

**Pacific Northern Gas (N.E.) Ltd.
Fort St. John / Dawson Creek Division**

**#2550 - 1066 West Hastings Street
Vancouver, B.C. V6E 3X2**

**2016 ANNUAL REPORT
TO THE
BRITISH COLUMBIA UTILITIES COMMISSION**

For the period January 1, 2016 to December 31, 2016

LIST OF SCHEDULES

Title of Schedule	Page	Remarks
General Instructions	1	
Declaration	2	
Directors & Officers	3	
Security Holders and Voting Powers	4,5	
Control Over Utility	6	
Corporations Controlled by Utility	7	
Important Changes During the Year	8	
Additional Information	9,10,11	
Comparative Balance Sheet – Assets	12	
Comparative Balance Sheet –Liabilities	13	
Statement of Net Income and Retained Earnings	14	
Unamortized Debt Discount and Expense and Unamortized Premium on Debt	15	N/A
Capital Stock Expense		None
Unamortized Deferred Charges and Amortization	16	
Deferred Regulatory Commission Expenses		None
Lease/Rental Payments Charges to Operating Expenses		None
Gas Plant in Service	17	
Continuity of Accumulated Depreciation	18	
Gas Plant Held for Future Use		None
Gas Plant Under Construction	19	
Other Plant		None
Gas Operating Revenues	20	
Gas Operating Expenses	21, 22	
Construction Overheads	23	
Gas Account	24	
Pipeline Mileage	25	
Sales of Gas by Communities	26	
Service Interruptions and Property Damage	27	
System Map	28	
Cash Working Capital	29	
Earned Return	30	
Income Taxes	31	
Utility Rate Base and Rate of Return	32	
Return on Capital	33	
Temperature Normalization Factor	34	

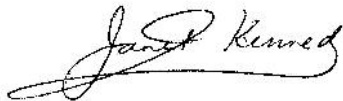
GENERAL INSTRUCTIONS

1. Two copies of this report must be filed with the British Columbia Utilities Commission, 6th Floor, 900 Howe St., P.O. Box 250, Vancouver, B.C. V6Z 2N3 no later than the last day of the fourth month following the end of the company's financial year.
2. In addition to filing this form, the utility shall also file with the Commission:
 - a) A copy of its Corporate Income Tax filing when available;
 - b) Immediately upon publication, copies of its latest Annual Report prepared for distribution to stockholders, bondholders, or other security holders.
3. Trial Balance of actual results according to the Uniform System of Accounts.
4. Major normalization adjustments only should be applied.

DECLARATION

I, Janet P. Kennedy, of North Vancouver, BC do hereby declare:

1. That I am Vice President, Regulatory Affairs & Gas Supply of Pacific Northern Gas Ltd. with head office at: #2550 - 1066 West Hastings Street, Vancouver, BC, V6E 3X2.
2. That I have examined the content of this report and the information set out herein is complete and accurate, to the best of my knowledge, information and belief. I have read and understand sections 106 and 109.1 to 109.8 of the Utilities Commission Act.



Janet P. Kennedy

Any questions concerning this report should be addressed to:

J.P. Kennedy
Vice President, Regulatory Affairs & Gas Supply
#2550 - 1066 West Hastings Street
Vancouver, BC, V6E 3X2
Telephone: 604-691-5680
E-mail: jkennedy@png.ca

DIRECTORS AND OFFICERS as at December 31, 2016

Report below the name, title and business address of each director and officer.

NAME	BUSINESS ADDRESS	OFFICE HELD
A. Patterson	AltaGas Ltd. #1700 - 355 - 4th Avenue SW Calgary, AB T2P 0J1	Director
P. Karl	AltaGas Ltd. #1700 - 355 – 4th Avenue SW Calgary, AB T2P 0J1	Director
L.A. Shoji-Lee	Pacific Northern Gas Ltd. #2550 - 1066 West Hastings St. Vancouver, BC V6E 3X2	Director, President
D. Allen	Pacific Northern Gas Ltd. #2550 - 1066 West Hastings St. Vancouver, BC V6E 3X2	Vice President, Finance
J.P. Kennedy	Pacific Northern Gas Ltd. #2550 - 1066 West Hastings St. Vancouver, BC V6E 3X2	Vice President, Regulatory Affairs & Gas Supply

SECURITY HOLDERS AND VOTING POWERS

1. Give the names and addresses of the 10 security holders of the utility who, at the date of the latest closing of transfer books or compilation of lists of stocks or shareholders of the utility, prior to the end of the year, had the highest voting powers in the utility, and state the number of votes which each would have had the right to cast as of that date if a meeting were then in order. If any such holder held in trust, give in footnote the know particulars of the trust (whether voting trust, etc.), duration of trust and principal holders of beneficiary interests in the trust. Arrange the names of the security holders in order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such a list of 10 security holders.

