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February 29, 2012

British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Ms. Alanna Gillis, Acting Commission Secretary

Dear Ms. Gillis:

Re: FortisBC Energy Inc. ("FEI")

Application for a Certificate of Public Convenience and Necessity ("CPCN") for Constructing and Operating a Compressed Natural Gas ("CNG") Refueling Station

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Attached please find an Application by FEI to the British Columbia Utilities Commission ("BCUC" or the "Commission") seeking the following:

- A CPCN for the construction and operation of a CNG refueling station (also referred to as the "Project") under sections 45 and 46 of the *Utilities Commission Act* and in accordance with Commission Order G-9-12; and,

- Approval of rate design and rates established in the Fueling Station License and Use Agreement with BFI Canada Inc. for CNG Service (the "BFI Agreement") filed with this Application as just and reasonable under sections 59-61 of the *Utilities Commission Act*.

If you require further information or have any questions regarding this submission, please contact Shawn Hill at (604) 592-7840 or Mark Grist at (604) 592-7874.

Yours very truly,

FORTISBC ENERGY INC.

Original signed by: Ilva Bevacqua

For: Diane Roy

Attachment

cc (email only): Registered Parties to the AES Inquiry Proceeding
Registered Parties to the FEI CNG-LNG Proceeding

FortisBC Energy Inc.

Application for a Certificate of Public Convenience and Necessity for Constructing and Operating a Compressed Natural Gas Refueling Station at BFI Canada Inc.

Volume 1 - Application

February 29, 2012

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List of Appendices

1 APPROVALS SOUGHT

On January 31, 2012, FortisBC Energy Inc. ("FEI" or the "Company") and BFI Canada Inc. ("BFI"), a waste management company, entered into an agreement which provides for FEI to supply, install and maintain a Compressed Natural Gas ("CNG") refueling station on BFI's premises and to charge BFI for its CNG service. FEI seeks the following approvals from the British Columbia Utilities Commission ("BCUC" or the "Commission") in this application (the "Application") in order to provide and charge for the service:

- A Certificate of Public Convenience and Necessity ("CPCN") for the construction and operation of a CNG refueling station (also referred to as the "Project") under sections 45 and 46 of the *Utilities Commission Act* (the "Act") and in accordance with Commission Order No. G-9-12; and,
- Approval of rate design and rates established in the Fueling Station License and Use Agreement with BFI for CNG Service ("BFI Agreement" or the "Agreement") filed with this Application as just and reasonable under sections 59-61 of the Act.

The approvals sought in this Application put in place the infrastructure and rate structure to provide CNG refueling service to BFI. As explained in sections 3.3 and 3.4 below, although the Project is built and operated at the request of BFI, it advances the applicable British Columbia energy objectives and complies with FEI's most recent long-term resource plan. Moreover, the rate structure is designed in accordance with Section 12B of FEI's General Terms and Conditions ("GT&Cs") that was recently approved by Commission Order No. G-14-12.

As outlined below, FEI is proposing a regulatory process that allows the construction of the CNG fueling station to be completed in mid-September and the station to be commissioned prior to October 1, 2012. This timing is required by BFI, as it was the successful proponent in a recent Request for Proposal ("RFP") issued by the City of Surrey for municipal waste collection services and is contractually obligated to commerce service on October 1, 2012. Failure to meet this timeline would result in financial penalties to BFI under the terms of their agreement with City of Surrey. Given that the rate in the BFI Agreement is consistent with Section 12B of the GT&C, it is FEI's view that the review of this Application can be done in a streamlined and timely manner, with the primary focus of the review process on the rate terms and inputs that determined the rate for BFI.

2 THE APPLICANT

2.1 Name, Address and Nature of Business

FEI is a company incorporated under the laws of the Province of British Columbia and is a wholly-owned subsidiary of FortisBC Holdings Inc., which in turn is a wholly-owned subsidiary of Fortis Inc. FEI maintains an office and place of business at 16705 Fraser Highway, Surrey, British Columbia, V4N 0E8.

FEI is the largest natural gas distribution utility in British Columbia, providing sales and transportation services to residential, commercial, and industrial customers in more than 100 communities throughout British Columbia, with approximately 840,000 customers served throughout British Columbia. FEI's distribution network delivers gas to more than eighty percent of the natural gas customers in British Columbia.

2.2 FEI's CNG/LNG Service and Service Offering

On December 1, 2010, FEI submitted to the Commission an Application for Approval of GT&Cs for CNG and Liquefied Natural Gas ("LNG") Service (the "NGT Application")[1]. Among other things, FEI requested Commission approval for a new tariff provision - Section 12B for Vehicle Fueling Station - to be added to FEI's GT&Cs. The proposed Section 12B was designed to facilitate the development of both CNG and LNG refueling stations on the FEI distribution system that would be owned and operated by FEI. FEI's investment in infrastructure backed by a long-term take-or-pay contract generates benefits not only for the NGT customer but also for natural gas customers through incremental volume increase and slight rate reduction and British Columbians generally (as illustrated through the BFI Agreement in section 3.3). In the NGT Application, FEI also requested Commission approval of FEI's service agreement with its first CNG customer, Waste Management ("WM"), which was granted by Commission Order No. G-128-11.

The end-to-end service offering exemplified by the WM service agreement entails CNG/LNG customers, at their requests, receiving a complete fueling service whereby the construction of a fueling infrastructure, delivery of the fuel, and operation and maintenance of the station are the responsibilities of FEI while the customers are bound by a service charge during the contract term that is designed to pay for the cost of the service to the customer and the capital asset necessary to provide the service . Figure 1 below summarizes the service offering for CNG customers.

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1 In its internal and external communications, FEI has changed its terminology from Natural Gas Vehicles ("NGV") to Natural Gas for Transportation ("NGT"). NGT more accurately describes FEI's target markets (i.e. not just vehicles, but transportation) and aligns with industry language. The term NGT will be reflected in FEI's future communications and regulatory filings.

Figure 1: FEI's CNG Service Offering

2.3 Financial Capability

FEI is regulated by the BCUC. FEI is capable of financing the Project either directly or through its indirect parent, Fortis Inc. FEI has credit ratings for senior unsecured debentures from Dominion Bond Rating Service and Moody"s Investors Service of A and A3 respectively.

2.4 Technical Capability

FEI has over 25 years of experience in the NGT market in BC.[2] As mentioned above, FEI has recently obtained Commission approval to provide CNG service at WM's site in Coquitlam, which fuels WM's first CNG waste hauler fleet in Canada. The CNG service to be provided to BFI is substantially the same as the service by FEI to WM.

For this Project, FEI is utilizing Jenmar Concepts Inc. ("Jenmar"), an engineering consulting firm, for site design and construction support activities. FEI has an existing master services agreement with Jenmar which was established prior to the WM project. Subject to a competitive bid process, FEI also intends to use specialized service providers to provide electrical service and civil/structural construction through Ross Morrison Electrical Ltd. and Avante Construction Ltd. respectively. All three of these service providers also provided services in the completion of the WM project.

2.5 Project Team

FEI's Project team consists of the following:

- FEI VP, Energy Solutions & External Relations – executive sponsor for the Project;

[2] Please refer to the Section 2 of the NGT Application for more details on FEI's past experience and technical capability.

- FEI Project Manager – responsible for managing overall project milestones and budget from implementation to commissioning;
- NGT Sales Manager – responsible for customer relationship activities such as the delivery of FEI's service offering and contract negotiations;
- FEI Operations - responsible for asset management and performing ongoing maintenance of the fueling station.

As mentioned above, FEI's external service providers, subject to a competitive bid process, may include:

- Jenmar Concepts Inc. - Engineering Design, Site Layout & Construction
- Ross Morrison Electrical Ltd. - Electrical Service
- Avante Construction Ltd. - Civil and Structural Construction

2.6 Name, Title and Address of Company Contact

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2.7 Name, Title and Address of Legal Counsel

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2.8 Recommended Regulatory Process

The estimated capital expenditure for BFI's CNG refueling station is approximately $1.9 million.[3] As determined in Commission Order No. G-9-12, a zero dollar CPCN threshold is established for CNG and LNG refueling station projects. Thus, a CPCN is required for the construction and operation of the applied-for refueling station. Although FEI is structuring this Application, and endeavors to provide all the relevant information, in accordance with the Commission's 2010 Certificates of Public Convenience and Necessity Application Guidelines ("CPCN Guidelines"), FEI does not believe that all requirements of the CPCN Guidelines are applicable to this Application. For instance,

- As the refueling station will be completely built and operated on BFI's premises and its installation and operation will have little potential effect on First Nations and the public, there is no need for public or First Nations consultation. Thus, FEI has not included in the Application any discussion on public and First Nations consultation. Nor has FEI identified and assessed potential effects of the Project on First Nations and the general public in terms of physical, social or biological environment (see CPCN Guidelines section 4(vi)). This is consistent with what was done for Waste Management.[4]
- Unlike the usual CPCN applications to build and operate energy infrastructure, the Project is at the request of a customer and will be built to serve this particular customer's need. Since BFI had decided to use CNG trucks for its waste collection services before contacting FEI,[5] no analysis of alternatives as requested under section 2 of the CPCN Guidelines is necessary.
- BFI is currently a customer of FEI, and the Application does not open up any new service areas within FEI's service territory. Thus, section 7 of the CPCN Guidelines is not applicable. However, in clause 18.6 of the BFI Agreement, contact information relating to the service pursuant to the BFI Agreement is provided.

BFI was awarded a municipal waste collection services contract by the City of Surrey in December 2011 and is contractually obligated to start service on October 1, 2012. Since December, FEI and BFI have been actively negotiating the terms of the Agreement and reached the enclosed Agreement in relatively short order, on January 31, 2012, partially due to the fact that Section 12B of GT&Cs establishes the basic terms and rate structure under which FEI can provide CNG service to BFI.

FEI proposes a written review process with one round of Information Requests as follows. This proposed process will allow sufficient lead time to begin construction and build a fully operational CNG fueling station before October 1, 2012. The period between March 23 and April

[3] The Project cost estimate was developed based on AACE Class 3 specifications, in accordance with CPCN Guidelines.
[4] NGT Application, Section 7.4 at page 69
[5] BFI contacted FEI in June of 2011 for preliminary fueling service cost estimates to complete their submission to City of Surrey's Request for Proposal for municipal waste collection services.

20 would permit for final submissions if deemed necessary by the Commission, and FEI has proposed dates for these submissions if deemed necessary.

Table 1: Proposed Regulatory Timetable

REGULATORY TIMETABLE ACTION	DATE (2012)
Registration of Interveners and Interested Parties	Monday, March 5
Commission Information Request No. 1	Friday, March 9
Intervener Information Request No.1 to FEI	Tuesday, March 13
FEI responds to Information Requests No. 1	Friday, March 23
FEI Final Submissions (if necessary)	Wednesday, March 28
Intervener Final Submissions (if necessary)	Monday, April 2
FEI Reply Submission (if necessary)	Thursday, April 5
Anticipated Commission Approval	Friday, April 20

FEI believes that the proposed process is appropriate for this Application for the following reasons. First, the size of the Project is rather small, with a projected capital cost of approximately $1.9 million. Second, the Project is at the request of BFI and will be constructed completely within BFI's premises. Third, the service charge contained in the BFI Agreement complies with all terms and conditions established for provision of fueling services approved under Commission Order No. G-14-12 and is supported by the financial analysis provided in Appendix D. Fourth, underlying policy issues, if any, would have been explored in FortisBC Energy Utilities' Alternative Energy Solutions Inquiry.

In FEI's view, this is a reasonable timetable and approach given that the rate designed for the CNG service to BFI and the BFI Agreement comply with the approved section 12B of the GT&Cs. The focus of the Information Requests in this process should be on the contractual terms relating to the rate and cost inputs to establish the rate. Other policy or business-model information has been explored in other proceedings, namely the regulatory process that established Section 12B of GT&Cs..

3 PROJECT NEED AND JUSTIFICATION

3.1 Justification for the CNG Fueling Station

BFI Canada Inc. is a waste management company serving commercial, industrial and residential customers throughout North America. BFI operates waste haulers in most major cities across Canada, including its operations facility in Coquitlam, British Columbia designated to serve the City of Surrey. In December of 2011, BFI was awarded an RFP for municipal waste collection services by the City of Surrey, which stipulated for the use of natural gas trucks for the collection services. BFI intends to purchase 52 CNG waste haulers to replace part of its fleet and satisfy the stipulation. Future fleet additions could bring their total number of CNG trucks to around 86 at the Coquitlam facility.

To serve its new fleet of CNG waste haulers, BFI contacted FEI, wishing to have FEI supply, install and maintain a CNG fuelling station on BFI's premises to fulfil their RFP obligation to City of Surrey. The CNG fueling station at BFI's premises is to fuel a return-to-base fleet of 52 waste haulers initially and up to 86 vehicles eventually.

3.2 BFI Agreement

On January 31, 2012, FEI and BFI entered into a "Fueling Station License and Use Agreement (Compressed Natural Gas)", attached as Appendix A. The term of the BFI Agreement is for an initial period of seven (7) years, expiring on September 30, 2019. The BFI Agreement may be renewed on the same terms and conditions for a further term of three (3) years exercisable by the customer six (6) months prior to expiry.

Consistent with the approved Section 12B of GT&Cs, the BFI Agreement contains the following key terms:

- FEI's ownership of the refueling station (Clause 5.5);
- A minimum contract demand of 60,000 Gigajoules ("GJ") per year, equivalent to 5,000 per month (Clause 7.3);
- A take-or-pay fueling charge of $4.66/GJ, designed to recover the present value of cost-of-service for this refueling station incurred over the initial term of seven years (Clause 7.1, further described in section 5.3 below); and
- BFI's agreement to pay FEI the undepreciated capital cost of the fueling station if the contract is terminated after the initial term of seven years but prior to the 20th anniversary of the effective date of the contract (Clause 11.1).

Please see Appendix B for a summary of how the BFI Agreement complies with Section 12B of GT&Cs.

3.3 Benefits of the CNG Fueling Station/BFI Agreement[6]

3.3.1 REDUCTION OF FUEL COSTS

The primary reason for BFI to purchase CNG trucks was to conform to City of Surrey's RFP requirement; however, FEI understands that the City of Surrey required CNG trucks for its collection service as a way to reduce its collection service cost through potential savings on fuel cost. As acknowledged by Commission Panel in Order No. G-128-11, operating CNG fueled trucks offers a cost-effective option to more traditional fuel alternatives. Based on BFI's take-or-pay volume of 60,000 GJ per year, which means approximately 1.5 million litres of diesel fuel displaced per year,[7] FEI believes BFI will save approximately 50% in annual fuel costs by converting to CNG. This amount is based on the differential between BFI's current cost of diesel and its fueling service charge and their anticipated gas delivery, demand and commodity charges. BFI's fuel cost savings can result in an overall lower collection service charge to the City of Surrey and would ultimately benefit the residents of Surrey.

3.3.2 GREENHOUSE GAS ("GHG") EMISSION REDUCTIONS

It is also FEI's understanding that the City of Surrey intends to reduce environmental impacts with required CNG fueled trucks. Installing a CNG station to serve trucks that used to be fueled by diesel decreases GHG emissions in British Columbia, which is one of British Columbia's energy objectives set forth in Section 2 of the *Clean Energy Act*. In the decision on FEI's NGT Application, the Commission accepted that "fuel switching from diesel to natural gas will assist the province in meeting its energy objectives".[8] This is further confirmed by the recently released "Liquefied Natural Gas – A Strategy for B.C.'s Newest Industry",[9] which states that "the Province is also examining ways to grow the market for natural gas as a transportation fuel, in both CNG (compressed natural gas) and LNG forms. These alternatives can replace diesel in heavy duty fleets and other vehicles, and thereby help to lower emissions."

To calculate the total fleet emissions of BFI, FEI has utilized emissions factors from the GHGenius Model v3.20 (available at www.ghgenius.com). The model produces values of 1,500 gCO2e/km for diesel and 1,156 gCO2e/km for CNG from heavy duty trucks operating BC. These were each divided by 1,000,000 to convert into tonnes of CO2e per km. FEI has assumed an average annual distance of 23,400 Kms per year based on information from BFI's premises in Coquitlam to City of Surrey. Table 2 provides a detailed calculation of BFI's total fleet emissions.

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6 Section 6(i) of the CPCN Guidelines asks the applicant to describe how a project is consistent with the government's energy objectives. Rather than placing the discussion relating to the energy objectives in a separate section, FEI will discuss how the project will advance the applicable British Columbia's energy objectives here.

7 Estimate based on information received by BFI.

8 Appendix A to Commission Order No. G-128-11, at page 16.

9 Please see Appendix C for the complete document

Table 2: GHG emission reduction benefits from BFI Agreement

	GHGenius v3.20 Emissions	X	Average Annual Kms Traveled	=	Emissions Per Truck (tCO2e)	X	Number of Trucks	=	Emissions Per Fleet (tCO2e)
Diesel (t/km)	0.0015002		23,400		35.1		52		1,825.4
CNG (t/km)	0.0011559		23,400		27.0		52		1,406.5
Emissions Reduction (tCO2e):					**8.1**				**418.9**

The estimated GHG emissions reduction of 419 tonnes per year is the equivalent to taking 75 passenger cars off the road.[10]

Any potential GHG emission reduction offsets generated by the operation of these CNG trucks will flow to BFI. It is FEI's understanding that BFI is obligated to pass these benefits to the City of Surrey as part of their RFP requirement.

3.3.3 ECONOMIC BENEFITS TO THE PROVINCE

The incremental load additions from the BFI Agreement are approximately 60,000 GJs per year. British Columbia collects royalties on oil and natural gas produced from a Crown lease. Through informal conversations with the Provincial Government, FEI has used an assumed flow through value of $0.50 per GJ to quantify the revenue benefit to royalty programs. Therefore, the BFI Agreement contributes approximately $30,000 of royalty revenues to the Province per year, or $210,000 over the initial term of the contract.

