

**Pacific Northern Gas (N.E.) Ltd.
Tumbler Ridge 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

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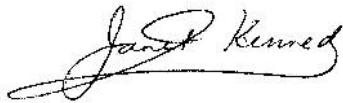
GENERAL INSTRUCTIONS

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 Georgia 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 Tumbler Ridge 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.

None

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 Canada Revenue Agency.

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

As at December 31
 \$000's

BCUC	2016	2015
<u>Account</u>		
ASSETS		
<u>Plant:</u>		
100 Gas plant in service	9,947	9,731
105 Accumulated depreciation	(6,159)	(5,997)
115 Gas plant under construction	225	126
	4,012	3,860
<u>Total Plant</u>		
<u>Current Assets:</u>		
120 Investment in subsidiary		
121 Other investments		
130 Cash		
131 Special deposit		
140 Accounts receivable - Trade	429	414
141 Conversion loans		
141 Accounts receivable - Other		
142 Accounts receivable - Inter company		
145 Bad Debts	(7)	(6)
150 Inventory - Materials & supplies		
152 Stored Gas		
153 Inventory - Line pack gas		
160 Prepaid expenses	4	6
162 Other Current Assets		
	426	415
<u>Total Current Assets</u>		
<u>Deferred Charges:</u>		
170 Unamortized debt discount & expense	3	4
171 Plant Losses	41	55
179 Other Deferred Charges	100	(144)
	144	(85)
<u>Total Deferred Charges</u>		
<u>Other Assets:</u>		
182 Future Income Taxes	(511)	(520)
182 Non-pension post retirement benefit	261	39
182 Accrued pension benefit asset	54	244
	(196)	(237)
<u>Total Other Assets</u>		
TOTAL ASSETS	4,386	3,953

COMPARATIVE BALANCE SHEET - EQUITY AND LIABILITIES

As at December 31
 \$000's

BCUC

<u>Account</u>	<u>2016</u>	<u>2015</u>
SHAREHOLDERS' EQUITY		
<u>Capital Stock & Surplus:</u>		
200 Preferred stock		
205 Common stock	230	230
210 Contributed surplus		
212 Retained earnings	<u>1,491</u>	<u>1,430</u>
Total Capital Stock & Surplus	<u>1,721</u>	<u>1,660</u>
LIABILITIES		
211 Contribution & grants	958	999
220 Long term debt	1,570	1,360
250 Loans & notes payable		
251 Accounts payable - other	80	131
252 Accounts payable - Affiliated Companies	194	38
253 Dividends payable		
254 Customers' security deposits	46	43
255 Customers' advances for construction		
256 Taxes accrued	26	33
257 Interest payable & accrued	0	0
259 Other Accrued Liabilities	204	169
276 Deferred income taxes		
280 Future Income Taxes	(414)	(481)
292 Reserves for injuries & damages		
TOTAL LIABILITIES	<u>2,665</u>	<u>2,293</u>
TOTAL EQUITY AND LIABILITIES	<u><u>4,386</u></u>	<u><u>3,953</u></u>

STATEMENT OF NET INCOME & RETAINED EARNINGS

For the Years Ended December 31
 \$000's

BCUC Account	2016	2015
NET INCOME		
<u>Operating Revenue:</u>		
300 Sales (520-523)	1,692	1,959
304 Amortization - Non Cash Revenue	37	45
300 Miscellaneous (560-579)	18	14
Total Operating Revenue	1,748	2,018
<u>Operating Expenses:</u>		
301 Cost of Sales (623 - 629)	238	497
301 Operating (664-689)	708	620
301 Administrative & General (700-729)	272	303
302 Maintenance (864-885)	138	70
303 Depreciation	140	150
304 Amortization	25	27
305 Municipal & Other Taxes	93	88
306 Income Taxes	7	33
Total Operating Expenses	1,620	1,789
314 Investment and Other Income		
Total Investment & Other Income		
<u>Income Deductions:</u>		
317 Loss on Foreign Exchange		
320 Interest on Long Term Debt	60	68
321 Amortization of Debt Discount, Premium & Expense	1	1
323 Other Interest Expense	4	3
324 AFUDC and Imputed Interest on Deferral	1	5
329 Other Income Deductions		
Total Income Deductions	66	77
Net Income Before Extraordinary item	61	152
332 Extraordinary Item		
Net Income	61	152
212 Balance Beginning of Year	1,430	1,278
350 Balance Transferred from Net Income	61	152
357 Dividends Declared		
Retained Earnings End of Year	1,491	1,430

