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June 30, 2016

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

Attention: Ms. Laurel Ross, Acting Commission Secretary and Director

Dear Ms. Ross:

Re: FortisBC Energy Inc. (FEI)

**British Columbia Utilities Commission (the Commission) Order No. G-65-15
Compliance Filing – All-Inclusive Code of Conduct and Transfer Pricing Policy**

Pursuant to Order G-65-15, FEI hereby submits its draft All-Inclusive Code of Conduct and Transfer Pricing Policy for Commission approval.

If further information is required, please contact James Wong at (604) 592-7871.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): FEI All-Inclusive CoC/TPP May 26 Workshop participants



FORTISBC ENERGY INC.

Code of Conduct and Transfer Pricing Policy

Order G-65-15 Compliance Filing

June 30, 2016

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1. INTRODUCTION

FortisBC Energy Inc. (FEI or the Company) files this Application in compliance with British Columbia Utilities Commission (the Commission) Order G-65-15, which approved a Code of Conduct and Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment. Order G-65-15 directed FEI to file for approval, no later than April 27, 2016, a draft all-inclusive Code of Conduct and Transfer Pricing Policy covering the interactions between FEI and its affiliated natural monopoly utilities, FEI and its affiliated non-regulated businesses, and FEI and its affiliated regulated businesses operating in a non-natural monopoly environment (the All-Inclusive CoC/TPP). Order G-52-16 subsequently approved the extension of the timeline to file the All-Inclusive CoC/TPP from April 27, 2016 to June 30, 2016. FEI submits that this Application proposes an appropriate All-Inclusive CoC/TPP, and it should be approved as filed.

The need for an All-Inclusive CoC/TPP was decided in Order G-143-14 where the Commission stated that “ultimately there should be only one integrated document” for the FEI All-Inclusive CoC/TPP, “making it easier to compare practices between entities of different natures”. A single combined document would also, in the Commission’s assessment, “make it easier to keep track of any changes occurring over time and ensure consistency”¹. FEI highlights that an outcome of the current process to develop an FEI All-Inclusive CoC/TPP as a single integrated document should not be to limit the sharing of resources between regulated utilities that have been accepted by the Commission and beneficial for FortisBC’s customers. FEI has a long and successful history sharing resources with affiliate utilities. The sharing arrangements have been transparent with the shared services agreements included in regulatory proceedings for Commission review and approval.

For this Application, FEI has adopted the following naming conventions.

- Affiliated Non-Regulated Business – Affiliate NRB or ANRB
- Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment – Affiliate Regulated Business (ARB)²
- Affiliated Natural Monopoly Utility – Affiliate Utility (AU)

Order G-65-15, which approved the CoC/TPP for Affiliate Regulated Businesses, resulted from FEI’s filing in accordance with Order G-31-15. Order G-31-15 and the accompanying decision (the ARB Decision) set out the Commission’s direction with respect to the All-Inclusive CoC/TPP on pages 51 to 52, where it stated:

“... the Panel determined that in the interest of ensuring that a CoC and TPP governing interactions between FEI and FAES is in place without undue delay, the scope of the

¹ Appendix A to Order G-143-14, p. 3.

² Previously referred to as ARBNM.

current review would be limited to the COC and TPP for affiliated regulated businesses operating in a non-natural monopoly environment (Phase 1).

However, it also determined that ultimately there should be only one integrated document, which would makes it easier to compare practices between entities of different natures; to keep track of any changes occurring over time; and to ensure consistency. Accordingly, the Panel recommended that the long-term objective for FEI should be the production of one integrated COC and TPP document (Phase 2)...

This all-inclusive draft COC and TPP should be modeled on the approved COC and TPP for ARBNNMs. The panel notes that the scope section of the draft COC for ARBNNMs states that it is intended to be consistent with the principles of the RMDM Guidelines, the AES Inquiry Report, and Commission decisions related to specific ARBNNMs (the "Guidelines" as defined in the draft COC).

The Panel expects that the all-inclusive COC and TPP will also be consistent with the RMDM and AES Guidelines, but acknowledges that some higher level principles will readily apply to a variety of affiliated transactions whereas more specific principles may only be applicable to one or two types of affiliate transactions. When FEI files the draft all-inclusive COC, it is directed to clearly identify the rationale for any variances from the approved COC and TPP for ARBNNMs or from the Guidelines." [Emphasis added.]

FEI's draft All-Inclusive CoC/TPP is included as Attachments 1 (CoC) and 2 (TPP). As directed, these documents have been modelled on the approved CoC/TPP for ARB in terms of format, content and scope. FEI has considered the relevant Retail Markets Downstream of the Meter Guidelines and Alternative Energy Services Inquiry Report, the ARB Decision, and its existing policies with respect to Affiliate NRBS. These policies are generally consistent with the approved CoC/TPP for ARB, and do not necessitate material changes. FEI's proposed All-Inclusive CoC/TPP complies with the Commission's direction and provides an appropriate basis for FEI's activities going forward.

The relevant regulatory history, which includes sections of the Retail Markets Downstream of the Meter Guidelines and Alternative Energy Services Inquiry Report, is provided in the sections following, followed by an overview of the FEI's affiliated businesses and activities, and then the approach to and summary of FEI/s All-Inclusive CoC/TPP.

2. REGULATORY HISTORY

2.1 RETAIL MARKETS DOWNSTREAM OF THE METER (RMDM)

The Retail Markets Downstream of the Utility Meter (RMDM) Guidelines dated April 1997 addressed affiliate transactions between regulated utilities and their non-regulated businesses. Following are relevant excerpts from the RMDM Guidelines which provide guidance for FEI to

consider in its All-Inclusive CoC/TPP. Many of these principles and guidelines have been incorporated in the existing CoC/TPP for ARB and the existing CoC/TPP for ANRB which form the basis for FEI's proposed All-Inclusive CoC/TPP.

Below, FEI provides excerpts from the RMDM Guidelines that summarize the content of the guidelines.

Regarding the Commission's objectives:³

"There must be no subsidy of unregulated business activities, whether undertaken by the utility or its NRB, by utility ratepayers.

The risks associated with participation in the unregulated market must be borne entirely by the unregulated business activity, that is the risks must have no impact on utility ratepayers.

The most economically efficient allocation of goods and resources for ratepayers should be sought."

Regarding the Commission's conclusion vis-a-vis a utility's transfer pricing policy:⁴

"Accordingly, the Commission concludes that a utility's transfer pricing policy should ensure the following:

- i. The operating costs of non-regulated activities are not reflected in the utility's cost of service.*
- ii. The costs of developing new business ventures are charged to and recovered from the NRB.*
- iii. The accounting costs are transparent and will normally fully recover for all services, including overhead, space, employee benefits, inconvenience, and a profit margin where appropriate. If the service provided by the utility to the related-NRB could also be obtained from an independent supplier, the price paid by the related-NRB to the utility should be no less than the competitive market price and will never be below the incremental cost.*
- iv. The financial costs of each business are borne by the business. In the exceptional case where the utility provides guarantees, it must be given financial compensation.*
- v. Utilities will be required to file period reports which demonstrate that they are adhering to the transfer pricing policy. The form and timing of the report will be determined by the Commission."*

Regarding the Commission's conclusion vis-a-vis a utility's Code of Conduct:⁵

"Based on all the submissions provided, the Commission determined that the code of conduct principles contained in the staff position paper should be modified as follows:

³ RMDM Guidelines, Figure 6, page 23.

⁴ RMDM Guidelines, page 25.

⁵ RMDM Guidelines, pages 26 and 27.

- i. *The regulated company will not provide to the NRB any market-sensitive or confidential information that would inhibit a competitive energy services market from functioning. If customers agree to a release of customer information to the NRB, it should be provided to other market participants under the same terms and conditions and for the same price. Should an individual customer make a specific request to have information released to a particular third party, it will be released to that party only. The utility will be able to recover from the customer the costs associated with the provision of this information.*
- ii. *No regulated company personnel will state or imply that favoured treatment will be available to customers of the company as a result of using any service of an NRB. In addition, no regulated company personnel will condone or acquiesce in any other person stating or implying that favoured treatment will be available to customers of the company as a result of using any service of an NRB.*
- iii. *No regulated company personnel will preferentially direct customers seeking competitively offered services to an NRB. If a customer, or potential customer, requests from the regulated company information about products or services offered by an NRB or its competitors in downstream markets, the regulated company may provide such information, including a directory of retailers of the product or service, but shall not promote any specific retailer in preference to any other retailer.*
- iv. *The regulated company will formally advise all employees of expected conduct related to these principles and it will undertake to perform periodic audits of the relationships to ensure compliance with these principles. These audits will be performed no less than once a calendar year and filed with the Commission.*
- v. *Complaints by non-affiliated parties about the application of these principles, or any alleged breach thereof, will be brought to the immediate attention of the senior management of the regulated company and subsequently a report of the complaints, and action taken, will be filed with the Commission. The report will be filed with the Commission within one month of the complaint being made.*
- vi. *The financing of the utility and NRB will be accounted for entirely separately with the financing costs reflecting the risk profile of each entry. No cross-guarantees or any form of financial assistance whatsoever should be provided directly or indirectly by a utility to its NRB without approval of the Commission.*
- vii. *Use of the utility name by a related-NRB will require approval by the Commission to ensure that its use will not interfere with the Commission's ability to protect ratepayers."*

2.2 ALTERNATIVE ENERGY SERVICES (AES) INQUIRY

The Alternative Energy Services (AES) Inquiry Report dated December 27, 2012 extended the discussion regarding transactions between regulated utilities and Affiliated NRBs to transactions relating to different types of activities between specific types of affiliated utilities. Section 2 of the AES Inquiry Report sets out a framework of key principles and guidelines to determine an appropriate regulatory scheme for AES and New Initiatives, where New Initiatives are defined as biomethane, natural gas for transportation and thermal energy. Section 3 of the AES Inquiry

Report discusses the application of the principles and guidelines to the AES and New Initiatives. As the key issues about activities between FEI and affiliated regulated businesses were explored extensively in the AES Inquiry and led to the development of the existing CoC/TPP for ARBs, they need not be revisited here except to the extent they provide guidance for the activities between FEI and AUs and NRBs.

FEI's interpretation of the principles and guidelines listed in the AES Inquiry Report is that they apply primarily in reference to Affiliated Regulated Businesses which have a competitive aspect (i.e., ARBs such as FortisBC Alternative Energy Services (FAES) that compete for the right to construct thermal energy solutions projects). This is not necessarily the same situation as that for AUs which are regulated businesses that are natural monopolies and are not faced with the same competitive challenge as ARBs.

Below, FEI provides excerpts from the AES Inquiry Report which provide guidance for FEI to consider in its All-Inclusive CoC/TPP.

Regarding the applicability of the three RMDM objectives for non-regulated businesses:⁶

“Key Principle

i. The Commission Panel reaffirms the following RMDM objectives:

- *“There must be no subsidy of unregulated business activities, whether undertaken by the utility or its [non-regulated business], by utility ratepayers.”*
- *“The risks associated with the participation in the unregulated market must be borne entirely by the unregulated business activity, that is the risks must have no impact on utility ratepayers.”*
- *“The most economically efficient allocation of goods and resources for ratepayers should be sought.” (RMDM Guidelines, p. 23)”*

Regarding the sharing of utility resources for non-regulated business activities:⁷

“Where activities undertaken as a related non-regulated business to involve sharing of resources, the following Guidelines apply:

- *An approved Code of Conduct and Transfer Pricing Policy must be in effect and require:*
 - *minimal sharing of resources between regulated and non-regulated affiliates; and*
 - *use of the full cost to provide the service or market pricing, whichever is higher.*
- *All costs and services provided between a Regulated and a Non-Regulated Affiliated Business are to be fully disclosed to the Commission.*

⁶ AES Inquiry Report, page 21.

⁷ AES Inquiry Report, page 21.

- *To the extent that information is shared by a Regulated Business with a Non-regulated Business, it must also be shared with any interested non-related business.”*

Regarding the guideline for sharing of resources between two AUs:⁸

“Common corporate and management resources may be shared between two Affiliated Regulated Businesses that are natural monopolies, such as gas and electric service;”

Regarding cost allocation between regulated utilities.⁹

“For an Affiliated Regulated Business, the specific guidelines set out below should be followed:

- *Any sharing of costs and services between Affiliated Regulated Business must be done on the basis of the higher of market price or the fully allocated cost, in accordance with a Commission approved Transfer Pricing Policy;”*

Regarding principles and guidelines for determining appropriate information sharing:¹⁰

“Key Principles:

- Customer specific information must be treated as required by the Personal Information Protection Act and, in addition, should only be released with the written consent of the customer.*
- Customer information (aggregate or customer specific with written consent) should be made available to all Parties (Affiliated Regulated and Unregulated Businesses, separate classes of service, and competitors) on an equal basis.*
- The control of information should not provide a competitive advantage.*

Guidelines:

Consistent with the key principles, when deciding what information can be shared with: (i) anyone, including competitors; and (ii) a related utility; or (iii) a division of the utility; information sharing should be treated in accordance with the following guidelines:

- *Subject to customer consent:*
 - *Information that is shared by the utility should be provided at a reasonable price reflecting market circumstances and, at a minimum, cover the cost extracting and providing the information. All parties should pay the same price for the same or similar information;*

⁸ AES Inquiry Report, page 25.

⁹ AES Inquiry Report, page 33.

¹⁰ AES Inquiry Report, page 37.

- *Information provided from the traditional natural gas distribution utility to persons within the utility or a related utility dealing with AES or other New Initiatives should be available to all interested parties;*
- *The following Code of Conduct principles from the RMDM report, which were developed for sharing information between regulated and Non-Regulated Businesses, have been adapted to include information sharing among Affiliated Regulated Businesses:*
 - *The regulated utility will not provide to the Non-Regulated Business or Affiliated Regulated Business any market-sensitive or confidential information that would inhibit a competitive energy services market from functioning;*
 - *No regulated utility personnel will state or imply that favoured treatment will be available to customers of the company as a result of using any service of the Non-Regulated Business or Affiliated Regulated Businesses;*
 - *No regulated company personnel will preferentially direct customers seeking competitively offered services to a Non-Regulated Business or Affiliated Regulated Business.”*

2.3 AMALGAMATION OF EXISTING CoC/TPP FOR AFFILIATES

FEI has existing CoC/TPPs in place to guide its interactions with its Affiliates. In developing the All-Inclusive CoC/TPP, FEI's approach is to combine the existing CoC/TPPs into one integrated CoC/TPP, modelling it on the approved CoC/TPP for ARBs. Following is a brief of discussion of each of the existing CoC/TPPs.

Affiliate Regulated Businesses

The existing FEI CoC/TPP for ARBs was approved by the Commission in April 2015. The approved CoC/TPP for ARBs resulted from the ARB Decision and incorporated the principles and guidelines from the AES Inquiry Report. In developing the proposed All-Inclusive CoC/TPP, FEI has closely modelled it on the existing CoC/TPP for ARBs, modifying the provisions and language as required to cover the AU and ANRB situations, but ensuring consistency with the form recently approved by the Commission.

Refer to Appendix C1 for a copy of the existing CoC/TPP for ARB.

Affiliate Non-Regulated Businesses

Since the development of the existing FEI CoC/TPP for NRBs in 1997 based on the RMDM Guidelines, FEI has used the existing CoC/TPP for ANRBs to govern and provide protection to FEI ratepayers in the sharing of FEI's resources with affiliated non-regulated entities. In developing the proposed All-Inclusive CoC/TPP, FEI has reviewed the existing CoC/TPP for

ARNBs, recognizing many of the key sections and issues have already been considered by the Commission in the approved CoC/TPP for ARBs.

Refer to Appendix C2 for a copy of existing CoC/TPP for ANRB.

Affiliate Utilities

Historically, FEI has not had a CoC/TPP to govern its interactions with its affiliate utilities including FortisBC Huntingdon Inc. (FBCH) and FortisBC Inc. (FBC). Services provided to FBCH have been limited in nature and have been for resources to operate FBCH's interconnecting pipelines. For FBC, since 2010, FEI and FBC have been sharing common resources under a shared services agreement. This arrangement was discussed in FEI's 2012-2013 RRA Application and also in its 2014 to 2018 Multi-Year PBR Application. For further details of these entities, refer to following section.

The All-Inclusive CoC/TPP has now been updated to include provisions and language to govern interactions with AUs.

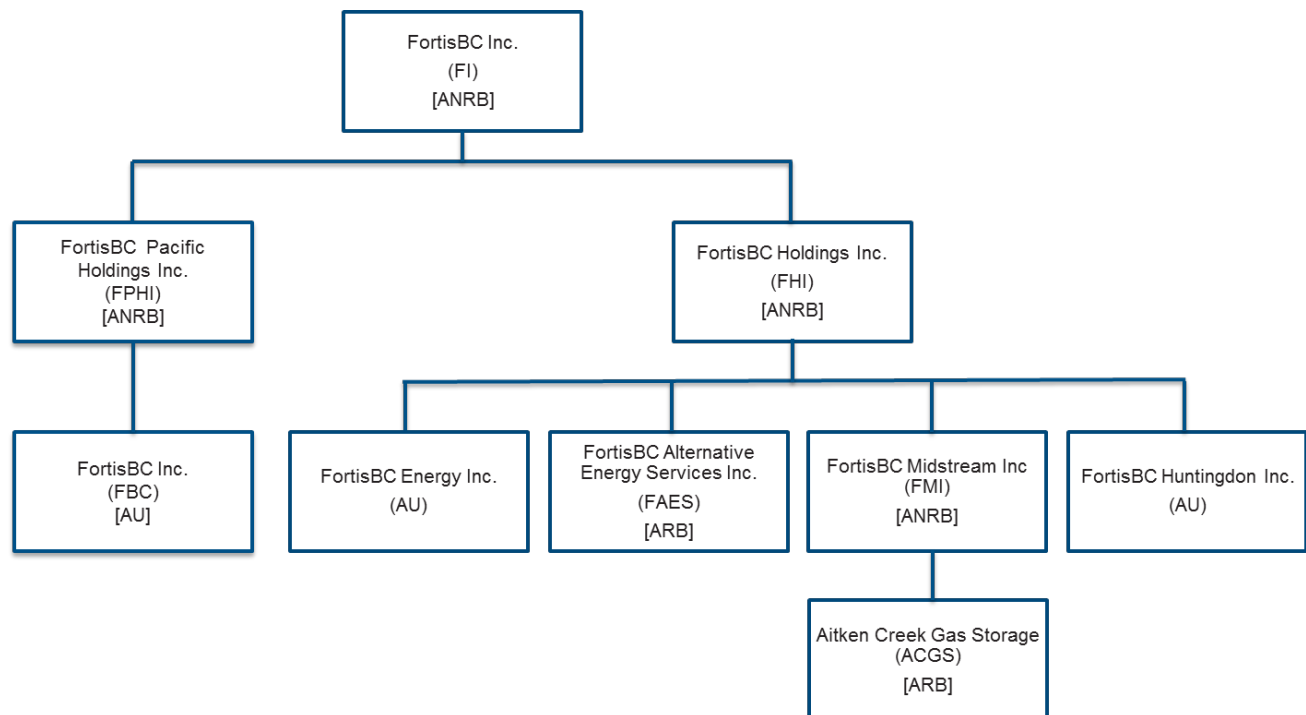
3. CURRENT AFFILIATE STRUCTURE AND AGREEMENTS

3.1 *CURRENT ORGANIZATIONAL STRUCTURE AND AFFILIATE ACTIVITIES*

Figure 1 below shows the current organizational structure of the FortisBC entities and the ultimate parent company Fortis Inc. (FI). Reporting on the transactions between FEI and its Affiliates is prepared annually and included in the FEI Annual Report to the Commission.¹¹

¹¹ Appendix D1.

Figure 1: FortisBC Organization Structure and FEI Affiliates¹²



Following are descriptions of the Affiliates and type of services shared in 2015 between FEI and its Affiliates.

Aitken Creek Gas Storage ULC (ACGS)

ACGS owns an interest in the underground reservoir and contained natural gas, wells, on-site equipment and other components of the natural gas storage facility at Aitken Creek.

ACGS is a public utility subject to an exemption and light-handed regulation by the Commission, due to the fact that it operates in a competitive environment for storage. For the purpose of this Code of Conduct, ACGS is classified as an ARB.

In 2015, no sharing of services occurred between FEI and ACGS. ACGS is filing a Code of Conduct and Transfer Pricing concurrently with this Application.

FortisBC Alternative Energy Services Inc. (FAES)

FAES is a wholly owned subsidiary of FortisBC Holdings Inc. that provides alternative energy solutions, including thermal-energy and geo-exchange systems. The company specializes in designing, owning, operating and maintaining regulated utility thermal assets to help its clients address deferred maintenance, reduce greenhouse gas emissions, support sustainability objectives and improve the performance of thermal energy systems in buildings. For the

¹² AU – Affiliated Natural Monopoly; ARB – Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment; ANRB – Affiliated Non-Regulated Business.

purpose of this Code of Conduct, FAES is classified as an ARB. This is consistent with how it was treated during the previous CoC/TPP proceeding.

In 2015, services provided by FEI to FAES include facilities and IT support and other back office supporting functions such as accounting. The services provided are governed by a Continuing Services Contract as set out in FEI's Transfer Pricing Policy Appendix A.

FortisBC Huntingdon Inc. (FBCH)

FBCH is a wholly owned subsidiary of FortisBC Holdings Inc. The Corporation owns two interconnecting pipelines near Abbotsford, British Columbia which are used in the transmission of natural gas to and from the United States. The Corporation is regulated by the National Energy Board, an independent regulatory authority. For the purpose of this Code of Conduct, FBCH is classified as an AU.

In 2015, FEI provided services to FBCH to operate and maintain Huntingdon's two interconnecting pipelines which are National Energy Board (NEB) regulated. The services provided are governed by a Continuing Services Contract as set out in FEI's Transfer Pricing Policy Appendix A.

FortisBC Inc. (FBC)

FBC is a wholly owned subsidiary of FortisBC Pacific Holdings Inc, which is an indirect wholly owned subsidiary of Fortis Inc., a Canadian public company. FortisBC Inc. is an integrated regulated electric utility operating in the southern interior of British Columbia, serving approximately 167,600 customers directly and indirectly. For the purpose of this Code of Conduct, FBC is classified as an AU.

In 2015, services provided by FEI to FBC include rental of the Springfield Road Office facility and labour and travel expenses for staff from various departments. The services provided are governed by a Shared Services Agreement that was filed with the Commission as Appendix L-3 in FEI's 2012-2013 RRA.

FortisBC Holdings Inc. (FHI)

FHI, a Canadian corporation headquartered in Vancouver, British Columbia, is the parent company of FEI, FAES and FortisBC Midstream Inc and FBCH. A wholly-owned subsidiary of Fortis Inc., FortisBC Holdings Inc., is a holding company. Its subsidiaries are the operating companies. For the purpose of this Code of Conduct, FHI is classified as an ANRB.

In 2015, services provided by FEI to FHI include corporate support functions such as Payroll, Finance, Human Resources, IT and Facilities. The services provided are governed by a Continuing Services Contract as set out in FEI's Transfer Pricing Policy Appendix A. Additionally, under the Corporate Services Agreement filed with the Commission as Appendix L-2 in FEI's 2012-2013 RRA, FHI provided various corporate services (i.e., Treasury, Taxation, Legal, etc.) to FEI.

1 **FortisBC Midstream Inc. (FMI)**

2 FMI is a holding company and the parent company of ACGS. For the purpose of this Code of
3 Conduct, FMI is classified as an ANRB.

4 In 2015, FEI provided services to FMI to assist in the acquisition of ACGS. The costs for the
5 services have been recorded in the 2016 calendar year upon closing of the ACGS transaction.

6 **FortisBC Pacific Holdings Inc. (FPHI)**

7 FPHI is a holding company and the parent company of FBC. For the purpose of this Code of
8 Conduct, FPHI is classified as an ANRB. For the purpose of this Code of Conduct, FPHI is
9 classified as an ANRB.

10 In 2015, no services were provided from FEI to FPHI.

11 **Fortis Inc. (FI)**

12 FI is a holding company and the parent company of FHI and FPHI. FI is a diversified,
13 international holding corporation having investments in distribution, transmission and generation
14 assets and utilities. For the purpose of this Code of Conduct, FHI is classified as an ANRB.

15 In 2015, no services were provided from FEI to FI.

16 **3.2 FEI SHARED SERVICES AGREEMENTS**

17 FEI currently shares resources with affiliates under sharing agreements which outline the scope
18 of the services being provided and the fees for the services provided. Following is a discussion
19 of the different shared services agreements used by FEI to ensure appropriate oversight and
20 governance for sharing of its resources with Affiliates.

21 **Corporate Services**

22 These services consist of certain specialized functions such as Treasury, Legal, Taxation and
23 Board of Directors that reside in FortisBC Holdings Inc. and Fortis Inc., and are supplied to FEI,
24 providing benefits through economies of scale. The methodology used to allocate the corporate
25 service costs charged to FEI is the Massachusetts formula, most recently approved by the
26 Commission in Order G-138-14¹³.

27 In Order G-143-14¹⁴, the Commission determined that services provided by a non-regulated
28 business, such as FHI corporate services provided to FEI, should be excluded from the FEI
29 CoC/TPP proceedings:

¹³ Order G-138-14 and Decision, page 230.

¹⁴ Order G-143-14 and Decision, page 4.

1 *“The Commission Panel accepts the rationale that costs incurred by a non-regulated*
2 *business on behalf of FEI should be reviewed in a revenue requirement proceeding, and*
3 *therefore those interactions are excluded from the scope of this review.”*

4 See Appendix E1 for a copy of the Corporate Services Agreement.

5 *Mutual Shared Services with FortisBC Inc.*

6 FEI and FBC share common resources including the Executive Management team and other
7 departmental resources, providing benefits to both organizations. Executive Management time
8 is allocated on the basis of the Massachusetts formula as approved by the Commission in Order
9 G-138-14¹⁵. The costs of other departmental resources are allocated between the Gas and
10 Electric businesses using a timesheet allocation approach as set out in FEI's 2012-2013 RRA.

11 In its 2014 to 2018 Multi-Year PBR Application, FEI provided the following discussion which
12 remains applicable today:¹⁶

13 *“Since 2010, the FEU and FortisBC Inc. (FBC) have been sharing common resources*
14 *starting with the sharing of the Executive Management team. More recently, the sharing*
15 *of resources between FEI and FBC has continued as the organizations streamline*
16 *operations and processes.*

17 *In this Application, sharing of resources between FEI and FBC, except for the Executive*
18 *Management team, have continued with the approved cross charge process such that*
19 *the cross charge includes a fully loaded wage including benefits and time away, with no*
20 *overhead or facilities fees assigned. Executive Management time is being allocated on*
21 *the basis of the Massachusetts Formula. As mentioned earlier in Section A3, given the*
22 *evolving nature of integration efforts between the gas and electric businesses, the*
23 *traditional timesheet allocation approach continues to be the appropriate approach to*
24 *allocate the majority of shared costs between the two organizations.”*

25 The initial agreement was established in 2010 and filed with the Commission at that time. See
26 Appendix E2 for a copy of the agreement.

27 *Shared Services with Other FEI entities*

28 Prior to the amalgamation of the gas utilities in 2015 and since the purchase of Vancouver
29 Island and Whistler by FEI in 2004, various department resources were shared between FEI
30 and its sister monopoly utilities, enabling the companies to maintain the benefits of the
31 economies of scale by having a single management and support structure while avoiding
32 duplication of work and allowing customers to benefit from the efficiencies realized. The costs
33 of the FEI departmental resources were allocated based on cost allocation drivers including the

¹⁵ Order G-138-14 and Decision, page 229.

¹⁶ FEI 2014-2018 PBR Application, page 280.

number of employees and customers. With the amalgamation of the entities FEI gas utilities, these shared services agreements are no longer required.

See Appendix E3 and E4 for copies of the agreements.

Continuing Services

Where no other specific and separate sharing agreement exists, the costs for FEI resources shared with Affiliates are allocated following the FEI Transfer Pricing policy. Where agreed to by FEI and an Affiliate, a Continuing Services schedule is prepared for Specific Committed Services agreed to, work that is contracted for and billed regardless of whether or not work is actually performed. Services contracted under the category “As Required” (i.e., work that is not specifically committed to) do not require a similar schedule. See Appendix E5 for a copy of the agreement between FEI and FHI as an example of one of the Continuing Services agreements that exist.

4. ALL-INCLUSIVE CODE OF CONDUCT AND TRANSFER PRICING POLICY

4.1 ABRIDGED PROCESS AND CONSULTATION WORKSHOP WITH STAKEHOLDERS

In Letter L-19-15 dated April 28, 2015 approving the FEI CoC/TPP for ARB documents filed in compliance with the ARB Decision, the Commission stated the following:

“The Commission expects that preparation for the next application will have benefited from the efforts invested by all parties in this newly approved COC and TPP for ARBNNMs and therefore will involve only an abridged collaborative process such as a FEI-led workshop to consult all stakeholders on the format and key issues of the new document in advance of FEI filing its application.”

Acting on the Commission’s direction, a workshop facilitated by FEI was held on May 26, 2016 to consult with stakeholders on the format and the key issues for the draft FEI All-Inclusive CoC/TPP in advance of FEI filing its Application.

Stakeholders provided comments and suggestions to enhance the presentation and the format of the draft FEI All-Inclusive CoC/TPP and related Application. Suggestions included incorporating some discussion of the existing RMDM and NRB guidelines and descriptions and disclosures of all agreements related to shared services and shared corporate services to provide context. FEI has done this with the information included in Sections 2 and 3 of the Application.

Other suggestions included choice of specific wording to use to ensure clarity and providing descriptions of FEI’s affiliates and which CoC/TPP situation (AU, ARB, ANRB) applies to each

of the Affiliates. Participants suggested descriptions of the different FEI Affiliates and which CoC/TPP situation applies (AU, ARB, ANRB) be included in the Application. FEI has drafted the All-Inclusive CoC/TPP with the intent to provide clarity on the provisions included, particularly being clear on what provisions apply to which situation (AU, ARB, ANRB). FEI has provided the descriptions of the different FEI affiliates and which CoC/TPP situation applies in Section 3.1 of this Application. Additionally, FEI has included similar descriptions in Appendix A of the All-Inclusive CoC.

Comments and suggestions were also provided to enhance the applicability and understanding of the proposed CoC/TPP to each of the situations (i.e., regulated natural monopolies, regulated monopolies operating in a non-natural monopoly environment and non-regulated businesses) stating that each of the situations requires different language and regulatory constructs. Section 4.2 of the Application outlines the key sections of the All-Inclusive CoC/TPP including the proposed provisions and language and the rationale for each of the Affiliate situations.

Comments were also provided on the formatting of FEI's All-Inclusive CoC to include different sections and clauses for each of the affiliate situations (AU, ARB, ANRB). FEI has done this by highlighting in the All-Inclusive CoC/TPP, where appropriate, different sections that apply to each of the affiliate situations. For example, Section 2 Shared Services Personnel states the following applies to an AU:

"[FortisBC Energy] may also share services and non-executive personnel with an AU where there is no detriment to [FortisBC Energy]."

Comments were raised about the objective of the All-Inclusive CoC and understanding the rationale for the All-Inclusive CoC. In Section 1 of the Application, FEI has included reference to Order G-31-15 and the ARB Decision which provided language regarding the purpose of the All-Inclusive CoC and TPP. In the ARB Decision, the Commission stated that "...there should be only one integrated document which would make it easier to compare practices between entities of different natures; to keep track of any changes occurring over time; and to ensure consistency." FEI has prepared the All-Inclusive CoC/TPP consistent with the guidance outlined by the Commission.

Presentation material from the workshop is included as Appendix B1. Minutes, including a list of attendees, are included as Appendix B2.

4.2 FEI'S PROPOSED ALL-INCLUSIVE COC/TPP

Consistent with the Commission's direction, FEI's approach to developing the All-Inclusive CoC/TPP is to model it after the approved CoC/TPP for ARBs with consideration for the relevant RMDM Guidelines and the AES Inquiry Report and the guidance provided in the ARB Decision. In situations where there may be different interpretation or direction contained in the RMDM Guidelines, the AES Inquiry Report and the ARB Decision, FEI's approach is to view the direction in the ARB Decision as being the most applicable for the development of the FEI All-Inclusive CoC/TPP. This is with the understanding that the ARB Decision has already

incorporated the Commission's consideration of the RMDM Guidelines and the AES Inquiry Report.

Following are the key sections excerpted from FEI's proposed All-Inclusive CoC/TPP for each of the three Affiliate situations including the proposed provisions and language and the rationale. For convenience of review, the existing approved CoC/TPP for ARBs is used as the starting point with the proposed changes discussed and highlighted below and in Appendix A2. Additionally, a summary matrix comparing the proposed language and provisions for key sections of the CoC/TPP for the different Affiliate situations has been included in Appendix F1. Other minor changes to streamline the documents have also been made and are highlighted.

4.2.1 Resources Shared (Section 2 of the Code of Conduct)

In its ARB Decision on page 22, the Commission directed the adoption of specific wording regarding Shared Services and Personnel in an ARB situation.

"FEI is directed to revise the wording of the Code of Conduct section on Shared Services and Personnel to explicitly state that services and non-executive personnel will only be shared in circumstances where:

(1) the services can be identified and tracked effectively and there are other appropriate safeguards in place;

(2) there is limited potential for disclosure of confidential information; and

(3) there are benefits to [FortisBC Energy] ratepayers.

FEI is also directed to update the wording in the Code of Conduct to expressly state that business development personnel will not be shared with an ARBNM."

This specific wording directed by the Commission was incorporated into the approved FEI CoC/TPP for ARBs, and forms the basis for the wording incorporated in the FEI All-Inclusive CoC/TPP for ARB situations. FEI believes the same wording is also appropriate for an ANRB situation, ensuring that FEI ratepayers are protected and that the non-regulated affiliate is not subsidized by FEI.

For an AU, FEI refers to the ARB Decision where the Commission noted the following regarding the difference in sharing of resources between FEI and FBC at page 41.

"...the provision of services to FAES as set out above varies from the provision of shared services between two utilities both operating in a monopoly environment. Again, the FortisBC gas and electric utilities share some services to the benefit of both utilities, but these are committed resources sufficient to meet the ongoing needs of both utilities and both utilities have an equal priority in terms of access to and use of the shared resources."

The above wording from the Commission confirms that by sharing resources with one another, utilities operating in a monopoly environment inherently benefit one another.

FEI's position is that the requirement as specified in section 2 (3) of the wording directed by the Commission in the first excerpt above of "there are benefits to [FortisBC Energy] ratepayers" does not need to apply to an AU, as long as there is no detriment to FEI from sharing resources with an AU such as FBC. This consideration is also consistent with the principle articulated in the approved CoC/TPP for ARBs that "[FortisBC Energy] will protect and consider the interests of its own ratepayers, and having protected its ratepayers [FortisBC Energy] may also consider the potential interests of ARBNM ratepayers." As FBC is also a regulated utility that is a natural monopoly, sharing FEI resources with FBC with no detriment to FEI ratepayers is warranted.

For an AU situation, the following paragraph has been added to the All-Inclusive CoC/TPP:

"[FortisBC Energy] may also share its services and non-executive personnel with an AU where there is no detriment to [FortisBC Energy]."

Refer to page 7 of Appendix A2 CoC.

Precluding Sharing of Business Development Personnel

In the ARB Decision on page 21, the Commission concluded that it is appropriate to preclude the sharing of business development personnel with an ARB and that the wording in the CoC should be updated to expressly state that business development personnel will not be shared with an ARB.

Further to the ARB Decision, FEI believes that clarification of the specific wording and its application is useful before applying the same wording in the All-Inclusive CoC/TPP, recognizing that part of the concern expressed by interveners in the AES Inquiry Report proceeding was focused on energy solutions in a competitive marketplace and where there may be a distinct competitive advantage to the affiliate by sharing FEI's business development personnel who have the knowledge and expertise to compete for the energy solutions projects.

The fact that FEI's business development personnel have expertise in energy solutions should not preclude them from being shared with an Affiliate for development of other lines of business that are different than those provided by the regulated utility. For example, this consideration would not be relevant for Aitken Creek Gas Storage ULC which is considered an ARB also, but where the business (i.e., wholesale marketplace for natural gas) is different than that of FEI (energy solutions for end consumers).

Further, for sharing of resources between two Affiliated Regulated Businesses, the AES Inquiry Report states at page 25:

"Common corporate and management resources may be shared between two Affiliated Regulated that are natural monopolies, such as gas and electric....The sharing of common resources between a natural monopoly affiliate and an affiliate that is a regulated business in a non-natural monopoly environment, however, should be much more limited."

Based on the above guidance, FEI concludes that the types of resources shared between two utilities such as FEI and FBC that are natural monopolies can be broader and with fewer restrictions than those shared with other affiliated entities (ARB and ANRB). Therefore, in the situation of an AU, sharing business development personnel would be appropriate and consistent with the guideline set out in the AES Inquiry Report.

FEI proposes the following wording to clarify the interpretation of the current wording which states “[FortisBC Energy] will not share business development personnel”.

“[FortisBC Energy] will not share business development personnel with an Affiliate where the Affiliate is carrying out business development activities to acquire customers seeking energy products and services available in a competitive marketplace and where [FortisBC Energy] is providing similar energy solutions.

FortisBC Energy and an AU can share business development personnel.”

Refer to page 7 of Appendix A2 CoC.

During the regulatory proceeding on FMI’s Application to Purchase the Shares of ACGS, in the Commission’s decision in Order G-39-16 on page 14, Section 2.5 Potential conflict related to FEI gas supply mitigation activities, it was noted that:

“FEI submits the separation and segregation of FEI and FMI/ACGS’ respective commercial teams removes the risk of a detrimental impact on FEI’s mitigation activities arising from the share sale....Assuming adequate separation exists, the Panel has no concerns regarding the competition between FEI and FMI in day-to-day commercial trading activities.”

FMI/ACGS during the regulatory proceeding¹⁷ indicated that to manage the potential conflict of interest, it proposed that it would not share FEI personnel directly responsible for natural gas portfolio planning and mitigation and related contract negotiation activities. Consistent with the restriction as proposed by FMI/ACGS, FEI proposes to include the following wording in its All-Inclusive CoC/TPP.

“[FortisBC Energy] will not share personnel directly responsible for natural gas portfolio planning and mitigation activities and related contract negotiations with Aitken Creek Gas Storage ULC and FortisBC Midstream Inc. Refer to Appendix A for the relevant positions.”

Refer to page 7 of Appendix A2 CoC.

¹⁷ Response to BCUC IR 1.16.5.

Non-Disclosure Agreements for Directors and Executives with Dual Roles

In the ARB Decision at page 25, the Commission stated “FEI is directed to revise the wording of the Code of Conduct section on Shared Services and Personnel to require FEI and ARBBNMM directors and executives with dual roles to execute non-disclosure agreements.”

This wording was incorporated in the approved FEI CoC/TPP for ARBs and forms the basis for the wording proposed in the FEI All-Inclusive CoC/TPP for ARB situations. FEI believes the same wording and requirement is also appropriate for an ANRB situation, acting to sufficiently limit the potential for disclosure of confidential information given that all of FEI’s directors and officers/executives are subject to FEI’s Business Ethics policy. The individual directors and executives holding dual roles would execute non-disclosure agreements in their capacity as directors and executives of FEI.

For sharing of personnel in an AU situation, FEI believes the issue of disclosure of confidential information by directors and officers/executives with dual roles in AUs is not a concern as there are no competitive considerations for sharing of confidential information between FEI and AUs. Additionally, FEI highlights that it has a long history of sharing directors and officers/executives with affiliate utilities with no concerns raised, dating back to 2004 with the gas utilities and 2010 with FortisBC Inc.