Voting Securities
Number of Votes as at December 31, 2016

Name and Address of Security Holder (a)	Total Votes (b)	Common (c)	Preferred (d)	Other (e)
Pacific Northern Gas Ltd. #2550 - 1066 West Hastings St. Vancouver, BC V6E 3X2	7,457,918	7,457,918	-	-

2. Give also the voting powers resulting from ownership of securities of the utility of each officer and director not included in the list of 10 largest security holders.

None

3. If any security other than common/ordinary shares/stock carries voting rights, explain the circumstances whereby such security became vested with voting rights.

None

4. Furnish particulars concerning any options, warrants or rights outstanding at the end of the year for others to purchase securities of the utility or any securities or other assets owned by the utility including prices, expiration dates and other material information relating to the exercise of the options, warrants or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the 10 largest security holders. This instruction is inapplicable to the convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants or rights were issued on a pro rata basis.

None

CONTROL OVER UTILITY

If any corporation, business trust, or similar organization or combination of such organizations jointly held control over the utility at end of year, state name of controlling corporation or organization, manner in which control was held and extent of control. If control was in a holding company organization, show the chain of ownership or control to the main parent company or organization. If control was held by a trustee(s), state name of trustee(s), name of beneficiary or beneficiaries for whom trust was maintained, and purpose of the trust.

The Fort St. John / Dawson Creek Division is a wholly-owned division of Pacific Northern Gas (N.E.) Ltd.

The parent company of Pacific Northern Gas (N.E.) Ltd. is Pacific Northern Gas Ltd.

CORPORATIONS CONTROLLED BY UTILITY

1. Report below the names of all corporations, business trusts and similar organizations, controlled directly or indirectly by utility at any time during the year. If control ceased prior to end of year, give particulars in a footnote.
2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.
3. If control was held jointly with one or more other interests, state the fact in a footnote and name other interest.

Name of Company Controlled	Kind of Business	Percent Voting Stock Owned	Footnote Reference
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None

Definitions

1. **Direct control** is that which is exercised without interposition of an intermediary.
2. **Indirect control** is that which is exercised by the interposition of an intermediary which exercises direct control.
3. **Joint control** is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other.

IMPORTANT CHANGES DURING THE YEAR

Furnish particulars, including effective dates, concerning the matters indicated below:

1. Changes or additions to franchise rights.

Pouce Coupe – A new franchise agreement with the Municipality has been negotiated to be effective January 1, 2017. The municipal process for electoral approval of the agreement is underway and is expected to take several months. An Interim Operating Agreement was executed December 14, 2016 and will remain in place until the electoral approval process has been finalized. The new Franchise Agreement will be filed with the BC Utilities Commission for acceptance once approved by the Municipality.

2. Acquisition or disposal of ownership in other companies; consolidation, merger or reorganization with other companies.

None

3. Acquisition or disposal of an operating unit or system.

None

4. Important leaseholds.

None

5. Important extension or reduction in transmission or distribution system.

None

6. Estimated annual effect and nature of important wage scale changes during the year.

Effective October 31, 2016, the contract with the collective bargaining unit expired; negotiations are ongoing as of the filing date of this report.

7. Important legal proceeding pending, in progress, or concluded during the year.

None

ADDITIONAL INFORMATION

Provide following information pursuant to sections 24 and 45 of the Utilities Commission Act.

1. In the years when a Long Term Resource Plan is not filed, the section 45(6) filings of capital budget statements and system plans should be made in the Annual Report to the Commission

Capital budget statements and system plans for 2016 were filed in PNG(NE)'s two-year Revenue Requirements Application submitted for Test Years 2016 and 2017.

2. A detailed comparison between forecast and actual results for all completed or in progress capital projects.

This information has traditionally been reported as part of PNG(NE)'s annual revenue requirements application process. With PNG(NE)'s first two-year Revenue Requirements Application for Test Years 2016 and 2017, this reporting has changed. PNG(NE) plans to file this information along with its 2016 financial statements and income tax filings in the third quarter of 2017.

3. Copies of income tax assessment and reassessment notices pertaining to utility business.

Copies will be provided on a confidential basis when received from the Canada Revenue Agency and are expected to be filed in the third quarter of 2017.

4. List of topics covered in the management letters.

No management letters were issued.

5. List of topics covered in the internal audit reports with a brief description of each topic.

The following topics were covered in internal audit reports during 2016:

- **Regular annual IT audit testing for 2016 to assess the effectiveness of IT controls that are in place to address key risks that PNG(NE) may be exposed to.**

- **Regular annual CSOx (Canadian Sarbanes Oxley Act) testing for 2016 and update of process flowcharts and risk and control matrices for the following areas: Financial Reporting, Payroll, Property, Plant & Equipment, Purchase to Pay, Regulatory, Revenue and Receivables, Tax and Treasury – annual testing to comply with annual CEO and CFO certification on the design and operating effectiveness of internal controls over financial reporting in accordance with National Instrument 52-109.**
 - **Vendor Payment Audit. Objective of audit was to perform data analytics on vendor payment and invoice data for invoices paid from the JDE system to review for irregular transactions and occurrences that may indicate duplication, errors, or misappropriation. The audit testing period covered the first six months of 2016, beginning January 1, 2016 through to June 30, 2016.**
6. Reconciliation of the utility's year-end financial statements to the shareholders compared to the Annual Report to the Commission. Include current year financial schedules indicating actual results for regulatory purposes compared to approved amounts for same period and a description of variances in these two amounts.

