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January 19, 2016

Via Email
Original via Mail

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary and Director

Dear Ms. Hamilton:

Re: Project No. 3698858

FortisBC Energy Inc. (FEI)

Utilities Commission Act (UCA) - Section 71 Filing - Biomethane Purchase Agreement (the Agreement) Between FEI and the City of Surrey (the Application)

Response to the British Columbia Utilities Commission (BCUC or the Commission) Information Request (IR) No. 1

On November 24, 2015, FEI filed the Application referenced above. In accordance with Commission Order G-3-16 setting out the amended Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCUC IR No. 1.

FEI and the City of Surrey have entered into an Amending Agreement to the Biomethane Purchase Agreement (the Amending Agreement), a redacted version of which can be found in Attachment 4.1a, provided in response to BCUC IR 1.4.1. In accordance with Directive 2 of Order G-3-16, FEI has also provided a blacklined redacted version of the original Agreement, showing the changes reflected in the Amending Agreement also as part of Attachment 4.1a. The Amending Agreement has been filed on a confidential basis with the Commission in Confidential Attachment 4.1.

The Amending Agreement contains three changes to the Agreement:

1. The method of calculating the monthly payments for biomethane produced from the Surrey Facility and the annual true up in Schedule D of the Agreement has been amended so that it will produce the correct result if there is more than one BERC rate or if the BERC rate changes during the year. Please refer to the response to BCUC IR 1.4.1.

2. The term over which the City will pay the Facility Fee in clause 6.2 of the Agreement has been amended to reflect the intention of FEI and the City that the City would begin paying the Facility Fee after the in-service date of the facilities. Please refer to the response to BCUC Confidential IR 1.5.1.
3. Clause 7.2 of the Agreement has been amended to clarify that the Designated Customers must acknowledge that the City has retained the environmental attributes of the Re-Purchased Biomethane. Please refer to the response to BCUC Confidential IR 1.1.1.

If further information is required, please contact Scott Gramm, Manager Renewable Gas and Mid-size Commercial Accounts (604) 576-7242.

Sincerely,

FORTISBC ENERGY INC.

Original signed by: Ilva Bevacqua

For: Diane Roy

Attachments

cc (email only): Registered Parties

FortisBC Energy Inc. (FEI or the Company) <i>Utilities Commission Act</i> Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)	Submission Date: January 12, 2016
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A. APPROVALS SOUGHT

1.0 Reference: APPROVALS SOUGHT AND REGULATORY PROCESS

Exhibit B-1, Application, pp. 1–2;

***Utilities Commission Act*, Sections 59–61 and 71**

Approvals sought by FEI

On pages 1 and 2 of the Application, FortisBC Energy Inc. (FEI) states it is seeking the following from the British Columbia Utilities Commission (Commission):

- pursuant to section 71 of the *Utilities Commission Act* (UCA), acceptance of the Agreement, under which biomethane is sold by Surrey to FEI, as being in the public interest; and
- pursuant to sections 59-61 of the UCA, approval of a monthly facility fee (Facility Fee) as set forth in Schedule D of the Agreement, a charge payable by Surrey to FEI as being just and reasonable.

1.1 Given that the Facilities Fee is set out as a key component of the Biomethane Purchase Agreement between the City of Surrey (Surrey) and FEI (Agreement), if the Commission determines, pursuant to sections 59-61 of the UCA, that the Facility Fee must be modified in some manner to be approved, is it FEI's view that the Commission must also find that the Agreement is not in the public interest as filed? Please discuss.

Response:

FEI understands BCUC IRs 1.1 and 1.1.1 to be inquiring about the options available to the Commission under section 71 if it were to determine, generally speaking, that the terms of the Agreement were acceptable except for the Facilities Fee. FEI's response to both BCUC IR 1.1 and 1.1.1 is "yes". FEI provides the following discussion.

Under Section 71, energy supply contracts must be filed with the Commission. It is implicit in section 71 that if the Commission finds that the Agreement is in the public interest, then the Commission may simply accept the Agreement as filed.

While the Facilities Fee is subject to a separate approval under sections 59-61 of the UCA, it is a key term of the supply agreement filed under section 71. Notably, the Facilities Fee in the Agreement mitigates FEI's stranded asset risk, negates the need for a minimum supply from Surrey and appropriately covers FEI's costs of providing service to Surrey as contemplated in the Agreement. Therefore, if the Commission determines under sections 59-61 that the Facilities Fee must be modified in some manner in order to be approved under sections 59-61,

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then FEI does not believe the Commission can or should accept the Agreement as filed under Section 71.

The only alternative to accepting the Agreement as filed under section 71 is for the Commission to determine pursuant to section 71(2) that the Agreement is not in the public interest as filed. If the Commission finds that the Agreement is not in the public interest as filed, the Commission may make an order under section 71(3). The Commission is given discretion under section 71(3) to do the following:

(a) by order, declare the contract unenforceable, either wholly or to the extent the commission considers proper, and the contract is then unenforceable to the extent specified, or

(b) make any other order it considers advisable in the circumstances.

FEI believes that section 71(3)(b) gives the Commission the option described in BCUC IR 1.1.1 to issue an order accepting the Agreement in principle but rejecting the Agreement as filed and indicating that a new version of the Agreement with the modified Facilities Fee would be accepted for section 71 filing if filed as a compliance filing. Or, in other words, FEI believes that the Commission could issue an order pursuant to section 71(3)(b) finding that the Agreement is not in the public interest because it includes a Facilities Fee which the Commission has found to be unjust and unreasonable pursuant to sections 59-61 of the UCA and that, upon refiling of the Agreement with modification to the Facilities Fee as directed by the Commission, the Commission would accept the Agreement for section 71 filing.

1.1.1 Does FEI agree that in this circumstance, the Commission could issue an order accepting the Agreement in principle but rejecting the Agreement as filed and indicating that a new version of the Agreement with the modified Facility Fee would be accepted for section 71 filing if filed as a compliance filing? Please discuss.

Response:

Yes. Please refer to the response to BCUC IR 1.1.1.

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2.0 Reference: APPROVALS SOUGHT AND REGULATORY PROCESS

Exhibit B-1, p. 2;

Commission Order E-13-13 dated September 30, 2013;

**BCUC Practice Directive Regarding Confidential Filings dated
September 1, 2007**

Request for confidentiality for cost of service financial schedules

On page 2 of the Application, FEI requests “that the Agreement, the cost of service model (fully functional Excel model) and the purchase scenarios, attached as Appendices A, B, and C respectively, be held confidentially in accordance with the BCUC Practice Directive related to Confidential Filings.” FEI references Commission Order E-13-13 in making the request for confidentiality.

In the proceeding regarding FEI’s application for approval of the Biomethane Purchase Agreement between FEI and the Greater Vancouver Sewerage and Drainage District, as noted in recital K of Commission Order E-13-13, FEI agreed that only the live working spreadsheet financial model needed to be kept confidential and that the hard copy version of the associated financial schedules was not considered confidential.

With regard to requests for confidentiality, the BCUC Practice Directive regarding Confidential Filings states:

The request for confidentiality should:

(a) briefly describe the nature of the information in the document and the reasons for the request for confidentiality, including the specific harm that could reasonably be expected to result if the document were placed on the public record, and

(b) indicate whether all or only a part of the document is the subject of the request.

2.1 Please confirm, or otherwise explain, that it is only necessary to keep confidential the live working spreadsheet model and that the financial schedules that are set out in Appendix B of the Application do not need to be kept confidential.

Response:

Confirmed. The live working spreadsheet cost of service model is propriety and commercially sensitive to FEI and therefore needs to be kept confidential; however, the output of the financial schedules filed as Appendix B of the Application does not need to be kept confidential.

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FEI notes for completeness that Appendix C of the Application (Exhibit B-1-1) should remain confidential as the scenarios illustrated in that Appendix show the confidential purchase price of biomethane in the Agreement.

2.1.1 If not confirmed and if FEI wishes to keep the financial schedules in Appendix B confidential, please provide an explanation of the reasons for the request for confidentiality, including the specific harm that could reasonably be expected to result if the document were placed on the public record.

Response:

Please refer to the response to BCUC IR 1.2.1.

2.1.2 If FEI agrees that it is not necessary to keep the financial schedules in Appendix B confidential, please provide a non-confidential copy of these financial schedules.

Response:

Please refer to the response to BCUC IR 1.2.1. The financial schedules are provided in Attachment 2.1.2.

2.1.3 If FEI agrees that it is not necessary to keep the financial schedules in Appendix B confidential, please provide non-confidential responses to any of the Confidential Information Requests (from the Commission and interveners) that are in regard to these financial schedules.

Response:

FEI confirms the financial schedules output in Appendix B are not confidential. Accordingly, responses to BCUC Confidential IRs 1.6.1 to 1.10.3 have been filed on a non-confidential basis.

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2.1.4 Please file a redacted version of the Biomethane Purchase Agreement between FEI and the City of Surrey.

Response:

Please refer to Attachment 2.1.4 for a redacted version of the Biomethane Purchase Agreement between FEI and the City of Surrey dated September 16, 2015 (the “Agreement”). The redacted portions of the Agreement reflect commercially sensitive, negotiated rates which could negatively impact FEI’s ability to negotiate rates with other potential Biomethane suppliers if released to the public.

FEI has entered into an Amending Agreement with the City of Surrey dated January 19, 2016. FEI has filed an un-redacted version of the Amending Agreement under separate cover with the Commission confidentially in Confidential Attachment 4.1 provided in response to BCUC IR 1.4.1, for which FEI requests confidential treatment as it contains commercially sensitive, negotiated rates which could negatively impact FEI’s ability to negotiate rates with other potential Biomethane suppliers if released to the public.

Please refer to Attachment 4.1a, provided in response to BCUC IR 1.4.1 for a redacted version of the Amending Agreement.

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B. UTILITIES COMMISSION ACT – SECTION 71 ITEMS

3.0 Reference: PROJECT DESCRIPTION

Exhibit B-1, pp. 3, 5

Projected supply

On page 3 of the Application, FEI states: “In the 2013 Biomethane Decision, the Commission also increased the supply cap to 1,500,000 GJ annually.”

On page 5, FEI states: “...if Surrey is able to successfully operate the Surrey Facility at its optimum capacity, it may produce as much as 160,000 GJ of biomethane annually.”

3.1 Please confirm, or otherwise explain, that the inclusion of a maximum of 160,000 GJ of biomethane supplied under the Agreement would not exceed the 1,500,000 GJ supply cap established by the FEI Biomethane Service Offering: Post Implementation Report and Application of the Continuation and Modification of the Biomethane Program on a Permanent Basis Decision dated December 11, 2013.

Response:

Confirmed.

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4.0 Reference: SURREY PURCHASE SCENARIOS

Exhibit B-1, pp. 9, 11;

**FEI Application for Approval of Biomethane Energy Recovery
Charge Rate Methodology (BERC Rate Methodology Application),
dated August 28, 2015, p. 2**

Sales and purchase of biomethane between FEI and Surrey

FEI states on page 11 of its Application:

To accommodate the variance in volumes, there are two rates: (1) Recovery Rate, which is the then current BERC rate, applied to the volume of biomethane purchased by FEI from the Surrey Facility, and (2) Net Sale Rate, applied to the volume that represents the difference between what is supplied by the Surrey Facility and what is consumed by the City or its Designated Customers.

FEI states on page 9 of its Application in Table 4-1 that the Net Sale Rate is the price applicable to the volume of renewable natural gas (RNG) purchased from Surrey that is greater than the volume consumed by Surrey.

Appendix C of the Application provides three scenarios illustrating Surrey's repurchases of the biomethane purchased by FEI from Surrey.

In the BERC Rate Methodology Application dated August 28, 2015, FEI proposes to change from a single BERC rate to two BERC rates: (i) Short Term Contract; and (ii) Long Term Contract.

4.1 For public understanding of how the sales and purchase mechanism works in the Agreement, please provide a live working non-confidential version of Appendix C by replacing any confidential information with hypothetical inputs.

Response:

In the course of responding to information requests, FEI recognized that the calculations of how FEI would pay for the supply of biomethane in the Agreement assumed that there would be only one BERC rate in place for an entire year. FEI's BERC Rate Methodology Application, however, proposes two different BERC rates that could be in place – a Short Term BERC Contract Rate and a Long Term BERC Contract Rate. There is also a possibility that in the future BERC rate changes could occur more frequently than once a year. Both of these scenarios introduce complications in calculating the correct monthly payments from FEI to the City for the production of biomethane from the Surrey Facility. As a result, FEI and the City have agreed to amendments to the Agreement (the Amending Agreement) to adjust how the monthly payments are calculated so that they will achieve the intended result regardless of the

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BERC rate at which the City and its Designated Customers may purchase biomethane during the year.

The key difference in the Agreement as amended is that FEI will use the Net Sale Rate (NSR) (rather than the BERC rate) to calculate the monthly payments to the City for the biomethane produced by the Surrey Facility. The NSR is unchanged by the amendments, and will be a constant rate throughout the November 1 to October 31 contract year. The City and its Designated Customers will continue to purchase biomethane at the applicable BERC rate(s), and there will still be a year-end true-up payment. The true-up payment will be either from FEI to the City or from the City to Surrey, depending on if the BERC is higher or lower than the NSR.

The financial transactions can now be summarized in a formula, as follows, where P represents the amount of biomethane produced by the Surrey Facility and U represents the use/purchase of Biomethane by Surrey and its Designated Customers.

Monthly Transactions (excluding the payment of the Facilities Fee from the City to Surrey):

1. FEI pays the City for production of biomethane from the Surrey Facility at the NSR ($P \times \text{NSR}$)
2. City of Surrey and Designated Customers purchase biomethane through the RNG program at the applicable BERC rate ($U \times \text{BERC}$ where BERC is the applicable BERC rate that customer has contracted for).

Annual True-up Transaction – after October 31:

1. Annual True-up Amount is calculated as: the lower of annual P and annual $U \times (\text{ARR} - \text{NSR})$ where ARR is the annual weighted average rate at which the City and its Designated Customers purchased RNG.
2. If the result of the calculation is positive, FEI will pay Surrey the result; if the result is negative, Surrey will pay FEI the absolute value of the result. Note that a positive result will occur when the BERC is greater than the NSR and a negative result will occur when the NSR is greater than the BERC.

Filed as Confidential Attachment 4.1 is the Amending Agreement to the Biomethane Purchase Agreement. A redacted version of the Amending Agreement is filed as Attachment 4.1a.

Attachment 4.1b includes a working excel spreadsheet which incorporates a number of purchase scenarios based on the Amending Agreement (and replaces the scenarios that were provided in Appendix C). The six scenarios are first shown when the BERC is greater than the NSR and then when the NSR is greater than the BERC (for a total of twelve scenarios). None

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1 of these scenarios include the payment of the Facilities Fee. FEI has used a fictional NSR so
2 that it could file the scenarios on a non-confidential basis. These scenarios are:

- 3
- 4 • Scenario 1: $P = U$ and same BERC throughout year
 - 5 • Scenario 2: $P > U$ and same BERC throughout year
 - 6 • Scenario 3: $U > P$ and same BERC throughout year
 - 7 • Scenario 4: $P = U$ and variable BERC throughout year
 - 8 • Scenario 5: $P > U$ and variable BERC throughout year
 - 9 • Scenario 6: $P < U$ and variable BERC throughout year

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11 The tables that reflect the twelve scenarios are provided as follows:
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FortisBC Energy Inc.
Surrey IR Scenarios Table
Biomethane

Non - Confidential

Assumptions:

Contract Year: November 1 to October 31

Net Sale Rate (NSR) \$ 11.00

True-up = Lower of P or U x (BERC - NSR) If positive, FEI pays Surrey; if negative, Surrey pays FEI

Note: If P = U then use either one.

Scenario 1: P = U and same BERC throughout year

BERC (short-term)	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
BERC (long-term)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

<u>Flows of Gas:</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Total</u>	
Surrey produces biomethane (P)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000	GJ
Surrey (Designated Customers) use biomethane (U) at s/t BERC rate	5,000	15,000	5,000	15,000	5,000	15,000	5,000	15,000	5,000	15,000	5,000	15,000	120,000	GJ
Difference	5,000	-5,000	5,000	-5,000	5,000	-5,000	5,000	-5,000	5,000	-5,000	5,000	-5,000	0	GJ

Financial Transactions:

FEI pays Surrey for P at NSR	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 1,320,000
Surrey (Designated Customers) pay FEI for U at BERC tariff rate	\$ 75,000	\$ 225,000	\$ 75,000	\$ 225,000	\$ 75,000	\$ 225,000	\$ 75,000	\$ 225,000	\$ 75,000	\$ 225,000	\$ 75,000	\$ 225,000	\$ 1,800,000
Difference	\$ 35,000	-\$ 115,000	\$ 35,000	-\$ 115,000	\$ 35,000	-\$ 115,000	\$ 35,000	-\$ 115,000	\$ 35,000	-\$ 115,000	\$ 35,000	-\$ 115,000	-\$ 480,000

Year-end Financial True-up:

Avg BERC Rate	\$ 15.00
Positive so FEI pays Surrey	\$ 480,000

Result:

FEI pays Surrey 120,000 GJ @ BERC of \$15 (first at \$11.00 then at \$4.00), Surrey purchases 120,000 GJ @ BERC of \$15

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Scenario 2: P > U and same BERC throughout year

BERC (short-term)	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00
BERC (long-term)		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a
Flows of Gas:		<u>Nov</u>		<u>Dec</u>		<u>Jan</u>		<u>Feb</u>		<u>Mar</u>		<u>Apr</u>		<u>May</u>		<u>Jun</u>		<u>Jul</u>		<u>Aug</u>		<u>Sep</u>		<u>Oct</u>		<u>Total</u>
Surrey produces biomethane (P)		12,000		12,000		12,000		12,000		12,000		12,000		12,000		12,000		12,000		12,000		12,000		12,000		144,000 GJ
Surrey (Designated Customers) use biomethane (U) at s/t BERC rate		5,000		15,000		5,000		15,000		5,000		15,000		5,000		15,000		5,000		15,000		5,000		15,000		120,000 GJ
Difference		7,000		-3,000		7,000		-3,000		7,000		-3,000		7,000		-3,000		7,000		-3,000		7,000		-3,000		24,000 GJ

Financial Transactions:

FEI pays Surrey for P at NSR	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	1,584,000
Surrey (Designated Customers) pay FEI for U at BERC tariff rate	\$	75,000	\$	225,000	\$	75,000	\$	225,000	\$	75,000	\$	225,000	\$	75,000	\$	225,000	\$	75,000	\$	225,000	\$	75,000	\$	225,000	\$	1,800,000
Difference	\$	57,000	-\$	93,000	\$	57,000	-\$	93,000	\$	57,000	-\$	93,000	\$	57,000	-\$	93,000	\$	57,000	-\$	93,000	\$	57,000	-\$	93,000	-\$	216,000

Year-end Financial True-up:

Avg BERC Rate																										\$	15.00
Positive so FEI pays Surrey																										\$	480,000

Result:

1 FEI pays Surrey 120,000 GJ @ BERC of \$15 (\$11.00 + \$4.00) plus 24,000 GJ @ NSR of \$11.00, Surrey purchases 120,000 GJ @ BERC of \$15

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Scenario 3: U > P and same BERC throughout year

BERC (short-term)	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00		
BERC (long-term)		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		
<u>Flows of Gas:</u>		<u>Nov</u>		<u>Dec</u>		<u>Jan</u>		<u>Feb</u>		<u>Mar</u>		<u>Apr</u>		<u>May</u>		<u>Jun</u>		<u>Jul</u>		<u>Aug</u>		<u>Sep</u>		<u>Oct</u>		<u>Total</u>
Surrey produces biomethane (P)		10,000		10,000		10,000		10,000		10,000		10,000		10,000		10,000		10,000		10,000		10,000		10,000		120,000 GJ
Surrey (Designated Customers) use biomethane (U) at s/t BERC rate		5,000		20,000		5,000		20,000		5,000		20,000		5,000		20,000		5,000		20,000		5,000		20,000		150,000 GJ
Difference		5,000		-10,000		5,000		-10,000		5,000		-10,000		5,000		-10,000		5,000		-10,000		5,000		-10,000		-30,000 GJ
<u>Financial Transactions:</u>																										
FEI pays Surrey for P at NSR	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	1,320,000
Surrey (Designated Customers) pay FEI for U at BERC tariff rate	\$	75,000	\$	300,000	\$	75,000	\$	300,000	\$	75,000	\$	300,000	\$	75,000	\$	300,000	\$	75,000	\$	300,000	\$	75,000	\$	300,000	\$	2,250,000
Difference	\$	35,000	-\$	190,000	\$	35,000	-\$	190,000	\$	35,000	-\$	190,000	\$	35,000	-\$	190,000	\$	35,000	-\$	190,000	\$	35,000	-\$	190,000	-\$	930,000
<u>Year-end Financial True-up:</u>																										
Avg BERC Rate																										\$ 15.00
Positive so FEI pays Surrey																										\$ 480,000

Result:

FEI pays Surrey 120,000 GJ @ BERC of \$15 (\$11.00 + \$4.00), Surrey purchases 150,000 GJ @ BERC of \$15

FortisBC Energy Inc. (FEI or the Company) <i>Utilities Commission Act Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)</i>	Submission Date: January 12, 2016
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Scenario 4: P = U and variable BERC throughout year

BERC (short-term)	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00
BERC (long-term)	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 14.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00	\$ 13.00

Flows of Gas:	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total	
Surrey produces biomethane (P)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000	GJ
Surrey uses biomethane (U) at l/t rate	4,000	10,000	4,000	10,000	8,000	10,000	4,000	10,000	4,000	10,000	0	10,000	84,000	GJ
Designated Customers use biomethane (U)														
at s/t rate	1000	5000	1000	5000	2000	5000	1000	5000	1000	5000	0	5000	36,000	GJ
Difference	5,000	-5,000	5,000	-5,000	0	-5,000	5,000	-5,000	5,000	-5,000	10,000	-5,000	0	GJ

Financial Transactions:

FEI pays Surrey for P at NSR	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 1,320,000
Surrey pays FEI for U at BERC tariff rate	\$ 60,000	\$ 150,000	\$ 60,000	\$ 150,000	\$ 120,000	\$ 150,000	\$ 60,000	\$ 150,000	\$ 60,000	\$ 150,000	\$ -	\$ 150,000	\$ 1,260,000
Designated Customers pay FEI for U at BERC tariff rate	\$ 14,000	\$ 70,000	\$ 14,000	\$ 70,000	\$ 28,000	\$ 70,000	\$ 14,000	\$ 70,000	\$ 14,000	\$ 70,000	\$ -	\$ 70,000	\$ 504,000
Difference	\$ 36,000	-\$ 110,000	\$ 36,000	-\$ 110,000	-\$ 38,000	-\$ 110,000	\$ 36,000	-\$ 110,000	\$ 36,000	-\$ 110,000	\$ 110,000	-\$ 110,000	-\$ 444,000

Year-end Financial True-up:

Avg BERC Rate	\$ 14.70
Positive so FEI pays Surrey	\$ 444,000

Result:

FEI pays Surrey 120,000 GJ @ BERC of \$14.70 (\$11.00 + \$3.70), Surrey purchases 120,000 GJ @ BERC of \$14.70

FortisBC Energy Inc. (FEI or the Company) <i>Utilities Commission Act Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)</i>	Submission Date: January 12, 2016
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Scenario 5: P > U and variable BERC throughout year

BERC (short-term)	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	14.00	\$	14.00	\$	14.00	\$	14.00	\$	14.00
BERC (long-term)	\$	14.00	\$	14.00	\$	14.00	\$	14.00	\$	14.00	\$	13.00	\$	13.00	\$	13.00	\$	13.00	\$	13.00

<u>Flows of Gas:</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Total</u>
Surrey produces biomethane (P)	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	144,000 GJ
Surrey uses biomethane (U) at l/t rate	4,000	10,000	4,000	10,000	8,000	10,000	4,000	10,000	4,000	10,000	0	10,000	84,000 GJ
Designated Customers use biomethane (U)													
at s/t rate	1000	5000	1000	5000	2000	5000	1000	5000	1000	5000	0	5000	36,000 GJ
Difference	7,000	-3,000	7,000	-3,000	2,000	-3,000	7,000	-3,000	7,000	-3,000	12,000	-3,000	24,000 GJ

Financial Transactions:

FEI pays Surrey for P at NSR	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	1,584,000
Surrey pays FEI for U at BERC tariff rate	\$	60,000	\$	150,000	\$	60,000	\$	150,000	\$	60,000	\$	150,000	\$	-	\$	150,000	\$	1,260,000
Designated Customers pay FEI for U at BERC tariff rate	\$	14,000	\$	70,000	\$	14,000	\$	70,000	\$	14,000	\$	70,000	\$	-	\$	70,000	\$	504,000
Difference	\$	58,000	-\$	88,000	\$	58,000	-\$	88,000	\$	58,000	-\$	88,000	\$	132,000	-\$	88,000	-\$	180,000

Year-end Financial True-up:

Avg BERC Rate																		\$	14.70
Positive so FEI pays Surrey																		\$	444,000

Result:

FEI pays Surrey 120,000 GJ @ BERC of \$14.70 (\$11.00 + \$3.70) plus 24,000 GJ at NSR of \$11.00, Surrey purchases 120,000 GJ @ BERC of \$14.70

FortisBC Energy Inc. (FEI or the Company) <i>Utilities Commission Act Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)</i>	Submission Date: January 12, 2016
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Scenario 6: P < U and variable BERC throughout year

BERC (short-term)	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	15.00	\$	14.00	\$	14.00	\$	14.00	\$	14.00	\$	14.00	\$	14.00	\$	14.00	\$	14.00
BERC (long-term)	\$	14.00	\$	14.00	\$	14.00	\$	14.00	\$	14.00	\$	13.00	\$	13.00	\$	13.00	\$	13.00	\$	13.00	\$	13.00	\$	13.00	\$	13.00

<u>Flows of Gas:</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Total</u>	
Surrey produces biomethane (P)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000	GJ
Surrey uses biomethane (U) at l/t rate	4,000	15,000	4,000	15,000	4,000	15,000	4,000	15,000	4,000	15,000	4,000	15,000	114,000	GJ
Designated Customers use biomethane (U)														
at s/t rate	1000	5000	1000	5000	1000	5000	1000	5000	1000	5000	1000	5000	36,000	GJ
Difference	5,000	-10,000	5,000	-10,000	5,000	-10,000	5,000	-10,000	5,000	-10,000	5,000	-10,000	-30,000	GJ

Financial Transactions:

FEI pays Surrey for P at NSR	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	1,320,000
Surrey pays FEI for U at BERC tariff rate	\$	60,000	\$	225,000	\$	60,000	\$	225,000	\$	60,000	\$	225,000	\$	60,000	\$	225,000	\$	60,000	\$	225,000	\$	60,000	\$	225,000	\$	1,710,000
Designated Customers pay FEI for U at BERC tariff rate	\$	14,000	\$	70,000	\$	14,000	\$	70,000	\$	14,000	\$	70,000	\$	14,000	\$	70,000	\$	14,000	\$	70,000	\$	14,000	\$	70,000	\$	504,000
Difference	\$	36,000	-\$	185,000	\$	36,000	-\$	185,000	\$	36,000	-\$	185,000	\$	36,000	-\$	185,000	\$	36,000	-\$	185,000	\$	36,000	-\$	185,000	-\$	894,000

Year-end Financial True-up:

Avg BERC Rate																										\$	14.76
Positive so FEI pays Surrey																										\$	451,200

Result:

FEI pays Surrey 120,000 GJ @ BERC of \$14.76 (\$11.00 + \$3.76), Surrey purchases 150,000 GJ @ BERC of \$14.76



FortisBC Energy Inc. (FEI or the Company) <i>Utilities Commission Act Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)</i>	Submission Date: January 12, 2016
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FortisBC Energy Inc.
Surrey IR Scenarios Table
Biomethane

Non-Confidential

Assumptions:

Contract Year: November 1 to October 31

Net Sale Rate (NSR) \$ 11.00

True-up = Lower of P or U x (BERC - NSR) If positive, FEI pays Surrey; if negative, Surrey pays FEI

Note: If P = U then use either one.