Accordingly, FEI has added to Section (e) in the All-Inclusive CoC/TPP the following sentence.

“In the situation of an AU, a non-disclosure agreement is not required.”

Refer to page 7 of Appendix A2 CoC.

4.2.2 Information Shared (Section 3 of the Code of Conduct)

In the ARB Decision at page 26, the Commission approved FEI’s draft section 3 of the Code of Conduct regarding the provision of information by FEI. The wording regarding provision of information as filed by FEI was incorporated into the approved FEI CoC/TPP for ARBs and has been carried forward to the FEI All-Inclusive CoC/TPP for ARB situations.

However, FEI has introduced definitions for Customer Information and Commercial Information to differentiate between information related to FEI customers (i.e., RMDM context) as compared to Commercial Information related to the utility’s gas supply business. Different considerations may arise for each type of information, and the new definitions allow for greater precision.

Customer Information is a new term added to the Definition section and is defined as:

“Information relating to a specific customer or potential customer of FortisBC Energy, which FortisBC Energy has obtained or compiled in the process of providing current or prospective public utility services and which is not otherwise available to the public.”

Commercial Information is a new term added to the Definitions section and is defined as:

1 *“Information related to FortisBC Energy’s commercial or trading activities such as natural*
2 *gas supply portfolio planning, mitigation activities and related contract negotiations, or*
3 *information that will inhibit a competitive energy services market from functioning.”*

4 For Commercial Information, concerns over sharing of the information are different for an AU
5 than that for an ARB or ANRB. For an ARB or ANRB where competition is more prevalent and
6 with the value of Commercial Information greater than in the situation with an AU, precluding the
7 sharing of Commercial Information between FEI and an ARB and ANRB is warranted. This is
8 not justified with an AU. FEI considers that sharing of Commercial Information as defined with
9 an AU would therefore be acceptable.

10 Wording has been added to the All-Inclusive CoC/TPP in the following sections.

11 In the CoC Principles section, the following sentence has been added as item (iii)

12 *“[FortisBC Energy] will not provide Commercial Information to an Affiliate except in the*
13 *case of an AU.”*

14
15 In Section 3 of the CoC, the following sentence has been added as subsection d),

16 *“[FortisBC Energy] will not provide Commercial Information to an Affiliate except in the*
17 *case of an AU.”*

18
19 Other wording changes to this section have also been made to clarify the application of
20 Personal Information Protection Act requirements.

21 Refer to page 8 of Appendix A2 CoC.

22 **4.2.3 Preferential Treatment (Sections 4 and 5 of the Code of Conduct)**

23 Regarding preferential treatment, the ARB Decision stated on page 26:

24 *“Given the acceptance amongst the participants, and upon its own review, the Panel*
25 *approves COC section 4 regarding Preferential Treatment as filed by FEI...Given the*
26 *acceptance amongst the participants, and upon its own review, the Panel approves COC*
27 *section 5 regarding Equitable Access to Services as filed in the Application.”*

28 Code of Conduct sections 4 and 5 are as follows in the approved FEI CoC for ARBs:

29 **4. Preferential Treatment**

30 *[FortisBC Energy] will not state or imply that favoured treatment will be available to*
31 *customers of [FortisBC Energy] as a result of using any service of an ARBNM. In*
32 *addition, no Company personnel will condone or acquiesce in any other person stating*
33 *or implying that favoured treatment will be available to customers of the Company as a*
34 *result of using any product or service of an ARBNM.”*

5. *Equitable Access to Services*

Except as required to meet acceptable quality and performance standards, and except for some specific assets or services which require special consideration as approved by the Commission, [FortisBC Energy] will not preferentially direct customers to an ARBNM. In discussing energy alternatives with a customer, or a potential customer, [FortisBC Energy] personnel may not preferentially direct customers to an ARBNM. If a customer, or potential customer, requests from [FortisBC Energy] information about products or services offered by an ARBNM, [FortisBC Energy] may provide such information, including a directory of suppliers of the product or service, but shall not promote any specific supplier in preference to any other supplier.

No substantive changes have been made to the wording incorporated into the CoC/TPP for ARBs approved by the Commission except for a change to reference “Affiliate” rather than “ARBNM” so as to extend the existing ARB wording to the ANRB situation. The language is consistent with page 37 of the AES Inquiry Report where it was stated that similar language on preferential treatment would apply to Non-Regulated Businesses or Affiliated Regulated Business.

Preferential treatment language would not be necessary in situations where the services are offered by an AU. Accordingly, for the All-Inclusive CoC/TPP, Section 4 Preferential Treatment and Section 5 Equitable Access, does not apply to an AU situation.

The sentence “*This section on Preferential Treatment is not applicable to an AU.*” has been added to Section 4 of the All-Inclusive CoC/TPP and the sentence “*This section on Equitable Access to Services is not applicable to an AU.*” has been added to Section 5 of the All-Inclusive CoC/TPP.

Refer to pages 8 to 10 of Appendix A2 CoC.

4.2.4 Compliance (Section 7 of the Code of Conduct)

FEI believes that the compliance requirements of the CoC outlined in Section 7 Compliance and Complaints of the All-Inclusive CoC/TPP is applicable for all three Affiliate situations. The second sentence in subsection a) has been amended slightly to refer to “with quarterly reminders to management of employees who may be directly involved with Affiliate activities” instead of “with quarterly updates for employees who may be directly involved with ARBNM activities”. This minor modification is to recognize the responsibility of management in ensuring that all FEI employees adhere to the CoC and TPP.

Refer to page 10 of Appendix A2 CoC.

4.2.5 Financing of Business (Section 8 of the Code of Conduct)

Regarding financing of affiliates, the ARB Decision at page 31, which considers guidance provided in the RMDM Guidelines and the language incorporated in the existing CoC/TPP for NRBs, stated:

“For the same reasons as given in section 3.3.2 on COC principle (vi) of this decision, FEI is directed to amend section 8 of the Code of Conduct on financing and other risks to include an acknowledgement that FEI would normally not provide financing (or any form of financial assistance including co-signing of loans) to the ARBNM, and to clarify that no financing or other financial assistance (including cross-guarantees) can occur under any circumstance without prior Commission approval.”

FEI agrees that no financing for Affiliates, including cross guarantees, can be provided under any circumstances without prior Commission approval. No substantive changes have been made to the wording directed by the Commission on page 31 of the ARB Decision. The reference to “ARBNNM” has been change to “Affiliate” to have this section apply also to the AU and ANRB situations.

Refer to page 11 of Appendix A2 CoC.

4.2.6 Pricing Rules (Transfer Pricing Policy)

Regarding pricing rules, the ARB Decision at page 42 stated:

- i. “If an applicable [FortisBC Energy] tariff rate exists, the Transfer Price will be set according to the tariff.*
- ii. Where no tariff rate exists, the Transfer Price will be set on the basis of the higher of market price or the fully allocated cost.*
- iii. Where the market price is not readily determinable the Transfer Price will be set on the basis of fully allocated cost.*
- iv. In situations where it can be shown that an alternative Transfer Price will provide greater benefits to the FEI ratepayer, FEI must apply to the Commission for a variance from the pricing rules i, ii, or iii.”*

The AES Inquiry Report on page 33 stated:

“Any sharing of costs and services between Affiliated Regulated Business must be done on the basis of the higher of market price or the fully allocated cost, in accordance with a Commission approved Transfer Pricing Policy;”

The already-approved pricing rules for an ARB and ANRB include “the higher of market price or fully allocated cost” and FEI has maintained this rule in the All-Inclusive CoC/TPP for those situations. For sharing of resources with an AU (i.e., FBC), FEI is proposing no change to the existing transfer pricing rule as outlined in the section titled “Mutual Shared Services with FortisBC Inc.” on page 14 of this Application. The cross charges to FBC include fully loaded

wages including benefits and time away, with no overhead or facilities fees assigned. This practice will continue to be used until FEI evaluates the feasibility of introducing a Shared Services model approach, similar to that successfully used in the past for sharing of resources between FEI and the Vancouver Island and Whistler gas utilities.

Further, wording has been added to recognize that there may be a separate agreement reviewed by the Commission from another proceeding that overrides the TPP rules.

“If there is an agreement between [FortisBC Energy] and an Affiliate that has been reviewed by the Commission in another proceeding, that agreement applies.”

Refer to page 6 of Appendix A2 TPP.

5. SUMMARY

Consistent with the Commission’s direction, FEI is proposing an All-Inclusive CoC/TPP that covers the interactions between FEI and its AUs, ARBs and ANRBs. The All-Inclusive CoC/TPP is modelled on the approved COC and TPP for ARBs and is generally consistent with the RMDM Guidelines and AES Inquiry Report and the ARB Decision. Variances from the approved CoC/TPP for ARBs or from the Guidelines are highlighted with the rationale provided. In the proposed provisions and language regarding the resources and cost allocation basis for AUs, FEI has protected the interest of FEI and then considered the interests of the AU ratepayers.¹⁸

FEI highlights that corporate and shared services agreements have been used successfully to govern the sharing of resources between FEI and its Affiliates. The sharing arrangements have been transparent with the shared services agreements included in regulatory proceedings for Commission review and approval. An outcome of the current process to develop an FEI All-Inclusive CoC/TPP as a single integrated document should not be to limit the sharing of resources between regulated utilities that have been accepted by the Commission and beneficial for FortisBC’s customers.

FEI submits that the proposed All-Inclusive CoC/TPP is just and reasonable and should be approved.

¹⁸ As outlined in Principle (i) of the existing CoC for ARBs – “[FortisBC Energy] will protect and consider the interests of its own ratepayers, and having protected its ratepayers, [FortisBC Energy] may also consider the potential interests of the ARBNM ratepayers.”. In the situation of an AU, it is in the interests of the AU ratepayers.

Appendix A

**PROPOSED ALL-INCLUSIVE CODE OF CONDUCT AND
TRANSFER PRICING POLICY**

Appendix A-1

**FEI PROPOSED ALL-INCLUSIVE CODE OF CONDUCT AND
TRANSFER PRICING POLICY – JUNE 30, 2016**

CODE OF CONDUCT

For Provision of Utility Resources and Services to Affiliates

Proposed June 30, 2016

SCOPE

This Code of Conduct (Code) governs the relationships between [FortisBC Energy Inc. (FortisBC Energy)] and its Affiliates for the provision of [FortisBC Energy] resources, and, where applicable, is intended to be consistent with the principles of the British Columbia Utilities Commission (Commission) outlined in the “Retail Markets Downstream of the Utility Meter” (RMDM) Guidelines of April, 1997 and the Commission’s Report on the “Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives” published in December 27, 2012, collectively referred to in this document as Guidelines, or in relevant Commission Orders G-31-15 and G-39-16 and accompanying decisions. If the Code of Conduct is silent on a principle or guideline established in one of the above documents, acceptance of the Code of Conduct does not imply that the principle, guideline or Commission direction is voided or invalid.

This Code will govern the use of [FortisBC Energy] resources and services provided to Affiliates including shared services, employment or contracting of [FortisBC Energy] personnel, and the treatment of Customer Information and Commercial Information. Where there is an agreement between the [FortisBC Energy] and its Affiliates with respect to the sharing or provision of services, resources, or personnel that has been reviewed by the Commission, the terms of that agreement will govern.

The primary responsibility for administering this Code lies with [FortisBC Energy], although the Commission has jurisdiction over matters referred to in this Code. The administration of this Code may have to take into account particular circumstances in respect to a particular resource or service which is being provided and where these issues are at variance with this Code, [FortisBC Energy] will be required to seek Commission approval in advance. The Code also provides that the Commission may review complaints in relation to this Code.

[FortisBC Energy] will maintain separate financial records and appropriate documentation as well as implement appropriate safeguards, including a sufficient separation of business operations between [FortisBC Energy] and its Affiliates, in order to prevent cross-subsidization and ensure a level of transparency that enables an appropriate allocation of costs between [FortisBC Energy] and its Affiliates.

All sharing of costs, services, Customer Information, and any other documentation of information as specified by the Commission between Affiliates must be maintained and disclosed to the Commission where required by the Commission.

The [FortisBC Energy] Transfer Pricing Policy for Affiliates (Transfer Pricing Policy) dated [insert date following approval], will be used in conjunction with this Code to establish the costs and pricing for [FortisBC Energy] resources and services provided to an Affiliate.

This Code replaces the existing Codes of Conduct governing the relationship between [FortisBC Energy] and its Affiliates.

DEFINITIONS

Affiliate	<i>Includes an Affiliated Natural Monopoly Utility, an Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment, and an Affiliated Non-Regulated Business, and refers to the entities listed in Appendix A to this Code.</i>
Affiliated Natural Monopoly Utility (AU)	<i>A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a natural monopoly environment.</i>
Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARB)	<i>A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a non-natural monopoly environment.</i>
Affiliated Non-Regulated Business (ANRB)	<i>A separate legal entity that is an affiliate of FortisBC Energy not regulated by the Commission or the National Energy Board or a division of FortisBC Energy offering products and services unregulated by the Commission.</i>
Commercial Information	<i>Information related to FortisBC Energy's commercial or trading activities such as natural gas supply portfolio planning, mitigation activities and related contract negotiations, or information that will inhibit a competitive energy services market from functioning.</i>
Commission	<i>British Columbia Utilities Commission.</i>
Customer Information	<i>Information relating to a specific customer or potential customer of FortisBC Energy, which FortisBC Energy has obtained or compiled in the process of providing current or prospective public utility services and which is not otherwise available to the public.</i>
FortisBC Energy Inc.	<i>May be abbreviated as follows: [FortisBC Energy] or the Company, and may also include employees of the Company.</i>
Guidelines	<i>Principles and Guidelines from the Retail Markets Downstream of the Utility Meter Guidelines published by the British Columbia Utility Commission in April, 1997 and the Commission's Report in the Inquiry into the Offering of</i> Page 2

Products and Services in Alternative Energy Solutions and Other New Initiatives published in December 27, 2012. This definition does not negate the applicability of other relevant orders or directions such as Commission directions in proceedings regarding affiliates or Special Directions issued by the Province of British Columbia to the Commission on matters related to specific FortisBC Energy business activities.

RMDM

Acronym for “Retail Markets Downstream of the Utility Meter”, which may include any utility or energy related activity at or downstream of the utility meter.

Transfer Price or Transfer Pricing

The price established for the provision of FortisBC Energy resources and services to an Affiliate. Transfer pricing for any Utility resource or service will be determined by applying the appropriate [FortisBC Energy] Transfer Pricing Policy as approved by the Commission.

APPLICATION OF COMMISSION PRINCIPLES

CODE OF CONDUCT PRINCIPLES

The following principles were applied in the development of the Code of Conduct for activities between [FortisBC Energy] and an Affiliate.

- i. [FortisBC Energy] will protect and consider the interests of its own customers, and having protected its customers [FortisBC Energy] may also consider the potential interests of the customers of an Affiliate.
- ii. Aggregated Customer Information or individual Customer Information that is made available to an Affiliate should be made available to all parties, including competitors, on an equal basis, upon request, provided necessary consent is obtained. Individual Customer Information must be treated as required by the Personal Information Protection Act (PIPA), and should only be released with the written consent of the customer. The control of Customer information should not provide a competitive advantage.
- iii. [FortisBC Energy] will not provide Commercial Information to an Affiliate except in the case of an AU.
- iv. [FortisBC Energy] and its employees will not state or imply that favoured treatment will be available to customers of [FortisBC Energy] as a result of using any service of an Affiliate. Additionally, [FortisBC Energy] and its employees will not preferentially direct customers to an Affiliate. This principle is not applicable to an AU.
- v. [FortisBC Energy] will not normally provide financing, or any form of financial assistance including co-signing of loans, to an Affiliate. No [FortisBC Energy] financing or other financial assistance, including cross-guarantees, can occur under any circumstances without advance Commission approval.
- vi. [FortisBC Energy] will monitor compliance with this Code by also conducting an annual compliance review. [FortisBC Energy] will regularly advise all of its employees of their expected conduct pertaining to this Code.

1. Transfer Pricing for Affiliates

[FortisBC Energy] will conform with the Commission approved [FortisBC Energy] Transfer Pricing Policy.

2. Shared Services and Personnel

- a) This Code recognizes the potential benefits to [FortisBC Energy] and Affiliates in sharing resources.
- b) [FortisBC Energy] will only share its services and non-executive personnel with Affiliates in circumstances where:
 - 1. the services can be identified and tracked effectively and there are other appropriate safeguards in place as discussed in Section 7 of this document;
 - 2. there is limited potential for disclosure of confidential information; and
 - 3. there are benefits to [FortisBC Energy] customers.

[FortisBC Energy] may also share its services and non-executive personnel with an AU where there is no detriment to [FortisBC Energy].

- c) **Business Development Personnel**

[FortisBC Energy] will not share business development personnel with an Affiliate where the Affiliate is carrying out business development activities to acquire customers seeking energy products and services available in a competitive marketplace and where [FortisBC Energy] is providing similar energy solutions.

FortisBC Energy and an AU can share business development personnel.

- d) **Natural Gas Portfolio, Mitigation and Contract Negotiation Personnel**

[FortisBC Energy] will not share personnel directly responsible for natural gas portfolio planning and mitigation activities and related contract negotiations with Aitken Creek Gas Storage ULC and FortisBC Midstream Inc. Refer to Appendix A for the relevant positions.

- e) Directors and officers/executives with dual management roles in [FortisBC Energy] and an Affiliate are required to execute a non-disclosure agreement. In the situation of an AU, a non-disclosure agreement is not required.

3. Provision of Information by FortisBC Energy Inc.

- a) Individual Customer Information must be treated as required by the Personal Information Protection Act (PIPA). Subject to subsection (b) below, the Customer Information should only be released with the written consent of the customer or representative of the customer.
- b) [FortisBC Energy] may disclose to a party that requests Customer Information that is aggregated or summarized in such a way that confidential or individual information would not be ascertained by third parties. A written consent will be not required for the release of aggregated or summarized Customer Information.
- c) If a customer requests their information be provided to a specific party, only that party may receive the information. If a customer agrees to a general release of their information, or if the aggregated or summarized Customer Information is released, that information must be made available to all interested parties who request it, without discrimination as to access, timing, cost or content.

When the Customer Information or Commercial Information is provided, the requesting party must pay a reasonable price that allows FortisBC Energy to recover the cost of extracting and providing the information. All parties should pay the same price for the same information.

- d) [FortisBC Energy] will not provide Commercial Information to an Affiliate except in the case of an AU.

4. Preferential Treatment

[FortisBC Energy] will not state or imply that favoured treatment will be available to customers of [FortisBC Energy] as a result of using any service of an Affiliate.

In addition, no Company personnel will condone or acquiesce in any other person stating or implying that favoured treatment will be available to customers of the Company as a result of using any product or service of an Affiliate.

This section on Preferential Treatment is not applicable to an AU.

5. **Equitable Access to Services**

Except as required to meet acceptable quality and performance standards, and except for some specific assets or services which require special consideration as approved by the Commission, [FortisBC Energy] will not preferentially direct its customers to an Affiliate.

In discussing energy alternatives with a customer, or a potential customer, [FortisBC Energy] personnel may not preferentially direct customers to an Affiliate. If a customer, or potential customer, requests from [FortisBC Energy] information about products or services offered by an Affiliate, [FortisBC Energy] may provide such information, including a directory of suppliers of the product or service, but shall not promote any specific supplier in preference to any other supplier.

This section on Equitable Access to Services is not applicable to an AU.

6. **Equitable Treatment of Demand-Side Management and Incentive Funds**

[FortisBC Energy] will adhere to the Commission approved mechanism for approval and administration of Demand-Side Management or incentive funding.

7. **Compliance and Complaints**

- a) The Director of Finance at [FortisBC Energy] will be responsible for monitoring compliance at [FortisBC Energy] with this Code. This will include advising all of its employees of their expected conduct pertaining to this Code, and with quarterly reminders to management of employees who may be directly involved with Affiliate activities.
- b) [FortisBC Energy] will monitor employee compliance with this Code by also conducting an annual compliance review, the results of which will be summarized in a report to be filed with the Commission within 60 days of the completion of this review.
- c) Complaints by third parties about the application of this Code, or any alleged breach thereof, should be addressed in writing to the Company's Director of Finance and the Executive Vice-President responsible for Regulatory Affairs, who will bring the matter to the immediate attention of the Company's senior management and promptly initiate an investigation into the complaint. The complainant, along with the Commission, will be notified in writing of the results of the investigation, including a description of any course of action which will be or has been taken promptly following the completion of the investigation. The Company will endeavour to complete this investigation within 30 days of the written receipt of the complaint.

- d) Where [FortisBC Energy] determines that the complaint is frivolous and without merit, the Company may apply to the Commission for reimbursement of the costs of the investigation from the third party initiating the complaint or where this is not possible, for inclusion of those costs in rates.

8. Financing and Other Risks

[FortisBC Energy] will not normally provide financing, or any form of financial assistance including co-signing of loans, to an Affiliate. No [FortisBC Energy] financing or other financial assistance, including cross-guarantees, can occur under any circumstances without advance Commission approval.

9. Use of FortisBC Name

The use of the FortisBC name by an Affiliate is an acceptable business practice. [FortisBC Energy] will exercise care in distinguishing between services provided by [FortisBC Energy] and services offered by an Affiliate except in the situation of an AU. The name FortisBC is owned by Fortis Inc.

10. Amendments

In order to ensure that this Code remains workable and effective, the Company will review the provisions of this Code on an ongoing basis and as required by the Commission, but with a maximum of five years between reviews.

Amendments to this Code may be made from time to time as approved by the Commission, and may result from a normal periodic review, from a request to the Commission by [FortisBC Energy], an Affiliate, a customer or other stakeholder, or a review initiative by the Commission.

APPENDIX A

AFFILIATES OF [FORTISBC ENERGY] as at June 30, 2016.

Aitken Creek Gas Storage ULC (ACGS) – ACGS owns an interest in the underground reservoir and contained natural gas, wells, on-site equipment and other components of the natural gas storage facility at Aitken Creek. ACGS is a public utility subject to an exemption and light-handed regulation by the Commission, due to the fact that it operates in a competitive environment for storage. For the purpose of this Code of Conduct, ACGS is classified as an ARB.

FortisBC Alternative Energy Services Inc. (FAES) – FAES is a wholly owned subsidiary of FortisBC Holdings Inc. that provides alternative energy solutions, including thermal-energy and geo-exchange systems. The company specializes in designing, owning, operating and maintaining regulated utility thermal assets to help its clients address deferred maintenance, reduce greenhouse gas emissions, support sustainability objectives and improve the performance of thermal energy systems in buildings. For the purpose of this Code of Conduct, FAES is classified as an ARB.

FortisBC Huntingdon Inc. (FBCH) – FBCH is a wholly owned subsidiary of FortisBC Holdings Inc. The Corporation owns two interconnecting pipelines near Abbotsford, British Columbia which are used in the transmission of natural gas to and from the United States. The Corporation is regulated by the National Energy Board, an independent regulatory authority. For the purpose of this Code of Conduct, FBCH is classified as an AU.

FortisBC Inc. (FBC) – FBC is a wholly owned subsidiary of FortisBC Pacific Holdings Inc, which is an indirect wholly owned subsidiary of Fortis Inc., a Canadian public company. FortisBC Inc. is an integrated regulated electric utility operating in the southern interior of British Columbia, serving approximately 167,600 customers directly and indirectly. For the purpose of this Code of Conduct, FBC is classified as an AU.

FortisBC Holdings Inc. (FHI) – FHI, a Canadian corporate headquartered in Vancouver, British Columbia, is the parent company of FEI, FAES, FortisBC Midstream Inc and FBCH. A wholly-owned subsidiary of Fortis Inc., FortisBC Holdings Inc., is a holding company. Its subsidiaries are the operating companies. For the purpose of this Code of Conduct, FHI is classified as an ANRB.

FortisBC Midstream Inc. (FMI) – FMI is a holding company and the parent company of ACGS. For the purpose of this Code of Conduct, FMI is classified as an ANRB.

FortisBC Pacific Holdings Inc. (FPHI) – FPHI is a holding company and the parent company of FBC. For the purpose of this Code of Conduct, FPHI is classified as an ANRB.

Fortis Inc. (FI) – FI is a holding company and the parent company of FHI and FPHI. FI is a diversified, international holding corporation having investments in distribution, transmission and generation assets and utilities. For the purpose of this Code of Conduct, FHI is classified as an ANRB.

List of [FortisBC Energy] personnel directly responsible for natural gas portfolio planning and mitigation activities and related contract negotiations not to be shared with Aitken Creek Gas Storage ULC and FortisBC Midstream Inc.

- Director, Energy Supply and Gas Control
- Midstream Services Manager
- Midstream Operations Manager
- Energy Supply Planning Coordinator
- Senior Manager, Price Risk and Resource Planning

DRAFT

FortisBC Energy Inc.

T R A N S F E R P R I C I N G P O L I C Y

For Provision of Utility Resources and Services to Affiliates

Proposed June 30, 2016

SCOPE

This Transfer Pricing Policy for Provision of Utility Resources and Services to Affiliates (Transfer Pricing Policy or Policy) addresses the pricing of resources and services provided by [FortisBC Energy Inc. (FortisBC Energy)] to its Affiliates.

The Transfer Pricing mechanism should provide a fair and transparent mechanism to [FortisBC Energy]'s customers, and after having considered the interests of [FortisBC Energy]'s customers, may consider the potential interests of the customers of an Affiliate.

Costs to be allocated from [FortisBC Energy] to an Affiliate are on the basis of the higher of market price or fully allocated cost as set out in the [FortisBC Energy] Transfer Pricing Policy. [FortisBC Energy] is to seek advance approval from the Commission prior to charging a price that is other than as outlined. Where there is an agreement between [FortisBC Energy] and its Affiliate with respect to the sharing or provision of services, resources, or personnel that has been reviewed by the Commission, the terms of that agreement will govern.

Allocation of costs to an Affiliate will reflect appropriate compensation for any benefit derived as a result of its affiliation with the [FortisBC Energy] or other businesses. This will include compensation for additional cost or risk related to the addition of incremental debt to [FortisBC Energy] for the new products or services. [FortisBC Energy] will ensure that it receives appropriate compensation for the resources and services provided, in order to protect its customers from subsidizing the activities of Affiliates as required by the Code of Conduct for Affiliates and this Transfer Pricing Policy.

[FortisBC Energy] will maintain separate financial records and appropriate documentation as well as implement appropriate safeguards including sufficient separation of business operations between [FortisBC Energy] and its Affiliates, in order to prevent cross-subsidization and ensure a level of transparency that enables an appropriate allocation of costs between [FortisBC Energy] and its Affiliates.

The [FortisBC Energy] Code of Conduct for Provision of Utility Resources and Services to Affiliates (Code of Conduct) dated [insert date following approval] will be used in conjunction with this Transfer Pricing Policy.

This Policy replaces the existing Transfer Pricing Policies between [FortisBC Energy] and its Affiliates.

DEFINITIONS

Affiliate	<i>Includes an Affiliated Natural Monopoly Utility, an Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment, and an Affiliated Non-Regulated Business, and refers to the entities listed in Appendix A to the Code of Conduct.</i>
Affiliated Natural Monopoly Utility (AU)	<i>A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a natural monopoly environment.</i>
Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARB)	<i>A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a non-natural monopoly environment.</i>
Affiliated Non-Regulated Business (ANRB)	<i>A separate legal entity that is an affiliate of FortisBC Energy not regulated by the Commission or the National Energy Board or a division of FortisBC Energy offering products and services unregulated by the Commission.</i>
Commercial Information	<i>Information related to FortisBC Energy's commercial or trading activities such as natural gas supply portfolio planning, mitigation activities and related contract negotiations, or information that will inhibit a competitive energy services market from functioning.</i>
Commission	<i>British Columbia Utilities Commission.</i>
Customer Information	<i>Information relating to a specific customer or potential customer of FortisBC Energy, which FortisBC Energy has obtained or compiled in the process of providing current or prospective public utility services and which is not otherwise available to the public.</i>
Development	<i>The translation of research findings or other knowledge into a plan or design for new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.</i>
Fair Market Value	<i>The price reached in an open and unrestricted market between informed and prudent parties, acting at arms length and under no compulsion to act.</i>
FortisBC Energy Inc.	<i>May be abbreviated as follows: [FortisBC Energy] or the Company, and may also include employees of the Company.</i>
Fully Allocated Cost	<i>The sum of the direct costs and overhead costs required to provide the product or service.</i>

Guidelines

Principles and Guidelines from the Retail Markets Downstream of the Utility Meter Guidelines published by the British Columbia Utilities Commission in April, 1997 and the Commission's Report in the Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives published in December 27, 2012. This definition does not negate the applicability of other relevant orders or directions such as Commission directions in proceedings regarding affiliates or Special Directions issued by the Province of British Columbia to the Commission on matters related to specific FortisBC Energy business activities.

Research

Planned investigation undertaken for the purpose and expectation of gaining new scientific or technical knowledge and understanding. Such investigation may or may not be directed towards a specific practical aim or commercial application.

RMDM

Acronym for "Retail Markets Downstream of the Utility Meter", which may include any utility or energy related activity at or downstream of the utility meter.

Transfer Price or Transfer Pricing

The price established for the provision of FortisBC Energy resources and services to an Affiliate. Transfer pricing for any Utility resource or service will be determined by applying the appropriate [FortisBC Energy] Transfer Pricing Policy as approved by the Commission.

POLICY

Provision of services from [FortisBC Energy] to an Affiliate must be in accordance with the Commission approved Code of Conduct and Transfer Pricing Policy or as approved by the Commission from time to time.

Transfer Prices charged to Affiliates by [FortisBC Energy] are intended to ensure that [FortisBC Energy] customers are not adversely affected by the pricing for services performed for Affiliates, and will be established using the following pricing rules.

1. Pricing Rules

- i. If an applicable [FortisBC Energy] tariff rate exists, the Transfer Price to an Affiliate will be set according to the tariff.
- ii. Where no tariff rate exists, the Transfer Price will be set on the basis of the higher of market price or the fully allocated cost.
- iii. Where there is no market price or a market price is not readily discernable, the Transfer Price will be set on the basis of fully allocated cost.
- iv. In situations where it can be shown that an alternative Transfer Price will provide greater benefits to the [FortisBC Energy] customers, [FortisBC Energy] must apply to the Commission for a variance from the pricing rules i, ii, or iii.
- v. If there is an agreement between [FortisBC Energy] and an Affiliate that has been reviewed by the Commission, that agreement applies.

2. Determining Costs

i. Fully Allocated Costs

For the purposes of this Policy where fully allocated costs are applied, the fully allocated costs will be set as described below. The determination of fully allocated cost will depend on the type of service or resource being provided.

For the most part, the types of resources and services that can be provided to an Affiliate by [FortisBC Energy] are human resources (labour) and associated equipment and facilities. The example in Appendix A summarizes how fully allocated costs are determined for the different types of services described below in Section 2.1. Fully allocated costs include all the line items listed including overhead consisting of general overhead, supervision, availability charge and facilities charge.

The determination of fully allocated costs, specifically the cost loadings, is based on services to be provided in accordance with the [FortisBC Energy] Code of Conduct dated [insert date following approval].

2.1 Type of Service

Where no other Commission direction from a proceeding relating to services from [FortisBC Energy] to an Affiliate or a service agreement between [FortisBC Energy] and Affiliates exists, there are three types of services: Specific Committed Service, As Required Service and Designated Subsidiary/Affiliate Service. It is important that the type of service is determined and specified before the commencement of any service. This specification is to ensure that the correct cost loadings are applied to any Transfer Price.

i. Specific Committed Service

Specific Committed Service is work that is contracted for and billed regardless of whether or not work is actually performed. Typically, this work is on-going or on a continuing basis (such as Finance) in support of an Affiliate's activities. The Affiliate receiving the services is, in effect, requiring that [FortisBC Energy] maintain sufficient staffing levels throughout the year in order to provide this service. The Affiliate must pay for the Specific Committed Service even if the service provided is less than originally contracted.

It is important that the description, scope and quality of the service to be provided be defined and agreed upon by both [FortisBC Energy] and the Affiliate before the commencement of such a service, including an indication whether the service is performed at the employee's normal place of work ("on-site") or at the Affiliate ("off-site"). A request for Specific Committed Service may be raised or terminated at any time throughout the year by the Affiliate. Termination of a Specific Committed Service as a result of an activity change is subject to a sixty (60) day notice period.

At the end of the fiscal year, Specific Committed Services which were not provided (unless [FortisBC Energy] was unable to meet its commitments) will be offset against services used in excess of those committed. Any excess service on a total pooled basis will be billed, but any deficiency will not be refunded. If there is a shortfall in the level or quality of service provided by [FortisBC Energy] a reasonable refund by [FortisBC Energy] or termination of service by the Affiliate may be made. In the normal course of business, the time estimates for Specific Committed Services are reviewed and agreed upon by both [FortisBC Energy] and the Affiliate annually.

To determine the fully allocated cost of a Specific Committed Service, the following loadings are applied to direct labour costs: concessions loading, benefits loading and general overhead loading. Also facility and/or equipment charges are applied if applicable. Appendix A, Column 1 shows an example of determining full cost for Specific Committed Service, performed both "on-site" and "off-site".

ii. As Required Service

As Required Service is work that is not specifically committed to by the receiving Affiliate. [FortisBC Energy] charges the cost of the actual time incurred to perform the work to the Affiliate requesting the service. Typically, this is work that is not budgeted in advance.

As Required Service must be specified to be either for an extended term (greater or equal to three months) or short term (less than three months) period prior to the commencement of the work. In addition, it must be identified whether the individual providing the services will work at his or her normal place of work (“on-site”) or at the Affiliate site (“off-site”).

To determine the fully allocated cost of As Required Service, the following loadings are applied to direct labour costs: concessions loading, benefits loading, general overhead loading, supervision loading and an availability charge loading. Also facility and/or equipment charges are made if applicable. Appendix A, Column 2 shows an example of how to determine the fully allocated cost for an As Required Service.

In certain situations, [FortisBC Energy] will need to retain the immediate right to recall the employee being contracted to the Affiliate for an As Required Service. In these situations, the availability charge will be waived. Prior notification to the Commission is required to waive the availability charge for As Required Service.

iii. **Designated Subsidiary/Affiliate Service**

A Designated Subsidiary/Affiliate is a related company that is designated by [FortisBC Energy] and approved by the Commission to receive reduced loadings in the Transfer Price. The designation is due to the additional benefits that the related company provides to [FortisBC Energy]’s customers, employees or to the economic development of the Province of British Columbia.

A Designated Subsidiary/Affiliate receives services on the same basis as the As Required Service described above. To determine the fully allocated cost charged to the Designated Subsidiary/Affiliate Service, the following loadings are applied to direct labour costs: concessions loading, benefits loading and a general overhead loading. Appendix A, Column 3 shows an example of determining fully allocated cost for Designated Subsidiary/Affiliate Service.

The Commission may approve a subsidiary or Affiliate with such designation but exclude specific activities or projects of that subsidiary or Affiliate (e.g. projects taking place in certain geographic locations). Similarly, certain work to be performed for an Affiliate relating to a specific service, project or product may be designated by [FortisBC Energy] and approved by the Commission to receive reduced loadings.

3. Cost Relating to the Transfer of Activities from [FortisBC Energy] to an Affiliate

3.1 Transfer Costs

Activities initially undertaken within [FortisBC Energy] may, from time to time, be transferred to an Affiliate with Commission approval. Costs associated with transferring an activity to an Affiliate, and the start-up of Affiliate activities, shall be borne by the Affiliate. To the extent that these activities involve [FortisBC Energy] resources during the transfer, the Affiliate shall reimburse [FortisBC Energy] using the appropriate pricing rules as defined in Section 1 in this Transfer Pricing Policy. Costs relating to the termination of an activity within [FortisBC Energy] shall be borne by [FortisBC Energy].

3.2 Research Costs

As research is regarded as a continuing activity required to maintain [FortisBC Energy]'s business and its effectiveness, such expenses shall be borne by [FortisBC Energy]. However, where it is evident that certain research activities are clearly directed towards specific pursuits related to an Affiliate, [FortisBC Energy] will ensure it is compensated by the Affiliate according to the pricing rules defined in Section 1 of this Transfer Pricing Policy, net of any quantifiable benefits received by [FortisBC Energy].

3.3 Development Costs

Development costs for new products and services transferred to an Affiliate will be tracked and charged to the Affiliate according to the pricing rules defined in Section 1 of this Transfer Pricing Policy, net of any quantifiable benefits received by FortisBC Energy.

4. Cost Collection Procedures

4.1 Internal Orders

[FortisBC Energy] will be responsible for setting up the appropriate internal orders for tracking time, documenting the internal order numbers and ensuring that the appropriate individuals charge time to them. The providing organization's accounting group (typically [FortisBC Energy]'s Financial Accounting Group) will be responsible for maintaining the internal orders and collecting the appropriate charges.

4.2 Time Sheets

The individuals performing the service must report all time spent on that service by coding their time to the appropriate internal order numbers. This is to occur for all Affiliates. The receiving Affiliate may review the validity of these charges.

4.3 Invoicing

The Affiliate will be invoiced for the contracted amount in respect of Specific Committed Service and for the appropriate time based on the actual payroll level in respect of As Required Service or Designated/Affiliate Service (subject to confidentiality of salary information) with the

applicable loadings applied. The invoice will include the number of hours and corresponding activities.

The methodology for determining a salary level is on the basis of the average of the respective pay grades or job groups for the employees involved.

4.4 Compliance

The Director of Finance is responsible for the oversight of safeguards related to the Transfer Pricing Policy, including the ongoing design and operating effectiveness of the timekeeping process and other related controls and safeguards, and the maintenance of adequate records and documentation.

5. Review of Transfer Pricing Policy

The Transfer Pricing Policy will be reviewed on an annual basis by [FortisBC Energy] as part of the Code of Conduct compliance review. However, [FortisBC Energy] may make an application to the Commission for approval of changes to the policy including the pricing rules and the formula for determining fully allocated costs as and when required.

Appendix A

Illustrative Example of Determining Fully Allocated Cost * for the Three Types of Service

(For an employee at an annual salary of \$85,000 and 59% benefits loading)

(Different charge-out rates are used for different positions)

Column	1		2			3
	Specific Committed Service		As Required Service			Designated Subsidiary / Affiliate
	Off-Site Full-time	On-Site Full-time	On-Site Short Term	Off-Site Short Term	Off Site Extended	
BASE PAY PER DAY	\$327.00	\$327.00	\$327.00	\$327.00	\$327.00	\$327.00
PLUS CONCESSIONS and BENEFITS (90%)	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00
LOADED LABOUR PER DAY	\$622.00	\$622.00	\$622.00	\$622.00	\$622.00	\$622.00
GENERAL OVERHEAD	5%	10%	10%	10%	5%	5%
SUPERVISION	N/A	Direct Charge	20%	N/A	N/A	Direct Charge
AVAILABILITY CHARGE	N/A	N/A	20%	20%	20%	N/A
FACILITIES CHARGE (If Applicable)	N/A	\$100.00	\$100.00	\$100.00	N/A	N/A
EQUIPMENT CHARGE (If Applicable)	Direct Charge	Direct Charge	Direct Charge	Direct Charge	Direct Charge	N/A
TOTAL FULLY ALLOCATED COSTS PER DAY	\$653.00	\$784.00	\$1,033.00	\$909.00	\$778.00	\$653.00
Cost Ratio to Base Pay per day	2.00	2.40	3.16	2.78	2.38	2.00
Cost Ratio to Loaded Labour per day	1.05	1.26	1.66	1.46	1.25	1.05

* Direct costs would exclude costs such as general overhead, supervision, availability charge and facilities charge.