Unamortized Debt Discount and Expense (Accounts 170 and 270)

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 beginning of year	Debits during year	Credits during year (amortization)	Balance end of year
			From	To				
2018 AG Debenture	1,698	6	6/7/2013	6/7/2018	3		(1)	2
2018 Debenture	801	13	11/15/1993	11/15/2018	1		(0)	1
					4	0	(1)	3

UNAMORTIZED DEFERRED CHARGES AND AMORTIZATION

(000's)

Particulars	BCUC Acct.	Actual Balance '15	Additions	Imputed Interest	Amortization	Actual Balance '16
1 Rate base items						
2 Plant Gains and Losses - extraordinary	(171)	(3)			(3)	-
3 Plant Gains and Losses - ordinary	(171)	43	0		11	32
4 Plant Gains and Losses - salvage value	(171)	(2)			(0)	(1)
5 Plant Gains and Losses - retirement costs	(171)	16			5	11
6 Demand Side Management	(171)	4	1		1	4
7 Sub-total Gross rate base deferrals		58	1	-	14	45
8 Related Future Income Taxes (FIT)		(5)	(0)		(1)	(4)
9 Rate Base deferrals, net of FIT		53	1	-	13	42
10						
11 Average rate base for the year						47
12						
13 Interest bearing deferrals						
14 BCUC Fees	(179)	(1)	0		(1)	-
15 Investigative Digs	(179)	-				-
16 GCVA	(179)	(195)	129	(4)		(70)
17 Short term Interest	(179)	-	(0)		(0)	-
18 Long term Interest	(179)	(5)	1		(4)	-
19 Industrial Customer Deliveries	(179)	13	104	1	13	104
20 BCUC Hearing & CAP/ROE	(179)	(5)	(6)		(5)	(6)
21 Property Tax	(179)	-	(2)		(2)	-
22 GCOC - 2013	(179)	-				-
23 Bad Debt Provision	(179)	-				-
24 Permanent to Interim Rate Adjustment	(179)	-				-
25 Studies	(179)	22		1	8	15
26 RSAM	(179)	181	(9)	9		181
27 Resource Plans	(179)	-	1		1	-
28 Legacy Deferred Income Taxes - Offset to NPPRB Regulatory Asset	(179)	(23)		(1)	(9)	(16)
29 Legacy Deferred Income Taxes	(179)	(174)		(7)	(41)	(139)
30 Sub-total gross interest bearing deferrals		(188)	217	(1)	(40)	69
31 Related Future Income Taxes (FIT)		(3)	(57)	(2)	(3)	(58)
32 Interest Bearing deferrals, net of FIT		(190)	161	(3)	(43)	11
33						
34 NPPRB Regulatory Asset (Non-return bearing)		32			11	21
35 NPPRB Transitional Obligations (Non-return bearing)		9			3	6
36						
37 Total gross deferrals (excl. debt issue)		(89)	219	(1)	(12)	141
38 Future Income Taxes on deferrals (excl. debt issue)		(7)	(57)	(2)	(4)	(62)
39						
40 Total deferrals, net of FIT (excl. debt issue)		(96)	162	(3)	(16)	79
41						
42 Debt/equity issue costs	(170)	4			1	3

GAS PLANT IN SERVICE

As At December 31, 2016
 (000's)

Description	BCUC A/C	2015 Balance	2016 Additions	2016 Retirements	2016 Transfer	Ending Balance
Land	(410)	3				3
Land Rights	(411)	0				0
Structures & Improvements	(412)	34				34
Measuring & Reg. Structures	(413)	75				75
Measuring & Reg. Equip	(417)	30				30
Purification Equipment	(418)	3,581	188	(20)		3,750
Total Gathering Plant		3,724	188	(20)	-	3,892
Land	(460)	-				-
Land Rights	(461)	-				-
Comp. Structures	(462)	-				-
Meas/ & Reg. Equip	(463)	-				-
Mains	(465)	1,741				1,741
Compressor Equipment	(466)	4				4
Meas. & Reg. Equipment	(467)	407	22			429
Communication Structures & Equip.	(468)	5				5
Other	(469)	-				-
Total Transmission		2,157	22	-	-	2,180
Land	(470)	-				-
Land Rights	(471)	2				2
Struct./Improvements	(472)	326	17	(2)		341
Services	(473)	716		(0)		715
House Reg. Installations	(474)	286				286
Mains	(475)	1,100				1,100
Compressor Equipment	(476)	-				-
Meas. & Reg. Equipments	(477)	321				321
Meters	(478)	204		(2)		202
Other Dist. Equipments	(479)	-				-
Total Distribution		2,954	17	(4)	-	2,967
Land	(480)	23				23
Land Rights	(481)	-				-
Struc./Improvements	(482)	402				402
Office Furniture/Equipement	(483)	47				47
Transport Equipment	(484)	40				40
Heavy Work Equipment	(485)	107	10			117
Tools/Work Equipment	(486)	130				130
Computer Equipment	(487)	28	3			31
Communication Structures & Equip.	(488)	117				117
Undistributed Plant Additions	(496)	-				-
Total General		896	13	-	-	908
Total Capital		9,731	240	(24)	-	9,947
WIP-per G/L		126	98			225