Copies of financial statement will be provided on a confidential basis and filed along with the income tax filings in the third quarter of 2017.

7. A report, prepared by the internal auditor that examines the utility's classification of certain expenditures, as specified by the Commission according to a Uniform System of Accounting.

An internal report regarding the utility's classification of certain expenditures was not prepared in 2016 due to lack of internal resources. PNG(NE) submits that it continues to use the Uniform System of Accounts as prescribed by the Commission in its financial accounting and reporting processes. Even though PNG(NE) is now using a new application software (JDE Enterprise One) that utilizes new general ledger account codes, PNG(NE) submits that it continues to use the Uniform System of Accounts as the base for the classification of all expenditures consistent with all prior years. The VP Finance attests to this statement.

8. A report, prepared by the internal auditor that confirms the utility's compliance with the Commission's financial directions contained in Decisions and Orders.

The Company's annual audited financial statements are prepared in accordance with US GAAP, and as a regulated entity must follow the requirements for regulated companies prescribed by US GAAP. Those requirements ensure that the Company complies with the Commission's financial directions. As part of the external audit process, our auditors (Ernst & Young) reviewed the Commission's Decisions and Orders and issued a clean audit opinion. PNG(NE) submits that an additional report is not required, as the external auditors need to ensure that the Company is compliant in order to issue an audit opinion on the annual financial statements of the Company.

COMPARATIVE BALANCE SHEET - ASSETS

FOR THE YEARS ENDED DECEMBER 31
 \$000's

BCUC Account	2016	2015
ASSETS		
<u>Plant:</u>		
100 Gas plant in service	109,675	103,942
105 Accumulated depreciation	(36,277)	(34,766)
115 Gas plant under construction	901	877
118 Capital Supplies Inventory	131	222
Total Plant	<u>74,431</u>	<u>70,275</u>
<u>Current Assets:</u>		
120 Investment in subsidiary	-	-
121 Other investments	-	-
130 Cash	-	-
131 Special deposit	-	-
140 Accounts receivable - Trade	5,035	6,028
141 Conversion loans	-	-
141 Accounts receivable - Other	26	290
142 Accounts receivable - Inter company	6,853	8,701
145 Bad Debts	(46)	(43)
150 Inventory - Materials & supplies	7	14
152 Stored Gas	575	829
153 Inventory - Line pack gas	(30)	14
160 Prepaid expenses	81	93
162 Other Current Assets	-	-
Total Current Assets	<u>12,501</u>	<u>15,927</u>
<u>Deferred Charges:</u>		
170 Unamortized debt discount & expense	57	101
171 Plant losses	618	516
179 Deferred Charges	2,335	(1,474)
Total Deferred Charges	<u>3,010</u>	<u>(856)</u>
<u>Other Assets:</u>		
182 Future recovery of income taxes	5,448	4,896
182 Non Pension Post Retirement Benefit	328	253
182 Accrued pension benefit asset	2,021	1,900
Total Other Assets	<u>7,797</u>	<u>7,049</u>
TOTAL ASSETS	<u><u>97,739</u></u>	<u><u>92,394</u></u>

COMPARATIVE BALANCE SHEET - EQUITY AND LIABILITIES

FOR THE YEARS ENDED DECEMBER 31
 \$000's

BCUC Account	2016	2015
SHAREHOLDERS' EQUITY		
<u>Capital Stock & Surplus:</u>		
200 Preferred stock	-	-
205 Common stock	9,595	9,595
210 Contributed surplus	-	-
212 Retained earnings	17,296	16,804
Total Capital Stock & Surplus	<u>26,891</u>	<u>26,399</u>
LIABILITIES		
211 Contribution & grants	10,156	10,460
220 Long term debt	39,086	29,330
250 Loans & notes payable	2,384	6,440
251 Accounts payable - other	2,538	2,498
252 Accounts payable - Affiliated Companies	8,186	9,541
253 Dividends payable	-	-
254 Customers' security deposits	935	982
255 Customers' advances for construction	-	-
256 Taxes accrued	(106)	769
257 Interest payable & accrued	7	7
259 Other Accrued Liabilities	1,267	1,073
276 Deferred Income Taxes	-	-
280 Future Income Taxes	6,396	4,896
285 Derivative Financial Instruments	-	-
292 Reserves for injuries and damages	-	-
TOTAL LIABILITIES	<u>70,848</u>	<u>65,995</u>
TOTAL EQUITY AND LIABILITIES	<u><u>97,739</u></u>	<u><u>92,394</u></u>

STATEMENT OF NET INCOME & RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31
 \$000's