Appendix A-2

**FEI PROPOSED ALL-INCLUSIVE CODE OF CONDUCT AND
TRANSFER PRICING POLICY – CHANGES FROM APPROVED
APRIL 28, 2015 FEI COC/TPP FOR ARBNM**

FortisBC Energy Inc.

CODE OF CONDUCT

For Provision of Utility Resources and Services to ~~Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment (ARBNNM)~~ Affiliates

April 28, 2015

Proposed June 30, 2016

SCOPE

This Code of Conduct (Code) governs the relationships between [FortisBC Energy Inc. (FortisBC Energy)] and ~~Affiliated Regulated Businesses operating in a non-natural monopoly environment (ARBNNMs)~~ its Affiliates for the provision of [FortisBC Energy] resources, and, where applicable, is intended to be consistent with the principles of the British Columbia Utilities Commission (Commission) outlined in the “Retail Markets Downstream of the Utility Meter” (RMDM) Guidelines of April, 1997 and the Commission’s Report on the “Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives” published in December 27, 2012, collectively referred to in this document as ~~(Guidelines)~~, or in relevant Commission Orders G-31-15 and G-39-16 and accompanying decisions ~~in proceedings related to specific ARBNNMs~~. If the Code of Conduct is silent on a principle or guideline established in one of the above documents, acceptance of the Code of Conduct does not imply that the principle, guideline or Commission direction is voided or invalid.

This Code will govern the use of [FortisBC Energy] resources and services provided to ~~ARBNNMs~~ Affiliates including shared services, employment or contracting of [FortisBC Energy] personnel, and the treatment of ~~customer, utility, or confidential information~~. ~~The Code will also determine the nature of the relationship between [FortisBC Energy] and ARBNNMs~~ Customer Information and Commercial Information. Where there is an agreement between the [FortisBC Energy] and its Affiliates with respect to the sharing or provision of services, resources, or personnel that has been reviewed by the Commission, the terms of that agreement will govern.

The primary responsibility for administering this Code lies with [FortisBC Energy], although the Commission has jurisdiction over matters referred to in this Code. The administration of this Code may have to take into account particular circumstances in respect to a particular resource or service which is being provided and where these issues are at variance with this Code, [FortisBC Energy] will be required to seek Commission approval in advance. The Code also provides that the Commission may review complaints in relation to this Code.

[FortisBC Energy] will maintain separate financial records and appropriate documentation as well as implement appropriate safeguards, including a sufficient separation of business operations between [FortisBC Energy] and its Affiliates, in order to prevent cross-subsidization and ensure a level of transparency that enables an appropriate allocation of costs between [FortisBC Energy] and ~~ARBNNMs~~ its Affiliates.

All sharing of costs, services, Customer Information, and any other documentation of information as specified by the Commission between Affiliates must be maintained and disclosed to the Commission where required by the Commission.

Comment [A1]: Refer to section 4.2.2 of the Application for discussion.

Comment [A2]: Refer to section 4.2.6 of the Application for discussion. This wording is consistent with that added to the TPP – Pricing Rules.

Comment [A3]: To streamline the CoC/TPP documents, this paragraph moved from the “Policy” section of the TPP.

The [FortisBC Energy] Transfer Pricing Policy for ~~ARBNNMs~~Affiliates (Transfer Pricing Policy) dated ~~April 28, 2015~~[insert date following approval] will be used in conjunction with this Code to establish the costs and pricing for [FortisBC Energy] resources and services provided to ~~ARBNNMs~~an Affiliate.

This Code ~~governs the relationships between [FortisBC Energy] and its Affiliated Regulated Businesses operating in a non-natural monopoly environment. This Code does not replace~~replaces the existing ~~Code~~Codes of Conduct governing the relationship between [FortisBC Energy] and ~~Non-Regulated businesses (NRBs)~~its Affiliates.

DEFINITIONS

~~[FortisBC Energy Inc.]~~ — ~~May be abbreviated as follows: [FortisBC Energy], the Utility, or the Company, and may also include employees of the Company.~~

~~Commission~~ — ~~British Columbia Utilities Commission.~~

~~Guidelines~~ — ~~Principles and Guidelines from the Retail Markets Downstream of the Utility Meter Guidelines published by the British Columbia Utility Commission in April, 1997 and the Commission's Report in the Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives published in December 27, 2012. This definition does not negate the applicability of other relevant orders or directions such as Commission directions in proceedings regarding affiliates or Special Directions issued by the Province of British Columbia to the Commission on matters related to specific FortisBC Energy business activities.~~

~~Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARBNNM)~~ — ~~A separate legal entity that is an affiliate of the Utility regulated by the Commission offering regulated products and services in a non-natural monopoly environment.~~

~~RMDM~~ — ~~Acronym for "Retail Markets Downstream of the Utility Meter", which may include any utility or energy related activity at or downstream of the utility meter.~~

~~Transfer Pricing to Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment~~ — ~~The price established for the provision of Utility resources and services to an ARBNNM. Transfer pricing for any Utility resource or service will be determined by applying the appropriate [FortisBC Energy] Transfer Pricing Policy as agreed upon by [FortisBC Energy] and the ARBNNM and approved by the Commission.~~

Comment [A4]: Definitions updated to address All Inclusive aspects of CoC.

Affiliate

Includes an Affiliated Natural Monopoly Utility, an Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment, and an Affiliated Non-Regulated Business, and refers to the entities listed in Appendix A to this Code.

Affiliated Natural Monopoly Utility (AU)

A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a natural monopoly environment.

Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARB)

A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a non-natural monopoly environment.

Affiliated Non-Regulated Business (ANRB)

A separate legal entity that is an affiliate of FortisBC Energy not regulated by the Commission or the National Energy Board or a division of FortisBC Energy offering products and services unregulated by the Commission.

Commercial Information

Information related to FortisBC Energy's commercial or trading activities such as natural gas supply portfolio planning, mitigation activities and related contract negotiations, or information that will inhibit a competitive energy services market from functioning.

Commission

British Columbia Utilities Commission.

Customer Information

Information relating to a specific customer or potential customer of FortisBC Energy, which FortisBC Energy has obtained or compiled in the process of providing current or prospective public utility services and which is not otherwise available to the public.

FortisBC Energy Inc.

May be abbreviated as follows: [FortisBC Energy] or the Company, and may also include employees of the Company.

Guidelines

Principles and Guidelines from the Retail Markets Downstream of the Utility Meter Guidelines published by the British Columbia Utility Commission in April, 1997 and the Commission's Report in the Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives published in December 27, 2012. This definition does not negate

the applicability of other relevant orders or directions such as Commission directions in proceedings regarding affiliates or Special Directions issued by the Province of British Columbia to the Commission on matters related to specific FortisBC Energy business activities.

RMDM

Acronym for “Retail Markets Downstream of the Utility Meter”, which may include any utility or energy related activity at or downstream of the utility meter.

Transfer Price or Transfer Pricing

The price established for the provision of FortisBC Energy resources and services to an Affiliate. Transfer pricing for any Utility resource or service will be determined by applying the appropriate [FortisBC Energy] Transfer Pricing Policy as approved by the Commission.

APPLICATION OF COMMISSION PRINCIPLES

CODE OF CONDUCT PRINCIPLES

The following principles were applied in the development of the Code of Conduct for activities between [FortisBC Energy] and ~~Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment [ARBNNM]~~ an Affiliate.

- i. [FortisBC Energy] will protect and consider the interests of its own ~~ratepayers~~ customers, and having protected its ~~ratepayers~~ customers [FortisBC Energy] may also consider the potential interests of the customers of an Affiliate.
- ii. ~~The control of information should not provide a competitive advantage.~~
 - iii-ii. ~~Aggregated Customer specific information must be treated as required by the Personal Information Protection Act and, in addition, customer specific information should only be released with the written consent of the customer. Information or individual Customer information (aggregate or customer specific with written consent) Information that is made available to an Affiliate should be made available to all parties (Affiliated Regulated and Unregulated Businesses, and, including competitors), on an equal basis, upon request, provided necessary consent is obtained. Individual Customer Information must be treated as required by the Personal Information Protection Act (PIPA), and should only be released with the written consent of the customer. The control of Customer information should not provide a competitive advantage.~~
- iii. [FortisBC Energy] will not provide Commercial Information to an Affiliate except in the case of an AU.
- iv. [FortisBC Energy] and its employees will not state or imply that favoured treatment will be available to customers of [FortisBC Energy] as a result of using any service of an ~~ARBNNM~~ Affiliate. Additionally, [FortisBC Energy] and its employees will not preferentially direct customers to an ~~ARBNNM~~ Affiliate. ~~This principle is not applicable to an AU.~~
- v. [FortisBC Energy] will not normally provide financing, or any form of financial assistance including co-signing of loans, to ~~the ARBNNM~~ an Affiliate. No [FortisBC Energy] financing or other financial assistance, including cross-guarantees, can occur under any circumstances without advance Commission approval.
- vi. [FortisBC Energy] will monitor compliance with this Code by also conducting an annual compliance review. [FortisBC Energy] will regularly advise all of its employees of their expected conduct pertaining to this Code.

Comment [A5]: Changed reference to "ARBNNM" to "Affiliate".

Comment [A6]: Replaced term "ratepayers" with "customers"

Comment [A7]: This principle combined with the principle following.

Comment [A8]: Principle from (ii) combined into here.

Refer to section 4.2.2 of the Application for discussion.

Comment [A9]: New principle referencing provision of "Commercial Information"; this is different than for "Customer Information". Refer to section 4.2.2 of the Application for discussion.

Comment [A10]: Refer to section 4.2.3 of the Application for discussion.

vii. ~~The Transfer Pricing mechanism should provide a fair and transparent mechanism to [FortisBC Energy]'s ratepayers, and after having considered the interests of [FortisBC Energy's] ratepayers, may consider the potential interests of the ARBNNM's ratepayers.~~

Comment [A11]:

To streamline the CoC/TPP documents, this paragraph moved to the FEI TPP under Scope (second paragraph).

viii. ~~Costs are to be allocated from [FortisBC Energy] to the ARBNNM on the basis of the higher of market price or fully allocated cost as set out in the [FortisBC Energy] Transfer Pricing Policy. [FortisBC Energy] is to seek advance approval from the Commission prior to charging a price that is other than "the higher of market price or fully allocated cost".~~

Comment [A12]:

To streamline the CoC/TPP documents, this paragraph moved to the FEI TPP under the Scope (third paragraph).

1. Transfer Pricing for ~~ARBNNMs~~Affiliates

[FortisBC Energy] will conform with the Commission approved [FortisBC Energy] Transfer Pricing Policy ~~for ARBNNMs~~.

2. Shared Services and Personnel

a) This Code recognizes the potential benefits to ~~the~~ [FortisBC Energy] and ~~ARBNNM regulated ratepayers~~ Affiliates in sharing resources.

b) [FortisBC Energy] will only share its services and non-executive personnel with Affiliates in circumstances where:

1. the services can be identified and tracked effectively and there are other appropriate safeguards in place as discussed in Section 7 of this document;
2. there is limited potential for disclosure of confidential information; and
3. there are benefits to [FortisBC Energy] ~~ratepayers~~ customers.

[FortisBC Energy] may also share its services and non-executive personnel with an AU where there is no detriment to [FortisBC Energy].

c) ~~Business Development Personnel~~

~~e) [FortisBC Energy] will not share business development personnel with an ARBNNM.~~

[FortisBC Energy] and ARBNNM directors Affiliate where the Affiliate is carrying out business development activities to acquire customers seeking energy products and services available in a competitive marketplace and where [FortisBC Energy] is providing similar energy solutions.

FortisBC Energy and an AU can share business development personnel.

d) ~~Natural Gas Portfolio, Mitigation and Contract Negotiation Personnel~~

[FortisBC Energy] will not share personnel directly responsible for natural gas portfolio planning and mitigation activities and related contract negotiations with Aitken Creek Gas Storage ULC and FortisBC Midstream Inc. Refer to Appendix A for the relevant positions.

~~d) Directors and officers/executives with dual management roles in [FortisBC Energy] and an Affiliate are required to execute a non-disclosure agreements.~~

e) The costs agreement. In the situation of providing such services will be as agreed upon by both [FortisBC Energy] and the ARBNNM and be in accordance with the Commission approved [FortisBC Energy] Transfer Pricing Policy for ARBNNMs an AU, a non-disclosure agreement is not required.

Comment [A13]: Refer to section 4.2.1 of the Application for discussion of this section on "Shared Services and Personnel"

3. **Provision of Information by ~~FortisBC Energy Inc.~~**

~~Individual Customer information (aggregate or customer specific with written consent) should be made available to all Parties (Affiliated Regulated and Unregulated Businesses, separate classes of service, and competitors) on an equal basis, upon request.~~

Information

~~[FortisBC Energy] will not provide to an ARBNNM any information that would inhibit the energy services market in a non-natural monopoly environment from functioning.~~

- a) ~~Customer specific information~~ must be treated ~~in accordance with~~ as required by the Personal Information Protection Act (PIPA). Subject to subsection (b) below, the Customer Information should only be released with the written consent of the customer or representative of the customer.
- b) ~~[FortisBC Energy] may disclose to a party that requests Customer Information that is aggregated or summarized in such a way that confidential or individual information would not be ascertained by third parties. A written consent will be not required for the release of aggregated or summarized Customer Information.~~
- c) ~~If a customer requests their specific information be provided to a specific party, only that party may receive the information. If a customer agrees to a general release of their specific information, or if the aggregated or summarized Customer Information is released, that information must be made available to all interested parties who request it and are willing to pay the price associated with the provision of the information, without discrimination as to access, timing, cost or content.~~

~~When the Customer information will be~~ Information or Commercial Information is provided at, the requesting party must pay a reasonable price reflecting market circumstances and cover that allows FortisBC Energy to recover the cost of extracting and providing the information. All parties should pay the same price for the same or similar information.

- d) ~~[FortisBC Energy] will not provide Commercial Information to an Affiliate except in the case of an AU.~~

~~[FortisBC Energy] may disclose to all interested parties that request it and are willing to pay the appropriate transfer price (see above), customer information that is aggregated or summarized in such a way that confidential information would not be ascertained by third parties.~~

4. **Preferential Treatment**

[FortisBC Energy] will not state or imply that favoured treatment will be available to customers of [FortisBC Energy] as a result of using any service of an ~~ARBNNM~~ Affiliate.

In addition, no Company personnel will condone or acquiesce in any other person stating or implying that favoured treatment will be available to customers of the Company as a result of using any product or service of an ~~ARBNNM~~ Affiliate.

Comment [A14]: Refer to section 4.2.2 of the Application for discussion of this section on "Provision of Information"

Comment [A15]: Refer to section 4.2.3 of the Application for discussion of this section on "Preferential Treatment"

This section on Preferential Treatment is not applicable to an AU.

DRAFT

5. **Equitable Access to Services**

Except as required to meet acceptable quality and performance standards, and except for some specific assets or services which require special consideration as approved by the Commission, [FortisBC Energy] will not preferentially direct its customers to an ~~ARBNNM~~ Affiliate.

In discussing energy alternatives with a customer, or a potential customer, [FortisBC Energy] personnel may not preferentially direct customers to an ~~ARBNNM~~ Affiliate. If a customer, or potential customer, requests from [FortisBC Energy] information about products or services offered by an ~~ARBNNM~~ Affiliate, [FortisBC Energy] may provide such information, including a directory of suppliers of the product or service, but shall not promote any specific supplier in preference to any other supplier.

This section on Equitable Access to Services is not applicable to an AU.

6. **Equitable Treatment of Demand-Side Management and Incentive Funds**

[FortisBC Energy] will adhere to the Commission approved mechanism for approval and administration of Demand-Side Management or incentive funding.

7. **Compliance and Complaints**

- a) The Director of Finance at [FortisBC Energy] will be responsible for monitoring compliance at [FortisBC Energy] with this Code. This will include advising all of its employees of their expected conduct pertaining to this Code, and with quarterly ~~updates for~~ reminders to management of employees who may be directly involved with ~~ARBNNM~~ Affiliate activities.
- b) [FortisBC Energy] will monitor employee compliance with this Code by also conducting an annual compliance review, the results of which will be summarized in a report to be filed with the Commission within 60 days of the completion of this review.
- c) Complaints by third parties about the application of this Code, or any alleged breach thereof, should be addressed in writing to the Company's Director of Finance and the Executive Vice-President ~~responsible for Regulatory Affairs, Customer Service and Regulatory Affairs~~, who will bring the matter to the immediate attention of the Company's senior management and promptly initiate an investigation into the complaint. The complainant, along with the Commission, will be notified in writing of the results of the investigation, including a description of any course of action which will be or has been taken promptly following the completion of the investigation. The Company will endeavour to complete this investigation within 30 days of the written receipt of the complaint.

Comment [A16]: Refer to section 4.2.3 of the Application for discussion of this section on "Equitable Access to Services"

Comment [A17]: Refer to section 4.2.4 of the Application for discussion of this section on "Compliance and Complaints"

Comment [A18]: Updated description of position.

- d) Where [FortisBC Energy] determines that the complaint is frivolous and without merit, the Company may apply to the Commission for reimbursement of the costs of the investigation from the third party initiating the complaint or where this is not possible, for inclusion of those costs in rates.

8. **Financing and Other Risks**

[FortisBC Energy] will not normally provide financing, or any form of financial assistance including co-signing of loans, to ~~the ARBNNM an Affiliate~~. No [FortisBC Energy] financing or other financial assistance, including cross-guarantees, can occur under any circumstances without advance Commission approval.

Comment [A19]: Refer to section 4.2.5 of the Application for discussion of this section on "Financing and Other Risks"

9. **Use of FortisBC Utility Name**

The use of the FortisBC name by an ~~ARBNNM Affiliate~~ is an acceptable business practice. [FortisBC Energy] will exercise care in distinguishing between services provided by [FortisBC Energy] and services offered by ~~the ARBNNM an Affiliate except in the situation of an AU~~. The name FortisBC is owned by Fortis Inc.

Comment [A20]: Name "FortisBC" is synonymous for the gas and electric utilities.

10. **Amendments**

In order to ensure that this Code remains workable and effective, the Company will review the provisions of this Code on an ongoing basis and as required by the Commission, but with a maximum of five years between reviews.

Amendments to this Code may be made from time to time as approved by the Commission, and may result from a normal periodic review, from a request to the Commission by [FortisBC Energy], an ~~ARBNNM Affiliate~~, a customer or other stakeholder, or a review initiative by the Commission.

APPENDIX A

AFFILIATES OF [FORTISBC ENERGY] as at June 30, 2016.

Aitken Creek Gas Storage ULC (ACGS) – ACGS owns an interest in the underground reservoir and contained natural gas, wells, on-site equipment and other components of the natural gas storage facility at Aitken Creek. ACGS is a public utility subject to an exemption and light-handed regulation by the Commission, due to the fact that it operates in a competitive environment for storage. For the purpose of this Code of Conduct, ACGS is classified as an ARB.

FortisBC Alternative Energy Services Inc. (FAES) – FAES is a wholly owned subsidiary of FortisBC Holdings Inc. that provides alternative energy solutions, including thermal-energy and geo-exchange systems. The company specializes in designing, owning, operating and maintaining regulated utility thermal assets to help its clients address deferred maintenance, reduce greenhouse gas emissions, support sustainability objectives and improve the performance of thermal energy systems in buildings. For the purpose of this Code of Conduct, FAES is classified as an ARB.

FortisBC Huntingdon Inc. (FBCH) – FBCH is a wholly owned subsidiary of FortisBC Holdings Inc. The Corporation owns two interconnecting pipelines near Abbotsford, British Columbia which are used in the transmission of natural gas to and from the United States. The Corporation is regulated by the National Energy Board, an independent regulatory authority. For the purpose of this Code of Conduct, FBCH is classified as an AU.

FortisBC Inc. (FBC) – FBC is a wholly owned subsidiary of FortisBC Pacific Holdings Inc. which is an indirect wholly owned subsidiary of Fortis Inc., a Canadian public company. FortisBC Inc. is an integrated regulated electric utility operating in the southern interior of British Columbia, serving approximately 167,600 customers directly and indirectly. For the purpose of this Code of Conduct, FBC is classified as an AU.

FortisBC Holdings Inc. (FHI) – FHI, a Canadian corporate headquartered in Vancouver, British Columbia, is the parent company of FEL, FAES, FortisBC Midstream Inc and FBCH. A wholly-owned subsidiary of Fortis Inc., FortisBC Holdings Inc., is a holding company. Its subsidiaries are the operating companies. For the purpose of this Code of Conduct, FHI is classified as an ANRB.

FortisBC Midstream Inc. (FMI) – FMI is a holding company and the parent company of ACGS. For the purpose of this Code of Conduct, FHI is classified as an ANRB.

FortisBC Pacific Holdings Inc. (FPHI) – FPHI is a holding company and the parent company of FBC. For the purpose of this Code of Conduct, FHI is classified as an ANRB.

Fortis Inc. (FI) – FI is a holding company and the parent company of FHI and FPHI. FI is a diversified, international holding corporation having investments in distribution, transmission and generation assets and utilities. For the purpose of this Code of Conduct, FHI is classified as an ANRB.

Comment [A21]: This Appendix added to provide clarity on which entities are considered Affiliates of FortisBC Energy Inc. and how each Affiliate is classified (AU, ARB, ANRB).

List of [FortisBC Energy] personnel directly responsible for natural gas portfolio planning and mitigation activities and related contract negotiations not to be shared with Aitken Creek Gas Storage ULC and FortisBC Midstream Inc.

- Director, Energy Supply and Gas Control
- Midstream Services Manager
- Midstream Operations Manager
- Energy Supply Planning Coordinator
- Senior Manager, Price Risk and Resource Planning

DRAFT

~~[FortisBC Energy] Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment~~

FortisBC Energy Inc.

T R A N S F E R P R I C I N G P O L I C Y

For Provision of Utility Resources and Services to ~~Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment (ARBNNM)~~ Affiliates

April 28, 2015

Proposed June 30, 2016

SCOPE

~~This policy~~ This Transfer Pricing Policy for Provision of Utility Resources and Services to Affiliates (Transfer Pricing Policy or Policy) addresses the pricing of resources and services provided by [FortisBC Energy Inc. (FortisBC Energy)] to ~~Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment (ARBNNMs) providing regulated products and services~~ its Affiliates.

The Transfer Pricing mechanism should provide a fair and transparent mechanism to [FortisBC Energy]'s customers, and after having considered the interests of [FortisBC Energy]'s customers, may consider the potential interests of the customers of an Affiliate.

Costs to be allocated from [FortisBC Energy] to an Affiliate are on the basis of the higher of market price or fully allocated cost as set out in the [FortisBC Energy] Transfer Pricing Policy. [FortisBC Energy] is to seek advance approval from the Commission prior to charging a price that is other than as outlined. Where there is an agreement between [FortisBC Energy] and its Affiliate with respect to the sharing or provision of services, resources, or personnel that has been reviewed by the Commission, the terms of that agreement will govern.

Allocation of costs to an Affiliate will reflect appropriate compensation for any benefit derived ~~by a new ARBNNM~~ as a result of its affiliation with ~~its parent~~ [FortisBC Energy] or other businesses. This will include compensation for additional cost or risk related to the addition of incremental debt to ~~the parent utility~~ [FortisBC Energy] for the new products or services. [FortisBC Energy] will ensure that it receives appropriate compensation for the resources and services provided, in order to protect its ~~ratepayers~~ customers from subsidizing the activities of ~~ARBNNMs~~ Affiliates as required by the Code of Conduct for ~~ARBNNMs~~ Affiliates and this Transfer Pricing Policy.

[FortisBC Energy] will maintain separate financial records and appropriate documentation as well as implement appropriate safeguards including sufficient separation of business operations ~~in order to between [FortisBC Energy] and its Affiliates, in order to prevent cross-subsidization and~~ ensure a level of transparency that enables an appropriate allocation of costs between [FortisBC Energy] and ~~ARBNNMs~~ its Affiliates.

~~The Transfer Pricing Policy for ARBNNMs will be used in conjunction with the~~ The [FortisBC Energy] Code of Conduct for Provision of Utility Resources and Services to ~~Affiliated Regulated Businesses~~

Comment [A1]:

To streamline the CoC/TPP documents, this paragraph moved from the FEI CoC Principles.

Comment [A2]: To streamline the CoC/TPP documents, this paragraph moved to here from the FEI CoC Principles.

The second sentence starting with "Where there is an agreement....." is similar to that included in the FEI CoC under Scope.

Comment [A3]: This paragraph is similar to that in the FEI CoC Scope (fourth paragraph)

~~[FortisBC Energy] Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment~~

~~Operating in a Non-Natural Monopoly Environment~~Affiliates (Code of Conduct) dated ~~April 28, 2015~~.
[insert date following approval] will be used in conjunction with this Transfer Pricing Policy.

This Policy ~~does not replace~~replaces the existing Transfer Pricing ~~Policy~~Policies between [FortisBC Energy] and ~~Non-Regulated businesses (NRBs)~~its Affiliates.

~~[FortisBC Energy] Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment~~

DEFINITIONS

Comment [A4]: Definitions updated to address All Inclusive aspects of TPP. For terms the same as in the FEI CoC, the definitions here are the same.

<u>Affiliate</u>	<i><u>Includes an Affiliated Natural Monopoly Utility, an Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment, and an Affiliated Non-Regulated Business, and refers to the entities listed in Appendix A to the Code of Conduct.</u></i>
<u>Affiliated Natural Monopoly Utility (AU)</u>	<i><u>A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a natural monopoly environment.</u></i>
<u>Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARB)</u>	<i><u>A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a non-natural monopoly environment.</u></i>
[FortisBC Energy Inc.] <u>Affiliated Non-Regulated Business (ANRB)</u>	<i><u>May be abbreviated as follows: [A separate legal entity that is an affiliate of FortisBC Energy], not regulated by the Utility, Commission or the Company, National Energy Board or a division of FortisBC Energy offering products and may also include employees of services unregulated by the Company, Commission.</u></i>
<u>Commercial Information</u>	<i><u>Information related to FortisBC Energy's commercial or trading activities such as natural gas supply portfolio planning, mitigation activities and related contract negotiations, or information that will inhibit a competitive energy services market from functioning.</u></i>
<u>Commission</u>	<i><u>British Columbia Utilities Commission.</u></i>
<u>Customer Information</u>	<i><u>Information relating to a specific customer or potential customer of FortisBC Energy, which FortisBC Energy has obtained or compiled in the process of providing current or prospective public utility services and which is not otherwise available to the public.</u></i>
Commission	<i><u>British Columbia Utilities Commission.</u></i> <i><u>The translation of research findings or other knowledge into a plan or design for new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.</u></i>
<u>Development</u>	
<u>Fair Market Value</u>	<i><u>The price reached in an open and unrestricted market between informed and prudent parties, acting at arms length and under no compulsion to act.</u></i>
<u>FortisBC Energy Inc.</u>	<i><u>May be abbreviated as follows: [FortisBC Energy] or the Company, and may also include employees of the Company.</u></i>

~~[FortisBC Energy] Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment~~

Fully Allocated Cost

~~The sum of the direct costs and overhead costs required to provide the product or service.~~

Guidelines

Principles and Guidelines from the Retail Markets Downstream of the Utility Meter Guidelines published by the British Columbia Utilities Commission in April, 1997 and the Commission's Report in the Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives published in December 27, 2012. This definition does not negate the applicability of other relevant orders or directions such as Commission directions in proceedings regarding affiliates or Special Directions issued by the Province of British Columbia to the Commission on matters related to specific FortisBC Energy business activities.

Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARBNNM)

~~A separate legal entity that is an affiliate of the Utility regulated by the Commission offering regulated products and services in a non-natural monopoly environment.~~

Research

Planned investigation undertaken for the purpose and expectation of gaining new scientific or technical knowledge and understanding. Such investigation may or may not be directed towards a specific practical aim or commercial application.

RMDM

Acronym for "Retail Markets Downstream of the Utility Meter", which may include any utility or energy related activity at or downstream of the utility meter.

Transfer Price or Transfer Pricing to Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment Fair Market Value

The price established for the provision of ~~Utility~~FortisBC Energy resources and services to an ARBNNMAffiliate. Transfer pricing for any Utility resource or service will be determined by applying the appropriate [FortisBC Energy] Transfer Pricing Policy as ~~agreed upon by [FortisBC Energy] and the ARBNNM and~~ approved by the Commission.

~~"Fair Market Value" means the price reached in an open and unrestricted market between informed and prudent parties, acting at arms length and under no compulsion to act.~~

POLICY

Provision of services from [FortisBC Energy] to ~~ARBNNMs~~an Affiliate must be in accordance with the Commission approved Code of Conduct and Transfer Pricing Policy ~~for ARBNNMs.~~

~~All sharing of costs, services, customer information, and any other documentation of information or as specified~~approved by the Commission ~~between affiliated regulated utilities must be maintained and disclosed from time to time to the Commission where required by the Commission.~~time.

Comment [A5]: To streamline the CoC/TPP documents, this paragraph moved to the "Scope" section of the CoC.

~~[FortisBC Energy] Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment~~

Transfer Prices charged to ~~ARBNNMs~~Affiliates by [FortisBC Energy] are intended to ensure that [FortisBC Energy] ~~ratepayers~~customers are not adversely affected ~~and by the pricing for services performed for Affiliates, and~~ will be established using the following pricing rules.

~~[FortisBC Energy] Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment~~

1. **Pricing Rules**

- i. If an applicable [FortisBC Energy] tariff rate exists, the Transfer Price to an Affiliate will be set according to the tariff.
- ii. Where no tariff rate exists, the Transfer Price will be set on the basis of the higher of market price or the fully allocated cost.
- iii. Where there is no market price or a market price is not readily discernable, the Transfer Price will be set on the basis of fully allocated cost.
- iv. In situations where it can be shown that an alternative Transfer Price will provide greater benefits to the [FortisBC Energy] ~~ratepayer~~ customers, [FortisBC Energy] must apply to the Commission for a variance from the pricing rules i, ii, or iii.
- v. ~~2. If there is an agreement between [FortisBC Energy] and an Affiliate that has been reviewed by the Commission, that agreement applies.~~

Comment [A6]: Refer to section 4.2.6 of the Application for discussion.

2. **Determining Costs**

i. **Fully Allocated Costs**

For the purposes of this ~~policy, Policy where fully allocated costs for the resources or services being provided by [FortisBC Energy] to an ARBNNM will be set at~~ are applied, the fully allocated ~~cost costs will be set~~ as described below. The ~~definition~~ determination of ~~full costs~~ fully allocated cost will depend on the type of service or resource being provided.

Comment [A7]: Additional wording to provide clarity on the definition of the existing term "fully allocated costs"

For the most part, the types of resources and services that can be provided to ~~ARBNNM~~ an Affiliate by [FortisBC Energy] are human resources (labour) and associated equipment and facilities. The example in Appendix A summarizes how ~~full~~ fully allocated costs are determined for the different types of services described below in Section 2.1. Fully allocated costs include all the line items listed including overhead consisting of general overhead, supervision, availability charge and facilities charge.

The determination of ~~full~~ fully allocated costs, specifically the cost loadings, is based on services to be provided in accordance with the [FortisBC Energy] ~~approved~~ Code of Conduct ~~with respect to ARBNNM dated June 19, 2014.~~ [insert date following approval].

~~[FortisBC Energy] Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment~~

~~Costs will include both direct costs and a fair allocation of the parent utility costs required to provide the product or service, except where such treatment is precluded by legislation, regulation or special direction.~~

~~If other [FortisBC Energy] resources or services are used by an ARBNNM that are not described by this policy or if there are unusual circumstances that warrant a separate review, then [FortisBC Energy] will make an application to the Commission on a case-by-case basis.~~

Comment [A8]: Deleted these two paragraphs as the points are addressed in the FEI TPP.

2.1 Type of Service

There are three types of services: Specific Committed Service, As Required Service and Designated Subsidiary/Affiliate Service. It is important that the type of service is determined and specified before the commencement of any service. This specification is to ensure that the correct cost loadings are applied to any Transfer Price.

i. **Specific Committed Service**

Specific Committed Service is work that is contracted for and billed regardless of whether or not work is actually performed. Typically, this work is on-going or on a continuing basis (such as ~~regulatory~~Finance) in support of ~~ARBNNM~~an Affiliate's activities. The ~~Affiliate~~ receiving organization (i.e. the ~~ARBNNM~~services) is, in effect, requiring that ~~the providing organization's department (i.e. [FortisBC Energy])~~ maintain sufficient staffing levels throughout the year in order to provide this service. The ~~receiving organization~~Affiliate must pay for the Specific Committed Service even if the service provided is less than originally contracted.

It is important that the description, scope and quality of the service to be provided be defined and agreed upon by both [FortisBC Energy] and the ~~ARBNNM~~Affiliate before the commencement of such a service, including an indication whether the service is performed at the employee's normal place of work ("on-site") or at the ~~ARBNNM's~~Affiliate ("off-site"). A request for Specific Committed Service may be raised or terminated at any time throughout the year by the ~~ARBNNM~~Affiliate. Termination of a Specific Committed Service as a result of an activity change is subject to a sixty (60) day notice period.

At the end of the fiscal year, Specific Committed Services which were not provided (unless ~~the Utility~~[FortisBC Energy] was unable to meet its commitments) will be offset against services used in excess of those committed. Any excess service on a total pooled basis will be billed, but any deficiency will not be refunded. If there is a shortfall in the level or quality of service provided by [FortisBC Energy] a reasonable refund by [FortisBC Energy] or termination of service by the ~~ARBNNM~~Affiliate may be made. In the normal course of business, the time estimates for Specific Committed ~~Service~~Services are reviewed and agreed upon by both [FortisBC Energy] and the ~~ARBNNM~~Affiliate annually.

To determine the ~~full~~fully allocated cost of a Specific Committed Service, the following loadings are applied to direct labour costs: concessions loading, benefits loading and general overhead loading. Also facility and/or equipment charges are applied if

~~[FortisBC Energy] Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment~~

applicable. Appendix A, Column 1 shows an example of determining full cost for Specific Committed Service, ~~performed~~ both “on-site” and “off-site”.

ii. **As Required Service**

As Required Service is work that is not specifically committed to by the receiving ~~organization. The providing organization~~ ~~Affiliate. [FortisBC Energy] charges the cost of the actual time incurred to perform the work to the receiving organization~~ ~~Affiliate requesting the service.~~ Typically, this is work that is not budgeted in advance.

As Required Service must be specified to be either for an extended term (greater or equal to three months) or short term (less than three months) period prior to the commencement of the work. In addition, it must be identified whether the individual providing the services will work at his or her normal place of work (“on-site”) or at the ~~ARBNNM’s~~ ~~Affiliate site~~ (“off-site”).

To determine the ~~full~~ fully allocated cost of As Required Service, the following loadings are applied to direct labour costs: concessions loading, benefits loading, general overhead loading, supervision loading and an availability charge loading. Also facility and/or equipment charges are made if applicable. Appendix A, Column 2 shows an example of ~~determining full~~ how to determine the fully allocated cost for ~~an~~ As Required Service.

In certain situations, [FortisBC Energy] will need to retain the immediate right to recall the employee being contracted to the ~~ARBNNM~~ Affiliate for an As Required Service. In these situations, the availability charge will be waived. Prior notification to the Commission is required to waive the availability charge for As Required Service.

iii. **Designated Subsidiary/Affiliate Service**

A Designated Subsidiary/Affiliate is a related company that is designated by [FortisBC Energy] and approved by the Commission to receive reduced loadings in the Transfer Price. The designation ~~relates~~ is due to the additional benefits that the related company provides to [FortisBC Energy]’s customers, employees or to the economic development of the Province of British Columbia.

A Designated Subsidiary/Affiliate receives services on the same basis as the As Required Service described above. To determine the ~~full~~ fully allocated cost ~~of charged to the~~ Designated Subsidiary/Affiliate Service, the following loadings are applied to direct labour costs: concessions loading, benefits loading and a general overhead loading. Appendix A, Column 3 shows an example of determining ~~full~~ fully allocated cost for Designated Subsidiary/Affiliate Service.

The Commission may approve a subsidiary or ~~affiliate~~ Affiliate with ~~this status~~ such designation but exclude specific activities or projects of that subsidiary ~~or Affiliate~~ (e.g. projects taking place in certain geographic locations). Similarly, certain work to be performed for an ~~ARBNNM~~ Affiliate relating to a specific service, project or product

~~[FortisBC Energy] Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a
Non-Natural Monopoly Environment~~

may be designated by [FortisBC Energy] and approved by the Commission to receive reduced loadings.

3. Cost Relating to the Transfer of Activities from ~~the Utility~~[FortisBC Energy] to an ARBNNMAffiliate

3.1 Transfer Costs

Activities initially undertaken within ~~the regulated Utility~~[FortisBC Energy] may, from time to time, be transferred to an ARBNNMAffiliate with Commission approval. Costs associated with transferring an activity to an ARBNNMAffiliate, and the start-up of ARBNNMAffiliate activities, shall be borne by the ARBNNMAffiliate. To the extent that these activities involve ~~Utility~~[FortisBC Energy] resources during the transfer, the ARBNNMAffiliate shall reimburse ~~the Utility~~[FortisBC Energy] using the appropriate pricing rules as defined in Section 1 in this Transfer Pricing Policy. Costs relating to the termination of an activity within ~~the Utility~~[FortisBC Energy] shall be borne by ~~the Utility~~[FortisBC Energy].

3.2 Research Costs

As research is regarded as a continuing activity required to maintain ~~the Utility's~~[FortisBC Energy]'s business and its effectiveness, such expenses shall be borne by ~~the Utility~~[FortisBC Energy]. However, where it is evident that certain research activities are clearly directed towards specific pursuits related to an ARBNNM, ~~the UtilityAffiliate~~, [FortisBC Energy] will ensure it is compensated by the ARBNNMAffiliate according to the pricing rules defined in Section 1 of this Transfer Pricing Policy, net of any quantifiable benefits received by ~~the Utility~~[FortisBC Energy].

3.3 Development Costs

Development costs for new products and services transferred to an ARBNNMAffiliate will be tracked and charged to the ARBNNMAffiliate according to the pricing rules defined in Section 1 of this Transfer Pricing Policy, net of any quantifiable benefits received by ~~the Utility~~FortisBC Energy.

4. Cost Collection Procedures

4.1 Internal Orders

[FortisBC Energy] will be responsible for setting up the appropriate internal orders for tracking time, documenting the internal order numbers and ensuring that the appropriate individuals charge time to them. The providing organization's accounting group (typically [FortisBC Energy]'s Financial Accounting Group) will be responsible for maintaining the internal orders and collecting the appropriate charges.

4.2 Time Sheets

The individuals performing the service must report all time spent on that service by coding their time to the appropriate internal order numbers. This is to occur ~~whether the type of service is~~

~~[FortisBC Energy] Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment~~

~~Specific Committed, As Required or Designated Subsidiary for all Affiliates. The receiving Affiliate Service. The ARBNNM may also~~ review the validity of these charges.

4.3 Invoicing

The ~~ARBNNM~~Affiliate will be invoiced for the contracted amount in respect of Specific Committed Service and for the appropriate time based on the actual payroll level in respect of As Required Service or Designated/Affiliate Service (subject to confidentiality of salary information) with the applicable loadings applied. The invoice will include the number of hours and corresponding activities.

The methodology for determining a salary level is on the basis of the average of the respective pay grades or job groups for the employees involved.

4.4 Compliance

The Director of Finance is responsible for the oversight of safeguards related to the Transfer Pricing Policy, including the ongoing design and operating effectiveness of the timekeeping process and other related controls and safeguards, and the maintenance of adequate records and documentation.

