

Pipeline

ANNUAL REPORT

For Year Ending December 31, 2017

OF

Abaco Energy Services, LLC

to

THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MONTANA

1701 Prospect Avenue

PO Box 202601

Helena, MT 59620-2601

Dept. Use Only

Received

Date

INSTRUCTIONS

Section 69-13-301, MCA, Requirements in ARM 38.7.102, **Rule II: ANNUAL REPORTS** (1) Each Intrastate Common Carrier Pipeline Company shall file with the Commission, at its office in Helena, MT an annual report for each calendar year. This Report shall be filed not later than the 30th day of April next following the year for which the report is made. The report shall show the names of officers, directors and the residences of each; amount of capital stock and bonded indebtedness outstanding; capital investment with additional investments made during the year; assets and liabilities; revenues and expenditures; depreciation; statistical data as to petroleum delivered and lost during transportation (as it relates to Montana).

(2)... The above stated ARM 38.7.102 may be fulfilled by submission of Federal Energy Regulatory Commission (FERC) Form 6 Annual Report of oil pipeline companies, supplemented by such other forms as the Commission may prescribe. The supplemental forms shall be duly verified under oath by an officer of the company.

Gas Annual Report

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Schedules 2, 3 & 4

2017

Identification/Officers/Corporate Structure

Schedules 5-7 Do not apply

For Year Ended: **First Year reported** 2017

Date Abaco Energy Services, LLC Purchased Assets from Northwestern Energy July 25, 2007

Date Abaco Energy Services, LLC was deemed "regulated" by the MT PSC December 22, 2016

Telephone Number: 701-751-1661

Document Prepared By: Su-Lin Tschider
Chief Financial Officer
5359 Mica Dr.
Bismarck, ND 58503

Officers & 100 % Owned by the following:

Jeffrey D. Jonson
Chief Executive Officer
1825 Harbor Dr.
Bismarck, ND 58504

Su-Lin Tschider
Chief Financial Officer
5359 Mica Dr.
Bismarck, ND 58503

Stacy L. Tschider
President
8606 Island Road
Bismarck, ND 58503

Deborah A. Jonson
Executive Officer/Secretary
1825 Harbor Dr.
Bismarck, ND 58504

Abaco Energy Services, LLC is a Limited Liability Company

2017

Schedule 8-10

Montana Utility Income Statement

	<u>This Year</u>	<u>This Year</u>
Operating Revenues:		
Commercial	\$ 1,001,287	
Residential	\$ 202,825	
Miscellaneous Revenues	\$ 17,310	
Total Operating Revenue		<u>\$ 1,221,422</u>
Propane Supply Expense	\$ 568,587	
Operation and Maintenance Expense	\$ 489,050	
Total Operating Expenses		<u>\$ 1,057,637</u>
Depreciation Expense	\$ 95,629	
Remediation Expense	\$ 30,000	
Taxes Other Than Income	\$ 30,502	
Total Expenses		<u>\$ 1,213,768</u>
Net Income Before Taxes & without rate case		<u><u>\$ 7,654</u></u>

2017

Schedule 11

Montana Taxes Other Than Income

Description:	This Year	
Taxes associated with Payroll/Labor	\$	23,109
Real Estate Taxes	\$	2,237
Consumer Counsel	\$	1,003
Public Service Commission	\$	4,153
Total Taxes Other Than Income	<u>\$</u>	<u>30,502</u>

Schedule 12**Payment for Services****Schedule 13 does not apply**

	Name or Recipient	Nature of Service	Total
1	Aon Risk Services Central, Inc.	Insurance	\$26,028
2	Blue Cross Blue Schield of ND	Health insurance	\$18,917
3	Browning, Kaleczyc, Berry & Hoven, P.C.	Legal services	\$31,965
4	Gibson Energy US	Propane supply	\$566,769
5	One Call Locators, LTD DBA ELM Locating	Location services	\$7,484
6	Pro Team Plowing	Snow removal services	\$7,000
7	Rocky Mountain Contractors	Pipeline construction	\$8,827
8	Kevin Shuttlesworth	Engineering/consulting fees	\$12,275
9	Widmer Roel PC	Payroll and tax services	\$5,710
10	Williams Plumbing	System (leak) survey assistance	\$6,639

2017

Schedule 13 does not apply

Schedule 14

Pension Costs

Abaco Energy Services, LLC-Simple IRA

Plan Name:	5304 Savings Incentive Match Plan for Employees of Small Employers(SIMPLE)
MT Employees Covered:	1
Employer Contribution:	\$2,253

2017

Schedule 15 does not apply

Schedule 16

Top Ten MT Compensated Employees

Schedule 17 does not apply

Name/Title	Base Salary	Other*
Joey McMullen, General Manager	\$ 75,098	\$ 11,917

* Includes health insurance, retirement contribution, and Christmas gift.