Scenario 1: P = U and same BERC throughout year

BERC (short-term)	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00
BERC (long-term)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Flows of Gas:

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
Surrey produces biomethane (P)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000 GJ
Surrey (Designated Customers) use biomethane (U) at s/t BERC rate	5,000	15,000	5,000	15,000	5,000	15,000	5,000	15,000	5,000	15,000	5,000	15,000	120,000 GJ
Difference	5,000	-5,000	5,000	-5,000	5,000	-5,000	5,000	-5,000	5,000	-5,000	5,000	-5,000	0 GJ

Financial Transactions:

FEI pays Surrey for P at NSR	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 1,320,000
Surrey (Designated Customers) pay FEI for U at BERC tariff rate	\$ 50,000	\$ 150,000	\$ 50,000	\$ 150,000	\$ 50,000	\$ 150,000	\$ 50,000	\$ 150,000	\$ 50,000	\$ 150,000	\$ 50,000	\$ 150,000	\$ 1,200,000
Difference	\$ 60,000	-\$ 40,000	\$ 60,000	-\$ 40,000	\$ 60,000	-\$ 40,000	\$ 60,000	-\$ 40,000	\$ 60,000	-\$ 40,000	\$ 60,000	-\$ 40,000	\$ 120,000

Year-end Financial True-up:

Avg BERC Rate	\$ 10.00
Negative so Surrey pays FEI	\$ (120,000)

Result:

FEI pays Surrey 120,000 GJ @ BERC of \$10 (first at \$11.00 less true up of \$1.00), Surrey purchases 120,000 GJ @ BERC of \$10

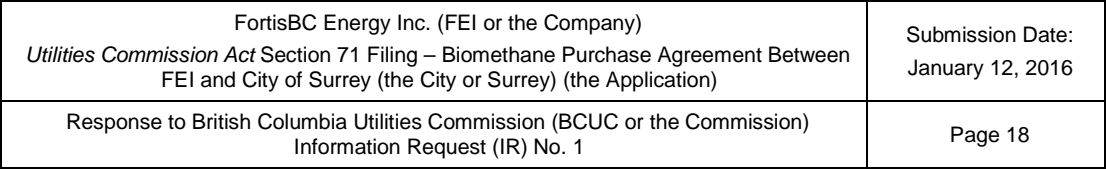
FortisBC Energy Inc. (FEI or the Company) <i>Utilities Commission Act Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)</i>	Submission Date: January 12, 2016
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Scenario 2: P > U and same BERC throughout year

BERC (short-term)	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	
BERC (long-term)		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a	
<u>Flows of Gas:</u>		<u>Nov</u>		<u>Dec</u>		<u>Jan</u>		<u>Feb</u>		<u>Mar</u>		<u>Apr</u>		<u>May</u>		<u>Jun</u>		<u>Jul</u>		<u>Aug</u>		<u>Sep</u>		<u>Oct</u>		<u>Total</u>	
Surrey produces biomethane (P)		12,000		12,000		12,000		12,000		12,000		12,000		12,000		12,000		12,000		12,000		12,000		12,000		144,000 GJ	
Surrey (Designated Customers) use biomethane (U) at s/t BERC rate		5,000		15,000		5,000		15,000		5,000		15,000		5,000		15,000		5,000		15,000		5,000		15,000		120,000 GJ	
Difference		7,000		-3,000		7,000		-3,000		7,000		-3,000		7,000		-3,000		7,000		-3,000		7,000		-3,000		24,000 GJ	
<u>Financial Transactions:</u>																											
FEI pays Surrey for P at NSR	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	1,584,000	
Surrey (Designated Customers) pay FEI for U at BERC tariff rate	\$	50,000	\$	150,000	\$	50,000	\$	150,000	\$	50,000	\$	150,000	\$	50,000	\$	150,000	\$	50,000	\$	150,000	\$	50,000	\$	150,000	\$	1,200,000	
Difference	\$	82,000	-\$	18,000	\$	82,000	-\$	18,000	\$	82,000	-\$	18,000	\$	82,000	-\$	18,000	\$	82,000	-\$	18,000	\$	82,000	-\$	18,000	\$	384,000	
<u>Year-end Financial True-up:</u>																											
Avg BERC Rate																										\$ 10.00	
Negative so Surrey pays FEI																										\$ (120,000)	

Result:

FEI pays Surrey 120,000 GJ @ BERC of \$10 (first at \$11.00 less true up of \$1.00) plus 24,000 GJ @ NSR of \$11.00, Surrey purchases 120,000 GJ @ BERC of \$10



BERC (short-term)	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00
BERC (long-term)		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a
Flows of Gas:																				
Surrey produces biomethane (P)		<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Total</u>						
Surrey produces biomethane (P)		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000	GJ					
Surrey (Designated Customers) use biomethane (U) at s/t BERC rate		5,000	20,000	5,000	20,000	5,000	20,000	5,000	20,000	5,000	20,000	5,000	20,000	150,000	GJ					
Difference		5,000	-10,000	5,000	-10,000	5,000	-10,000	5,000	-10,000	5,000	-10,000	5,000	-10,000	-30,000	GJ					

[illegible]

Avg BERC Rate	\$ 10.00
Negative so Surrey pays FEI	\$ (120,000)

FEI pays Surrey 120,000 GJ @ BERC of \$10 (first at \$11.00 less true up of \$1.00), Surrey purchases 150,000 GJ @ BERC of \$10

<p>FortisBC Energy Inc. (FEI or the Company)</p> <p><i>Utilities Commission Act Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)</i></p>	<p>Submission Date:</p> <p>January 12, 2016</p>
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Scenario 4: P = U and variable BERC throughout year

BERC (short-term)	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00
BERC (long-term)	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00

<u>Flows of Gas:</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Total</u>
Surrey produces biomethane (P)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000 GJ
Surrey uses biomethane (U) at l/t rate	4,000	10,000	4,000	10,000	8,000	10,000	4,000	10,000	4,000	10,000	0	10,000	84,000 GJ
Designated Customers use biomethane (U)													
at s/t rate	1000	5000	1000	5000	2000	5000	1000	5000	1000	5000	0	5000	36,000 GJ
Difference	5,000	-5,000	5,000	-5,000	0	-5,000	5,000	-5,000	5,000	-5,000	10,000	-5,000	0 GJ

Financial Transactions:

FEI pays Surrey for P at NSR	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	1,320,000
Surrey pays FEI for U at BERC tariff rate	\$	40,000	\$	100,000	\$	40,000	\$	100,000	\$	40,000	\$	100,000	\$	-	\$	100,000	\$	840,000
Designated Customers pay FEI for U at BERC tariff rate	\$	9,000	\$	45,000	\$	9,000	\$	45,000	\$	9,000	\$	45,000	\$	-	\$	45,000	\$	324,000
Difference	\$	61,000	-\$	35,000	\$	61,000	-\$	35,000	\$	61,000	-\$	35,000	\$	110,000	-\$	35,000	\$	156,000

Year-end Financial True-up:

Avg BERC Rate																		\$	9.70
Negative so Surrey pays FEI																		\$	(156,000)

Result:

FEI pays Surrey 120,000 GJ @ BERC of \$9.70 (payment of \$11.00 less receipt of \$1.30), Surrey purchases 120,000 GJ @ BERC of \$9.70

FortisBC Energy Inc. (FEI or the Company) <i>Utilities Commission Act Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)</i>	Submission Date: January 12, 2016
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Scenario 5: P > U and variable BERC throughout year

BERC (short-term)	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00
BERC (long-term)	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00

<u>Flows of Gas:</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Total</u>
Surrey produces biomethane (P)	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	144,000 GJ
Surrey uses biomethane (U) at l/t rate	4,000	10,000	4,000	10,000	8,000	10,000	4,000	10,000	4,000	10,000	0	10,000	84,000 GJ
Designated Customers use biomethane (U)													
at s/t rate	1000	5000	1000	5000	2000	5000	1000	5000	1000	5000	0	5000	36,000 GJ
Difference	7,000	-3,000	7,000	-3,000	2,000	-3,000	7,000	-3,000	7,000	-3,000	12,000	-3,000	24,000 GJ

Financial Transactions:

FEI pays Surrey for P at NSR	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	132,000	\$	1,584,000
Surrey pays FEI for U at BERC tariff rate	\$	40,000	\$	100,000	\$	40,000	\$	100,000	\$	40,000	\$	100,000	\$	-	\$	840,000
Designated Customers pay FEI for U at BERC																
tariff rate	\$	9,000	\$	45,000	\$	9,000	\$	45,000	\$	18,000	\$	45,000	\$	9,000	\$	324,000
Difference	\$	83,000	-\$	13,000	\$	83,000	-\$	13,000	\$	34,000	-\$	13,000	\$	83,000	-\$	420,000

Year-end Financial True-up:

Avg BERC Rate																\$	9.70
Negative so Surrey pays FEI																\$	(156,000)

Result:

FEI pays Surrey 120,000 GJ @ BERC of \$9.70 (payment of \$11.00 less receipt of \$1.30) plus 24,000 GJ at NSR of \$11.00, Surrey purchases 120,000 GJ @ BERC of \$9.70

FortisBC Energy Inc. (FEI or the Company) <i>Utilities Commission Act Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)</i>	Submission Date: January 12, 2016
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Scenario 6: P < U and variable BERC throughout year

BERC (short-term)	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00	\$	10.00
BERC (long-term)	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00	\$	9.00

<u>Flows of Gas:</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Total</u>
Surrey produces biomethane (P)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000 GJ
Surrey uses biomethane (U) at l/t rate	4,000	15,000	4,000	15,000	4,000	15,000	4,000	15,000	4,000	15,000	4,000	15,000	114,000 GJ
Designated Customers use biomethane (U)													
at s/t rate	1000	5000	1000	5000	1000	5000	1000	5000	1000	5000	1000	5000	36,000 GJ
Difference	5,000	-10,000	5,000	-10,000	5,000	-10,000	5,000	-10,000	5,000	-10,000	5,000	-10,000	-30,000 GJ

Financial Transactions:

FEI pays Surrey for P at NSR	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	110,000	\$	1,320,000
Surrey pays FEI for U at BERC tariff rate	\$	40,000	\$	150,000	\$	40,000	\$	150,000	\$	40,000	\$	150,000	\$	40,000	\$	150,000	\$	1,140,000
Designated Customers pay FEI for U at BERC tariff rate	\$	9,000	\$	45,000	\$	9,000	\$	45,000	\$	9,000	\$	45,000	\$	9,000	\$	45,000	\$	324,000
Difference	\$	61,000	-\$	85,000	\$	61,000	-\$	85,000	\$	61,000	-\$	85,000	\$	61,000	-\$	85,000	-\$	144,000

Year-end Financial True-up:

Avg BERC Rate	\$	9.76
Negative so Surrey pays FEI	\$	(148,800)

Result:

FEI pays Surrey 120,000 GJ @ BERC of \$9.76 (Payment of \$11.00 less receipt of \$1.24), Surrey purchases 150,000 GJ @ BERC of \$9.76

FortisBC Energy Inc. (FEI or the Company) <i>Utilities Commission Act Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)</i>	Submission Date: January 12, 2016
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4.2 With reference to the three scenarios, please confirm that any changes to the BERC rate, both higher and lower than the Net Sale Rate, does not change the monthly and yearly impact to the Biomethane Variance Account (BVA) for the amount of RNG purchased by FEI for inclusion in FEI's RNG supply pool. If not confirmed, please elaborate. If the response contains confidential information, please file in a separate document as appropriate.

Response:

FEI understands that this question relates to biomethane supplied by Surrey that will not be re-purchased by Surrey, as the Net-Sale Rate is only applicable where biomethane supplied by the Surrey Facility and accepted by FEI exceeds the amount of biomethane Surrey purchases.

Confirmed, because the Net-Sale Rate is a fixed rate with an annual adjustment that occurs November 1.

4.3 Please explain the arrangement if the RNG volumes Surrey (and its Designated Customers) buys from FEI exceed the RNG volumes FEI purchases from Surrey. Does this scenario need to be addressed in the Purchase Agreement and how does this scenario impact the BVA, if any? Please explain.

Response:

The existing provisions of the Agreement address the scenario presented in the question, and additional specific provisions are not needed. The scenario described is included as both Scenario 3 and Scenario 6 in the response to BCUC IR 1.4.1. If the RNG volumes Surrey (and its Designated Customers) buy from FEI exceed the RNG volumes FEI purchases from Surrey, then there is no balance remaining in the RNG pool related to the supply from the Surrey facility, and the additional purchases by Surrey and Designated Customers would be from other suppliers, at the applicable BERC rate, reducing the balance in the BVA.

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4.3.1 Please illustrate this scenario in the same format in a live working spreadsheet as provided in Appendix C. Provide this response in a separate document as appropriate for confidentiality.

Response:

Please refer to the response to BCUC IR 1.4.1.

4.3.2 Please provide this example by way of a live working spreadsheet in a non-confidential manner.

Response:

Please refer to the response to BCUC IR 1.4.1.

4.4 Suppose the Commission approves the BERC rate methodology proposal that the BERC rate will be changed from a single rate to two rates (i.e. short and long term), please explain how this scenario will apply to the Agreement.

Response:

In the BERC Rate Methodology Application, what FEI has proposed results in two different rates: a rate applicable to Short Term Contract customers and a different rate applicable to Long Term Contract customers. The proposed short term rate would be the applicable BERC rate per GJ approved by the Commission at a given point in time and the long term rate would be the BERC rate per GJ approved by the Commission at the time the long term contract is signed, reduced by \$1 per GJ. The proposed \$1 per GJ discount provided to Long Term Contract customers is premised on contract quantity and length of term.

Scenarios 3 through 6 in the response to BCUC IR 1.4.1 show how the two different BERC rates and any changes to the BERC rate throughout the year are taken into account in the Annual True-Up, through calculation of an average BERC as part of the true-up process.

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4.4.1 Which BERC rate will be used to determine the Recovery Rate?

Response:

Please refer to the response to BCUC IR 1.4.1.

4.4.2 Is it possible that the Recovery Rate is based on one BERC rate and some or all of the sales to Surrey and its Designated Customers are at the alternative BERC rate?

Response:

Please refer to the response to BCUC IR 1.4.1.

4.5 Please expand the three scenarios as provided in Appendix C of the Application in a fully functional spreadsheet that reflect the short and long term rates. If the answer to IR 4.4.2 is yes, please include examples of this situation in the scenarios. Provide this response in a non-confidential manner and a separate response confidentially based on the Agreement terms.

Response:

FEI has included these scenarios in the response to BCUC IR 1.4.1.

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5.0 Reference: THE AGREEMENT SUMMARY

Exhibit B-1, p. 10;

BERC Rate Methodology Application, Exhibit B-1, p. 3

Re-purchase of biomethane

On page 10 of the Application, FEI states that the Agreement is structured to provide for either Surrey to consume part of the biomethane that the Surrey Facility produces or to require through contractual obligations that its affiliates or its service providers (the Designated Customers) purchase RNG from FEI. FEI further states that “the City itself and its Designated Customers may sign up for FEI’s biomethane service under FEI’s existing applicable biomethane rate schedules.” [emphasis added]

5.1 Please confirm that both the City of Surrey and the Designated Customers’ purchases of RNG will be under the applicable FEI RNG rate schedule as approved by the Commission at the time of the purchase.

Response:

Confirmed.

5.2 Please confirm that since Surrey or a Designated Customer will purchase RNG under the applicable FEI RNG rate schedule as approved by the Commission at the time of the purchase this ensures that the cost of transporting the biomethane on the FEI system is recovered; either through the delivery rate component of the applicable RNG rate schedule (i.e. Rate Schedule 1B, 2B, 3B or 5B) in the case of sales customers or through the applicable transportation service rate schedule (i.e. Rate Schedule 22, 23, 25 or 27) in the case of a transportation service customer purchasing RNG under Rate Schedule 11B. If not confirmed, please explain.

Response:

Confirmed.

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6.0 Reference: THE AGREEMENT SUMMARY

Exhibit B-1, p. 11

Yearly balancing and true up

On page 11 of the Application, FEI states:

To avoid a monthly true up between produced and consumed biomethane, which may add administrative costs, FEI and Surrey have agreed that a yearly true up is reasonable an efficient way to reconcile any difference in biomethane volumes supplied and repurchased.

6.1 Please confirm, or otherwise explain, that regardless of the frequency of the true up, FEI will be metering and paying Surrey for biomethane purchases on a monthly basis and that FEI will be metering and invoicing Surrey and the Designated Customers for RNG sales on a monthly basis.

Response:

Confirmed.

6.2 Please explain whether it is feasible to true up any difference in biomethane volumes supplied and repurchased on a monthly or quarterly basis.

Response:

It is possible to do either quarterly or monthly true-up; however, FEI and Surrey have agreed to a yearly true-up as the most straight-forward and efficient approach for the following reasons:

- A year-long true-up period allows for Surrey to potentially increase or decrease its monthly volumes to better match the yearly supply.
- FEI expects that some of the Surrey demand may be seasonal, while the supply is expected to be relatively flat during the year. This would mean that there is an anticipated mismatch on a monthly or quarterly basis, necessitating more frequent invoicing for the true-up. As it is the intention of Surrey to re-purchase the same or substantially the same amount of biomethane as produced from the Surrey Facility, FEI believes that there will be less administrative impact and a yearly true-up provides the ability for volumes both purchased and consumed to balance out over the year.

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- The purchase cycle and the customer billing cycle are not necessarily synchronized on a monthly basis. For example, the period for billing for consumed gas may not necessarily occur at the calendar month end (and this timing would be different for each one of the Surrey or Designated Customers), whereas the supply volumes are done based on calendar month. In this regard, it is therefore more practical to only calculate the variance once a year.
- The average BERC rate for the year is an input to the Annual True-up. Although these True-ups could occur monthly, there would be additional complexity added by calculating an average monthly BERC rate for Surrey and its Designated Customers.

6.2.1 If monthly or quarterly true up is feasible, please explain the advantage and disadvantages of monthly versus quarterly versus yearly true up.

Response:

FEI has addressed the primary advantages of an annual true up in the response to BCUC IR 1.6.2, which also address the primary disadvantages of a monthly or quarterly true up.

The only potential disadvantage to an annual true-up that FEI foresees is that there could be larger balances owing from one party to the other at various points during the year. These imbalances will reside in the BVA until the annual true-up process is complete.

An annual true-up mechanism is the preferred approach for the reasons described. FEI notes that annual true ups are not uncommon and there have been Tariff Supplements that require annual true-ups. For example, section 2.3 of FEI Tariff Supplement No. E-11,¹ provides for an annual true-up.²

¹ Transportation Service Agreement for Rate Schedule 27 between Tembec Industries Inc. and FEI, effective November 1, 2004, approved by BCUC Order G-105-04.

² Section 2.3 states: Minimum Annual Required Transport Service – Tembec acknowledges that under this Rate Schedule 27 Tariff Supplement, Tembec is required to transport a minimum of 66,000 Gigajoules in each Contract Year.

(a) Tembec will take or pay for the 66,000 Gigajoules in each Contract Year for a period of ten (10) Years starting from the Commencement Date.

(b) If, at the end of each Contract Year of the term of this Agreement, Tembec has transported less than 66,000 Gigajoules in that Year, Tembec will be required to pay Terasen Gas for the unused balance as per Article 2.1.

(c) Any unused balance will be billed to Tembec by Terasen Gas during the first month of the following Contract Year.

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1 6.3 Please describe the nature of the incremental administrative costs that FEI
2 anticipates would arise from a more frequent true up such as on a monthly or
3 quarterly basis.

4
5 **Response:**

6 The incremental administrative costs would be primarily related to confirming the difference in
7 supply and demand, calculating an average BERC rate for the month which would involve pro-
8 rating the City's and its Designated Customers bills, and preparing more frequent true-up
9 invoicing.

10
11

12
13 6.4 Please explain how quarterly adjustment of the BERC rate is accounted for to
14 ensure accuracy of yearly true up of monthly monetary differences from
15 difference in biomethane volumes supplied and repurchased.

16
17 **Response:**

18 The scenario where there is a change to the BERC rate is shown in the scenarios provided in
19 the response to BCUC IR 1.4.1.

20 The annual true-up under the Agreement, as amended, utilizes an Average BERC rate concept
21 that accommodates the different BERC rates that could apply at different times during the year,
22 including quarterly rate changes.

23

FortisBC Energy Inc. (FEI or the Company) <i>Utilities Commission Act</i> Section 71 Filing – Biomethane Purchase Agreement Between FEI and City of Surrey (the City or Surrey) (the Application)	Submission Date: January 12, 2016
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C. UTILITIES COMMISSION ACT – SECTION 59-61 ITEMS

7.0 Reference: FACILITY FEE

Exhibit B-1, pp. 6, 8, 15

Portable interconnect facility & Facility Fee calculation

On page 6 of its Application, FEI states it "...will base the design of the Interconnection Station on its previous biomethane interconnect facilities. Similar to the previously designed interconnection facilities, FEI will place the Interconnection Station on a skid to ensure that the station is portable and can be easily re-deployed if necessary."

On page 8, FEI indicates that "Surrey will pay FEI a monthly Facility Fee, expected to be in the range of \$10,460 and \$14,030 per month (Clause 6.2; Schedule D, Clause 3)."

On page 15 of its Application, FEI states that FEI and Surrey have agreed that Surrey pays FEI a monthly Facility Fee. The Facility Fee is "designed for FEI to recover the costs associated with the design, construction, operation and maintenance of the Interconnection Facilities and the operation and administration of the Agreement."

7.1 Given that FEI builds portable Interconnection Stations that can be easily re-deployed, are there any fully built portable Interconnection Stations available that would fit the needs of this project and thereby reduce the Facility Fee?

Response:

No, there are no fully or partially built portable Interconnection Stations that are or will be available that would fit the needs of this project.

7.1.1 If there was a fully built portable Interconnection Station available, please provide an estimate on how much savings would result in the Facility Fee.

Response:

Please refer to the response to BCUC IR 1.7.1.

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8.0 Reference: PROJECT DESCRIPTION

Exhibit B-1, pp. 6, 8

Useful life of FEI interconnect facility

On page 6 of its Application, FEI states it “...will place the Interconnection Station on a skid to ensure that the station is portable.”

On page 8, the Agreement is said to be a “twenty five year agreement that allows Surrey to sell biomethane to FEI and enables FEI to recover the costs of the Interconnection Facilities.”

8.1 Please provide the expected asset life of FEI’s portable biomethane interconnect facility.

Response:

The asset lives for the primary components of the interconnect facility are as follows:

- 25+ years for foundation, mechanical equipment (ex. pipes, valves), and electrical wiring;
- 8-10 years for roofing and electrical components (not related to measuring equipment, with some dependency on technology obsolescence); and
- 5-10 years for gas composition measurement instrumentation.