BCUC Account	2016	2015
<u>Operating Revenue:</u>		
300 Sales (520-523)	19,913	25,952
304 Amortization - Non Cash Revenue	56	246
300 Miscellaneous (560-579)	249	256
Total Operating Revenue	<u>20,218</u>	<u>26,454</u>
<u>Operating Expenses:</u>		
301 Cost of Sales (623 & 629)	5,132	11,716
301 Operating (664-689)	5,192	5,481
301 Administrative & General (700-729)	2,532	2,530
302 Maintenance (864-885)	365	337
303 Depreciation	1,836	1,763
304 Amortization	82	(268)
305 Municipal & Other Taxes	1,350	1,205
306 Income Taxes	339	280
Total Operating Expenses	<u>16,828</u>	<u>23,044</u>
314 Investment and Other Income	-	-
Total Investment & Other Income	<u>-</u>	<u>-</u>
<u>Income Deductions:</u>		
317 Loss on Foreign Exchange	-	-
320 Interest on Long Term Debt	928	1,088
321 Amortization of Debt Discount, Premium & Expense	44	47
323 Other Interest Expense	243	122
324 AFUDC and Imputed Interest on Deferral	(18)	49
329 Other Income Deductions	-	-
Total Income Deductions	<u>1,197</u>	<u>1,306</u>
Net Income Before Extraordinary item	2,193	2,105
332 Extraordinary Item	-	-
Net Income	<u>2,193</u>	<u>2,105</u>
212 Restated Balance Beginning of Year	16,804	14,699
350 Balance Transferred from Net Income	2,193	2,105
357 Dividends Declared	-	-
Retained Earnings End of Year	<u>18,997</u>	<u>16,804</u>

Unamortized Debt Discount and Expense (Accounts 170 and 270)

Explain any debits and credits OTHER THAN amortization to Account 321
 For the Year Ended December 31, 2016
 (000's)

Designation of Long term debt	Principal amount to which expense relates	Total Discount and Expense	Amortization Period		Balance Beg. Of year	Debits during Year	Credits during year (Amortization)	Adjustments	Balance end of year
			From-	To-					
2018 AG Debenture	30,102	98	6/7/2013	6/7/2018	51	-	(18)	-	33
2017 Roynat	11,000	464	7/25/2007	9/15/2017	46	-	(25)	-	22
2018 Debenture	2,274	17	11/15/1993	11/15/2018	3	-	(1)	-	2
					101	-	(44)	-	57

UNAMORTIZED DEFERRED CHARGES AND AMORTIZATION

(000's)

Particulars	BCUC A/C	Actual 2015	Additions	Imputed Interest	Amortization	Actual 2016
Rate base items						
Plant Gains and Losses - extraordinary	(171)	(41)			(41)	-
Plant Gains and Losses - ordinary	(171)	302	250		91	462
Plant Gains and Losses - salvage value	(171)	(31)	(91)		(9)	(113)
Plant Gains and Losses - retirement costs	(171)	286	55		72	269
Demand Side Management	(179)	55	16		11	60
Sub-total Gross Rate Base deferrals		572	231	-	124	678
Related Future Income Taxes (FIT)		(89)	(18)	-	(22)	(85)
Rate Base deferrals, net of FIT		483	213	-	102	593
Average rate base for the year						538
Interest bearing deferrals						
BCUC Fees	(179)	4	(1)		2	-
Short Term Interest Rate	(179)	(11)	(3)	(0)	(11)	(3)
Long Term Interest Rate	(179)	(140)	22	(2)	(142)	21
Property tax variance	(179)	79	41	2	80	41
DC Industrial Deliveries	(179)	25	192	2	25	193
BCUC Hearing costs & CAP/ROE	(179)	(38)	(36)	(1)	(39)	(36)
Old Revolving Debt Issue Costs	(179)	-				-
Permanent to Interim Rate Adjustment	(179)	-				-
2013 Revenue Requirement Adjustment	(179)	-				-
Investigative Digs	(179)	(34)		(1)	(35)	-
GCOC - 2013	(179)	-				-
Bad Debt Provision	(179)	-				-
GCVA	(179)	(2,296)	1,852	(45)		(488)
RSAM	(179)	805	1,686	69		2,559
Resource Plans	(179)	-	11			11
IFRS / US GAAP	(179)	-				-
Legacy Deferred Income Taxes - Offset to NPPRB Regulator	(179)	(227)		(6)	(82)	(151)
Sub-total gross interest bearing deferrals		(1,834)	3,763	18	(200)	2,147
Related Future Income Taxes (FIT)		418	(978)	(6)	31	(598)
Interest Bearing deferrals, net of FIT		(1,416)	2,785	12	(169)	1,550
NPPRB Regulatory Asset (Non-return bearing)		237			79	158
NPPRB Transitional Obligations (Non-return bearing)		68			23	45
Total gross deferrals (excl. debt issue)		(957)	3,994	18	26	3,029
Future Income Taxes on deferrals (excl. debt issue)		329	(997)	(6)	9	(683)
Total deferrals, net of FIT (excl. debt issue)		(628)	2,997	12	35	2,346
Debt Issue Costs	(170)	101			44	57