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
Structures & Improvements	(412)	(21)	(2)				(23)
Measuring & Regulating Struct. Imp.	(413)	(70)	(4)				(74)
Measuring & Reg. Equip	(417)	(15)	(1)				(16)
Purification Equipment	(418)	(2,604)	(54)	20			(2,638)
Total Gathering Plant		(2,710)	(60)	20	-	-	(2,751)
Land Rights	(461)	-					-
Comp. Struc.	(462)	-					-
Meas/Reg Struct.	(463)	-					-
Mains	(465)	(1,038)	(25)				(1,062)
Compressor Equipment	(466)	(3)	(0)				(3)
Meas. & Reg. Equipment	(467)	(61)	(17)				(77)
Communications	(468)	-	(0)				(0)
Other	(469)	-					-
Total Transmission		(1,101)	(42)	-	-	-	(1,143)
Land Rights	(471)	-					-
Struct./Improvements	(472)	(80)	(11)	2			(89)
Services	(473)	(302)	(14)	0			(316)
House Reg. Instal.	(474)	(231)	(8)				(239)
Mains	(475)	(549)	(17)				(566)
Compressor equipment	(476)	-					-
Meas. & Reg. Equipment	(477)	(222)	(7)				(229)
Meters	(478)	(73)	(6)	2			(77)
Other Dist. Equipment	(479)	-					-
Total Distribution		(1,456)	(63)	4	-	-	(1,515)
Land Rights	(481)	-					-
Struct./Improvements	(482)	(399)	(1)				(400)
Office Furniture/Equipment	(483)	(31)	(2)				(33)
Transport Equipment	(484)	(9)	(5)				(14)
Heavy Work Equipment	(485)	(75)	(9)				(84)
Tools/Work Equipment	(486)	(72)	(4)				(76)
Computer Equipment	(487)	(27)	(0)				(27)
Communication Equipment	(488)	(117)	(0)				(117)
Other	(489)	-					-
Unclassified plant	(496)	-					-
Total General		(730)	(20)	-	-	-	(750)
Total		(5,997)	(186)	24	-	-	(6,159)
Amortization of CIAC			41				
Depreciation capitalized			6				
Depreciation expense			(140)				

GAS PLANT UNDER CONSTRUCTION (115)

(\$ 000's)

<u>Description of Project</u>	<u>Balance</u> <u>2016</u>
PROJECTS NOT SUBJECT TO AFUDC	
Pipe	\$ -
Fittings	-
Transmission Materials	-
Projects Under Construction	<u>-</u>
Total	<u>-</u>
WIP - Carryforward Projects	225
TOTAL WORK IN PROGRESS	<u><u>\$ 225</u></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	71	853	1,141
Commercial	46	397	104
Industrial	-	-	-
Transportation	596	442	1
Total	<u>713</u>	<u>1,692</u>	<u>1,246</u>
Amortization of Deferred Charges (304)		37	
Miscellaneous (560-579)		18	
Total		<u>1,748</u>	

Gas Operating Expenses

For the Years Ended December 31
 (\$ 000's)

Account and Description	2016	2015
623 - 629 Gas Purchases	238	497
621 Processing Plant	327	238
621 Processing Plant Gas	46	49
	373	287
660 Supervision	0	0
664 Communications	-	0
665 Pipelines	14	8
666 Compressors	-	-
667 Regulating stations	16	22
Total Transmission - Operation	30	31
670 Supervision	14	16
673 Removing & resetting meters	15	15
674 Service on customer premises	0	1
675 Mains and services	19	5
677 Regulating stations	-	-
Total Distribution - Operation	48	37
684 Communications	-	-
685 General systems operations	93	94
686 Safety	4	17
687 Training	21	12
688 Other general operations	47	37
689 Transferred to capital	(21)	(12)
Total General - Operation	143	148
700 Sales supervision	-	-
701 Advertising	-	-
702 Demo & selling	-	-
Total General - Sales	-	-
711 Customer contracts	17	18
712 Meter reading	7	6
713 Customer billing	80	86
714 Credit and collections	3	3
718 Uncollectible accounts	6	5
Total Customer Accounting	113	118