FEI notes that the interconnect facility asset life aligns with standard FEI stations.

8.1.1 If the expected asset life of FEI’s portable biomethane interconnect facility is more than twenty five years (the length of the Agreement with Surrey), please describe the plans for the interconnect facility should the Agreement with Surrey not be renewed.

Response:

If the Agreement is not renewed, FEI would evaluate the biomethane interconnect facility assets for fit, form, and function for potential redeployment to other FEI projects or facilities.

As noted on page 16 of the Application and on line 8 of Schedule 10 of Appendix B, the levelized Facilities Fee includes the forecast undepreciated capital cost of the Interconnect Facility at the end of the contract term. Since FEI’s depreciation rates reflect the average service life of the asset group, this component of the Facilities Fee accounts for the difference between the depreciation rates and the life of the Agreement.

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9.0 Reference: PROJECT SUMMARY

Exhibit B-1, p. 7

Disposition of biomethane returned to Surrey

On page 7 of the Application, FEI notes that inclusion of a return meter is a modification unique to the proposed Interconnection Station and states:

Secondly, at the request of Surrey, FEI has added a return meter. FEI will use this meter to provide Surrey with a means of tracking the volume of gas that is returned to Surrey either due to failure to meet the specified biomethane quality or excess biomethane volume.

9.1 Please describe the mechanism by which FEI determines that gas must be returned to Surrey including whether FEI is required to provide advance notice to Surrey and any constraints or limitations this may impose on FEI's ability to respond in the event off-spec biomethane is being delivered to FEI.

Response:

Gas can be returned to Surrey either if the gas does not meet specification (off-spec gas) or if there is biomethane supply that meets specifications that is in excess of the volumetric limits specified in in Schedule D of the Agreement. Both circumstances are addressed under the Agreement.

If a gas component fails to meet the specification, then the station controls automatically shut the interconnection station valve and the off-spec gas is returned to Surrey. FEI is not required to provide advance notice to Surrey in this situation.

Excess biomethane in this context means an inability to physically inject biomethane due to higher system pressure that results from having low demand from customers in the area of the biomethane plant. To help address this situation, FEI included maximum hourly flow rate volumetric limits in Schedule D of the Agreement to help Surrey manage its supply to match demand on the FEI system. FEI may, at its discretion, accept greater than the volumetric limits on an hourly or daily basis. FEI is not required to provide advance notice to Surrey in this situation.

FEI's ability to return gas in these two circumstances is not limited in the Agreement.

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9.1.1 Please describe the extent to which this process is automated and the anticipated time required to commence return of off-spec biomethane to Surrey once off-spec biomethane is detected at the FEI Interconnection Station.

Response:

Measuring off-spec biomethane for Surrey consists of measuring (1) gas composition, measured by various instruments, and (2) gas volume, measured by the return line gas meter.

For gas composition measurement, the same automated process for determining off-spec gas for other biomethane suppliers will be in place. Gas composition is measured with frequencies varying from 10 seconds to every 4 minutes.

For gas volume measurement, returned gas volume will be measured real-time by the return line gas meter.

Once gas instrumentation detects off-spec biomethane, an electronic signal is sent to the station “gate valve” which shuts the valve. Because the valve is closed, the gas then flows instantaneously through the return line, past the return line meter, and back to Surrey.

9.2 Please describe FEI's understanding of the disposition of the biomethane returned to Surrey via the return meter.

Response:

FEI understands that the gas it rejects and returns to the City, if any, will be flared.

9.2.1 Is the gas flared or vented? Are there any restrictions on the quantity that can be returned to Surrey arising from either facility constraints on the Surrey side of the interconnection and/or limitations set out in environmental permit? Please elaborate.

Response:

Please refer to the responses to BCUC IRs 1.9.1 and 1.9.2.

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9.3 Please describe the circumstances under which FEI would return excess biomethane that meets gas quality specifications.

Response:

Please refer to the response to BCUC IR 1.9.1.

Attachment 2.1.2

FORTISBC ENERGY INC.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

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Schedule	Forecast Cost of Service
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Schedule 4	Forecast Capital Cost Allowance
Schedule 5	Forecast Rate Base
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Schedule 9	Forecast Deferred Charges
Schedule 10	Facility Fee

FortisBC Energy Inc.

City of Surrey Biomethane Agreement

Forecast Interconnection Cost of Service

Forecast Cost of Service and BVA Impact

Schedule 1

(\$000's), unless otherwise stated

Line	Particulars	Reference	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1	<u>Tax Deductible Costs</u>													
2	Operation and Maintenance	Schedule 2, Line 18	86	11	12	12	12	13	13	13	14	14	15	15
3	Property Taxes	Schedule 2, Line 23	-	0	2	2	2	2	2	2	2	2	2	2
4	Other Revenue	Schedule 2, Line 23	-	-	-	-	-	-	-	-	-	-	-	-
5	Earned Return - Debt Component	Schedule 5, Line 23	<u>31</u>	<u>30</u>	<u>29</u>	<u>28</u>	<u>27</u>	<u>26</u>	<u>25</u>	<u>24</u>	<u>23</u>	<u>22</u>	<u>21</u>	<u>20</u>
6	Total Tax Deductible Cost		117	42	43	42	41	41	40	39	38	38	37	36
7	Tax Offset		<u>(30)</u>	<u>(11)</u>	<u>(11)</u>	<u>(11)</u>	<u>(11)</u>	<u>(11)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>(9)</u>
8	Forecast Cost of Service (Net of Tax Addition to BVA)		87	31	32	31	31	30	29	29	28	28	27	27
9														
10	<u>Non-Tax Deductible Costs</u>													
11	Depreciation Expense	Schedule 8, Line 21 + Line 45	-	27	27	27	27	27	27	27	27	27	27	27
12	Amortization Expense	Schedule 9, Line 20	-	4	4	4	4	4	4	4	4	4	4	4
13	Income Taxes	Schedule 3, Line 18	1	4	4	5	5	6	6	7	7	7	8	8
14	Earned Return - Equity Component	Schedule 5, Line 22	<u>29</u>	<u>29</u>	<u>28</u>	<u>27</u>	<u>26</u>	<u>25</u>	<u>24</u>	<u>23</u>	<u>22</u>	<u>21</u>	<u>20</u>	<u>19</u>
15	Forecast Cost of Service (Non-Tax Deductible Addition to BVA)		31	63	63	62	62	61	61	60	60	59	58	57
16														
17	Forecast Cost of Service (Addition to BVA)	Line 8 + Line 15	117	94	95	94	93	91	90	89	88	87	86	84
18	Facility Fee from Surrey (Credit to BVA)	Schedule 10 , Line 12 x (1 - Tax Rate)	<u>(109)</u>	<u>(109)</u>	<u>(109)</u>	<u>(109)</u>	<u>(109)</u>	<u>(109)</u>	<u>(109)</u>	<u>(109)</u>	<u>(109)</u>	<u>(109)</u>	<u>(109)</u>	<u>(109)</u>
19	Net Annual Increase (Decrease) to BVA	Line 17 + Line 18	8	(15)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(23)	(24)	(25)

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Cost of Service and BVA Impact

Schedule 1

(\$000's), unless otherwise stated

Line	Particulars	Reference	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
1	<u>Tax Deductible Costs</u>														
2	Operation and Maintenance	Schedule 2, Line 18	16	16	16	17	17	18	18	19	20	20	21	21	22
3	Property Taxes	Schedule 2, Line 23	2	2	2	2	2	2	2	2	2	2	2	2	2
4	Other Revenue	Schedule 2, Line 23	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Earned Return - Debt Component	Schedule 5, Line 23	18	17	16	15	14	13	12	11	10	9	8	7	6
6	Total Tax Deductible Cost		36	35	35	34	33	33	32	32	31	31	30	30	30
7	Tax Offset		(9)	(9)	(9)	(9)	(9)	(9)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
8	Forecast Cost of Service (Net of Tax Addition to BVA)		27	26	26	25	25	24	24	23	23	23	23	22	22
9															
10	<u>Non-Tax Deductible Costs</u>														
11	Depreciation Expense	Schedule 8, Line 21 + Line 45	27	27	27	27	27	27	27	27	27	27	27	27	27
12	Amortization Expense	Schedule 9, Line 20	4	4	4	4	4	4	4	4	4	4	4	4	4
13	Income Taxes	Schedule 3, Line 18	8	8	8	9	9	9	9	9	9	9	8	8	8
14	Earned Return - Equity Component	Schedule 5, Line 22	18	17	16	15	13	12	11	10	9	8	7	7	6
15	Forecast Cost of Service (Non-Tax Deductible Addition to BVA)		56	56	55	54	53	52	51	50	49	48	46	46	45
16															
17	Forecast Cost of Service (Addition to BVA)	Line 8 + Line 15	83	82	80	79	78	76	75	73	72	70	69	68	67
18	Facility Fee from Surrey (Credit to BVA)	Schedule 10 , Line 12 x (1 - Tax Rate)	(109)	(109)	(109)	(109)	(109)	(109)	(109)	(109)	(109)	(109)	(109)	(109)	(109)
19	Net Annual Increase (Decrease) to BVA	Line 17 + Line 18	(26)	(28)	(29)	(31)	(32)	(33)	(35)	(36)	(38)	(39)	(41)	(41)	(42)

FortisBC Energy Inc.

City of Surrey Biomethane Agreement

Forecast Interconnection Cost of Service

Forecast O&M, Other Revenue and Property Tax

Schedule 2

(\$000's), unless otherwise stated

Line	Particulars	Reference	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1	Gross O&M													
2	Labour Costs		10	10	11	11	11	11	12	12	13	13	13	14
3	Vehicle Costs		-	-	-	-	-	-	-	-	-	-	-	-
4	Employee Expenses		-	-	-	-	-	-	-	-	-	-	-	-
5	Materials & Supplies		1	1	1	1	1	1	1	1	1	1	1	1
6	Computer Costs		-	-	-	-	-	-	-	-	-	-	-	-
7	Fees & Administrations Costs		-	-	-	-	-	-	-	-	-	-	-	-
8	Contractor Costs		-	-	-	-	-	-	-	-	-	-	-	-
9	Facilities		-	-	-	-	-	-	-	-	-	-	-	-
10	Application Costs		75	-	-	-	-	-	-	-	-	-	-	-
11														
12	Non-Labour Costs		76	1	1	1	1	1	1	1	1	1	1	1
13														
14	Total Gross O&M Expenses		86	11	12	12	12	13	13	13	14	14	15	15
16	(Less): Capitalized Overhead		-	-	-	-	-	-	-	-	-	-	-	-
17	Add (Less): Adjustment		-	-	-	-	-	-	-	-	-	-	-	-
18	Net O&M		86	11	12	12	12	13	13	13	14	14	15	15
19														
20	Property Taxes													
21	General, School and Other ¹		-	0	0	0	0	0	0	0	0	0	0	0
22	1% in Lieu of General Municipal Tax ²		-	-	1	1	1	1	1	1	1	1	1	1
23	Total Property Taxes		-	0	2	2	2	2	2	2	2	2	2	2
24														

25 1- Calculation output numbers < \$500 shown as zero

26 2- Calculation is based on the second preceeding year; ex., 2019 is based on 2017 revenue

FortisBC Energy Inc.

City of Surrey Biomethane Agreement

Forecast Interconnection Cost of Service

Forecast O&M, Other Revenue and Property Tax

Schedule 2

(\$000's), unless otherwise stated

Line	Particulars	Reference	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
1	Gross O&M														
2	Labour Costs		14	15	15	15	16	16	17	17	18	18	19	20	20
3	Vehicle Costs		-	-	-	-	-	-	-	-	-	-	-	-	-
4	Employee Expenses		-	-	-	-	-	-	-	-	-	-	-	-	-
5	Materials & Supplies		1	1	1	1	2	2	2	2	2	2	2	2	2
6	Computer Costs		-	-	-	-	-	-	-	-	-	-	-	-	-
7	Fees & Administrations Costs		-	-	-	-	-	-	-	-	-	-	-	-	-
8	Contractor Costs		-	-	-	-	-	-	-	-	-	-	-	-	-
9	Facilities		-	-	-	-	-	-	-	-	-	-	-	-	-
10	Application Costs		-	-	-	-	-	-	-	-	-	-	-	-	-
11															
12	Non-Labour Costs		1	1	1	1	2	2	2	2	2	2	2	2	2
13															
14	Total Gross O&M Expenses		16	16	16	17	17	18	18	19	20	20	21	21	22
16	(Less): Capitalized Overhead		-	-	-	-	-	-	-	-	-	-	-	-	-
17	Add (Less): Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-
18	Net O&M		16	16	16	17	17	18	18	19	20	20	21	21	22
19															
20	Property Taxes														
21	General, School and Other ¹		0	0	0	0	0	0	0	0	0	0	0	0	0
22	1% in Lieu of General Municipal Tax ²		1	1	1	1	1	1	1	1	1	1	1	1	1
23	Total Property Taxes		2	2	2	2	2	2	2	2	2	2	2	2	2
24															

25 1- Calculation output numbers < \$500 shown as zero

26 2- Calculation is based on the second preceeding year; ex., 2019 is based on 2017 revenue

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Income Tax Expense
Schedule 3
(\$000's), unless otherwise stated

Line	Particulars	Reference	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1	Income Tax Expense													
2														
3	Earned Return	Schedule 5, Line 24	60	59	57	55	53	51	49	47	45	42	40	38
4	Deduct: Interest on debt	Schedule 5, Line 23	(31)	(30)	(29)	(28)	(27)	(26)	(25)	(24)	(23)	(22)	(21)	(20)
5	Add (Deduct): Amortization Expense	Schedule 9, Line 8	-	-	-	-	-	-	-	-	-	-	-	-
6	Add: Depreciation Expense	Schedule 8, Line 21 + Line 45	-	27	27	27	27	27	27	27	27	27	27	27
7	Add: Removal Cost Provision	Schedule 9, Line 8	-	4	4	4	4	4	4	4	4	4	4	4
8	Deduct: Capital Cost Allowance	Schedule 4, Line 30	(26)	(49)	(47)	(44)	(41)	(39)	(36)	(34)	(32)	(30)	(28)	(27)
9	Taxable Income After Tax	Sum of Lines 3 through 8	4	10	12	14	15	17	18	19	20	21	22	23
10														
11	Income Tax Rate		26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%
12	1 - Current Income Tax Rate	1 - Line 11	74%	74%	74%	74%	74%	74%	74%	74%	74%	74%	74%	74%
13														
14	Taxable Income	Line 9 / Line 12	5	14	16	19	21	23	25	26	27	29	30	31
15														
16	Total Income Tax Expense	Line 14 x Line 11	1	4	4	5	5	6	6	7	7	7	8	8
17	Adjustments		-	-	-	-	-	-	-	-	-	-	-	-
18	Net Tax Expense	Line 16 + Line 17	1	4	4	5	5	6	6	7	7	7	8	8
19														

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Income Tax Expense
Schedule 3
(\$000's), unless otherwise stated

Line	Particulars	Reference	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
1	Income Tax Expense														
2															
3	Earned Return	Schedule 5, Line 24	36	34	32	30	28	25	23	21	19	17	15	14	12
4	Deduct: Interest on debt	Schedule 5, Line 23	(18)	(17)	(16)	(15)	(14)	(13)	(12)	(11)	(10)	(9)	(8)	(7)	(6)
5	Add (Deduct): Amortization Expense	Schedule 9, Line 8	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Add: Depreciation Expense	Schedule 8, Line 21 + Line 45	27	27	27	27	27	27	27	27	27	27	27	27	27
7	Add: Removal Cost Provision	Schedule 9, Line 8	4	4	4	4	4	4	4	4	4	4	4	4	4
8	Deduct: Capital Cost Allowance	Schedule 4, Line 30	(25)	(24)	(22)	(21)	(20)	(18)	(17)	(16)	(15)	(14)	(14)	(13)	(13)
9	Taxable Income After Tax	Sum of Lines 3 through 8	23	24	24	24	25	25	25	25	25	25	24	24	24
10															
11	Income Tax Rate		26%	26%	26%	26%	26%	26%	26%	26%	26.00%	26.00%	26.00%	26.00%	26.00%
12	1 - Current Income Tax Rate	1 - Line 11	74%	74%	74%	74%	74%	74%	74%	74%	74%	74%	74%	74%	74%
13															
14	Taxable Income	Line 9 / Line 12	31	32	33	33	33	33	34	34	33	33	32	33	32
15															
16	Total Income Tax Expense	Line 14 x Line 11	8	8	8	9	9	9	9	9	9	9	8	8	8
17	Adjustments		-	-	-	-	-	-	-	-	-	-	-	-	-
18	Net Tax Expense	Line 16 + Line 17	8	8	8	9	9	9	9	9	9	9	8	8	8
19															

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Capital Cost Allowance

Schedule 4

(\$000's), unless otherwise stated

Line	Particulars	Reference	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1														
2														
3	Structures & Improvement 472-20- Class 51 @ 6%													
4	Opening Balance	Preceding Year, Line 7	-	78	73	69	64	61	57	54	50	47	44	42
5	Additions	Schedule 7 , Line 35 - AFUDC	80	-	-	-	-	-	-	-	-	-	-	-
6	CCA	[Line 4 + (Line 5 x 1/2)] x CCA Rate	(2)	(5)	(4)	(4)	(4)	(4)	(3)	(3)	(3)	(3)	(3)	(3)
7	Closing Balance	Sum of Lines 4 through 6	78	73	69	64	61	57	54	50	47	44	42	39
8														
9	Distribution Mains 475- Class 51 @ 6%													
10	Opening Balance	Preceding Year, Line 13	-	60	57	53	50	47	44	41	39	37	34	32
11	Additions	Schedule 7 , Line 37 - AFUDC	62	-	-	-	-	-	-	-	-	-	-	-
12	CCA	[Line 10 + (Line 11 x 1/2)] x CCA Rate	(2)	(4)	(3)	(3)	(3)	(3)	(3)	(2)	(2)	(2)	(2)	(2)
13	Closing Balance	Sum of Lines 10 through 12	60	57	53	50	47	44	41	39	37	34	32	30
14														
15	Distribution Meas. & Reg. Equipment 477-10- Class 51 @ 6%													
16	Opening Balance	Preceding Year, Line 19	-	679	638	600	564	530	498	468	440	414	389	366
17	Additions	Schedule 7 , Line 38 - AFUDC	700	-	-	-	-	-	-	-	-	-	-	-
18	CCA	[Line 16 + (Line 17 x 1/2)] x CCA Rate	(21)	(41)	(38)	(36)	(34)	(32)	(30)	(28)	(26)	(25)	(23)	(22)
19	Closing Balance	Sum of Lines 16 through 18	679	638	600	564	530	498	468	440	414	389	366	344
20														
21	Meters - 478-30- Class 51 @ 6%													
22	Opening Balance	Preceding Year, Line 25	-	8	7	7	6	6	6	5	5	5	4	4
23	Additions	Schedule 7 , Line 39 - AFUDC	8	-	-	-	-	-	-	-	-	-	-	-
24	CCA	[Line 22 + (Line 23 x 1/2)] x CCA Rate	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
25	Closing Balance	Sum of Lines 22 through 24	8	7	7	6	6	6	5	5	5	4	4	4
26														
27	Total CCA													
28	Opening Balance	Preceding Year, Line 31	-	825	775	729	685	644	605	569	535	503	472	444
29	Additions	¹	850	-	-	-	-	-	-	-	-	-	-	-
30	CCA	²	(26)	(49)	(47)	(44)	(41)	(39)	(36)	(34)	(32)	(30)	(28)	(27)
31	Closing Balance	Sum of Lines 28 through 30	825	775	729	685	644	605	569	535	503	472	444	417
32	1- Schedule 7 , Line 22 - Line 21 + Line 5 above - AFUDC													
33	2- Schedule 4 , Sum of detailed CCA lines													

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Capital Cost Allowance

Schedule 4

(\$000's), unless otherwise stated

Line	Particulars	Reference	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
1															
2															
3	Structures & Improvement 472-20- Class 51 @ 6%														
4	Opening Balance	Preceding Year, Line 7	39	37	35	33	31	29	27	25	24	23	21	20	19
5	Additions	Schedule 7 , Line 35 - AFUDC	-	-	-	-	-	-	-	-	-	-	-	-	-
6	CCA	[Line 4 + (Line 5 x 1/2)] x CCA Rate	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)
7	Closing Balance	Sum of Lines 4 through 6	37	35	33	31	29	27	25	24	23	21	20	19	18
8															
9	Distribution Mains 475- Class 51 @ 6%														
10	Opening Balance	Preceding Year, Line 13	30	29	27	25	24	22	21	20	19	17	16	15	14
11	Additions	Schedule 7 , Line 37 - AFUDC	-	-	-	-	-	-	-	-	-	-	-	-	-
12	CCA	[Line 10 + (Line 11 x 1/2)] x CCA Rate	(2)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
13	Closing Balance	Sum of Lines 10 through 12	29	27	25	24	22	21	20	19	17	16	15	14	14
14															
15	Distribution Meas. & Reg. Equipment 477-10- Class 51 @ 6%														
16	Opening Balance	Preceding Year, Line 19	344	323	304	286	268	252	237	223	210	197	185	174	164
17	Additions	Schedule 7 , Line 38 - AFUDC	-	-	-	-	-	-	-	-	-	-	-	-	-
18	CCA	[Line 16 + (Line 17 x 1/2)] x CCA Rate	(21)	(19)	(18)	(17)	(16)	(15)	(14)	(13)	(13)	(12)	(11)	(10)	(10)
19	Closing Balance	Sum of Lines 16 through 18	323	304	286	268	252	237	223	210	197	185	174	164	154
20															
21	Meters - 478-30- Class 51 @ 6%														
22	Opening Balance	Preceding Year, Line 25	4	4	3	3	3	3	3	3	2	2	2	15	14
23	Additions	Schedule 7 , Line 39 - AFUDC	-	-	-	-	-	-	-	-	-	-	13	-	-
24	CCA	[Line 22 + (Line 23 x 1/2)] x CCA Rate	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(1)
25	Closing Balance	Sum of Lines 22 through 24	4	3	3	3	3	3	3	2	2	2	15	14	13
26															
27	Total CCA														
28	Opening Balance	Preceding Year, Line 31	417	392	369	347	326	306	288	271	254	239	225	224	211
29	Additions	¹	-	-	-	-	-	-	-	-	-	-	13	-	-
30	CCA	²	(25)	(24)	(22)	(21)	(20)	(18)	(17)	(16)	(15)	(14)	(14)	(13)	(13)
31	Closing Balance	Sum of Lines 28 through 30	392	369	347	326	306	288	271	254	239	225	224	211	198
32	1- Schedule 7 , Line 22 - Line 21 + Line 5 above - AFUDC														
33	2- Schedule 4 , Sum of detailed CCA lines														

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Rate Base

Schedule 5

(\$000's), unless otherwise stated

Line	Particulars	Reference	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1	Rate Base													
2	Gross Plant In Service- Beginning	Schedule 7, Line 11	-	875	875	875	875	875	875	875	875	875	875	875
3	Gross Plant In Service- Ending	Schedule 7, Line 42	875	875	875	875	875	875	875	875	875	875	875	875
4														
5	Accumulated Depreciation- Beginning	Schedule 8, Line 11	-	-	(27)	(54)	(81)	(108)	(135)	(162)	(189)	(216)	(243)	(270)
6	Accumulated Depreciation- Ending	Schedule 8, Line 40	-	(27)	(54)	(81)	(108)	(135)	(162)	(189)	(216)	(243)	(270)	(297)
7														
8	Contributions in Aid of Construction- Beginning	Schedule 7, Line 46	-	-	-	-	-	-	-	-	-	-	-	-
9	Contributions in Aid of Construction- Ending	Schedule 7, Line 49	-	-	-	-	-	-	-	-	-	-	-	-
10														
11	Accumulated Amortization- Beginning	Schedule 8, Line 46	-	-	-	-	-	-	-	-	-	-	-	-
12	Accumulated Amortization- Ending	Schedule 8, Line 49	-	-	-	-	-	-	-	-	-	-	-	-
13														
14	Net Plant in Service, Mid-Year	Sum (Lines 2 through 12)/2	438	862	835	808	781	754	727	700	673	646	619	592
15														
16	Adjustment to 13-month average	¹	438	-	-	-	-	-	-	-	-	-	-	-
17	Unamortized Deferred Charges, Mid-Year	Schedule 9, Line 21	-	(2)	(6)	(9)	(13)	(17)	(20)	(24)	(28)	(31)	(35)	(39)
18	Cash Working Capital	²	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
19	Total Rate Base	Sum of Lines 14 through 18	875	860	829	799	768	737	707	676	645	615	584	553
20														
21	Return on Rate Base													
22	Equity Return	Line 19 x ROE x Equity %	29	29	28	27	26	25	24	23	22	21	20	19
23	Debt Component	³	31	30	29	28	27	26	25	24	23	22	21	20
24	Total Earned Return	Line 22 + Line 23	60	59	57	55	53	51	49	47	45	42	40	38
25	Return on Rate Base %	Line 24 / Line 19	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%	6.90%
26														
27	1- [Schedule 7, (Line 22 + Line 47) + Schedule 8, (Line 21+ Line 45)] x (Days In-service/365-1/2)													
28	2- Schedule 7, Line 42 x FEI CWC/Closing GPIS %													
29	3- Line 19 x (LTD Rate x LTD% + STD Rate x STD %)													

FortisBC Energy Inc.