GAS PLANT IN SERVICE

(000's)

Description	BCUC A/C	2015 Balance	2016 Additions	2016 Retirements	2016 Transfers	Ending Balance
Land	(460)	11	-	-	-	11
Land Rights	(461)	374	27	-	-	401
Comp. Structures	(462)	465	-	-	-	465
Meas/ & Reg. Equip	(463)	146	63	-	-	209
Mains	(465)	12,306	400	-	-	12,707
Compressor Equipment	(466)	-	-	-	-	-
Meas. & Reg. Equipment	(467)	7,502	252	(25)	-	7,728
Communication Structures & Equip.	(468)	130	20	-	-	150
Other	(469)	18	-	-	-	18
Total Transmission		20,953	762	(25)	-	21,690
Land	(470)	47	-	-	-	47
Land Rights	(471)	304	-	-	-	304
Struct./Improvements	(472)	2,626	144	(2)	-	2,767
Services	(473)	23,215	1,025	(49)	-	24,191
House Reg. Installations	(474)	6,865	120	-	-	6,985
Mains	(475)	37,626	3,498	-	-	41,124
Compressor Equipment	(476)	84	-	-	-	84
Meas. & Reg. Equipments	(477)	1,673	153	-	-	1,826
Meters	(478)	2,397	222	(115)	-	2,504
Other Dist. Equipments	(479)	20	-	-	-	20
Total Distribution		74,856	5,162	(166)	-	79,853
Land	(480)	77	-	-	-	77
Land Rights	(481)	1	-	-	-	1
Struc/Improvements	(482)	2,048	55	-	-	2,103
Office Furnitre/Equipement	(483)	346	-	-	-	346
Transport Equipment	(484)	1,540	281	(493)	-	1,328
Heavy Work Equipment	(485)	1,453	299	(244)	-	1,508
Tools/Work Equipment	(486)	1,373	59	(9)	-	1,424
Computer Equipment	(487)	945	20	-	-	965
Communication Structures & Equip.	(488)	349	31	-	-	380
Undistributed Plant Additions	(496)	-	-	-	-	-
Total General		8,133	745	(746)	-	8,132
Other	(498)	-	-	-	-	-
Total unclassified plant		-	-	-	-	-
Total Capital		103,942	6,670	(937)	-	109,675
WIP		877	24			901

CONTINUITY OF ACCUMULATED DEPRECIATION

AS AT DECEMBER 31, 2016
 (\$ 000's)

Description	BCUC A/C	2015 Balance	2016 Provision	2016 Retirements	2016 Recoveries	2016 Transfers	Ending Balance
Franchises & Consents	(401)	-	-	-	-	-	-
Other Intangible Plant	(402)	-	-	-	-	-	-
Manufacturing Equipment	(433)	-	-	-	-	-	-
Gas Holders - Manufacturing	(434)	-	-	-	-	-	-
Structures & Improvements	(442)	-	-	-	-	-	-
Gas Holders - Storage	(443)	-	-	-	-	-	-
Total Processing Plant		-	-	-	-	-	-
Land Rights	(461)	(59)	-	-	-	-	(59)
Comp. Struc.	(462)	(249)	(16)	-	-	-	(265)
Meas/Reg Struct.	(463)	(72)	(5)	-	-	-	(77)
Mains	(465)	(4,144)	(156)	-	-	-	(4,300)
Compressor Equip.	(466)	-	-	-	-	-	-
Meas. & Reg. Equip.	(467)	(2,609)	(270)	20	-	-	(2,859)
Communication Structures & Equip.	(468)	(130)	-	-	-	-	(130)
Other	(469)	(7)	(0)	-	-	-	(7)
Total Transmission		(7,270)	(447,057)	20	-	-	(7,697)
Land Rights	(471)	(22)	(25)	-	-	-	(47)
Struct./Improvements	(472)	(639)	(188)	1	-	-	(826)
Services	(473)	(5,856)	(421)	28	-	-	(6,249)
House Reg. Instal.	(474)	(2,753)	(240)	-	-	-	(2,993)
Mains	(475)	(12,000)	(349)	-	-	-	(12,348)
Compressor Equipment	(476)	-	(4)	-	-	-	(4)
Meas. & Reg. Equip.	(477)	(1,228)	(78)	-	-	-	(1,305)
Meters	(478)	(672)	(79)	66	-	-	(685)
Other Dist. Equip.	(479)	(10)	(1)	-	-	-	(10)
Total Distribution		(23,180)	(1,384)	95	-	-	(24,469)
Land Rights	(481)	(0)	-	-	-	-	(0)
Struct./Improvements	(482)	(748)	(73)	-	-	-	(821)
Office Furniture/Equipment	(483)	(272)	(7)	-	-	-	(279)
Transport Equipment	(484)	(697)	(123)	401	-	-	(419)
Heavy Work Equipment	(485)	(619)	(94)	165	-	-	(549)
Tools/Work Equipment	(486)	(767)	(53)	7	-	-	(814)
Computer Equipment	(487)	(909)	(10)	-	-	-	(918)
Communication Structures & Equip.	(488)	(305)	(6)	-	-	-	(312)
Other Plant	(489)	(0)	-	-	-	-	(0)
Unclassified Plant	(496)	-	-	-	-	-	-
Undistributed - Overhead	(498)	-	-	-	-	-	-
Total General		(4,317)	(367)	572	-	-	(4,111)
Total		(34,766)	(2,198)	687	-	-	(36,277)
Amortization of CIAC			286				
Depreciation capitalized			76				
Depreciation expense			(1,836)				