3.3.4 MINIMAL IMPACT ON FEI'S RATEPAYERS

In the decision on the NGT Application, the Commission cautioned that "FEI's ratepayers must be insulated, to the greatest extent possible, from the costs and risks of the program." FEI has designed the fueling charge and negotiated other provisions in the BFI Agreement to minimize the risks to FEI's natural gas ratepayers. For instance:

- The forecast capital expenditure of approximately $1.9 million is based on costs for station components similar to the recently completed CNG fueling station for WM;
- A 10% contingency fee is included in the total forecast capital expenditure of approximately $1.9 million (see Table 4 for breakdown);
- There is a requirement to amend the fueling charge if the actual capital cost for the Project results in a variance of greater or less than 2 percent; and
- The contract specifies BFI's payment obligation if the Agreement is terminated at the end of the initial term of seven years or prior to the 20th anniversary of the signing of the contract:

[10] According to U.S EPA Greenhouse Gas Equivalencies Calculator

- The undepreciated capital cost of the fueling station,[11] as calculated in accordance with Clause 11.8; and
- An amount equal to earnings foregone by FEI as calculated in accordance with Clause 11.7.

Consistent with the approved Section 12 B of GT&Cs, these provisions intend to mitigate potential risk of stranded assets and insulate natural gas ratepayers from cost overruns and unaccounted for costs.

Moreover, ratepayers will experience a slight decrease in delivery rates all else equal, likely commencing in 2014, as a result of the incremental volume associated with the BFI Agreement.[12] The estimated impacts to delivery rates to FEI's natural gas ratepayers from the BFI Agreement are minimal and summarized in Table 3 below. This calculation assumes that BFI takes gas service under Rate Schedule 25[13] and does not include revenues in excess of the minimum take-or-pay as stipulated in the BFI Agreement.

[11] Plus, FEI's costs for removing the Fueling Station (including equipment removal and restoration of the Lands) in accordance with Clause 11.8.

[12] As the BFI Agreement has occurred subsequent to the 2012/13 FEU Revenue Requirement and Rates Application, the 2012 and 2013 natural gas delivery rates will not reflect the costs or recoveries associated with the BFI Agreement.

[13] Rate Schedule 25 is designed for high volume demand customers and will likely provide the greatest economic benefit to BFI. BFI's CNG volume commitment far exceeds their existing commercial gas supply through Rate Schedule 2.

Table 3: Delivery Margin Benefit from BFI Agreement ($000's), unless otherwise stated

Line	Particulars	Reference	2014
1	Annual NG Volume (GJ)		
2	Rate 25		60,000
3			
4	Monthly Peak Day Estimation (GJ)		205
5			
6	Volumetric Delivery Rates ($/GJ)	[1]	
7	Rate 25 Delivery	2012 Interim Approved Rate	0.702
8	Rate 25 Demand	2012 Interim Approved Rate	16.996
9			
10	Incremental Margin		
11	Rate 25- Delivery	(Line 2 x Line 7 / 1,000)	**42**
12	Rate 25- Demand	(Line 4 x 12 X Line 8 / 1,000)	**42**
13	Total Incremental Margin		**84**
14			
15	Margin at Existing Rates per FEI RRA	2012/2013 RRA	615,693
16			
17	**Approximate Delivery Rate Benefit, %**	Line 11 / Line 15	**0.01%**
18			
19	Approximate Impact to a FEI Lower Mainland Residential Customer		
20	2013 Residential Customer Delivery Margin	2012/2013 FEI RRA	379,878
21	Residential Allocation of NGV Benefit	(- Line 13) x (Line 20 / Line 15)	(52)
22			
23	Residential Customer Annual Volume (TJ)	2012/2013 FEI RRA	69,816
24	Delivery Rate Reduction ($/GJ)	Line 21 / Line 23	$ (0.0007)
25	Approximate Annual Use (GJ)		95
26	**Approximate LM Residential Annual Bill Increase/(Decrease) ($)**	**Line 24 x Line 25**	**$ (0.07)**
27			
28	[1] Existing delivery rates are approved 2012 interim rates for consistency and comparability with the 2012/2013 FEI RRA calculations		

FEI expects approximately $84,000 per year in delivery margin, which translates to an approximate decrease in delivery rates of $0.07 per year, all else being equal.

3.4 Consistent with FEI's Most Recent Long-Term Resources Plan

The BFI Project is consistent with the 2010 Long Term Resource Plan ("LTRP") filed by the FortisBC Energy Utilities ("FEU," which includes FEI, FortisBC Energy (Vancouver Island) Inc., and FortisBC Energy (Whistler) Inc). At page 58, the FEU described its intention to advance its NGT initiatives over the coming years:

> *The Utilities see the development of new NGV services, programs and markets as a key part of its low carbon strategy to help meet both the changing needs of our customers and the GHG reduction targets legislated by the Province.*

The BFI Project represents another step toward advancing its low carbon strategy.

In the LTRP (at page 64), the FEU also stated an intention to bring forth more complete transportation fuel service offerings through an application to the Commission. The NGT Application, which included proposed GT&Cs for NGT refueling services and a service agreement with WM, was filed. Both, with modifications, were approved. Like the service to WM, the BFI Project and Agreement further demonstrate the end-to-end fueling service described in the NTG Application and, as more fully described below, conform with the requirements of Section 12B of the GT&Cs.

4 PROJECT DESCRIPTION

4.1 Implementation Schedule

The CNG fueling station to be installed on BFI's premises will be capable of fueling up to 86 trucks in its current design. FEI believes that BFI will only purchase 52 trucks at this time. If BFI decides to purchase vehicles beyond 52 (up to 86) vehicles, no significant capital investments would be required.

The station design and engineering plan was finalized with BFI in January of 2012. FEI and BFI have agreed upon the specifications of the fueling stations, which are set out in Schedule A of the BFI Agreement.

FEI's external project service providers (see section 2.5) are responsible for constructing this fueling station in a timely manner. As proposed above, FEI expects a decision from the Commission in mid-April. At this time, FEI has not purchased any equipment for this Project, but intends to conduct an RFP for the procurement of key CNG equipment components over the coming weeks. FEI anticipates the RFP would close by mid-March, with contract awards following thereafter. Following Commission approval, FEI intends to begin construction at the Project site. Based on FEI's experience in the refueling station at the WM's site, the construction of the fueling station will take approximately four months. In mid-September, FEI should begin commissioning activities and fueling testing with CNG vehicles. The fueling station should be ready for operation no later than October 1, 2012, as requested by BFI.

Other than Commission approval, this Project also requires approvals from the British Columbia Safety Authority ("BCSA"), BC Hydro and Power Authority ("BCH"), and the City of Coquitlam. The latter two approvals are the primary responsibility of BFI. FEI worked with the BCSA and BCH in securing approvals for the WM fueling station, which is similar to the construction of BFI's fueling station.

At this time, FEI does not foresee any delays associated with securing approvals. These approvals will commence after construction activities have begun.

4.2 Risk Analysis

FEI identifies two risks specific to this Project and will strive to minimize them during construction and operation:

- Timing of Construction Risk – The commencement and the progress of the construction of the fueling station may be delayed.
- Operational Risk – Compression and dispensing equipment is a well proven technology with a limited scope of operational risks. However, as a high pressure gas, CNG carries the potential for natural gas leaks at the dispenser or hose. The overall impact from

these risks may be operational downtime, repairs or replacement of equipment, personal injury, or death.

Both of these risks are inherent to any construction project. Based on FEI's recent experience with installing the WM fueling station, FEI believes that the identified risks are mitigated by the following five factors.

- FEI have worked with the three project service providers identified in section 2.5 and they have a proven track record of timely performance;
- The site design and layout has been confirmed with the customer and is ready to implement;
- Existing FEI staff are competent to deal with gas safety issues and the operation and maintenance of station equipment;
- Ongoing maintenance of the station will be performed according to manufacturer's recommend schedules and preventative safety measures; and
- Operational risks are also mitigated by equipment design, codes and standards, engineering practices, and site development and training.

In addition, as discussed above, the Commission was concerned about the risk of FEI's NGT program to natural gas ratepayers. As explained in section 3.3 above, FEI has designed the fueling charge and negotiated other provisions in the BFI Agreement in accordance with the approved Section 12B of GT&Cs, which serves to mitigate risks such as the risk of stranded assets (through contract renewal clause) and facilities cost risk (using actual cost over forecast).

5 PROJECT COST ESTIMATE AND FUELING SERVICE CHARGE PROPOSAL

This section describes the estimated capital costs for the Project and the proposed fueling charge. The financial schedules supporting the fueling charge are included as Appendix D.

5.1 Project Capital Costs

The forecast capital cost for the Project is approximately $1.9 million, including allowance for funds used during construction ("AFUDC"). FEI has also included a contingency of 10 percent on the subtotal of the capital cost estimate. FEI believes this is a reasonable contingency percentage given FEI's experience with the refueling station at the WM site. That project was completed with a capital cost variance of approximately 5 percent compared to its forecast capital cost. Table 4 below shows the forecast capital expenditures for major components of BFI's CNG fueling station installation.

Table 4: BFI CNG Fueling Station Capital Expenditures

Item	**Forecast Cost**
CNG Storage and Dispensing Equipment	$ 770,531
Civil, Structural Work	$ 401,440
Mechanical and Field Piping	$ 210,635
Electrical Work and Service	$ 93,331
Equipment Shipping	$ 15,700
FortisBC Engineering, Project Management, Commissioning	$ 199,875
Subtotal	$ 1,691,512
Contingency	10%
Total with Contingency	**$ 1,860,663**
Add AFUDC	$ 24,596
Total Expenditures	**$ 1,885,259**

This cost estimate has an accuracy range that is consistent with an Association for the Advancement of Cost Engineering ("AACE") degree of accuracy of Class 3.

The BFI Agreement stipulates that if actual construction costs are greater or less than 2 percent of the forecast capital expenditures that have been used in setting the fueling charge, the charge will be amended. Using a variance range of plus or minus 2 percent for amendments to the fueling service rate is appropriate because it equates to approximately $37,000 of the total capital costs, which has a minimal impact of $0.07/GJ on the contract rate and has no impact on the delivery rates for natural gas customers.[14]

[14] $37 thousand in capital costs translates to approximately $5 thousand to the annual cost of service, thus $5 thousand divided by the 2013 non-bypass delivery margin of $615,693 thousand is 0.0008%. An impact of this magnitude does not impact the delivery rate when rounded to four decimal places.

5.2 Undepreciated Capital Cost

Schedule B of the BFI Agreement summarizes the undepreciated capital of the fueling station each year. By the end of the initial term of the BFI Agreement (2019), this amount is forecast to be $1,126,897. Through the course of contractual negotiations with BFI, FEI agreed to contribute any contract revenues in excess of the minimum take-or-pay toward the payment required by BFI for the undepreciated capital cost in the event that the buyout is triggered (Clause 11.8 and Schedule B). Revenues in excess of the minimum take-or-pay demand are calculated using a rate set at 50% of BFI's total fueling service rate of $4.66/GJ, or $2.33/GJ (Clause 7.1 (c)).[15] Table 5 below demonstrates the calculation of the payment required by BFI if the buyout occurs:

Table 5: BFI's capital cost of the CNG fueling station under contract termination

Approximate Contract Termination Fee ($000s)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total Gross Plant in Service, Ending	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885
Accumulated Depreciation, Ending	(660)	(754)	(849)	(943)	(1,037)	(1,131)	(1,226)	(1,320)	(1,414)	(1,508)	(1,603)	(1,697)	(1,791)	(1,886)
Net Salvage, Ending	(4)	(4)	(5)	(5)	(6)	(6)	(7)	(7)	(8)	(8)	(9)	(9)	(10)	-
Add: Removal Costs[1]														
Less: Excess Fueling Station Recoveries[2]														
Net Termination Payment	**1,222**	**1,127**	**1,032**	**937**	**843**	**748**	**653**	**558**	**464**	**369**	**274**	**179**	**85**	**(0)**

Note:
1) Actual removal costs to be determined at time of contract termination and will be less the net salvage collected to date
2) Cumulative fueling station recoveries received from volumes in excess of minimum contract demand

The provision regarding the revenue in excess of the take-or-pay amount does not adversely impact natural gas ratepayers as capital costs are fully recovered through the take-or-pay commitment and contract renewal provisions. Excess fueling station recoveries will flow to natural gas customers throughout the term of the Agreement by way of the Commission approved CNG and LNG Recoveries deferral account.[16] It is only in the event that the buyout is triggered that the excess revenues will flow to BFI in this Agreement; however, natural gas ratepayers still benefit from low rates generated by excess volume in the near-term and the total capital costs for the fueling station will be paid by BFI.[17] Overall FEI believes this provision was a fair and necessary concession needed to reach an agreement with BFI.

5.3 Rate Design – Fueling Service Charge

As stated in the BFI Agreement, FEI will charge BFI a refueling charge of $4.66/GJ, in addition to any fees or charges payable to FEI related to the delivery of CNG under FEI's rate schedules.

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15 The excess fueling rate in the Waste Management Agreement was set at 25 percent.
16 BCUC Order No. G-128-11
17 In the case of a buyout, the capital costs will be recovered via three mechanisms- the fueling station recoveries to date, recoveries associated with volumes in excess of minimum contract demand and the termination payment

This charge consists of a Capital Rate and an O&M Rate (Clause 7.1). FEI believes that the charge is just and reasonable.

FEI has used a forecast capital cost in the calculation of the fuelling service rate, and, consistent with FEI's approved Section 12B of GT&Cs, has calculated the cost of service for the fueling station to be recovered from BFI based on the following cost factors:

- Construction costs of approximately $1.9 million (which includes a 10 percent contingency on all capital costs). Upon completion of the station, FEI will reconcile the actual construction costs and amend the fueling service rate if it is greater or less than 2 percent from the forecast included in the calculation of the rate;[18]
- Depreciation expense calculated in accordance with Commission approved depreciation rates for fueling station assets and an annual provision for removal costs[19];
- A non-levelized operating and maintenance charge, inflated by BC CPI annually, not adjusted for capitalized overhead; and
- An additional charge of $0.20/GJ that is described below, reflecting an allowance for overhead and marketing costs to be recovered from BFI.

As summarized in Table 6, three key components combined – capital investment, O&M expense, and an allowance for overhead and marketing costs - result in a fueling charge of $4.66 per GJ and represent the price used to calculate the annual take-or-pay commitment. Please refer to Appendix D, Schedule 11 for the annual detailed calculation of these charges.

Table 6: BFI's fueling charge per GJ

Component	Fueling Charge ($ per GJ)	Escalation per year
Capital	$3.63	2%
O&M	$0.83	CPI
Overhead	$0.20	CPI
Total charge	$4.66	

Each above component of the fueling charge is discussed in more detail below.

5.3.1 CAPITAL CHARGE

Based on the $1,885,259 forecast capital expenditures (including AFUDC) summarized in Table 5 and the terms in the BFI Agreement, the capital component of the fueling charge is $3.63 per GJ. The capital component is determined using the inclining rate structure as discussed in the

[18] FEI has included this provision simply as a materiality test. This serves to avoid any costs and time delays associated with re-negotiating contracts if the amount of variance, if any, is insignificant.

[19] BCUC Order No. G-128-11, item 6

NGT Application.[20] This component of the charge recovers the property taxes, depreciation expense, removal provision, income taxes and earned return associated with the fueling station assets. It is derived by calculating the present value of the cost of service over the initial term of the contract (7 years) using FEI's after tax Weighted Average Cost of Capital (6.90 percent) as a discount factor and applying a 2 percent escalation rate.[21]

Please refer to Appendix D, Schedule 11, for the annual detailed calculation of the year one's and subsequent years' rates.

5.3.2 O&M CHARGE

FEI has calculated the O&M component of the customer's fueling charge based on all operating and maintenance expenses, with no adjustment for capitalized overhead. A cost estimate of $50,000 per year has been used for calculating O&M costs necessary to service the customer, which results in an O&M rate of $0.83 per GJ in year one. The $50,000 per year estimate is based on FEI's previous experience maintaining fueling stations. Furthermore, in FEU's 2012-2013 Revenue Requirements Application ("RRA"), Appendix I at page 7, FEI forecast an O&M cost of $25,000 per year for fueling stations with a capital cost of $1 million. The O&M cost estimate for this Project (with an estimated capital cost of approximately $1.9 million) is in line with this.

Please refer to Appendix D, Schedule 11 for the annual detailed calculation. To clarify, O&M expense is not subject to the inclining rate structure used in the capital component, and as such, the O&M expense forecast to be incurred in each year is fully recovered within that year.

5.3.3 AN ALLOWANCE FOR OVERHEAD & MARKETING CHARGE

In the NGT Decision[22] at Page 28, the Commission directed any revised GT&Cs to include a requirement for FEI to:

> *"estimate the overhead and marketing expenses which relate to the CNG/LNG program and the expected CNG/LNG sales volume and allocate those costs in a reasonable manner among CNG/LNG customers going forward."*

FEI has included an additional charge of $0.20 per GJ to reflect an allowance for overhead and marketing costs. FEI will describe below the calculation of the $0.20 per GJ charge which FEI has applied to the BFI Agreement here and will likely apply to future CNG/LNG service agreements going forward. For clarification, this charge of $0.20 is embedded in the O&M portion of the fueling charge under the BFI Agreement and will escalate by BC CPI annually.

First, it is important to note that FEI will already recover overhead costs through a delivery charge under each Rate Schedule (i.e. 6, 16, 23, 25) whenever gas is supplied to CNG/LNG

[20] NGT Application at page 12.
[21] The AFUDC rate of 6.90% is based on FEI's currently approved 2011 capital structure.
[22] Commission Order No. G-128-11

customers. These costs will be recovered from NGT customers irrespective of whether or not FEI provides the fueling infrastructure. In most cases, new CNG/LNG customers are already commercial gas customers who purchase gas under an existing FEI Rate Schedule. Thus FEI believes any incremental overhead and marketing costs incurred to add a fueling service agreement will be minimal.