City of Surrey Biomethane Agreement

Forecast Interconnection Cost of Service

Forecast Rate Base

Schedule 5

(\$000's), unless otherwise stated

Line	Particulars	Reference	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
1	Rate Base														
2	Gross Plant In Service- Beginning	Schedule 7, Line 11	875	875	875	875	875	875	875	875	875	875	867	880	880
3	Gross Plant In Service- Ending	Schedule 7, Line 42	875	875	875	875	875	875	875	875	875	867	880	880	880
4															
5	Accumulated Depreciation- Beginning	Schedule 8, Line 11	(297)	(324)	(351)	(378)	(405)	(432)	(459)	(486)	(513)	(540)	(559)	(585)	(613)
6	Accumulated Depreciation- Ending	Schedule 8, Line 40	(324)	(351)	(378)	(405)	(432)	(459)	(486)	(513)	(540)	(559)	(585)	(613)	(640)
7															
8	Contributions in Aid of Construction- Beginning	Schedule 7, Line 46	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Contributions in Aid of Construction- Ending	Schedule 7, Line 49	-	-	-	-	-	-	-	-	-	-	-	-	-
10															
11	Accumulated Amortization- Beginning	Schedule 8, Line 46	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Accumulated Amortization- Ending	Schedule 8, Line 49	-	-	-	-	-	-	-	-	-	-	-	-	-
13															
14	Net Plant in Service, Mid-Year	Sum (Lines 2 through 12)/2	565	538	511	484	457	430	403	376	349	322	302	281	254
15															
16	Adjustment to 13-month average	¹	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Unamortized Deferred Charges, Mid-Year	Schedule 9, Line 21	(42)	(46)	(50)	(53)	(57)	(61)	(64)	(68)	(72)	(75)	(79)	(83)	(86)
18	Cash Working Capital	²	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
19	Total Rate Base	Sum of Lines 14 through 18	523	492	461	430	400	369	338	308	277	246	222	199	168
20															
21	Return on Rate Base														
22	Equity Return	Line 19 x ROE x Equity %	18	17	16	15	13	12	11	10	9	8	7	7	6
23	Debt Component	³	18	17	16	15	14	13	12	11	10	9	8	7	6
24	Total Earned Return	Line 22 + Line 23	36	34	32	30	28	25	23	21	19	17	15	14	12
25	Return on Rate Base %	Line 24 / Line 19	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%
26															
27	1- [Schedule 7, (Line 22 + Line 47) + Schedule 8, (Line 21+ Line 45)] x (Days In-service/365-1/2)														
28	2- Schedule 7, Line 42 x FEI CWC/Closing GPIS %														
29	3- Line 19 x (LTD Rate x LTD% + STD Rate x STD %)														

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Capital Spending

Schedule 6

(\$000's), unless otherwise stated

<u>Line</u>	<u>Particulars</u>	<u>Reference</u>	<u>2017</u>	<u>2039</u>
1	Capital Spending Prior to 2017			
2	Structures & Improvement 472-20		80	-
3				
4	Distribution Mains 475		62	-
5	Distribution Meas. & Reg. Equipment 477-10		700	-
6	Meters - 478-30		8	-
7				
8	Total Capital Spending Prior to 2017	Sum of Lines 2 through 7	850	-
9				
10	AFUDC Prior to 2017			
11	Structures & Improvement 472-20		2	-
12				
13	Distribution Mains 475		2	-
14	Distribution Meas. & Reg. Equipment 477-10		21	-
15	Meters - 478-30		0	-
16				
17	Total AFUDC Prior to 2017	Sum of Lines 11 through 16	25	-
18				
19	Total Capital Spending	Line 8 + Line 29	850	13
20	Total AFUDC	Line 17 + Line 35	25	-
21	Total Annual Capital Spending and AFUDC	Line 19 + Line 20	875	13
22				
23	Contributions in Aid of Construction		-	-
24	Removal Costs		-	-
25	Net Annual Project Costs- Capital	Line 21 + 23 + 24	875	13
26				
27	Total Project Costs- Capital Spending and AFUDC	Sum of Line 21	889	-
28	Total Net Project Costs- including CIAC & Removal Costs	Sum of Line 25	889	-

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Gross Plant in Service & Contributions in Aid of Construction

Schedule 7

(\$000's), unless otherwise stated

Line	Particulars	Reference	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1	Gross Plant in Service													
2														
3	Gross Plant in Service, Beginning													
4	Structures & Improvement 472-20	Preceeding Year, Line 35	-	82	82	82	82	82	82	82	82	82	82	82
5														
6	Distribution Mains 475	Preceeding Year, Line 37	-	64	64	64	64	64	64	64	64	64	64	64
7	Distribution Meas. & Reg. Equipment 477-10	Preceeding Year, Line 38	-	721	721	721	721	721	721	721	721	721	721	721
8	Meters - 478-30	Preceeding Year, Line 39	-	8	8	8	8	8	8	8	8	8	8	8
9														
10	Capitalized Overhead	Preceeding Year, Line 41	-	-	-	-	-	-	-	-	-	-	-	-
11	Total Gross Plant in Service, Beginning	Sum of Lines 4 through 10	-	875	875	875	875	875	875	875	875	875	875	875
12														
13	Gross Plant in Service, Additions													
14														
15	Structures & Improvement 472-20	Schedule 6, Lines 2 + 11 + 29 + 41	82	-	-	-	-	-	-	-	-	-	-	-
16														
17	Distribution Mains 475	Schedule 6, Lines 4 + 13 + 31 + 43	64	-	-	-	-	-	-	-	-	-	-	-
18	Distribution Meas. & Reg. Equipment 477-10	Schedule 6, Lines 5 + 14 + 32 + 44	721	-	-	-	-	-	-	-	-	-	-	-
19	Meters - 478-30	Schedule 6, Lines 6 + 15 + 33 + 45	8	-	-	-	-	-	-	-	-	-	-	-
20														
21	Capitalized Overhead	Schedule 2, Line 16	-	-	-	-	-	-	-	-	-	-	-	-
22	Total Gross Plant in Service, Additions	Sum of Lines 14 through 21	875	-	-	-	-	-	-	-	-	-	-	-
23														
24	Gross Plant in Service, Retirements													
25														
26														
27	Distribution Mains 475		-	-	-	-	-	-	-	-	-	-	-	-
28	Distribution Meas. & Reg. Equipment 477-10		-	-	-	-	-	-	-	-	-	-	-	-
29	Meters - 478-30		-	-	-	-	-	-	-	-	-	-	-	-
30														
31	Capitalized Overhead		-	-	-	-	-	-	-	-	-	-	-	-
32	Total Gross Plant in Service, Retirements	Sum of Lines 25 through 31	-	-	-	-	-	-	-	-	-	-	-	-
33														
34	Gross Plant in Service, Ending													
35	Structures & Improvement 472-20	Line 4 + Line 15 + Line 26	82	82	82	82	82	82	82	82	82	82	82	82
36														
37	Distribution Mains 475	Line 6 + Line 17 + Line 27	64	64	64	64	64	64	64	64	64	64	64	64
38	Distribution Meas. & Reg. Equipment 477-10	Line 7 + Line 18 + Line 28	721	721	721	721	721	721	721	721	721	721	721	721
39	Meters - 478-30	Line 8 + Line 19 + Line 29	8	8	8	8	8	8	8	8	8	8	8	8
40														
41	Capitalized Overhead	Line 10 + Line 21 + Line 31	-	-	-	-	-	-	-	-	-	-	-	-
42	Total Gross Plant in Service, Ending	Sum of Lines 35 through 41	875	875	875	875	875	875	875	875	875	875	875	875

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Gross Plant in Service & Contributions in Aid of Construction
Schedule 7
(\$000's), unless otherwise stated

Line	Particulars	Reference	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
1	Gross Plant in Service														
2															
3	Gross Plant in Service, Beginning														
4	Structures & Improvement 472-20	Preceeding Year, Line 35	82	82	82	82	82	82	82	82	82	82	82	82	82
5															
6	Distribution Mains 475	Preceeding Year, Line 37	64	64	64	64	64	64	64	64	64	64	64	64	64
7	Distribution Meas. & Reg. Equipment 477-10	Preceeding Year, Line 38	721	721	721	721	721	721	721	721	721	721	721	721	721
8	Meters - 478-30	Preceeding Year, Line 39	8	8	8	8	8	8	8	8	8	8	-	13	13
9															
10	Capitalized Overhead	Preceeding Year, Line 41	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Total Gross Plant in Service, Beginning	Sum of Lines 4 through 10	875	875	875	875	875	875	875	875	875	875	867	880	880
12															
13	Gross Plant in Service, Additions														
14															
15	Structures & Improvement 472-20	Schedule 6, Lines 2 + 11 + 29 + 41	-	-	-	-	-	-	-	-	-	-	-	-	-
16															
17	Distribution Mains 475	Schedule 6, Lines 4 + 13 + 31 + 43	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Distribution Meas. & Reg. Equipment 477-10	Schedule 6, Lines 5 + 14 + 32 + 44	-	-	-	-	-	-	-	-	-	-	-	-	-
19	Meters - 478-30	Schedule 6, Lines 6 + 15 + 33 + 45	-	-	-	-	-	-	-	-	-	-	13	-	-
20															
21	Capitalized Overhead	Schedule 2, Line 16	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Total Gross Plant in Service, Additions	Sum of Lines 14 through 21	-	-	-	-	-	-	-	-	-	-	13	-	-
23															
24	Gross Plant in Service, Retirements														
25															
26															
27	Distribution Mains 475		-	-	-	-	-	-	-	-	-	-	-	-	-
28	Distribution Meas. & Reg. Equipment 477-10		-	-	-	-	-	-	-	-	-	-	-	-	-
29	Meters - 478-30		-	-	-	-	-	-	-	-	-	(8)	-	-	-
30															
31	Capitalized Overhead		-	-	-	-	-	-	-	-	-	-	-	-	-
32	Total Gross Plant in Service, Retirements	Sum of Lines 25 through 31	-	-	-	-	-	-	-	-	-	(8)	-	-	-
33															
34	Gross Plant in Service, Ending														
35	Structures & Improvement 472-20	Line 4 + Line 15 + Line 26	82	82	82	82	82	82	82	82	82	82	82	82	82
36															
37	Distribution Mains 475	Line 6 + Line 17 + Line 27	64	64	64	64	64	64	64	64	64	64	64	64	64
38	Distribution Meas. & Reg. Equipment 477-10	Line 7 + Line 18 + Line 28	721	721	721	721	721	721	721	721	721	721	721	721	721
39	Meters - 478-30	Line 8 + Line 19 + Line 29	8	8	8	8	8	8	8	8	8	-	13	13	13
40															
41	Capitalized Overhead	Line 10 + Line 21 + Line 31	-	-	-	-	-	-	-	-	-	-	-	-	-
42	Total Gross Plant in Service, Ending	Sum of Lines 35 through 41	875	875	875	875	875	875	875	875	875	867	880	880	880

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Accumulated Depreciation & Amortization
Schedule 8
(\$000's), unless otherwise stated

Line	Particulars	Reference	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1	Accumulated Depreciation													
2														
3	Accumulated Depreciation, Beginning													
4	Structures & Improvement 472-20	Preceding Year, Line 33	-	-	(2)	(4)	(7)	(9)	(11)	(13)	(16)	(18)	(20)	(22)
5														
6	Distribution Mains 475	Preceding Year, Line 35	-	-	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
7	Distribution Meas. & Reg. Equipment 477-10	Preceding Year, Line 36	-	-	(23)	(47)	(70)	(93)	(117)	(140)	(164)	(187)	(210)	(234)
8	Meters - 478-30	Preceding Year, Line 37	-	-	(0)	(1)	(1)	(2)	(2)	(2)	(3)	(3)	(4)	(4)
9														
10	Capitalized Overhead	Preceding Year, Line 39	-	-	-	-	-	-	-	-	-	-	-	-
11	Total Accumulated Depreciation, Beginning	Sum of Lines 4 through 10	-	-	(27)	(54)	(81)	(108)	(135)	(162)	(189)	(216)	(243)	(270)
12														
13	Accumulated Depreciation, Depreciation Expense													
14	Structures & Improvement 472-20@ 2.72%	Plant in service * Depreciation rate	-	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
15														
16	Distribution Mains 475@ 1.55%	Plant in service * Depreciation rate	-	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
17	Distribution Meas. & Reg. Equipment 477-10@ 3.24%	Plant in service * Depreciation rate	-	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)
18	Meters - 478-30@ 5.02%	Plant in service * Depreciation rate	-	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
19														
20	Capitalized Overhead@ 3.13%		-	-	-	-	-	-	-	-	-	-	-	-
21	Total Accumulated Depreciation, Depreciation Expense	Sum of Lines 14 through 20	-	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)
22														
23	Accumulated Depreciation, Retirements													
24														
25	Distribution Mains 475		-	-	-	-	-	-	-	-	-	-	-	-
26	Distribution Meas. & Reg. Equipment 477-10		-	-	-	-	-	-	-	-	-	-	-	-
27	Meters - 478-30		-	-	-	-	-	-	-	-	-	-	-	-
28														
29	Capitalized Overhead		-	-	-	-	-	-	-	-	-	-	-	-
30	Total Accumulated Depreciation, Retirements	Sum of Lines 24 through 29	-	-	-	-	-	-	-	-	-	-	-	-
31														
32	Accumulated Depreciation, Ending													
33	Structures & Improvement 472-20	Line 4 + Line 14 + Line 33	-	(2)	(4)	(7)	(9)	(11)	(13)	(16)	(18)	(20)	(22)	(25)
34														
35	Distribution Mains 475	Line 6 + Line 16 + Line 25	-	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
36	Distribution Meas. & Reg. Equipment 477-10	Line 7 + Line 17 + Line 26	-	(23)	(47)	(70)	(93)	(117)	(140)	(164)	(187)	(210)	(234)	(257)
37	Meters - 478-30	Line 8 + Line 18 + Line 27	-	(0)	(1)	(1)	(2)	(2)	(2)	(3)	(3)	(4)	(4)	(5)
38														
39	Capitalized Overhead	Line 10 + Line 20 + Line 29	-	-	-	-	-	-	-	-	-	-	-	-
40	Total Accumulated Depreciation, Ending	Sum of Lines 33 through 39	-	(27)	(54)	(81)	(108)	(135)	(162)	(189)	(216)	(243)	(270)	(297)
41														

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Accumulated Depreciation & Amortization

Schedule 8

(\$000's), unless otherwise stated

Line	Particulars	Reference	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
1	Accumulated Depreciation														
2															
3	Accumulated Depreciation, Beginning														
4	Structures & Improvement 472-20	Preceding Year, Line 33	(25)	(27)	(29)	(31)	(34)	(36)	(38)	(40)	(43)	(45)	(47)	(49)	(52)
5															
6	Distribution Mains 475	Preceding Year, Line 35	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
7	Distribution Meas. & Reg. Equipment 477-10	Preceding Year, Line 36	(257)	(280)	(304)	(327)	(350)	(374)	(397)	(420)	(444)	(467)	(491)	(514)	(537)
8	Meters - 478-30	Preceding Year, Line 37	(5)	(5)	(5)	(6)	(6)	(7)	(7)	(7)	(8)	(8)	(0)	(0)	(1)
9															
10	Capitalized Overhead	Preceding Year, Line 39	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Total Accumulated Depreciation, Beginning	Sum of Lines 4 through 10	(297)	(324)	(351)	(378)	(405)	(432)	(459)	(486)	(513)	(540)	(559)	(585)	(613)
12															
13	Accumulated Depreciation, Depreciation Expense														
14	Structures & Improvement 472-20@ 2.72%	Plant in service * Depreciation rate	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
15															
16	Distribution Mains 475@ 1.55%	Plant in service * Depreciation rate	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
17	Distribution Meas. & Reg. Equipment 477-10@ 3.24%	Plant in service * Depreciation rate	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)
18	Meters - 478-30@ 5.02%	Plant in service * Depreciation rate	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	-	(1)	(1)
19															
20	Capitalized Overhead@ 3.13%		-	-	-	-	-	-	-	-	-	-	-	-	-
21	Total Accumulated Depreciation, Depreciation Expense	Sum of Lines 14 through 20	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)	(27)
22															
23	Accumulated Depreciation, Retirements														
24															
25	Distribution Mains 475		-	-	-	-	-	-	-	-	-	-	-	-	-
26	Distribution Meas. & Reg. Equipment 477-10		-	-	-	-	-	-	-	-	-	-	-	-	-
27	Meters - 478-30		-	-	-	-	-	-	-	-	-	8	-	-	-
28															
29	Capitalized Overhead		-	-	-	-	-	-	-	-	-	-	-	-	-
30	Total Accumulated Depreciation, Retirements	Sum of Lines 24 through 29	-	-	-	-	-	-	-	-	-	8	-	-	-
31															
32	Accumulated Depreciation, Ending														
33	Structures & Improvement 472-20	Line 4 + Line 14 + Line 33	(27)	(29)	(31)	(34)	(36)	(38)	(40)	(43)	(45)	(47)	(49)	(52)	(54)
34															
35	Distribution Mains 475	Line 6 + Line 16 + Line 25	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
36	Distribution Meas. & Reg. Equipment 477-10	Line 7 + Line 17 + Line 26	(280)	(304)	(327)	(350)	(374)	(397)	(420)	(444)	(467)	(491)	(514)	(537)	(561)
37	Meters - 478-30	Line 8 + Line 18 + Line 27	(5)	(5)	(6)	(6)	(7)	(7)	(7)	(8)	(8)	(0)	(0)	(1)	(2)
38															
39	Capitalized Overhead	Line 10 + Line 20 + Line 29	-	-	-	-	-	-	-	-	-	-	-	-	-
40	Total Accumulated Depreciation, Ending	Sum of Lines 33 through 39	(324)	(351)	(378)	(405)	(432)	(459)	(486)	(513)	(540)	(559)	(585)	(613)	(640)
41															

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Deferred Charges
Schedule 9
(\$000's), unless otherwise stated

Line	Particulars	Reference	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1														
2	Deferred Charge- Negative Salvage Provision/Cost													
3	Opening Balance	Previous Year, Line 10	-	-	(4)	(7)	(11)	(15)	(18)	(22)	(26)	(29)	(33)	(37)
4	Gross Additions		-	-	-	-	-	-	-	-	-	-	-	-
5	Tax	Line 4 x Tax Rate	-	-	-	-	-	-	-	-	-	-	-	-
6	Net Additions	Sum of Lines 4 through 5	-	-	-	-	-	-	-	-	-	-	-	-
7	AFUDC													
8	Amortization Expense		-	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
9	Closing Balance	Lines 3 + 8 + 9	-	(4)	(7)	(11)	(15)	(18)	(22)	(26)	(29)	(33)	(37)	(40)
10														
11														
12	Deferred Charge- Rate Base													
13	Opening Balance	Previous Year, Line 19	-	-	(4)	(7)	(11)	(15)	(18)	(22)	(26)	(29)	(33)	(37)
14	Opening Balance, Adjustment		-	-	-	-	-	-	-	-	-	-	-	-
15	Gross Additions		-	-	-	-	-	-	-	-	-	-	-	-
16	Tax		-	-	-	-	-	-	-	-	-	-	-	-
17	Net Additions		-	-	-	-	-	-	-	-	-	-	-	-
18	Amortization Expense		-	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
19	Closing Balance	Lines 13 + 17 + 18	-	(4)	(7)	(11)	(15)	(18)	(22)	(26)	(29)	(33)	(37)	(40)
20														
21	Deferred Charge, Mid-Year	(Line 13 + Line 14 + Line 19) / 2	-	(2)	(6)	(9)	(13)	(17)	(20)	(24)	(28)	(31)	(35)	(39)

FortisBC Energy Inc.
City of Surrey Biomethane Agreement
Forecast Interconnection Cost of Service

Forecast Deferred Charges
Schedule 9
(\$000's), unless otherwise stated

Line	Particulars	Reference	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
1															
2	Deferred Charge- Negative Salvage Provision/Cost														
3	Opening Balance	Previous Year, Line 10	(40)	(44)	(48)	(52)	(55)	(59)	(63)	(66)	(70)	(74)	(77)	(81)	(85)
4	Gross Additions		-	-	-	-	-	-	-	-	-	-	-	-	-
5	Tax	Line 4 x Tax Rate	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Net Additions	Sum of Lines 4 through 5	-	-	-	-	-	-	-	-	-	-	-	-	-
7	AFUDC														
8	Amortization Expense		(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
9	Closing Balance	Lines 3 + 8 + 9	(44)	(48)	(52)	(55)	(59)	(63)	(66)	(70)	(74)	(77)	(81)	(85)	(88)
10															
11															
12	Deferred Charge- Rate Base														
13	Opening Balance	Previous Year, Line 19	(40)	(44)	(48)	(52)	(55)	(59)	(63)	(66)	(70)	(74)	(77)	(81)	(85)
14	Opening Balance, Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-
15	Gross Additions		-	-	-	-	-	-	-	-	-	-	-	-	-
16	Tax		-	-	-	-	-	-	-	-	-	-	-	-	-
17	Net Additions		-	-	-	-	-	-	-	-	-	-	-	-	-
18	Amortization Expense		(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
19	Closing Balance	Lines 13 + 17 + 18	(44)	(48)	(52)	(55)	(59)	(63)	(66)	(70)	(74)	(77)	(81)	(85)	(88)
20															
21	Deferred Charge, Mid-Year	(Line 13 + Line 14 + Line 19) / 2	(42)	(46)	(50)	(53)	(57)	(61)	(64)	(68)	(72)	(75)	(79)	(83)	(86)

Facility Fee
Schedule 10
(*\$000's*), unless otherwise stated

Line	Particulars	Reference	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
1	Forecast Cost of Service (Grossed up for Tax)	Schedule 1 , Line 17 / (1 - Tax Rate)	159	127	128	126	125	124	122	121	119	117	116	114	112	110	108	107	105	103	101	99	97	95	93	93	91
2	Annual Administrative and Heritage Fee	¹	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
3	Amount for Recovery	Line 1 + Line 2	179	147	148	146	145	144	142	141	139	137	136	134	132	130	128	127	125	123	121	119	117	115	113	113	111
4																											
5	Discount Rate	²	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%	5.99%
6	Present Value	Line 3 / (1+ Line 5) ^ Year	169	131	124	116	108	101	95	88	82	77	72	67	62	58	54	50	46	43	40	37	35	32	30	28	26
7	Sum of Present Value	Sum of Line 6	1,770																								
8	Net Book Value at end of contract term	Schedule 5 , Line 19	240																								
9	Amount for Recovery		2,011																								
10	Contract Term (years)		25																								
11																											
12	Annual Facility Fee	³	147.899																								
13	Monthly Facility Fee	Line 12 / 12	12.325																								
14																											
15																											
16	Notes																										
17	¹ Administrative and Heritage Fee																										
18	Forecast Annual Administration			14																							
19	Negotiated Annual Heritage Contribution			6																							
20				20																							
21	² After tax weighted average cost of capital																										
22	² PMT function using discount rate and amount for recovery																										

BIOMETHANE PURCHASE AGREEMENT

THIS AGREEMENT made as of September 16, 2015 (the "**Execution Date**")

BETWEEN:

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

("FEI")

AND:

CITY OF SURREY, 13450 - 104 Avenue, Surrey, British Columbia, V3T 1V8

(the "**Owner**")

WHEREAS:

- A. The Owner is constructing and will own and operate a biofuel processing facility at the Owner's premises located at 9752 192nd Street, Surrey, BC and legally described as follows:

LOT 3 DISTRICT LOT 387A GROUP 2 NEW WESTMINSTER DISTRICT PLAN BCP3186

(the "**Lands**") and which will produce biogas through the anaerobic digestion process.

- B. The Owner's biofuel processing facility will capture, purify and upgrade biogas to pipeline quality biomethane (the "**Biomethane**") to be purchased by FEI for injection into FEI's existing natural gas distribution system.
- C. In order to monitor the quality and quantity of the Biomethane and inject the Biomethane into FEI's existing natural gas distribution system adjacent to the Lands, FEI intends to finance, construct and operate facilities on the Lands to connect the Owner's facilities to FEI's gas distribution system. The Owner has agreed to grant FEI continued access to and use of a portion of the Lands for the purpose of operating and maintaining its facilities on the Lands.
- D. The target in-service date for the Owner's facilities and FEI's facilities is January 2017.
- E. In connection with injecting Biomethane into FEI's natural gas distribution system, the Owner intends to purchase biomethane from FEI, either directly or through arrangements with identified affiliates, tenants, licensees, contractors, suppliers and other third parties, on the terms and conditions of this Agreement and FEI's renewable natural gas program.