GAS PLANT UNDER CONSTRUCTION (115)

For the Year Ended December 31, 2016
(\$ 000's)

<u>Description of Project</u>	<u>Balance 2016</u>
PROJECTS NOT SUBJECT TO AFUDC	
Pipe	\$ -
Fittings	0
Transmission Materials	0
Projects Under Construction	<u>0</u>
Total	<u>-</u>
WIP - Carryforward Projects	901
TOTAL WORK IN PROGRESS	<u>\$ 901</u>

Gas Operating Revenues per Financial Statements

For the Year Ended December 31, 2016

Account and Description	Gas Sold TJ's	Revenue (\$ 000's)	Customers Year End
Sales (520-523)			
Residential	1,484	10,643	17,161
Commercial	1,447	7,033	2,663
Small Industrial	402	1,428	11
Total Sales	<u>3,333</u>	<u>19,104</u>	
Transportation	<u>501</u>	<u>809</u>	36
Amortization of Deferred Charges		56	
Miscellaneous (560-579)		249	
Total	<u><u>3,834</u></u>	<u><u>20,218</u></u>	

Gas Operating Expenses

For the Year Ended December 31, 2016
 (\$ 000's)

Account and Description	2016	2015
623-629 Gas Supply	5,132	11,716
660 Supervision	6	5
664 Communications	3	10
665 Pipelines	147	300
665 Company Use Gas	146	240
667 Regulating stations	80	142
690 Amortization of Deferred Charges	-	-
Total Transmission - Operation	381	697
670 Supervision	462	479
671 Load dispatching	-	-
673 Removing & resetting meters	470	440
674 Service on customer premises	37	50
675 Mains and services	440	440
677 Regulating stations	16	31
Total Distribution - Operation	1,425	1,440
684 Communications	2	2
685 General systems operations	1,394	1,208
686 Safety	39	42
687 Training	64	170
688 Other general operations	430	419
689 Transferred to capital	(244)	(174)
Total General - Operation	1,685	1,668
700 Sales supervision	24	12
702 Demonstration and selling	5	6
Total Distribution - Sales	29	17
711 Customer contracts	277	281
712 Meter reading	263	213
713 Customer billing	1,050	1,043
714 Credit and collections	48	95
718 Uncollectible accounts	36	26
Total Customer Accounting	1,672	1,659

Gas Operating Expenses

For the year ended December 31
 (\$ 000's)

Account and Description	2016	2015
721 Administration	1,556	1,500
722 Special Services	120	135
723 Insurance	72	77
724 Reserve for Damages	-	-
725 Employee Benefits	756	773
728 Fiscal and corporate expense	385	364
729 Transferred to capital	(357)	(320)
730 Amortization of Deferred Charges	-	-
Total Admin & General - Operation	2,532	2,530
864 Communicaitons	0	(1)
865 Pipe lines	16	22
866 Compressors	13	6
867 Regulating stations	32	76
Total Transmission - Maintenance	61	104
872 Structures	-	-
875 Mains and services	151	85
877 Regulating stations	2	3
878 Meters	150	145
Total Distribution - Maintenance	303	234
TOTAL GAS OPERATING EXPENSES	8,089	8,348
Summary		
Operation Expense	5,192	5,481
Admin & General Expense	2,532	2,530
Maintenance Expense	365	337
	8,089	8,348

Construction Overheads

For the Year Ended December 31, 2016
 (\$ 000's)

Type of Overhead	Undistributed Overheads Beginning of Year	Overheads for Year	Undistributed Overheads End of Year	Total Overheads Cleared to Construction	Cost of Construction to which Overheads were Charged	% Overheads to Construction
Operations (1)	0	244	0	244		2.9%
Administrative (2)	0	357	0	357		2.9%
Capitalized Depreciation	0	76	0	76		34.9%
Other charges (3)	0	(58)	0	(58)		100.0%
Total	\$ -	\$ 619	\$ -	\$ 619	\$ 5,970	10.4%

Breakdown:

Transmission	461 - Land Rights	4
	463 - Measuring & Regulating Equipment	8
	465 - Mains	92
	467 - Measuring & Regulating Equipment	26
	468 - Communication Structures & Equip.	1
Distribution	472 - Structures & Improvements	19
	473 - Services	168
	474 - House Regulator Installations	26
	475 - Mains	247
	477 - Regulating Equipment	6
	478 - Meters	20
General	484 - Transport Equipment	2
	486 - Tools/Work Equipment	0
		\$ 619

Capitalization Procedure:

- (1) The pooled field operations costs were charged at a 2.9% capitalization rate on average in 2016.
- (2) The total administrative costs including employee benefits were subject to an 2.9% capitalization rate on average in 2016.
- (3) Other charges, which are charged 100% to construction, include warehouse costs, rentals, and other minor costs that service multiple projects.