In FEU's 2012-2013 RRA, Appendix I, FEI provided a cost estimate for overall NGT development activities during 2010 and 2011. These amounts, $480,275 and $551,637 respectively, represent the cost associated with contracting, signing up customers to FEI Rate Schedules and fueling station agreements, customer education, as well as short and long term business development activities. FEI believes a reasonable cost allocation for overhead and marketing recovered under Section 12B of FEI's GT&Cs should be limited to the cost associated with adding a new CNG/LNG fueling service customer.[23]

FEI estimates that its NGT Sales Manager[24] dedicates 25 percent (or 0.25 FTE) of their time signing up new CNG/LNG customers. The forecast cost of signing new CNG/LNG customers at 25 percent of the NGT Sales Manager is $32,941 per year. Spread over FEI's expected CNG/LNG sales volume estimate of 163,489 GJ in 2012,[25] the $32,941 overhead and marketing charge equates to $0.20 per GJ. This calculation is summarized in Table 7 below.

Table 7: Allowance for Overhead & Marketing related to CNG/LNG

Department or Activity (a)	FTE (b)	2012 Cost Estimate ($) (c)	Allocated Cost Estimate ($) (d)	2012 CNG/LNG Sales Volume Estimate (GJ) (e)	Overhead & Marketing Charge ($/GJ) (f)
NGT Sales Manager	0.25	131,762	32,941 (d)=(b)x(c)	163,489	0.20 (f)=(d)/(e)

FEI's expected volume used to calculate the overhead component of the fuelling charge does not include incremental NGT customers or fuel consumption beyond existing customers' minimum volume commitments. If FEI's NGT initiatives are successful and the NGT market grows, this cost allocation should theoretically be spread over a larger volume base. This may be viewed as a challenge going forward as the overhead charge may over-recover from each CNG/LNG customer. However, FEI currently expects the overhead and marketing charge of $0.20 would be applied to future CNG/LNG customers going forward. FEI will continue to monitor this charge in the future. If significant new volume growth in FEI's NGT market occurs, FEI will request a change to revise this overhead and marketing charge.

Under the BFI Agreement, the total overhead and marketing charge ($0.20 per GJ x 60,000 GJ) is $12,000 per year, or $84,000 over the 7 year contract term. FEI believes this is a reasonable

23 NGT activities such as customer education and long term business development are not directly related to the cost of adding incremental CNG/LNG customers such as BFI.
24 Referred to as the Commercial and Industrial Manager in the Appendix I of the 2012-2013 RRA
25 Forecast for 2012 includes WM (30,000 GJ), KSD (5,000 GJ), BFI (15,000 GJ), Vedder Temporary (49,320 GJ) and Vedder Permanent (64,169 GJ).

allocation given BFI is already a commercial gas customer under FEI's Rate Schedule 2 – Small Commercial. Any costs associated with the operation and maintenance of the fueling station at BFI's premises are already captured in the O&M charge for the fueling station.

6 CONCLUSION

In order to provide BFI with this commercially required and contracted service, FEI respectfully requests that the Commission grant a CPCN for FEI to construct and operate the fueling station at BFI's premises and approve the associated rate design an rates established in the BFI Agreement. The approvals sought can be found in the Draft Form of Order, Appendix E.

These approvals will allow FEI to proceed with another CNG fueling project requested by its customer and take a further step forward in developing this business in consistent with FEI's business strategy outlined in the NGT Application and with Section 12B of GT&Cs. As discussed in this Application, FEI anticipates approval will provide benefits to BFI and the Province and will advance certain aspects of British Columbia's energy objectives.

Appendix A

FEULING STATION LICENSE AND USE AGREEMENT

FUELING STATION LICENCE AND USE AGREEMENT
(Compressed Natural Gas)

THIS AGREEMENT is made effective as of January 31, 2012 (the "**Effective Date**")

BETWEEN:

BFI CANADA INC.,
25 Fawcett Road
Coquitlam, BC V3K 6V2

(the "**Customer**")

AND:

FORTISBC ENERGY INC.
16705 Fraser Highway
Surrey, BC V4N 0E8

("**FEI**")

WHEREAS:

A. The Customer operates a fleet of compressed natural gas ("**CNG**") fuelled vehicles (the "**Vehicles**").

B. In order to enable the Customer to fuel the Vehicles from its premises at 25 Fawcett Road, Coquitlam, BC (the "**Lands**"), the Customer wishes to have FEI supply, install and maintain a CNG fueling station, including infrastructure, equipment, apparatus, conduits, lines and pipes (the "**Fueling Station**") on the Lands.

C. The Customer purchases CNG from FEI pursuant to the terms and conditions of FortisBC Rate Schedules as established or amended from time to time (collectively, the "**Rate Schedules**").

D. The Customer agrees to grant a license to FEI for access over the Lands and use of a portion of the Lands for the installation and maintenance of the Fueling Station to enable the use of the Fueling Station by and for the use of the Customer, all on the terms and conditions set out in this Agreement.

NOW THEREFORE, in consideration of the mutual promises set out herein and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged) the parties agree as follows:

1. **Term and Renewal.**

1.1 **Term.** The term of this Agreement shall commence on the Effective Date and shall expire on September 30, 2019 (the "**Initial Term**"), unless extended or renewed upon written agreement between the parties or terminated earlier in accordance with this Agreement (the "**Term**").

1.2 **Renewal.** This Agreement may be renewed on the same terms and conditions for a further term of three (3) years, exercisable by the Customer upon six (6) months prior written notice to FEI.

2. **Grant of License and Access to the Fueling Station.**

2.1 **Grant of License.** The Customer, as legal and beneficial owner of the Lands, hereby grants to FEI a non-exclusive irrevocable license to those portions of the Lands shown outlined in the attached Schedule A (the "**Fueling Station Area**") at all times and from time to time, with or without vehicles, machinery and equipment, for FEI and its authorized employees, contractors and agents, to excavate, install, place, construct, renew, alter, repair, maintain, use, abandon, remove or replace the Fueling Station, in whole or in part.

2.2 **Access over the Lands.**

(a) The Customer hereby grants to FEI, at no cost, the free and unobstructed right to access over and across the Lands, with or without vehicles, machinery and equipment, as required from time to time, for FEI and its authorized employees, contractors and agents to access the Fueling Station; provided, however, this right shall in no way restrict the Customer from maintaining, changing or improving the Lands as long as FEI and its authorized employees, contractors and agents continue to have access to the Fueling Station.

(b) If the Customer transfers its interest in and to the portion of the Lands used by FEI for access to the Fueling Station Area, the Customer shall ensure FEI's access rights are preserved, including, as a condition of such transfer, requiring the transferee to enter into a written agreement with FEI to grant continuing access rights to FEI over such transferred lands to the Fueling Station Area.

2.3 **Statutory Right of Way.** The Customer acknowledges and agrees that upon the reasonable request of FEI, including in the event of a proposed transfer of the Lands or any part thereof, a statutory right of way in favour of FEI may be registered against title to the Lands incorporating the provisions of this Agreement. All costs of preparation and registration of such statutory right of way will be borne by FEI.

2.4 **Grant of Rights to Third Parties.** Subject to section 3.1, the grant of rights to FEI hereunder does not preclude or prevent the Customer from granting easements, statutory rights of way or other grants, leases or licences over the Lands to any other person.

3. <u>Use of the Lands</u>.

3.1 **Non-Interference.** The Customer will not do or knowingly permit to be done anything in, under, over, upon or with respect to the Lands which, in the reasonable opinion of FEI, may interfere with, diminish or injure FEI's rights hereunder or the installation, maintenance use or operation of the Fueling Station, including but not limited to, anything which:

(a) interrupts, endangers, impedes, disturbs or causes damage to the Fueling Station or its operation, use, security or functionality;

(b) removes, diminishes or impairs any vertical support, lateral support or ventilation for, or causes the movement or settlement of, the Fueling Station; and

(c) causes, permits or suffers any structure, equipment, act or function to exert any vertical load or lateral load upon or against, or impair the structural integrity of, the Fueling Station;

without the prior written consent of FEI and in accordance with any conditions FEI may specify as a condition of such consent.

3.2 **Payment of Taxes.** The Customer agrees to pay any property taxes and assessments levied against the Lands, including the Fueling Station Area.

4. <u>Permits and Approvals</u>.

4.1 **Approvals.** "**Approvals**" means any consents, permits, filings, orders or other approvals and includes governmental consents and approvals, building and construction permits, environmental permits, zoning changes or variances.

4.2 **FEI Approvals.** FEI shall obtain and maintain the Approvals required, affecting or necessary for the ownership, installation and maintenance of the Fueling Station, including necessary Approvals from the British Columbia Utilities Commission (the "**BCUC**").

4.3 **Customer Approvals.** The Customer shall obtain and maintain the Approvals required, affecting or necessary for the use of the Fueling Station.

4.4 **Transfer of Approvals.** Each party shall, when required by law or as otherwise appropriate or necessary, transfer or provide their Approvals to the other party.

4.5 **Assistance.** Each party shall, upon request, use commercially reasonable efforts to advise and assist the other party in obtaining any relevant Approvals.

4.6 **BCUC Approval.** The Customer acknowledges FEI is a public utility as defined in the *Utilities Commission Act (British Columbia)* and this Agreement, including all terms and conditions contained herein, is subject to BCUC Approval. If the necessary BCUC Approval is not granted or is granted subject to terms and conditions which are not reasonably satisfactory to FEI having regard to its *bona fide* business interests, the parties agree to negotiate in good faith to address the impacts thereof, including mitigation of costs.

5. <u>**Installation and Ownership of the Fueling Station**</u>.

5.1 **Preparation of the Lands.** Prior to installation of the Fueling Station by FEI, the Customer shall ensure unimpeded access over the Lands to the Fueling Station Area is available to the satisfaction of FEI.

5.2 **Electrical Supply.** The Customer shall install and supply electrical power up to the transformer to operate the Fueling Station in accordance with the specifications of FEI. Neither party shall be liable to the other party for any loss or damage arising from interruption in electrical power supply except where caused by the negligence of such party.

5.3 **Fueling Station Specifications.** FEI shall supply a Fueling Station of a size and with such other specifications as reasonably determined by FEI to be suitable to accommodate the servicing of up to 86 Vehicles based on information provided by the Customer, including its demand profile.

5.4 **Installation.** FEI shall install the Fueling Station in a good and workmanlike manner consistent with industry standards and in compliance with all applicable Approvals, laws and regulations.

5.5 **Ownership.** Except where specifically transferred to the Customer under Article 11 of this Agreement, the Fueling Station is, and shall at all times remain, the property of FEI and freely alienable by FEI as its own property despite the degree to which the Fueling Station may be annexed or affixed to the Lands and despite any rule of law or equity to the contrary. FEI shall be entitled to install signage within the Fueling Station Area and notices on the Fueling Station identifying FEI's ownership of the Fueling Station.

5.6 **Corporate Branding.** In addition to any signage or notices installed pursuant to section 5.5, FEI shall be entitled to affix its corporate logo and other branding and/or marketing elements to the exterior of the Fueling Station and decals to the exterior of Vehicles identifying the Vehicles as powered by Natural Gas by FEI, all of reasonable size and prominence, but in no event any larger than 60 cm long by 15 cm high.

6. **Maintenance and Operation of the Fueling Station.**

6.1 **Maintenance.** FEI shall maintain the Fueling Station in good and safe working order in accordance with all applicable Approvals, laws and regulations. Upon receiving a notice of a required repair, FEI shall use commercially reasonable efforts to undertake the repair with one business day of such notice. FEI will not be considered to be in default under this Agreement while undertaking maintenance or repair of the Fueling Station. To the extent possible, FEI will make commercially reasonable efforts to obtain fueling privileges from other customers for the Customer's use if required during periods of maintenance or repair.

6.2 **Vandalism and Other Damage.** Despite the foregoing, the Customer shall reimburse FEI for any costs and expenses incurred by FEI to repair any vandalism or other damage arising directly or indirectly from the acts or omissions of the Customer or its agents or other persons for whom the Customer is responsible at law.

6.3 **Cleaning and Waste Removal.** The Customer will keep the Fueling Station Area in a clean and tidy condition and not permit the Fueling Station Area to become untidy, unsightly or hazardous, or permit any waste paper, garbage, refuse or objectionable materials to accumulate on or around the Fueling Station Area.

6.4 **Operation.**

(a) The Customer shall dispense CNG to its Vehicles, and otherwise use the Fueling Station, in accordance with the manufacturer's dispensing instructions, all applicable Approvals, laws and regulations, and the reasonable requirements of FEI, as established or amended from time to time.

(b) The Customer shall permit only persons who have received training on the use of the Fueling Station and CNG safety training from FEI or a suitably qualified supervisor or manager of the Customer to operate the Fueling Station.

6.5 **Training.**

(a) FEI shall provide operational and CNG safety training to the Customer, its employees, contractors and agents at intervals to be determined by the parties, it being the intention that following initial training by FEI upon installation of the Fuelling Station, the Customer will undertake the training internally with FEI conducting remedial or refresher training from time to time.

(b) Despite any training provided by FEI, the Customer is and continues to be liable for any acts or omissions of its employees, contractors and agents.

6.6 **Safety and Occupier's Liability.**

(a) The Customer shall be responsible for the safety and protection of any persons using the Fueling Station or otherwise accessing the Fueling Station Area.

(b) The Customer shall comply with all safety procedures and requirements of FEI and all applicable Approvals, laws and regulations with respect to the Fueling Station and its use.

(c) FEI shall comply with the safety procedures of the Customer and all applicable Approvals, laws and regulations with respect to access to and use of the Lands.

(d) Nothing contained in this Agreement will abrogate or detract from the liabilities and obligations of the Customer as the owner and occupier of the Lands unless arising from the negligent acts of FEI.

6.7 **Security of the Fueling Station.** The Customer shall provide and maintain security, satisfactory to FEI to protect the Fueling Station from vandalism and other damage.

7. **Fueling Charges.**

7.1 **Fueling Charges.** In consideration for the supply, installation, maintenance and use of the Fueling Station, and in addition to any fees or charges related to the supply of CNG to the Customer pursuant to the Rate Schedules, the Customer agrees to pay the following charges (collectively the "**Service Charge**") plus applicable taxes thereon, within 30 days of the billing date, without deduction or set-off and subject to adjustment pursuant to section 7.3:

(a) **$3.629** per gigajoule (GJ) of CNG dispensed as determined by gas delivery meter readings, increased annually by 2% on the anniversary of the Effective Date each year of the Term (the "**Capital Rate**");

plus

(b) **$1.033** per GJ of CNG dispensed as determined by gas delivery meter readings, adjusted each year of the Term by the percentage increase, if any, in the Consumer Price Index (published by Statistics Canada for the City of Vancouver, all items, not seasonally adjusted) from the previous twelve month period (the "**O&M Rate**");

(the Capital Rate plus the O&M Rate collectively referred to as the "**Base Rate**")

Provided that:

(c) if more than **5,000** GJ of CNG (the "**Base Amount**") is dispensed from the Fueling Station in any month, the rate payable for such CNG in excess of the Base Amount shall be the O&M Rate plus fifty percent (50%) of the Capital Rate.

7.2 **Minimum Guarantee.** The Customer acknowledges and agrees the Base Rate has been calculated by FEI having regard to, among other things, the Customer's estimated CNG demand profile and the number of vehicles served by the Fueling Station, and accordingly, the Customer agrees to pay a minimum annual Service Charge (the "**Minimum Guarantee**") based on a minimum quantity of **60,000** GJ of CNG being dispensed from the Fueling Station per year (the "**Minimum Quantity**") calculated by multiplying the applicable Base Rate for such year by the Minimum Quantity.

7.3 **Amendment to the Service Charge.** The Customer acknowledges the Service Charge incorporates FEI's charge-out rate for use of the Fueling Station, the installation costs of the Fueling Station, and a projected capital expenditure by FEI of approximately **$1,861,000.** Should the actual capital expenditures differ by **+/- 2%,** FEI may amend the Service Charge accordingly, subject to BCUC approval.

8. <u>Payments and Invoicing</u>.

8.1 On or about the 15th day of each month, FEI shall deliver to the Customer a statement for the preceding month showing CNG dispensed from the Fueling Station, the Service Charge and the amount due.

8.2 Within 15 days of the end of each year, either separately or as part of the last monthly statement for such year, FEI shall identify the aggregate CNG consumption for such year. If the aggregate amount is less than the Minimum Quantity, such statement shall identify the balance owing to FEI calculated by subtracting the amounts payable during each month of the year, based on the amount of CNG dispensed, from the Minimum Guarantee.

8.3 Any errors in any statement shall be promptly reported to FEI. Statements shall be final and binding unless questioned within one year after its billing date.

8.4 Overdue payments shall be subject to a late payment charge of 1.5% per month (19.56% per annum).

8.5 The Customer shall have the right to review meter data and other relevant records in order to verify statements. Such review shall be conducted at the Customer's expense unless such review discloses errors in CNG usage which exceed two percent (2%).

9. <u>Representations, Warranties and Covenants</u>.

9.1 **Mutual Representations and Warranties.** Subject to receipt of approval of this Agreement by BCUC as identified in section 4.6, each party represents and warrants to the other party that, as of the Effective Date:

(a) it has the full right, power and authority to enter into this Agreement and all necessary corporate action has been taken to authorize and approve the execution and delivery of this Agreement and performance of obligations hereunder;

(b) to the best of its knowledge, this Agreement and the performance of its obligations hereunder do not breach any provisions of any other agreement or law that is binding on or applicable to such party;

(c) it is not party to any action, suit or legal proceeding, actual or threatened, and there are no circumstances, matters or things known to such party which might give rise to any such action, suit or legal proceeding, and there are no actions, suits or proceedings pending or threatened against such party before or by any governmental authority, which could affect its ability to perform its obligations under this Agreement.

9.2 **Compliance with Laws.** Each party covenants, as a material provision of this Agreement, it will comply with all codes, statutes, by-laws, regulations or other laws in force in British Columbia during the Term.

10. <u>Default</u>.