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 Owner and FEI (collectively the "**Parties**" and either of them a "**Party**") agree as follows:

ARTICLE 1 – REGULATORY REVIEW

- 1.1 **Application of *Utilities Commission Act*.** The Owner acknowledges that FEI is a public utility as defined in the British Columbia *Utilities Commission Act* and that this Agreement, and any amendments thereto, are subject to acceptance and approval by the British Columbia Utilities Commission ("BCUC") in accordance with the *Utilities Commission Act*.
- 1.2 **Filing Obligations.**
- (a) FEI will file this Agreement with the BCUC within a reasonable period of time after the Execution Date and, recognizing the Owner's timeline to have the project operational by January 2017 in accordance with the project milestones set out in Schedule C (*Description Facilities and Milestones*), will take all steps reasonably required to secure BCUC acceptance and approval as soon as possible to enable the project timelines to be achieved, including those procedural steps related to filing the Agreement and providing argument and witnesses in support of the filing.
 - (b) **Owner Assistance.** The Owner will, at the request of FEI, provide any assistance reasonably required by FEI to secure BCUC acceptance and approval, including filing documents in support of FEI's application to the BCUC and providing argument and witnesses in support of the filing.
- 1.3 **Regulatory Review Termination.**
- (a) Either Party may terminate this Agreement if within 180 days of the date this Agreement is filed with the BCUC, or such later date as agreed by the Parties in writing, this Agreement has not been accepted and approved by the BCUC on the terms and conditions contained herein or such other terms and conditions which are acceptable to each Party having regard to its *bona fide* business interests.
 - (b) If BCUC approval is not granted, or is granted on terms and conditions which are not reasonably satisfactory to the parties having regard to their *bona fide* business interests, the parties agree to negotiate in good faith to address the impacts thereof, including mitigation of costs; provided that if the parties are unable to reach an agreement as to the manner in which to address such terms and conditions, either Party may terminate this Agreement upon written notice of termination to the other Party.
 - (c) If the Agreement is terminated under this Article, the Parties' obligations under this Agreement will be at an end, and thereafter neither Party shall have any further or continuing obligation to the other under this Agreement, except for those obligations and provisions which are specifically stated.
- 1.4 **Costs Incurred Prior to BCUC Acceptance.** The Parties acknowledge and agree that if either Party elects to undertake any work or incur any costs with respect to this Agreement prior to satisfaction of the foregoing conditions, such Party will be solely responsible for all costs so incurred.
- 1.5 **Obligation for Preliminary Costs.** Despite section 1.4, the Owner acknowledges that, as part of its application to BCUC and as more particularly set out in a Memorandum of Understanding

entered into between the Parties effective April 9, 2015 (the "**MOU**"), FEI will be required to submit cost estimates to BCUC, which requires FEI to provide internal resources and/or retain third parties to conduct preliminary engineering and construction work (the "**Preliminary Work**"). In accordance with the terms of the MOU, the Owner has agreed to reimburse FEI for costs paid or payable by FEI for the Preliminary Work if the Owner terminates the MOU or FEI's involvement in the Owner's biofuel processing facility project. Despite section 17.15 (*Entire Agreement*), the MOU continues to be effective and apply to the extent, and in accordance with the terms, set out in the MOU.

ARTICLE 2 - TERM

- 2.1 **Term.** This Agreement will commence on the Execution Date and expire on October 31st following the twenty-fifth (25th) anniversary of the In-Service Date (the "**Initial Term**"), unless terminated earlier or renewed in accordance with the terms of this Agreement (the "**Term**"), where "**In-Service Date**" means the earlier of:
- (a) the business day after the FEI Facilities have accepted at least 100 gigajoules ("**GJ**") of Biomethane per day for seven (7) consecutive days; and
 - (b) the business day after the FEI Facilities have accepted Biomethane for a cumulative period of thirty (30) days.
- 2.2 **Delay in In-Service Date.** Unless the Parties are continuing to undertake the work necessary to construct and install their respective facilities with reasonable diligence, if the In-Service Date does not occur by January 1, 2018 or such later date as agreed by the Parties in writing, either Party may terminate this Agreement by written notice to the other Party effective the date set out in such notice and the provisions of section 9.3 (*Effect of Default*) shall apply.
- 2.3 **Early Termination.** Subject to ARTICLE 10 (*Effect of Expiry or Termination*) and after the 5th anniversary after the In-Service Date, the Owner may terminate this Agreement upon twelve (12) months prior written notice to FEI.

ARTICLE 3 - DIVISION OF RESPONSIBILITIES

- 3.1 **Owner Facilities.** The Owner will design, build, operate, maintain, repair, upgrade, replace and support facilities on the Lands, as more particularly identified in Schedule C (the "**Owner Facilities**"), to produce, capture and purify biogas and deliver Biomethane to the FEI Facilities.
- 3.2 **FEI Facilities.** FEI will design, build, operate, maintain, repair, upgrade, replace and support facilities on the License Area (as defined below), as more particularly identified in Schedule C (the "**FEI Facilities**"), to connect to the Owner Facilities, measure and monitor Biomethane quantity and quality and inject the accepted Biomethane into FEI's existing gas distribution system.
- 3.3 **Project Milestones.** The Parties will design, construct and install their respective facilities with reasonable diligence to meet each of the project milestones identified in Schedule C (the "**Milestones**"). If either Party's work falls behind schedule according to the Milestones, the Party will promptly notify the other Party, and use reasonable diligence to get their work back on schedule and meet the next Milestone.

- 3.4 **Prime Contractor.** For the purposes of the *Workers Compensation Act* (British Columbia), FEI is designated the prime contractor in relation to the construction, operation, maintenance and support of the FEI Facilities.
- 3.5 **FEI Approvals.** FEI shall obtain and maintain any consents, permits, filings, orders or other approvals, including governmental consents and approvals, building and construction permits, environmental permits, zoning changes or variances (collectively the “**Approvals**”) required, affecting or necessary for the ownership, installation, maintenance and operation of the FEI Facilities.
- 3.6 **Owner Approvals.** The Owner shall obtain and maintain the Approvals required, affecting or necessary for the ownership, installation, maintenance and operation of the Owner Facilities.
- 3.7 **Ownership of FEI Facilities.** The FEI Facilities are, and shall at all times remain, personalty and the property of FEI, despite the degree to which they may be annexed or affixed to the Lands and despite any rule of law or equity to the contrary, and shall be freely alienable by FEI as its own property. FEI shall be entitled to install notices on the FEI Facilities identifying FEI’s ownership.
- 3.8 **Existing Owner Approvals.** If any existing Approvals issued to the Owner need to be updated to reflect the operation of the FEI Facilities on the Lands, and FEI is not able to update such Approvals in accordance with section 3.5, the Owner shall ensure such approvals are updated as required.
- 3.9 **Utilities.** The Owner will, at no cost to FEI, provide the electrical and telephone connections to the limits of the FEI Facilities. FEI will pay for utility consumption as directly invoiced to FEI by the service provider. The Owner shall not be liable for any disruptions in such services, unless caused by any negligent act or omission of the Owner.
- 3.10 **Cooperation.** In order to facilitate the connectivity between the Owner Facilities and the FEI Facilities and manage the monitoring and injection of Biomethane into FEI’s natural gas distribution system, the Parties agree to:
- (a) share data related to the interface between the FEI Facilities and the Owner Facilities and work together to optimize operation of their respective facilities; and
 - (b) notify each other in advance of proposed operational changes or system modifications or upgrades to their respective facilities and cooperate in the design of upgrades and modifications to the respective facilities, to ensure such changes, modifications or upgrades do not negatively impact the operation of the other Party’s facilities; provided that despite the exchange or review of, or comment on, any design drawings, by the other Party, each Party shall be solely responsible for the design, construction and maintenance of their own facilities.

ARTICLE 4 – ACCESS TO AND USE OF LANDS

- 4.1 **Grant of License.** The Owner hereby grants to FEI, at no cost, a non-exclusive irrevocable license during the Term to those portions of the Lands shown outlined on the drawings attached as Schedule B (the “**License 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, remove or replace the FEI Facilities, in whole or in part.

4.2 Grant of Rights to Third Parties. Subject to section 4.4, the grant of rights to FEI hereunder does not preclude or prevent the Owner from granting easements, statutory rights of way or other grants, leases or licences over the License Area to any other person.

4.3 Use of License Area. FEI shall:

- (a) not do, suffer or permit anything in, on or from the License Area that may be or become a nuisance or annoyance to the owners, occupiers or users of land or premises adjacent to or near the Lands or to the public, including the accumulation of rubbish or unused personal property of any kind;
- (b) not do, suffer or permit any act or neglect that may in any manner directly or indirectly cause injury to the License Area;
- (c) use the License Area only for the purposes set out in this Agreement;
- (d) except as otherwise provided in this Agreement, pay all costs and expenses of any kind whatsoever associated with and payable in respect of FEI's use of the License Area, the FEI Facilities and all equipment, furniture and other personal property brought onto the License Area by FEI, including without limitation, property taxes, levies, charges and assessments, permit and license fees, repair and maintenance costs, administration and service fees, gas, water, sewage disposal and other utility and service charges and payments for work and materials;
- (e) carry on and conduct its activities in, on and from the License Area in compliance with any and all Laws from time to time in force, and to obtain all required approvals and permits thereunder, and not to do or omit to do anything in, on or from the License Area in contravention thereof;
- (f) not erect or place any sign or advertising within the License Area, save and except signage identifying FEI's ownership of the FEI Facilities in accordance with section 3.7, without the prior written approval of the Owner, acting reasonably;
- (g) not to bring on or deposit any soil or fill onto the License Area except with the written consent of the Owner;
- (h) co-ordinate all installation and construction activities on the License Area with the Owner;
- (i) cover all below ground works and restore the surface of the License Area to the same condition that existed at the commencement of the works to the reasonable satisfaction of the Owner; and

- (j) discharge any builders lien which may be filed against the title to the Lands within 30 days of filing, and comply at all times with the *Builders Lien Act* (British Columbia), in respect of any improvements, work or other activities undertaken by or on behalf of FEI.

4.4 **Non-Interference.** The Owner 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 FEI Facilities, including but not limited to, anything which:

- (a) interrupts, endangers, impedes, disturbs or causes damage to the FEI Facilities or its operation, use, security or functionality;
- (b) removes, diminishes or impairs any vertical or lateral support for, or causes the movement or settlement of, the FEI Facilities; 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 FEI Facilities;

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

4.5 **Failure to Repair.** If FEI fails to repair or maintain the License Area or the FEI Facilities in accordance with this Agreement after written notice to FEI, the Owner may, by its agents, employees or contractors make the required repairs or do the required maintenance and the cost of the repairs or maintenance shall be a debt due from FEI to the Owner; provided that the Owner shall not be liable to FEI for any inconvenience, annoyance, loss of business or other injuries suffered by FEI as a result of such repairs and maintenance.

4.6 **Sale of the Lands.** The Owner shall not sell or otherwise transfer its interest in and to the Lands, unless, with the written consent of FEI in accordance with section 17.9 (*Assignment*), the transferee assumes all the terms and conditions of this Agreement.

ARTICLE 5 – QUALITY, QUANTITY, TITLE AND INDEMNITY

5.1 **Biomethane Quality and Delivery Quantity.** Subject to section 5.2, FEI agrees to accept and inject into FEI's existing natural gas distribution system the Biomethane made available by the Owner at the interconnection point between the Owner Facilities and the FEI Facilities (the "**Interconnection Point**"), subject to the Biomethane meeting the specifications set out in Schedule A (the "**Specifications**") and subject to the volumetric requirements set out in Schedule D (the "**Volumetric Limits**"). FEI shall monitor Biomethane quality and quantity at the Interconnection Point to determine whether the Biomethane meets the Specifications and the Volumetric Limits prior to injection into the FEI Facilities. Subject to section 5.2, FEI is not required to accept any Biomethane that does not meet the Specifications or is outside the Volumetric Limits.

5.2 **Failure to Meet Requirements.** If Biomethane made available at the Interconnection Point does not meet the Specifications or exceeds the Volumetric Limits, FEI may:

- (a) reject the Biomethane that does not meet the Specifications or exceeds the Volumetric Limits and return it to the Owner's Facilities; and
 - (b) at FEI's discretion and subject to any limitations of the FEI Facilities, accept Biomethane in excess of the Maximum Hourly Flow Rate or the Maximum Yearly Quantity Volumetric Limits (as set out in Schedule D). If Biomethane entering the FEI Facilities exceeds the Maximum Hourly Flow Rate, FEI is permitted to limit the flow of Biomethane to the FEI Facilities to the Hourly Flow Rate and reject the excess portion. If Biomethane entering the FEI Facilities exceeds the Maximum Yearly Quantity, FEI may immediately shut off the flow of Biomethane to the FEI Facilities and notify the Owner thereof, and be under no obligation to re-initiate the flow of Biomethane until the next Contract Year, as defined in Schedule D (*Commercial Terms*). Any Biomethane accepted by FEI into the FEI Facilities will be deemed to meet the Specifications and FEI shall be deemed to have waived any failure to satisfy the Volumetric Limits in relation thereto.
- 5.3 **Excess Production** – If, from time to time, the Owner anticipates Biomethane production may exceed the Volumetric Limits, the Owner shall immediately notify FEI of the anticipated delivery quantity, and FEI may, in its discretion, accept and purchase the additional production volume at the rate determined by Schedule D. The Owner will notify FEI at least six (6) months in advance of any proposed changes or improvements in or operational changes at the Owner Facilities which are anticipated to result in a long term increase to Biomethane flow by more than 10% above the Maximum Yearly Quantity to allow FEI to evaluate the impacts of such increase on the FEI Facilities and its gas distribution system and FEI's ability to accommodate and accept such increased production volume.
- 5.4 **Monthly Biomethane Reporting.** In addition to the monthly statements prepared by FEI pursuant to section 6.3(a), on or about the 15th day of each month, FEI shall deliver to the Owner a statement for the preceding month containing a breakdown of the Biomethane activity for the month, setting out, at a minimum, the total volume of Biomethane received at the Interconnection Point and the total volume of Biomethane rejected by FEI for failure to meet the Specifications or exceeding the Volumetric Limits.
- 5.5 **Excuse from Non-Performance for Maintenance.** Neither Party will be considered to be in default under this Agreement where such Party's non-performance is as a result of undertaking maintenance or repair on their respective facilities provided that such Party is diligently undertaking such maintenance or repair to minimize its impacts and it being the intention of the Parties that maintenance or repair work will not exceed 5 days per month and 20 days per year in aggregate.
- 5.6 **Title and Warranty.** Title to and responsibility for the Biomethane shall pass from the Owner to FEI upon the Biomethane entering the FEI Facilities. Title to and responsibility for any Biomethane rejected by FEI and returned to the Owner Facilities shall not pass to FEI. The Owner warrants that it has the right to convey and will transfer good and merchantable title to the Biomethane free and clear of all liens, encumbrances and claims except as set out in ARTICLE 8.
- 5.7 **Indemnity.** The Owner hereby agrees to indemnify and save FEI harmless from all losses, liabilities or claims including reasonable legal fees and costs of court arising from or out of

claims of title, personal injury or property damage from the Biomethane or other charges thereon ("**Claims**") which attach before title passes to FEI. FEI hereby agrees to indemnify and save the Owner harmless from all Claims which attach after title passes to FEI. Despite the foregoing, the Owner will be liable for all Claims arising from the failure to deliver title to the Biomethane to FEI free and clear of any encumbrances except as set out in ARTICLE 8.

- 5.8 **Audit and Verification.** Each Party will provide access to the other Party, from time to time during ordinary business hours, to its records and measurement equipment as reasonably requested by the other Party to verify compliance with the terms of this Agreement, including to verify the quality and quantity of Biomethane.

ARTICLE 6 – PURCHASE PRICE AND PAYMENT

- 6.1 **Payment for Biomethane.** Each month during the Term, FEI shall pay the Owner for the quantity of Biomethane accepted by FEI into the FEI Facilities, including during any testing and commissioning period, as determined by meter readings, at the applicable rate and subject to the adjustments and deductions set out in Schedule D, plus applicable taxes thereon. The Owner shall not be entitled to receive any payment from FEI on account of Biomethane rejected by FEI and returned to the Owner Facilities.
- 6.2 **Payment for FEI Facilities.** In order to enable FEI to recover the costs associated with the design, construction, operation and maintenance of the FEI Facilities and the operation and administration of this Agreement, each month during the Term the Owner shall pay to FEI a fee (the "**Monthly Facilities Fee**"), plus applicable taxes thereon, which fee will be calculated in accordance with Schedule D (*Commercial Terms*). FEI shall be entitled to set off the Monthly Facilities Fee against any amounts owing to the Owner pursuant to this Agreement and include such amount on statements of account with respect to the FEI purchase of Biomethane.
- 6.3 **Payment Terms.**
- (a) On or about the 15th day of each month, FEI shall generate a statement for the preceding month showing the quantity of Biomethane accepted by FEI in GJ, the applicable rates and adjustments, the Monthly Facilities Fee, the net amount payable and the cumulative quantity of Biomethane accepted for the then current year up to that month. If the quantity of Biomethane accepted is not known by the billing date, FEI will issue the statement based on a reasonable estimate of the quantity accepted and make the necessary adjustments as soon as practical and in any event by the next billing date.
 - (b) FEI will pay the net amount payable within 30 days of delivery of the statement to the Owner.
 - (c) Any errors in any statement or disputes as to amounts due shall be promptly reported to FEI and any resulting underpayments or overpayments identified will be refunded or repaid with accrued interest at the rate of 1.5% per month (19.56% per annum).

ARTICLE 7 - RE-PURCHASE OF BIOMETHANE

7.1 **Purchase of Biomethane from FEI.** The Owner, either directly or through Designated Customers (as defined below) intends to purchase biomethane from FEI in each year during the Term. The difference each year between the buy/sell volumes of Biomethane will result in adjustment to the amount payable by FEI under this Agreement as set out in Schedule D.

7.2 **Designated Customers.**

"Designated Customer" shall mean a person designated by the Owner pursuant to section 2.3 of Schedule D, meeting the following criteria:

- (a) affiliates of the Owner who have a written agreement with the Owner to purchase biomethane from FEI; and
- (b) such of the Owner's tenants, licensees, contractors, suppliers and other third parties who have a written agreement with the Owner to purchase biomethane from FEI and use such gas in the provision of services to the Owner;

provided such person,

- (c) prior to becoming a Designated Customer:
 - (i) did not purchase biomethane from FEI; or
 - (ii) did purchase biomethane from FEI, and as a result of becoming a Designated Customer, will purchase additional biomethane from FEI;
- (d) has entered into an agreement required by the Biomethane Rate Schedule with FEI pursuant to section 7.3 (*Rate Schedule Applies*); and
- (e) has provided written consent to the Owner and FEI to permit each of the Owner and FEI to obtain, access and share with each other, information of the person sufficient to verify the person's new or incremental biomethane purchases from FEI as a result of becoming a Designated Customer.

7.3 **Rate Schedule Applies.** Any biomethane purchased by the Owner or any Designated Customer from FEI shall be on the terms and conditions of the applicable BCUC-approved FortisBC rate schedule as established or amended from time to time (each, a **"Biomethane Rate Schedule"**). The Owner and each Designated Customer purchasing biomethane from FEI will be required to enter into the agreement required by the Biomethane Rate Schedule with respect to such purchase.

ARTICLE 8 - GREENHOUSE GAS (GHG)

8.1 **Definitions.** For the purpose of this Article:

- (a) **"Environmental Attributes"** means all interests or rights arising out of attributes or characteristics relating to the environmental impacts associated with the Owner's Facilities and related activities, now or in the future, and the right to quantify and register these with competent authorities, including any existing or future credits, GHG reductions, green marketing attributes, or other proprietary or contractual right, whether or not tradable, and however entitled, named, registered created, measured,

allocated or validated, (A) that are at any time recognized or deemed of value, or both, by any buyer, applicable law, or any voluntary or mandatory program of any governmental authority or other person, and (B) that are attributable to the actual or assumed displacement of emissions by the Owner's Facilities and its related activities. For greater certainty, Environmental Attributes also include all revenues, entitlements, benefits, and other proceeds arising from or related to the foregoing which may be available in connection with the Owner's Facilities and its related activities; and

- (b) **"Offsets"** means any credits, emission offsets or other tradable or recognized instruments issued or granted by a Government or program authority or recognized under a regulation, in recognition of emission reductions or sequestration that may be applied towards achieving compliance with any emissions related obligations or commitments whether voluntary or mandatory.

8.2 Offsets for Methane Destruction. The Parties agree the Owner (or third parties with whom it has entered into agreements) will own any Environmental Attributes associated with the elimination of methane discharges into the atmosphere as a result of the capture, purification and upgrade of biogas to pipeline quality biomethane by the Owner's Facilities. The Owner shall retain the right to administer the Offsets associated with the methane elimination, including quantifying, validating and registering the GHG credits, and will retain the associated GHG credits. The Parties agree the Owner (or third parties with whom it has entered into agreements) will own any Environmental Attributes associated with Offsets for all activities conducted by the Owner (or third parties with whom it has entered into agreements) that are related to the capture and avoidance of any greenhouse gas emissions into the atmosphere, including the diversion of organic waste from landfill sites.

8.3 Offsets for Fuel Displacement.

- (a) For any biomethane purchased from FEI by the Owner or any Designated Customer in accordance with ARTICLE 7 (the **"Re-Purchased Biomethane"**), the Owner will retain and own any corresponding Environmental Attributes associated with the displacement of traditional natural gas by carbon neutral (or carbon negative) biomethane through the purchase and usage of this Re-Purchased Biomethane. The Parties agree that despite the source of FEI's general biomethane supply, any Re-Purchased Biomethane and associated Environmental Attributes will be of the same quality of Biomethane and associated Environmental Attributes as the kind delivered by the Owner to FEI pursuant to this Agreement, that is, a carbon neutral (or carbon negative) fuel.
- (b) For any Biomethane purchased by FEI from the Owner in excess of the Re-Purchased Biomethane, the Parties agree that FEI will own any corresponding Environmental Attributes associated with the displacement of traditional natural gas by carbon neutral (or carbon negative) biomethane.

8.4 Verification by Owner. At the request and to the satisfaction of FEI, the Owner will provide all relevant data and analysis necessary to verify the Biomethane purchased by FEI in excess of the Re-Purchased Biomethane is a carbon neutral (or carbon negative) fuel in order to enable FEI to meet its obligations to the Climate Action Secretariat and FEI customers who may be replacing fossil natural gas with renewable natural gas.

ARTICLE 9 – DEFAULT

- 9.1 **Default.** Either Party (the “**Defaulting Party**”) shall be in default (“**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 and the breach is material or there are persistent breaches (in either case, a “**Material Breach**”), provided that:
- (a) the other Party (the “**Non-Defaulting Party**”) provides the Defaulting Party with a written notice of such Material Breach and a 10-day period within which to cure such Material Breach (the “**Cure Period**”); and
 - (b) the Defaulting Party fails to cure such Material Breach during the Cure Period, or if such Material Breach is not capable of being cured within the Cure Period, fails in good faith to commence the curing of such Material Breach upon receipt of notice of Material Breach and to continue to diligently pursue the curing of such Material Breach thereafter until cured.
- 9.2 **Disputed Claims under Section 9.1.** Any disputes arising between the parties with respect to section 9.1 (*Default*), including as to whether there has been a Material Breach or whether a Material Breach is capable of being cured within the Cure Period, may be submitted by either Party for dispute resolution pursuant to ARTICLE 15 (*Dispute Resolution*) and the arbitrator shall have the authority to determine the issue.
- 9.3 **Effect of Default.** Subject to section 9.2, 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 this 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 ARTICLE 10 shall apply.

ARTICLE 10 - EFFECT OF EXPIRY OR TERMINATION.

- 10.1 **Removal of FEI Facilities.** Upon the expiry or early termination of this Agreement and unless otherwise agreed by the Parties, FEI will, within 90 days following the expiry date or termination date, as the case may be, remove the FEI Facilities from the Lands and repair any damage to the Lands arising from such removal; provided that FEI will be obligated to remove only those portions of the FEI Facilities located above surface level and may leave any un-removed portions in a safe manner in accordance with FEI standard practice and subject to any reasonable conditions the Owner may specify. Any portion of the FEI Facilities not removed by FEI will become the property of the Owner at no cost to the Owner.

10.2 Termination Payment. If:

- (a) FEI terminates this Agreement pursuant to 9.3(c) (*Effect of Default*) as a result of default of the Owner; or
- (b) the Owner terminates this Agreement pursuant to section 2.3 (*Early Termination*);

in addition to any other amounts due and owing by the Owner to FEI, the Owner shall pay to FEI, within thirty (30) days of invoicing, the following amounts (plus applicable taxes thereon):

- (i) FEI's net costs associated with removing the FEI Facilities, plus
- (ii) the unrecovered net book value of the FEI Facilities calculated based on the actual capital costs included in the determination of the Monthly Facilities Fee, and adjusted for the positive or negative salvage value of the FEI Facilities.

ARTICLE 11 - INSURANCE REQUIREMENTS

11.1 Insurance. Each Party shall obtain and maintain the following insurance coverage and provide proof of coverage to the other Party:

- (a) General Commercial Liability Insurance 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
- (b) 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 changed in any way without the insurer giving at least 10 calendar days' written notice to the other Party.

ARTICLE 12 - ENVIRONMENTAL PROVISIONS

- 12.1 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.
- 12.2 Owner Release and Indemnity.** Despite any other provision of this Agreement, the Owner acknowledges and agrees that FEI 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 FEI 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) arising from or in connection with:

- (a) any release or alleged release of any Contaminants at or from the Lands;
- (b) the presence of any Contaminants on or off the Lands before or after the Execution Date;

except with respect to any Contaminants brought onto the Lands by FEI or any Contaminants released from the Lands as a result of any negligent act or omission of FEI.