Distribution:

The total overhead amount of \$619,095 is charged out to each project at year end. The calculation takes into account the accumulated labour costs per project as a percentage of the total labour costs incurred in all projects. This factor is applied to the total overheads and the respective portion is then charged to each individual project.

Gas Account

For the Year Ended December 31, 2016

<u>Item</u>	<u>TJ of Gas Measured</u>
Gas Received	
Natural Gas Received	4,056
Total Receipts	<u>4,056</u>
Gas Delivered	
Sales to ultimate customers	3,333
Transportation customers	<u>501</u>
	3,834
Gas used by utility	11
Total Deliveries	<u>3,845</u>
Losses and Unaccounted for Gas	
Known lost gas	7
Unaccounted for gas	204
Total Deliveries, Losses and Unaccounted for Gas	<u>4,056</u>

Pipeline Mileage

For the Year Ended December 31, 2016

	Fort St. John		DC/TR		Total Km's
	Plastic	Steel	Plastic	Steel	
Service Lines					
Current	336.03	(0.42)	170.76	110.04	616.40
Previous	328.57	0.10	170.19	110.62	609.48
2016 Net Changes	<u>7.46</u>	<u>(0.52)</u>	<u>0.57</u>	<u>(0.59)</u>	<u>6.92</u>
Distribution Mains					
Current	1,074.24	364.09	589.24	176.14	2,203.71
Previous	1,070.45	364.09	587.85	176.47	2,198.86
2016 Net Changes	<u>3.79</u>	<u>-</u>	<u>1.39</u>	<u>(0.33)</u>	<u>4.85</u>
Transmission Mains					
Current	17.26	125.48	9.28	91.00	243.03
Previous	17.26	125.48	9.28	90.94	242.96
2016 Net Changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.07</u>	<u>0.07</u>

Sale of Gas by Communities at Tariff Rates

For the Year Ended December 31, 2016

Community	Population	Total Sales Revenue (\$ 000's)	Residential Revenue (\$ 000's)
Fort St. John	38,437	\$ 13,023	\$ 7,088
Dawson Creek	27,676	\$ 6,890	\$ 3,555

Residential		Commercial		Industrial (incl. Transport)	
TJ	Year End Customers	TJ	Year End Customers	TJ	Year End Customers
1,484	17,161	1,447	2,663	903	47

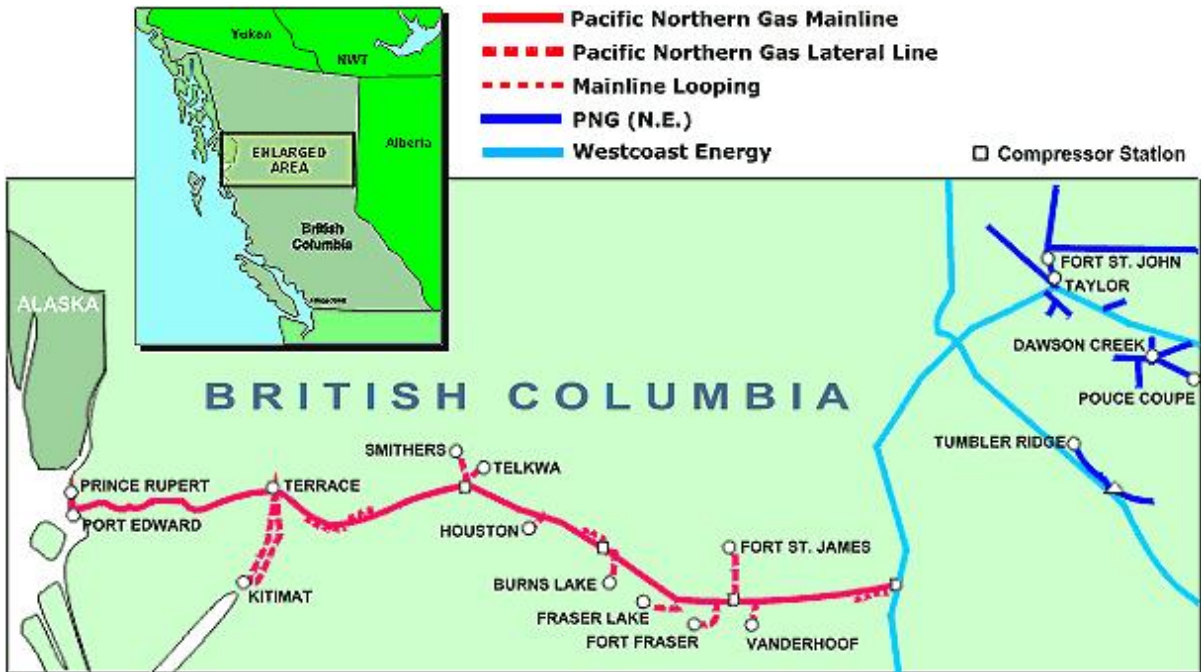
SERVICE INTERRUPTIONS AND PROPERTY DAMAGE

Report below any important interruptions of service due to failure of utility's transmission facilities or failure of utility's gas supply. State for each case the action taken to maintain service, the duration of interruption, the restrictions imposed, and the number of classes of customers affected.