10.1 Subject to Section 15, either party (the "**Defaulting Party**") shall be in default of this Agreement if the Defaulting Party is in breach of any term, covenant, agreement, condition or obligation imposed on it under this Agreement, provided that:

(a) the other party (the "**Non-Defaulting Party**") provides the Defaulting Party with a written notice of such default and a 30-day period within which to cure such a default (the "**Cure Period**"); and

(b) the Defaulting Party fails to cure such default during the Cure Period, or if such default is not capable of being cured within the Cure Period, fails in good faith to commence the curing of such default upon receipt of notice of default and to continue to diligently pursue the curing of such default thereafter until cured.

10.2 Upon default, the Non-Defaulting Party may, at its option and in addition to and without liability therefore or prejudice to any other right or remedy it may have:

(a) cease performing its obligations under the agreement, including suspending or refusing to make any payment due hereunder, until the default has been fully remedied, and no such action shall relieve the Defaulting Party from any of its obligations under this Agreement;

(b) undertake the necessary steps to remedy the default at the Defaulting Party's expense, and such action shall not relieve the Defaulting Party from any of its obligations under this Agreement; or

(c) terminate this Agreement immediately upon notice to the other party, whereupon the provisions of section 11 shall apply.

11. **Effect of Expiry of Contract and Early Termination.**

11.1 **Expiry of Term.** The Customer acknowledges the Base Rate and Minimum Quantity have been calculated by FEI by applying, among other things, a 20 year term despite the Term of this Agreement (without renewal) being seven (7) years. As a result, the Customer acknowledges and agrees that in the event this Agreement is terminated without cause at any time prior to the 20th anniversary of the Effective Date, the Customer will pay to FEI, within 30 days of invoice, the following amounts depending on the length of Term:

(a) For expiry prior to or at the end of the Initial Term, the sum of:

(i) the unrecovered un-depreciated capital cost of the Fueling Station, as calculated in accordance with section 11.8; and

(ii) an amount equal to earnings foregone by FEI as calculated in accordance with section 11.7.

(b) For expiry after the Initial Term but prior to the 20th anniversary of the Effective Date, the sum of:

(i) the unrecovered un-depreciated capital cost of the Fueling Station, as calculated in accordance with section 11.8;

plus, FEI's costs for removing the Fueling Station (including equipment removal and restoration of the Lands) in accordance with section 11.5, if the Customer requires removal.

11.2 **Transfer of Lands.** If the Customer enters into an agreement to transfer its interest in and to the Lands to any person, the Customer shall ensure the transfer agreement excludes the Fueling Station and will forthwith notify FEI of such transfer and the completion date thereof. Effective the completion date of such transfer, unless otherwise agreed between the parties, this Agreement will be terminated and FEI will remove the Fueling Station in accordance with section 11.5. The Customer shall pay to FEI, within 30 days of date of invoice, the amount calculated in accordance with section 11.1 based on the length of the Term, for such early termination.

11.3 **Termination by the Customer for Cause.** If the Customer terminates this Agreement pursuant to section 10.2(c), the Customer may, at its option and by written notice to FEI:

(a) require Fortis BC to remove the Fueling Station in accordance with section 11.5; or

(b) purchase the Fueling Station from FEI in accordance with section 11.6.

11.4 **Termination by FEI for Cause.** If FEI terminates this Agreement pursuant to section 10.2(c), FEI may, at its option and by written notice to the Customer:

(a) remove the Fueling Station in accordance with section 11.5 and require the Customer to pay, within 30 days of the effective date of termination, FEI's costs associated with such removal (including equipment removal and restoration of the Lands) and the unrecovered un-depreciated capital cost of the Fueling Station, as calculated in accordance with section 11.8; or

(b) require the Customer to purchase the Fueling Station from FEI in accordance with section 11.6;

and, in either event:

(c) require the Customer to pay to FEI, within 30 days of date of invoice, an amount equal to earnings foregone by FEI as calculated in accordance with section 11.7.

11.5 **Removal of the Fueling Station.** If removal of the Fueling Station is required pursuant to sections 11.1, 11.2, 11.3(a) or 11.4(a) or otherwise upon expiry of this Agreement, FEI will be obligated to remove only those portions of the Fueling Station to surface level, excluding any concrete pad, and any portion of the Fueling Station not removed by FEI will become the property of the Customer.

11.6 **Transfer of the Fueling Station.**

If the Customer:

(a) purchases the Fueling Station under sections 11.3(b) or 11.4(b), the Customer shall pay to FEI, in addition to any applicable taxes thereon, a purchase price calculated as the unrecovered un-depreciated capital cost of the Fueling Station, as calculated in accordance with section 11.8, within 30 days of the effective date of termination,; or

(b) does not require removal of the Fueling Station pursuant to section 11.1,

the Customer will become the owner of the Fueling Station upon receipt of all amounts due and owing to FEI pursuant to this Agreement, and FEI will execute and deliver any documents and records reasonably required by the Customer to effect and facilitate the transfer of the Fueling Station, including bills of sale, operation and maintenance manuals and warranties.

11.7 **Calculation of Earnings** – Where the Customer is required to pay to FEI an amount equal to earnings foregone by Fortis BC, the amount payable will reflect the present value of the earnings foregone by FEI to the remainder of the Initial Term as reasonably calculated by FEI in good faith based upon FEI's regulated return on invested capital as approved by BCUC.

11.8 **Calculation of Cost of Fueling Station** – FEI will calculate the unrecovered un-depreciated capital cost of the Fueling Station in accordance with the calculation methodology set out in Schedule B..

12. <u>Insurance Requirements.</u>

12.1 **Insurance.** Each party shall obtain and maintain the following insurance coverage and provide proof of coverage to the other party:

(a) Workers' Compensation Insurance in accordance with the statutory requirements in British Columbia;

(b) Automobile Liability Insurance with a limit of not less than $5,000,000 per occurrence in respect of bodily injury, death and property damage;

(c) Comprehensive General Liability Insurance, including sudden and accidental pollution coverage, from insurers registered in and licensed to underwrite insurance in British Columbia for bodily injury, death and property damage in the amount of $5,000,000 per occurrence naming the other party as an additional insured with respect to this Agreement; and

(d) Such other insurance as reasonably required by the other party from time to time.

Each party shall be responsible for payment of any deductibles of their policies. All such policies shall provide that the insurance shall not be cancelled or materially changed without the insurer giving at least 30 calendar days written notice to the other party.

13. <u>Environmental Provisions.</u>

13.1 **Definition of Contaminants.** "**Contaminants**" means collectively, any contaminant, toxic substances, dangerous goods, or pollutant or any other substance which when released to the natural environment is likely to cause, at some immediate or future time, material harm or degradation to the natural environment or material risk to human health, and includes any radioactive materials, asbestos materials, urea formaldehyde, underground or aboveground tanks, pollutants, contaminants, deleterious substances, dangerous substances or goods, hazardous, corrosive or toxic substances, hazardous waste or waste of any kind, pesticides, defoliants, or any other solid, liquid, gas, vapour, odour or any other substance the storage, manufacture, disposal, handling, treatment, generation, use, transport, remediation or release into the environment of which is now or hereafter prohibited, controlled or regulated by law.

13.2 **Customer Release and Indemnity.** Despite any other provision of this Agreement, the Customer acknowledges and agrees that FortisBC is not and shall not be responsible for any Contaminants now present, or present in the future, in, on or under the Lands, or that may or may have migrated on or off the Lands and hereby releases and agrees to indemnify FortisBC and its directors, officers, employees, successors and permitted assigns, from any and all liabilities, actions, damages, claims (including remediation cost recovery claims), losses, costs, orders, fines, penalties and expenses whatsoever (including all consulting and legal fees and expenses on a solicitor-client basis and the cost of remediation of the Fueling Station Area) arising from or in connection with:

(a) any release or alleged release of any Contaminants at or from the Lands, including the Fueling Station Area;

(b) the presence of any Contaminants on or off the Lands before or after the Effective Date of this Agreement;

Except with respect to any Contaminants brought onto the Lands by FEI or to the extent that such release was a direct result of the negligent acts or omissions of FEI or any person for whom it is in law responsible in carrying out its obligations under this Agreement.

13.3 **FEI Release and Indemnity.** Despite any other provision of this Agreement, FEI shall release and indemnify the Customer and its directors, officers, employees, successors and permitted assigns, from any and all liabilities, actions, damages, claims (including remediation cost recovery claims), losses, costs, orders, fines, penalties and expenses whatsoever (including all consulting and legal fees and expenses on a solicitor-client basis and the cost of remediation of the Fueling Station Area) arising from or in connection with any release or alleged release of any Contaminants related to any negligent act or omission of FEI or person for whom it is in law responsible in carrying out its obligations under this Agreement.

13.4 **Environmental representations and warranties.** The Customer represents and warrants to FEI that to the best of its knowledge there are no actions, proceedings, investigations, claims (including remediation cost recovery claims) pending, or threatened, that would interfere with FEI's use of the Fueling Station or the Fueling Station Area or access over the Lands or that relate to the presence of Contaminants in, under or migrating to or from the Fueling Station Area or the Lands.

14. **Indemnification and Limitation of Liability.**

14.1 Unless otherwise provided in this Agreement, each party shall indemnify and hold harmless the other party and its employees, directors and officers from and against any and all adverse claims, losses, suits, actions, judgments, demands, debts, accounts, damages, costs, penalties and expenses (including all legal fees and disbursements) arising from or out of:

(a) the acts or omissions of such party, its employees, directors, officers or contractors; or

(b) the breach by such party of any of the provisions contained in this Agreement.

14.2 **Limitation of Liability.** Each party's liability to the other party under this Section 14 shall be limited to the payment of direct damages. In no event shall either party be responsible or liable to the other party for any indirect, consequential, punitive, exemplary or incidental damages of the other party or any third party arising out of or related to this Agreement even if the loss is directly attributable to the gross negligence or wilful misconduct of such party, its employees, or contractors.

14.3 **Duty to Mitigate.** Each party has a duty to mitigate the damages that would otherwise be recoverable from the other party pursuant to this Agreement by taking appropriate and commercially reasonable actions to reduce or limit the amount of such damages or amounts.

15. **Force Majeure.**

15.1 No party will be in default of this Agreement by reason only of any failure in the performance of such party's obligations pursuant to this Agreement if such failure arises without the fault or negligence of such party and is caused by any event of Force Majeure (as defined below) that makes it commercially impracticable or unreasonable for such party to perform its obligations under this Agreement and, in such event, the obligations of the parties will be suspended to the extent necessary for the period of the Force Majeure condition, save and except neither party will be relieved of or released from its obligations to make payments to the other party as a result of an event of Force Majeure. For the purpose of this section, "**Force Majeure**" means any cause which is unavoidable or beyond the reasonable control of any party to this

Agreement and which, by the exercise of its reasonable efforts, such party is unable to prevent or overcome, including, acts of God, war, riots, intervention by civil or military authority, strikes, lockouts, accidents, acts of civil or military authority, or orders of government or regulatory bodies having jurisdiction, or breakage or accident to machinery or lines of pipes, or freezing of wells or pipelines or the failure of gas or CNG supply, temporary or otherwise, from a supplier of CNG; provided however, the lack of funds or other financial cause shall not be an event of Force Majeure.

15.2 The party whose performance is prevented by an event of Force Majeure must provide notification to the other party of the occurrence of such event as soon as reasonably possible and take commercially reasonable steps to eliminate any such occurrence.

16. **Dispute resolution.**

16.1 Where any dispute arises out of or in connection with this Agreement, including failure of the parties to reach agreement hereunder, either party may request the other party to appoint senior representatives to meet and attempt to resolve the dispute either by direct negotiations or mediation. Unresolved disputes may be submitted for final resolution by arbitration administered by the British Columbia International Commercial Arbitration Centre under its "Shorter Rules for Domestic Commercial Arbitration" in Vancouver, British Columbia, Canada. The language of that arbitration will be English. Alternatively, the Parties may agree, within 15 days of request by a party for final resolution, to submit that dispute for final resolution by arbitration in another manner.

16.2 The parties shall continue to fulfill their respective obligations pursuant to this Agreement during the resolution of any dispute in accordance with this section.

17. **Confidentiality.**

17.1 All information or documentation received by a party (the "**Receiving Party**") which has been specifically marked by other party (the "**Disclosing Party**") as confidential (the "**Information**") shall be deemed to be confidential and proprietary to the Disclosing Party. Except as otherwise provided herein, the Receiving Party shall not directly or indirectly disclose the Information to any third party without the prior written consent of the Disclosing Party. Such consent is not required where the third party is another contractor or consultant retained by the Receiving Party for the purposes contemplated in this Agreement and to the extent that such disclosure is necessary for the proper performance of this Agreement or such disclosure is required by law.

17.2 Despite the foregoing, the Receiving Party may use the Information in the preparation of and submissions to regulatory agencies and the parties acknowledge that this Agreement, when filed with regulatory agencies, including BCUC, will not be confidential or otherwise protected from disclosure or release.

17.3 The obligation of confidentiality set out above shall not apply to material, data or information which is known to either party prior to their receipt thereof, which is generally available to the public or which has been obtained from a third party which has the right to disclose the same.

17.4 Despite the foregoing, neither party shall issue a press release or public announcement respecting any aspect of this Agreement nor the agreements contemplated herein without the consent of the other party, such consent not to be unreasonably withheld, delayed or conditioned.

18. <u>General</u>.

18.1 **Costs.** Except as otherwise set out in this Agreement, each party will be responsible for the payment of its own costs related to performing its obligations under this Agreement.

18.2 **Survival.** The following sections shall survive the termination or expiration of this Agreement: Sections 13 [*Environmental Provisions*], 14 [*Indemnification and Limitation of Liability*], 16 [*Dispute Resolution*], 17 [*Confidentiality*], 18.3 [*Governing Law*] and 18.6 [*Notice*].

18.3 **Governing law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada. The parties hereby attorn to the jurisdiction of the courts of British Columbia and all courts competent to hear appeals therefrom.

18.4 **Assignment.** Neither party shall assign its rights and obligations under this Agreement without the prior written consent of the other party, such consent not to be unreasonably withheld, delayed or conditioned. Despite the foregoing, FEI may assign the Agreement, or parts thereof, to any of its affiliates.

18.5 **No joint venture or partnership.** Nothing contained in this Agreement shall be construed to place the parties in the role of partners or joint venturers or agents and no party shall have the power to obligate or bind any other party in any manner whatsoever.

18.6 **Notice.** Any notices or other communication required to be given or made pursuant to the Agreement shall, unless otherwise expressly provided herein, shall be in writing and shall be personally delivered to or sent by facsimile to either party at its address set forth below:

If to: FortisBC Energy Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Attention: Doug Stout, Vice President,
Energy Solutions & External Relations
Fax Number: 604-592-7670

Copy to: Vito Triggiano, Manager, Natural Gas for Transportation Solutions
Fax Number: 604-592-7894

If to: The Customer:
BFI Canada Inc.
400 Applewood Crescent – 2nd Floor
Vaughan, Ontario L4K 0C3

Attention: General Counsel
Fax Number: 905-532-7576

Copy to: Grant Hankins, District Manager
Fax Number: 604-525-5762

18.7 **Schedules.** The schedules attached to this agreement are an integral part of this Agreement and are hereby incorporated into this Agreement as a part thereof.

18.8 **Amendments to be in writing.** Except as set out in this Agreement, no amendment or variation of the Agreement shall be effective or binding upon the parties unless such amendment or variation is set forth in writing and duly executed by the parties.

18.9 **Waiver.** No party is bound by any waiver of any provision of this Agreement unless such waiver is consented to in writing by that party. No waiver of any provisions of this Agreement constitutes a waiver of any other provision, nor does any waiver constitute a continuing waiver unless otherwise provided.

18.10 **Enurement.** This Agreement enures to the benefit of and is binding on the parties and their respective successors and permitted assigns.

18.11 **Severability.** If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination does not impair or affect the validity, legality or enforceability of any other provision of this Agreement.

18.12 **Further Assurances.** The parties shall sign such further and other documents and do and perform and cause to be done and performed such further and other acts and things as may be necessary or desirable in order to give full effect to this Agreement.

18.13 **Remedies Cumulative.** All rights and remedies of each party under this Agreement are cumulative and may be exercised at any time and from time to time, independently and in combination.

18.14 **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no conditions, covenants, representations, warranties or other provisions, whether express or implied, collateral, statutory or otherwise, relating to the subject matter of this Agreement except as provided in this Agreement.

18.15 **Time is of the essence.** Time is of the essence of this Agreement.