2017

Schedule 18
Balance Sheet

Description	12/31/2017	Subtotal
Assets		
CURRENT ASSETS		
Cash - Paypal	\$ 335	
Cash - Checking - Flex Ben	\$ (2,116)	
Cash - Checking Account	\$ (43,331)	
Cash	\$ 41,075	
MMDA	\$ 1,236	
		<u>\$ (2,801)</u>
A/R Year End	\$ 207,600	
A/R-ABACO Capital/Aviation	\$ 3,525	
		<u>\$ 211,125</u>
Inventory - Propane	\$ 29,575	
Inventory - Parts, Meters, etc.	\$ 6,789	
Prepaid Expenses	\$ 11,678	
TOTAL CURRENT ASSETS		<u>\$ 256,366</u>
PROPERTY & EQUIPMENT		
Plant and Equipment	\$ 1,502,632	
Accumulated Dep (P&E)	\$ (813,435)	
Plant and Equipment - Customer	\$ 142,017	
Accumulated Dep (Customer P&E)	\$ (55,332)	
TOTAL PROPERTY & EQUIP		<u>\$ 775,882</u>
INTANGIBLE ASSETS		
Covenant not to Compete	\$ 1,000	
Accum Amort - Non Compete	\$ (667)	
Finders Fee	\$ 50,000	
Accum Amort - Finders Fee	\$ (33,350)	
Organizational Costs	\$ 1,998	
Accum Amort - Org Costs	\$ (1,332)	
Goodwill	\$ 24,000	
Accum Amort - Goodwill	\$ (16,008)	
TOTAL OTHER ASSETS		<u>\$ 25,641</u>
TOTAL ASSETS		<u><u>\$ 1,057,889</u></u>

2017

Liabilities

CURRENT LIABILITIES

Accounts Payable	\$	31,210	
Employer Match Safe Harbor	\$	188	
Due to (from) Tschider	\$	65,000	
Due to (from) Jonson	\$	40,000	
Accrued Interest-LT Loan	\$	333	
Accrued Interest - Owners	\$	10,478	
Deductions Payable	\$	400	
Federal Payroll Taxes Payable	\$	11,809	
FUTA Payable	\$	9,434	
State Payroll Taxes Payable	\$	2,263	
Customer Deposits	\$	1,400	
Current Portion - LTD	\$	4,214	
TOTAL CURRENT LIABILITIES			\$ 176,728

LONG-TERM LIABILITIES

Non-Current LTD	\$	83,018	
Tank Farm Remediation Accrual ¹⁾	\$	30,000	
TOTAL LONG-TERM LIABILITIES			\$ 113,018

TOTAL LIABILITIES			\$ 289,745
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Donated Capital

Customer Contributed Plant	\$	142,017	
Less Amorization	\$	(55,332)	
			\$ 86,685

TOTAL LIABILITIES AND DONATED CAPITAL			\$ 376,430
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Capital

Retained Earnings	\$	(107,690)	
Member Equity - Jonson	\$	19,949	
Member Equity - Tshider	\$	19,949	
Other Equity ²⁾	\$	741,597	
Net Income	\$	7,654	

TOTAL CAPITAL			\$ 681,459
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TOTAL LIABILITIES AND CAPITAL			\$ 1,057,889
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\$ -

Footnotes:

¹⁾ Boyne Contract states Abaco must remediate the site if agreement cannot be reached on purchase price of Abaco assets. This is the accrual for that contingent liability

²⁾ Balance sheet adjustment to reflect change to a regulated company from a previously non-regulated company.

2017

Schedule 19**MT Plant in Service**

PLANT	12/31/2016	Acquisitions	Deletions	12/31/2017
Total Plant	\$ 1,723,630	\$ 8,775	\$ (10,758)	\$ 1,721,647
Less:				
Customer Contributed	\$ 134,705	\$ 7,312		\$ 142,017
Intangible Assets	\$ 76,998			\$ 76,998
Total Utility Plant	\$ 1,511,927	\$ 1,463	\$ (10,758)	\$ 1,502,632

Schedule 20

MT Depreciation Summary

	Accumulated Depreciation 12/31/2016	Depreciation Expense 2017	Less Plant Dispositions	Accumulated Depreciation 12/31/2017
Physical Plant	\$ 733,457	\$ 89,222	\$ (9,244)	\$ 813,435
Customer Contributed Retired Plant	\$ 38,879	\$ 16,453	\$	\$ 55,332
	\$	\$ 1,271		
	\$ 772,336	\$ 106,946	\$ (9,244)	\$ 868,767
	\$ -	\$ -		\$ -
INTANGIBLES				
Amortized				
Covenant not to compete	\$ 600	\$ 67		\$ 667
Finders Fee	\$ 30,015	\$ 3,335		\$ 33,350
Organizational Costs	\$ 1,199	\$ 133		\$ 1,332
Goodwill	\$ 14,407	\$ 1,601		\$ 16,008
	\$ 46,221	\$ 5,136		\$ 51,357
Less Customer Contributed		\$ (16,453)		
		<u>\$ 95,629</u>		