State particulars of any important property damage sustained during the year, including information as to cause, personal injuries, or loss of life to employees or others, approximate cost of repairs, and length of time damaged facilities were out of service.

None

SYSTEM MAP



CASH WORKING CAPITAL

For the Year Ended December 31, 2016
 (\$000's)

<u>Line No.</u>	<u>Particulars</u>	<u>Lag/(Lead) Days</u>	<u>Expenses</u>	<u>Working Capital</u>
1	Revenue	58.2		
2	Expense	<u>(31.5)</u>		
3	Operating working capital	26.7	\$ 15,102	\$ 1,105
4	Adjustments:			
5	Allowance for Doubtful Accounts			\$ (44)
6	Budget Billing Plan			\$ (772)
7	Carbon Tax			\$ 65
8	GST & HST			\$ 57
9	PST & ICEF Levy			<u>\$ 17</u>
10	Cash working capital			<u><u>\$ 427</u></u>

Earned Return

For the Year Ended December 31, 2016
in \$000's

Utility Income	2,193
Deduct:	
Amortization of DIT drawdown*	
Other Interest Income	-
	<u>-</u>
Add:	
Interest on Long Term Debt	928
AFUDC and Imputed Interest on Deferral	(18)
Amort of Debt Expenses	44
Other Interest Expense	243
Disallowances	3
Income Tax Account	339
	<u>1,538</u>
Adjusted Earnings	3,731
Deduct:	
Income tax calculated on Adjusted Earnings	(312)
Future Income Tax on Deferrals	(9)
	<u>(9)</u>
EARNED RETURN	<u><u>3,410</u></u>

INCOME TAXES

**SCHEDULE 3
 (000'S)**

Line No.		Actual <u>2016</u>
1	Calculation of Taxable Income	
2	Earned return before income taxes	3,731
3	Interest	(1,211)
4	Permanent differences	13
5	Timing differences	<u>(1,334)</u>
6		
7	Taxable income	<u><u>1,200</u></u>
8		
9	Calculation of Income Tax Expense	
10	Income taxes payable	312
11	Part I.3 tax	-
12	Deferred income tax	<u> </u>
13		
14	Income tax expense	<u><u>312</u></u>
15		
16	Particulars of Timing Differences	
17	A. Tax Effects Subject To Flowthrough	
18	Depreciation	1,836
19	Amortization	26
20	Capital cost allowance	(3,094)
21	Overheads capitalized	-
22	Other	<u>(102)</u>
23		
24		<u><u>(1,334)</u></u>
25	B. Tax Effects Subject To Deferral	
26	Deferred charges	<u> </u>
27		
28	Timing differences	<u><u>(1,334)</u></u>
29		
30	Tax rate	<u><u>26.00%</u></u>

Utility Rate Base and Rate of Return

For the Year Ended December 31, 2016

\$000's

	2016	2015	Mean
Gas Plant in Service	109,675	103,942	106,808
Accumulated Depreciation	(36,277)	(34,766)	(35,521)
Depreciated Value of Plant	<u>73,398</u>	<u>69,176</u>	<u>71,287</u>
Other Rate Base Items			
Contributions for construction			(10,308)
Tomslake net plant disallowance			(52)
Deferred income taxes			
Reserve for Damages			-
Pension funding in excess of expense			1,045
Unamortized deferred charges			538
Cash working capital			427
Other working capital			432
			<u>(7,917)</u>
Utility rate base			<u>63,370</u>
Earned Return			<u>3,410</u>
Earned Return as Percentage of Utility Rate Base			<u>5.38%</u>

RETURN ON CAPITAL

SCHEDULE 5 (000's)

Line No.		Actual <u>2016</u>
1	Short Term Debt	6,175
2	proportion	9.74%
3	rate of return	3.53%
4	return component	0.34%
5		
6	Long term debt	30,550
7	proportion	48.21%
8	rate of return	3.25%
9	return component	1.57%
10		
11	Common equity	26,645
12	proportion	42.05%
13	rate of return	8.25%
14	return component	3.47%
15		
16	Total capitalization	<u>63,370</u>
17		
18	Return on rate base	<u>5.38%</u>
19		
20	Utility rate base	<u>63,370</u>

Temperature Normalization Factor

For the Year Ended December 31, 2016

Degree Day Information		Fort St. John	Dawson Creek
Actual Degree Days		4,710.7	4,918.6
Normal Degree Days		5,600.1	5,312.2
Difference		(889.4)	(393.6)
% Change	Difference / Normal	-15.88%	-7.41%