,728	4,313	4,113	4,030	3,493	3,246	2,778	2,198	2,094
Compression horsepower	467,335	449,417	427,867	420,535	365,635	355,955	315,945	209,125	60,015	60,015
Total system receipts (MMcf @ 14.65 psia)	1,822,695	1,766,390	1,714,394	1,691,273	1,568,237	1,396,282	1,237,845	1,029,899	858,352	728,261
Maximum day receipts (MMcf @ 14.65 psia)	5,820	5,595	5,471	5,478	5,043	4,489	4,263	3,826	3,041	2,710
Average day receipts (MMcf @ 14.65 psia)	4,994	4,839	4,697	4,634	4,285	3,825	3,391	2,822	2,345	1,995

COMPANY LOCATIONS

Head Office:

2800 Bow Valley Square 2
205 - 5 Avenue S.W.
P.O. Box 2535
Calgary, AB 231-9100
T2P 2N6

Other Calgary Offices:

Calgary Service Centre
7210 Blackfoot Trail S.E.
Calgary, AB 252-8821

Works Department
2611 - 58 Avenue S.E.
Calgary, AB 272-2445

(for complete information on
department locations
telephone (403) 231-9100)

Edmonton Offices:

11th Floor, Petroleum Plaza
9945 - 108 Street
Edmonton, AB 426-0766
T5K 2G6

Edmonton Service Centre
15810 - 114 Avenue
P.O. Box 3240, Station 'D'
Edmonton, AB 452-5723
T5L 4J1

District Offices:

District No. 1 Headquarters
9615 - 52 Street S.E.
Calgary, AB 279-7201

District No. 2 Headquarters
P.O. Box 819
Brooks, AB 362-2838
T0J 0J0

District No. 3 Headquarters
P.O. Box 1239
Edson, AB 723-3371
T0E 0P0

District No. 4 Headquarters
P.O. Box 1650
Vegreville, AB 632-3744
T0B 4L0

Offices of Principal Subsidiaries and Affiliates:

Alberta Gas Chemicals Ltd.
400 - 11456 Japser Avenue
Edmonton, AB 482-6361
T5K 0M1

Alberta Gas Chemicals Ltd. (Plant)
P.O. Box 757
Medicine Hat, AB 527-8141
T1A 7G7

The Alberta Gas Ethylene Company Ltd.
2200 Bow Valley Square 2
205 - 5 Avenue S.W.
Box 9150
Calgary, AB 263-8130
T2P 2W4

Algas Mineral Enterprises Ltd.
400 Bow Valley Square 2
205 - 5 Avenue S.W.
P.O. Box 2870
Calgary, AB 231-9640
T2P 2M7

Algas Resources Ltd.
450 Bow Valley Square 2
205 - 5 Avenue S.W.
Box 9294
Calgary, AB 231-9683
T2P 2W5

Foothills Pipe Lines Ltd.
1600 Bow Valley Square 2
205 - 5 Avenue S.W.
Box 9083
Calgary, AB 265-8100
T2P 2W4

Gas Initiatives Venture Ltd.
Bow Valley Square 2
205 - 5 Avenue S.W.
P.O. Box 2940
Calgary, AB 231-9100
T2P 2M7

Grove Valve and Regulator Company
6529 Hollis Street
Oakland, Ca. (415) 655-7700
94608

Pan-Alberta Gas Ltd.
350 Bow Valley Square 1
202 - 6 Avenue S.W.
Calgary, AB 265-1763
T2P 2L8

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Rome, Italy 524-0241

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Auditors

Clarkson, Gordon & Co.

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

PREFERRED SHARES
Alberta Stock Exchange
Toronto Stock Exchange

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

Les personnes desirant des exemplaires en français du present rapport sont priees de s'addresser au secretaire adjoint de la Compagnie.
P.O. Box 2535, CALGARY, ALBERTA.

Duplicate Annual Reports

Some holders of AGTL securities receive more than one copy of our annual report and other material mailed to shareholders. We make an effort to eliminate duplications of such mailings, however, if securities are registered in different names or addresses, multiple copies will be received. Those security holders receiving more than one copy of material should contact the appropriate registrar to either consolidate the holdings under one name if they are with respect to the same security, or in the event that they hold more than one security advise the appropriate registrar that no material is required.

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