18.16 **Execution.** This Agreement may be executed in counterparts, each of which shall be deemed as an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile or electronic transmission hereof shall be as effective as delivery of an originally executed counterpart hereof.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

FORTISBC ENERGY INC., by its authorized signatory:	BFI CANADA INC., by its authorized signatory:
	William Chyfetz Vice President & Associate General Counsel

Schedules attached:
Schedule A – Fueling Station Area
Schedule B – Fueling Station Capital Cost Calculation

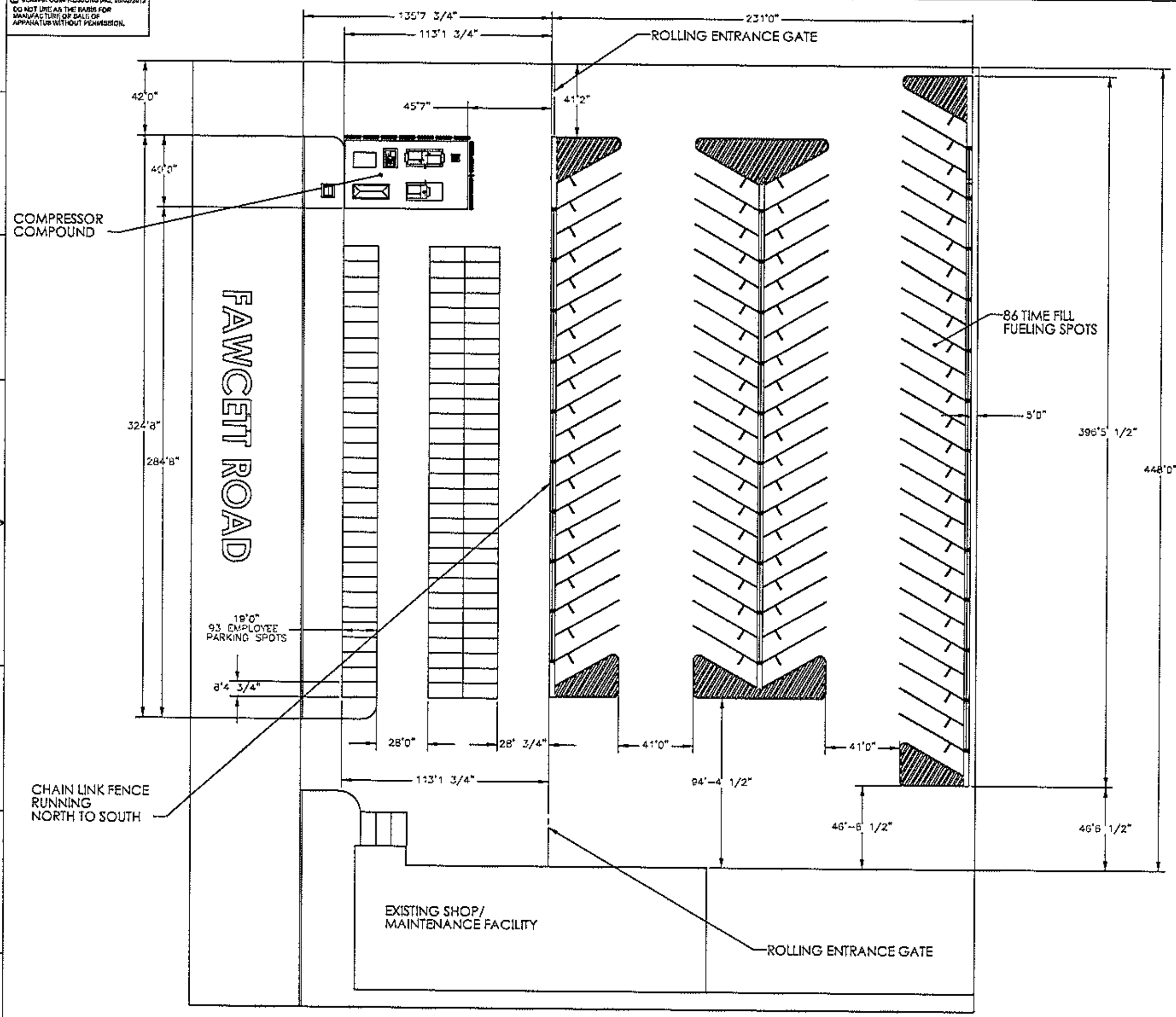
SCHEDULE A

FUELING STATION AREA

[see attached]

REVISION HISTORY

REV.	DATE	BY	REFERENCE
1	2012-02-06	KDT	ADDED SINGLE COMPRESSOR TO COMPRESSOR ENCLOSURE, ADDED ALL FILL POSTS AND REMOVED ONE FUELING SPOT



PRELIMINARY DRAWING
FOR REVIEW ONLY

CNG FUELLING STATION SITE ADDRESS:

25 FAWCETT ROAD
COQUITLAM, BC

CNG INSTALLATION CODE OF DESIGN

THE CNG INSTALLATION CONFORMS TO THE FOLLOWING DESIGN CODES & STANDARDS:

CAN/CSA-B108-99 NATURAL GAS FUELING STATIONS INSTALLATION CODE
CSA B51-09 CANADIAN BOILER, PRESSURE VESSEL AND PRESSURE PIPING CODE
ASME/ANSI B31.3 PROCESS PIPING

NOTES:

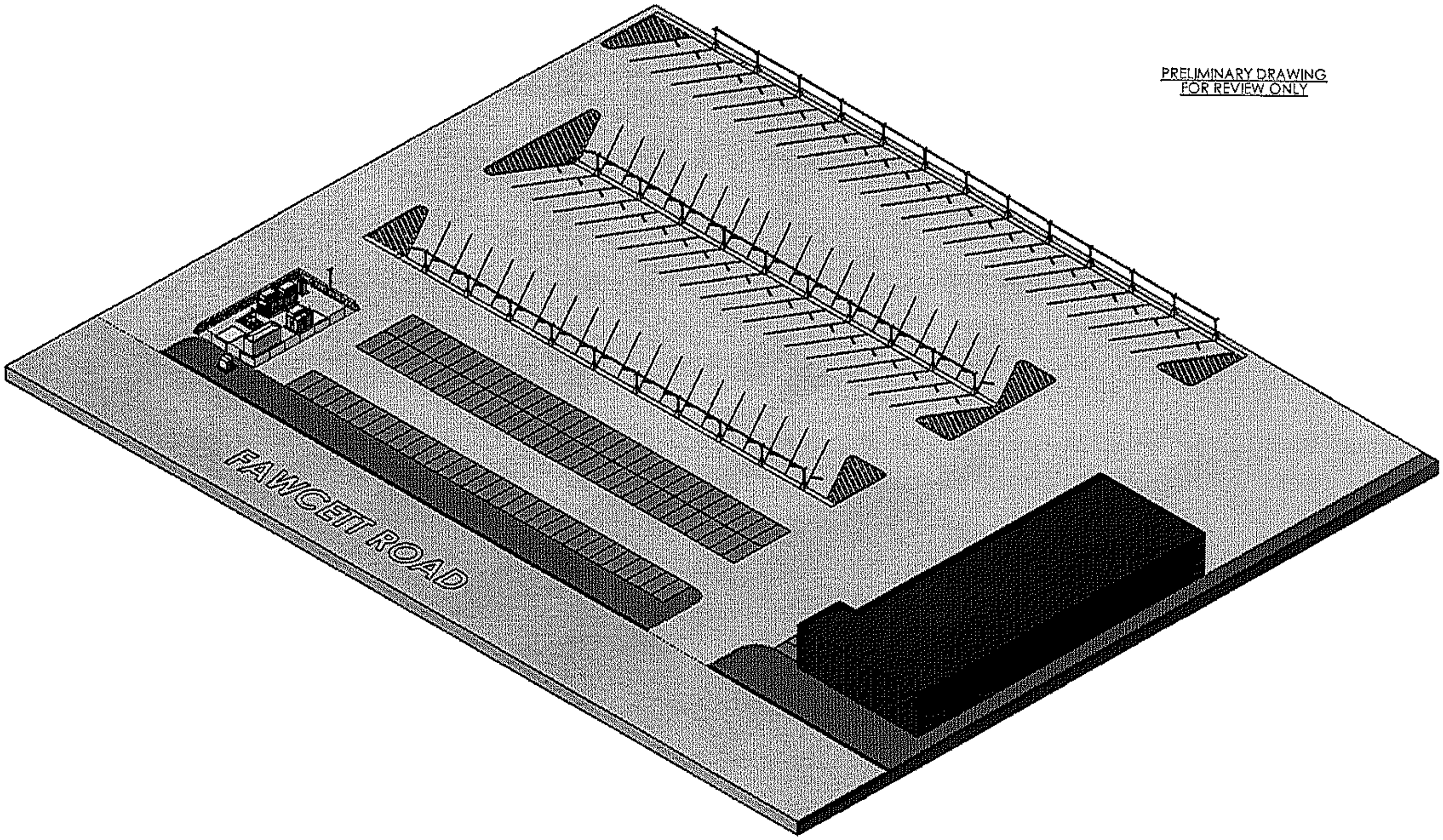
1. ALL EQUIPMENT IS DISTANT FROM ALL PROPERTY LINES (>3 METERS).

JENMAR CONCEPTS
JENMAR COMPRESSORS INC.
LANGLEY, BC, CANADA

TITLE: PRELIMINARY SITE LAYOUT
BFI CNG FUELLING STATION

REF.	SIZE	PROJECT	REV
DR. KDT 2012/01/05	D	BFI CNG FUELLING STATION	1
CK. MAE 2012/01/27		DWG# TG-0098-00	
AP.	SCALE 1:250	WEIGHT	SHEET 1/3

PRELIMINARY DRAWING
FOR REVIEW ONLY

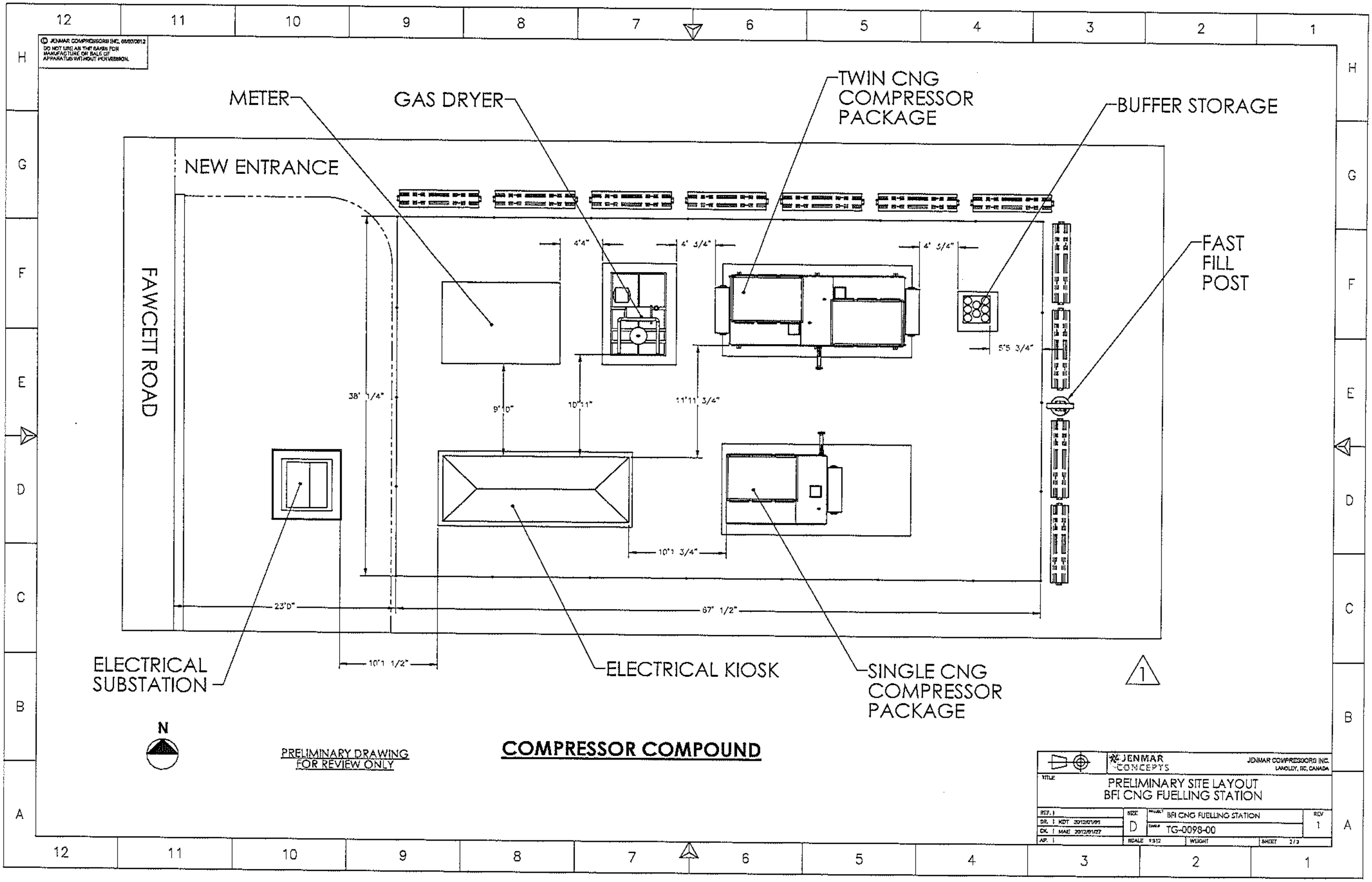


JENMAR CONCEPTS

JENMAR COMPRESSORS INC.
LANGLEY, BC, CANADA

TITLE
PRELIMINARY SITE LAYOUT
BFI CNG FUELLING STATION

REF.	SIZE	PROJECT: BFI CNG FUELLING STATION	REV
DR. KDT 2012/01/05	D	DWG: TG-0098-00	1
CK. MAC 2012/01/27			
AP.	SCALE 1:512	WEIGHT N/A	SHEET 3/3



© JENMAR COMPRESSORS INC. 08/07/2012
DO NOT USE AS THE BASIS FOR MANUFACTURE OR SALE OF APPARATUS WITHOUT PERMISSION.
METER
GAS DRYER
TWIN CNG COMPRESSOR PACKAGE
BUFFER STORAGE
NEW ENTRANCE
FAWCETT ROAD
FAST FILL POST
4'4"
4' 3/4"
4' 3/4"
5'5 3/4"
38' 1/4"
9'10"
10'11"
11'11 3/4"
10'1 3/4"
23'0"
67' 1/2"
10'1 1/2"
ELECTRICAL SUBSTATION
ELECTRICAL KIOSK
SINGLE CNG COMPRESSOR PACKAGE
N
PRELIMINARY DRAWING FOR REVIEW ONLY
COMPRESSOR COMPOUND
JENMAR CONCEPTS
JENMAR COMPRESSORS INC. LANGLEY, BC, CANADA
PRELIMINARY SITE LAYOUT
BFI CNG FUELLING STATION
SIZE D
BFI CNG FUELLING STATION
TG-0098-00
REV 1
DR. KDT 2012/01/09
CK. MAE 2012/01/27
SCALE 1:312
SHEET 2/3

SCHEDULE B

FUELING STATION CAPITAL COST CALCULATION

Contract Termination	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Approximate Contract Termination Fee ($)	1,830,893	1,728,452	1,630,252	1,533,070	1,434,140	1,331,051	1,221,660	1,126,897	1,032,134	937,371
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Approximate Contract Termination Fee ($)	842,608	747,845	653,082	558,320	463,557	368,794	274,031	179,268	84,505	9,742

The payments received with respect to the Capital Rate pursuant to section 7.1(c), if any, will be applied to the applicable capital cost calculation set out above to reduce the un-depreciated capital cost of the Fueling Station.

Appendix B

SUMMARY OF THE BFI AGREEMENT

Section 12B Reference	Section 12B of FEI's General Terms and Conditions	BFI Agreement Reference	How the BFI Agreement complies to Section 12B of the GT&Cs
12B.1	CNG Service will typically consist of: (a) installing and maintaining a CNG fueling station, including, but not limited to, the compression, gas dryer/dehydrator, high pressure storage, dispensing equipment; and (b) dispensing of compressed natural gas.	BFI Agreement at Page 1	The customer wishes to have FEI supply, install and maintain a CNG fueling station, including infrastructure, equipment, apparatus, conduits, lines and pipes on their premises.
12B.2	Ownership - All CNG and LNG fueling stations, temporary or permanent, will remain the property of FortisBC Energy, regardless of whether they are located on the customer's property.	Clause 5.5	The fueling station is, and shall at all times remain, the property of FEI, except where specifically transferred to the customer under Clause 11 of the Service Agreement
12B.3	Cost of Service Recovery - customers will be charged a "take-or-pay" (i.e. minimum contract demand) under the Service Agreement…	Clause 7.2	The customer agrees to pay a minimum annual service charge based on minimum quantity of 60,000 GJ of CNG being dispensed from the fueling station per year
12B.4 (a)	the actual capital investment in the fueling station…	Clause 7.3	BFI Agreement uses a forecast cost of capital, however if actual construction costs are greater or less than 2 percent of the forecast cost of capital the rate will be amended
12B.4 (b)	depreciation and net negative salvage rates and expense related to the capital assets associated with the vehicle fueling station;	Clause 7.1 (a); BFI Application at Page 17	Capital Rate of $3.69 per GJ dispensed which recovers the property taxes, depreciation expense, removal provision, income taxes and earned return associated with the fueling station assets
12B.4 (c)	all operating and maintenance expenses, with no adjustment for capitalized overhead, necessary to serve the Customer, escalated annually by British Columbia CPI inflation rates as published by BC Stats monthly;	Clause 7.1 (b); BFI Application at Page 17	O&M Rate of $1.033 per GJ as dispensed which recovers the non-levelized operating and maintenance expense and is inflated by BC CPI annually and is not adjusted for capitalized overhead
12B.4 (d)	an allowance for overhead and marketing costs relating to developing NGV Fueling Station Agreements to be recovered from the Customer.	Clause 7.1 (b); BFI Application at Page 18	FEI has included an allowance for overhead and marketing costs of $0.20 per GJ. In the Service Agreement, this charge is embedded in the O&M Rate of $1.033 per GJ
12B.5	Customer's Obligation at the Expiration of Initial Term of Service Agreement - If, at the expiry of the initial term of an executed Service Agreement, the Customer does not wish to review the Service Agreement, the Customer can terminate the Service Agreement provided the Customer agrees to pay any unrecovered capital (including the positive or negative salvage value) associated with the fueling stations…	Clause 11.1; BFI Application at Page 9	Termination without cause at any time prior to the 20th anniversary of the effective date, the customer will pay FEI (for expiry prior to or at the end of the initial term): (i) the unrecovered undepreciated capital cost of the fueling station, as calculated in accordance with section 11.8 (ii) an amount equal to earnings foregone by FEI as calculated in accordance with section 11.7

Appendix C

LIQUEFIED NATURAL GAS
A STRATEGY FOR B.C.'S NEWEST INDUSTRY

LNG

Liquefied Natural Gas
A Strategy for B.C.'s Newest Industry

BRITISH COLUMBIA

Ministry of Energy and Mines

Message from the Premier

THE BC JOBS PLAN RELEASED IN SEPTEMBER is all about leveraging our competitive advantages to benefit British Columbians. Opening new markets for our exports, strengthening infrastructure to get our goods to market, and working directly with employers and communities will all help grow and strengthen our economy – creating jobs in every region of the province.