5. Review of Transfer Pricing Policy

The Transfer Pricing Policy will be reviewed on an annual basis ~~by [FortisBC Energy]~~ as part of the Code of Conduct compliance review. However, [FortisBC Energy] may make an application to the Commission for approval of changes to the policy including the pricing rules and the formula for determining ~~full~~fully allocated costs as and when required.

Appendix ~~A~~²²

Illustrative Example of Determining ~~Full~~Fully Allocated Cost * for the Three Types of Service

(For an employee at an annual salary of \$85,000 and 59% benefits loading)
(Different charge-out rates are used for different positions)

Column	1		2			3
	Specific Committed Service		As Required Service			Designated Subsidiary / Affiliate
	Off-Site Full-time	On-Site Full-time	On-Site Short Term	Off-Site Short Term	Off Site Extended	
BASE PAY PER DAY	\$327.00	\$327.00	\$327.00	\$327.00	\$327.00	\$327.00
PLUS CONCESSIONS and BENEFITS (90%)	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00
LOADED LABOUR PER DAY	\$622.00	\$622.00	\$622.00	\$622.00	\$622.00	\$622.00
GENERAL OVERHEAD	5%	10%	10%	10%	5%	5%
SUPERVISION	N/A	Direct Charge	20%	N/A	N/A	Direct Charge
AVAILABILITY CHARGE	N/A	N/A	20%	20%	20%	N/A
FACILITIES CHARGE (If Applicable)	N/A	\$100.00	\$100.00	\$100.00	N/A	N/A
EQUIPMENT CHARGE (If Applicable)	Direct Charge	Direct Charge	Direct Charge	Direct Charge	Direct Charge	N/A
TOTAL FULL <u>FULLY ALLOCATED</u> COSTS PER DAY	\$653.00	\$784.00	\$1,033.00	\$909.00	\$778.00	\$653.00
Cost Ratio to Base Pay per day	2.00	2.40	3.16	2.78	2.38	2.00
Cost Ratio to Loaded Labour per day	1.05	1.26	1.66	1.46	1.25	1.05

* ~~Direct~~ costs would exclude costs such as general overhead, supervision, availability charge and facilities charge.

Appendix B

STAKEHOLDER WORKSHOP MAY 26, 2016

Appendix B-1

WORKSHOP PRESENTATION SLIDES

FEI Code of Conduct and Transfer Pricing Workshop

“All Inclusive Code of Conduct”

May 26, 2016



Agenda

9:00 – 9:10 am	Workshop Objectives and Agenda Overview
9:10 – 9:20 am	Background and BCUC Direction Summary
9:20 – 9:30 am	FEI Resource Sharing with Affiliates
9:30 – 10:20 am	Format and Key issues of All-Inclusive Code of Conduct
10:20 – 10:30 am	Break
10:30 – 11:45 am	Review DRAFT FEI All Inclusive Code of Conduct and Transfer Pricing Policy
11:45 am – 12:00 pm	Summary and Next Steps

Workshop Objectives

- FortisBC to provide an overview of DRAFT FEI All Inclusive Code of Conduct (CoC) and Transfer Pricing Policy (TPP)
 - Format
 - Key Issues
- Stakeholders to provide comment and feedback on the DRAFT FEI All Inclusive CoC and TPP

Background and BCUC Direction

Order G-31-15 February 27, 2015

- *“FEI is to file for approval of a draft all-inclusive Code of Conduct and Transfer Pricing Policy within one year of final approval of the Code of Conduct and Transfer Pricing Policy for Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment that covers the interactions between FEI and its affiliated regulated natural monopoly utilities, FEI and its affiliated non-regulated businesses, and FEI and its affiliated regulated businesses operating in a non-natural monopoly environment.”*

FEI COC and TPP for ARBNNM Decision February 27, 2015, p 51

- *“..... This all-inclusive draft COC and TPP should be modeled on the approved COC and TPP for ARBNNMs. The panel notes that the scope section of the draft COC for ARBNNMs states that it is intended to be consistent with the principles of the RMDM Guidelines, the AES Inquiry Report, and Commission decisions related to specific ARBNNMs (the “Guidelines” as defined in the draft COC).”*
- *“The Panel expects that the all-inclusive COC and TPP will also be consistent with the RMDM and AES Guidelines, but acknowledges that some higher level principles will readily apply to a variety of affiliated transactions where more specific principles may only be applicable to one or two types of affiliate transactions. When FEI files the draft all-inclusive COC, it is directed to clearly identify the rationale for any variances from the approved COC and TPP for ARBNNMs or from the Guidelines.”*

Background and BCUC Direction

Order G-65-15 April 28, 2015

- *“FEI is to file for approval, no later than April 27, 2016, a draft all-inclusive Code of Conduct and Transfer Pricing Policy that covers the interactions between FEI and its affiliated natural monopoly utilities, FEI and its affiliated non-regulated businesses, and FEI and its affiliated regulated businesses operating in a non-natural monopoly environment.”*

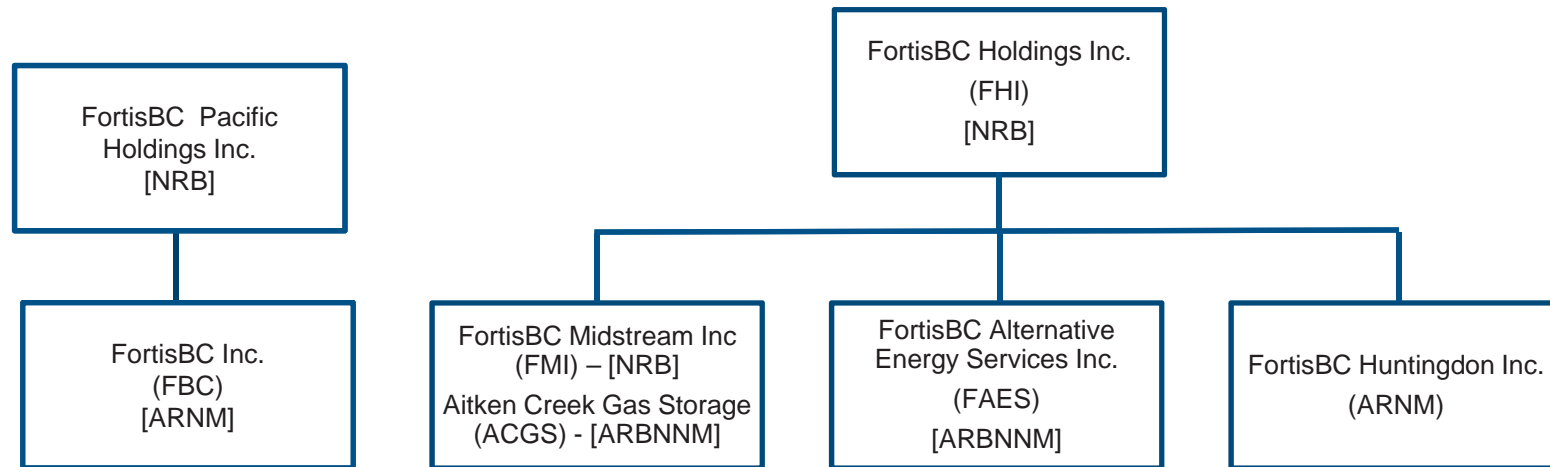
Letter L-19-15 April 28, 2015

- *“..... The Commission expects that preparation for the next application will have benefited from the efforts invested by all parties in this newly approved COC and TPP for ARBNNMs and therefore will involve only an abridged collaborative process such as a FEI-led workshop to consult all stakeholders on the format and key issues of the new document in advance of FEI filing its application.”*

Order G-52-16 April 18, 2016

- *“..... the British Columbia Utilities Commission approves FortisBC Energy Inc.s (FEI) request to vary Directive 2 of Order G-65-15, extending the timeline of FEI’s all-inclusive Code of Conduct and Transfer Pricing Policy filing from April 27, 2016 to June 30, 2016.”*

FortisBC Energy Inc. Resource Sharing



* Other affiliate is Fortis Inc.

* Regulated Monopolies (ARNM), Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment (ARBNNM), Non-Regulated Businesses (NRB)

FEI Format Consistent with Other Jurisdictions

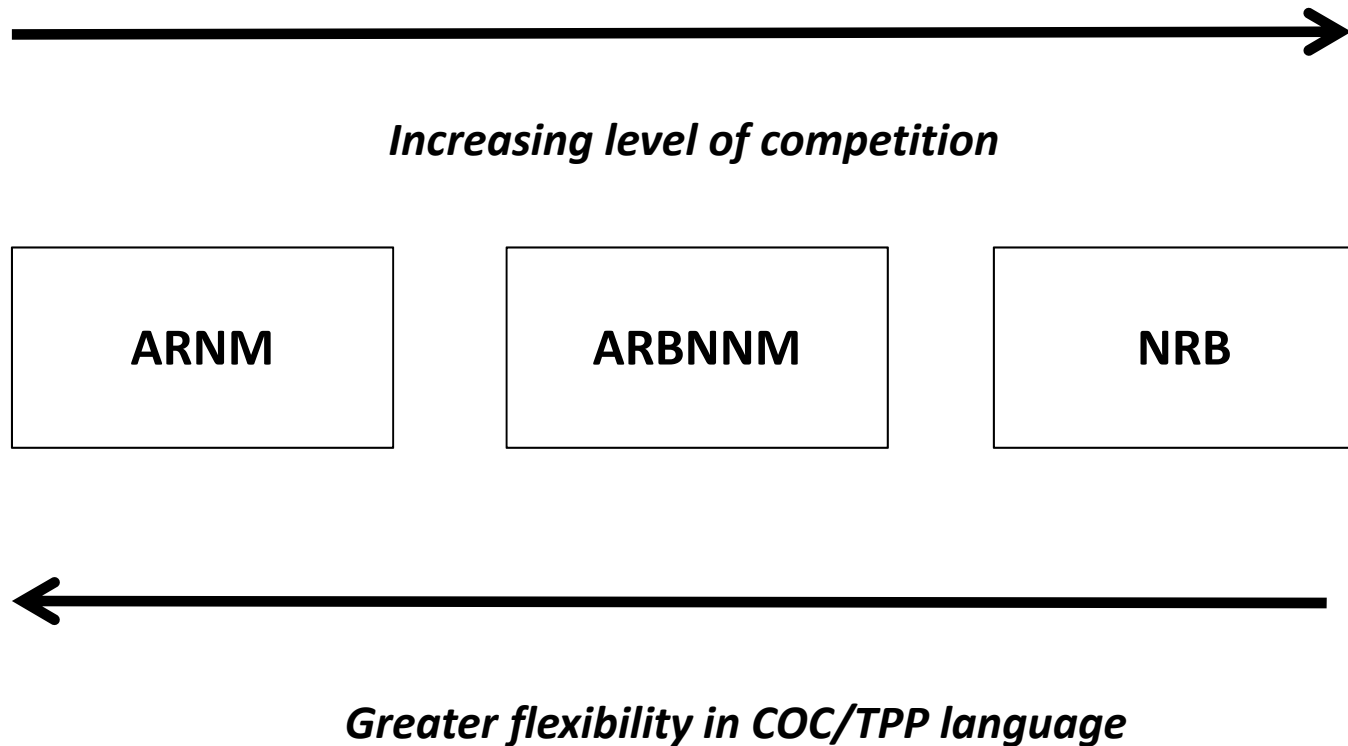
- Alberta achieves its All Inclusive Code of Conduct by:
 - Defining different entities; Utility, Affiliate and Non-Utility Affiliate
 - In specific sections, refer to application of section to Utility and Non-Utility Affiliate situations
 - For example,
 - *Separate Operations: The business and affairs of a Utility should be managed and conducted separately from the business and affairs of its Non-Utility Affiliates, except as required to fulfill corporate governance, policy.....*
- Ontario does it in a similar fashion
 - Defining different entities; Affiliate and Utility however no reference to Non-Utility Affiliate

DRAFT FEI All Inclusive Code of Conduct and Transfer Pricing Policy

Key sections of the DRAFT FEI All Inclusive CoC and TPP for discussion

- Resources shared
- Information shared
- Transfer Pricing

FEI Approach to Developing the All-Inclusive COC and TPP



Shared Services and Personnel – Section 2 of COC

ARBNNM	NRB	ARNM (FBC)
FEI to share services and non-executive personnel in circumstances where:	Same wording as ARBNNM	Same wording as ARBNNM
<ol style="list-style-type: none"> 1. The services can be identified and tracked effectively and there are other appropriate safeguards in place; 2. There is limited potential for disclosure of confidential information; and 3. There are benefits to [FortisBC Energy] customers and in the situation of [FortisBC Inc], where there are benefits to [FortisBC Inc] customers. 		
[FortisBC Energy] will not share business development personnel with an ARBNNM in situations where the ARBNNM is carrying out business development activities to acquire customers seeking energy solutions available in a competitive marketplace and where FEI is providing similar energy solutions.	Same wording as ARBNNM	
Directors and officers with dual management roles in FEI and an ARBNNM are required to execute a non-disclosure agreement.	Same wording as ARBNNM	

Shared Services and Personnel – Section 2 of COC

ARBNNM	NRB	ARNM (FBC)
<p><i>NEW addition</i></p> <p>FEI will not share personnel directly responsible for natural gas portfolio planning and mitigation and related contract negotiation activities specifically with Aitken Creek Gas Storage and FortisBC Midstream Inc. Specifically, the personnel for the following positions are not to be shared:</p> <ul style="list-style-type: none"> • Director, Energy Supply and Gas Control • Midstream Services Manager • Midstream Operations Manager • Energy Supply Planning Coordinator • Senior Manager, Price Risk and Resource Planning 	<p><i>NEW addition language applies to NRB also</i></p>	

Sharing of Customer Information

For All Affiliates – Section 3 of COC

New addition

[FortisBC Energy] will not provide Commercial Information to an ARBNM or a NRB unless the information is publicly available.

New addition to Definitions

Commercial information defined as “Information related to the Utility’s natural gas trading activities such as its natural gas storage pricing and contracts, or information that will inhibit a competitive energy services market from functioning, as determined by the circumstances.”

Revised

Customer Information, where appropriate, must be treated as required by the Personal Information Protection Act (PIPA), and should only be released with the written consent of the customer. Aggregated Customer Information or specific Customer Information should be made available to all parties, including competitors, on an equal basis, upon request, provided necessary consent is obtained. The control of Customer information should not provide a competitive advantage.

New addition to Definitions

Customer information defined as “Information relating to a specific customer or potential customer of the Utility, which information the Utility has obtained or compiled in the process of providing current or prospective Utility Services and which is not otherwise available to the public.”

Transfer Pricing Policy – Pricing Rules (Section 1 of TPP)

ARBNNM	NRB	ARNM (FBC)
<p>Where no tariff rate or agreement exists, the Transfer Price to an ARBNNM will be set on the basis of the higher of market price or the fully allocated cost. (iii)</p> <p>Where is no market price or a market price is not readily discernable, the Transfer Price to an ARBNNM will be set on the basis of fully allocated cost. (iv)</p> <p>In situations where it can be shown that an alternative Transfer Price will provide greater benefits to the FEI ratepayer, FEI must apply to the Commission for variance from the pricing rules iii and iv above.</p> <p><i>NEW addition</i> If there is an agreement between FEI and an Affiliate approved by the Commission, that agreement applies.</p>	<p>Same wording as ARBNNM</p>	<p>Where no tariff rates or agreements exist, the Transfer Price applicable to a transaction between FEI and an ARNM will be set on the basis of the minimum of the incremental costs.</p>

Comparison of Other Issues / Sections

Issues	ARBNNM	NRB	ARNM (FBC)
Preferential Treatment and Direction (Section 4 of COC)	FEI will not state or imply that favoured treatment will be available to customers of FEI as a result of using any service of an ARBNNM.	Same wording as for ARBNNM.	Non applicable (i.e. no competitors)
(Section 5 of COC)	... FEI will not preferentially direct its customers to an ARBNNM.	Same wording as for ARBNNM.	
Financing and Other Risks Section 8 of COC)	FEI will not normally provide financing or any form of financial assistance including co-signing of loans to an Affiliate. No FEI financing or other financial assistance, including cross-guarantees, can occur under any circumstances without advance Commission approval.	Same wording as for ARBNNM.	Non applicable (i.e. each regulated utility – natural monopoly would have its own financing).
Use of Utility Name (Section 9 of COC)	The use of the FortisBC name by an ARBNNM is an acceptable business practice. FEI will exercise care in distinguishing between services provided by FEI and services offered by the ARBNNM. The name FortisBC is owned by Fortis Inc.	Same wording as for ARBNNM.	Non applicable

Summary and Next Steps

- Recap of today's discussion
 - Format
 - Key Issues
- Next steps
 - June 30, 2016 filing date for DRAFT FEI All Inclusive COC and TPP

Appendix B-2

MINUTES FROM WORKSHOP

Meeting:	Stakeholder Workshop
Date:	May 26, 2016
Time:	9am to 12pm
Location:	BCUC Hearing Room, 12 th Floor, 1125 Howe Street, Vancouver
Facilitator:	James Wong, FEI
Participants:	<ol style="list-style-type: none">1. Andrews, Bill (BCSEA)2. Braithwaite, Tannis (BCOAPO)3. Cheng, Eileen (BCUC)4. Craig, David (CEC)5. Feeney, Kate (BCOAPO)6. Quail, Jim (MoveUp)7. Rhodes, Janet (CEC)8. Walsh, Sarah (BCUC)9. Worth, Leigha (MoveUP)10. Lee, Cindy, (MoveUp)
FEI Attendees:	<ol style="list-style-type: none">1. Bevacqua, Ilva2. Hill, Song3. Roy, Diane4. Wong, James
Material Provided	Presentation materials.
Agenda:	<p>Agenda</p> <ul style="list-style-type: none">• Background and BCUC Direction Summary• FEI Resource Sharing with Affiliates• Format and Key issues of All-Inclusive Code of Conduct• Review DRAFT FEI All Inclusive Code of Conduct and Transfer Pricing Policy• Summary and Next Steps

FEI mentioned at the start of the meeting that only summary notes were to be taken of the workshop discussion and that FEI would not attribute comments to specific stakeholders in its notes.

Subsequent to the workshop, some participants, after the circulation of the DRAFT Summary notes requested that FEI provide more detailed notes of the workshop discussion. To be responsive, FEI provides further details for each of the summary points following (i.e. points 1 to 7) including references to the party or parties that provided the comments and/or suggestions.

Following are the comments and suggestions provided by stakeholders during the workshop.

1. The issue of sharing of MoveUp staff between FEI's and FBC's contact centres services was raised noting concerns about appropriate oversight over the sharing arrangements and agreements and proper tracking of the shared resources and cost allocation between FEI and FBC. It was suggested the sharing of MoveUp contact centre staff may be inconsistent with the BCUC's decision on FEI's Customer Care CPCN Application and with Order G-31-15 which reads "The Panel finds that sharing of services and non-executive personnel between FEI and ARBNNM should be limited to the circumstances where...The nature and extent of services can be identified and tracked effectively..."
 - MoveUp (J. Quail) noted a significant concern from MoveUp's perspective is the defacto merger of call-centre services at the operational level of electric and gas utility operations, which was established by Terasen in the Customer Care CPCN, by dealing with calls by the same workforce.
 - FEI replied that union labour issues as suggested by MoveUp are being dealt with through the grievance-arbitration process.
 - MoveUp (L. Worth) raised a concern about how the utilities were recovering their costs for resources shared and that cost allocation based on a unit basis is inappropriate and that a time based approach is more appropriate.
 - MoveUp (J. Quail) suggested that FEI should not be allowed to share services with FBC if the utilities cannot accurately track and properly account for the services.
 - FEI and Commission staff both commented that FEI has used such shared services agreements in the past; FEI with FEVI/FEW shared service agreements were provided as examples and that the current sharing of contact centre staff had been reviewed by the Commission in the last annual reviews. FEI went on to clarify that FEI does have a process and agreements in place to govern existing shared services arrangements.
 - BCOAPO (T. Braithwaite) asked the question whether under the approved PBR Plan there is any benefit to the utilities collectively in misattributing costs to one utility or the other. Is it better for Fortis Inc. to misallocate costs from FEI to FBC?
 - MoveUP (J. Quail) stated that by reorganizing the call centres, there is a benefit to the gas and electric utilities as there is asymmetry in the accounting of the benefits.
 - FEI stated that it does not make any difference to the shareholder which utility is sharing the benefits as both have similar sharing arrangements that were approved as part of the PBR Plans.

2. There should be some discussion of the existing RMDM and NRB guidelines and which parts are relevant to the current application and descriptions or disclosures of all agreements related to shared services and shared corporate services to provide context.
 - Commission Staff (E. Cheng) suggested to include some discussion of and comparison to NRB and RMDM Guidelines and also descriptions of agreements related to shared services and corporate services.
3. Comments and suggestions were provided to enhance the applicability of the information on Slide #9 – “FEI Approach to Developing the All-Inclusive COC and TPP” of the workshop. While the level of competition may be a consideration in the COC/TPP rules required, other factors for consideration are to include the magnitude of the resources being shared, sensitivity and security of information being shared and the appropriate cost allocations for the resources being shared. Each of the situations (i.e. regulated natural monopolies, regulated monopolies operating in a non-natural monopoly environment and non-regulated businesses) requires different language and regulatory constructs.
 - CEC (D. Craig) commented that consideration for competition is not the only issue or driver. Typically the magnitude of what is to be allocated is a critical issue. Rather than flexibility being considered as shown on Slide 9 of the workshop material, it should be the content of the language and tracking, measurement and allocation of revenues and costs that should be considered. Slide 9 is a too simplistic depiction of the various considerations. Each affiliate situation requires different types of language and regulatory constructs.
 - CEC (D. Craig) suggested it would be good to frame the issues in a conceptual matrix with different regulatory constructs for each of the issues and situations.
4. Discussion on the specific wording to be used throughout the document, and specifically some of the wording provided on slides 10 through 12 to make it clearer/remove ambiguity.
 - Some examples of suggestions include:
 - BCSESA (B. Andrews) suggested to reword so it is clear we mean for transactions between FEI and FBC; it can be neutral to FEI (doesn’t need to provide benefits) as long as there are benefits for FBC – may need to separate the points so it is clear.
 - CEC (D. Craig) suggested that we should be clearer why certain sharing is not allowed and why different for different entities (FAES vs. and ACGS).
 - BCSEA (B. Andrews) suggested to remove the words “where appropriate” after Customer Information as the words were too ambiguous.
 - Commission Staff (E. Cheng) suggested for clarity to provide some discussion in comparison to NRB and RMDM Guidelines regarding the Shared Services and Personnel section.

5. Description somewhere in the application/document of the entities that currently fall under each of the categories.
 - BCSEA (B. Andrews) suggested that FEI list the various affiliates in the All-Inclusive Code of Conduct itself to provide clarity on what FortisBC entities are subject to the All-Inclusive Code of Conduct at the time that the document is written. MoveUp concurred with the suggestion.
6. Comments and suggestions were provided on the formatting of the All-Inclusive Code of Conduct such as having distinct sections and clauses for each of the situations (i.e. regulated monopolies) where required in order to provide greater clarity as to the applicability of the COC language and to provide the descriptions of documents or inclusion of such documents from other jurisdictions such as Ontario and Alberta.
 - BCSEA (B. Andrews) during the discussion about sharing of business development staff noted that FAES (energy solutions) and Aitken Creek (wholesale natural gas market) are quite different in terms of business. The suggestion was to have a separate provision that applies to Aitken Creek.
 - MoveUp (J. Quail) recommended that there should be consideration for what other jurisdictions (i.e. Alberta, Ontario, and Nova Scotia) use to govern the sharing of resources between entities. It was suggested that other jurisdictions require services agreements to be approved by the regulator.
7. Comments were raised about the objectives of the All-Inclusive Code of Conduct and understanding the rationale for an All-Inclusive Code of Conduct. Is one of the objectives of the All-Inclusive Code of Conduct to put together the different situations and documents into one document and keep the rules the same as they were before or is it the intention to change the content as required to recognize the different situations?
 - BCSEA (B. Andrews) asked for clarification whether the scope of the All-Inclusive Code of Conduct was to combine two or more documents into one and also whether it was to change the content of any sections; whether it is the actual intention to keep the rules to be the way they were before they got merged.
 - FEI replied that the intention was to take the existing NRB and ARBNNM Codes of Conduct and combine them using the ARBNNM CoC as the foundation for the merging of the two documents. Further, FEI indicated that changes would be made to accommodate new circumstances such as the sharing of resources between regulated natural monopolies.
 - Commission Staff (E. Cheng) commented that we should have a look back as to what the Commission Panel wanted regarding the All-Inclusvie Code of Conduct. Was it to combine the Codes into one? Expressed was the need to understand what the intention was.

Appendix C

EXISTING APPROVED FEI CODE OF CONDUCT AND TRANSFER PRICING POLICY FOR ARB AND NRB

Appendix C-1

**FEI CODE OF CONDUCT AND TRANSFER PRICING POLICY
FOR AFFILIATED REGULATED BUSINESSES OPERATING IN
A NON NATURAL MONOPOLY ENVIRONMENT**

FortisBC Energy Inc.

C O D E O F C O N D U C T

For Provision of Utility Resources and Services to Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment (ARBNNM)

June 19, 2014

SCOPE

This Code of Conduct (Code) governs the relationships between [FortisBC Energy Inc. (FortisBC Energy)] and Affiliated Regulated Businesses operating in a non-natural monopoly environment (ARBNNMs) for the provision of [FortisBC Energy] resources, and is intended to be consistent with the principles of the British Columbia Utilities Commission (Commission) outlined in the “Retail Markets Downstream of the Utility Meter” (RMDM) Guidelines of April, 1997 and the Commission’s Report on the “Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives” published in December 27, 2012, collectively referred to in this document as (Guidelines) or in Commission decisions in proceedings related to specific ARBNNMs. If the Code of Conduct is silent on a principle or guideline established in one of the above documents, acceptance of the Code of Conduct does not imply that the principle, guideline or Commission direction is voided or invalid.

This Code will govern the use of [FortisBC Energy] resources and services provided to ARBNNMs including shared services, employment or contracting of [FortisBC Energy] personnel, and the treatment of customer, utility, or confidential information. The Code will also determine the nature of the relationship between [FortisBC Energy] and ARBNNMs.

The primary responsibility for administering this Code lies with [FortisBC Energy], although the Commission has jurisdiction over matters referred to in this Code. The administration of this Code may have to take into account particular circumstances in respect to a particular resource or service which is being provided and where these issues are at variance with this Code, [FortisBC Energy] will be required to seek Commission approval in advance. The Code also provides that the Commission may review complaints in relation to this Code.

[FortisBC Energy] will maintain separate financial records and appropriate documentation as well as implement appropriate safeguards, including a sufficient separation of business operations in order to prevent cross-subsidization and ensure a level of transparency that enables an appropriate allocation of costs between [FortisBC Energy] and ARBNNMs.

The [FortisBC Energy] Transfer Pricing Policy for ARBNNMs, dated June 19, 2014, will be used in conjunction with this Code to establish the costs and pricing for [FortisBC Energy] resources and services provided to ARBNNMs.

This Code governs the relationships between [FortisBC Energy] and its Affiliated Regulated Businesses operating in a non-natural monopoly environment. This Code does not replace the existing Code of Conduct governing the relationship between [FortisBC Energy] and Non-Regulated businesses (NRBs).

DEFINITIONS

[FortisBC Energy Inc.]

May be abbreviated as follows: [FortisBC Energy], the Utility, or the Company, and may also include employees of the Company.

Commission

British Columbia Utilities Commission.

Guidelines

Principles and Guidelines from the Retail Markets Downstream of the Utility Meter Guidelines published by the British Columbia Utility Commission in April, 1997 and the Commission's Report in the Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives published in December 27, 2012. This definition does not negate the applicability of other relevant orders or directions such as Commission directions in proceedings regarding affiliates or Special Directions issued by the Province of British Columbia to the Commission on matters related to specific FortisBC Energy business activities.

Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARBNNM)

A separate legal entity that is an affiliate of the Utility regulated by the Commission offering regulated products and services in a non-natural monopoly environment.

RMDM

Acronym for "Retail Markets Downstream of the Utility Meter", which may include any utility or energy related activity at or downstream of the utility meter.

Transfer Pricing to Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment

The price established for the provision of Utility resources and services to an ARBNNM. Transfer pricing for any Utility resource or service will be determined by applying the appropriate [FortisBC Energy] Transfer Pricing Policy as agreed upon by [FortisBC Energy] and the ARBNNM and approved by the Commission.

APPLICATION OF COMMISSION PRINCIPLES

CODE OF CONDUCT PRINCIPLES

The following principles were applied in the development of the Code of Conduct for activities between [FortisBC Energy] and Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment [ARBNNM].

- i. [FortisBC Energy] will protect and consider the interests of its own ratepayers, and having protected its ratepayers, [FortisBC Energy] may also consider the potential interests of the ARBNNM ratepayers.
- ii. [FortisBC Energy] will not provide to an ARBNNM any information that would inhibit the energy services market in a non-natural monopoly environment from functioning.
- iii. The control of information should not provide a competitive advantage.
- iv. Customer specific information must be treated as required by the Personal Information Protection Act and, in addition, customer specific information should only be released with the written consent of the customer. Customer information (aggregate or customer specific with written consent) should be made available to all parties (Affiliated Regulated and Unregulated Businesses, and competitors) on an equal basis, upon request.
- v. [FortisBC Energy] and its employees will not state or imply that favoured treatment will be available to customers of [FortisBC Energy] as a result of using any service of an ARBNNM. Additionally, [FortisBC Energy] and its employees will not preferentially direct customers to an ARBNNM.
- vi. [FortisBC Energy] will not normally provide financing, or any form of financial assistance including co-signing of loans, to the ARBNNM. No [FortisBC Energy] financing or other financial assistance, including cross-guarantees, can occur under any circumstances without advance Commission approval.
- vii. [FortisBC Energy] will monitor compliance with this Code by also conducting an annual compliance review. [FortisBC Energy] will regularly advise all of its employees of their expected conduct pertaining to this Code.
- viii. The Transfer Pricing mechanism should provide a fair and transparent mechanism to [FortisBC Energy]'s ratepayers, and after having considered the interests of [FortisBC Energy's] ratepayers, may consider the potential interests of the ARBNNM's ratepayers.
- ix. Costs are to be allocated from [FortisBC Energy] to the ARBNNM on the basis of the higher of market price or fully allocated cost as set out in the [FortisBC Energy] Transfer Pricing Policy. [FortisBC Energy] is to seek advance approval from the Commission prior to charging a price that is other than "the higher of market price or fully allocated cost".

1. Transfer Pricing for ARBNNMs

[FortisBC Energy] will conform with the Commission approved [FortisBC Energy] Transfer Pricing Policy for ARBNNMs.

2. Shared Services and Personnel

- a) This Code recognizes the potential benefits to the [FortisBC Energy] and ARBNNM regulated ratepayers in sharing resources.
- b) [FortisBC Energy] will only share services and non-executive personnel in circumstances where:
 - 1. the services can be identified and tracked effectively and there are other appropriate safeguards in place;
 - 2. there is limited potential for disclosure of confidential information; and
 - 3. there are benefits to [FortisBC Energy] ratepayers.
- c) [FortisBC Energy] will not share business development personnel with an ARBNNM.
- d) [FortisBC Energy] and ARBNNM directors and executives with dual roles are required to execute non-disclosure agreements.

The costs of providing such services will be as agreed upon by both [FortisBC Energy] and the ARBNNM and be in accordance with the Commission approved [FortisBC Energy] Transfer Pricing Policy for ARBNNMs.

3. Provision of Information by [FortisBC Energy Inc.]

Customer information (aggregate or customer specific with written consent) should be made available to all Parties (Affiliated Regulated and Unregulated Businesses, separate classes of service, and competitors) on an equal basis, upon request.

[FortisBC Energy] will not provide to an ARBNNM any information that would inhibit the energy services market in a non-natural monopoly environment from functioning.

Customer specific information must be treated in accordance with the Personal Information Protection Act. If a customer requests their specific information be provided to a specific party, only that party may receive the information. If a customer agrees to a general release of their specific information, that information must be made available to all interested parties who request it and are willing to pay the price associated with the provision of the information, without discrimination as to access, timing, cost or content. Customer information will be provided at a reasonable price reflecting market circumstances and cover the cost of extracting and providing the information. All parties should pay the same price for the same or similar information.

[FortisBC Energy] may disclose to all interested parties that request it and are willing to pay the appropriate transfer price (see above), customer information that is aggregated or summarized in such a way that confidential information would not be ascertained by third parties.

4. Preferential Treatment

[FortisBC Energy] will not state or imply that favoured treatment will be available to customers of [FortisBC Energy] as a result of using any service of an ARBNNM. In addition, no Company personnel will condone or acquiesce in any other person stating or implying that favoured treatment will be available to customers of the Company as a result of using any product or service of an ARBNNM.

5. Equitable Access to Services

Except as required to meet acceptable quality and performance standards, and except for some specific assets or services which require special consideration as approved by the Commission, [FortisBC Energy] will not preferentially direct customers to an ARBNNM. In discussing energy alternatives with a customer, or a potential customer, [FortisBC Energy] personnel may not preferentially direct customers to an ARBNNM. If a customer, or potential customer, requests from [FortisBC Energy] information about products or services offered by an ARBNNM, [FortisBC Energy] may provide such information, including a directory of suppliers of the product or service, but shall not promote any specific supplier in preference to any other supplier.

6. Equitable Treatment of Demand-Side Management and Incentive Funds

[FortisBC Energy] will adhere to the Commission approved mechanism for approval and administration of Demand-Side Management or incentive funding.

7. Compliance and Complaints

- a) The Director of Finance at [FortisBC Energy] will be responsible for monitoring compliance at [FortisBC Energy] with this Code. This will include advising all of its employees of their expected conduct pertaining to this Code, with quarterly updates for employees who may be directly involved with ARBNNM activities.
- b) [FortisBC Energy] will monitor employee compliance with this Code by also conducting an annual compliance review, the results of which will be summarized in a report to be filed with the Commission within 60 days of the completion of this review.
- c) Complaints by third parties about the application of this Code, or any alleged breach thereof, should be addressed in writing to the Company's Director of Finance and the Executive Vice-President, Customer Service and Regulatory Affairs, who will bring the matter to the immediate attention of the Company's senior management and promptly initiate an investigation into the complaint.

The complainant, along with the Commission, will be notified in writing of the results of the investigation, including a description of any course of action which will be or has been taken promptly following the completion of the investigation. The Company will endeavour to complete this investigation within 30 days of the receipt of the complaint.

- d) Where [FortisBC Energy] determines that the complaint is frivolous and without merit, the Company may apply to the Commission for reimbursement of the costs of the investigation from the third party initiating the complaint or where this is not possible, for inclusion of those costs in rates.

8. Financing and Other Risks

[FortisBC Energy] will not normally provide financing, or any form of financial assistance including co-signing of loans, to the ARBNNM. No [FortisBC Energy] financing or other financial assistance, including cross-guarantees, can occur under any circumstances without advance Commission approval.

9. Use of Utility Name

The use of the FortisBC name by an ARBNNM is an acceptable business practice. [FortisBC Energy] will exercise care in distinguishing between services provided by [FortisBC Energy] and services offered by the ARBNNM. The name FortisBC is owned by Fortis Inc.

10. Amendments

In order to ensure that this Code remains workable and effective, the Company will review the provisions of this Code on an ongoing basis and as required by the Commission, but with a maximum of five years between reviews.

Amendments to this Code may be made from time to time as approved by the Commission, and may result from a normal periodic review, from a request to the Commission by [FortisBC Energy], an ARBNNM, a customer or other stakeholder, or a review initiative by the Commission.

FortisBC Energy Inc.

T R A N S F E R P R I C I N G P O L I C Y

For Provision of Utility Resources and Services to Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment (ARBNNM)

June 19, 2014

SCOPE

This policy addresses the pricing of resources and services provided by [FortisBC Energy Inc. (FortisBC Energy)] to Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment (ARBNNMs) providing regulated products and services.

Allocation of costs will reflect appropriate compensation for any benefit derived by a new ARBNNM as a result of its affiliation with its parent or other businesses. This will include compensation for additional cost or risk related to the addition of incremental debt to the parent utility for the new products or services. [FortisBC Energy] will ensure that it receives appropriate compensation for the resources and services provided, in order to protect its ratepayers from subsidizing the activities of ARBNNMs, as required by the Code of Conduct for ARBNNMs and this Transfer Pricing Policy.

[FortisBC Energy] will maintain separate financial records and appropriate documentation as well as implement appropriate safeguards including sufficient separation of business operations in order to ensure a level of transparency that enables an appropriate allocation of costs between [FortisBC Energy] and ARBNNMs.

The Transfer Pricing Policy for ARBNNMs will be used in conjunction with the [FortisBC Energy] Code of Conduct for Provision of Utility Resources and Services to Affiliated Regulated Businesses Operating in a Non-Natural Monopoly Environment dated June 19, 2014. This Policy does not replace the existing Transfer Pricing Policy between [FortisBC Energy] and Non-Regulated businesses (NRBs).

DEFINITIONS

[FortisBC Energy Inc.] *May be abbreviated as follows: [FortisBC Energy], the Utility, or the Company, and may also include employees of the Company.*

Commission *British Columbia Utilities Commission.*

Development *The translation of research findings or other knowledge into a plan or design for new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.*

Guidelines	<i>Principles and Guidelines from the Retail Markets Downstream of the Utility Meter Guidelines published by the British Columbia Utilities Commission in April, 1997 and the Commission's Report in the Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives published in December 27, 2012. This definition does not negate the applicability of other relevant orders or directions such as Commission directions in proceedings regarding affiliates or Special Directions issued by the Province of British Columbia to the Commission on matters related to specific FortisBC Energy business activities.</i>
Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARBNNM)	<i>A separate legal entity that is an affiliate of the Utility regulated by the Commission offering regulated products and services in a non-natural monopoly environment.</i>
Research	<i>Planned investigation undertaken for the purpose and expectation of gaining new scientific or technical knowledge and understanding. Such investigation may or may not be directed towards a specific practical aim or commercial application.</i>
RMDM	<i>Acronym for "Retail Markets Downstream of the Utility Meter", which may include any utility or energy related activity at or downstream of the utility meter.</i>
Transfer Pricing to Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment	<i>The price established for the provision of Utility resources and services to an ARBNNM. Transfer pricing for any Utility resource or service will be determined by applying the appropriate [FortisBC Energy] Transfer Pricing Policy as agreed upon by [FortisBC Energy] and the ARBNNM and approved by the Commission.</i>
Fair Market Value	<i>"Fair Market Value" means the price reached in an open and unrestricted market between informed and prudent parties, acting at arms length and under no compulsion to act.</i>

POLICY

Provision of services from [FortisBC Energy] to ARBNNMs must be in accordance with the Commission approved Code of Conduct and Transfer Pricing Policy for ARBNNMs.

All sharing of costs, services, customer information, and any other documentation of information as specified by the Commission between affiliated regulated utilities must be maintained and disclosed to the Commission where required by the Commission.

Transfer Prices charged to ARBNNMs by [FortisBC Energy] are intended to ensure that [FortisBC Energy] ratepayers are not adversely affected and will be established using the following pricing rules.

1. Pricing Rules

- i. If an applicable [FortisBC Energy] tariff rate exists, the Transfer Price will be set according to the tariff.
- ii. Where no tariff rate exists, the Transfer Price will be set on the basis of the higher of market price or the fully allocated cost.
- iii. Where there is no market price or a market price is not readily discernable, the Transfer Price will be set on the basis of fully allocated cost.
- iv. In situations where it can be shown that an alternative Transfer Price will provide greater benefits to the [FortisBC Energy] ratepayer, [FortisBC Energy] must apply to the Commission for a variance from the pricing rules i, ii, or iii.