2017

Schedule 21

MT Materials and Supplies

Inventory - Propane	\$29,575
Inventory - Parts, Meters, etc.	\$6,789
Prepaid Expenses	\$11,678
	<hr/>
	\$48,042
	<hr/> <hr/>

2017

Schedule 22

MT Regulatory Capital Structure

Schedule 23 not calculated due to first year

<u>Description</u>	<u>Balance</u>	<u>Ratio</u>
Debt	\$ 376,430	35.58%
Equity	\$ 681,459	64.42%
	<u>\$ 1,057,889</u>	<u>100.00%</u>

2017

Schedule 24

Long Term Debt

Schedule 25-26 do not apply

Issuer	Date issued	Date Matures	Issued	Interest	Monthly Payments	12/31/2017 Balance
BNC National Bank	8/3/2015	8/1/2019	\$200,000	4.30%	\$4,548	\$87,232
Stacy Tschider			\$32,500			\$32,500
Su-Lin Tschider			\$32,500			\$32,500
Jeff Jonson			\$20,000			\$20,000
Deb Jonson			\$20,000			\$20,000
					<u>\$4,548</u>	<u>\$192,232</u>
BNC National Bank-LOC	7/1/2017	6/30/2018	\$200,000	5.25%		<u>\$0</u>

2017

Schedule 27

MT Earned Rate of Return

Net Income Before Taxes		<u>\$ 7,654</u>
Net Plant	\$775,882	
Net Intangibles	\$25,641	
Inventory, Materials and Supplies	\$48,042	
Total Rate Base		<u>\$849,565</u>
Earned Rate of Return Before Taxes		<u>0.90%</u>

2017

Schedule 28

MT Composite Statistics

Plant	
Plant:	\$ 1,502,632
Depreciation and amortization:	\$ 95,629
Net Plant:	\$ 813,435

Revenues & Expenses	
Total Operating Revenue	\$ 1,221,422
Propane Supply Expense	\$ 568,587
Operation and Maintenance Expense	\$ 489,050
Depreciation Expense	\$ 95,629
Remediation Expense	\$ 30,000
Taxes Other Than Income	\$ 30,502
Total Expenses	\$ 1,213,768
Net Income without rate case	\$ 7,654

Customers	
Residential	208
Commercial	26

2017

Schedule 29

MT Customer Information

Commercial Customers	26
Residential Customers	208
Total MT Customers	<u>234</u>

2017

Schedule 30

MT Employee Count

MT Employee Count: 1

2017

Schedule 31

MT Construction Budget

Do not prepare

2017

Schedule 32

Distribution and Storage Systems

2017	Total Propane Volumes
Jan	134,743
Feb	112,028
Mar	94,272
Apr	64,479
May	31,602
Jun	35,212
Jul	29,318
Aug	30,637
Sep	41,929
Oct	40,632
Nov	73,613
Dec	120,420
Total 2017	808,914
Avg Residential	15%
Avg Commercial	85%

2017

Schedule 33

Sources of Propane Supply

Schedule 34 do not apply

Name of Supplier	Dekatherm Volumes-2017	Average Commodity Cost-2017
Gibson Energy US	101,021	\$5.63

Schedule 35**MT Consumption and Revenues****Schedule 36a-36b do not apply**

	<u>Commercial</u>		<u>Retail</u>		<u>Total</u>
Revenues					
Commodity (Gallons)	668,086		140,828		808,914
Propane Revenue	\$ 509,638	\$	91,168	\$	\$ 600,806
O & M Revenue	\$ 234,641	\$	42,007	\$	\$ 276,649
Distribution Revenue	\$ 257,008	\$	59,830	\$	\$ 316,838
Total Operating Revenue	\$ 491,649	\$	101,837	\$	\$ 593,486
Total Annual Service Charge		\$	9,820	\$	\$ 9,820
Total Revenue	\$ 1,001,287	\$	202,825	\$	\$ 1,204,112

AFFIDAVIT

STATE OF North Dakota)
County of Burleigh) ss.

I, the undersigned, on oath do say that the foregoing return and any accompanying schedules have been prepared from the original books, papers and records of Abaco Energy Services, LL Company; that I have carefully examined the same; and declare the same to be a complete and correct statement of the business and affairs of the said company in respect to each and every matter and thing set forth, to the best of my knowledge and belief; and I further say that no deductions were made before stating the gross earnings or receipts herein set forth, except those shown in the foregoing accounts.

Suzhin Melanie Tschider
(Signature)

CFO
(Official Title)

SUBSCRIBED AND SWORN to before me at Suzhin Melanie Tschider
this 26th day of April, 2018

[Signature]
(Notary Public)

Marcus Ulmer
(Name printed or typed)

My Commission Expires: May 13, 2020

MARCUS ULMER
Notary Public
State of North Dakota
My Commission Expires May 13, 2020