Building on our strengths is critical. So is breaking new ground. We've always relied on natural resources to fuel our economy. Now, with liquefied natural gas (LNG), we have a rare and exciting opportunity to build a whole new industry and use its development to spur other positive changes, such as growth in our clean-energy sector.

There will be challenges along the way. That is inevitable. It goes hand-in-hand with creating something new. As a government, we are committed to working closely with communities, First Nations and other important stakeholders. We are confident that, working together, we can reach our goals – investment, job creation and new economic opportunities – while protecting the environment and building a better quality of life for future generations.

With this LNG strategy, we are taking the next steps forward to harness British Columbia's strengths for the benefit of all our citizens. It's part of our plan to increase economic prosperity, create an environment where business and investment can flourish, and show the world that Canada really does start here.

Honourable Christy Clark
Premier of British Columbia

Global trade in LNG doubled between 2000 and 2010. It's expected to increase by another 50 per cent by 2020.

Message from the Minister

Honourable Rich Coleman
Minister of Energy and Mines
and Minister Responsible for Housing

1,000 cubic feet of natural gas costs under $4 in North America in late 2011 – versus $16 in Asia.

OVER THE NEXT 20 YEARS, GLOBAL DEMAND FOR NATURAL GAS is expected to rise dramatically, fuelled by rapid economic growth in Asia. With the development of LNG – a shippable form of natural gas – B.C. is ideally positioned to compete for a share of that lucrative market.

Building a B.C. LNG industry will take time. And other jurisdictions – including the U.S., Australia and Africa – are also moving to develop their LNG potential. The good news is that B.C. is ready: we've been preparing for this opportunity for nearly a decade with progressive royalty programs, infrastructure upgrades, clean energy policies, comprehensive environmental assessments, and direct engagement with industry, First Nations and communities.

We are working hard to build our overseas markets through measures such as the Premier's recent trade mission to Asia. We are working with the industry to attract new capital and foreign investment. The federal government recently approved a 20-year export licence for the LNG facility being built in Kitimat – the first such licence ever issued in Canada.

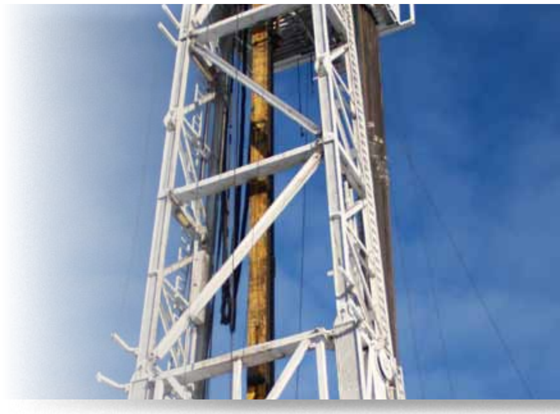
With *The BC Jobs Plan*, the Province has committed to having our first LNG plant up and running by 2015, with a total of three LNG facilities operating by 2020. These are bold targets, but I am confident British Columbia will meet them.

Developing our LNG export potential is an excellent investment in our future. It will generate thousands of jobs and billions of dollars in new investment. That will mean more revenues for government to pay for services like health care and education. Equally important, it promises long-term stability for families and communities, with well-paying jobs, diversified economies and new opportunities to build expertise in a new global industry.

LNG Development – Our Vision for the Future

Quick Facts About Liquefied Natural Gas

- LNG is natural gas, cooled to -160 degrees Celsius to keep it in a liquid form.
- It is non-toxic, odourless, non-corrosive and less dense than water.
- Compared to conventional natural gas, LNG takes up 600 times less space.
- Unlike conventional natural gas, it can be shipped overseas, dramatically increasing its potential markets.
- LNG has been safely used and transported around the world for 50 years.
- It is a stable, low-risk fuel.
- If it spills, LNG will warm, rise and dissipate into the atmosphere.



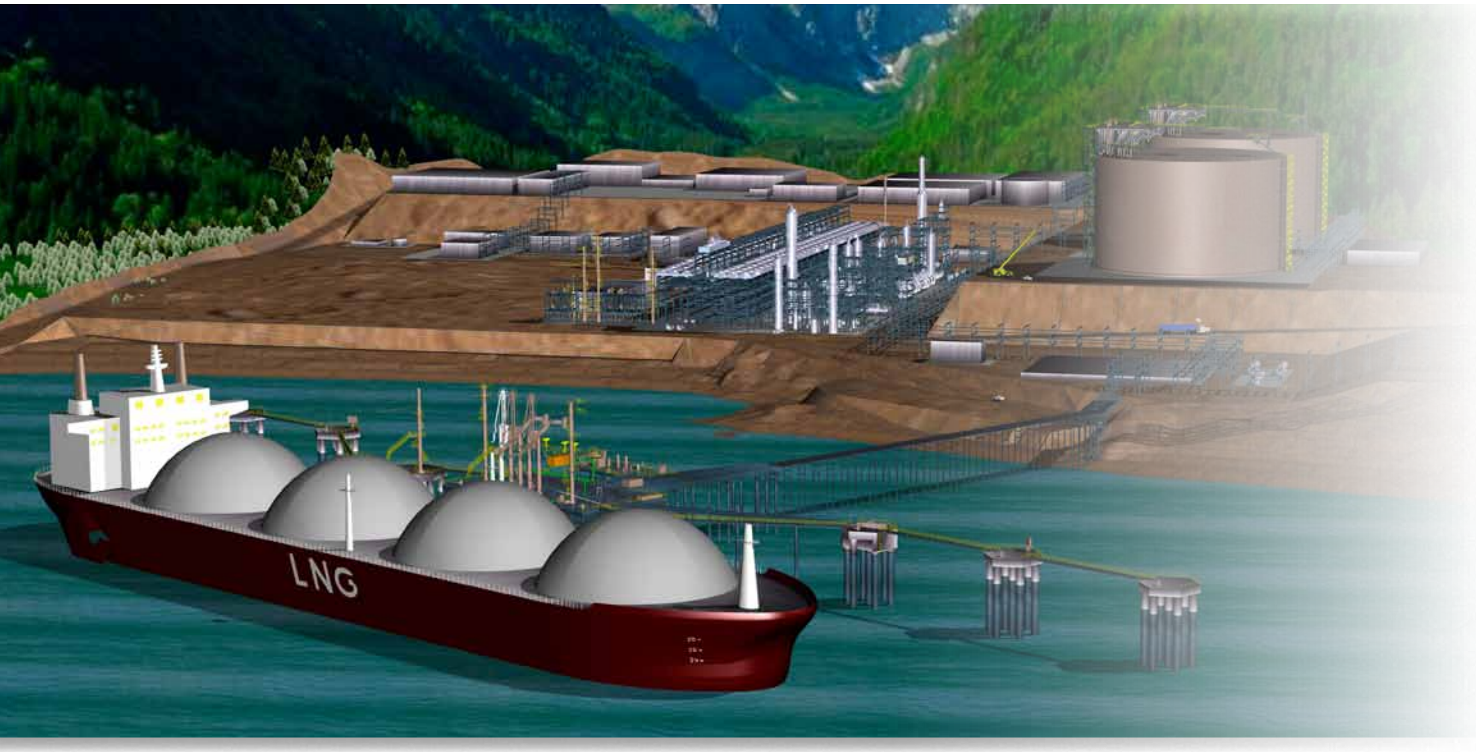
JUST A FEW YEARS AGO, PEOPLE WERE bracing for a shortage of natural gas in North America. Supplies of conventionally accessible gas were declining and contractors were considering options for importing liquefied natural gas – LNG – from other jurisdictions.

That all changed with the advent of technologies allowing for recovery of shale gas – an abundant form of natural gas with significant environmental benefits.

Natural gas is the world's cleanest-burning fossil fuel. For example, converting just one heavy-duty truck from diesel to natural gas has the same effect as taking 325 cars off the road. As proven supplies increase, so do the incentives to replace coal-fired generation with natural gas. So we believe it has an important role in the global transition to cleaner energy sources.

B.C. has been developing shale gas resources since 2005, generating billions of dollars in government revenue from land sales and royalties. Now we're moving forward to develop the potential of LNG for export.

Multiple investors across the natural gas sector have expressed interest in developing LNG export facilities. The first commercial LNG export facility in Canada is scheduled to open in Kitimat, on B.C.'s central coast, by 2015. And the Province has committed to working with interested investors, such as Shell Canada, to have three facilities in operation by 2020, assuming all environmental and permitting applications are granted.



Courtesy of Apache Canada LTD.

One of the first projects underway, the Kitimat LNG facility, has already earned federal and provincial environmental assessment approvals. It has strong support from the Haisla Nation, on whose land it's being built. And, in October 2011, it was granted the first-ever federal licence to export LNG from Canada. The Kitimat LNG plant will use clean electricity to liquefy natural gas, which results in lower emissions than plants elsewhere in the world.

Moving forward, additional LNG facility developments will use local clean energy with support from B.C.'s natural gas as necessary.

With this strategy, the Province intends to keep that momentum going, generating thousands of jobs and billions of dollars worth of new economic development to benefit families and communities in every part of British Columbia.

LNG: Generating Jobs and Revenues

The Province has committed to having three LNG facilities in operation by 2020, assuming all environmental approvals are granted. Based on current estimates from project proponents, that could mean:

- over $20 billion in direct new investment
- as many as 9,000 new construction jobs
- about 800 long-term jobs
- thousands of potential spin-off jobs
- over $1 billion a year in additional revenues to government

Vision: Three LNG plants in operation by 2020

Goals:

- Keep B.C. competitive in the global LNG market
- Maintain B.C.'s leadership on climate change and clean energy
- Keep energy rates affordable for families, communities and industry

1. Keep B.C. competitive in the global LNG market

NATURAL GAS IS ONE OF B.C.'S MOST ABUNDANT RESOURCES, with vast untapped reserves throughout the northeast. Fears of a North American shortage disappeared in recent years with the advent of technologies making shale gas accessible. And while that has been a significant economic driver and revenue generator for our province, increased supply across North America has led to lower prices.

Natural gas will continue to be an important fuel for British Columbians, heating our homes, powering industry, and fueling our vehicles with fewer emissions than oil, gasoline or diesel. Developing liquefied natural gas for export will allow B.C. to dramatically expand its markets and meet growing demand in Asia.

B.C. currently produces 1.2 trillion cubic feet (Tcf) of natural gas per year. Meeting our LNG development goals could add another 1.9 Tcf per year.

China and Japan are both pursuing new supply – China to fuel its massive modernization, and Japan to diversify its fuel supply. With demand growing quickly, prices in Asia are also up to four times higher than they are in North America.

All of this adds up to a great opportunity. But B.C. is not alone in pursuing it. Asian demand is fuelling a global race for long-term contracts to supply LNG, and B.C. faces stiff competition from jurisdictions such as Australia, the U.S., Qatar and Africa.

B.C.'s LNG Advantages

B.C. is well positioned to compete for a share of the lucrative Asian LNG market. Our advantages include:

- lower shipping costs, thanks to our proximity to Asia
- secure, stable government
- vast natural gas reserves
- high environmental standards
- potential to access clean electricity
- positive relationships with First Nations peoples
- a well-established service sector
- established, efficient single window regulator

The Kitimat plant is on target to be fully operational by 2015 and several other projects are at the proposal stage. Recognizing that time is of the essence, the Province is taking an aggressive approach to developing the sector:

- an efficient regulatory system for LNG growth has been established;
- overseas marketing is ramping up, supported by the New West Partnership with Alberta and Saskatchewan;
- work is underway to streamline federal and provincial environmental assessments to create a single, more efficient process;
- approaches to collaborative solutions for natural gas pipeline development are being explored, and
- collaboration with local communities, First Nations, industry and other levels of government is being strengthened to define more effective working relationships that benefit the entire province.

Next steps in helping to ensure B.C. has a competitive edge in this new global market will include investments in skills training. The Province is working with industry to define its needs and to help ensure the B.C. post-secondary system can deliver the targeted training needed to develop LNG, and to support the broader B.C. oil and gas sector.

2. Maintain B.C.'s leadership on climate change and clean energy

LNG – Helping to Address Global Climate Change

Climate change is a global issue. B.C.'s natural gas has the ability to offset the challenge by helping to lower world-wide greenhouse gas emissions.

LNG development in B.C. can have lower lifecycle greenhouse gas emissions than anywhere else in the world by promoting the use of clean electricity to power LNG plants.

Natural gas has a key role to play in reducing greenhouse gas emissions. This is one of the driving factors behind its growing use in Asia where it is replacing coal fired power plants and oil based transportation fuels with a much cleaner alternative.

BRITISH COLUMBIA HAS A LONG HISTORY OF clean energy leadership, dating back to the 1960s when BC Hydro was established. Today, clean hydroelectric power, along with other renewable sources such as wind power and biomass, meets over 93 per cent of British Columbia's electricity needs. We are also offsetting two-thirds of our electricity demand growth through efficiency and conservations measures.

B.C.'s commitment to clean energy is also supported by the landmark *Climate Action Plan*, the first and most ambitious of its kind in North America.

At the same time, a substantial amount of energy is needed to produce higher volumes of natural gas, and to operate LNG production plants. The first two LNG plants – BC Douglas Channel and Kitimat LNG – are anticipated to use clean electricity to drive the liquefaction process, the first LNG plants to do so in the world. As a result, LNG development in British Columbia would have lower lifecycle greenhouse gas emissions than anywhere else, differentiating us in the global LNG export market.

As part of this strategy, and as projects such as the Shell partnership come on stream, the Province and BC Hydro will continue to work with the industry, First Nations, and with clean-energy producers to develop clean, reliable, sustainable sources of supply.

Ultimately, British Columbia will maintain its place as a climate-action leader while moving forward to develop new economic opportunities. It's our chance to show the world that we can also lead in developing a new, clean industry.

As part of the *Jobs Plan*, the Province is also examining ways to grow the market for natural gas as a transportation fuel, in both CNG (compressed natural gas) and LNG forms. These alternatives can replace diesel in heavy duty fleets and other vehicles, and thereby help to lower emissions.

Converting just one heavy-duty truck from diesel to natural gas has the same effect as taking 325 cars off our roads.

3. Keep energy rates affordable

LIKE MOST MAJOR INDUSTRIES, LNG PRODUCTION REQUIRES a steady source of power. In some cases, that could mean building new transmission lines or other types of infrastructure. That, in turn, has the potential to affect BC Hydro rates – and the Province is committed to ensuring the impacts on families and industry are minimized.

BC Hydro and the Province are currently working with LNG proponents to assess their future electricity needs – recognizing the key priority of keeping rates affordable. To offset the increased expense of operating new LNG facilities in the province, Government will ensure LNG developers contribute capital for infrastructure development and to the electricity supply required to serve each operation.

Another measure protecting consumers stems from a recent review of BC Hydro. That has led to changes in how government will implement its electricity self-sufficiency policy. This policy framework was originally implemented under the 2007 *Energy Plan* when economic growth was strong, natural gas prices were high and other jurisdictions were putting a price on carbon through taxes and planned cap and trade. Since that time, BC Hydro's operating environment has changed, with market electricity prices dropping significantly as a result of the slow economic recovery, low natural gas prices, and the over building of subsidized renewable energy in the United States.

The original self-sufficiency policy required BC Hydro to acquire new electricity supply assuming that inflows into provincial water reservoirs would be at historically low levels, and to acquire an additional 3,000 gigawatt-hours of "insurance" by 2020. Moving forward, BC Hydro will plan electricity needs based on average water conditions, and the insurance requirement will be removed. Future demand from industrial development will now drive the need to purchase additional power.

These changes will enhance BC Hydro's ability to optimize its unique and flexible hydro-based system and transmission connections to the western electricity market, creating more opportunities to earn income through short-term trading for the benefit of ratepayers.

The BC Hydro Review concluded that the impact of moving to average water and removing the insurance requirement would reduce electricity rate increases over the medium and long-term – up to eight per cent by 2016 and 20 per cent by 2020. This new policy direction will ensure that B.C. families and businesses will continue to enjoy some of the lowest electricity rates in North America, even as the government continues moving forward to implement the *Jobs Plan*.

"With BC Hydro, our government is planning to meet the power demands required by new LNG facilities. LNG expansion will not be held back by a lack of supply of electricity."

–Canada Starts Here: The BC Jobs Plan

Conclusion

LNG IS A BRAND NEW INDUSTRY WITH MASSIVE POTENTIAL for British Columbia. We have the supply, we have the technology, we have a great geographic advantage and, as we move forward to develop this industry, the whole province will benefit.

Thousands of people will have new jobs. Local economies will be more diversified. New skills training will be developed with new opportunities for future generations.

The LNG industry will generate economic spinoffs in areas such as the service sector and clean-energy development. First Nations will have new sources of economic strength and stability. And the Province will receive more revenues to pay for public services.

With this strategy, the government has laid out its critical priorities for LNG development:

- keeping B.C. competitive in the global LNG market;
- maintaining B.C.'s leadership on climate change and clean energy, and
- keeping energy rates affordable for families, communities and industry.

These three priorities will guide us going forward and help us to establish a thriving, competitive LNG industry that sets new standards for environmental and social responsibility.

As part of *The BC Jobs Plan*, this strategy is all about using our strengths to defend and create jobs in every community. This is B.C.'s time to lead and, together, we will.

Courtesy of TransCanada

"Not only have our people received immediate benefits from the project, in the form of a $56 million payment for the sale of our equity in Kitimat LNG, but the long-term, regular lease and property tax payments combined with the employment and business opportunities associated with the project provide a greater measure of economic stability than we have ever experienced."