Gas Operating Expenses

For the Years Ended December 31
 (\$ 000's)

Account and Description	2016	2015
721 Administration	100	100
722 Special Services	8	21
723 Insurance	7	7
725 Employee Benefits	146	152
728 Fiscal and corporate expense	33	32
729 Transferred to capital	(21)	(9)
730 Amortization of Deferred Charges		
Total Admin & General - Operation	272	303
821 Processing	123	38
Total Processing - Maintenance	123	38
864 Communications	-	-
865 Pipelines	4	9
867 Regulating Equipment	8	5
Total Transmission - Maintenance	11	15
872 Structures	0	14
875 Mains and services	3	1
877 Regulating stations	-	-
878 Meters	1	3
879 Other	-	-
Total Distribution - Maintenance	4	18
884 Communications	-	-
885 General	-	-
Total General - Maintenance	-	-
TOTAL GAS OPERATING EXPENSES	1,117	994
Summary		
Operation Expense	708	620
Admin & General Expense	272	303
Maintenance Expense	138	70
	1,117	994

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	21	0	21		3.6%
Administrative (2)	0	21	0	21		3.6%
Capitalized Depreciation	0	6	0	6		42.9%
Other charges (3)	0	2	0	2		100.0%
Total	\$ -	\$ 50	\$ -	\$ 50	\$ 289	17.2%
<u>Breakdown:</u>						
Gathering Plant				\$ 13		
Transmission				\$ 34		
Distribution				\$ 2		
				<u>\$ 50</u>		

Capitalization Procedure:

- (1) The pooled field operations costs were charged at a 3.6% capitalization rate on average in 2016.
- (2) The total administrative costs including employee benefits were subject to an 3.6% 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 \$49,635 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	772
Total Receipts	<u>772</u>
Gas Delivered	
Sales to ultimate customers	117
Transportation volume	<u>596</u>
	713
Gas used by utility	54
Total Deliveries	<u>767</u>
Losses and Unaccounted for Gas	
Known lost gas	0
Unaccounted for gas	<u>5</u>
	<u>5</u>
Total Deliveries, Losses and Unaccounted for Gas	<u>772</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)
Tumbler Ridge	2,853	\$ 1,692	\$ 853

Residential		Commercial		Industrial (including Transport)	
TJ	Year End Customers	TJ	Year End Customers	TJ	Year End Customers
71	1,141	46	104	596	1

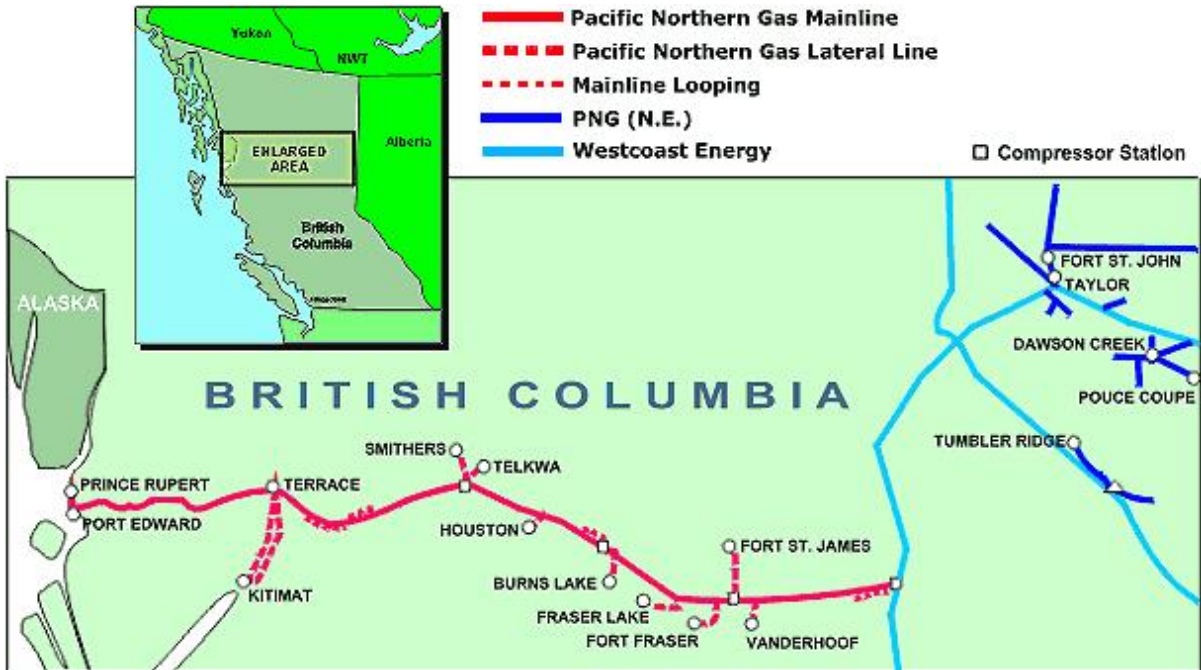
SERVICE INTERRUPTIONS AND PROPERTY DAMAGE