2. Determining Costs

For the purposes of this policy, costs for the resources or services being provided by [FortisBC Energy] to an ARBNNM will be set at the fully allocated cost as described below. The definition of full costs will depend on the type of service or resource being provided.

For the most part, the types of resources and services that can be provided to ARBNNMs by [FortisBC Energy] are human resources (labour) and associated equipment and facilities. The example in Appendix A summarizes how full costs are determined for the different types of services described below in Section 2.1. The determination of full costs, specifically the cost loadings, is based on services to be provided in accordance with the [FortisBC Energy] approved Code of Conduct with respect to ARBNNM dated June 19, 2014.

Costs will include both direct costs and a fair allocation of the parent utility costs required to provide the product or service, except where such treatment is precluded by legislation, regulation or special direction.

If other [FortisBC Energy] resources or services are used by an ARBNNM that are not described by this policy or if there are unusual circumstances that warrant a separate review, then [FortisBC Energy] will make an application to the Commission on a case-by-case basis.

2.1 Type of Service

There are three types of services: Specific Committed Service, As Required Service and Designated Subsidiary/Affiliate Service. It is important that the type of service is specified before the commencement of any service. This specification is to ensure that the correct cost loadings are applied to any Transfer Price.

i. Specific Committed Service

Specific Committed Service is work that is contracted for and billed regardless of whether or not work is actually performed. Typically, this work is on-going or on a continuing basis (such as regulatory) in support of ARBNNM activities. The receiving organization (i.e. the ARBNNM) is, in effect, requiring that the providing organization's department (i.e. [FortisBC Energy]) maintain sufficient staffing levels throughout the year in order to provide this service. The receiving organization must pay for the Specific Committed Service even if the service provided is less than originally contracted.

It is important that the description, scope and quality of the service to be provided be defined and agreed upon by both [FortisBC Energy] and the ARBNNM before the commencement of such a service, including an indication whether the service is performed at the employee's normal place of work ("on-site") or at the ARBNNM's ("off-site"). A request for Specific Committed Service may be raised or terminated at any time throughout the year by the ARBNNM. Termination of a Specific Committed Service as a result of an activity change is subject to a sixty (60) day notice period.

At the end of the fiscal year, Specific Committed Services which were not provided (unless the Utility was unable to meet its commitments) will be offset against services used in excess of those committed. Any excess service on a total pooled basis will be billed, but any deficiency will not be refunded. If there is a shortfall in the level or quality of service provided by [FortisBC Energy] a reasonable refund by [FortisBC Energy] or termination of service by the ARBNNM may be made. In the normal course of business, the time estimates for Specific Committed Service are reviewed and agreed upon by both [FortisBC Energy] and the ARBNNM annually.

To determine the full cost of Specific Committed Service, the following loadings are applied to direct labour costs: concessions loading, benefits loading and general overhead loading. Also facility and/or equipment charges are applied if applicable. Appendix A, Column 1 shows an example of determining full cost for Specific Committed Service, both "on-site" and "off-site".

ii. **As Required Service**

As Required Service is work that is not specifically committed to by the receiving organization. The providing organization charges the cost of the actual time incurred to perform the work to the receiving organization. Typically, this is work that is not budgeted in advance.

As Required Service must be specified to be either for an extended term (greater or equal to three months) or short term (less than three months) period prior to the commencement of the work. In addition, it must be identified whether the individual providing the services will work at his or her normal place of work (“on-site”) or at the ARBNNM’s (“off-site”).

To determine the full cost of As Required Service, the following loadings are applied to direct labour costs: concessions loading, benefits loading, general overhead loading, supervision loading and an availability charge loading. Also facility and/or equipment charges are made if applicable. Appendix A, Column 2 shows an example of determining full cost for As Required Service.

In certain situations, [FortisBC Energy] will need to retain the immediate right to recall the employee being contracted to the ARBNNM for an As Required Service. In these situations, the availability charge will be waived. Prior notification to the Commission is required to waive the availability charge for As Required Service.

iii. **Designated Subsidiary/Affiliate Service**

A Designated Subsidiary/Affiliate is a related company that is designated by [FortisBC Energy] and approved by the Commission to receive reduced loadings in the Transfer Price. The designation relates to the additional benefits that the related company provides to [FortisBC Energy]’s customers, employees or to the economic development of the Province of British Columbia.

A Designated Subsidiary/Affiliate receives services on the same basis as the As Required Service described above. To determine the full cost of Designated Subsidiary/Affiliate Service, the following loadings are applied to direct labour costs: concessions loading, benefits loading and a general overhead loading. Appendix A, Column 3 shows an example of determining full cost for Designated Subsidiary/Affiliate Service.

The Commission may approve a subsidiary or affiliate with this status but exclude specific activities or projects of that subsidiary (e.g. projects taking place in certain geographic locations). Similarly, certain work to be performed for an ARBNNM relating to a specific service, project or product may be designated by [FortisBC Energy] and approved by the Commission to receive reduced loadings.

3. Cost Relating to the Transfer of Activities from the Utility to an ARBNNM

3.1 Transfer Costs

Activities initially undertaken within the regulated Utility may, from time to time, be transferred to an ARBNNM with Commission approval. Costs associated with transferring an activity to an ARBNNM, and the start-up of ARBNNM activities, shall be borne by the ARBNNM. To the extent that these activities involve Utility resources during the transfer, the ARBNNM shall reimburse the Utility using the appropriate pricing rules as defined in this Transfer Pricing Policy. Costs relating to the termination of an activity within the Utility shall be borne by the Utility.

3.2 Research Costs

As research is regarded as a continuing activity required to maintain the Utility's business and its effectiveness, such expenses shall be borne by the Utility. However, where it is evident that certain research activities are clearly directed towards specific pursuits related to an ARBNNM, the Utility will ensure it is compensated by the ARBNNM according to the pricing rules defined in this Transfer Pricing Policy, net of any quantifiable benefits received by the Utility.

3.3 Development Costs

Development costs for new products and services transferred to an ARBNNM will be tracked and charged to the ARBNNM according to the pricing rules defined in this Transfer Pricing Policy, net of any quantifiable benefits received by the Utility.

4. Cost Collection Procedures

4.1 Internal Orders

[FortisBC Energy] will be responsible for setting up the appropriate internal orders, documenting the internal order numbers and ensuring that the appropriate individuals charge time to them. The providing organization's accounting group (typically [FortisBC Energy]'s Financial Accounting Group) will be responsible for maintaining the internal orders and collecting the appropriate charges.

4.2 Time Sheets

The individuals performing the service must report all time spent on that service by coding their time to the appropriate internal order numbers. This is to occur whether the type of service is Specific Committed, As Required or Designated Subsidiary/Affiliate Service. The ARBNNM may also review the validity of these charges.

4.3 Invoicing

The ARBNNM will be invoiced for the contracted amount in respect of Specific Committed Service and for the appropriate time based on the actual payroll level in respect of As Required Service or Designated/Affiliate Service (subject to confidentiality of salary information) with the

applicable loadings applied. The invoice will include the number of hours and corresponding activities.

The methodology for determining a salary level is on the basis of the average of the respective pay grades or job groups for the employees involved.

4.4 Compliance

The Director of Finance is responsible for the oversight of safeguards related to the Transfer Pricing Policy, including the ongoing design and operating effectiveness of the timekeeping process and other related controls and safeguards, and the maintenance of adequate records and documentation.

5. Review of Transfer Pricing Policy

The Transfer Pricing Policy will be reviewed on an annual basis as part of the Code of Conduct compliance review. However, [FortisBC Energy] may make application to the Commission for approval of changes to the policy including the pricing rules and the formula for determining full costs as and when required.

Appendix “A”

Illustrative Example of Determining Full Cost for the Three Types of Service

(For an employee at an annual salary of \$85,000 and 59% benefits loading)

(Different charge-out rates are used for different positions)

Column	1		2			3
	Specific Committed Service		As Required Service			Designated Subsidiary / Affiliate
	Off-Site Full-time	On-Site Full-time	On-Site Short Term	Off-Site Short Term	Off Site Extended	
BASE PAY PER DAY	\$327.00	\$327.00	\$327.00	\$327.00	\$327.00	\$327.00
PLUS CONCESSIONS and BENEFITS (90%)	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00
LOADED LABOUR PER DAY	\$622.00	\$622.00	\$622.00	\$622.00	\$622.00	\$622.00
GENERAL OVERHEAD	5%	10%	10%	10%	5%	5%
SUPERVISION	N/A	Direct Charge	20%	N/A	N/A	Direct Charge
AVAILABILITY CHARGE	N/A	N/A	20%	20%	20%	N/A
FACILITIES CHARGE (If Applicable)	N/A	\$100.00	\$100.00	\$100.00	N/A	N/A
EQUIPMENT CHARGE (If Applicable)	Direct Charge	Direct Charge	Direct Charge	Direct Charge	Direct Charge	N/A
TOTAL FULL COSTS PER DAY	\$653.00	\$784.00	\$1,033.00	\$909.00	\$778.00	\$653.00
Cost Ratio to Base Pay per day	2.00	2.40	3.16	2.78	2.38	2.00
Cost Ratio to Loaded Labour per day	1.05	1.26	1.66	1.46	1.25	1.05

Appendix C-2

**FEI CODE OF CONDUCT AND TRANSFER PRICING POLICY
FOR NON-REGULATED BUSINESSES**

Effective: OCT 16 1997 L-64-1997

BCUC Secretary: Original signed by R.J. Pellatt

[FortisBC Energy Inc.]

C O D E O F C O N D U C T

***For Provision of Utility Resources and Services
August 1997***

SCOPE

This Code of Conduct (Code) governs the relationships between [FortisBC Energy Inc. (FortisBC Energy)] and Non-Regulated Businesses (NRBs) for the provision of Utility resources, and conforms with the British Columbia Utilities Commission (Commission) “Retail Markets Downstream of the Utility Meter” (RMDM) Guidelines of April, 1997. The Commission Code of Conduct Principles from the Guidelines are attached as Appendix ‘A’.

This Code will govern the use of Utility resources for unregulated activities (products or services for which there are no Commission approved tariffs) including shared services, employment or contracting of Utility personnel, and the treatment of customer, utility, or confidential information. The Code will also determine the nature of the relationship between the Utility and NRBs and the treatment by the Utility of its’ NRBs.

The primary responsibility for administering this Code lies with [FortisBC Energy], although the Commission has jurisdiction over matters referred to in this Code. The Commission acknowledges that the Utility in the administration of the Code may have to take into account particular circumstances in respect to a particular product or service which is being provided or transferred out of the Utility, and where these issues are at variance with this Code Commission approval will be required. The Code also provides that the Commission may review complaints in relation to the Code.

The [FortisBC Energy] Transfer Pricing Policy, dated August 1997, will be used in conjunction with this Code to establish the costs and pricing for Utility resources and services.

This Code supersedes and replaces the [FortisBC Energy] Code of Business Conduct dated March 31, 1995. However, this Code does not replace contracts and undertakings between [FortisBC Energy] and NRB affiliates in existence prior to approval of the Code.

[FortisBC Energy] Code of Conduct

DEFINITIONS

[FortisBC Energy Inc.]	<i>May be abbreviated as follows: [FortisBC Energy], the Utility, or the Company, and may also include employees of the Company.</i>
Commission	<i>British Columbia Utilities Commission.</i>
Guidelines	<i>Retail Markets Downstream of the Utility Meter Guidelines published by the British Columbia Utility Commission in April, 1997.</i>
Non-Regulated Business (NRB)	<i>An affiliate of the Utility not regulated by the Commission or a division of the Utility offering unregulated products and services. “Related NRB” refers to any NRB which is an affiliate of the Utility and which uses any resources of the Utility.</i>
Ratepayers	<i>Ratepayers in most cases are considered as a whole rather than one group or rate class.</i>
RMDM	<i>Acronym for “Retail Markets Downstream of the Utility Meter”, which may include any utility or energy related activity at or downstream of the utility meter.</i>
Transfer Pricing	<i>The price established for the provision of Utility resources and services, or the transfer of Utility assets, to an NRB or division of the Utility providing unregulated products and services. Transfer pricing for any Utility resource or service will be determined by applying the [FortisBC Energy] Transfer Pricing Policy approved by the Commission.</i>

APPLICATION OF COMMISSION PRINCIPLES

1. Transfer Pricing

The Utility will conform with the Commission approved [FortisBC Energy] Transfer Pricing Policy.

2. Shared Services and Personnel

- a) This Code recognizes the need for and potential benefits to the Utility of employee transfers and human resource sharing.
- b) [FortisBC Energy] may provide shared services to NRBs, including supervision and management, while ensuring that ratepayers will not generally be negatively impacted by Utility involvement. The costs of providing such services will be as agreed upon by both parties and be in accordance with the Commission approved [FortisBC Energy] Transfer Pricing Policy.
- c) NRBs may contract for any Utility personnel using the Commission approved [FortisBC Energy] Transfer Pricing Policy, providing the Utility complies with Section 4 of this Code, Provision of Information by [FortisBC Energy Inc.], and no conflict of interest exists which will negatively impact on ratepayers.

3. Transfer of Assets or Services

The price for all transfers of assets or services shall be determined in accordance with the [FortisBC Energy] Transfer Pricing Policy approved by the Commission, and the Utility must be able to demonstrate that the benefits to the ratepayer are greater than the cost. The transfer price will reflect the potential for risk (stranded assets, future costs, etc.) and the recall availability of shared or transferred personnel to ensure the Utility receives the appropriate benefit from expertise resident in the Utility. [FortisBC Energy] will comply with acceptable business practices if it wishes to purchase assets, goods or services from an NRB.

An appropriate allocation of development costs for products or services as defined in the [FortisBC Energy] Transfer Pricing Policy, will be included in the transfer price.

4. Provision of Information by [FortisBC Energy Inc.]

[FortisBC Energy] will not provide to an NRB any information that would inhibit a competitive energy services market from functioning.

The following should act as a guideline for employees confronted with issues related to the sharing of confidential information:

- a) This Code precludes [FortisBC Energy] from releasing confidential customer specific information without the consent of that customer. If a customer agrees to a general release of customer specific information, that information must be made available to any market participant who requests it and is willing to pay costs associated with the

provision of the information, without discrimination as to access, timing, cost or content. If a customer requests customer specific information be provided to a specific market participant, only that participant may receive the information, subject to payment of associated costs incurred to provide the information.

- b) [FortisBC Energy] may disclose to any market participant that requests it and is willing to pay the appropriate transfer price customer information that is aggregated or summarized in such a way that confidential information would not ordinarily be ascertained by third parties.
- c) [FortisBC Energy] may provide or sell any non-customer specific information to any market participant that requests it and is willing to pay the appropriate transfer price.

5. Preferential Treatment

[FortisBC Energy] will not state or imply that favoured treatment will be available to customers of the Utility as a result of using any service of an NRB. In addition, no Company personnel will condone or acquiesce in any other person stating or implying that favoured treatment will be available to customers of the Company as a result of using any product or service of an NRB.

6. Equitable Access to Services

Except as required to meet acceptable quality and performance standards, and except for some specific assets or services which require special consideration as approved by the Commission, [FortisBC Energy] will not preferentially direct customers seeking competitively offered services to an NRB or a specific retailer.

7. Compliance and Complaints

- a) [FortisBC Energy] will advise all of its employees of their expected conduct pertaining to this Code, with annual updates for employees who may be directly involved with NRB activities.
- b) [FortisBC Energy] will monitor employee compliance with this Code by conducting an annual compliance review, the results of which will be summarized in a report to be filed with the Commission within 60 days of the completion of this review.
- c) Complaints by third parties about the application of this Code, or any alleged breach thereof, should be addressed in writing to the Company's [Executive Vice-President, Finance, Regulatory and Energy Supply], who will bring the matter to the immediate attention of the Company's senior management and promptly initiate an investigation into the complaint. The complainant, along with the Commission, will be notified in writing of the results of the investigation, including a description of any course of action which will be or has been taken promptly following the completion of the investigation. The Company will endeavour to complete this investigation within 30 days of the receipt of the complaint.

- d) Where [FortisBC Energy] determines that the complaint is unfounded, the Company may apply to the Commission for reimbursement of the costs of the investigation from the third party initiating the complaint or where this is not possible, for inclusion of those costs in rates.

8. Financing and Other Risks

[FortisBC Energy] will not undertake any financing or other financial assistance on behalf of an NRB that exposes utility ratepayers to additional costs or risks, unless appropriate compensation is received by [FortisBC Energy] for such financing or other financial assistance, and such financing or other financial assistance is approved by the Commission.

9. Use of Utility Name

[FortisBC Energy Inc.] agrees that newly established NRBs engaging in RMDM activities will not use the Utility's name as the primary identifier within British Columbia, and will not use the Utility name in a manner that indicates that Utility resources will support the NRB.

10. Distribution System Access

[FortisBC Energy] will treat all requests for distribution system access for the purpose of direct commodity marketing equitably and in accordance with the requirements approved for direct commodity marketing in British Columbia.

11. Amendments

In order to ensure that this Code remains workable and effective, the Company will review the provisions of this Code on an ongoing basis and as required by the Commission, but with a maximum of three years between reviews.

Amendments to this Code may be made from time to time as approved by the Commission.

Appendix 'A'

COMMISSION CODE OF CONDUCT PRINCIPLES

The Commission has established the following principles in the Guidelines which [FortisBC Energy] intends to apply to RMDM activities and the Utility's relationships with NRBs.

- i) The regulated company will not provide to the NRB any market-sensitive or confidential information that would inhibit a competitive energy services market from functioning. If customers agree to a release of customer information to the NRB, it should be provided to other market participants under the same terms and conditions and for the same price. Should an individual customer make a specific request to have information released to a particular third party, it will be released to that party only. The utility will be able to recover from the customer the costs associated with the provision of this information.
- ii) No regulated company personnel will state or imply that favoured treatment will be available to customers of the company as a result of using any service of an NRB. In addition, no regulated company personnel will condone or acquiesce in any other person stating or implying that favoured treatment will be available to customers of the company as a result of using any service of an NRB.
- iii) No regulated company personnel will preferentially direct customers seeking competitively offered services to an NRB. If a customer, or potential customer, requests from the regulated company information about products or services offered by an NRB or its competitors in downstream markets, the regulated company may provide such information, including a directory of retailers of the product or service, but shall not promote any specific retailer in preference to any other retailer.
- iv) The regulated company will formally advise all employees of expected conduct related to these principles and it will undertake to perform periodic audits of the relationships to ensure compliance with these principles. These audits will be performed no less than once a calendar year and filed with the Commission.
- v) Complaints by non-affiliated parties about the application of these principles, or any alleged breach thereof, will be brought to the immediate attention of the senior management of the regulated company and subsequently a report of the complaints, and action taken, will be filed with the Commission. The report will be filed with the Commission within one month of the complaint being made.
- vi) The financing of the utility and NRB will be accounted for entirely separately with the financing costs reflecting the risk profile of each entity. No cross-guarantees or any form of financial assistance whatsoever should be provided directly or indirectly by a utility to its NRB without approval of the Commission.

[FortisBC Energy] Code of Conduct

- vii) Use of the utility name by a related NRB will require approval by the Commission to ensure that its use will not interfere with the Commission's ability to protect ratepayers.

In those cases where retail customers have direct market access to the commodity, the utility's code of conduct will also include the following provision,

The regulated company will treat all requests for distribution system access for the purpose of direct commodity marketing equitably and according to the requirements approved for direct commodity marketing in British Columbia.

Effective: OCT 16 1997 L-64-1997

BCUC Secretary: Original signed by R.J. Pellatt

[FortisBC Energy Inc.]

T R A N S F E R P R I C I N G P O L I C Y

***For Provision of Utility Resources and Services
August 1997***

SCOPE

This policy addresses the pricing of resources and services provided by [FortisBC Energy Inc. (FortisBC Energy)] to:

- ◆ Non-Regulated Businesses (NRBs); and
- ◆ Divisions of the Utility providing unregulated products or services (collectively NRBs).

[FortisBC Energy Inc.] will ensure that it receives adequate compensation for the resources and services provided, thereby protecting ratepayers from subsidising unregulated activities.

The Transfer Pricing Policy will be used in conjunction with the [FortisBC Energy Inc.] Code of Conduct for Provision of Utility Resources and Services dated August, 1997. However, this policy does not replace [FortisBC Energy]/NRB contracts and undertakings in existence prior to approval of this Transfer Pricing Policy.

DEFINITIONS

[FortisBC Energy Inc.]	<i>May be abbreviated as follows: [FortisBC Energy], the Utility, or the Company, and may also include employees of the Company.</i>
Commission	<i>British Columbia Utilities Commission.</i>
Competitive Market Price (or Market Value)	<i>The price that would be paid for a resource or service in a fully functioning, competitive (unregulated) market. Alternatively, the prices of goods or services that can serve as substitutes for the resources or services being offered may also be used.</i>
Development	<i>The translation of research findings or other knowledge into a plan or design for new or substantially improved materials, devices, products, processes, systems or services prior to the commencement of commercial production or use.</i>
Guidelines	<i>Retail Markets Downstream of the Utility Meter Guidelines published by the British Columbia Utilities Commission in April, 1997.</i>
Non-Regulated Business (NRB)	<i>An affiliate of the Utility not regulated by the Commission or a division of the Utility offering unregulated products or services. “Related NRB” refers to any NRB which uses any resources of the Utility.</i>
Research	<i>Planned investigation undertaken for the purpose and expectation of gaining new scientific or technical knowledge and understanding. Such investigation may or may not be directed towards a specific practical aim or commercial application.</i>
RMDM	<i>Acronym for “Retail Markets Downstream of the Utility Meter”, which may include any utility or energy related activity at or downstream of the utility meter.</i>
Transfer Price	<i>The price established for the provision of Utility resources and services, or the transfer of Utility assets, to an NRB or division of the Utility providing unregulated products and services. Transfer pricing for any Utility resource or service will be determined by applying the [FortisBC Energy] Transfer Pricing Policy approved by the Commission.</i>

POLICY

Transfer Prices charged to NRBs by the Utility will ensure Utility ratepayers are not adversely affected and will be established using the following pricing rules.

1. Pricing Rules

- i. If an applicable [FortisBC Energy] tariff rate exists, the Transfer Price will be set according to the tariff.
- ii. Where no tariff rate exists, the Transfer Price will be set at either the full cost (see Section 2 below) or, where feasible and practical, the Competitive Market Price, whichever is greater.
- iii. In situations where it can be shown that an alternative Transfer Price will provide greater benefits to the ratepayer, the Utility may apply to the Commission for special pricing consideration.

2. Determining Full Costs

For the purposes of this policy, costs for the resources or services being provided by the Utility to an NRB will be based on the Utility's full cost as described below. The definition of full costs will depend on the type of service or resource being provided.

For the most part the types of resources and services that can be provided to NRBs by the Utility are human resources and associated equipment and facilities. The example in Appendix A summarizes how full costs are determined for the different types of services described below in Section 2.1. The determination of full costs, specifically the cost loadings, is based on the approved Code of Business Conduct with respect to Non-Regulated Businesses of [FortisBC Energy] dated March 31, 1995, with modifications reflecting the types of resources and services involved in RMDM.

If other Utility resources or services are used by an NRB that are not described by this policy, then [FortisBC Energy] will make an application to the Commission on a case-by-case basis. An example of this would be the determination of costs for a Utility asset permanently transferred to an NRB.

2.1 Type of Service

There are three types of services: Specific Committed Service, As Required Service and Designated Subsidiary/Affiliate Service. It is important that the type of service is specified before the commencement of any service. This specification is to ensure that the correct cost loadings are applied to any Transfer Price.

i. **Specific Committed Service**

Specific Committed Service is work that is contracted for and billed regardless of whether or not work is actually performed. Typically, this work is ongoing or on a continuing basis (such as accounting) in support of NRB activities. The receiving organization (i.e. the NRB) is, in effect, requiring that the providing organization's department (i.e. [FortisBC Energy]) maintain sufficient staffing levels throughout the year in order to provide this service. The receiving organization must pay for the Specific Committed Service even if the service provided is less than originally contracted.

It is important that the description and scope of the service to be provided be defined before the commencement of such a service, including an indication whether the service is performed at the employee's normal place of work ("on-site") or at the NRB's ("off-site"). A request for Specific Committed Service may be raised or terminated at any time throughout the year. Termination of a Specific Committed Service as a result of an activity change is subject to a sixty (60) day notice period.

At the end of the fiscal year, Specific Committed Services which were not provided (unless the Utility was unable to meet its commitments) will be offset against services used in excess of those committed. Any excess service on a total pooled basis will be billed, but any deficiency will not be refunded. If there is a shortfall in the level of service provided by [FortisBC Energy] a reasonable refund may be made. In the normal course of business, the time estimates for Specific Committed Service are reviewed annually.

To determine the full cost of Specific Committed Service, the following loadings are applied to direct labour costs: concessions loading, benefits loading and general overhead loading. Also facility and/or equipment charges are made if applicable. Appendix A, Column 1 shows an example of determining full cost for Specific Committed Service, both "on-site" and "off-site".

ii. **As Required Service**

As Required Service is work that is not specifically committed to by the receiving organization. The providing organization charges the cost of the actual time incurred to perform the work to the receiving organization. Typically, this is work that is not or cannot be budgeted in advance.

As Required Service must be specified to be either for an extended term (greater or equal to three months) or short term (less than three months) period prior to the commencement of the work. In addition, it must be identified whether the individual providing the services will work at his or her normal place of work ("on-site") or at the NRB's ("off-site").

To determine the full cost of As Required Service, the following loadings are applied to direct labour costs: concessions loading, benefits loading, general overhead loading, supervision loading and an availability charge loading. Also facility and/or equipment charges are made if applicable. Appendix A, Column 2 shows an example of determining full cost for As Required Service.

In certain situations, the Utility will need to retain the immediate right to recall the employee being contracted to the NRB for an As Required Service. In these situations the availability charge will be waived. Prior notification to the Commission is required to waive the availability charge for As Required Service.

iii. **Designated Subsidiary/Affiliate Service**

A Designated Subsidiary/Affiliate is a related company that is designated by [FortisBC Energy] and approved by the Commission to receive reduced loadings in the Transfer Price. The designation relates to the additional benefits that the related company provides to [FortisBC Energy]'s customers, employees or to the economic development of the Province of British Columbia.

A Designated Subsidiary/Affiliate receives services on the same basis as the As Required Service described above. To determine the full cost of Designated Subsidiary/Affiliate Service, the following loadings are applied to direct labour costs: concessions loading, benefits loading and a general overhead loading. Appendix A, Column 3 shows an example of determining full cost for A Designated Subsidiary/Affiliate Service.

The Commission may approve a subsidiary or affiliate with this status but exclude specific activities or projects of that subsidiary (e.g. projects taking place in certain geographic locations). Similarly, certain work to be performed for an NRB relating to a specific service, project or product may be designated by [FortisBC Energy] and approved by the Commission to receive reduced loadings.

3. **Costs Relating to the Transfer of Activities from the Utility to NRB**

3.1 **Transfer Costs**

Activities initially undertaken within the regulated Utility may, from time to time, be transferred to an NRB with Commission approval. Costs associated with transferring an activity to an NRB, and the start-up of NRB activities, shall be borne by the NRB. To the extent that these activities involve Utility resources during the transfer, the NRB shall reimburse the Utility using the appropriate pricing rules as defined in Section 1. Costs relating to the termination of an activity within the Utility shall be borne by the Utility.

3.2 Research Costs

As research is regarded as a continuing activity required to maintain the Utility's business and its effectiveness, such expenses shall be borne by the Utility. However, where it is evident that certain research activities are clearly directed towards specific non-regulated pursuits, the Utility will ensure it is compensated by the NRB according to the pricing rules defined in Section 1, net of any quantifiable benefits received by the Utility.

3.3 Development Costs

Development costs for new products and services transferred to an NRB will be tracked and charged to the NRB according to the pricing rules defined in Section 1, net of any quantifiable benefits received by the Utility.

4. Employment Issues

This section provides the guidelines which [FortisBC Energy] will follow in addressing the issues of employee transfers and human resource sharing between the Utility and NRBs. These guidelines implicitly recognize the fact that Utility ratepayers can realize significant benefits when employees have the opportunity to work for NRBs, by providing Utility employees with opportunities to expand their breadth of experience, enhance their skills and attributes, and continue their career development by taking advantage of the diversity of the [FortisBC Holdings Inc.] organization.

Accordingly, it is not the intent of these guidelines to restrict employee transfers or human resource sharing, but rather to ensure that the benefits gained by employees can be brought back to the Utility and realized by ratepayers, and ratepayers are not negatively impacted. In all cases of Utility employee transfers or human resource sharing, the terms of transfers or sharing must be clearly understood by the Utility, NRB and the employee prior to commencement, and properly documented.

These guidelines distinguish between three distinct types of human resource issues: Rotational Transfers, Non-Rotational Transfers and Human Resource Sharing.

4.1 Rotational Transfers

Rotational Transfers represent a career training and development vehicle, in which employees are transferred between the Utility and an NRB on a full-time basis, for a period of time not to exceed 3 years. In these instances, the salary and associated benefits of the employee in question will be assumed by the NRB for the duration of the rotational transfer period. As this initiative is specifically intended as a career training and development mechanism with expected benefits back to the Utility, the individual will typically be assured of continued employment by the Utility at the conclusion of the transfer period.

4.2 Non-Rotational Transfers

Non-Rotational Transfers represent transfers of personnel between the Utility and an NRB, which are not subject to a maximum time duration. As neither the Utility nor its NRBs are required to provide preference to the other's employees in filling permanent positions, non-rotational transfers typically represent instances in which an employee has successfully responded to a posting or advertisement for a position.

In the interest of retaining qualified individuals within the [FortisBC Holdings Inc.] group of companies, and recognizing that many NRB companies already contract with the Utility for human resource services (including common payroll systems and benefits packages), a non-rotational transfer will typically be considered an employee transfer rather than a termination and re-employment. In this manner, employees will not be subjected to a termination of continued employment status and the Utility and NRB will not be required to assume the administrative burden associated with a termination and new hire process.

As a non-rotational transfer is not specifically classified as a career development and training initiative, there will typically be no assurance of employment security from the Utility, unless such assurance is considered to be in the best interest of the Utility, in which case a specific agreement should be negotiated and documented. Any recruitment or administrative costs associated with a non-rotational transfer will be borne by the entity to which the employee is transferring.

4.3 Human Resource Sharing

These guidelines specifically recognize that human resource sharing initiatives can provide a variety of benefits to the Utility and NRBs. For example, circumstances occasionally occur in which the Utility and one or more NRBs each require an individual with similar skills and attributes, but the time commitment required by each entity is insufficient to justify the hiring of a full-time person. In the absence of a human resource sharing initiative, each individual entity would likely be forced to incur the significant cost associated with securing the services of an external consultant, whereas significant cost savings could be realized by hiring an individual on a full-time basis and entering into a cost sharing arrangement. This cost sharing method may also pay future dividends to the Utility by developing in-house expertise and experience rather than developing this expertise and experience in consultants. Additionally, Utility departments or NRBs that are subject to large fluctuations in human resource requirements may have individuals that are not fully utilized at all times, but for whom termination and subsequent re-hire is not a viable option (e.g. due to uncertainty of future availability, termination costs, retraining costs, etc.). In these instances, human resource sharing provides a mechanism through which the receiving entity can fulfil short term resource demands with a qualified individual, while the employing entity can eliminate inefficient salary and benefit costs.

Human resource sharing initiatives also represent an ideal mechanism through which to realize some of the career development and training benefits associated with a rotational transfer, without having to commit to the absolute loss of an individual's services for a certain period of time.

These guidelines are predicated upon the assumption that although all of the applicable entities benefit from human resource sharing initiatives, the employing entity is assuming the greatest degree of risk due to the need to ensure continued employment or incur termination costs. Therefore, a key principle of the human resource sharing initiative proposed by [FortisBC Energy] is that the employing entity will always retain first rights on the services of the individual in question, assuming reasonable notice is provided to the entity for which the individual is providing services at a given point in time.

Employment costs, including salary and benefits, will be allocated to the various entities on a pro rata basis, in accordance with the number of hours dedicated to each entity, and in a manner consistent with the [FortisBC Energy] Code of Conduct for the Provision of Utility Resources and Services.

5. Cost Collection Procedures

5.1 Work Orders

The Utility will be responsible for setting up the appropriate work order, documenting the work order number and ensuring that the appropriate individuals charge time to it. The providing organization's accounting group (typically [FortisBC Energy]'s Financial Accounting Group) will be responsible for maintaining the work order and collecting the appropriate charges.

5.2 Time Sheets

The individuals performing the service must report all time spent on that service by coding their time to the appropriate work order numbers. This is to occur whether the type of service is Specific Committed, As Required or Designated Subsidiary/Affiliate Service. Time sheets are to be sent monthly to the immediate supervisor or [FortisBC Energy]'s Payroll Department. The NRB shall also review the validity of these time sheets.

5.3 Invoicing

The NRB will be invoiced for the contracted amount in respect of Specific Committed Service and for the appropriate time based on the actual payroll level in respect of As Required Service or Designated/Affiliate Service (subject to confidentiality of salary information) with the applicable loadings applied.

The methodology for determining a salary level is on the basis of the average pay grade in the case of Management and Exempt employees or the exact wage grade in the case of bargaining unit employees.

6. Accounting for Services

6.1 Detailed Operating & Maintenance Expense Forecast

In the event that [FortisBC Energy] makes an application to the Commission for revenues related to operations and maintenance expenses (O&M), time estimates for Specific Committed Services will need to be estimated or forecast for each of the years covered by the application. These estimates or forecasts should be consistent with the relevant costs and assumptions contained in that application.

In the event that an activity change causes a reduction in the actual level of the Specific Committed Service compared to the annual budget (or revenue requirement application), [FortisBC Energy] will use these amounts to offset additional contributions from the NRBs. Net contributions received by the Utility through Transfer Pricing for As Required Service and Designated Subsidiary/Affiliate will be held in a deferral account for future return to [FortisBC Energy]'s customers.

6.2 Operating & Maintenance Expense Forecast Determined by Formula

In the event [FortisBC Energy] makes a multi-year application to the Commission for revenues related to O&M, and the allowed O&M level is determined by means of a formula, for the duration of the test period and in accordance with the terms of the Commission Order #G-85-97, [FortisBC Energy] will be entitled to capture the financial savings, such as cost reductions resulting from intercompany charges for RMDM or other NRB activities.

7. Review of Transfer Pricing Policy

The Transfer Pricing Policy will be reviewed on an annual basis as part of the Code of Conduct compliance review. However, [FortisBC Energy] may make application to the Commission for approval of changes to the policy including the pricing rules and the formula for determining full costs as and when required.

Appendix “A”

Example of Determining Full Cost for the Three Types of Service

(for an employee at a daily base pay of \$300, concession loading of 25.48% and benefits loading of 15.75%)

Column	1		2			3
	Specific Committed Service		As Required Service			Designated Subsidiary I Affiliate
	Off-Site Full-time	On-Site Full-time	On-Site Short Term	Off-Site Short Term	Off Site Extended	
BASE PAY(Daily)	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00
PLUS:						
Concessions @ 25.48%	76.44	76.44	76.44	76.44	76.44	76.44
Benefits @ 15.75%	47.25	47.25	47.25	47.25	47.25	47.25
						423.69
GENERAL OVERHEAD	5%	10%	10%	10%	5%	5%
SUPERVISION	N/A	Direct Charge	20%	N/A	N/A	Direct Charge
AVAILABILITY CHARGE	N/A	N/A	20%	20%	20%	N/A
FACILITIES CHARGE (If Applicable)	N/A	\$100.00	\$100.00	\$100.00	N/A	N/A
EQUIPMENT CHARGE (If Applicable)	Direct Charge	Direct Charge	Direct Charge	Direct Charge	Direct Charge	N/A
TOTAL COSTS PER DAY	\$444.87	\$566.06	\$735.54	\$650.80	\$529.61	\$444.87
Cost Ratios:						
to Base Pay	1.48	1.89	2.45	2.17	1.77	1.48
to Loaded Labour	1.05	1.34	1.74	1.54	1.25	1.05

* If the agreement between the NRB and Utility includes a right to immediate recall, the availability charge is waived. Prior notification to the Commission is required to waive the availability charge for As Required Service.

Appendix D

2015 AFFILIATED PARTY TRANSACTIONS REPORT

Appendix D-1

**AFFILIATE PARTY TRANSACTIONS REPORT FOR THE
PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2015
INCLUDED IN THE FEI ANNUAL REPORT TO THE BCUC**

G. Affiliated Party Operating Transactions Summary

The following is a summary of the operating transactions provided between FortisBC Energy Inc. and its affiliates for the year ending December 31, 2015, containing a general description of the transactions and services, the parties involved and the approximate aggregate value.

1. Transactions with FortisBC Holdings Inc.

Transactions charged to FortisBC Holdings Inc.	
Transaction Type	Amount
O&M and Transfer Pricing	147,000
Management Fees	756,000
2015 Total	903,000

Transactions charged by FortisBC Holdings Inc.	
Transaction Type	Amount
Management Fees	12,896,000
2015 Total	12,896,000

2. Transactions with FortisBC Inc.

Transactions charged to FortisBC Inc.	
Transaction Type	Amount
Labour and Travel Expenses	3,421,000
Rental of Springfield Road Office	324,000
Sale of Natural Gas (Tariff Sales)	11,000
2015 Total	3,756,000

Transactions charged by FortisBC Inc.	
Transaction Type	Amount
Labour and Travel Expenses	5,085,000
Purchase of Power (Tariff)	733,000
2015 Total	5,818,000

3. Transactions with FortisBC Huntingdon Inc.

Transactions charged to FortisBC Huntingdon Inc.	
Transaction Type	Amount
O&M and Transfer Pricing	76,000
Operating Lease	36,000
2015 Total	112,000

Transactions charged by FortisBC Huntingdon Inc.	
Transaction Type	Amount
Purchase of Natural Gas (Tariff Sales)	123,000
2015 Total	123,000

4. Transactions with Inland Energy Corp

Transactions charged to Inland Energy Corp	
Transaction Type	Amount
O&M and Transfer Pricing	2,000
2015 Total	2,000

5. Transactions with FortisBC Alternative Energy Services

Transactions charged to FortisBC Alternative Energy Services	
Transaction Type	Amount
O&M and Transfer Pricing	102,000
Facilities – Rent	128,000
Facilities – Telecom	4,000
Information Technology	82,000
2015 Total	316,000

Appendix E

CORPORATE AND SHARED SERVICES AGREEMENTS

Appendix E-1

CORPORATE SERVICES - FHI

THIS AGREEMENT is made effective January 1, 2010.

BETWEEN:

TERASEN GAS INC., a corporation formed under the laws of British Columbia having an office at 16705 Fraser Highway, Surrey, British Columbia

("TGI")

AND:

TERASEN INC., a corporation formed under the laws of British Columbia, having an office at 10th Floor, 1111 West Georgia Street, Vancouver, British Columbia

("Terasen")

WHEREAS

- A. TGI is the owner and operator of the natural gas transmission and distribution facilities in British Columbia serving the communities of the Lower Mainland and the Interior;
- B. TGI maintains its administrative offices in the City of Surrey; and
- C. TGI wishes to retain Terasen to provide certain professional and management services to it in respect to the ownership and operations of its transmission pipeline and distribution business on the terms and conditions set out herein.