– Former Haisla Nation Chief Counsellor Dolores Pollard
March 9, 2011

CANADA STARTS HERE

THE BC JOBS PLAN

BRITISH COLUMBIA

Appendix D

FINANCIAL SCHEDULES

Financial Schedules
CNG BFI Cost of Service

FortisBC Energy Inc.
CNG BFI Cost of Service

CNG BFI Cost of Service: Revenue Requirement
Appendix D - Schedule 1
($000's), unless otherwise stated

Line	Particulars	Reference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1	**Revenue Requirement**																					
2	Cost of Energy Sold		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Operation and Maintenance	Schedule 2, Line 18	50	51	52	53	54	55	56	58	59	60	61	62	64	65	66	68	69	70	72	73
4	Property Taxes	Schedule 2, Line 28	17	18	20	21	21	21	22	22	23	23	23	24	24	25	25	25	26	26	27	27
5	Depreciation Expense	Schedule 8, Line 15 + Line 34	95	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94
6	Removal Cost Provision	Schedule 8, Line 40	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
7	Amortization Expense	Schedule 9, Line 19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Other Revenue	Schedule 2, Line 23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Income Taxes	Schedule 3, Line 20	3	(40)	(24)	(11)	(1)	7	13	18	22	25	26	28	29	29	29	29	29	29	28	24
10	Earned Return	Schedule 5, Line 27	142	138	130	123	115	108	100	93	85	78	70	63	55	48	40	33	25	18	10	3
11																						
12	**Annual Revenue Requirement**	Sum of Lines 2 through 10	**307**	**261**	**274**	**280**	**285**	**287**	**287**	**286**	**283**	**280**	**276**	**271**	**267**	**261**	**256**	**250**	**244**	**238**	**232**	**222**

FortisBC Energy Inc.
CNG BFI Cost of Service

CNG BFI Cost of Service: O&M, Other Revenue and Property Tax
Appendix D - Schedule 2
($000's), unless otherwise stated

Line	Particulars	Reference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1	**Gross O&M**																					
2	Labour Costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3																						
4	Vehicle Costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Employee Expenses		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Materials & Supplies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Computer Costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Fees & Administrations Costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Contractor Costs		50	51	52	53	54	55	56	58	59	60	61	62	64	65	66	68	69	70	72	73
10	Facilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Recoveries & Revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12																						
13	Non-Labour Costs		50	51	52	53	54	55	56	58	59	60	61	62	64	65	66	68	69	70	72	73
14																						
15	Total Gross O&M Expenses		50	51	52	53	54	55	56	58	59	60	61	62	64	65	66	68	69	70	72	73
16																						
17	(Less): Capitalized Overhead		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Net O&M		50	51	52	53	54	55	56	58	59	60	61	62	64	65	66	68	69	70	72	73
19																						
20	**Other Revenue**																					
21	Environmental Credits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Miscellaneous		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Total Other Revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24																						
25	**Property Taxes**																					
26	General, School and Other		17	18	18	18	19	19	19	20	20	21	21	22	22	22	23	23	24	24	25	25
27	1% in Lieu of General Municipal Tax[1]	Schedule 11, Line 29/1000 x 1%	-	-	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
28	Total Property Taxes		17	18	20	21	21	21	22	22	23	23	23	24	24	25	25	25	26	26	27	27
29																						
30	1- Calculation is based on the second preceeding year; ex., 2012 is based on 2010 revenue																					

FortisBC Energy Inc.
CNG BFI Cost of Service

CNG BFI Cost of Service: Income Tax Expense
Appendix D - Schedule 3
($000's), unless otherwise stated

Line	Particulars	Reference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1	**Income Tax Expense**																					
2																						
3	Earned Return	Schedule 5, Line 27	142	138	130	123	115	108	100	93	85	78	70	63	55	48	40	33	25	18	10	3
4	Deduct: Interest on debt	Schedule 5, Line 26	(74)	(72)	(68)	(64)	(60)	(56)	(52)	(48)	(44)	(40)	(37)	(33)	(29)	(25)	(21)	(17)	(13)	(9)	(5)	(2)
5	Add (Deduct): Amortization Expense	Schedule 9, Line 19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Add: Depreciation Expense	Schedule 8, Line 15 + Line 34	95	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94	94
7	Add: Removal Cost Provision	Schedule 8, Line 40	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
8	Deduct: Overhead Capitalized Expensed for Tax Purposes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Deduct Removal Costs	Schedule 8, Line 41	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10)
10	Deduct: Capital Cost Allowance	Schedule 4, Line 28	(155)	(281)	(228)	(186)	(152)	(125)	(103)	(85)	(70)	(59)	(49)	(41)	(35)	(30)	(26)	(22)	(19)	(17)	(15)	(13)
11	Taxable Income After Tax	Sum of Lines 3 through 10	8	(120)	(71)	(33)	(2)	22	40	55	65	74	79	84	86	88	88	88	88	86	85	73
12																						
13	Income Tax Rate		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
14	1 - Current Income Tax Rate	1 - Line 13	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
15																						
16	Taxable Income	Line 11 / Line 14	11	(160)	(95)	(43)	(3)	29	54	73	87	98	106	111	115	117	118	118	117	115	113	98
17																						
18	Total Income Tax Expense	Line 16 x Line 13	3	(40)	(24)	(11)	(1)	7	13	18	22	25	26	28	29	29	29	29	29	29	28	24
19	Adjustments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Net Tax Expense	Line 18 + Line 19	3	(40)	(24)	(11)	(1)	7	13	18	22	25	26	28	29	29	29	29	29	29	28	24

FortisBC Energy Inc.
CNG BFI Cost of Service

CNG BFI Cost of Service: Capital Cost Allowance
Appendix D - Schedule 4
($000's), unless otherwise stated

Line	Particulars	Reference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1	**CNG Dispensing Equipment- Class 8 @ 20%**																					
2	Opening Balance	Preceeding Year, Line 5	-	1,238	990	792	634	507	406	325	260	208	166	133	106	85	68	54	44	35	28	22
3	Additions	Schedule 7 , Line 11 - AFUDC	1,376	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	CCA	[Line 2 + (Line 3 x 1/2)] x CCA Rate	(138)	(248)	(198)	(158)	(127)	(101)	(81)	(65)	(52)	(42)	(33)	(27)	(21)	(17)	(14)	(11)	(9)	(7)	(6)	(4)
5	Closing Balance	Sum of Lines 2 through 4	1,238	990	792	634	507	406	325	260	208	166	133	106	85	68	54	44	35	28	22	18
6																						
7	**Foundation- Class 1.3 @ 6%**																					
8	Opening Balance	Preceeding Year, Line 11	-	429	403	379	356	335	315	296	278	261	246	231	217	204	192	180	169	159	150	141
9	Additions	Schedule 7 , Line 12 - AFUDC	442	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	CCA	[Line 8 + (Line 9 x 1/2)] x CCA Rate	(13)	(26)	(24)	(23)	(21)	(20)	(19)	(18)	(17)	(16)	(15)	(14)	(13)	(12)	(12)	(11)	(10)	(10)	(9)	(8)
11	Closing Balance	Sum of Lines 8 through 10	429	403	379	356	335	315	296	278	261	246	231	217	204	192	180	169	159	150	141	132
12																						
13	**NG Dehydrator- Class 8 @ 20%**																					
14	Opening Balance	Preceeding Year, Line 17	-	39	31	25	20	16	13	10	8	6	5	4	3	3	2	2	1	1	1	1
15	Additions	Schedule 7 , Line 13 - AFUDC	43	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	CCA	[Line 14 + (Line 15 x 1/2)] x CCA Rate	(4)	(8)	(6)	(5)	(4)	(3)	(3)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(0)	(0)	(0)	(0)	(0)	(0)
17	Closing Balance	Sum of Lines 14 through 16	39	31	25	20	16	13	10	8	6	5	4	3	3	2	2	1	1	1	1	1
18																						
19	**Capitalized Overhead- Class 0 @ 0%**																					
20	Opening Balance	Preceeding Year, Line 23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Additions	Schedule 2 , Line 17 x 0 / 0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	CCA	[Line 20 + (Line 21 x 1/2)] x CCA Rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Closing Balance	Sum of Lines 20 through 22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24																						
25	**Total CCA**																					
26	Opening Balance	Preceeding Year, Line 29	-	1,706	1,424	1,196	1,010	858	733	630	546	476	417	368	327	292	262	236	214	195	179	164
27	Additions	[1]	1,861	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28	CCA		(155)	(281)	(228)	(186)	(152)	(125)	(103)	(85)	(70)	(59)	(49)	(41)	(35)	(30)	(26)	(22)	(19)	(17)	(15)	(13)
29	Closing Balance	Sum of Lines 26 through 28	1,706	1,424	1,196	1,010	858	733	630	546	476	417	368	327	292	262	236	214	195	179	164	151
30																						
31	1- Schedule 7 , Line 15 - Line 14, + Line 21 above - AFUDC																					

FortisBC Energy Inc.
CNG BFI Cost of Service

CNG BFI Cost of Service: Rate Base
Appendix D - Schedule 5
($000's), unless otherwise stated

Line	Particulars	Reference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1	**Rate Base**																					
2	Gross Plant In Service- Beginning	Schedule 7, Line 8	-	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885
3	Gross Plant In Service- Ending	Schedule 7, Line 29	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885
4																						
5	Accumulated Depreciation- Beginning	Schedule 8, Line 8	-	(95)	(189)	(283)	(377)	(472)	(566)	(660)	(754)	(849)	(943)	(1,037)	(1,131)	(1,226)	(1,320)	(1,414)	(1,508)	(1,603)	(1,697)	(1,791)
6	Accumulated Depreciation- Ending	Schedule 8, Line 29	(95)	(189)	(283)	(377)	(472)	(566)	(660)	(754)	(849)	(943)	(1,037)	(1,131)	(1,226)	(1,320)	(1,414)	(1,508)	(1,603)	(1,697)	(1,791)	(1,886)
7																						
8	Contributions in Aid of Construction- Beginning	Schedule 7, Line 33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Contributions in Aid of Construction- Ending	Schedule 7, Line 36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10																						
11	Negative Salvage - Beginning	Schedule 8, Line 39	-	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(4)	(5)	(5)	(6)	(6)	(7)	(7)	(8)	(8)	(9)	(9)	(10)
12	Negative Salvage - Ending	Schedule 8, Line 42	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(4)	(5)	(5)	(6)	(6)	(7)	(7)	(8)	(8)	(9)	(9)	(10)	-
13																						
14	Accumulated Amortization- Beginning	Schedule 8, Line 33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Accumulated Amortization- Ending	Schedule 8, Line 36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16																						
17	Net Plant in Service, Mid-Year	Sum (Lines 2 through 15)/2	895	1,743	1,648	1,553	1,459	1,364	1,269	1,174	1,080	985	890	795	700	606	511	416	321	227	132	42
18																						
19	Adjustment to 13-month average	[1]	900	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Unamortized Deferred Charges, Mid-Year	Schedule 9, Line 22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Cash Working Capital	[2]	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
22	**Total Rate Base**	**Sum of Lines 17 through 21**	**1,792**	**1,739**	**1,644**	**1,550**	**1,455**	**1,360**	**1,265**	**1,171**	**1,076**	**981**	**886**	**791**	**697**	**602**	**507**	**412**	**318**	**223**	**128**	**38**
23																						
24	**Return on Rate Base**																					
25	Equity Return	Line 22 x ROE x Equity %	68	66	62	59	55	52	48	44	41	37	34	30	26	23	19	16	12	8	5	1
26	Debt Component	[3]	74	72	68	64	60	56	52	48	44	40	37	33	29	25	21	17	13	9	5	2
27	Total Earned Return	Line 25 + Line 26	**142**	**138**	**130**	**123**	**115**	**108**	**100**	**93**	**85**	**78**	**70**	**63**	**55**	**48**	**40**	**33**	**25**	**18**	**10**	**3**
28	Return on Rate Base %	Line 27 / Line 22	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%	7.93%
29																						
30	1- [Schedule 7, (Line 15 + Line 34) + Schedule 8, (Line 15+ Line 34)] x (Days In-service/365-1/2)																					
31	2- Schedule 7, Line 29 x FEI CWC/Closing GPIS %																					
32	3- Line 22 x (LTD Rate x LTD% + STD Rate x STD %)																					

FortisBC Energy Inc.
CNG BFI Cost of Service

CNG BFI Cost of Service: Capital Spending
Appendix D - Schedule 6
($000's), unless otherwise stated

Line	Particulars	Reference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1	Capital Spending Prior to 2012																					
2	CNG Dispensing Equipment		1,376																			
3	Foundation		442																			
4	NG Dehydrator		43																			
5	Total Capital Spending Prior to 2012	Sum of Lines 2 through 4	1,861																			
6																						
7	AFUDC Prior to 2012																					
8	CNG Dispensing Equipment		24																			
9	Foundation		-																			
10	NG Dehydrator		1																			
11	Total AFUDC Prior to 2012	Sum of Lines 8 through 10	25																			
12																						
13	Capital Spending 2012 Onwards																					
14	CNG Dispensing Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Foundation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	NG Dehydrator		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Total Capital Spending 2012 Onwards	Sum of Lines 14 through 16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18																						
19	AFUDC 2012 Onwards																					
20	CNG Dispensing Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Foundation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	NG Dehydrator		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Total AFUDC 2012 Onwards	Sum of Lines 20 through 22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24																						
25	Total Capital Spending[1]	Line 5 + Line 17	1,861	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26	Total AFUDC	Line 11 + Line 23	25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27	Total Annual Capital Spending and AFUDC	Line 25 + Line 26	1,885	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28																						
29	Contributions in Aid of Construction		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30	Removal Costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
31	Net Annual Project Costs- Capital	Line 27 + Line 29 + Line 30	1,885	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
32																						
33	Total Project Costs- Capital Spending and AFUDC	Sum of Line 27	**1,885**																			
34	Total Net Project Costs- including CIAC & Removal Costs	Sum of Line 31	**1,895**																			
35																						
36	1- Excluding capitalized overhead; First year of analysis includes all prior year spending																					

FortisBC Energy Inc.
CNG BFI Cost of Service

CNG BFI Cost of Service: Gross Plant in Service & Contributions in Aid of Construction
Appendix D - Schedule 7
($000's), unless otherwise stated

Line	Particulars	Reference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1	**Gross Plant in Service**																					
2																						
3	Gross Plant in Service, Beginning																					
4	CNG Dispensing Equipment	Preceeding Year, Line 25	-	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
5	Foundation	Preceeding Year, Line 26	-	442	442	442	442	442	442	442	442	442	442	442	442	442	442	442	442	442	442	442
6	NG Dehydrator	Preceeding Year, Line 27	-	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44
7	Capitalized Overhead	Preceeding Year, Line 28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Total Gross Plant in Service, Beginning	Sum of Lines 4 through 7	-	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885
9																						
10	Gross Plant in Service, Additions																					
11	CNG Dispensing Equipment	Schedule 6, Lines 2 + 8 + 14 + 20	1,400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Foundation	Schedule 6, Lines 3 + 9 + 15 + 21	442	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	NG Dehydrator	Schedule 6, Lines 4 + 10 + 16 + 22	44	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Capitalized Overhead	Schedule 2, Line 17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Total Gross Plant in Service, Additions	Sum of Lines 11 through 14	1,885	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16																						
17	Gross Plant in Service, Retirements																					
18	CNG Dispensing Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Foundation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	NG Dehydrator		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Capitalized Overhead		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Total Gross Plant in Service, Retirements	Sum of Lines 18 through 21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23																						
24	Gross Plant in Service, Ending																					
25	CNG Dispensing Equipment	Line 4 + Line 11 + Line 18	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
26	Foundation	Line 5 + Line 12 + Line 19	442	442	442	442	442	442	442	442	442	442	442	442	442	442	442	442	442	442	442	442
27	NG Dehydrator	Line 6 + Line 13 + Line 20	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44
28	Capitalized Overhead	Line 7 + Line 14 + Line 21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Total Gross Plant in Service, Ending	Sum of Lines 25 through 28	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885	1,885
30																						
31																						
32	**Contributions in Aid of Construction (CIAC)**																					
33	CIAC, Beginning	Preceeding Year, Line 36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	Additions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35	Retirements		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	CIAC, Ending	Sum of Lines 33 through 35	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

FortisBC Energy Inc.
CNG BFI Cost of Service

CNG BFI Cost of Service: Accumulated Depreciation & Amortization
Appendix D - Schedule 8
($000's), unless otherwise stated