- 12.3 **FEI Release and Indemnity.** Despite any other provision of this Agreement, FEI shall release and indemnify the Owner 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) arising from or in connection with to any Contaminants brought onto the Lands by FEI or any Contaminants released from the Lands as a result of any negligent act or omission of FEI.

ARTICLE 13 - INDEMNIFICATION AND LIMITATION OF LIABILITY.

- 13.1 **Indemnification.** Each Party hereby indemnifies and holds 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 negligence or wilful misconduct 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.

- 13.2 **Limitation of Liability.** Each Party's liability to the other Party under this ARTICLE 13 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.

- 13.3 **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.

ARTICLE 14 - FORCE MAJEURE

- 14.1 **Effect of Force Majeure.** Neither 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 supply, temporary or otherwise; provided however, the lack of funds or other financial cause shall not be an event of Force Majeure.

- 14.2 **Notice of Force Majeure.** 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.

ARTICLE 15 - DISPUTE RESOLUTION

- 15.1 **Dispute Resolution.** The Parties will make a *bona fide* attempt to settle any dispute which may arise under, out of, in connection with or in relation to this Agreement by amicable negotiations between their respective senior representatives and will provide frank and timely disclosure to one another of all relevant facts and information to facilitate negotiations. If the Parties are unable to resolve the dispute within fifteen (15) days, or if the Parties agree to waive such discussions in respect of a particular issue, either Party may refer the dispute to a single arbitrator who is appointed and renders a decision in accordance with the then current "Domestic Commercial Arbitration Shorter Rules of Procedure" or similar rules of the British Columbia International Commercial Arbitration Centre ("**BCICAC**"). The decision of the arbitrator shall be final and binding. The costs and expenses of the arbitration, but not those incurred by the Parties, shall be shared equally, unless the arbitrator determines that a specific Party prevailed, and in such a case the non-prevailing Party shall pay all costs and expenses of the arbitration, but not those of the prevailing Party. The arbitration will take place in Vancouver, British Columbia and be conducted in English.
- 15.2 **Performance of Obligations.** The Parties shall continue to fulfill their respective obligations pursuant to this Agreement during the resolution of any dispute in accordance with this section.
- 15.3 **Litigation.** Nothing contained in this Article precludes either Party from:
- (a) having a dispute determined by the BCUC if the dispute is within the jurisdiction of the BCUC; and
 - (b) having a dispute that has not been referred to arbitration be determined by a court of competent jurisdiction in the Province of British Columbia.

ARTICLE 16 - CONFIDENTIALITY

16.1 **Confidentiality.** All information or documentation (no matter in what form or media) 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 Receiving Party discloses such Confidential Information:

- (a) to its directors, officers, employees, agents, accountants, lawyers, consultants or financial advisers or those of its affiliates; or
- (b) to a third party that is another contractor or consultant retained by the Disclosing Party for the purposes of this MOU and the activities described herein;

who need to know such information for the proper performance of the Parties' respective obligations contemplated herein, provided that the Receiving Party advises such persons of the confidential nature of the Information and has legally bound such persons not to directly or indirectly disclose the Information to any third party without the prior written consent of the Disclosing Party.

16.2 **Exception for Regulatory Submission.** Despite the foregoing, the Receiving Party may use the Information in connection with the preparation for and conduct of submissions to regulatory agencies, subject to requesting that the regulatory agency treat the Information as confidential in accordance with the agency's rules of procedure for confidential filings.

16.3 **Exclusions** The obligation of confidentiality set out above shall not apply to material, data or information which: (1) is known to the Receiving Party prior to its receipt thereof; (2) is generally available to the public; (3) has been obtained from a third party which has the right to disclose the same; and (4) is required by law, including pursuant to the *Freedom of Information and Protection of Privacy Act*, provided that where disclosure is required by law, the Receiving Party will, unless prohibited by law, forthwith notify the Disclosing Party to enable the Disclosing Party to mount a defense to such disclosure.

ARTICLE 17 – GENERAL

17.1 **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.

17.2 **Publicity.** Neither Party shall initiate any media releases, interviews, or presentations to the media regarding the terms of this Agreement without the agreement and approval of the other Party, not to be unreasonably withheld or delayed.

17.3 **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.

- 17.4 **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.
- 17.5 **Notice.** Any invoices, payments, 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 and deemed to have been received the next business day following delivery or facsimile transmittal:
- | | |
|--|---|
| <p>If to: FortisBC Energy Inc.
16705 Fraser Highway, Surrey, BC V4N 0E8

Attn: Director, Energy Solutions
Fax: 604-592-7670

With a copy to:
renewablenaturalgas@fortisBC.com</p> | <p>If to: City of Surrey
13450 - 104 Avenue, Surrey,
British Columbia, V3T 1V8

Attention: Manager, Engineering
Operations
Fax: 604-591-4357</p> |
|--|---|
- 17.6 **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.
- 17.7 **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, and accepted by the BCUC if required pursuant to the *Utilities Commission Act*.
- 17.8 **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.
- 17.9 **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, either Party may assign this Agreement, or parts thereof, to any of its affiliates.
- 17.10 **Enurement.** This Agreement enures to the benefit of and is binding on the Parties and their respective successors and permitted assigns.
- 17.11 **Survival.** The following provisions shall survive the termination or expiration of this Agreement: Section 5.7 [*Indemnity*], ARTICLE 12 [*Environmental Provisions*], ARTICLE 13 [*Indemnification and Limitation of Liability*], ARTICLE 15 [*Dispute Resolution*], ARTICLE 16 [*Confidentiality*], Section 17.4 [*Governing Law*] and Section 17.5 [*Notice*].


- 17.12 **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.
- 17.13 **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.
- 17.14 **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.
- 17.15 **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, including the confidentiality provisions of the MOU but only to the extent of Confidential Information disclosed by the Parties commencing as at the Execution Date. 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.
- 17.16 **Time is of the essence.** Time is of the essence of this Agreement.
- 17.17 **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.
- 17.18 **Interpretation.** In and for the purpose of this Agreement:
- (a) this "**Agreement**" means this agreement as the same may from time to time be modified, supplemented or amended in effect,
 - (b) the headings are for convenience only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement, and

- (c) the singular of any term includes the plural, and vice versa, the use of any term is generally applicable to any gender and, where applicable, a corporation, the word "or" is not exclusive and the word "including" is not limiting (whether or not non-limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto).

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

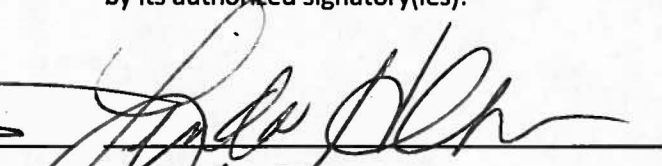
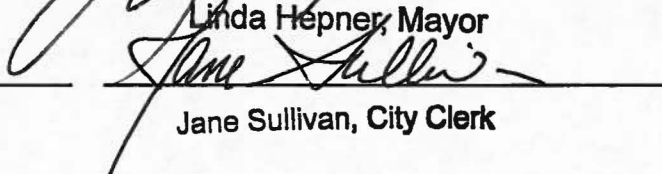
FORTISBC ENERGY INC.

by its authorized signatory(ies):


Roger Dall'Antonia
Executive Vice President
Customer Service & Regulatory Affairs

CITY OF SURREY

by its authorized signatory(ies):


Linda Hepner, Mayor

Jane Sullivan, City Clerk

Schedules attached:

Schedule A – Specifications

Schedule B – Drawing of License Area

Schedule C – Description Facilities and Milestones

Schedule D – Commercial Terms

SCHEDULE A

BIOMETHANE SPECIFICATIONS

1. The Biomethane must meet the specifications herein, as may be amended, replaced or superseded from time to time, provided that if, during the Term, such terms and conditions cease to exist, then the applicable specifications shall be those prescribed by FortisBC Energy Inc ("FEI"), acting reasonably, at such time and from time to time.

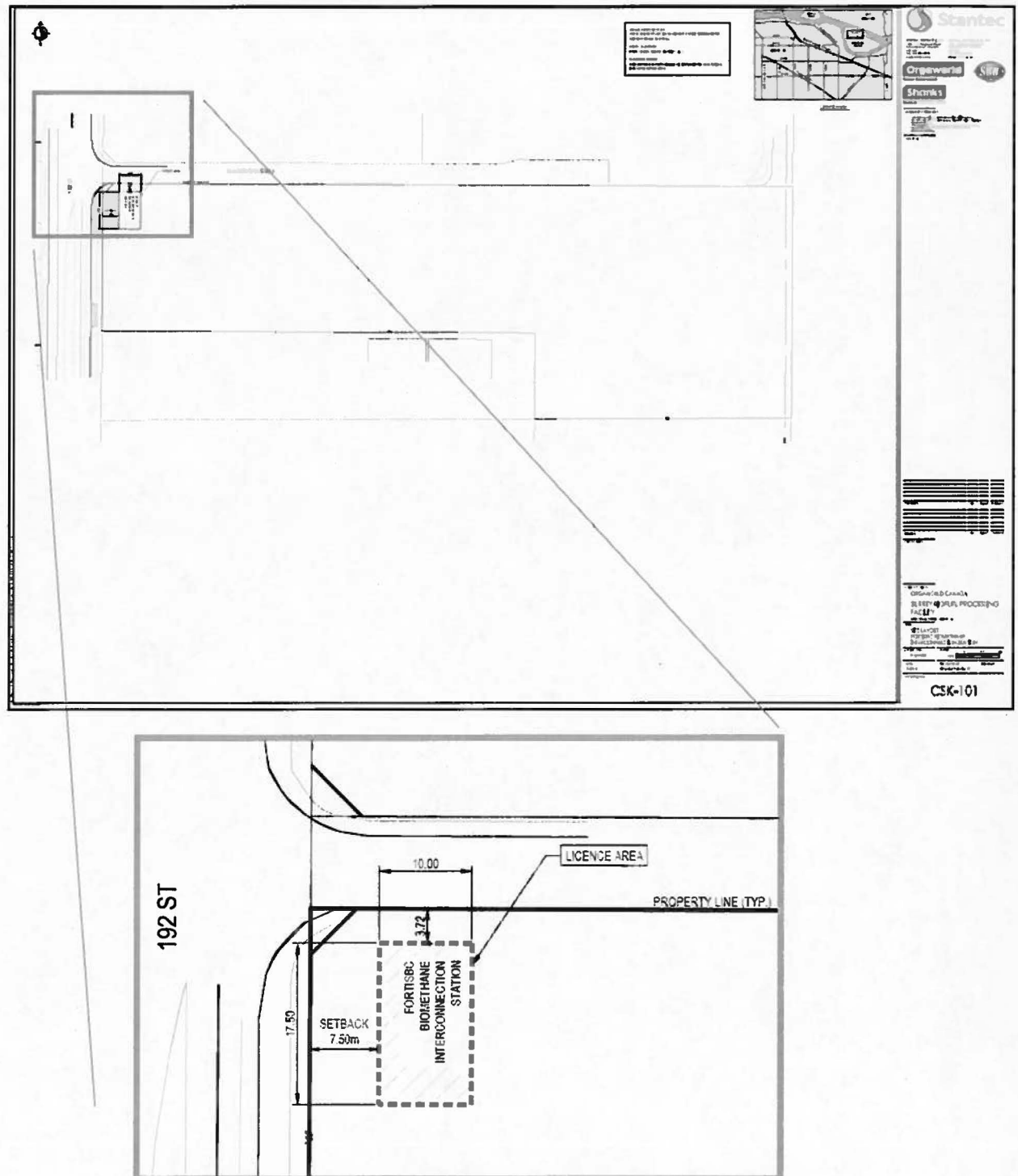
The biomethane must:

- a) not contain sand, dust, gums, oils and other impurities or other objectionable substances in such quantities as may be injurious to pipelines or may interfere with the transmission or commercial utilization of the gas;
 - b) not contain more than six milligrams per cubic meter of hydrogen sulphide;
 - c) not contain water in the liquid phase and not contain more than 65 milligrams per cubic meter of water vapour;
 - d) be free of hydrocarbons in liquid form and not have a hydrocarbon dewpoint in excess of minus 9°C at the delivery pressure;
 - e) not contain more than 23 milligrams per cubic meter of total sulphur;
 - f) not contain more than two percent by volume of carbon dioxide;
 - g) be as free of oxygen as supplier can keep it through the exercise of all reasonable precautions and shall not in any event contain more than 0.4 percent by volume of oxygen;
 - h) have a temperature not exceeding 54°C;
 - i) have a total heating value of not less than 36.00 megajoules per cubic meter;
 - j) not contain more than 1 milligram per cubic meter of total siloxanes;
 - k) not contain more than 2.0 percent by volume of carbon monoxide;
 - l) not contain more than 4.0 percent by volume of inert gases;
 - m) not contain more than 3 milligrams per cubic meter of ammonia; and
 - n) be free of bacteria and pathogens.
2. In addition, the biomethane shall be supplied at a pressure not less than 420 kilopascals.
 3. For convenience, FEI has provided the specification parameters in a tabular format below (Table 1). If there is a conflict between this section and Section 1 above, Section 1 shall be used.

Table 1: Specifications for Biomethane

CONTAMINANT PROPERTY	SPECIFICATION	Comment
Sand, dust, gums, oils and other impurities	<i>Free from any impurities</i>	
Hydrogen Sulphide (H ₂ S)	Less than 6 mg/m ³	Continuous
Water	Less than 65 mg/m ³ of water vapour and no liquid water	Continuous
Hydrocarbon dew point	Be free of hydrocarbons in liquid form and not have a hydrocarbon dewpoint in excess of minus 9°C at the delivery pressure	Periodic
Total Sulfur	Less than 23 mg/m ³	Periodic
Carbon Dioxide (CO ₂)	Less than 2% by volume	Continuous
Oxygen (O ₂)	Less than 0.4% by volume	Continuous
Temperature	54°C maximum	Continuously
Calorific power	36.00 MJ/m ³ minimum (15°C, 101.3kPa)	Calculated based on data collected continuously
Siloxanes	Less than 1 mg/m ³	Periodic
Carbon monoxide (CO)	Less than 2% by volume	Periodic
Inert gasses	Less than 4% volume	Nitrogen periodically
Ammonia (NH ₃)	3mg/m ³	Periodic – semi-annually
Bacteria and pathogens	Impurity filter (0.3 to 5 microns)	None –semi-annually

1. Licence Area is defined within the attached drawing.

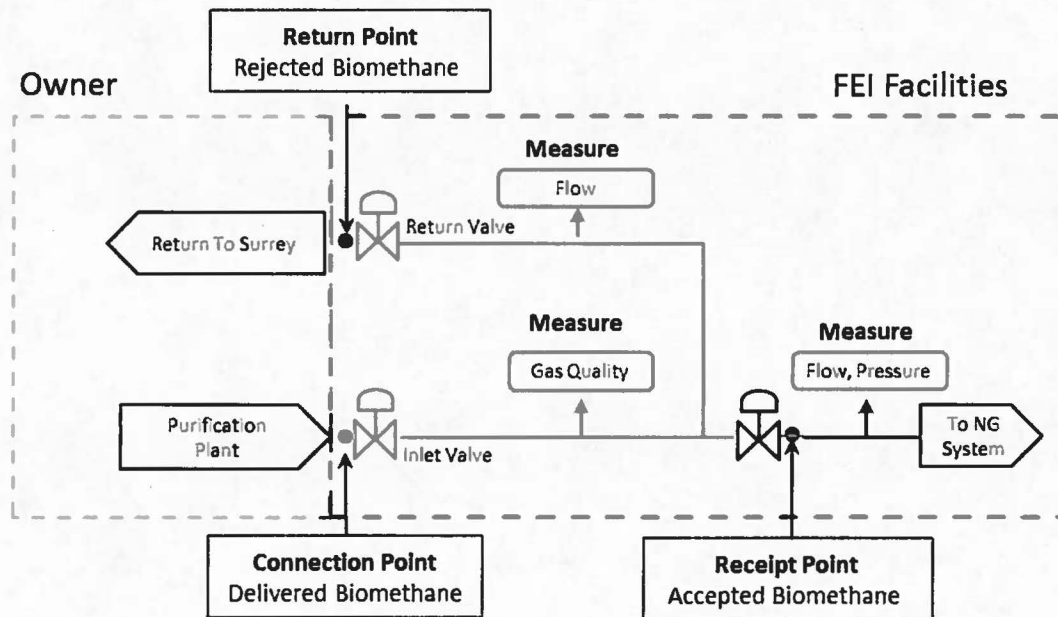


SCHEDULE C
DESCRIPTION OF OWNER FACILITIES AND FEI FACILITIES

- A. Owner Facilities** means those facilities necessary to capture and purify biogas and deliver the resulting Biomethane to the FEI Facilities, including but not limited to:
- (a) anaerobic digesters
 - (b) waste receiving and conditioning facilities (such as pasteurizer);
 - (c) biogas purification/upgrading equipment;
 - (d) control systems;
 - (e) compression equipment to reach the minimum delivery pressure;
 - (f) a flare system; and
 - (g) piping between the purification/upgrading equipment and the FEI Facilities, including (i) a pipe connection for Biomethane to flow from the Owner Facilities to the FEI Facilities, and (ii) a pipe connection for rejected Biomethane to flow back to the Owner Facilities;
- as more particularly shown on the schematic diagram attached to this Schedule C.
- B. FEI Facilities** means those facilities located within the License Area that are necessary to connect to the Owner Facilities, measure and monitor Biomethane quantity and quality and inject the accepted Biomethane into FEI's existing gas distribution system, including but not limited to:
- (a) main extension and connection;
 - (b) gas flow metering at each of the connections between the FEI Facilities and the Owner Facilities: (i) the connection where Biomethane accepted by FEI flows into the FEI Facilities and (ii) the connection where Biomethane rejected by FEI flows back to the Owner;
 - (c) gas quality monitoring;
 - (d) pressure regulation;
 - (e) odorizing;
 - (f) safety shut offs;
 - (g) monitoring sensors and communications equipment capable of automatically re-starting injection of Biomethane into the distribution system once Biomethane has met the Specifications, in the event that the Biomethane has temporarily failed to meet the Specifications;
 - (h) Automated recording of: (i) gas quality measurement results, (ii) gas flow meter readings for gas entering FEI facilities, (iii) gas flow meter readings for gas rejected by FEI, and (iv) FEI facility outlet pressure
 - (i) foundation; and

- (j) fence (if required);
- (k) Accepted Biomethane piping from fenced area to main FEI natural gas line located adjacent to the Lands; and
- (l) inlet shut-off valves located immediately adjacent to fenced area built by FEI;

as more particularly shown on the schematic diagram attached to this Schedule C.



- C. **Milestones** are developed based upon meeting the in-service date as indicated by the Owner.

Milestone	Target Date
Biomethane Sales Agreement Filing to BCUC	October 31 st , 2015
FEI Interconnection Facility Permitting Complete	December 15 th , 2015
Early Target BCUC Approval	January 15 th , 2016
FEI Interconnection Facility Construction Commencement	January 18 th , 2016
FEI Interconnection Facility Field Installation Completed	August 16, 2016
FEI Interconnection Facility Hot Commissioning	October 31 st , 2016
FEI Interconnection Facility Service Commencement	January 1 st , 2017

SCHEDULE D COMMERCIAL TERMS

1. VOLUMETRIC LIMITS

1.1 The following quantity limitations, as established as a result of the system and capacity limitations of the Owner Facilities and the limitations and thresholds established by the BCUC and applicable to FEI with respect to acceptance and injection of Biomethane into its natural gas distribution system, as measured by equipment forming part of the FEI Facilities (the “**Volumetric Limits**”) apply to this Agreement:

- (a) **Maximum Yearly Quantity**- 160,000 GJ per November 1st to October 31st time period (“**Contract Year**”) (prorated in the first and last year of the Term);
- (b) **Maximum Hourly Flow Rate**
 - (i) For the months of June, July and August, between the hours of 8:00 PM and 4:00 AM, 15 GJ per hour, otherwise 25 GJ per hour;
 - (ii) At all other times, 30 GJ per hour.

2. PURCHASE RATES AND ADJUSTMENTS

2.1. **Rates Payable by FEI.** Subject to section 2.2, FEI shall pay the Owner for the quantity of Biomethane accepted by FEI at the following rates, plus applicable taxes thereon:

- (a) **Recovery Rate** – the Recovery Rate shall apply to each GJ of Biomethane accepted by FEI up to the total amount of biomethane purchased from FEI by the Owner or any Designated Customer in accordance with ARTICLE 7 of the body of the Agreement (the “**Re-Purchased Biomethane**”), where “**Recovery Rate**” means the Biomethane Energy Recovery Charge (“**BERC**”) rate determined by FEI on a quarterly basis as approved by the BCUC or in the event the BERC rate is no longer applicable, such alternative rate as established by FEI to replace the BERC rate and approved by the BCUC; and
- (b) **Net-Sale Rate** – the Net-Sale Rate shall apply to each GJ of Biomethane accepted by FEI in excess of the amount of Re-Purchased Biomethane, where “**Net-Sale Rate**” means [REDACTED], commencing on November 1st following the first full year after the In-Service Date, provided that no adjustment will be made which results in the Net-Sale Rate exceeding the then current BCUC-approved maximum rate for FEI’s delivered biomethane.

2.2. **Payment Process and Annual Reconciliation.**

- (a) During the Contract Year, FEI will pay to the Owner the Recovery Rate for each GJ of Biomethane accepted by FEI.
- (b) By March 30th of each year, FEI will calculate the difference between the total amount of Biomethane purchased by FEI from the Owner in the preceding Contract Year (the “**Total Purchased Biomethane**”) and the Re-Purchased Biomethane (such difference

being the “**Net Sale**”). If the Re-Purchased Biomethane is less than the Total Purchased Biomethane, then the applicable of the following adjustments will be made:

- (i) if the Recovery Rate minus the Net-Sale Rate (the “**Buy/Sell Difference**”) is greater than zero, the Owner shall, within 30 days of invoice by FEI, pay to FEI an amount calculated as the Net Sale multiplied by the Buy/Sell Difference. FEI shall be entitled to set-off any such amount against any amounts due and owing by FEI pursuant to this Agreement;
- (ii) If the Buy/Sell Difference is less than zero, FEI shall pay to the Owner an amount calculated as the Net Sale multiplied by the absolute value of the Buy/Sell Difference.

2.3. Annual Designation of Designated Customers and Nominated Quantity

- (a) For planning purposes by October 30th of each year, the Owner shall notify FEI in writing of:
 - (i) the Designated Customers and sites of the Owner that will purchase biomethane from FEI in accordance with ARTICLE 7 of the body of the Agreement, for the next Contract Year; and
 - (ii) the quantity of biomethane the Owner intends to purchase from FEI, either directly or through its Designated Customers, for the next Contract Year (the “**Nominated Quantity**”) provided that where the Owner fails to provide notice of the Nominated Quantity by October 30th, the Nominated Quantity for the next Contract Year shall be the Nominated Quantity for the preceding Contract Year.
- (b) At the request and to the reasonable satisfaction of FEI, the Owner shall provide information demonstrating that the persons designated pursuant to section 2.3(a)(i) meet the criteria specified in section 7.2 of the body of the Agreement. If FEI has a concern about a person designated pursuant to section 2.3(a)(i), FEI will promptly notify the Owner and any dispute will be resolved in accordance with ARTICLE 15 of the body of the Agreement.
- (c) The Owner shall by June 30th of each year advise FEI of any changes to the Nominated Quantity applicable for that Contract Year.

3. MONTHLY FACILITIES FEE

3.1. The Parties agree that the Monthly Facilities Fee payable to FEI by the Owner shall be calculated based on a 25 year levelized cost of service based on the following FEI costs and subject to BCUC approval:

COST COMPONENT	DESCRIPTION AND PURPOSE	AGREED AMOUNT	ESTIMATED AMOUNT (Will be based on actuals)
Initial capital costs	Actual costs of FEI's Facilities		\$650,000 - \$829,000
Project Development Costs	Actual costs for project development (including internal and external costs) but excluding any historical program costs		\$75,000 - \$150,000
Average cost of capital	Most recent BCUC-approved after tax weighted average cost of capital for FEI	Fixed at 6.14%	
Operations and maintenance costs	Annual costs for the operation and maintenance of FEI's Facilities	\$11,000 per year, escalated annually by CPI	
Gas Supply Administration	Annual costs of contract administration	\$5,760 per year, fixed with no annual escalation	
Heritage Fees	A contribution to: (i) historical costs of FEI's original biomethane application; (ii) ongoing RNG program administration for re-purchased gas; and (iii) a rate contribution	\$14,653 per year, fixed with no annual escalation	

Based upon the agreed and estimated amounts above, the levelized Monthly Facilities Fee is projected to be \$10,460 to \$14,030.

Attachment 4.1a

AMENDMENT #1 TO BIOMETHANE PURCHASE AGREEMENT

THIS AMENDING AGREEMENT is made as at Jan 19, 2016 (the "Effective Date")

BETWEEN:

FORTISBC ENERGY INC. ("FEI")

AND:

CITY OF SURREY (the "City")

WHEREAS:

- A. FEI and the City entered into a Biomethane Purchase Agreement, made effective September 16, 2015 (the "**Subject Agreement**");
- B. The parties wish to amend the Subject Agreement to, among other things, update Schedule D – Commercial Terms to correct rate and payment determination methodology and factors, on the terms and conditions set out in this Amending Agreement.