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)

Line No.	<u>Particulars</u>	Lag/(Lead) <u>Days</u>	<u>Expense</u>	<u>Working Capital</u>
1	Revenue	57.7		
2	Expense	<u>(22.3)</u>		
3	Operating working capital	35.4	\$ 1,404	\$ 136
4	Adjustments:			
5	Allowance for Doubtful Accounts			\$ (6)
6	Equal Billing Plan adjustment			\$ (28)
7	Carbon Tax			\$ 0
7	GST & HST			\$ 2
8	PST and ICE Fund Levy			<u>\$ 0</u>
9	Cash working capital required			<u><u>\$ 104</u></u>

Earned Return

For the year ended December 31, 2016
(\$000's)

Utility Income	61
Deduct:	
Other income	-
	<u>-</u>
Add:	
AFUDC and Imputed Interest on Deferral	1
Interest on Long Term Debt	60
Interest on Short Term Debt	4
Amort of Debt Expense	1
Income Tax Account	7
	<u>73</u>
Adjusted Earnings	135
Deduct:	
Income tax calculated on Adjusted Earnings	(5)
Future Income Tax on Deferrals	4
	<u>4</u>
EARNED RETURN	<u><u>134</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	135
3	Interest	(64)
4	Permanent differences	2
5	Timing differences	(53)
6		<hr/>
7	Taxable income	<u>19</u>
8		
9	Calculation of Income Tax Expense	
10	Income taxes payable	5
11	Part I.3 tax	-
12	Deferred income tax	-
13		<hr/>
14	Income tax expense	<u>5</u>
15		
16	Particulars of Timing Differences	
17	A. Tax Effects Subject To Flowthrough	
18	Depreciation	140
19	Amortization	(12)
20	Capital cost allowance	(168)
21	Overheads capitalized	-
22	Other	(14)
23		<hr/>
24		<u>(53)</u>
25	B. Tax Effects Subject To Deferral	
26	Deferred charges	-
27		<hr/>
28	Timing differences	<u>(53)</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	9,947	9,731	9,839
Accumulated Depreciation	(6,159)	(5,997)	(6,078)
Depreciated Value of Plant	<u>3,788</u>	<u>3,734</u>	3,761
Other Rate Base Items			
Contributions for Construction			(979)
Deferred Income Taxes			-
Reserve for Damages			-
Pension funding In Excess of Expense			101
Unamortized Deferred Charges			47
Cash Working Capital			104
Other Working Capital			-
Utility Rate Base			<u><u>3,034</u></u>
Earned Return			<u><u>134</u></u>
Earned Return as Percentage of Utility Rate Base			<u><u>4.41%</u></u>

RETURN ON CAPITAL

SCHEDULE 5 (000's)

Line No.		Actual <u>2016</u>
1	Short Term Debt	\$ (12)
2	proportion	(0.39%)
3	rate of return	(9.64%)
4	return component	0.04%
5		
6	Long term debt	\$ 1,355
7	proportion	44.67%
8	rate of return	4.63%
9	return component	2.07%
10		
11	Common equity	\$ 1,690
13	proportion	55.72%
14	rate of return	4.15%
15	return component	2.31%
16		
17	Total capitalization	<u>\$ 3,034</u>
18		
19	Return on rate base	<u>4.41%</u>
20		
21	Utility rate base	<u>\$ 3,034</u>

Temperature Normalization Factor

For the year ended December 31, 2016

Degree Day Information

Actual Degree Days	4,655.7
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Normal Degree Days	5,027.6
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Difference

% Change	Difference / Normal	-7.40%
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