Line	Particulars	Reference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1	**Accumulated Depreciation**																					
2																						
3	Accumulated Depreciation, Beginning																					
4	CNG Dispensing Equipment	Preceeding Year, Line 25	-	(70)	(140)	(210)	(280)	(350)	(420)	(490)	(560)	(630)	(700)	(770)	(840)	(910)	(980)	(1,050)	(1,120)	(1,190)	(1,260)	(1,330)
5	Foundation	Preceeding Year, Line 26	-	(22)	(44)	(66)	(88)	(111)	(133)	(155)	(177)	(199)	(221)	(243)	(265)	(287)	(309)	(332)	(354)	(376)	(398)	(420)
6	NG Dehydrator	Preceeding Year, Line 27	-	(2)	(4)	(7)	(9)	(11)	(13)	(15)	(18)	(20)	(22)	(24)	(26)	(28)	(31)	(33)	(35)	(37)	(39)	(42)
7	Capitalized Overhead	Preceeding Year, Line 28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Total Accumulated Depreciation, Beginning	Sum of Lines 4 through 7	-	(95)	(189)	(283)	(377)	(472)	(566)	(660)	(754)	(849)	(943)	(1,037)	(1,131)	(1,226)	(1,320)	(1,414)	(1,508)	(1,603)	(1,697)	(1,791)
9																						
10	Accumulated Depreciation, Depreciation Expense[1]																					
11	CNG Dispensing Equipment@ 5%	Schedule 7, Line 4 & Line 11	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)
12	Foundation@ 5%	Schedule 7, Line 5 & Line 12	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)
13	NG Dehydrator@ 5%	Schedule 7, Line 6 & Line 13	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
14	Capitalized Overhead@ 0%	Schedule 7, Line 7 & Line 14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Total Accumulated Depreciation, Depreciation Expe	Sum of Lines 11 through 14	(95)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)	(94)
16																						
17	Accumulated Depreciation, Retirements																					
18	CNG Dispensing Equipment	Schedule 7, Line 18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Foundation	Schedule 7, Line 19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	NG Dehydrator	Schedule 7, Line 20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Capitalized Overhead	Schedule 7, Line 21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Total Accumulated Depreciation, Retirements	Sum of Lines 18 through 21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23																						
24	Accumulated Depreciation, Ending																					
25	CNG Dispensing Equipment	Line 4 + Line 11 + Line 18	(70)	(140)	(210)	(280)	(350)	(420)	(490)	(560)	(630)	(700)	(770)	(840)	(910)	(980)	(1,050)	(1,120)	(1,190)	(1,260)	(1,330)	(1,400)
26	Foundation	Line 5 + Line 12 + Line 19	(22)	(44)	(66)	(88)	(111)	(133)	(155)	(177)	(199)	(221)	(243)	(265)	(287)	(309)	(332)	(354)	(376)	(398)	(420)	(442)
27	NG Dehydrator	Line 6 + Line 13 + Line 20	(2)	(4)	(7)	(9)	(11)	(13)	(15)	(18)	(20)	(22)	(24)	(26)	(28)	(31)	(33)	(35)	(37)	(39)	(42)	(44)
28	Capitalized Overhead	Line 7 + Line 14 + Line 21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29	Total Accumulated Depreciation, Ending	Sum of Lines 25 through 28	(95)	(189)	(283)	(377)	(472)	(566)	(660)	(754)	(849)	(943)	(1,037)	(1,131)	(1,226)	(1,320)	(1,414)	(1,508)	(1,603)	(1,697)	(1,791)	(1,886)
30																						
31																						
32	**Accumulated Amortization of Contributions in Aid of Construction (CIAC)**																					
33	Accumulated Amortization CIAC, Beginning	Preceeding Year, Line 36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	Amortization	[1]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35	Retirements		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	Accumulated Amortization CIAC, Ending	Sum of Lines 33 through 35	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
37																						
38	**Negative Salvage Continuity - Foundation**																					
39	Opening Balance	Preceeding Year, Line 42	-	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(4)	(5)	(5)	(6)	(6)	(7)	(7)	(8)	(8)	(9)	(9)	(10)
40	Provision (Cr.) [2]	Annual Salvage Rate x Schedule 7, (Line 5 + Line 26) /2	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
41	Removal Costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
42	Ending Balance	Sum of Lines 39 through 41	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(4)	(5)	(5)	(6)	(6)	(7)	(7)	(8)	(8)	(9)	(9)	(10)	-
43																						
44	1- Depreciation & Amortization Expense calculation is based on opening balance + (additions x in-service days/365 if it is the in-service year for project/; otherwise, additions x 1/2)																					
45	2- Annual Salvage Rate calculation is 0.11%, based on (foundation costs / removal costs / retirement years)																					

FortisBC Energy Inc.
CNG BFI Cost of Service

CNG BFI Cost of Service: Deferred Charges & Deficiency / Surplus [Tracker]
Appendix D - Schedule 9
($000's), unless otherwise stated

Line	Particulars	Reference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1																						
2	**Deficiency / Surplus [Tracker]**																					
3	Opening Balance	Previous Year, Line 11	-	39	30	27	25	22	14	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Gross Addition	Schedule 11, Line 15	39	(12)	(5)	(4)	(5)	(9)	(15)	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Tax		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Net Addition	Line 4 + Line 5	39	(12)	(5)	(4)	(5)	(9)	(15)	-	-	-	-	-	-	-	-	-	-	-	-	-
7	AFUDC																					
8	Equity	(Line 3) x (Schedule 10, Lines 7 x 8)	-	1	1	1	1	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Debt	[1]	-	1	1	1	1	1	0	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Interest Adjustment	[2]	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Closing Balance	Sum of Lines 6 through 10	39	30	27	25	22	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12																						
13	**Deferred Charge- Rate Base**																					
14	Opening Balance	Previous Year, Line 21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Opening Balance, Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Gross Additions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Tax		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Net Additions		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Amortization Expense		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Closing Balance	Line 14 + Line 18 + Line 19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21																						
22	Deferred Charge, Mid-Year	(Line 14+ Line 15 + Line 20) / 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23																						
24	1- (Line 3) x [Schedule 10 , (Lines 10 x 11+ Lines 12 x 13) x (1- Tax Rate)]																					
25	2- Adjustment to net account to zero in final year; result of varying WACC rates throughout contract																					

FortisBC Energy Inc.
CNG BFI Cost of Service

CNG BFI Cost of Service: Present Value of Revenue Requirement
Appendix D - Schedule 10
($000's), unless otherwise stated

Line	Particulars	Reference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1																						
2	Annual Revenue Requirement (Excluding O&M)	Schedule 1, Line 12 -Line 3	257.0	210.2	221.5	227.3	230.4	231.2	230.3	228.0	224.6	220.0	214.9	209.1	202.9	196.3	189.4	182.2	174.9	167.4	159.8	149.2
3	Annual Revenue Requirement (O&M)	Schedule 1, Line 3	50.0	51.0	52.1	53.1	54.2	55.3	56.4	57.6	58.7	59.9	61.1	62.4	63.6	64.9	66.2	67.6	69.0	70.4	71.8	73.2
4																						
5	**Annual Discount Rate**																					
6	Equity Component																					
7	ROE %		9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%
8	Equity Portion		40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
9	Debt Component																					
10	Long Term Debt Rate		6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%	6.95%
11	Long Term Debt Portion		58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%	58.37%
12	Short Term Debt Rate		4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
13	Short Term Debt Portion		1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%	1.63%
14																						
15	Tax Rate		25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
16	Pre- Tax Weighted Average Cost of Capital (WACC)[1]		9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%
17	After- Tax Weighted Average Cost of Capital (WACC)[2]		6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%
18																						
19	**Present Value of Revenue Requirement**																					
20	PV of Annual Cost of Service (excl O&M) Revenue Requirement	Line 2 / (1 + Line 17)^Yr	240.4	183.9	181.4	174.1	165.1	155.0	144.4	133.8	123.2	112.9	103.2	93.9	85.3	77.2	69.7	62.7	56.3	50.4	45.0	39.3
21	Total PV of Cost of Service (excl O&M)	Sum of Line 20	2,297.3																			
22	Total PV of Cost of Service (excl O&M) over contract term		1,244.3																			
23	PV of Annual O&M	Line 3 / (1 + Line 17)^Yr	46.8	44.6	42.6	40.7	38.8	37.1	35.4	33.8	32.2	30.8	29.4	28.0	26.7	25.5	24.4	23.3	22.2	21.2	20.2	19.3
24	Total PV of O&M	Sum of Line 23	622.9																			
25	Total PV of O&M over contract term		286.0																			
26																						
27	**Tariff Analysis**																					
28	Annual Volume (TJ)		60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
29																						
30	**Levelized Tariff Analysis**																					
31	PV of Annual Volume (TJ)	Line 28 / (1 + Line 17)^Yr	56.1	52.5	49.1	46.0	43.0	40.2	37.6	35.2	32.9	30.8	28.8	27.0	25.2	23.6	22.1	20.6	19.3	18.1	16.9	15.8
32	Total PV of Volume (TJ)	Sum of Line 31	640.8																			
33																						
34	Levelized Volumetric Delivery Rate ($/GJ)	(Line 21 + Line 24) / Line 32	**4.557**																			
35																						
36	1- (Line 7 x Line 8) / 1- Line 15 + (Line 10 x Line 11 + Line 12 x Line 13)																					
37	2- Line 8 x Line 9 + [(Line 11 x Line 12 + Line 13 x Line 14) x 1- Line 16]																					

FortisBC Energy Inc.
CNG BFI Cost of Service

CNG BFI Cost of Service: Contract Rate Design
Appendix D - Schedule 11
($), unless otherwise stated

Line	Particulars	Reference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1	**Cost of Service (Excluding O&M)**																					
2	Required Delivery Revenue ($) (discounted) - 20 years	Schedule 10, Line 21 x 1000	2,297,264																			
3	Required Delivery Revenue ($) (discounted, contract term) - 7 yrs	Schedule 10, Line 22 x 1000	1,244,340																			
4	Year 1 Contract Rate, Escalated at 2% Annually	[1]	217,755																			
5	Annual Contract Rate Escalation		2.00%																			
6																						
7	Annual Discount Rate (After- Tax WACC)	Schedule 10, Line 17	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%
8	Annual Contract Rate	[2]	217,755	222,111	226,553	231,084	235,706	240,420	245,228	228,033	224,590	220,022	214,865	209,116	202,894	196,294	189,390	182,242	174,900	167,403	159,781	149,187
9	PV of Annual Contract Rate	Line 8 / (1 + Line 7)^Yr	203,709	194,380	185,478	176,984	168,879	161,145	153,765	133,760	123,243	112,948	103,185	93,946	85,272	77,176	69,658	62,706	56,298	50,408	45,010	39,315
10	PV of Revenue Collected	Sum of Line 9	2,297,264																			
11																						
12	Annual Volumetric Contract Rate ($/GJ)	Line 8 / Line 23 / 1000	**3.629**	**3.702**	**3.776**	**3.851**	**3.928**	**4.007**	**4.087**	**3.801**	**3.743**	**3.667**	**3.581**	**3.485**	**3.382**	**3.272**	**3.156**	**3.037**	**2.915**	**2.790**	**2.663**	**2.486**
13																						
14	Annual Cost of Service (excl O&M)	Schedule 10, Line 2 x 1000	256,987	210,177	221,539	227,338	230,393	231,250	230,346	228,033	224,590	220,022	214,865	209,116	202,894	196,294	189,390	182,242	174,900	167,403	159,781	149,187
15	Annual Difference (Cost of Service - Contract Rate)	Line 14 - Line 8	39,231	(11,933)	(5,014)	(3,746)	(5,313)	(9,170)	(14,882)	-	-	-	-	-	-	-	-	-	-	-	-	-
16																						
17	**Cost of Service (O&M)**																					
18	Forecast Annual BC CPI Rate	CPI BC Stats Canada	1.99%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%	2.03%
19	Annual O&M Expense	Schedule 1, Line 3 x 1000	50,000	51,015	52,051	53,107	54,185	55,285	56,408	57,553	58,721	59,913	61,129	62,370	63,636	64,928	66,246	67,591	68,963	70,363	71,791	73,249
20																						
21	Annual O&M Volumetric Contract Rate ($/GJ)	Line 19 / Line 23 / 1000	**0.833**	**0.850**	**0.868**	**0.885**	**0.903**	**0.921**	**0.940**	**0.959**	**0.979**	**0.999**	**1.019**	**1.040**	**1.061**	**1.082**	**1.104**	**1.127**	**1.149**	**1.173**	**1.197**	**1.221**
22																						
23	Annual Volume (TJ)	Minimum contract demand	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
24																						
25	Cost of Service (excl O&M) Volumetric Contract Rate ($/GJ)	Line 12	3.629	3.702	3.776	3.851	3.928	4.007	4.087	3.801	3.743	3.667	3.581	3.485	3.382	3.272	3.156	3.037	2.915	2.790	2.663	2.486
26	O&M Volumetric Contract Rate ($/GJ)	Line 21	0.833	0.850	0.868	0.885	0.903	0.921	0.940	0.959	0.979	0.999	1.019	1.040	1.061	1.082	1.104	1.127	1.149	1.173	1.197	1.221
27	Annual Overhead Allocation Charge ($/GJ)	[3]	0.200	0.204	0.208	0.212	0.217	0.221	0.226	0.230	0.235	0.240	0.245	0.249	0.255	0.260	0.265	0.270	0.276	0.281	0.287	0.293
28	**Total Annual Volumetric Contract Rate ($/GJ)**	Sum of Line 25 to Line 27	**4.663**	**4.756**	**4.852**	**4.949**	**5.048**	**5.150**	**5.253**	**4.990**	**4.957**	**4.905**	**4.844**	**4.774**	**4.697**	**4.613**	**4.526**	**4.434**	**4.340**	**4.244**	**4.147**	**4.000**
29	**Annual Forecast Revenue**	(Line 23 x Line 28) x 1000	**279,755**	**285,369**	**291,096**	**296,937**	**302,895**	**308,973**	**315,173**	**299,398**	**297,404**	**294,314**	**290,665**	**286,455**	**281,803**	**276,805**	**271,535**	**266,055**	**260,414**	**254,653**	**248,802**	**240,015**
30																						
31	**Contract Termination[4]**																					
32																						
33	Deferral Account Repayment	Schedule 9, Line 11	39,231	30,003	27,059	25,179	21,602	13,922	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	Residual Asset Value	[5]	1,790,238	1,695,475	1,600,712	1,505,949	1,411,186	1,316,423	1,221,660	1,126,897	1,032,134	937,371	842,608	747,845	653,082	558,320	463,557	368,794	274,031	179,268	84,505	9,742
35	Approximate Contract Termination Fee ($)	Line 33 + Line 34	1,829,470	1,725,479	1,627,771	1,531,128	1,432,788	1,330,345	1,221,660	1,126,897	1,032,134	937,371	842,608	747,845	653,082	558,320	463,557	368,794	274,031	179,268	84,505	9,742
36																						

37 1- Line 3 /sum of [(1+2%) ^ year / (1+WACC) ^ year] for each year of the contract
38 2- Previous Year x (1+ 2%); in 2019+, Line 14
39 3- Previous Year x (1+ BC CPI)
40 4- The forecast early termination fee has been calculated on a year end basis. The actual fee would be determined at the time of contract termination and may be different than the amount shown on Line 35. Reference to Section 12B.5, Clause 11.1 of Appendix B in BFI Application
41 5- Schedule 5, (Line 3 + Line 6+ Line 9+ Line 12+ Line 15 + Schedule 8 Line 41) x 1000

CNG BFI Cost of Service: Discounted Cash Flow Analysis
Appendix D - Schedule 12
($000's), unless otherwise stated

Line	Particulars	Reference	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1	**Cash Flow**																					
2	Add: Revenue	Schedule 11, Line 29	280	285	291	297	303	309	315	299	297	294	291	286	282	277	272	266	260	255	249	240
3	Less: O&M, Property Tax Expense	Schedule 1, - (Line 3 + Line 4)	(67)	(69)	(72)	(74)	(75)	(77)	(78)	(80)	(81)	(83)	(85)	(86)	(88)	(89)	(91)	(93)	(95)	(97)	(98)	(100)
4	EBITDA[1]	Line 2 + Line 3	212	217	219	223	228	232	237	220	216	211	206	200	194	187	180	173	166	158	150	140
5	Capital Expenditures[2]	Schedule 6, Line 25 + Line 29	(1,861)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(10)
6	Pre-Tax Cash Flow	Line 4 + Line 5	(1,648)	217	219	223	228	232	237	220	216	211	206	200	194	187	180	173	166	158	150	130
7	Income Tax Expense	Line 4 x (- Schedule 3, Line 13)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(55)	(54)	(53)	(52)	(50)	(49)	(47)	(45)	(43)	(41)	(40)	(38)	(35)
8	Overhead Capitalized Tax Shield	Schedule 3, -Line 8 x Line 13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	CCA Tax Shield/Removal Cost	Schedule 3, (-Line 9 + Line 10) x Schedule 3, Line 13	39	70	57	47	38	31	26	21	18	15	12	10	9	7	6	6	5	4	4	6
10	Terminal Value of CCA Tax Shield	[4]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19
11	Terminal Value	[5]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12																						
13	Free Cash Flow	Line 6 + Line 7	(1,663)	233	221	214	209	205	203	186	180	173	167	161	154	148	142	135	129	123	117	119
14																						
15	After Tax WACC %	Schedule 10, Line 17	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%
16	Present Value of Free Cash Flow[3]	Line 13 / (1 + Line 15)^Yr	(1,675)	204	181	164	150	138	127	109	99	89	80	72	65	58	52	47	42	37	33	31
17	Total Present Value of Free Cash Flow	Sum of Line 16	**101**																			
18																						
19	1- Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)																					
20	2- Net of CIAC and removal costs (if applicable) and excludes capitalized overhead																					
21	3- 2012 present value calculates capital expenditure to occur at time zero																					
22	4- [Class 8 UCC Closing Balance x CCA Rate / (CCA Rate + WACC) + Class 1.3 UCC Closing Balance x CCA Rate / (CCA Rate + WACC)] x Income Tax Rate																					
23	5- Evaluation period reflects the useful life of the assets, therefore it is assumed that the terminal value is zero																					

Appendix E

DRAFT ORDER

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER

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DRAFT ORDER

IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by FortisBC Energy Inc.
for a Certificate of Public Convenience and Necessity for Constructing and Operating a
Compressed Natural Gas Refueling Station at BFI Canada Inc.

BEFORE:

(Date)

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

A. On February 29, 2012, FortisBC Energy Inc. (FEI) applied (the Application) to the British Columbia Utilities Commission (the Commission), pursuant to sections 45 and 46 of the *Utilities Commission Act* (the Act), for a Certificate of Public Convenience and Necessity (CPCN) for constructing and operating a Compressed Natural Gas (CNG) refueling station at the premises of BFI Canada Inc. (BFI) located in Coquitlam, British Columbia;

B. FEI also seeks approval, pursuant to sections 59-60 of the Act, of rate design and rates established in the Fueling Station License and Use Agreement with BFI for CNG Service ("BFI Agreement") as just and reasonable;

C. By Order No. G-XX-12, the Commission established a written hearing process for the review of the Application;

D. The Commission has reviewed the Application and concludes that the approval sought in the Application should be granted.

NOW THEREFORE, the Commission orders as follows:

1. Pursuant to Sections 45 and 46 of the Utilities Commission Act, a Certificate of Public Convenience and Necessity for the construction and operation of a Compressed Natural Gas refueling station at the premises of BFI Canada Inc. is granted to FortisBC Energy Inc.

2. Pursuant to Sections 59-61 of the Utilities Commission Act, the rate design and the rates established in the Fueling Station License and Use Agreement with BFI Canada Inc. for CNG Service filed with the Application are approved.

DATED at the City of Vancouver, In the Province of British Columbia, this day of <MONTH>, 2011.

BY ORDER