NOW THEREFORE IN CONSIDERATION of the promises and mutual covenants and agreements hereinafter contained and other good and valuable consideration, the parties hereto covenant and agree with each other as follows:

- 1. In this Amending Agreement, unless otherwise defined herein, capitalized words and expressions shall have the same meanings as are assigned to them in the Subject Agreement.
- 2. The following amendments are made to the Subject Agreement effective as at the Effective Date:

- (a) Section 6.2 (Payment for FEI Facilities) is hereby deleted and replaced with the following:

6.2 **Payment for FEI Facilities.** In order to enable FEI to recover the costs associated with the design, construction, operation and maintenance of the FEI Facilities and the operation and administration of this Agreement, each month during the Term, commencing from the In-Service Date and continuing for a period of twenty (25) years thereafter, the Owner shall pay to FEI a fee (the "**Monthly Facilities Fee**"), plus applicable taxes thereon, which fee will be calculated in accordance with Schedule D (*Commercial Terms*). FEI shall be entitled to set off the Monthly Facilities Fee against any amounts owing to the Owner pursuant to this Agreement and include such amount on statements of account with respect to the FEI purchase of Biomethane.

- (b) Section 7.2 (Designated Customers) is hereby amended by adding the following new sub-section after sub-section (e):

- (f) has:

- (i) acknowledged in writing the Owner has retained the Environmental Attributes arising in connection with the Re-Purchased Biomethane, and
 - (ii) agreed with the Owner in writing not to claim, report or otherwise benefit from (and has not claimed, reported or otherwise benefited from) any Environmental Attributes arising in connection with the Re-Purchased Biomethane except to the extent such Environmental Attributes have been transferred to it by the Owner.
- (c) Schedule D - Commercial Terms is hereby deleted and replaced with the revised Schedule D - Commercial Terms, attached hereto as Appendix 1.
3. All other terms and conditions of the Subject Agreement remain unchanged. The Subject Agreement, as amended by this Amending Agreement, will remain in full force and effect and, together with this Amending Agreement, will be read and interpreted as one agreement.
4. This Amending Agreement may be executed and delivered in any number of counterparts and in electronic format with the same effect as if all parties had originally signed and delivered the same document and all counterparts will be construed together to constitute one and the same agreement.

IN WITNESS WHEREOF the parties have executed this Amending Agreement as of the Effective Date.

FORTISBC ENERGY INC.

CITY OF SURREY

Signature

Name: Roger Dall'Antonia

Title: EVP Customer Services
? Regulatory Affairs

Signature

Name:

Title:

Jane Sullivan, City Clerk

APPENDIX 1

SCHEDULE D – Commercial Terms
(attached)

**SCHEDULE D
COMMERCIAL TERMS**

1. VOLUMETRIC LIMITS

1.1 The following quantity limitations, as established as a result of the system and capacity limitations of the Owner Facilities and the limitations and thresholds established by the BCUC and applicable to FEI with respect to acceptance and injection of Biomethane into its natural gas distribution system, as measured by equipment forming part of the FEI Facilities (the “**Volumetric Limits**”) apply to this Agreement:

- (a) **Maximum Yearly Quantity**- 160,000 GJ per November 1st to October 31st time period (prorated in the first and last year of the Term) (“**Contract Year**”);
- (b) **Maximum Hourly Flow Rate**
 - (i) For the months of June, July and August, between the hours of 8:00 PM and 4:00 AM, 15 GJ per hour, otherwise 25 GJ per hour;
 - (ii) At all other times, 30 GJ per hour.

2. PURCHASE RATES AND ADJUSTMENTS

2.1. **Rates Payable by FEI.** Subject to section 2.2, during each Contract Year, FEI shall pay the Owner for the quantity of Biomethane accepted by FEI (the “**FEI Purchased Biomethane**”) at the Net Sale Rate, [REDACTED] commencing on November 1st following the first full year after the In-Service Date, provided that no adjustment will be made which results in the Net-Sale Rate exceeding the then current BCUC-approved maximum rate for FEI’s delivered biomethane.

2.2. Annual Payment Adjustment.

- (a) By December 31st of each year, in order to equalize the rate paid by FEI for Purchased Biomethane and the rate paid by the Owner and its Designated Customers for the quantity of Biomethane purchased from FEI in accordance with ARTICLE 7 of the body of the Agreement (the “**Repurchased Biomethane**”) for the immediately preceding Contract Year:
 - (i) FEI will calculate the average rate paid for the Repurchased Biomethane (the “**Annualized Repurchase Rate**” or “**ARR**”) during the Contract Year in the following manner:

$$\text{Annualized Repurchase Rate} = \frac{[\text{Amount Paid}]}{[\text{Owner Use Amount (in GJ)}]}$$

Where:

“**Amount Paid**” means the aggregate amount paid by the Owner and its Designated Customers for Repurchased Biomethane during the Contract Year;

“Owner Use Amount” means the aggregate amount of Re-Purchased Biomethane purchased during the Contract Year.

- (ii) Upon determination of the ARR, for that Contract Year, FEI will calculate any payment owing and identify the payment recipient in the following manner:
 - 1. If Owner Use Amount (“**U**”) is **greater than** the amount of FEI Purchased Biomethane (“**P**”) during the Contract Year, then FEI will use the following calculation:
$$[P] \times [ARR - NSR]$$
 - 2. If Owner Use Amount (“**U**”) is **less than** the amount of FEI Purchased Biomethane (“**P**”) during the Contract Year, then FEI will use the following calculation:
$$[U] \times [ARR - NSR]$$
 - 3. Where the result of the applicable calculation in subsection 1 or 2 is a **positive number**, FEI will pay the resulting amount to the Owner. Where the result of the applicable calculation in subsection 1 or 2 is a **negative number**, the Owner will pay the resulting amount (as an absolute value) to FEI.
- (b) Payments will be made within thirty (30) day of date of statement from FEI; provided however, in order to effect the payment adjustment, FEI may, at its option, reflect the applicable payment as a debit or credit, as the case may be, against the next monthly payment due from FEI to the Owner pursuant to section 6.3 of the body of the Agreement.

2.3. Annual Designation of Designated Customers and Nominated Quantity

- (a) For planning purposes by October 30th of each year, the Owner shall notify FEI in writing of:
 - (i) the Designated Customers and sites of the Owner that will purchase biomethane from FEI in accordance with ARTICLE 7 of the body of the Agreement, for the next Contract Year; and
 - (ii) the quantity of biomethane the Owner intends to purchase from FEI, either directly or through its Designated Customers, for the next Contract Year (the **“Nominated Quantity”**) provided that where the Owner fails to provide notice of the Nominated Quantity by October 30th, the Nominated Quantity for the next Contract Year shall be the Nominated Quantity for the preceding Contract Year.
- (b) At the request and to the reasonable satisfaction of FEI, the Owner shall provide information demonstrating that the persons designated pursuant to section 2.3(a)(i)

meet the criteria specified in section 7.2 of the body of the Agreement. If FEI has a concern about a person designated pursuant to section 2.3(a)(i), FEI will promptly notify the Owner and any dispute will be resolved in accordance with ARTICLE 15 of the body of the Agreement.

- (c) The Owner shall by June 30th of each year advise FEI of any changes to the Nominated Quantity applicable for that Contract Year.

3. MONTHLY FACILITIES FEE

- 3.1. The Parties agree that the Monthly Facilities Fee payable to FEI by the Owner shall be calculated based on a 25 year levelized cost of service based on the following FEI costs and subject to BCUC approval:

COST COMPONENT	DESCRIPTION AND PURPOSE	AGREED AMOUNT	ESTIMATED AMOUNT (Will be based on actuals)
Initial capital costs	Actual costs of FEI's Facilities		\$650,000 - \$829,000
Project Development Costs	Actual costs for project development (including internal and external costs) but excluding any historical program costs		\$75,000 - \$150,000
Average cost of capital	Most recent BCUC-approved after tax weighted average cost of capital for FEI	Fixed at 6.14%	
Operations and maintenance costs	Annual costs for the operation and maintenance of FEI's Facilities	\$11,000 per year, escalated annually by CPI	
Gas Supply Administration	Annual costs of contract administration	\$5,760 per year, fixed with no annual escalation	
Heritage Fees	A contribution to: (i) historical costs of FEI's original biomethane application; (ii) ongoing RNG program administration for re-purchased gas; and (iii) a rate contribution	\$14,653 per year, fixed with no annual escalation	

Based upon the agreed and estimated amounts above, the levelized Monthly Facilities Fee is projected to be \$10,460 to \$14,030.

BIOMETHANE PURCHASE AGREEMENT

THIS AGREEMENT made as of _____, 2015 (the "Execution Date")

BETWEEN:

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

("FEI")

AND:

CITY OF SURREY, 13450 - 104 Avenue, Surrey, British Columbia, V3T 1V8

(the "Owner")

WHEREAS:

- A. The Owner is constructing and will own and operate a biofuel processing facility at the Owner's premises located at 9752 192nd Street, Surrey, BC and legally described as follows:

LOT 3 DISTRICT LOT 387A GROUP 2 NEW WESTMINSTER DISTRICT PLAN BCP3186

(the "Lands") and which will produce biogas through the anaerobic digestion process.
- B. The Owner's biofuel processing facility will capture, purify and upgrade biogas to pipeline quality biomethane (the "Biomethane") to be purchased by FEI for injection into FEI's existing natural gas distribution system.
- C. In order to monitor the quality and quantity of the Biomethane and inject the Biomethane into FEI's existing natural gas distribution system adjacent to the Lands, FEI intends to finance, construct and operate facilities on the Lands to connect the Owner's facilities to FEI's gas distribution system. The Owner has agreed to grant FEI continued access to and use of a portion of the Lands for the purpose of operating and maintaining its facilities on the Lands.
- D. The target in-service date for the Owner's facilities and FEI's facilities is January 2017.
- E. In connection with injecting Biomethane into FEI's natural gas distribution system, the Owner intends to purchase biomethane from FEI, either directly or through arrangements with identified affiliates, tenants, licensees, contractors, suppliers and other third parties, on the terms and conditions of this Agreement and FEI's renewable natural gas program.

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 Owner and FEI (collectively the "**Parties**" and either of them a "**Party**") agree as follows:

ARTICLE 1 – REGULATORY REVIEW

- 1.1 **Application of *Utilities Commission Act*.** The Owner acknowledges that FEI is a public utility as defined in the British Columbia *Utilities Commission Act* and that this Agreement, and any amendments thereto, are subject to acceptance and approval by the British Columbia Utilities Commission (“BCUC”) in accordance with the *Utilities Commission Act*.
- 1.2 **Filing Obligations.**
- (a) FEI will file this Agreement with the BCUC within a reasonable period of time after the Execution Date and, recognizing the Owner’s timeline to have the project operational by January 2017 in accordance with the project milestones set out in Schedule C (*Description Facilities and Milestones*), will take all steps reasonably required to secure BCUC acceptance and approval as soon as possible to enable the project timelines to be achieved, including those procedural steps related to filing the Agreement and providing argument and witnesses in support of the filing.
 - (b) **Owner Assistance.** The Owner will, at the request of FEI, provide any assistance reasonably required by FEI to secure BCUC acceptance and approval, including filing documents in support of FEI’s application to the BCUC and providing argument and witnesses in support of the filing.
- 1.3 **Regulatory Review Termination.**
- (a) Either Party may terminate this Agreement if within 180 days of the date this Agreement is filed with the BCUC, or such later date as agreed by the Parties in writing, this Agreement has not been accepted and approved by the BCUC on the terms and conditions contained herein or such other terms and conditions which are acceptable to each Party having regard to its *bona fide* business interests.
 - (b) If BCUC approval is not granted, or is granted on terms and conditions which are not reasonably satisfactory to the parties having regard to their *bona fide* business interests, the parties agree to negotiate in good faith to address the impacts thereof, including mitigation of costs; provided that if the parties are unable to reach an agreement as to the manner in which to address such terms and conditions, either Party may terminate this Agreement upon written notice of termination to the other Party.
 - (c) If the Agreement is terminated under this Article, the Parties’ obligations under this Agreement will be at an end, and thereafter neither Party shall have any further or continuing obligation to the other under this Agreement, except for those obligations and provisions which are specifically stated.
- 1.4 **Costs Incurred Prior to BCUC Acceptance.** The Parties acknowledge and agree that if either Party elects to undertake any work or incur any costs with respect to this Agreement prior to satisfaction of the foregoing conditions, such Party will be solely responsible for all costs so incurred.
- 1.5 **Obligation for Preliminary Costs.** Despite section 1.4, the Owner acknowledges that, as part of its application to BCUC and as more particularly set out in a Memorandum of Understanding

entered into between the Parties effective April 9, 2015 (the “**MOU**”), FEI will be required to submit cost estimates to BCUC, which requires FEI to provide internal resources and/or retain third parties to conduct preliminary engineering and construction work (the “**Preliminary Work**”). In accordance with the terms of the MOU, the Owner has agreed to reimburse FEI for costs paid or payable by FEI for the Preliminary Work if the Owner terminates the MOU or FEI’s involvement in the Owner’s biofuel processing facility project. Despite section 17.15 (*Entire Agreement*), the MOU continues to be effective and apply to the extent, and in accordance with the terms, set out in the MOU.

ARTICLE 2 - TERM

- 2.1 **Term.** This Agreement will commence on the Execution Date and expire on October 31st following the twenty-fifth (25th) anniversary of the In-Service Date (the “**Initial Term**”), unless terminated earlier or renewed in accordance with the terms of this Agreement (the “**Term**”), where “**In-Service Date**” means the earlier of:
- (a) the business day after the FEI Facilities have accepted at least 100 gigajoules (“**GJ**”) of Biomethane per day for seven (7) consecutive days; and
 - (b) the business day after the FEI Facilities have accepted Biomethane for a cumulative period of thirty (30) days.
- 2.2 **Delay in In-Service Date.** Unless the Parties are continuing to undertake the work necessary to construct and install their respective facilities with reasonable diligence, if the In-Service Date does not occur by January 1, 2018 or such later date as agreed by the Parties in writing, either Party may terminate this Agreement by written notice to the other Party effective the date set out in such notice and the provisions of section 9.3 (*Effect of Default*) shall apply.
- 2.3 **Early Termination.** Subject to ARTICLE 10 (*Effect of Expiry or Termination*) and after the 5th anniversary after the In-Service Date, the Owner may terminate this Agreement upon twelve (12) months prior written notice to FEI.

ARTICLE 3 - DIVISION OF RESPONSIBILITIES

- 3.1 **Owner Facilities.** The Owner will design, build, operate, maintain, repair, upgrade, replace and support facilities on the Lands, as more particularly identified in Schedule C (the “**Owner Facilities**”), to produce, capture and purify biogas and deliver Biomethane to the FEI Facilities.
- 3.2 **FEI Facilities.** FEI will design, build, operate, maintain, repair, upgrade, replace and support facilities on the License Area (as defined below), as more particularly identified in Schedule C (the “**FEI Facilities**”), to connect to the Owner Facilities, measure and monitor Biomethane quantity and quality and inject the accepted Biomethane into FEI’s existing gas distribution system.
- 3.3 **Project Milestones.** The Parties will design, construct and install their respective facilities with reasonable diligence to meet each of the project milestones identified in Schedule C (the “**Milestones**”). If either Party’s work falls behind schedule according to the Milestones, the Party will promptly notify the other Party, and use reasonable diligence to get their work back on schedule and meet the next Milestone.

- 3.4 **Prime Contractor.** For the purposes of the *Workers Compensation Act* (British Columbia), FEI is designated the prime contractor in relation to the construction, operation, maintenance and support of the FEI Facilities.
- 3.5 **FEI Approvals.** FEI shall obtain and maintain any consents, permits, filings, orders or other approvals, including governmental consents and approvals, building and construction permits, environmental permits, zoning changes or variances (collectively the “**Approvals**”) required, affecting or necessary for the ownership, installation, maintenance and operation of the FEI Facilities.
- 3.6 **Owner Approvals.** The Owner shall obtain and maintain the Approvals required, affecting or necessary for the ownership, installation, maintenance and operation of the Owner Facilities.
- 3.7 **Ownership of FEI Facilities.** The FEI Facilities are, and shall at all times remain, personalty and the property of FEI, despite the degree to which they may be annexed or affixed to the Lands and despite any rule of law or equity to the contrary, and shall be freely alienable by FEI as its own property. FEI shall be entitled to install notices on the FEI Facilities identifying FEI’s ownership.
- 3.8 **Existing Owner Approvals.** If any existing Approvals issued to the Owner need to be updated to reflect the operation of the FEI Facilities on the Lands, and FEI is not able to update such Approvals in accordance with section 3.5, the Owner shall ensure such approvals are updated as required.
- 3.9 **Utilities.** The Owner will, at no cost to FEI, provide the electrical and telephone connections to the limits of the FEI Facilities. FEI will pay for utility consumption as directly invoiced to FEI by the service provider. The Owner shall not be liable for any disruptions in such services, unless caused by any negligent act or omission of the Owner.
- 3.10 **Cooperation.** In order to facilitate the connectivity between the Owner Facilities and the FEI Facilities and manage the monitoring and injection of Biomethane into FEI’s natural gas distribution system, the Parties agree to:
- (a) share data related to the interface between the FEI Facilities and the Owner Facilities and work together to optimize operation of their respective facilities; and
 - (b) notify each other in advance of proposed operational changes or system modifications or upgrades to their respective facilities and cooperate in the design of upgrades and modifications to the respective facilities, to ensure such changes, modifications or upgrades do not negatively impact the operation of the other Party’s facilities; provided that despite the exchange or review of, or comment on, any design drawings, by the other Party, each Party shall be solely responsible for the design, construction and maintenance of their own facilities.

ARTICLE 4 – ACCESS TO AND USE OF LANDS

- 4.1 **Grant of License.** The Owner hereby grants to FEI, at no cost, a non-exclusive irrevocable license during the Term to those portions of the Lands shown outlined on the drawings attached as Schedule B (the “**License 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, remove or replace the FEI Facilities, in whole or in part.

4.2 **Grant of Rights to Third Parties.** Subject to section 4.4, the grant of rights to FEI hereunder does not preclude or prevent the Owner from granting easements, statutory rights of way or other grants, leases or licences over the License Area to any other person.

4.3 **Use of License Area.** FEI shall:

- (a) not do, suffer or permit anything in, on or from the License Area that may be or become a nuisance or annoyance to the owners, occupiers or users of land or premises adjacent to or near the Lands or to the public, including the accumulation of rubbish or unused personal property of any kind;
- (b) not do, suffer or permit any act or neglect that may in any manner directly or indirectly cause injury to the License Area;
- (c) use the License Area only for the purposes set out in this Agreement;
- (d) except as otherwise provided in this Agreement, pay all costs and expenses of any kind whatsoever associated with and payable in respect of FEI's use of the License Area, the FEI Facilities and all equipment, furniture and other personal property brought onto the License Area by FEI, including without limitation, property taxes, levies, charges and assessments, permit and license fees, repair and maintenance costs, administration and service fees, gas, water, sewage disposal and other utility and service charges and payments for work and materials;
- (e) carry on and conduct its activities in, on and from the License Area in compliance with any and all Laws from time to time in force, and to obtain all required approvals and permits thereunder, and not to do or omit to do anything in, on or from the License Area in contravention thereof;
- (f) not erect or place any sign or advertising within the License Area, save and except signage identifying FEI's ownership of the FEI Facilities in accordance with section 3.7, without the prior written approval of the Owner, acting reasonably;
- (g) not to bring on or deposit any soil or fill onto the License Area except with the written consent of the Owner;
- (h) co-ordinate all installation and construction activities on the License Area with the Owner;
- (i) cover all below ground works and restore the surface of the License Area to the same condition that existed at the commencement of the works to the reasonable satisfaction of the Owner; and

- (j) discharge any builders lien which may be filed against the title to the Lands within 30 days of filing, and comply at all times with the *Builders Lien Act* (British Columbia), in respect of any improvements, work or other activities undertaken by or on behalf of FEI.

4.4 **Non-Interference.** The Owner 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 FEI Facilities, including but not limited to, anything which:

- (a) interrupts, endangers, impedes, disturbs or causes damage to the FEI Facilities or its operation, use, security or functionality;
- (b) removes, diminishes or impairs any vertical or lateral support for, or causes the movement or settlement of, the FEI Facilities; 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 FEI Facilities;

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

4.5 **Failure to Repair.** If FEI fails to repair or maintain the License Area or the FEI Facilities in accordance with this Agreement after written notice to FEI, the Owner may, by its agents, employees or contractors make the required repairs or do the required maintenance and the cost of the repairs or maintenance shall be a debt due from FEI to the Owner; provided that the Owner shall not be liable to FEI for any inconvenience, annoyance, loss of business or other injuries suffered by FEI as a result of such repairs and maintenance.

4.6 **Sale of the Lands.** The Owner shall not sell or otherwise transfer its interest in and to the Lands, unless, with the written consent of FEI in accordance with section 17.9 (*Assignment*), the transferee assumes all the terms and conditions of this Agreement.

ARTICLE 5 – QUALITY, QUANTITY, TITLE AND INDEMNITY

5.1 **Biomethane Quality and Delivery Quantity.** Subject to section 5.2, FEI agrees to accept and inject into FEI's existing natural gas distribution system the Biomethane made available by the Owner at the interconnection point between the Owner Facilities and the FEI Facilities (the "**Interconnection Point**"), subject to the Biomethane meeting the specifications set out in Schedule A (the "**Specifications**") and subject to the volumetric requirements set out in Schedule D (the "**Volumetric Limits**"). FEI shall monitor Biomethane quality and quantity at the Interconnection Point to determine whether the Biomethane meets the Specifications and the Volumetric Limits prior to injection into the FEI Facilities. Subject to section 5.2, FEI is not required to accept any Biomethane that does not meet the Specifications or is outside the Volumetric Limits.

5.2 **Failure to Meet Requirements.** If Biomethane made available at the Interconnection Point does not meet the Specifications or exceeds the Volumetric Limits, FEI may:

- (a) reject the Biomethane that does not meet the Specifications or exceeds the Volumetric Limits and return it to the Owner's Facilities; and
 - (b) at FEI's discretion and subject to any limitations of the FEI Facilities, accept Biomethane in excess of the Maximum Hourly Flow Rate or the Maximum Yearly Quantity Volumetric Limits (as set out in Schedule D). If Biomethane entering the FEI Facilities exceeds the Maximum Hourly Flow Rate, FEI is permitted to limit the flow of Biomethane to the FEI Facilities to the Hourly Flow Rate and reject the excess portion. If Biomethane entering the FEI Facilities exceeds the Maximum Yearly Quantity, FEI may immediately shut off the flow of Biomethane to the FEI Facilities and notify the Owner thereof, and be under no obligation to re-initiate the flow of Biomethane until the next Contract Year, as defined in Schedule D (*Commercial Terms*). Any Biomethane accepted by FEI into the FEI Facilities will be deemed to meet the Specifications and FEI shall be deemed to have waived any failure to satisfy the Volumetric Limits in relation thereto.
- 5.3 **Excess Production** – If, from time to time, the Owner anticipates Biomethane production may exceed the Volumetric Limits, the Owner shall immediately notify FEI of the anticipated delivery quantity, and FEI may, in its discretion, accept and purchase the additional production volume at the rate determined by Schedule D. The Owner will notify FEI at least six (6) months in advance of any proposed changes or improvements in or operational changes at the Owner Facilities which are anticipated to result in a long term increase to Biomethane flow by more than 10% above the Maximum Yearly Quantity to allow FEI to evaluate the impacts of such increase on the FEI Facilities and its gas distribution system and FEI's ability to accommodate and accept such increased production volume.
- 5.4 **Monthly Biomethane Reporting.** In addition to the monthly statements prepared by FEI pursuant to section 6.3(a), on or about the 15th day of each month, FEI shall deliver to the Owner a statement for the preceding month containing a breakdown of the Biomethane activity for the month, setting out, at a minimum, the total volume of Biomethane received at the Interconnection Point and the total volume of Biomethane rejected by FEI for failure to meet the Specifications or exceeding the Volumetric Limits.
- 5.5 **Excuse from Non-Performance for Maintenance.** Neither Party will be considered to be in default under this Agreement where such Party's non-performance is as a result of undertaking maintenance or repair on their respective facilities provided that such Party is diligently undertaking such maintenance or repair to minimize its impacts and it being the intention of the Parties that maintenance or repair work will not exceed 5 days per month and 20 days per year in aggregate.
- 5.6 **Title and Warranty.** Title to and responsibility for the Biomethane shall pass from the Owner to FEI upon the Biomethane entering the FEI Facilities. Title to and responsibility for any Biomethane rejected by FEI and returned to the Owner Facilities shall not pass to FEI. The Owner warrants that it has the right to convey and will transfer good and merchantable title to the Biomethane free and clear of all liens, encumbrances and claims except as set out in ARTICLE 8.
- 5.7 **Indemnity.** The Owner hereby agrees to indemnify and save FEI harmless from all losses, liabilities or claims including reasonable legal fees and costs of court arising from or out of

claims of title, personal injury or property damage from the Biomethane or other charges thereon (“**Claims**”) which attach before title passes to FEI. FEI hereby agrees to indemnify and save the Owner harmless from all Claims which attach after title passes to FEI. Despite the foregoing, the Owner will be liable for all Claims arising from the failure to deliver title to the Biomethane to FEI free and clear of any encumbrances except as set out in ARTICLE 8.