WITNESSES THAT, in consideration of the covenants and agreements herein contained, the parties covenant and agree as follows:

**PART 1
INTERPRETATION**

1.1 Definitions

In and for the purpose of this Agreement

- (a) **"Applicable Laws"** means any and all Laws in force and effect from time to time and applicable to the Facilities and the performance of the Services hereunder;
- (b) **"Force Majeure"** has the meaning assigned to such term in Section 9.1;
- (c) **"Governmental Authority"** means any domestic or foreign, national, federal, provincial, state, municipal or other local government or body and any division, agent, commission, board, or authority of any quasi-governmental or private body exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing, and any domestic, foreign, international,

judicial, quasi-judicial, arbitration or administrative court, tribunal, commission, board or panel acting under the authority of any of the foregoing;

- (d) **"Laws"** means all constitutions, treaties, laws, statutes, codes, ordinances, orders, decrees, rules, regulations and municipal by-laws, whether domestic, foreign or international, any judgements, orders, writs, injunctions, decision, rulings, decrees, and awards of any Governmental Authority, and any published policies or guidelines of any Governmental Authority and including, without limitation, any principles of common law and equity,
- (e) **"Person"** includes any individual, corporation, body corporate, partnership, joint venture, association, trust, estate, incorporated or unincorporated association, any government or governmental authority however designated or constituted or any other entity of whatever nature,
- (f) **"Services"** means the professional and management services to be provided to TGI by Terasen as more particularly described in Section 2.1.

1.2 Schedules

Schedule "A" is attached to, and is incorporated by reference into, this Agreement.

1.3 Interpretation

In and for the purpose of this Agreement

- 1) this "Agreement" means this agreement as the same may from time to time be modified, supplemented or amended in effect,
- 2) any reference in this Agreement to a designated "Article", "section" or other subdivision is to the designated Article, section or other subdivision of this Agreement,
- 3) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, section or other subdivision,
- 4) 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,
- 5) 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), and
- 6) each word and phrase used herein and not otherwise defined herein, but which has an accepted meaning in the custom and usage of the Western Canadian oil and gas transportation industry, shall have such accepted meaning.

1.4 Governing Law

Subject to Section 9.1, this Agreement will be interpreted and the rights and remedies of the parties hereto will be determined in accordance with the laws of the Province of British Columbia.

1.5 Prior Agreements

The parties agree that any prior agreements between the parties pertaining to the subject matter hereof, including the agreement effective January 1, 2004 and any amendments, including the amending agreement effective December 31, 2006, are hereby cancelled and of no further effect.

PART 2 SERVICES

2.1 Services

Terasen hereby agrees to provide to TGI those professional and management services described in Schedule "A" which Services shall include certain professional and management services provided to Terasen by its parent company, Fortis Inc which professional and management services also benefit TGI.

2.2 No Obligation to Provide Additional Services

Terasen shall not perform, and Terasen shall have no obligation to perform, any services on behalf of TGI other than as set out in this Agreement or any similar agreement.

2.3 Consultation with TGI

Terasen will consult with TGI as required in connection with the performance of the Services.

2.4 Independent Contractor

Nothing in this Agreement shall be construed to create or constitute a partnership or relationship of joint venture between Terasen and TGI. In performing the Services, Terasen shall be an independent contractor. Terasen employees shall not be considered employees of TGI for any purpose.

2.5 Compliance

In performing the Services, Terasen will comply with all Applicable Laws.

PART 3

COMPENSATION

3.1 Compensation for Services and Shared Costs

TGI agrees to pay to Terasen for the Services to be provided and for a proportionate share of the common expenses incurred by Terasen such as shareholder expenses and director compensation the amount of \$9,022,000 per annum on a take-or-pay basis.

3.2 Amendment to Costs

The amounts set out in Section 3.1 may be amended annually by agreement between the parties to reflect any material change in the cost of providing the services or in the business operations of TGI and to reflect annual inflationary adjustments. Any services to be provided that are not contemplated under this Agreement will be subject to additional compensation as agreed between the parties and form an amendment to this agreement in accordance with Section 10.3 below.

3.3 Invoicing

Terasen will invoice TGI in respect of the Services no later than the 25th day following the end of the month in which such Services are provided or in such other manner as the parties may agree.

3.4 Payment

TGI will, within thirty (30) days of receipt of an invoice from Terasen, pay to Terasen the amount specified in such invoice. Any amount to be remitted by TGI to Terasen and not remitted on or before the date on which it is due shall thereafter bear interest. A late payment charge of 1.5% per month (18% per annum) shall be payable to Terasen on any unpaid balance after thirty (30) days of the date of invoice.

3.5 Taxes

Notwithstanding any other provision of this Agreement, the amounts paid or payable by one party to the other in accordance with this Agreement are exclusive of any value added taxes or sales taxes, which are now, or may become during the term of this Agreement, applicable to the provision of the Services. Each party shall pay to the other party any value added taxes or sales tax which one party is obligated to collect from the other at the time such taxes are due and payable.

PART 4

INDEMNIFICATION AND LIMITATION OF LIABILITY

4.1 Indemnity by TGI

Subject to Section 4.4, TGI will indemnify, defend and hold harmless Terasen and its directors, officers, employees, agents and contractors, from and against any claim, demand, loss, liability, action, lawsuit or other proceeding, judgement or award, and cost or expense (including

reasonable legal fees and disbursements) which they may suffer or incur arising directly or indirectly, in whole or in part, in connection with this Agreement or with Terasen's provision of the Services, except and to the extent, if any, that the same results from or arises out of the wilful misconduct or gross negligence of Terasen.

4.2 Limitation of Liability of Terasen

Neither Terasen nor any of its directors, officers, employees, agents or contractors will be liable to TGI for any claim, demand, loss, liability, action, lawsuit or other proceeding, judgement or award, or cost or expense (including reasonable legal fees and disbursements) which TGI may suffer or incur arising directly or indirectly, in whole or in part, in connection with this Agreement or with Terasen's provision of the Services, except and to the extent, if any, that the same results from or arises out of the wilful misconduct or gross negligence of Terasen.

4.3 Indemnity by Terasen

Subject to Section 4.4, Terasen will indemnify, defend and hold harmless TGI from and against any claim, demand, loss, liability, action, lawsuit or other proceeding, judgement or award and cost or expense (including reasonable legal fees and disbursements) which TGI may suffer or incur as a result of any act or omission or error of judgement as a result of which Terasen is adjudged to have been guilty of wilful misconduct or gross negligence.

4.4 Consequential Losses

Neither party hereto will be liable to the other, whether based in contract, tort (including negligence and strict liability), under warranty or otherwise for special indirect, incidental or consequential loss or damage whatsoever, including without limitation, loss of use of equipment or facilities and loss of profits or revenues.

PART 5 COVENANTS OF TGI

5.1 Covenants by TGI

TGI covenants and agrees to:

- (a) fully co-operate with Terasen in respect of all matters contemplated by or within the scope of this Agreement; and
- (b) pay on or before the due date thereof all amounts payable by TGI to Terasen or any other Person pursuant to or as contemplated by this Agreement.

PART 6 REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of Terasen

Terasen hereby represents and warrants to TGI as representations and warranties which are true as at the date hereof and which will be true during the term of Terasen's appointment hereunder:

- (a) Terasen is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and Terasen has full power and authority to perform its obligations hereunder;
- (b) this Agreement constitutes a valid and binding obligation of Terasen enforceable in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights, and (ii) the remedy of specific performance and injunctive or other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding therefore may be brought; and
- (c) Terasen possesses all of the skills and personnel required to provide the Services.

6.2 Representations and Warranties of TGI

TGI hereby represents and warrants to Terasen as representations and warranties which are true as at the date hereof and which will be true during the term of Terasen's appointment hereunder

- (a) TGI is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and TGI has full power and authority to perform its obligations hereunder; and
- (b) this Agreement constitutes a valid and binding obligation of TGI enforceable in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights, and (ii) the remedy of specific performance and injunctive or other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding therefore may be brought.

PART 7

DURATION, TERMINATION AND DEFAULT

7.1 Effective Date and Term

This Agreement will be effective from January 1, 2010 and will end on December 31, 2010, unless earlier terminated pursuant to the provisions hereof. Thereafter this Agreement will automatically be renewed for further one (1) year terms subject to Section 7.2 below.

7.2 Termination

Terasen's appointment hereunder may be terminated at any time:

- (a) by Terasen giving TGI six (6) months' written notice of such termination:

- (i) if TGI becomes insolvent, admits in writing its inability to pay its debts as they become due or commits or threatens to commit an act of bankruptcy or if TGI makes a general assignment for the benefit of creditors, or any proceeding is instituted by or against TGI seeking to adjudicate it a bankrupt or an insolvent or seeking the dissolution, winding-up or liquidation of TGI or a reorganization, arrangement, moratorium, adjustment, compromise, readjustment of debt or composition of it or its debts under any law relating to bankruptcy, insolvency, moratorium, reorganization or relief of debtors or seeking the appointment of a receiver, receiver-manager, interim receiver, trustee, custodian, liquidator or other similar official or Person for it, or TGI consents by answer, acquiescence or otherwise to the institution of any such proceeding against it; or
 - (ii) in the event TGI breaches this Agreement and fails to cure such breach within thirty (30) days after receipt by TGI of written notice thereof from Terasen or, if such breach is not capable of being cured within such thirty (30) day period, fails to commence in good faith the curing of such breach forthwith upon receipt of written notice thereof from Terasen and to continue to diligently pursue the curing of such breach thereafter until cured and, in either case, the allegation of Terasen that TGI is in breach is conceded to be correct by TGI or found to be correct by an arbitrator pursuant to section 8.1;
- (b) by TGI giving Terasen six (6) months' written notice of such termination:
 - (i) if Terasen becomes insolvent, admits in writing its inability to pay its debts as they become due or commits or threatens to commit an act of bankruptcy or if Terasen makes a general assignment for the benefit of creditors, or any proceeding is instituted by or against Terasen seeking to adjudicate it a bankrupt or an insolvent or seeking the dissolution, winding-up or liquidation of Terasen or a reorganization, arrangement, moratorium, adjustment, compromise, readjustment of debt or composition of it or its debts under any law relating to bankruptcy, insolvency, moratorium, reorganization or relief of debtors or seeking the appointment of a receiver, receiver-manager, interim receiver, trustee, custodian, liquidator or other similar official or Person for it, or Terasen consents by answer, acquiescence or otherwise to the institution of any such proceeding against it; or
 - (ii) in the event Terasen breaches this Agreement and fails to cure such breach within thirty (30) days after receipt by Terasen of written notice thereof from TGI or, if such breach is not capable of being cured within such thirty (30) day period, fails to commence in good faith the curing of such breach forthwith upon receipt of written notice thereof from TGI and to continue to diligently pursue the curing of such breach thereafter until cured and, in either case, the allegation of TGI that Terasen is in breach is conceded to be correct by Terasen or found to be correct by an arbitrator pursuant to Section 8.1.

7.3 Duties Upon Termination

Upon expiry or termination of this Agreement for any reason, Terasen will have no further obligations under Article 2 and will promptly deliver to TGI any material documents in the possession of Terasen pertaining to the business of TGI.

7.4 Compensation of Terasen on Expiry or Termination

Within one (1) month after the expiry or termination of this Agreement, TGI will pay to Terasen all amounts owing to Terasen hereunder (including any amount owing on account of the fees provided for in Article 3 calculated up to the date of expiry or termination); provided that for the purposes of this section, the fees provided for in Article 3 which are payable to Terasen on a monthly, annual or other periodic basis will be deemed to accrue due and be payable on a daily basis.

PART 8

ARBITRATION

8.1 Arbitration

For purposes of Section 7.2, any dispute between Terasen and TGI regarding any allegation that TGI or Terasen is in breach of this Agreement, may be submitted to and settled by arbitration in accordance with the provisions of this Section 8.1. Arbitration proceedings may be commenced by the party desiring arbitration giving notice to the other party specifying the matter to be arbitrated and requesting arbitration thereof. Such arbitration will be carried out by a single arbitrator and in accordance with the National Arbitration Rules of the ADR Institute of Canada Inc. for Dispute Resolution from time to time in force and effect. If the parties are unable to agree upon an arbitrator within ten (10) days after delivery of such notice, either of them may make application to court for appointment of an arbitrator. In the event of the failure, refusal or inability of an arbitrator to act, or continue to act, a new arbitrator will be appointed, which appointment will be made in the same manner as provided above. The decision of an arbitrator appointed as under this Section 8.1 will be final and binding upon the parties and not subject to appeal. The arbitrator will have the authority to assess the costs of the arbitration against either or both of the parties, provided that each party will bear its own witness and counsel fees. The parties will fully co-operate with the arbitrator and provide all information reasonably requested by the arbitrator. Judgement on the award of the arbitrator may be entered in any court having jurisdiction over the party against which enforcement of the award is being sought. Each party hereby irrevocably submits and consents to the jurisdiction of any such court for the purpose of rendering a judgement of any such award.

PART 9

FORCE MAJEURE

9.1 Force Majeure

In and for the purposes of this Agreement, "Force Majeure" shall mean anyone or more of the following events:

- (a) an act of God;
- (b) a war, revolution, insurrection, riot, blockade, or any other unlawful act against public order or authority;
- (c) a strike, lockout or other industrial disturbance;
- (d) a storm, fire, flood, explosion, earthquake or lightning;
- (e) a governmental restraint; or
- (f) any other event (whether or not of the kind enumerated in 9.1(a) to (e) above) which is not reasonably within the control of the party hereto claiming suspension of its obligations hereunder due to Force Majeure.

9.2 Performance Prevented by Force Majeure

If either party hereto is prevented by Force Majeure from carrying out any of its obligations hereunder, the obligations of such party, insofar as its obligations are affected by Force Majeure, shall be suspended while (but only so long as) Force Majeure continues to prevent the performance of such obligations. Any party prevented from carrying out any obligation by Force Majeure shall promptly give the other party hereto notice of Force Majeure including reasonably full particulars thereof.

9.3 Remedy of Force Majeure

A party claiming suspension of its obligations by reason of Force Majeure shall promptly remedy the cause and effect of Force Majeure described in the notice given pursuant to Section 9.2 insofar as such party is reasonably able so to do, provided that the terms of settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of the party hereby claiming suspension of its obligations hereunder by reason thereof; and that such party shall not be required to accede to the demands of its opponents in any strike, lockout or industrial disturbance solely to remedy promptly Force Majeure thereby constituted.

9.4 Lack of Funds Not Force Majeure

Notwithstanding anything contained in this Article 9, lack of finances shall not be considered Force Majeure nor shall Force Majeure suspend any obligation for the payment of money due hereunder.

PART 10

MISCELLANEOUS

10.1 Notice

Any notice, direction or other communication required or permitted to be given hereunder must be in writing and will be sufficiently given if delivered or sent by facsimile to the party from whom it is intended at the address of such party set out below. Any notice, direction or other communication so given will be deemed to have been given and to have been received on the day of delivery, if delivered, or on the day of sending if sent by facsimile (provided such day of delivery or sending is a Business Day and, if not, then on the first Business Day thereafter). Each party hereto may change its address for notice by notice given in the manner aforesaid.

10.2 Assignment

Neither party hereto may assign this Agreement or any of its rights hereunder without the prior written consent of the other party, such consent not to be unreasonably withheld.

10.3 Amendments

Any amendment or modification of this Agreement must be in writing and signed by the party against which such amendment or modification is sought to be enforced.

10.4 Severability

If any term or condition of this Agreement or the application hereof is determined judicially or otherwise to be invalid or unenforceable, the remainder of this Agreement and the application thereof shall not be affected and shall remain in full force and effect.

[Execution page follows]

10.5 Entire Agreement

This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof. There are no representations, warranties, covenants or agreements between the parties in connection with such subject matter except as specifically set forth or referred to in this Agreement.

10.6 Counterparts, Facsimile

This Agreement may be executed by the execution of one or more counterparts of the execution page, which will be taken together and constitute the execution page, and one or more of such counterparts may be delivered by facsimile transmission.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on June 24, 2009.

TERASEN GAS INC.

By: _____



Scott A. Thomson
VP, Regulatory Affairs & CFO

Title: _____

TERASEN INC.

By: _____



Roger Dall'Antonia
VP, Corporate Development & Treasurer

Title: _____

Schedule “A”

Description of Services

SERVICES PROVIDED BY TERASEN

General Governance & Oversight Services

In addition to the specific services described below, TGI receives the benefit of the expert advice and experience of Terasen executives, who spend their time working on various committees including the Executive Committee (comprised of the CEO and senior vice presidents of Terasen as well as the heads of each operating company and the General Counsel), the Risk Management Committee and the Operating Committee.

Treasury and Cash Management

- (1) Execute Financings
 - a. Develop financing plans
 - i. Provide assessments of financing alternatives
 - ii. Determine timing, term, rate, structure
 - b. Obtain BCUC approvals
 - c. Execute financings
 - i. Negotiation, preparation of legal documentation
 - ii. Prepare disclosure documentation
 - iii. Investor presentations
 - iv. Due diligence process
 - v. Deal execution
- (2) Cash Management
 - a. Prepare and maintain short-term cash forecasting
 - b. Execute short-term borrowing
 - i. Commercial paper issuance
 - ii. Bank borrowing
 - c. Execute short-term investing of excess funds
 - d. Negotiation of letters of credit
 - e. Execution of manual wire transfers
 - f. Establish and maintain internet based banking platform for cp issuance, fund transfers and reporting

- g. Payment of interest, principal and fees on outstanding debt
- (3) Arrange operating credit facilities
 - a. Negotiate credit agreements
 - i. Determine terms and conditions
 - ii. Negotiate pricing and term
 - b. Manage syndication process
 - c. Obtain BCUC approval
- (4) Negotiate bank-service fees
- (5) Treasury-related controls and compliance
 - a. Develop and monitor control and compliance procedures for key Treasury procedures
- (6) Compliance reporting
 - a. Prepare and file required compliance reports with third parties
 - i. Lenders, securities commissions, BCUC
- (7) Hedging of interest rate and foreign exchange risks
 - a. Develop financial hedging plans as required
 - b. Negotiation of required documentation
 - c. Execution of derivative transaction
- (8) Prepare Derivatives Policies and Procedures;
- (9) Counterparty Credit Risk Management;
 - a. Review credit worthiness of counterparties
 - b. Determine appropriate credit limits for counterparties
 - c. Determine requirement for credit support
 - d. Negotiate appropriate credit support documentation
- (10) Interest rate and foreign exchange rate forecasting;
- (11) Regulatory submissions with respect to ROE, capital structure and financing matters;
- (12) Capital structure review and maintenance; and
- (13) Provide education and related materials from training courses and seminars attended by Treasury staff.

Investor Relations

- (1) Manage the Rating Agency Process;
- (2) Maintain investment banker and debt investor relationships;
- (3) Maintain banking and money market dealer relationships;
- (4) Investor and Shareholder communication;
- (5) Assist in preparation of annual/quarterly disclosure documents; and
- (6) Prepare annual report.

Corporate Development and Capital Management

- (1) Manage the annual strategic planning cycle;
- (2) Preparation and maintenance of the five year forecasting model used for strategic planning process and in the annual budgeting process;
- (3) Provide financial analysis and evaluation of new projects and new initiatives;
- (4) Manage the acquisition and divestiture activity;
- (5) Provide project management and/or due diligence support where required; and
- (6) Contract negotiation in support of business development initiatives.

External Reporting and Consolidation

- (1) Consolidation and preparation of monthly financial statements for TGI and preparation of quarterly interim reports and annual audited financial statements;
- (2) Preparation of monthly reporting journal entries (consolidation, tax, accruals, etc), analytical reviews of accounts and monthly financial review package
- (3) Preparation of analysis required from prospectus and other security filing documents as requested by Treasury Department and senior management;
- (4) Preparation of quarterly and annual report to the Audit Committee;
- (5) Compilation of information in response to a variety of enquiries from operations, senior management and external bodies, such as the BCUC, external auditors and government agencies;
- (6) Research current and emerging accounting policies in Canada, the US and under International Financial Reporting (“IFRS”);

- (7) Direct response to accounting authorities in both Canada, the US and IFRS with respect to exposure drafts and pronouncements;
- (8) Project lead for Terasen on the implementation of IFRS;
- (9) Provide accounting policy advice for such issues as consistency of presentation, alternative treatments and resolution of complicated accounting policies and ensure compliance with General Accepted Accounting Principles;
- (10) Accounting advice and assistance as required.

Taxation Services

- (1) Prepare year-end and quarterly tax provisions including preparing tax calculations and working papers for current tax expense, providing information for the calculation of FIT expense and reviewing FIT calculations, preparing or reviewing the necessary journal entries, assisting auditors with external audit review, preparing tax disclosures to the financial statements and analyzing Balance Sheet tax accounts;
- (2) Prepare tax returns and all tax compliance work for TGI, including identification and research of technical issues, filing necessary elections, agreements and information returns, requesting post filing adjustments, and reviewing assessments and interest calculations;
- (3) Calculate corporate tax instalments and arrange payment;
- (4) Prepare or review tax information and calculations in support of rate cases, annual reviews and annual reports to the BCUC; participate in regulatory working groups to provide information and guidance on tax issues;
- (5) Provide tax support for planning and forecasting groups; provide a strategic tax perspective into planning processes to optimize tax advantages for the Gas companies;
- (6) Provide leadership, guidance and consultation to finance and operations leaders on income tax and commodity tax issues; find tax solutions to complex business issues;
- (7) Monitor, identify and research tax issues resulting from tax law changes, accounting changes (such as IFRS) or business opportunities to make sound recommendations to management;
- (8) Interpret impact of industry issues on tax; participate in industry group tax committees such as Canadian Gas Association and make submissions to government bodies on issues relevant to the industry;
- (9) Monitor GST and PST (including Social Services Tax, Carbon Tax, ICE levy), including identifying issues and researching technical enquiries, coordinating filing of necessary elections, responding to queries on the application of GST or PST to particular transactions, training employees on the application of commodity taxes to revenues,

disbursements and transactions, advising employees of commodity tax changes; advising in the implementation of new taxes;

(10) Monitor tax implications of payroll and employee benefits including advising on taxable benefits and related calculations, payroll tax issues, and pension plan tax issues;

(11) Coordinate tax audits (federal income tax, LCT, GST , various PST), provide auditors access to data, research and provide answers to auditor's requests and negotiable beneficial resolution of proposed adjustments;

(12) Prepare and file Notices of Objection and Appeal letters and coordinate legal appeals with internal and external counsel; negotiate with tax authorities with a view to minimizing ultimate liabilities;

(13) Establish and monitor tax department controls and ensure adherence to tax policies;

(14) Provide ongoing training, guidance and support to tax group employees to enhance their performance levels and career development.

Internal Audit

(1) Develop, plan and conduct audits/reviews of areas or processes of particular interest or of identified risk and prepare internal audit reports;

(2) Conduct annual risks assessment process in conjunction with the Enterprise Risk Management group;

(3) Monitor and evaluate the effectiveness and efficiency of controls throughout the year and summarize results to the Audit Committee of the Board of Directors;

(4) Ensure that the TGI Code of Business Conduct compliance management is effective by conducting the annual compliance reviews and acting as a resource when issues arise with respect to the Code of Business Conduct;

(5) Monitor the Whistle Blower Ethics line and address issues as they arise;

(6) Participate on various committees in the capacity of ex-officio to provide oversight and value add;

(7) Undertake work at the request of the BC Utilities Commission regarding the activities and operations of TGI.

(8) Provide annual reports summarizing Internal Audit activities and findings to the BCUC as well as other reports of regulatory compliance;

(9) Conduct post implementation reviews of major capital projects and acquisitions and report results to the Audit Committee;

(10) Provide assistance to the external auditors in completing their external financial audits; and

- (11) Coordinate activities of various internal and external assurance providers to ensure proper coverage and minimize duplication of efforts.

Risk Management and Insurance Services

- (1) Ensure compliance with the TSX requirements on risk management by ensuring that the Board of Directors understand the principal risks of all aspects of business that TGI is engaged in, and ensuring that there are systems in place that effectively manage and monitor those risks with a view to the long term viability of the TGI;
- (2) Arrange for coverage based on assessed potential risk of damage or loss in asset values, disruptions in operations or potential legal liabilities;
- (3) Advise dollar value of coverage required, most appropriate coverage and proper services required;
- (4) Provide a single insurance program to achieve economies of scales and cost reductions;
- (5) Work with broker in negotiating renewals and adequacy of coverage;
- (6) Ensure competitive terms and consider all available options;
- (7) Establish procedures and provide assistance and guidance in the reporting, handling, compiling, negotiating and settlement of claims;
- (8) Provide mechanism for appropriate and timely local resolution of third party damage claims below a given threshold and payment of same;
- (9) Conduct of review of contractual agreements to protect TGI from unnecessary assumption of risks;
- (10) Coordinate Risk Management's group participating in industry associations and education seminars;
- (11) Establish loss control standards to help ensure consistent and high degree of loss; prevention in all operating units and minimize impact when they do occur;
- (12) Ensure familiarity with policies and wordings;
- (13) Encourage and establish procedures for loss control;
- (14) Administer Certificates of Insurance;
- (15) Preparation of management reports;
- (16) Provide additional insurance for individual construction projects, as required; and
- (17) Provide bonding as required.

Corporate Secretary's Office

- (1) Ensure all continuous disclosure and governance activities required by external regulators and third parties are appropriately carried out, including Securities filings and BC Business Corporations Act requirements; and
- (2) Manage the relationship and corporate activities of the Board of Directors.
- (3) Prepare materials for Board of Directors and minutes.
- (4) Track and maintain corporate records.
- (5) Assist in preparation of corporate documentation and providing corporate information to internal and external parties.

Legal Department

- (1) Provide all legal services to TGI other than those outsourced to outside legal counsel;
- (2) Direct the provision and management of outside legal services, primarily litigation, to TGI;
- (3) Provide management of all litigation;
- (4) Provide legal counsel on regulatory, environmental, marketing, employment, and intellectual property;
- (5) Ensure legal compliance for press release, financial reports and other disclosure documents;
- (6) Advise TGI on legal issues that may arise including claims, actions, real estate and other property transactions, and contracts, including the purchase of goods and services by TGI; and
- (7) Provide general miscellaneous legal support and advice to management.

Human Resources Compensation and Planning

- (1) Consult with management on the maintenance, development and governance of employees and retiree benefit programs, pension plans, employee savings plans and employee assistance programs;
- (2) Provide assistance on annual wage and salary increases, providing labour market comparisons, establishing and implementing ad hoc increases for long term disability and pension recipients;

- (3) Ensure that employment practices are in compliance with applicable regulations and legislation through development and administration of appropriate corporate policies and procedures;
- (4) Consulting and direction on disability management guidelines and policy;
- (5) Oversee the annual preparation of the executive succession plan and present the plan to the Management Resources Committee and to the Board of Directors;
- (6) Corporate governance and direction regarding benefits carriers, benefits and pension consultants, financial services providers;
- (7) Corporate reporting to legislative bodies, CCRA, Statistics Canada, Pension Standards, as required; and
- (8) Corporate governance of salary and benefit administration, including executive and management compensation.

SERVICES PROVIDED BY FORTIS INC. (“FORTIS”)

Executive Function

President & CEO

A. Strategic Direction

1. Present annually to the Board of Directors of Fortis (the “Board”) a strategic plan and a business plan which must (a) be designed to achieve the corporate objectives together with an appropriate set of performance measures, (b) identify the principal strategic and operational risks of the business, and (c) include appropriate methods to manage the risks;
2. Obtain Board approval for the strategic plan and the business plans of Fortis as a precondition to the implementation of such plans;
3. Obtain Board approval for the procurement, allocation, and disposition of corporate resources for Fortis as a precondition to such procurement, allocation or disposition of such resources either;
 - a. in the approved Business Plan; or
 - b. by specific authorization of an asset transaction consistent with current business activities in an amount in excess of \$XX [insert amount] million (\$XX [insert amount] million annual aggregate) and for any share transaction (other than increased investment in an existing affiliate within the transaction size parameters noted above); and
4. Communicate the principal objectives and strategic plan for Fortis throughout Fortis.

B. Leadership and Management of Fortis

1. Lead Fortis with vision and values that are well understood, widely supported and consistently followed;
2. Foster a corporate culture which promotes ethical practices, personal integrity and the fulfilment of social responsibilities;
3. Create the appropriate environment to stimulate employee morale and productivity;
4. Manage change proactively;
5. Ensure continuous improvement in the quality and value of the products and services provided by Fortis;
6. Ensure that Fortis achieves and maintains satisfactory competitive positions within its industries; and

7. Serve as a director of Fortis.

C. Management and Organization Structure

1. Provide advice to the Board on the appointment of all officers of Fortis;
2. Assist the Board in establishing the limits of delegated authority and responsibility in conducting Fortis's business;
3. Provide annually to the Board, an evaluation of the performance of each senior manager who reports to the CEO;
4. Present for approval to the Board, an annual plan which will provide for the development and succession of senior managers of Fortis in a timely fashion;
5. Generally develop, attract, and retain a highly motivated, effective management team; and
6. Obtain Board approval for any proposed significant or material change in the organizational structure of Fortis as a precondition to the implementation of such changes.

D. Finances, Controls and Internal Systems

1. Consistently strive to achieve Fortis's annual and long-term financial goals and objectives;
2. Assist the Board in establishing an appropriate capital structure for Fortis;
3. Ensure that Fortis has systems in place to effectively monitor and manage the principal risks related to the operation of the business(es);
4. Establish and maintain the integrity of Fortis's financial controls and reporting systems and compliance of the financial information with appropriate accounting principles;
5. Establish and monitor processes and systems designed to ensure compliance with all applicable laws by Fortis, its officers and employees; and
6. Provide certification of financial matters, including the completeness and accuracy of Fortis's financial statements and, where necessary, matters relating to internal controls over financial reporting.

E. Employee Relations

1. Ensure that a process is in place to monitor compliance with the ethical standards to be observed by all officers and employees of Fortis, and ensure that a process is in place to monitor divergence from the ethical standards to be observed by all employees; and
2. Establish and maintain effective communications with employees of Fortis.

F. External Communication

1. Assist the Board in establishing and maintaining an effective communications policy with shareholders, the financial community, the media, the community at large and other stakeholders;
2. Ensure that Fortis contributes, and is perceived to contribute, to the well-being of the communities it serves; and
3. Serve as the principal representative and spokesperson of Fortis.

G. Board Relations

1. Keep the Board adequately informed, on a timely basis, with respect to all events and information which the CEO believes might materially affect Fortis, its performance, prospects, and image;
2. Provide the assistance necessary for the Chair of the Board and committees of the Board to carry out their duties;
3. Be entitled to attend all meetings of Board committees and provide Board committees the assistance necessary to carry out their mandates;
4. Assist the Board in reviewing and maintaining an up-to-date position description for the President and CEO of Fortis; and
5. Report to the Board on material use of outside consultants.

VP Finance and CFO

1. Advise and assist the Chairman of the Board and President and CEO in the development of strategies and goals in the financial planning and structure of the Group and in the control of the Company's business operations.
2. Keep the CEO informed of all relevant financial information and report on the financial status and performance of all companies in the group to the Board of Directors of Fortis Inc.
3. Responsible for all aspects of investor relations program, including shareholder communications and shareholder meetings.
4. Liaison with the investment community and market surveillance.
5. Ensure that procedures and systems necessary to maintain proper records and to afford adequate accounting controls and services are implemented throughout the organization.
6. Ensure that uniform financial policies and procedures are adhered to throughout the organization.
7. Ensure the development and maintenance of timely financial information systems.

8. Develop and maintain effective internal and external audit activities and recommend proper financial controls.
9. Develop and maintain suitable budgeting procedures and reviews.
10. Direct the planning and control of corporate cash requirements and major banking relationships.
11. Review capital expenditure plans and budgeting.
12. Plan and direct corporate financing.
13. Recommend guidelines for financial transactions between companies in the Fortis Group.
14. Ensure that adequate financial personnel resources are retained and appropriately assigned throughout the group.
15. Appraise and implement the necessary financial analysis of acquisition and/or divestiture decisions. As demanded, manage external financial consulting resources.
16. Maintain an awareness of changes in practice and procedure within the professional accounting field.
17. Act as CFO of subsidiary organizations when required.

General Counsel & Corporate Secretary

1. Prepare schedules, notices, agendas, resolutions, and minutes for the Boards of Directors of Fortis Inc. and selected subsidiaries and affiliates.
2. Coordination of all communications to Board of Directors.
3. Operation of share purchase plans.
4. Preparation of security documents including Management Information Circulars, Annual Information Forms and prospectuses.
5. Responsible for regulatory compliance, including annual returns to the registries of companies, dividend disclosure, filing of annual and quarterly reports, reports to stock exchanges, notices of Material Change, and Insider Reports.
6. Provide legal services to all corporations in the Fortis Group including, when necessary, engagement of outside legal services.

Treasury and Taxation Function

1. Manage equity financing, including both common and preference shares, and related prospectuses

2. Manage debt financing, including long-term debt and credit facility borrowings as well as borrowing rates
3. Maintaining the capital structure
4. Assist the VP finance and CFO appraise and implement the necessary financial analysis of acquisition and/or divestiture decisions
5. Cash management and forecasting activities – including dividend and interest payments and equity injections required by subsidiaries
6. Managing cash requirements of subsidiaries, as required, as it relates to intercompany loans and required equity injections
7. Debt covenant calculations and monitoring
8. Managing hedging activities related to US dollar debt
9. Preparation of annual corporate tax returns and related foreign affiliate corporate tax returns
10. Calculation of quarterly and annual Fortis Inc. corporate tax provision
11. Responsibility for utilization of non-capital and capital loss carryforwards of Fortis Inc. and coordination of tax utilization plans with applicable subsidiaries
12. Managing corporate reorganizations and tax planning
13. Manage tax implications of payroll and employee benefits including researching and advising on taxable benefits, CPP, EI and payroll tax issues
14. Preparing Fortis Inc. employee T4's, including preparing taxable benefit calculations
15. Coordination of Fortis Inc. corporate income tax or HST audits
16. Tax research associated with tax issues and changes in tax laws

Investor Relations Function

1. Manage analyst communications – including review of analysts' commentaries/research reports, conduct quarterly conference calls and respond to general analyst research inquiries.
2. Manage investor communications – including the preparation and delivery of investor presentations, road shows, web casts, teleconferences and one-on-one meetings with existing and prospective shareholders
3. Manage shareholder communications – including responding to general shareholder inquiries and the preparation, delivery and filing of documentation for quarterly and annual mailings (i.e., quarterly reports, annual report, proxy, management information circular and annual information form).

4. Coordination and preparation of Fortis's Annual Meeting including preparation of the Executive's presentation to shareholders.
5. Coordination of solicitation of proxies.
6. Preparation of Quarterly Investor Relations Reports to the Board of Directors.
7. Preparation, coordination and dissemination of media releases to newswire agencies, websites and distribution lists.
8. Monitor and maintain Fortis's media coverage.
9. Develop, host and maintain the Fortis Inc. website.
10. Monitor the websites of the Fortis Group of Companies.
11. Monitor and research the market and investment community through Bloomberg, ThomsonOne, TSX, etc.
12. Manage and maintain the Fortis Inc. dividend reinvestment and share purchase plans (i.e., Dividend Reinvestment and Share Purchase Plan, Consumer Share Purchase Plan and Employee Share Purchase Plan)
13. Coordination and preparation of Fortis's consolidated Strategic Issues document and presentation to the Board of Directors.
14. Preparation of Fortis's consolidated Business Plan presentation to the Board of Directors.
15. Manage public relations – including conference participation, the preparation of Executive speeches and responding to media inquiries.

Financial Reporting Function

1. Preparation of quarterly and annual consolidated financial statements and notes to the financial statements and the related management discussion and analysis
2. Preparation of monthly internal consolidated and non-consolidated financial statements of Fortis Inc.
3. Coordination with external auditors of the annual audit of the consolidated financial statements and quarterly review of consolidated financial statements.
4. Preparation and analysis of financial information required for prospectus and other security filing documents
5. Preparation of the Annual Information Form and providing assistance in the preparation of the Management Information Circular
6. Assisting in responding to reviews and queries of securities regulators related to continuous disclosure reporting

7. Research current and emerging accounting policies in Canada, US and that related to IFRS
8. Coordinate consistent accounting policy treatment across the Fortis group of companies related to presentation, alternative treatments and resolution of complex accounting policies to ensure compliance with GAAP
9. Oversight and coordination of conversion to International Financial Reporting Standards across the Fortis Group of companies – including coordinating research, organizing working group and steering committee sessions to discuss and resolve ongoing issues and progress, monitoring and directing progress of the overall conversion and coordination with the external auditors
10. Coordination and preparation of consolidated Business Plan document and reporting to the Board of Directors
11. Preparation of quarterly forecasted consolidated earnings and EPS
12. Responsibility for maintaining internal controls over financial reporting at Fortis Inc.

Internal Audit Function

1. Performs internal audit activities at Fortis Inc including:
 - a. coordinating the Fortis Inc. CEO and CFO internal controls certification process through maintenance of financial process documentation and annual evaluation of internal controls over financial reporting and disclosure controls. Involves ensuring that all Fortis subsidiaries are fully compliant in order to support certification by the parent company;
 - b. performing quality assurance reviews of Fortis Inc. continuous disclosures documents prior to public filing;
 - c. performing annual reviews of Fortis Inc. statutory obligations and executive expenditures;
 - d. reporting internal audit activities to the Fortis Inc. Audit Committee on a regular basis; and
 - e. coordinating compliance with corporate governance requirements
2. Provides oversight over the internal audit function at the Fortis subsidiary companies to:
 - a. ensure corporate-wide consistency in the application of internal audit methodologies and practices and in the reporting of audit results to management and audit committees;

- b. coordinate annual audit program planning to ensure critical risk areas are addressed;
 - c. coordinate corporate-wide audit projects;
 - d. identify opportunities for audit resource and information sharing between the subsidiary internal audit groups;
 - e. oversees audit program planning and reviews internal audit reports to management and Audit Committees for these subsidiaries with limited internal audit resources;
- 3. Administers and monitors reports of allegations of suspected improper conduct or wrong doing via Fortis's ethics reporting system
 - 4. Development of a company-wide Enterprise Risk Management program approach

Board of Directors

The Board of Directors of Fortis Inc. is responsible for the stewardship of Fortis. The Board will supervise the management of the business and affairs of Fortis and, in particular, will:

A. Strategic Planning and Risk Management

- 1. Adopt a strategic planning process and approve, on an annual basis, a strategic plan for Fortis which considers, among other things, the opportunities and risks of the business;
- 2. Monitor the implementation and effectiveness of the approved strategic and business plan;
- 3. Assist the CEO in identifying the principal risks of Fortis's business and the implementation of appropriate systems to manage such risks;

B. Management and Human Resources

- 1. Select, appoint and evaluate the CEO, and determine the terms of the CEO's employment with Fortis;
- 2. In consultation with the CEO, appoint all officers of Fortis and determine the terms of employment, training, development and succession of senior management (including the processes for appointing, training and evaluating senior management);
- 3. To the extent feasible, satisfy itself as to the integrity of the CEO and other officers and the creation of a culture of integrity throughout Fortis;

C. Finances, Controls and Internal Systems

1. Review and approve all material transactions including acquisitions, divestitures, dividends, capital allocations, expenditures and other transactions which exceed threshold amounts set by the Board (including equity contributions to subsidiaries to support the investment in rate base to serve customers;
2. Evaluate Fortis's internal controls relating to financial and management information systems;

D. Communications

1. Adopt a communication policy that seeks to ensure that effective communications, including statutory communication and disclosure, are established and maintained with employees, shareholders, the financial community, the media, the community at large and other security holders of Fortis;
2. Establish procedures to receive feedback from stakeholders of Fortis and communications to the independent directors as a group;

E. Governance

1. Develop Fortis's approach to corporate governance issues, principles practices and disclosure;
2. Establish appropriate procedures to evaluate director independence standards and allow the Board to function independently of management;
3. Appoint from among the directors an audit committee and such other committees of the Board as deemed appropriate and delegate responsibilities thereto in accordance with their mandates;
4. Develop and monitor policies governing the operation of subsidiaries through exercise of Fortis's shareholder positions in such subsidiaries;
5. Develop and monitor compliance with Fortis's code of conduct;
6. Set expectations and responsibilities of directors, including attendance at, preparation for and participation in meetings; and
7. Evaluate and review the performance of the Board, each of its committees and its members.