- 5.8 **Audit and Verification.** Each Party will provide access to the other Party, from time to time during ordinary business hours, to its records and measurement equipment as reasonably requested by the other Party to verify compliance with the terms of this Agreement, including to verify the quality and quantity of Biomethane.

ARTICLE 6 – PURCHASE PRICE AND PAYMENT

- 6.1 **Payment for Biomethane.** Each month during the Term, FEI shall pay the Owner for the quantity of Biomethane accepted by FEI into the FEI Facilities, including during any testing and commissioning period, as determined by meter readings, at the applicable rate and subject to the adjustments and deductions set out in Schedule D, plus applicable taxes thereon. The Owner shall not be entitled to receive any payment from FEI on account of Biomethane rejected by FEI and returned to the Owner Facilities.
- 6.2 **Payment for FEI Facilities.** In order to enable FEI to recover the costs associated with the design, construction, operation and maintenance of the FEI Facilities and the operation and administration of this Agreement, each month during the Term, commencing from the In-Service Date and continuing for a period of twenty (25) years thereafter, the Owner shall pay to FEI a fee (the “**Monthly Facilities Fee**”), plus applicable taxes thereon, which fee will be calculated in accordance with Schedule D (*Commercial Terms*). FEI shall be entitled to set off the Monthly Facilities Fee against any amounts owing to the Owner pursuant to this Agreement and include such amount on statements of account with respect to the FEI purchase of Biomethane.
- 6.3 **Payment Terms.**
- (a) On or about the 15th day of each month, FEI shall generate a statement for the preceding month showing the quantity of Biomethane accepted by FEI in GJ, the applicable rates and adjustments, the Monthly Facilities Fee, the net amount payable and the cumulative quantity of Biomethane accepted for the then current year up to that month. If the quantity of Biomethane accepted is not known by the billing date, FEI will issue the statement based on a reasonable estimate of the quantity accepted and make the necessary adjustments as soon as practical and in any event by the next billing date.
 - (b) FEI will pay the net amount payable within 30 days of delivery of the statement to the Owner.
 - (c) Any errors in any statement or disputes as to amounts due shall be promptly reported to FEI and any resulting underpayments or overpayments identified will be refunded or repaid with accrued interest at the rate of 1.5% per month (19.56% per annum).

ARTICLE 7 - RE-PURCHASE OF BIOMETHANE

7.1 **Purchase of Biomethane from FEI.** The Owner, either directly or through Designated Customers (as defined below) intends to purchase biomethane from FEI in each year during the Term. The difference each year between the buy/sell volumes of Biomethane will result in adjustment to the amount payable by FEI under this Agreement as set out in Schedule D.

7.2 **Designated Customers.**

“**Designated Customer**” shall mean a person designated by the Owner pursuant to section 2.3 of Schedule D, meeting the following criteria:

- (a) affiliates of the Owner who have a written agreement with the Owner to purchase biomethane from FEI; and
- (b) such of the Owner’s tenants, licensees, contractors, suppliers and other third parties who have a written agreement with the Owner to purchase biomethane from FEI and use such gas in the provision of services to the Owner;

provided such person,

- (c) prior to becoming a Designated Customer:
 - (i) did not purchase biomethane from FEI; or
 - (ii) did purchase biomethane from FEI, and as a result of becoming a Designated Customer, will purchase additional biomethane from FEI;
- (d) has entered into an agreement required by the Biomethane Rate Schedule with FEI pursuant to section 7.3 (*Rate Schedule Applies*); and
- (e) has provided written consent to the Owner and FEI to permit each of the Owner and FEI to obtain, access and share with each other, information of the person sufficient to verify the person’s new or incremental biomethane purchases from FEI as a result of becoming a Designated Customer; and

(f) has:

- (i) acknowledged in writing the Owner has retained the Environmental Attributes arising in connection with the Re-Purchased Biomethane, and
- ~~(i)~~(ii) agreed with the Owner in writing not to claim, report or otherwise benefit from (and has not claimed, reported or otherwise benefited from) any Environmental Attributes arising in connection with the Re-Purchased Biomethane except to the extent such Environmental Attributes have been transferred to it by the Owner.

7.3 **Rate Schedule Applies.** Any biomethane purchased by the Owner or any Designated Customer from FEI shall be on the terms and conditions of the applicable BCUC-approved FortisBC rate schedule as established or amended from time to time (each, a “**Biomethane Rate Schedule**”). The Owner and each Designated Customer purchasing biomethane from FEI will be required to enter into the agreement required by the Biomethane Rate Schedule with respect to such purchase.

ARTICLE 8 - GREENHOUSE GAS (GHG)

8.1 **Definitions.** For the purpose of this Article:

- (a) **“Environmental Attributes”** means all interests or rights arising out of attributes or characteristics relating to the environmental impacts associated with the Owner’s Facilities and related activities, now or in the future, and the right to quantify and register these with competent authorities, including any existing or future credits, GHG reductions, green marketing attributes, or other proprietary or contractual right, whether or not tradable, and however entitled, named, registered created, measured, allocated or validated, (A) that are at any time recognized or deemed of value, or both, by any buyer, applicable law, or any voluntary or mandatory program of any governmental authority or other person, and (B) that are attributable to the actual or assumed displacement of emissions by the Owner’s Facilities and its related activities. For greater certainty, Environmental Attributes also include all revenues, entitlements, benefits, and other proceeds arising from or related to the foregoing which may be available in connection with the Owner’s Facilities and its related activities; and
- (b) **“Offsets”** means any credits, emission offsets or other tradable or recognized instruments issued or granted by a Government or program authority or recognized under a regulation, in recognition of emission reductions or sequestration that may be applied towards achieving compliance with any emissions related obligations or commitments whether voluntary or mandatory.

8.2 **Offsets for Methane Destruction.** The Parties agree the Owner (or third parties with whom it has entered into agreements) will own any Environmental Attributes associated with the elimination of methane discharges into the atmosphere as a result of the capture, purification and upgrade of biogas to pipeline quality biomethane by the Owner’s Facilities. The Owner shall retain the right to administer the Offsets associated with the methane elimination, including quantifying, validating and registering the GHG credits, and will retain the associated GHG credits. The Parties agree the Owner (or third parties with whom it has entered into agreements) will own any Environmental Attributes associated with Offsets for all activities conducted by the Owner (or third parties with whom it has entered into agreements) that are related to the capture and avoidance of any greenhouse gas emissions into the atmosphere, including the diversion of organic waste from landfill sites.

8.3 **Offsets for Fuel Displacement.**

- (a) For any biomethane purchased from FEI by the Owner or any Designated Customer in accordance with ARTICLE 7 (the **“Re-Purchased Biomethane”**), the Owner will retain and own any corresponding Environmental Attributes associated with the displacement of traditional natural gas by carbon neutral (or carbon negative) biomethane through the purchase and usage of this Re-Purchased Biomethane. The Parties agree that despite the source of FEI’s general biomethane supply, any Re-Purchased Biomethane and associated Environmental Attributes will be of the same quality of Biomethane and associated Environmental Attributes as the kind delivered by the Owner to FEI pursuant to this Agreement, that is, a carbon neutral (or carbon negative) fuel.

- (b) For any Biomethane purchased by FEI from the Owner in excess of the Re-Purchased Biomethane, the Parties agree that FEI will own any corresponding Environmental Attributes associated with the displacement of traditional natural gas by carbon neutral (or carbon negative) biomethane.

8.4 **Verification by Owner.** At the request and to the satisfaction of FEI, the Owner will provide all relevant data and analysis necessary to verify the Biomethane purchased by FEI in excess of the Re-Purchased Biomethane is a carbon neutral (or carbon negative) fuel in order to enable FEI to meet its obligations to the Climate Action Secretariat and FEI customers who may be replacing fossil natural gas with renewable natural gas.

ARTICLE 9 – DEFAULT

9.1 **Default.** Either Party (the “**Defaulting Party**”) shall be in default (“**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 and the breach is material or there are persistent breaches (in either case, a “**Material Breach**”), provided that:

- (a) the other Party (the “**Non-Defaulting Party**”) provides the Defaulting Party with a written notice of such Material Breach and a 10-day period within which to cure such Material Breach (the “**Cure Period**”); and
- (b) the Defaulting Party fails to cure such Material Breach during the Cure Period, or if such Material Breach is not capable of being cured within the Cure Period, fails in good faith to commence the curing of such Material Breach upon receipt of notice of Material Breach and to continue to diligently pursue the curing of such Material Breach thereafter until cured.

9.2 **Disputed Claims under Section 9.1.** Any disputes arising between the parties with respect to section 9.1 (*Default*), including as to whether there has been a Material Breach or whether a Material Breach is capable of being cured within the Cure Period, may be submitted by either Party for dispute resolution pursuant to ARTICLE 15 (*Dispute Resolution*) and the arbitrator shall have the authority to determine the issue.

9.3 **Effect of Default.** Subject to section 9.2, 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 this 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 ARTICLE 10 shall apply.

ARTICLE 10 - EFFECT OF EXPIRY OR TERMINATION.

10.1 **Removal of FEI Facilities.** Upon the expiry or early termination of this Agreement and unless otherwise agreed by the Parties, FEI will, within 90 days following the expiry date or termination date, as the case may be, remove the FEI Facilities from the Lands and repair any damage to the Lands arising from such removal; provided that FEI will be obligated to remove only those portions of the FEI Facilities located above surface level and may leave any un-removed portions in a safe manner in accordance with FEI standard practice and subject to any reasonable conditions the Owner may specify. Any portion of the FEI Facilities not removed by FEI will become the property of the Owner at no cost to the Owner.

10.2 **Termination Payment.** If:

- (a) FEI terminates this Agreement pursuant to 9.3(c) (*Effect of Default*) as a result of default of the Owner; or
- (b) the Owner terminates this Agreement pursuant to section 2.3 (*Early Termination*);

in addition to any other amounts due and owing by the Owner to FEI, the Owner shall pay to FEI, within thirty (30) days of invoicing, the following amounts (plus applicable taxes thereon):

- (i) FEI's net costs associated with removing the FEI Facilities, plus
- (ii) the unrecovered net book value of the FEI Facilities calculated based on the actual capital costs included in the determination of the Monthly Facilities Fee, and adjusted for the positive or negative salvage value of the FEI Facilities.

ARTICLE 11 - INSURANCE REQUIREMENTS

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

- (a) General Commercial Liability Insurance 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
- (b) 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 changed in any way without the insurer giving at least 10 calendar days' written notice to the other Party.

ARTICLE 12 - ENVIRONMENTAL PROVISIONS

12.1 **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.

- 12.2 **Owner Release and Indemnity.** Despite any other provision of this Agreement, the Owner acknowledges and agrees that FEI 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 FEI 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) arising from or in connection with:

- (a) any release or alleged release of any Contaminants at or from the Lands;
- (b) the presence of any Contaminants on or off the Lands before or after the Execution Date;

except with respect to any Contaminants brought onto the Lands by FEI or any Contaminants released from the Lands as a result of any negligent act or omission of FEI.

- 12.3 **FEI Release and Indemnity.** Despite any other provision of this Agreement, FEI shall release and indemnify the Owner 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) arising from or in connection with to any Contaminants brought onto the Lands by FEI or any Contaminants released from the Lands as a result of any negligent act or omission of FEI.

ARTICLE 13 - INDEMNIFICATION AND LIMITATION OF LIABILITY.

- 13.1 **Indemnification.** Each Party hereby indemnifies and holds 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 negligence or wilful misconduct 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.

- 13.2 **Limitation of Liability.** Each Party's liability to the other Party under this ARTICLE 13 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.

- 13.3 **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.

ARTICLE 14 - FORCE MAJEURE

- 14.1 **Effect of Force Majeure.** Neither 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 supply, temporary or otherwise; provided however, the lack of funds or other financial cause shall not be an event of Force Majeure.
- 14.2 **Notice of Force Majeure.** 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.

ARTICLE 15 - DISPUTE RESOLUTION

- 15.1 **Dispute Resolution.** The Parties will make a *bona fide* attempt to settle any dispute which may arise under, out of, in connection with or in relation to this Agreement by amicable negotiations between their respective senior representatives and will provide frank and timely disclosure to one another of all relevant facts and information to facilitate negotiations. If the Parties are unable to resolve the dispute within fifteen (15) days, or if the Parties agree to waive such discussions in respect of a particular issue, either Party may refer the dispute to a single arbitrator who is appointed and renders a decision in accordance with the then current "Domestic Commercial Arbitration Shorter Rules of Procedure" or similar rules of the British Columbia International Commercial Arbitration Centre ("**BCICAC**"). The decision of the arbitrator shall be final and binding. The costs and expenses of the arbitration, but not those incurred by the Parties, shall be shared equally, unless the arbitrator determines that a specific Party prevailed, and in such a case the non-prevailing Party shall pay all costs and expenses of the arbitration, but not those of the prevailing Party. The arbitration will take place in Vancouver, British Columbia and be conducted in English.
- 15.2 **Performance of Obligations.** The Parties shall continue to fulfill their respective obligations pursuant to this Agreement during the resolution of any dispute in accordance with this section.

15.3 **Litigation.** Nothing contained in this Article precludes either Party from:

- (a) having a dispute determined by the BCUC if the dispute is within the jurisdiction of the BCUC; and
- (b) having a dispute that has not been referred to arbitration be determined by a court of competent jurisdiction in the Province of British Columbia.

ARTICLE 16 - CONFIDENTIALITY

16.1 **Confidentiality.** All information or documentation (no matter in what form or media) 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 Receiving Party discloses such Confidential Information:

- (a) to its directors, officers, employees, agents, accountants, lawyers, consultants or financial advisers or those of its affiliates; or
- (b) to a third party that is another contractor or consultant retained by the Disclosing Party for the purposes of this MOU and the activities described herein;

who need to know such information for the proper performance of the Parties' respective obligations contemplated herein, provided that the Receiving Party advises such persons of the confidential nature of the Information and has legally bound such persons not to directly or indirectly disclose the Information to any third party without the prior written consent of the Disclosing Party.

16.2 **Exception for Regulatory Submission.** Despite the foregoing, the Receiving Party may use the Information in connection with the preparation for and conduct of submissions to regulatory agencies, subject to requesting that the regulatory agency treat the Information as confidential in accordance with the agency's rules of procedure for confidential filings.

16.3 **Exclusions** The obligation of confidentiality set out above shall not apply to material, data or information which: (1) is known to the Receiving Party prior to its receipt thereof; (2) is generally available to the public; (3) has been obtained from a third party which has the right to disclose the same; and (4) is required by law, including pursuant to the *Freedom of Information and Protection of Privacy Act*, provided that where disclosure is required by law, the Receiving Party will, unless prohibited by law, forthwith notify the Disclosing Party to enable the Disclosing Party to mount a defense to such disclosure.

ARTICLE 17 – GENERAL

17.1 **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.

- 17.2 **Publicity.** Neither Party shall initiate any media releases, interviews, or presentations to the media regarding the terms of this Agreement without the agreement and approval of the other Party, not to be unreasonably withheld or delayed.
- 17.3 **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.
- 17.4 **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.
- 17.5 **Notice.** Any invoices, payments, 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 and deemed to have been received the next business day following delivery or facsimile transmittal:

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

Attn: Director, Energy Solutions
Fax: 604-592-7670

With a copy to:
renewablenaturalgas@fortisBC.com

If to: **City of Surrey**
13450 - 104 Avenue, Surrey,
British Columbia, V3T 1V8

Attention: Manager, Engineering
Operations
Fax: 604-591-4357

- 17.6 **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.
- 17.7 **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, and accepted by the BCUC if required pursuant to the *Utilities Commission Act*.
- 17.8 **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.
- 17.9 **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, either Party may assign this Agreement, or parts thereof, to any of its affiliates.
- 17.10 **Enurement.** This Agreement enures to the benefit of and is binding on the Parties and their respective successors and permitted assigns.

- 17.11 **Survival.** The following provisions shall survive the termination or expiration of this Agreement: Section 5.7 [*Indemnity*], ARTICLE 12 [*Environmental Provisions*], ARTICLE 13 [*Indemnification and Limitation of Liability*], ARTICLE 15 [*Dispute Resolution*], ARTICLE 16 [*Confidentiality*], Section 17.4 [*Governing Law*] and Section 17.5 [*Notice*].
- 17.12 **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.
- 17.13 **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.
- 17.14 **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.
- 17.15 **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, including the confidentiality provisions of the MOU but only to the extent of Confidential Information disclosed by the Parties commencing as at the Execution Date. 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.
- 17.16 **Time is of the essence.** Time is of the essence of this Agreement.
- 17.17 **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.
- 17.18 **Interpretation.** In and for the purpose of this Agreement:
- (a) this “**Agreement**” means this agreement as the same may from time to time be modified, supplemented or amended in effect,
 - (b) the headings are for convenience only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement, and

- (c) the singular of any term includes the plural, and vice versa, the use of any term is generally applicable to any gender and, where applicable, a corporation, the word “or” is not exclusive and the word “including” is not limiting (whether or not non-limiting language (such as “without limitation” or “but not limited to” or words of similar import) is used with reference thereto).

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(ies):

CITY OF SURREY

by its authorized signatory(ies):

Schedules attached:

Schedule A – Specifications

Schedule B – Drawing of License Area

Schedule C – Description Facilities and Milestones

Schedule D – Commercial Terms

SCHEDULE D COMMERCIAL TERMS

1. VOLUMETRIC LIMITS

1.1 The following quantity limitations, as established as a result of the system and capacity limitations of the Owner Facilities and the limitations and thresholds established by the BCUC and applicable to FEI with respect to acceptance and injection of Biomethane into its natural gas distribution system, as measured by equipment forming part of the FEI Facilities (the “**Volumetric Limits**”) apply to this Agreement:

- (a) **Maximum Yearly Quantity**- 160,000 GJ per November 1st to October 31st time period (~~“Contract Year”~~) (prorated in the first and last year of the Term) (~~“Contract Year”~~);
- (b) **Maximum Hourly Flow Rate**
 - (i) For the months of June, July and August, between the hours of 8:00 PM and 4:00 AM, 15 GJ per hour, otherwise 25 GJ per hour;
 - (ii) At all other times, 30 GJ per hour.

2. PURCHASE RATES AND ADJUSTMENTS

~~2.1. **Rates Payable by FEI.** Subject to section 2.2, FEI shall pay the Owner for the quantity of Biomethane accepted by FEI at the following rates, plus applicable taxes thereon:~~

- ~~(a) **Recovery Rate**—the Recovery Rate shall apply to each GJ of Biomethane accepted by FEI up to the total amount of biomethane purchased from FEI by the Owner or any Designated Customer in accordance with ARTICLE 7 of the body of the Agreement (the “**Re Purchased Biomethane**”), where “**Recovery Rate**” means the Biomethane Energy Recovery Charge (“**BERC**”) rate determined by FEI on a quarterly basis as approved by the BCUC or in the event the BERC rate is no longer applicable, such alternative rate as established by FEI to replace the BERC rate and approved by the BCUC; and~~
- ~~(b) **Net Sale Rate**—the Net Sale Rate shall apply to each GJ of Biomethane accepted by FEI in excess of the amount of Re Purchased Biomethane, where “**Net Sale Rate**” means~~
~~commencing on November 1st following the first full year after the In Service Date, provided that no adjustment will be made which results in the Net Sale Rate exceeding the then current BCUC approved maximum rate for FEI’s delivered biomethane.~~

~~2.2. **Payment Process and Annual Reconciliation.**~~

- ~~(a) During the Contract Year, FEI will pay to the Owner the Recovery Rate for each GJ of Biomethane accepted by FEI.~~
- ~~(b) By March 30th of each year, FEI will calculate the difference between the total amount of Biomethane purchased by FEI from the Owner in the preceding Contract Year (the “**Total Purchased Biomethane**”) and the Re Purchased Biomethane (such difference~~

being the "**Net Sale**"). If the Re-Purchased Biomethane is less than the Total Purchased Biomethane, then the applicable of the following adjustments will be made:

- (i) ~~if the Recovery Rate minus the Net Sale Rate (the "**Buy/Sell Difference**") is greater than zero, the Owner shall, within 30 days of invoice by FEI, pay to FEI an amount calculated as the Net Sale multiplied by the Buy/Sell Difference. FEI shall be entitled to set off any such amount against any amounts due and owing by FEI pursuant to this Agreement;~~
- (ii) ~~If the Buy/Sell Difference is less than zero, FEI shall pay to the Owner an amount calculated as the Net Sale multiplied by the absolute value of the Buy/Sell Difference.~~

2.1. **Rates Payable by FEI.** Subject to section 2.2, during each Contract Year, FEI shall pay the Owner for the quantity of Biomethane accepted by FEI (the "**FEI Purchased Biomethane**") at the Net Sale Rate, [REDACTED] commencing on November 1st following the first full year after the In-Service Date, provided that no adjustment will be made which results in the Net-Sale Rate exceeding the then current BCUC-approved maximum rate for FEI's delivered biomethane.

2.2. **Annual Payment Adjustment.**

(a) By December 31st of each year, in order to equalize the rate paid by FEI for Purchased Biomethane and the rate paid by the Owner and its Designated Customers for the quantity of Biomethane purchased from FEI in accordance with ARTICLE 7 of the body of the Agreement (the "**Repurchased Biomethane**") for the immediately preceding Contract Year:

- (i) FEI will calculate the average rate paid for the Repurchased Biomethane (the "**Annualized Repurchase Rate**" or "**ARR**") during the Contract Year in the following manner:

$$\text{Annualized Repurchase Rate} = \frac{\text{[Amount Paid]}}{\text{[Owner Use Amount (in GJ)]}}$$

Where:

"Amount Paid" means the aggregate amount paid by the Owner and its Designated Customers for Repurchased Biomethane during the Contract Year;

"Owner Use Amount" means the aggregate amount of Re-Purchased Biomethane purchased during the Contract Year.

- (ii) Upon determination of the ARR, for that Contract Year, FEI will calculate any payment owing and identify the payment recipient in the following manner:

1. If Owner Use Amount ("**U**") is **greater than** the amount of FEI Purchased Biomethane ("**P**") during the Contract Year, then FEI will use the following calculation:

$$[P] \times [ARR - NSR]$$

2. If Owner Use Amount ("U") is **less than** the amount of FEI Purchased Biomethane ("P") during the Contract Year, then FEI will use the following calculation:

$$[U] \times [ARR - NSR]$$

3. Where the result of the applicable calculation in subsection 1 or 2 is a **positive number**, FEI will pay the resulting amount to the Owner. Where the result of the applicable calculation in subsection 1 or 2 is a **negative number**, the Owner will pay the resulting amount (as an absolute value) to FEI.

~~(c)~~(b) Payments will be made within thirty (30) day of date of statement from FEI; provided however, in order to effect the payment adjustment, FEI may, at its option, reflect the applicable payment as a debit or credit, as the case may be, against the next monthly payment due from FEI to the Owner pursuant to section 6.3 of the body of the Agreement.

2.3. Annual Designation of Designated Customers and Nominated Quantity

- (a) For planning purposes by October 30th of each year, the Owner shall notify FEI in writing of:
- (i) the Designated Customers and sites of the Owner that will purchase biomethane from FEI in accordance with ARTICLE 7 of the body of the Agreement, for the next Contract Year; and
 - (ii) the quantity of biomethane the Owner intends to purchase from FEI, either directly or through its Designated Customers, for the next Contract Year (the "**Nominated Quantity**") provided that where the Owner fails to provide notice of the Nominated Quantity by October 30th, the Nominated Quantity for the next Contract Year shall be the Nominated Quantity for the preceding Contract Year.
- (b) At the request and to the reasonable satisfaction of FEI, the Owner shall provide information demonstrating that the persons designated pursuant to section 2.3(a)(i) meet the criteria specified in section 7.2 of the body of the Agreement. If FEI has a concern about a person designated pursuant to section 2.3(a)(i), FEI will promptly notify the Owner and any dispute will be resolved in accordance with ARTICLE 15 of the body of the Agreement.
- (c) The Owner shall by June 30th of each year advise FEI of any changes to the Nominated Quantity applicable for that Contract Year.

3. MONTHLY FACILITIES FEE

- 3.1. The Parties agree that the Monthly Facilities Fee payable to FEI by the Owner shall be calculated based on a 25 year levelized cost of service based on the following FEI costs and subject to BCUC approval:

COST COMPONENT	DESCRIPTION AND PURPOSE	AGREED AMOUNT	ESTIMATED AMOUNT (Will be based on actuals)
Initial capital costs	Actual costs of FEI's Facilities		\$650,000 - \$829,000
Project Development Costs	Actual costs for project development (including internal and external costs) but excluding any historical program costs		\$75,000 - \$150,000
Average cost of capital	Most recent BCUC-approved after tax weighted average cost of capital for FEI	Fixed at 6.14%	
Operations and maintenance costs	Annual costs for the operation and maintenance of FEI's Facilities	\$11,000 per year, escalated annually by CPI	
Gas Supply Administration	Annual costs of contract administration	\$5,760 per year, fixed with no annual escalation	
Heritage Fees	A contribution to: (i) historical costs of FEI's original biomethane application; (ii) ongoing RNG program administration for re-purchased gas; and (iii) a rate contribution	\$14,653 per year, fixed with no annual escalation	

Based upon the agreed and estimated amounts above, the levelized Monthly Facilities Fee is projected to be \$10,460 to \$14,030.

Attachment 4.1b

REFER TO LIVE SPREADSHEET MODEL

Provided in electronic format only

(accessible by opening the Attachments Tab in Adobe)