THIS AMENDING AGREEMENT is made effective January 1, 2012 (the "Effective Date").

BETWEEN:

FORTISBC ENERGY INC.
(formerly Terasen Gas Inc.)
16705 Fraser Highway
Surrey, British Columbia, V4N 0E8

(hereinafter referred to as "FEI")

OF THE FIRST PART

AND:

FORTISBC HOLDINGS INC.
(formerly Terasen Inc.)
10th Floor, 1111 West Georgia Street
Vancouver, British Columbia, V6E 4M4

(hereinafter referred to as "FHI")

OF THE SECOND PART

WHEREAS:

- A. FEI and FHI entered into an agreement dated as of January 1, 2010 (the "Agreement"); and
- B. The parties are now desirous of amending the Agreement on the following terms and conditions.

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

- 1. In this Amending Agreement, capitalized words and expressions used shall have the same meanings as are respectively assigned to them in the Agreement.
- 2. All references to "Terasen Gas Inc." and "TGI" shall be deleted and replaced with "FortisBC Energy Inc." and "FEI" respectively.
- 3. All references to "Terasen Inc." and "Terasen" shall be deleted and replaced with "FortisBC Holdings Inc." and "FHI" respectively.

4. Clause 3.1 shall be deleted and replaced with the following:


“3.1 Compensation for Services and Shared Costs

FEI agrees to pay to FHI for the Services to be provided and for a proportionate share of the common expenses incurred by FHI such as shareholder expenses and director compensation the amount of \$10,719,700 per annum for the period of January 1, 2012 to December 31, 2012 on a take-or-pay basis and the amount of \$11,030,900 per annum for the period of January 1, 2013 to December 31, 2013 on a take-or-pay basis.”


5. This Amending Agreement shall be read together with the Agreement as modified.
6. This Amending Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the parties agree to attorn to the jurisdiction of the courts of British Columbia.
7. Words importing the singular include the plural and vice versa; words importing the masculine gender include the feminine and neuter genders; and words importing persons include individuals, sole proprietors, corporations, partnerships and unincorporated associations.
8. This Amending Agreement may be executed in counterparts with the same effect as if all parties had signed the same document. All counterparts will be construed together and will constitute one agreement.
9. All unamended terms and conditions shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amending Agreement effective the Effective Date.

FORTISBC ENERGY INC.

By: 
Roger Dall'Antonia
Title: Vice President, Finance & CFO

FORTISBC HOLDINGS INC.

By: 
Scott Thomson
Title: Executive Vice President, Finance,
Regulatory & Energy Supply

THIS AMENDING AGREEMENT #2 is made effective January 1, 2014 (the "Effective Date").

BETWEEN:

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

(hereinafter referred to as "FEI")

OF THE FIRST PART

AND:

FORTISBC HOLDINGS INC.
10th Floor, 1111 West Georgia Street
Vancouver, British Columbia, V6E 4M4

(hereinafter referred to as "FHI")

OF THE SECOND PART

WHEREAS:

- A. FEI and FHI entered into an agreement dated as of January 1, 2010 and amended by an Amending Agreement dated January 1, 2012 (collectively, the "Agreement"); and
- B. The parties are now desirous of amending the Agreement on the following terms and conditions.

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

- 1. In this Amending Agreement, capitalized words and expressions used shall have the same meanings as are respectively assigned to them in the Agreement.
- 2. Clause 3.1 shall be deleted and replaced with the following:

"3.1 Compensation for Services and Shared Costs

FEI agrees to pay to FHI for the Services to be provided and for a proportionate share of the common expenses incurred by FHI such as shareholder expenses and director compensation at an amount, on a take-or-pay basis, to be agreed upon in writing between FEI and FHI from time to time."

3. This Amending Agreement shall be read together with the Agreement as modified.
4. This Amending Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the parties agree to attorn to the jurisdiction of the courts of British Columbia.
5. Words importing the singular include the plural and vice versa; words importing the masculine gender include the feminine and neuter genders; and words importing persons include individuals, sole proprietors, corporations, partnerships and unincorporated associations.
6. This Amending Agreement may be executed in counterparts with the same effect as if all parties had signed the same document. All counterparts will be construed together and will constitute one agreement.
7. All unamended terms and conditions shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amending Agreement effective the Effective Date.

FORTISBC ENERGY INC.

By: 

Title: President & CEO

FORTISBC HOLDINGS INC.

By: 

Title: CFO & Treasurer

Appendix E-2

MUTUAL SHARED SERVICES – FEI AND FBC

MUTUAL SHARED SERVICES AGREEMENT

THIS AGREEMENT is made effective the 1st day of July, 2010.

BETWEEN:

FORTISBC ENERGY INC., a corporation formed under the laws of British Columbia having an office at 1000-1111 West Georgia Street, Vancouver, British Columbia, V6E 4M3

(hereinafter "FEI")

AND:

FORTISBC INC., a corporation formed under the laws of British Columbia, having an office at Suite 100, 1975 Springfield Road, Kelowna, British Columbia, V1Y 7V7

(hereinafter "FBC")

WHEREAS

- A. FEI and FBC are both wholly owned subsidiaries of Fortis Inc.
- B. FEI and FBC each require certain services on an as required basis.
- C. FEI and FBC are each willing to provide the Services to the other on the terms and conditions contained in this Agreement.

WITNESSETH THAT, in consideration of the covenants and agreements herein contained, the parties covenant and agree as follows:

PART 1 INTERPRETATION

1.1 Definitions

In and for the purpose of this Agreement

- (a) **"Applicable Laws"** means any and all Laws in force and effect from time to time and applicable to the performance of the Services hereunder;
- (b) **"Governmental Authority"** means any domestic or foreign, national, federal, provincial, state, municipal or other local government or body and any division, agent, commission, board, or authority of any quasi-

governmental or private body exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing, and any domestic, foreign, international, judicial, quasi-judicial, arbitration or administrative court, tribunal, commission, board or panel acting under the authority of any of the foregoing;

- (c) **"Laws"** means all constitutions, treaties, laws, statutes, codes, ordinances, orders, decrees, rules, regulations and municipal by-laws, whether domestic, foreign or international, any judgements, orders, writs, injunctions, decision, rulings, decrees, and awards of any Governmental Authority, and any published policies or guidelines of any Governmental Authority and including, without limitation, any principles of common law and equity,
- (d) **"Person"** includes any individual, corporation, body corporate, partnership, joint venture, association, trust, estate, incorporated or unincorporated association, any government or governmental authority however designated or constituted or any other entity of whatever nature,
- (e) **"Services"** means the professional and management services to be provided by FEI or by FBC respectively, as required by the each of the parties from time to time.

1.2 Interpretation

In and for the purpose of this Agreement

- 1) this "Agreement" means this agreement as the same may from time to time be modified, supplemented or amended in effect,
- 2) any reference in this Agreement to a designated "Article", "section" or other subdivision is to the designated Article, section or other subdivision of this Agreement,
- 3) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, section or other subdivision,
- 4) 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,
- 5) 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), and

- 6) each word and phrase used herein and not otherwise defined herein, but which has an accepted meaning in the custom and usage of the Canadian utility industry, shall have such accepted meaning.

1.3 Governing Law

Subject to Section 7.1, this Agreement will be interpreted and the rights and remedies of the parties hereto will be determined in accordance with the laws of the Province of British Columbia.

PART 2 SERVICES

2.1 Services

Each party hereby agrees to provide to the other the Services on an as required basis and to the extent the party providing the Services has the capacity, as determined by it in its sole discretion, to provide such Services.

2.2 No Obligation to Provide Additional Services

Neither party shall perform, and shall have no obligation to perform, any services to the other except as set out in this Agreement or any similar agreement.

2.3 Independent Contractor

Nothing in this Agreement shall be construed to create or constitute a partnership or relationship of joint venture between FEI and FBC. In performing the Services, each party shall be an independent contractor. FEI employees and FBC employees shall not be considered employees of the other party for any purpose.

2.4 Compliance

In performing the Services, each party will comply with all Applicable Laws and its own applicable standards and policies.

2.5 Confidentiality

The party providing the Services will comply with confidentiality or non-disclosure agreements between the party receiving the Services and any other Person with respect to information required for the Services. Each party waives any right of confidentiality as between the two parties with respect to any information provided by such party to the other party's employees in the course of providing Services.

2.6 Protection of Personal Information

The party providing the Services will comply with any protection of personal information policy of the party receiving the Services.

PART 3 COMPENSATION

3.1 Compensation for Services and Shared Costs

The party receiving Services agrees to reimburse the party providing Services for all reasonable expenses it has incurred in providing such Services, including, without limitation, such portion of the annual salary and benefits of relevant employees as is determined by the party providing Services to be allocable to the party receiving Services based on the nature and extent of Services actually provided during the applicable period.

3.2 Invoicing

The party providing Services will invoice the other in respect of the Services no later than the 25th day following the end of the month in which such Services are provided or in such other manner as the parties may agree.

3.3 Payment

- (a) Except with respect to those portions of an invoice which are the subject of a bona fide dispute between the parties, the party receiving Services shall within thirty (30) days after receipt of an invoice from the party providing Services, pay the amount specified in such invoice.
- (b) Any amount to be remitted by the party receiving Services and not remitted on or before the date on which it is due shall thereafter bear interest at rate of 1.5% per month (18% per annum).

3.4 Taxes

Notwithstanding any other provision of this Agreement, the amounts paid or payable by one party to the other in accordance with this Agreement are exclusive of any value added taxes or sales taxes, which are now, or may become during the term of this Agreement, applicable to the provision of the Services. Each party shall pay to the other party any value added taxes or sales tax which one party is obligated to collect from the other at the time such taxes are due and payable.

PART 4

INDEMNIFICATION AND LIMITATION OF LIABILITY

4.1 Indemnity by FBC

Subject to Section 4.4 , FBC will indemnify, defend and hold harmless FEI and its directors, officers, employees, agents and contractors, from and against any claim, demand, loss, liability, action, lawsuit or other proceeding, judgement or award, and cost or expense (including reasonable legal fees and disbursements) which they may suffer or incur arising directly or indirectly, in whole or in part, in connection with this Agreement or with FEI's provision of the Services, except and to the extent, if any, that the same results from or arises out of the wilful misconduct or gross negligence of FEI.

4.2 Indemnity by FEI

Subject to Section 4.4, FEI will indemnify, defend and hold harmless FBC and its directors, officers, employees, agents and contractors, from and against any claim, demand, loss, liability, action, lawsuit or other proceeding, judgement or award, and cost or expense (including reasonable legal fees and disbursements) which they may suffer or incur arising directly or indirectly, in whole or in part, in connection with this Agreement or with FBC's provision of the Services, except and to the extent, if any, that the same results from or arises out of the wilful misconduct or gross negligence of FBC.

4.3 Limitation of Liability of party providing Services

Neither the party providing Services nor any of its directors, officers, employees, agents or contractors will be liable to the other for any claim, demand, loss, liability, action, lawsuit or other proceeding, judgement or award, or cost or expense (including reasonable legal fees and disbursements) which the party receiving Services may suffer or incur arising directly or indirectly, in whole or in part, in connection with this Agreement or with the provision of the Services,

except and to the extent, if any, that the same results from or arises out of the wilful misconduct or gross negligence of the party providing Services.

4.4 Consequential Losses

Each party acknowledges and agrees that notwithstanding anything else in this Agreement, in no event shall a party or any of their officers, directors, employees, shareholders, agents, or representatives be liable to the other party, any of its affiliates, or any other party for any special, indirect, incidental, exemplary, or consequential damages or loss of goodwill whether such liability is based on contract, tort, negligence, strict liability, or otherwise, in any way arising from or relating to this Agreement or the performance or non-performance of the Services, even if the party has been notified of the possibility or likelihood of such damages occurring.

PART 5

REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of FEI

FEI hereby represents and warrants to FBC as representations and warranties which are true as at the date hereof and which will be true during the term of FEI's appointment hereunder:

- (a) FEI is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and FEI has full power and authority to perform its obligations hereunder; and
- (b) this Agreement constitutes a valid and binding obligation of FEI enforceable in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights, and (ii) the remedy of specific performance and injunctive or other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding therefore may be brought.

5.2 Representations and Warranties of FBC

FBC hereby represents and warrants to FEI as representations and warranties which are true as at the date hereof and which will be true during the term of FEI's appointment hereunder:

- (a) FBC is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and FBC has full power and authority to perform its obligations hereunder; and

- (b) this Agreement constitutes a valid and binding obligation of FBC enforceable in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights, and (ii) the remedy of specific performance and injunctive or other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding therefore may be brought.

PART 6

DURATION, TERMINATION AND DEFAULT

6.1 Effective Date and Term

This Agreement will be effective from July 1, 2010 and will end on December 31, 2011, unless earlier terminated pursuant to the provisions hereof. Thereafter this Agreement will automatically be renewed for further one (1) year terms from January 1 to December 31, subject to Section 6.2 below.

6.2 Termination

This Agreement may be terminated by either FEI or FBC in their sole and absolute discretion at any time by giving fourteen (14) days notice after receipt by either FEI or FBC of written notice thereof from the other party. Such termination shall not affect any rights of the parties which have accrued prior to the date of termination and shall not relieve any party from its obligations which have arisen during the term of this Agreement.

6.3 Duties Upon Termination

Upon expiry or termination of this Agreement for any reason, each party will have no further obligations under Part 2 and will promptly deliver to the other any material documents in the possession of each pertaining to the business of the other.

6.4 Compensation of party providing Services on Expiry or Termination

Within one (1) month after the expiry or termination of this Agreement, each party will pay to the other all amounts owing hereunder (including any amount owing on account of the fees provided for in Part 3 calculated up to the date of expiry or termination); provided that for the purposes of this section, the fees provided for in Part 3 which are payable to the party providing Services on a

monthly, annual or other periodic basis will be deemed to accrue due and be payable on a daily basis.

PART 7

ARBITRATION

7.1 Arbitration

Any dispute between FEI and FBC regarding any allegation that FEI or FBC is in breach of this Agreement, may be submitted to and settled by arbitration in accordance with the provisions of this Section 7.1. Arbitration proceedings may be commenced by the party desiring arbitration giving notice to the other party specifying the matter to be arbitrated and requesting arbitration thereof. Such arbitration will be carried out by a single arbitrator and in accordance with the rules of National Arbitration Rules of the ADR Institute of Canada Inc. from time to time in force and effect. If the parties are unable to agree upon an arbitrator within ten (10) days after delivery of such notice, either of them may make application to court for appointment of an arbitrator. In the event of the failure, refusal or inability of an arbitrator to act, or continue to act, a new arbitrator will be appointed, which appointment will be made in the same manner as provided above. The decision of an arbitrator appointed as under this Section 7.1 will be final and binding upon the parties and not subject to appeal. The arbitrator will have the authority to assess the costs of the arbitration against either or both of the parties, provided that each party will bear its own witness and counsel fees. The parties will fully co-operate with the arbitrator and provide all information reasonably requested by the arbitrator. Judgement on the award of the arbitrator may be entered in any court having jurisdiction over the party against which enforcement of the award is being sought. Each party hereby irrevocably submits and consents to the jurisdiction of any such court for the purpose of rendering a judgement of any such award.

PART 8

MISCELLANEOUS

8.1 Notice

Any notice, direction or other communication required or permitted to be given hereunder must be in writing and will be sufficiently given if delivered or sent by facsimile to the party from whom it is intended at the address of such party shown on the first page of this Agreement. Any notice, direction or other communication so given will be deemed to have been given and to have been received on the day of delivery, if delivered, or on the day of sending if sent by

facsimile (provided such day of delivery or sending is a Business Day and, if not, then on the first Business Day thereafter). Each party hereto may change its address for notice by notice given in the manner aforesaid.

8.2 Assignment

Neither party hereto may assign this Agreement or any of its rights hereunder without the prior written consent of the other party, such consent not to be unreasonably withheld.

8.3 Amendments

Any amendment or modification of this Agreement must be in writing and signed by the party against which such amendment or modification is sought to be enforced.

8.4 Severability

If any term or condition of this Agreement or the application hereof is determined judicially or otherwise to be invalid or unenforceable, the remainder of this Agreement and the application thereof shall not be affected and shall remain in full force and effect.

8.5 Entire Agreement

This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof. There are no representations, warranties, covenants or agreements between the parties in connection with such subject matter except as specifically set forth or referred to in this Agreement.

[Intentionally Blank. Signature Page Follows.]

8.6 Counterparts, Facsimile

This Agreement may be executed by the execution of one or more counterparts of the execution page, which will be taken together and constitute the execution page, and one or more of such counterparts may be delivered by facsimile transmission.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year before written.

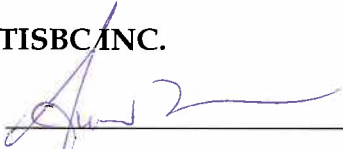
FORTISBC ENERGY INC.

By: 

Name: Roger Dall'Antonia

Title: Vice President, Finance & CFO

FORTISBC INC.

By: 

Name: Scott Thomson

Title: Executive Vice President, Finance,
Regulatory & Energy Supply

Appendix M

DRAFT PROCEDURAL ORDER

Appendix E-3

SHARED SERVICES – FEI AND FEVI

**AMENDED AND RESTATED
SHARED SERVICES AGREEMENT**

THIS AGREEMENT is made effective January 1, 2014 (the “Effective Date”).

BETWEEN:

FORTISBC ENERGY (VANCOUVER ISLAND) INC.
(formerly, Terasen Gas (Vancouver Island) Inc.)
16705 Fraser Highway,
Surrey, British Columbia
V4N 0E8

(“FEVI”)

AND:

FORTISBC ENERGY INC.
(formerly, Terasen Gas Inc.)
16705 Fraser Highway,
Surrey, British Columbia
V4N 0E8

(“FEI”)

WHEREAS

- A. FEVI is the owner and operator of the natural gas transmission and distribution facilities in British Columbia serving the communities of Vancouver Island and the Sunshine Coast (the “Facilities”); and
- B. FEVI wishes to retain FEI to provide certain administrative and management services to it in respect to the ownership and common management of the operation of its transmission pipeline and distribution business and to receive services on an as and when required basis from third party contractors retained by FEI on the terms and conditions set out herein.

WITNESSES that, in consideration of the covenants and agreements herein contained, the parties covenant and agree as follows:

PART 1

INTERPRETATION

1.1 Definitions

In and for the purpose of this Agreement

- (a) **“Applicable Laws”** means any and all Laws in force and effect from time to time and applicable to the Facilities and the performance of the Services hereunder;
- (b) **“Force Majeure”** has the meaning assigned to such term in Section 9.1;
- (c) **“Governmental Authority”** means any domestic or foreign, national, federal, provincial, state, municipal or other local government or body and any division, agent, commission, board, or authority of any quasi-governmental or private body exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing, and any domestic, foreign, international, judicial, quasi-judicial, arbitration or administrative court, tribunal, commission, board or panel acting under the authority of any of the foregoing;
- (d) **“Laws”** means all constitutions, treaties, laws, statutes, codes, ordinances, orders, decrees, rules, regulations and municipal by-laws, whether domestic, foreign or international, any judgements, orders, writs, injunctions, decision, rulings, decrees, and awards of any Governmental Authority, and any published policies or guidelines of any Governmental Authority and including, without limitation, any principles of common law and equity,
- (e) **“Person”** includes any individual, corporation, body corporate, partnership, joint venture, association, trust, estate, incorporated or unincorporated association, any government or governmental authority however designated or constituted or any other entity of whatever nature,
- (f) **“Services”** means the administrative and management services to be provided to FEVI by FEI and as more particularly described in Section 2.1 and any services provided on an as and when required basis under contract to FEI by a third party contractor which services are used by or provide benefit to FEVI.

1.2 Schedules

The following are the schedules attached to, and are incorporated by reference into, this Agreement:

Schedule “A”	Description of Services
Schedule “B”	Shared Service Fee

1.3 Interpretation

In and for the purpose of this Agreement,

- 1) this “Agreement” means this agreement as the same may from time to time be modified, supplemented or amended in effect,
- 2) any reference in this Agreement to a designated “Article”, “Section” or other subdivision is to the designated Article, Section or other subdivision of this Agreement,
- 3) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision,
- 4) 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,
- 5) 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), and
- 6) each word and phrase used herein and not otherwise defined herein, but which has an accepted meaning in the custom and usage of the Western Canadian oil and gas transportation industry, shall have such accepted meaning.

1.4 Governing Law

Subject to Section 9.1, this Agreement will be interpreted and the rights and remedies of the parties hereto will be determined in accordance with the laws of the Province of British Columbia.

PART 2 SERVICES

2.1 Services

FEI hereby agrees to provide to FEVI the Services, including those administrative and management services described in Schedule “A”.

2.2 No Obligation to Provide Additional Services

FEI shall not perform, and FEI shall have no obligation to perform, any services on behalf of FEVI in respect of the Facilities other than as set out in this Agreement or any similar agreement.

2.3 Consultation with FEVI

FEI will consult with FEVI as required in connection with the performance of the Services.

2.4 Independent Contractor

Nothing in this Agreement shall be construed to create or constitute a partnership or relationship of joint venture between FEI and FEVI. In performing the Services, FEI shall be an independent contractor. FEI employees shall not be considered employees of FEVI for any purpose.

2.5 Compliance

In performing the Services, FEI will comply with all Applicable Laws.

PART 3 COMPENSATION

3.1 Compensation for Services

FEVI agrees to pay compensation to FEI for the Services in accordance with this Section 3.1. FEVI agrees to pay to FEI the Shared Service Fee as set out in Schedule "B" for the administrative and management services provided by FEI employees and FEVI agrees to pay for the Services provided by a third party contractor retained by FEI, such portion of the amount invoiced by the third party contractor as is determined by FEI to be allocable to FEVI based on the nature and extent of third party services actually received in the applicable period. .

3.2 Amendment to Costs

The amounts set out in Schedule "B" may be amended from time to time by agreement between the parties to reflect any material change in the cost of providing the Services or in the business operations of FEVI.

3.3 Invoicing

FEI will invoice FEVI (the "Invoice") in respect of the Services no later than the 25th day following the end of the month in which such Services are provided or in such other manner as the parties may agree.

3.4 Payment

(a) Except with respect to those portions of an Invoice which are the subject of a bona fide dispute between the parties, invoices shall be payable within thirty (30) days from the date of the invoice.

(b) Any amount to be remitted by FEVI to FEI and not remitted on or before the date on which it is due shall thereafter bear interest at an annual rate equal to the prime rate of interest of the Toronto-Dominion Bank (or its successor or permitted assign) (Toronto, Main Branch) plus one percent (1%) calculated daily from the date the amounts become due.

(c) FEI will prepare financial accounting of the actual costs and the allocated costs, and will make adjustments based on additional amount to be paid by FEVI or return an overpayment.

(d) Payments due and owing as a result of the accounting will be paid no later than the end of the first quarter of the following year.

3.5 Taxes

Notwithstanding any other provision of this Agreement, the amounts paid or payable by one party to the other in accordance with this Agreement are exclusive of any value added taxes or sales taxes, which are now, or may become during the term of this Agreement, applicable to the provision of the Services. Each party shall pay to the other party any value added taxes or sales tax which one party is obligated to collect from the other at the time such taxes are due and payable.

PART 4

INDEMNIFICATION AND LIMITATION OF LIABILITY

4.1 Indemnity by FEVI

Subject to Section 4.4, FEVI will indemnify, defend and hold harmless FEI and its directors, officers, employees, agents and contractors, from and against any claim, demand, loss, liability, action, lawsuit or other proceeding, judgement or award, and cost or expense (including reasonable legal fees and disbursements) which they may suffer or incur arising directly or indirectly, in whole or in part, in connection with this Agreement or with FEI's provision of the Services, except and to the extent, if any, that the same results from or arises out of the wilful misconduct or gross negligence of FEI.

4.2 Limitation of Liability of FEI

Neither FEI nor any of its directors, officers, employees, agents or contractors will be liable to FEVI for any claim, demand, loss, liability, action, lawsuit or other proceeding, judgement or award, or cost or expense (including reasonable legal fees and disbursements) which FEVI may suffer or incur arising directly or indirectly, in whole or in part, in connection with this Agreement or with FEI's provision of the Services, except and to the extent, if any, that the same results from or arises out of the wilful misconduct or gross negligence of FEI.

4.3 Indemnity by FEI

Subject to Section 4.4, FEI will indemnify, defend and hold harmless FEVI from and against any claim, demand, loss, liability, action, lawsuit or other proceeding, judgement or award and cost or expense (including reasonable legal fees and disbursements) which FEVI may suffer or incur as a result of any act or omission or error of judgement as a result of which FEI is adjudged to have been guilty of wilful misconduct or gross negligence.

4.4 Consequential Losses

Neither party hereto will be liable to the other, whether based in contract, tort (including negligence and strict liability), under warranty or otherwise for special indirect, incidental or consequential loss or damage whatsoever, including without limitation, loss of use of equipment or facilities and loss of profits or revenues.

PART 5
COVENANTS OF FEVI

5.1 Covenants by FEVI

FEVI covenants and agrees to:

- (a) fully co-operate with FEI in respect of all matters contemplated by or within the scope of this Agreement; and
- (b) pay on or before the due date thereof all amounts payable by FEVI to FEI or any other Person pursuant to or as contemplated by this Agreement.

PART 6
REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of FEI

FEI hereby represents and warrants to FEVI as representations and warranties which are true as at the date hereof and which will be true during the term of FEI's appointment hereunder:

- (a) FEI is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and FEI has full power and authority to perform its obligations hereunder,
- (b) this Agreement constitutes a valid and binding obligation of FEI enforceable in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights, and (ii) the remedy of specific performance and injunctive or other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding therefore may be brought; and
- (c) FEI possesses all of the skills and personnel required to provide the Services.

6.2 Representations and Warranties of FEVI

FEVI hereby represents and warrants to FEI as representations and warranties which are true as at the date hereof and which will be true during the term of FEI's appointment hereunder:

- (a) FEVI is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and FEVI has full power and authority to perform its obligations hereunder; and
- (b) this Agreement constitutes a valid and binding obligation of FEVI enforceable in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights, and (ii) the remedy of specific performance and injunctive or other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding therefore may be brought.

PART 7

DURATION, TERMINATION AND DEFAULT

7.1 Effective Date and Term

This Agreement will be effective from January 1, 2014 and will continue until December 31, 2014, unless terminated earlier pursuant to the provisions hereof. Thereafter the Agreement will automatically be renewed for further one (1) year terms subject to Sections 7.2 and 7.3 below.

7.2 Termination

FEI's appointment hereunder may be terminated at any time:

- (a) by FEI giving FEVI written notice of such termination:
 - (i) if FEVI becomes insolvent, admits in writing its inability to pay its debts as they become due or commits or threatens to commit an act of bankruptcy or if FEVI makes a general assignment for the benefit of creditors, or any proceeding is instituted by or against FEVI seeking to adjudicate it a bankrupt or an insolvent or seeking the dissolution, winding-up or liquidation of FEVI or a reorganization, arrangement, moratorium, adjustment, compromise, readjustment of debt or composition of it or its debts under any law relating to bankruptcy, insolvency, moratorium, reorganization or relief of debtors or seeking the appointment of a receiver, receiver-manager, interim receiver, trustee, custodian, liquidator or other similar official or Person for it, or FEVI consents by answer, acquiescence or otherwise to the institution of any such proceeding against it; and
 - (ii) in the event FEVI breaches this Agreement and fails to cure such breach within thirty (30) days after receipt by FEI of written notice thereof from FEI or, if such breach is not capable of being cured within such thirty (30) day period, fails to commence in good faith the curing of such breach forthwith upon receipt of written notice thereof from FEI and to continue to diligently pursue the curing of such breach thereafter until cured and, in either case, the allegation of FEI that FEVI is in breach is conceded to be correct by FEVI or found to be correct by an arbitrator pursuant to Section 8.1;
- (b) by FEVI giving FEI written notice of such termination:
 - (i) if FEI becomes insolvent, admits in writing its inability to pay its debts as they become due or commits or threatens to commit an act of bankruptcy or if FEI makes a general assignment for the benefit of creditors, or any proceeding is instituted by or against FEI seeking to adjudicate it a bankrupt or an insolvent or seeking the dissolution, winding-up or liquidation of FEI or a reorganization, arrangement, moratorium, adjustment, compromise, readjustment of debt or composition of it or its debts under any law relating to bankruptcy, insolvency, moratorium, reorganization or relief of debtors or seeking the appointment of a

receiver, receiver-manager, interim receiver, trustee, custodian, liquidator or other similar official or Person for it, or FEI consents by answer, acquiescence or otherwise to the institution of any such proceeding against it; and

- (ii) in the event FEI breaches this Agreement and fails to cure such breach within thirty (30) days after receipt by FEI of written notice thereof from FEVI or, if such breach is not capable of being cured within such thirty (30) day period, fails to commence in good faith the curing of such breach forthwith upon receipt of written notice thereof from FEVI and to continue to diligently pursue the curing of such breach thereafter until cured and, in either case, the allegation of FEVI that FEI is in breach is conceded to be correct by FEI or found to be correct by an arbitrator pursuant to Section 8.1.

7.3 Termination Without Cause

Notwithstanding Section 7.2 above either party may, upon obtaining the other party's written consent, terminate this Agreement without penalty or damages upon giving thirty (30) days written notice.

7.4 Duties Upon Termination

Upon expiry or termination of this Agreement for any reason, FEI will have no further obligations under Article 2 and will promptly deliver to FEVI any material documents in the possession of FEI pertaining to the business of FEVI.

7.5 Compensation of FEI on Expiry or Termination

Within one (1) month after the expiry or termination of this Agreement, FEVI will pay to FEI all amounts owing to FEI hereunder (including any amount owing on account of the fees provided for in Article 3 calculated up to the date of expiry or termination); provided that for the purposes of this Section, the fees provided for in Article 3 which are payable to FEI on a monthly, annual or other periodic basis will be deemed to accrue due and be payable on a daily basis.

PART 8 ARBITRATION

8.1 Arbitration

For purposes of Section 7.2, any dispute between FEI and FEVI regarding any allegation that FEVI or FEI is in breach of this Agreement, may be submitted to and settled by arbitration in accordance with the provisions of this Section 8.1. Arbitration proceedings may be commenced by the party desiring arbitration giving notice to the other party specifying the matter to be arbitrated and requesting arbitration thereof. Such arbitration will be carried out by a single arbitrator and in accordance with the Rules of Procedure for Commercial Mediation of The Canadian Foundation for Dispute Resolution from time to time in force and effect. If the parties are unable to agree upon an arbitrator within ten (10) days after delivery of such notice, either of them may make application to court for appointment of an arbitrator. In the event of the

failure, refusal or inability of an arbitrator to act, or continue to act, a new arbitrator will be appointed, which appointment will be made in the same manner as provided above. The decision of an arbitrator appointed as under this Section 8.1 will be final and binding upon the parties and not subject to appeal. The arbitrator will have the authority to assess the costs of the arbitration against either or both of the parties, provided that each party will bear its own witness and counsel fees. The parties will fully co-operate with the arbitrator and provide all information reasonably requested by the arbitrator. Judgement on the award of the arbitrator may be entered in any court having jurisdiction over the party against which enforcement of the award is being sought. Each party hereby irrevocably submits and consents to the jurisdiction of any such court for the purpose of rendering a judgement of any such award.

PART 9

FORCE MAJEURE

9.1 Force Majeure

In and for the purposes of this Agreement, "Force Majeure" shall mean anyone or more of the following events:

- (a) an act of God;
- (b) a war, revolution, insurrection, riot, blockade, or any other unlawful act against public order or authority;
- (c) a strike, lockout or other industrial disturbance;
- (d) a storm, fire, flood, explosion, earthquake or lightning;
- (e) a governmental restraint; or
- (f) any other event (whether or not of the kind enumerated in 9.1(a) to (e) above) which is not reasonably within the control of the party hereto claiming suspension of its obligations hereunder due to Force Majeure.

9.2 Performance Prevented by Force Majeure

If either party hereto is prevented by Force Majeure from carrying out any of its obligations hereunder, the obligations of such party, insofar as its obligations are affected by Force Majeure, shall be suspended while (but only so long as) Force Majeure continues to prevent the performance of such obligations. Any party prevented from carrying out any obligation by Force Majeure shall promptly give the other party hereto notice of Force Majeure including reasonably full particulars thereof.

9.3 Remedy of Force Majeure

A party claiming suspension of its obligations by reason of Force Majeure shall promptly remedy the cause and effect of Force Majeure described in the notice given pursuant to Section 9.2 insofar as such party is reasonably able so to do, provided that the terms of settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of the party hereby claiming suspension of its obligations hereunder by reason thereof; and that such party shall not be required to accede to the demands of its opponents in any strike, lockout or industrial disturbance solely to remedy promptly Force Majeure thereby constituted.

9.4 Lack of Funds Not Force Majeure

Notwithstanding anything contained in this Article 9, lack of finances shall not be considered Force Majeure nor shall Force Majeure suspend any obligation for the payment of money due hereunder.

PART 10

PROTECTION OF PERSONAL INFORMATION

10.1 Collection of Personal Information

FEI and FEVI recognize that during the course of this Agreement each party may provide the other with access to “personal information” and “employee personal information” (jointly “Personal Information”) as those terms are defined in the British Columbia Personal Information Protection Act and the Canadian Personal Information Protection and Electronic Documents Act (collectively the “Privacy Laws”) as applicable (the “Disclosing Party”), and that disclosure by one party to the other of this Personal Information places an obligation on the receiving party to only collect, use, disclose, retain and secure Personal Information in compliance with the Privacy Laws and FEI’s and FEVI’s privacy policy, which for reference can be found at www.fortisbc.com (the “Receiving Party”).

10.2 Use of Personal Information

The Receiving Party shall only collect, use, disclose or retain Personal Information from the Disclosing Party for the limited purpose for which the Personal Information was disclosed so as to allow the Receiving Party to perform the Services. Any further collection, use, disclosure or retention of Personal Information is strictly prohibited without the Disclosing Party’s express consent.

10.3 Representation and Warranty

In addition to the representations given by FEI in Section 6.1 and by FEVI in Section 6.2 herein, FEI and FEVI hereby each represent and warrant that they shall comply with the Privacy Laws and the privacy policy referenced in Section 10.1 above.

PART 11

MISCELLANEOUS

11.1 Notice

Any notice, direction or other communication required or permitted to be given hereunder must be in writing and will be sufficiently given if delivered or sent by facsimile to the party from whom it is intended at the address of such party set out below. Any notice, direction or other communication so given will be deemed to have been given and to have been received on the day of delivery, if delivered, or on the day of sending if sent by facsimile (provided such day of delivery or sending is a Business Day and, if not, then on the first Business Day thereafter). Each party hereto may change its address for notice by notice given in the manner aforesaid.

11.2 Assignment

Neither party hereto may assign this Agreement or any of its rights hereunder without the prior written consent of the other party, such consent not to be unreasonably withheld.

11.3 Amendments

Any amendment or modification of this Agreement must be in writing and signed by the party against which such amendment or modification is sought to be enforced.

11.4 Severability

If any term or condition of this Agreement or the application hereof is determined judicially or otherwise to be invalid or unenforceable, the remainder of this Agreement and the application thereof shall not be affected and shall remain in full force and effect.

11.5 Entire Agreement

This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof. There are no representations, warranties, covenants or agreements between the parties in connection with such subject matter except as specifically set forth or referred to in this Agreement.

11.6 Counterparts, Facsimile

This Agreement may be executed by the execution of one or more counterparts of the execution page, which will be taken together and constitute the execution page, and one or more of such counterparts may be delivered by facsimile transmission.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective on the Effective Date first written above.

FORTISBC ENERGY (VANCOUVER ISLAND) INC.

By: ML

Title: VIP Finance & CFO

FORTISBC ENERGY INC.

By: [Signature]

Title: President & CEO

On a shared basis, the personnel from the following departmental units of FEI will provide services to FEVI:

- (1) **Corporate.** The role and function of the Corporate department of FEI is to provide:
 - (a) governance and liaisons to direct development and implementation of strategic, operational and capital plans;
 - (b) governance assurance that controls are in place to ensure the Company's are safeguarded and optimized in the best interests of shareholders, customers and other stakeholders;
 - (c) alignment and communication of the vision and direction to employees and other stakeholders;
 - (d) executive level succession planning and development to prepare and maintain exceptional leadership; and
 - (e) act as the principal spokesperson in maintaining close communication with government and the public.
- (2) **Finance and Regulatory Affairs.** The role and function of the Finance and Regulatory Affairs department is to provide the following services:
 - (a) policy direction and oversight of services related to key financial areas including Strategic Planning, Regulatory Affairs, management and financial reporting, and the capital management office;
 - (b) oversee the understanding, communication and adherence to accounting policies procedures and practices;
 - (c) lead financial elements of regulatory processes;
 - (d) establish and execute the process for managing and facilitating the prioritization of all capital expenditures in the FEI companies through the Capital Management Office;
 - (e) provide high-level policy, strategic and technical advice & expertise to the company's Executive leadership Team regarding regulatory initiatives and issues as well as the regulatory implications of corporate objectives, strategies and business initiatives and projects taking into consideration emerging regulatory developments and market trends;
 - (f) ensures adequate and appropriate regulatory constructs and mechanisms are put in place and maintained for all separate legal entities under the Gas Utility Segment of FortisBC, taking into consideration the Company's objectives and strategies and market realities;

- (g) acts as the Company's focal point of contact with the British Columbia Utilities Commission and ensures the company is fulfilling its obligations regarding governance of Regulatory Orders from the BCUC and Government (Utilities Commission Act);
 - (h) ensures adequate and appropriate Tariffs and Rates are in place in consideration of the Company's objectives and strategies, market realities, and the approved regulatory constructs and mechanisms;
 - (i) responsible for the development and execution of corporate regulatory strategy and holds the primary responsibility for the development and maintenance of superior relationships with key interveners, regulatory bodies, market participants and customer representatives;
 - (j) development of FEI/FEVI financial accounting policies and procedures;
 - (k) reviewing and maintaining the code of general ledger accounts;
 - (l) accounting for and validation of all financial statement elements including revenues, cost of gas, deferral accounts, financing costs, bank accounts, the accounting for continuing services and the billing of inter-company transactions;
 - (m) monthly reporting, variance analysis and year-end forecasting;
 - (n) external audit coordination and the preparation of non-consolidated financial statements;
 - (o) annual and multi-year budget processes;
 - (p) performance measurement and cost analysis;
 - (q) asset and plant accounting;
 - (r) the accounts payable group is responsible for ensuring vendors are paid accurately and in a timely manner; and
 - (s) provide administrative support for corporate credit card program.
- (3) **Customer Service.** The Customer Service department is responsible for providing the following services:
- (a) overall policy direction and oversight of services relating to the Customer Service function;
 - (b) direction to the Customer Care and Services group and to develop customer education and communication;
 - (c) market research support including customer satisfaction surveys;

- (d) oversee outsourced service provider activities including meter reading and credit and collection; and
 - (e) manage the Customer Contact centre and billing operations in support of construction orders for service and meter installations, customer billing and answering customer inquiries.
- (4) **Human Resources.** This department is focused on providing the following HR services:
- (a) ensuring HR direction and programs that affect employees are aligned with departmental and corporate objectives. Areas of responsibility include HR business planning, and compliance with regulatory, and governance reporting;
 - (b) overseeing the design and delivery of the Total Rewards framework to attract, retain and motivate employees. This includes providing recruiting and selection processes to meet business needs and operational requirements. Other services include compensation, payroll and time administration, benefits administration, pension administration, recruiting, HR Information Systems and master data, and HR metrics, surveys and reporting;
 - (c) providing direction and delivery of labour relations and advisory services to maintain and foster productive employee/employment relationships. This includes HR advisory services, disability and attendance management and labour relations but not limited to collective agreement interpretation, administration and collective bargaining; and
 - (d) providing design and delivers employee training and development programs. This includes development and delivery of trades training and in-house apprenticeship programs, learning content management, management training and leadership development, e-learning, competency management and administration and training records.
- (5) **Environment, Health and Safety.** This department is focused on providing Environment, Health and Safety services to support governance and related business needs of the operations of the FortisBC Energy group of gas companies. The functional areas and the services provided are:
- (a) Environmental Affairs, which manages environmental risks associated with operational activities and the fulfilment of compliance requirements with applicable environmental regulation;
 - (b) Occupational Health and Safety, which manages employee safety risks as aligned with the maintenance of compliance with WorkSafeBC regulation;
 - (c) Public Safety, which involves the development of plans and awareness strategies relating to the education of customers, first responders, and the general public

around the properties of natural gas, and about steps to be taken in emergent situations;

- (d) Emergency Preparedness, which involves the management of emergency management system compliance with all applicable legislation. An annual exercise program supports operational readiness;
 - (e) Business Continuity Planning involves inter-departmental planning that will result in an effective operational response and the restoration and resumption of core business functions if a business interruption occurs; and
 - (f) Corporate Security, which manages corporate security risks.
- (6) **Energy Supply and Resource Development ("ES&RD").** The functional areas and the services provided are:
- (a) overall policy direction and oversight of services relating to the ES&RD functions;
 - (b) gas supply infrastructure planning and major capacity and sustainment initiatives management function;
 - (c) identifying and developing new regional projects as well as system infrastructure projects within the Company's current service areas, including pipeline, compressor, and storage projects.
- (7) **Information Systems.** This department provides information technology application and infrastructure management services including:
- (a) development of short and long term strategy considering business requirements as they relate to evolving technologies. This includes the responsibility of planning, forecasting and design of future infrastructure capacity requirements that will support the Company's objectives.
 - (b) identifying, designing, operating, and maintaining the availability, security and integrity of technology and critical enterprise infrastructure including hardware and networks;
 - (c) management of the costs for the Wide Area Network (WAN), including balancing appropriate performance with cost;
 - (d) overseeing end user technical support for all employees, contractors, applications and associated equipment;
 - (e) management and monitoring of all telephony contracts, including cellular;
 - (f) management and costs of all large printing devices for the organization; and

- (g) life cycle management of technology assets.
- (8) **Facilities.** This department is responsible for operating and maintaining office, shop, warehouse and yard facilities. The services provided include:
 - (a) building and yard asset operation and maintenance and physical security;
 - (b) project management for construction, renovation or relocation;
 - (c) space planning, office furniture and equipment; and
 - (d) mailroom and reception services.
- (9) **Operations Support.** This department is responsible for providing Measurement Services, Supply Chain Services, and Property Services.
 - (a) Measurement Service includes the management of the measurement device fleet which includes, but is not limited to the inspection, compliance sampling, sealing and repair of meters and measurement devices;
 - (b) Supply Chain Services include:
 - i. Mechanical Services for manufacturing and repairing equipment and tools for Operations and fabrication and install services for transmission and distribution projects;
 - ii. Material Services for managing the flow of field materials, tools and equipment used throughout the Company;
 - iii. Procurement Services ensures the appropriate processes are followed and agreements are in place when FEI acquires materials and services. Additionally, included are market research, risk management, tender evaluations and vendor management.
 - (c) Property Services includes support for property taxation, negotiation of land acquisition, leases and disposal as well as related environmental reviews, maintenance of right of way (ROW) agreements and First Nations land negotiations.
- (10) **Engineering Services and Project Management.** This is comprised of Asset Management, Geographic Information Systems, Engineering and Project Management Office.
 - (a) Asset Management services include overseeing the gas system assets, system capacity planning, and system integrity management planning to ensure safe and reliable energy delivery. This includes defining operations and maintenance activities critical to the Integrity Management Plan, operating and maintaining cathodic protection systems, and capital planning.

- (b) Geographic Information Systems (GIS) services include completing new mains and service construction drawings and as-built mapping. It is also responsible for developing and maintaining the GIS mapping system, maintaining gas system asset records for distribution and transmission facilities and providing Public Underground Location Services as requested through BC One Call;
 - (c) Engineering provides engineering design, and drafting services to the Project Management Office, as well as technical guidance to Operations. It also provides technical oversight and management of the Gas Lab which provides gas measurement and analysis services to ensure appropriate levels of odourization in the natural gas that is delivered to customers; and
 - (d) Project Management Office delivers capital projects related to pipelines and above ground facilities that enhance transmission and distribution assets.
- (11) **Operations.** The role and function of the Operations – Distribution department is to provide the following services:
- (a) policy direction and oversight of services related to Distribution operations and maintenance, emergency management services, account services and fieldwork, Operations Support;
 - (b) general management and oversight of services are focused on delivering a safe, reliable and cost-effective gas distribution system for residential, commercial and industrial customers;
 - (c) directors, regional managers and front line field managers who are responsible for day-to-day operations in specific geographic areas; and
 - (d) order initiation and processing, scheduling, dispatching, performance reporting, claims management and training.
- (12) **Energy Solutions & External Relations ("ES&ER").** ES&ER services provided on a shared service basis fall into the following service areas:
- (a) responsible for providing overall policy direction and oversight of services relating to the Energy Solutions and External Relations function, including overseeing the development and implementation of new service offerings, initiatives and programs;
 - (b) provides overall policy direction and oversight of services relating to all markets and customer segments;
 - (c) develops communications, supports the communications collateral requirements of Builder/Developer and Commercial/Industrial Account Managers, develops

and executes events and undertakes trade relations activities that support sales efforts;

- (d) creates messaging for customer education and communication on the topics of rate changes, natural gas prices, competition with alternative fuels, billing issues, customer connection policies and regulatory changes (e.g., gas cost increase, rate design changes);
- (e) oversees both the Main Extension test, and the Company's service line policies;
- (f) evaluates existing offerings to determine if they represent the right mix of customer service and core market cost recovery and the design, negotiation and submission of new and amended services to the British Columbia Utilities Commission;
- (g) develops customer energy use and customer additions forecasts;
- (h) provides analysis and decision support to internal and external customers on longer-term supply/demand and pricing issues, and performs portfolio modeling; Examples of internal customers would include various departments such as Gas Supply, Finance, Regulatory, System Planning and Operations. Examples of external customers would include various municipalities and other government agencies as well as individual (mainly commercial) customers;
- (i) builds and fosters relationships with communities, government, First Nations, and business associations to engage these key stakeholders in FEVI's key projects and initiatives;
- (j) provides internal and external communications services for the Company, including, customer, employee and stakeholder communications, media relations and safety education messaging;
- (k) provides Energy Efficiency and Conservation ("EEC") services including program development, administration, delivery, monitoring and reporting;
- (l) provides Technical Support to external customers, and internal customers including sales and the EEC group;
- (m) develops both Regional Resource Plans and Integrated Resource Plans for all companies.

Schedule "B"
Shared Service Fee

Cost Allocation Drivers

Department	Allocation Method
Corporate	# of Customers
Finance & Regulatory Affairs	# of Customers
Customer Service	# of Customers
Human Resources	# of Customers
	# of Employees
Environment, Health & Safety	# of Customers
Energy Supply and Resource Development	# of Customers
Information Technology	# of Customers
	# of Employees
Facilities	# of Customers
	# of Employees
Operations Support	# of Customers
Engineering Services and Project Management	# of Customers
	Specific Allocation %
Operations	# of Customers
	# of Employees
	Specific Allocation %
Energy Solutions & External Relations	# of Customers

Note 1: Does not include Timesheet (or Direct Charge) allocations.

Note 2: The Shared Service Fee may be amended from time to time by the written agreement of the parties.

Schedule “A”

Description of Services

Schedule “B”

Shared Service Fee

Appendix E-4

SHARED SERVICES – FEI AND FEW

**AMENDED AND RESTATED
SHARED SERVICES AGREEMENT**

THIS AGREEMENT is made effective January 1, 2014 (the “Effective Date”).

BETWEEN:

FORTISBC ENERGY (WHISTLER) INC.
(formerly Terasen Gas (Whistler) Inc.)
16705 Fraser Highway,
Surrey, British Columbia
V4N 0E8

(“FEW”)

AND:

FORTISBC ENERGY INC.
(formerly Terasen Gas Inc.)
16705 Fraser Highway,
Surrey, British Columbia
V4N 0E8

(“FEI”)

WHEREAS

- A. FEW is the owner and operator of propane distribution facilities, which are being converted to natural gas distribution facilities throughout 2009, in British Columbia serving the community of Whistler (the “Facilities”); and
- B. FEW wishes to retain FEI to provide certain administrative and management services to it in respect to the ownership and common management of the operation of its transmission pipeline and distribution business and to receive services on an as and when required basis from third party contractors retained by FEI on the terms and conditions set out herein.

WITNESSES that, in consideration of the covenants and agreements herein contained, the parties covenant and agree as follows:

PART 1

INTERPRETATION

1.1 Definitions

In and for the purpose of this Agreement,

- (a) **“Applicable Laws”** means any and all Laws in force and effect from time to time and applicable to the Facilities and the performance of the Services hereunder;
- (b) **“Force Majeure”** has the meaning assigned to such term in Section 9.1;
- (c) **“Governmental Authority”** means any domestic or foreign, national, federal, provincial, state, municipal or other local government or body and any division, agent, commission, board, or authority of any quasi-governmental or private body exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing, and any domestic, foreign, international, judicial, quasi-judicial, arbitration or administrative court, tribunal, commission, board or panel acting under the authority of any of the foregoing;
- (d) **“Laws”** means all constitutions, treaties, laws, statutes, codes, ordinances, orders, decrees, rules, regulations and municipal by-laws, whether domestic, foreign or international, any judgements, orders, writs, injunctions, decision, rulings, decrees, and awards of any Governmental Authority, and any published policies or guidelines of any Governmental Authority and including, without limitation, any principles of common law and equity,
- (e) **“Person”** includes any individual, corporation, body corporate, partnership, joint venture, association, trust, estate, incorporated or unincorporated association, any government or governmental authority however designated or constituted or any other entity of whatever nature,
- (f) **“Services”** means the administrative and management services to be provided to FEW by FEI and as more particularly described in Section 2.1 and any services provided on an as and when required basis under contract to FEI by a third party contractor which services are used by or provide benefit to FEW.

1.2 Schedules

The following are the schedules attached to, and are incorporated by reference into, this Agreement:

Schedule “A”	Description of Services
Schedule “B”	Shared Service Fee

1.3 Interpretation

In and for the purpose of this Agreement

- 1) this “Agreement” means this agreement as the same may from time to time be modified, supplemented or amended in effect,
- 2) any reference in this Agreement to a designated “Article”, “Section” or other subdivision is to the designated Article, Section or other subdivision of this Agreement,
- 3) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision,
- 4) 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,
- 5) 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), and
- 6) each word and phrase used herein and not otherwise defined herein, but which has an accepted meaning in the custom and usage of the Western Canadian oil and gas transportation industry, shall have such accepted meaning.

1.4 Governing Law

Subject to Section 9.1, this Agreement will be interpreted and the rights and remedies of the parties hereto will be determined in accordance with the laws of the Province of British Columbia.

PART 2 SERVICES

2.1 Services

FEI hereby agrees to provide to FEW the Services, including those administrative and management services described in Schedule “A”.

2.2 No Obligation to Provide Additional Services

FEI shall not perform, and FEI shall have no obligation to perform, any services on behalf of FEW in respect of the Facilities other than as set out in this Agreement or any similar agreement.

2.3 Consultation with FEW

FEI will consult with FEW as required in connection with the performance of the Services.

2.4 Independent Contractor

Nothing in this Agreement shall be construed to create or constitute a partnership or relationship of joint venture between FEI and FEW. In performing the Services, FEI shall be an independent contractor. FEI employees shall not be considered employees of FEW for any purpose.

2.5 Compliance

In performing the Services, FEI will comply with all Applicable Laws.

PART 3 COMPENSATION

3.1 Compensation for Services

FEW agrees to pay compensation to FEI for the Services in accordance with this Section 3.1. FEW agrees to pay to FEI the Shared Service Fee as set out in Schedule "B" for the administrative and management services provided by FEI employees and FEW agrees to pay for the Services provided by a third party contractor retained by FEI, such portion of the amount invoiced by the third party contractor as is determined by FEI to be allocable to FEW based on the nature and extent of third party services actually received in the applicable period. .

3.2 Amendment to Costs

The amounts set out in Schedule "B" may be amended from time to time by agreement between the parties to reflect any material change in the cost of providing the Services or in the business operations of FEW.

3.3 Invoicing

FEI will invoice FEW (the "Invoice") in respect of the Services no later than the 25th day following the end of the month in which such Services are provided or in such other manner as the parties may agree.

3.4 Payment

(a) Except with respect to those portions of an Invoice which are the subject of a bona fide dispute between the parties, invoices shall be payable within thirty (30) days from the date of the invoice.

(b) Any amount to be remitted by FEW to FEI and not remitted on or before the date on which it is due shall thereafter bear interest at an annual rate equal to the prime rate of interest of the Toronto-Dominion Bank (or its successor or permitted assign) (Toronto, Main Branch) plus one percent (1%) calculated daily from the date the amounts become due.

(c) FEI will prepare financial accounting of the actual costs and the allocated costs, and will make adjustments based on additional amount to be paid by FEW or return an overpayment.

(d) Payments due and owing as a result of the accounting will be paid no later than the end of the first quarter of the following year.

3.5 Taxes

Notwithstanding any other provision of this Agreement, the amounts paid or payable by one party to the other in accordance with this Agreement are exclusive of any value added taxes or sales taxes, which are now, or may become during the term of this Agreement, applicable to the provision of the Services. Each party shall pay to the other party any value added taxes or sales tax which one party is obligated to collect from the other at the time such taxes are due and payable.

PART 4

INDEMNIFICATION AND LIMITATION OF LIABILITY

4.1 Indemnity by FEW

Subject to Section 4.4, FEW will indemnify, defend and hold harmless FEI and its directors, officers, employees, agents and contractors, from and against any claim, demand, loss, liability, action, lawsuit or other proceeding, judgement or award, and cost or expense (including reasonable legal fees and disbursements) which they may suffer or incur arising directly or indirectly, in whole or in part, in connection with this Agreement or with FEI's provision of the Services, except and to the extent, if any, that the same results from or arises out of the wilful misconduct or gross negligence of FEI.

4.2 Limitation of Liability of FEI

Neither FEI nor any of its directors, officers, employees, agents or contractors will be liable to FEW for any claim, demand, loss, liability, action, lawsuit or other proceeding, judgement or award, or cost or expense (including reasonable legal fees and disbursements) which FEW may suffer or incur arising directly or indirectly, in whole or in part, in connection with this Agreement or with FEI's provision of the Services, except and to the extent, if any, that the same results from or arises out of the wilful misconduct or gross negligence of FEI.

4.3 Indemnity by FEI

Subject to Section 4.4, FEI will indemnify, defend and hold harmless FEW from and against any claim, demand, loss, liability, action, lawsuit or other proceeding, judgement or award and cost or expense (including reasonable legal fees and disbursements) which FEW may suffer or incur as a result of any act or omission or error of judgement as a result of which FEI is adjudged to have been guilty of wilful misconduct or gross negligence.

4.4 Consequential Losses

Neither party hereto will be liable to the other, whether based in contract, tort (including negligence and strict liability), under warranty or otherwise for special indirect, incidental or consequential loss or damage whatsoever, including without limitation, loss of use of equipment or facilities and loss of profits or revenues.

PART 5

COVENANTS OF FEW

5.1 Covenants by FEW

FEW covenants and agrees to:

- (a) fully co-operate with FEI in respect of all matters contemplated by or within the scope of this Agreement; and
- (b) pay on or before the due date thereof all amounts payable by FEW to FEI or any other Person pursuant to or as contemplated by this Agreement.

PART 6

REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of FEI

FEI hereby represents and warrants to FEW as representations and warranties which are true as at the date hereof and which will be true during the term of FEI's appointment hereunder:

- (a) FEI is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and FEI has full power and authority to perform its obligations hereunder,
- (b) this Agreement constitutes a valid and binding obligation of FEI enforceable in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights, and (ii) the remedy of specific performance and injunctive or other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding therefore may be brought; and
- (c) FEI possesses all of the skills and personnel required to provide the Services.

6.2 Representations and Warranties of FEW

FEW hereby represents and warrants to FEI as representations and warranties which are true as at the date hereof and which will be true during the term of FEI's appointment hereunder

- (a) FEW is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and FEW has full power and authority to perform its obligations hereunder; and
- (b) this Agreement constitutes a valid and binding obligation of FEW enforceable in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights, and (ii) the remedy of specific performance and injunctive or other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding therefore may be brought.

PART 7

DURATION, TERMINATION AND DEFAULT

7.1 Effective Date and Term

This Agreement will be effective from January 1, 2014 and will continue until December 31, 2014, unless terminated earlier pursuant to the provisions hereof. Thereafter the Agreement will automatically be renewed for further one (1) year terms subject to Sections 7.2 and 7.3 below.

7.2 Termination

FEI's appointment hereunder may be terminated at any time:

- (a) by FEI giving FEW written notice of such termination:
 - (i) if FEW becomes insolvent, admits in writing its inability to pay its debts as they become due or commits or threatens to commit an act of bankruptcy or if FEW makes a general assignment for the benefit of creditors, or any proceeding is instituted by or against FEW seeking to adjudicate it a bankrupt or an insolvent or seeking the dissolution, winding-up or liquidation of FEW or a reorganization, arrangement, moratorium, adjustment, compromise, readjustment of debt or composition of it or its debts under any law relating to bankruptcy, insolvency, moratorium, reorganization or relief of debtors or seeking the appointment of a receiver, receiver-manager, interim receiver, trustee, custodian, liquidator or other similar official or Person for it, or FEW consents by answer, acquiescence or otherwise to the institution of any such proceeding against it; and
 - (ii) in the event FEW breaches this Agreement and fails to cure such breach within thirty (30) days after receipt by FEW of written notice thereof from FEI or, if such breach is not capable of being cured within such thirty (30) day period, fails to commence in good faith the curing of such breach forthwith upon receipt of written notice thereof from FEI and to continue to diligently pursue the curing of such breach thereafter until cured and, in either case, the allegation of FEI that FEW is in breach is conceded to be correct by FEW or found to be correct by an arbitrator pursuant to Section 8.1;
- (b) by FEW giving FEI written notice of such termination:
 - (i) if FEI becomes insolvent, admits in writing its inability to pay its debts as they become due or commits or threatens to commit an act of bankruptcy or if FEI makes a general assignment for the benefit of creditors, or any proceeding is instituted by or against FEI seeking to adjudicate it a bankrupt or an insolvent or seeking the dissolution, winding-up or liquidation of FEI or a reorganization, arrangement, moratorium, adjustment, compromise, readjustment of debt or composition of it or its debts under any law relating to bankruptcy, insolvency, moratorium, reorganization or relief of debtors or seeking the appointment of a

receiver, receiver-manager, interim receiver, trustee, custodian, liquidator or other similar official or Person for it, or FEI consents by answer, acquiescence or otherwise to the institution of any such proceeding against it; and

- (ii) in the event FEI breaches this Agreement and fails to cure such breach within thirty (30) days after receipt by FEI of written notice thereof from FEW or, if such breach is not capable of being cured within such thirty (30) day period, fails to commence in good faith the curing of such breach forthwith upon receipt of written notice thereof from FEW and to continue to diligently pursue the curing of such breach thereafter until cured and, in either case, the allegation of FEW that FEI is in breach is conceded to be correct by FEI or found to be correct by an arbitrator pursuant to Section 8.1.

7.3 Termination Without Cause

Notwithstanding Section 7.2 above either party may, upon obtaining the other party's written consent, terminate this Agreement without penalty or damages upon giving thirty (30) days written notice.

7.4 Duties Upon Termination

Upon expiry or termination of this Agreement for any reason, FEI will have no further obligations under Article 2 and will promptly deliver to FEW any material documents in the possession of FEI pertaining to the business of FEW.

7.5 Compensation of FEI on Expiry or Termination

Within one (1) month after the expiry or termination of this Agreement, FEW will pay to FEI all amounts owing to FEI hereunder (including any amount owing on account of the fees provided for in Article 3 calculated up to the date of expiry or termination); provided that for the purposes of this Section, the fees provided for in Article 3 which are payable to FEI on a monthly, annual or other periodic basis will be deemed to accrue due and be payable on a daily basis.

PART 8 ARBITRATION

8.1 Arbitration

For purposes of Section 7.2, any dispute between FEI and FEW regarding any allegation that FEW or FEI is in breach of this Agreement, may be submitted to and settled by arbitration in accordance with the provisions of this Section 8.1. Arbitration proceedings may be commenced by the party desiring arbitration giving notice to the other party specifying the matter to be arbitrated and requesting arbitration thereof. Such arbitration will be carried out by a single arbitrator and in accordance with the Rules of Procedure for Commercial Mediation of The Canadian Foundation for Dispute Resolution from time to time in force and effect. If the parties are unable to agree upon an arbitrator within ten (10) days after delivery of such notice, either of them may make application to court for appointment of an arbitrator. In the event of the failure,

refusal or inability of an arbitrator to act, or continue to act, a new arbitrator will be appointed, which appointment will be made in the same manner as provided above. The decision of an arbitrator appointed as under this Section 8.1 will be final and binding upon the parties and not subject to appeal. The arbitrator will have the authority to assess the costs of the arbitration against either or both of the parties, provided that each party will bear its own witness and counsel fees. The parties will fully co-operate with the arbitrator and provide all information reasonably requested by the arbitrator. Judgement on the award of the arbitrator may be entered in any court having jurisdiction over the party against which enforcement of the award is being sought. Each party hereby irrevocably submits and consents to the jurisdiction of any such court for the purpose of rendering a judgement of any such award.

PART 9

FORCE MAJEURE

9.1 Force Majeure

In and for the purposes of this Agreement, "Force Majeure" shall mean anyone or more of the following events:

- (a) an act of God;
- (b) a war, revolution, insurrection, riot, blockade, or any other unlawful act against public order or authority;
- (c) a strike, lockout or other industrial disturbance;
- (d) a storm, fire, flood, explosion, earthquake or lightning;
- (e) a governmental restraint; or
- (f) any other event (whether or not of the kind enumerated in 9.1(a) to (e) above) which is not reasonably within the control of the party hereto claiming suspension of its obligations hereunder due to Force Majeure.

9.2 Performance Prevented by Force Majeure

If either party hereto is prevented by Force Majeure from carrying out any of its obligations hereunder, the obligations of such party, insofar as its obligations are affected by Force Majeure, shall be suspended while (but only so long as) Force Majeure continues to prevent the performance of such obligations. Any party prevented from carrying out any obligation by Force Majeure shall promptly give the other party hereto notice of Force Majeure including reasonably full particulars thereof.

9.3 Remedy of Force Majeure

A party claiming suspension of its obligations by reason of Force Majeure shall promptly remedy the cause and effect of Force Majeure described in the notice given pursuant to Section 9.2 insofar as such party is reasonably able so to do, provided that the terms of settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of the party hereby claiming suspension of its obligations hereunder by reason thereof; and that such party shall not be required to accede to the demands of its opponents in any strike, lockout or industrial disturbance solely to remedy promptly Force Majeure thereby constituted.

9.4 Lack of Funds Not Force Majeure

Notwithstanding anything contained in this Article 9, lack of finances shall not be considered Force Majeure nor shall Force Majeure suspend any obligation for the payment of money due hereunder.

PART 10

PROTECTION OF PERSONAL INFORMATION

10.1 Collection of Personal Information

FEI and FEW recognize that during the course of this Agreement each party may provide the other with access to “personal information” and “employee personal information” (jointly “Personal Information”) as those terms are defined in the British Columbia Personal Information Protection Act and the Canadian Personal Information Protection and Electronic Documents Act (collectively the “Privacy Laws”) as applicable (the “Disclosing Party”), and that disclosure by one party to the other of this Personal Information places an obligation on the receiving party to only collect, use, disclose, retain and secure Personal Information in compliance with the Privacy Laws and FEI’s and FEW’s privacy policy, which for reference can be found at www.fortisbc.com (the “Receiving Party”).

10.2 Use of Personal Information

The Receiving Party shall only collect, use, disclose or retain Personal Information from the Disclosing Party for the limited purpose for which the Personal Information was disclosed so as to allow the Receiving Party to perform the Services. Any further collection, use, disclosure or retention of Personal Information is strictly prohibited without the Disclosing Party’s express consent.

10.3 Representation and Warranty

In addition to the representations given by FEI in Section 6.1 and by FEW in Section 6.2 herein, FEI and FEW hereby each represent and warrant that they shall comply with the Privacy Laws and the privacy policy referenced in Section 10.1 above.

PART 11

MISCELLANEOUS

11.1 Notice

Any notice, direction or other communication required or permitted to be given hereunder must be in writing and will be sufficiently given if delivered or sent by facsimile to the party from whom it is intended at the address of such party set out below. Any notice, direction or other communication so given will be deemed to have been given and to have been received on the day of delivery, if delivered, or on the day of sending if sent by facsimile (provided such day of delivery or sending is a Business Day and, if not, then on the first Business Day thereafter). Each party hereto may change its address for notice by notice given in the manner aforesaid.

11.2 Assignment

Neither party hereto may assign this Agreement or any of its rights hereunder without the prior written consent of the other party, such consent not to be unreasonably withheld.

11.3 Amendments

Any amendment or modification of this Agreement must be in writing and signed by the party against which such amendment or modification is sought to be enforced.

11.4 Severability

If any term or condition of this Agreement or the application hereof is determined judicially or otherwise to be invalid or unenforceable, the remainder of this Agreement and the application thereof shall not be affected and shall remain in full force and effect.

11.5 Entire Agreement

This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof. There are no representations, warranties, covenants or agreements between the parties in connection with such subject matter except as specifically set forth or referred to in this Agreement.

11.6 Counterparts, Facsimile

This Agreement may be executed by the execution of one or more counterparts of the execution page, which will be taken together and constitute the execution page, and one or more of such counterparts may be delivered by facsimile transmission.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective on the Effective Date first written above.

FORTISBC ENERGY (WHISTLER) INC.

By: ML

Title: VP Finance & CFO

FORTISBC ENERGY INC.

By: [Signature]

Title: President & CEO

On a shared basis, the personnel from the following departmental units of FEI will provide services to FEW:

- (1) **Corporate.** The role and function of the Corporate department of FEI is to provide:
 - (a) governance and liaisons to direct development and implementation of strategic, operational and capital plans;
 - (b) governance assurance that controls are in place to ensure the Company's are safeguarded and optimized in the best interests of shareholders, customers and other stakeholders;
 - (c) alignment and communication of the vision and direction to employees and other stakeholders;
 - (d) executive level succession planning and development to prepare and maintain exceptional leadership; and
 - (e) act as the principal spokesperson in maintaining close communication with government and the public.
- (2) **Finance and Regulatory Affairs.** The role and function of the Finance and Regulatory Affairs department is to provide the following services:
 - (a) policy direction and oversight of services related to key financial areas including Strategic Planning, Regulatory Affairs, management and financial reporting, and the capital management office;
 - (b) oversee the understanding, communication and adherence to accounting policies procedures and practices;
 - (c) lead financial elements of regulatory processes;
 - (d) establish and execute the process for managing and facilitating the prioritization of all capital expenditures in the FEI companies through the Capital Management Office;
 - (e) provide high-level policy, strategic and technical advice & expertise to the company's Executive leadership Team regarding regulatory initiatives and issues as well as the regulatory implications of corporate objectives, strategies and business initiatives and projects taking into consideration emerging regulatory developments and market trends;
 - (f) ensures adequate and appropriate regulatory constructs and mechanisms are put in place and maintained for all separate legal entities under the Gas Utility Segment of FortisBC, taking into consideration the Company's objectives and strategies and market realities;

- (g) acts as the Company's focal point of contact with the British Columbia Utilities Commission and ensures the company is fulfilling its obligations regarding governance of Regulatory Orders from the BCUC and Government (Utilities Commission Act);
 - (h) ensures adequate and appropriate Tariffs and Rates are in place in consideration of the Company's objectives and strategies, market realities, and the approved regulatory constructs and mechanisms;
 - (i) responsible for the development and execution of corporate regulatory strategy and holds the primary responsibility for the development and maintenance of superior relationships with key interveners, regulatory bodies, market participants and customer representatives;
 - (j) development of FEI/FEW financial accounting policies and procedures;
 - (k) reviewing and maintaining the code of general ledger accounts;
 - (l) accounting for and validation of all financial statement elements including revenues, cost of gas, deferral accounts, financing costs, bank accounts, the accounting for continuing services and the billing of inter-company transactions;
 - (m) monthly reporting, variance analysis and year-end forecasting;
 - (n) external audit coordination and the preparation of non-consolidated financial statements;
 - (o) annual and multi-year budget processes;
 - (p) performance measurement and cost analysis;
 - (q) asset and plant accounting;
 - (r) the accounts payable group is responsible for ensuring vendors are paid accurately and in a timely manner; and
 - (s) provide administrative support for corporate credit card program.
- (3) **Customer Service.** The Customer Service department is responsible for providing the following services:
- (a) overall policy direction and oversight of services relating to the Customer Service function;
 - (b) direction to the Customer Care and Services group and to develop customer education and communication;
 - (c) market research support including customer satisfaction surveys;

- (d) oversee outsourced service provider activities including meter reading and credit and collection; and
 - (e) manage the Customer Contact centre and billing operations in support of construction orders for service and meter installations, customer billing and answering customer inquiries.
- (4) **Human Resources.** This department is focused on providing the following HR services:
- (a) ensuring HR direction and programs that affect employees are aligned with departmental and corporate objectives. Areas of responsibility include HR business planning, and compliance with regulatory, and governance reporting;
 - (b) overseeing the design and delivery of the Total Rewards framework to attract, retain and motivate employees. This includes providing recruiting and selection processes to meet business needs and operational requirements. Other services include compensation, payroll and time administration, benefits administration, pension administration, recruiting, HR Information Systems and master data, and HR metrics, surveys and reporting;
 - (c) providing direction and delivery of labour relations and advisory services to maintain and foster productive employee/employment relationships. This includes HR advisory services, disability and attendance management and labour relations but not limited to collective agreement interpretation, administration and collective bargaining; and
 - (d) providing design and delivers employee training and development programs. This includes development and delivery of trades training and in-house apprenticeship programs, learning content management, management training and leadership development, e-learning, competency management and administration and training records.
- (5) **Environment, Health and Safety.** This department is focused on providing Environment, Health and Safety services to support governance and related business needs of the operations of the FortisBC Energy group of gas companies. The functional areas and the services provided are:
- (a) Environmental Affairs, which manages environmental risks associated with operational activities and the fulfilment of compliance requirements with applicable environmental regulation;
 - (b) Occupational Health and Safety, which manages employee safety risks as aligned with the maintenance of compliance with WorkSafeBC regulation;
 - (c) Public Safety, which involves the development of plans and awareness strategies relating to the education of customers, first responders, and the general public

around the properties of natural gas, and about steps to be taken in emergent situations;

- (d) Emergency Preparedness, which involves the management of emergency management system compliance with all applicable legislation. An annual exercise program supports operational readiness;
 - (e) Business Continuity Planning involves inter-departmental planning that will result in an effective operational response and the restoration and resumption of core business functions if a business interruption occurs; and
 - (f) Corporate Security, which manages corporate security risks.
- (6) **Energy Supply and Resource Development ("ES&RD").** The functional areas and the services provided are:
- (a) overall policy direction and oversight of services relating to the ES&RD functions;
 - (b) gas supply infrastructure planning and major capacity and sustainment initiatives management function;
 - (c) identifying and developing new regional projects as well as system infrastructure projects within the Company's current service areas, including pipeline, compressor, and storage projects.
- (7) **Information Systems.** This department provides information technology application and infrastructure management services including:
- (a) development of short and long term strategy considering business requirements as they relate to evolving technologies. This includes the responsibility of planning, forecasting and design of future infrastructure capacity requirements that will support the Company's objectives.
 - (b) identifying, designing, operating, and maintaining the availability, security and integrity of technology and critical enterprise infrastructure including hardware and networks;
 - (c) management of the costs for the Wide Area Network (WAN), including balancing appropriate performance with cost;
 - (d) overseeing end user technical support for all employees, contractors, applications and associated equipment;
 - (e) management and monitoring of all telephony contracts, including cellular;
 - (f) management and costs of all large printing devices for the organization; and

- (g) life cycle management of technology assets.
- (8) **Facilities.** This department is responsible for operating and maintaining office, shop, warehouse and yard facilities. The services provided include:
 - (a) building and yard asset operation and maintenance and physical security;
 - (b) project management for construction, renovation or relocation;
 - (c) space planning, office furniture and equipment; and
 - (d) mailroom and reception services.
- (9) **Operations Support.** This department is responsible for providing Measurement Services, Supply Chain Services, and Property Services.
 - (a) Measurement Service includes the management of the measurement device fleet which includes, but is not limited to the inspection, compliance sampling, sealing and repair of meters and measurement devices;
 - (b) Supply Chain Services include:
 - i. Mechanical Services for manufacturing and repairing equipment and tools for Operations and fabrication and install services for transmission and distribution projects;
 - ii. Material Services for managing the flow of field materials, tools and equipment used throughout the Company;
 - iii. Procurement Services ensures the appropriate processes are followed and agreements are in place when FEI acquires materials and services. Additionally, included are market research, risk management, tender evaluations and vendor management.
 - (c) Property Services includes support for property taxation, negotiation of land acquisition, leases and disposal as well as related environmental reviews, maintenance of right of way (ROW) agreements and First Nations land negotiations.
- (10) **Engineering Services and Project Management.** This is comprised of Asset Management, Geographic Information Systems, Engineering and Project Management Office.
 - (a) Asset Management services include overseeing the gas system assets, system capacity planning, and system integrity management planning to ensure safe and reliable energy delivery. This includes defining operations and maintenance

activities critical to the Integrity Management Plan, operating and maintaining cathodic protection systems, and capital planning.

- (b) Geographic Information Systems (GIS) services include completing new mains and service construction drawings and as-built mapping. It is also responsible for developing and maintaining the GIS mapping system, maintaining gas system asset records for distribution and transmission facilities and providing Public Underground Location Services as requested through BC One Call;
 - (c) Engineering provides engineering design, and drafting services to the Project Management Office, as well as technical guidance to Operations. It also provides technical oversight and management of the Gas Lab which provides gas measurement and analysis services to ensure appropriate levels of odourization in the natural gas that is delivered to customers; and
 - (d) Project Management Office delivers capital projects related to pipelines and above ground facilities that enhance transmission and distribution assets.
- (11) **Operations.** The role and function of the Operations – Distribution department is to provide the following services:
- (a) policy direction and oversight of services related to Distribution operations and maintenance, emergency management services, account services and fieldwork, Operations Support;
 - (b) general management and oversight of services are focused on delivering a safe, reliable and cost-effective gas distribution system for residential, commercial and industrial customers;
 - (c) directors, regional managers and front line field managers who are responsible for day-to-day operations in specific geographic areas; and
 - (d) order initiation and processing, scheduling, dispatching, performance reporting, claims management and training.
- (12) **Energy Solutions & External Relations ("ES&ER").** ES&ER services provided on a shared service basis fall into the following service areas:
- (a) responsible for providing overall policy direction and oversight of services relating to the Energy Solutions and External Relations function, including overseeing the development and implementation of new service offerings, initiatives and programs;
 - (b) provides overall policy direction and oversight of services relating to all markets and customer segments;

- (c) develops communications, supports the communications collateral requirements of Builder/Developer and Commercial/Industrial Account Managers, develops and executes events and undertakes trade relations activities that support sales efforts;
- (d) creates messaging for customer education and communication on the topics of rate changes, natural gas prices, competition with alternative fuels, billing issues, customer connection policies and regulatory changes (e.g., gas cost increase, rate design changes);
- (e) oversees both the Main Extension test, and the Company's service line policies;
- (f) evaluates existing offerings to determine if they represent the right mix of customer service and core market cost recovery and the design, negotiation and submission of new and amended services to the British Columbia Utilities Commission;
- (g) develops customer energy use and customer additions forecasts;
- (h) provides analysis and decision support to internal and external customers on longer-term supply/demand and pricing issues, and performs portfolio modeling; Examples of internal customers would include various departments such as Gas Supply, Finance, Regulatory, System Planning and Operations. Examples of external customers would include various municipalities and other government agencies as well as individual (mainly commercial) customers;
- (i) builds and fosters relationships with communities, government, First Nations, and business associations to engage these key stakeholders in FEW's key projects and initiatives;
- (j) provides internal and external communications services for the Company, including, customer, employee and stakeholder communications, media relations and safety education messaging;
- (k) provides Energy Efficiency and Conservation ("EEC") services including program development, administration, delivery, monitoring and reporting;
- (l) provides Technical Support to external customers, and internal customers including sales and the EEC group;
- (m) develops both Regional Resource Plans and Integrated Resource Plans for all companies.

Cost Allocation Drivers

Department	Allocation Method
Corporate	# of Customers
Finance & Regulatory Affairs	# of Customers
Customer Service	# of Customers
Human Resources	# of Customers
	# of Employees
Environment, Health & Safety	# of Customers
Energy Supply and Resource Development	# of Customers
Information Technology	# of Customers
	# of Employees
Facilities	# of Customers
	# of Employees
Operations Support	# of Customers
Engineering Services and Project Management	# of Customers
	Specific Allocation %
Operations	# of Customers
	# of Employees
	Specific Allocation %
Energy Solutions & External Relations	# of Customers
	Specific Allocation %

Note 1: Does not include Timesheet (or Direct Charge) allocations.

Note 2: The Shared Service Fee may be amended from time to time by the written agreement of the parties.

Schedule “A”

Description of Services

Schedule “B”
Shared Service Fee

Appendix E-5

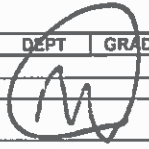
CONTINUING SERVICES – FEI AND FHI

SPECIFIC COMMITTED SERVICES
2015 CONTRACT
FortisBC Holdings Inc.

HOURS	DOLLARS*	DOLLARS*	DOLLARS*
FortisBC Holdings Inc. Non-Utility	FortisBC Holdings Inc. Non-Utility	FortisBC Holdings Inc. Non-Utility	FortisBC Holdings Inc. Non-Utility
1,436	\$ 146,627.23	\$ 115,897.48	\$ 30,729.75

SPECIFIED COMMITTED SERVICES

NUM	Position	SURNAME	GIVEN	CLASS	CC#	AREA	DEPT	GRADE	RATE	HOURS	CHARGEABLE LOADED DOLLARS	Dollars - Credit to O&M	Dollars - NRB Recoveries - Revenue
1	Finance & Planning Director			M&E	2076	Finance	FIN	M98	\$ 147.91	150	\$ 26,405.78	\$ 22,187.07	\$ 4,218.71
2	Financial Planning Manager			M&E	2076	Finance	FIN	M67	\$ 84.25	10	\$ 1,060.07	\$ 842.49	\$ 217.58
3	Senior Regulatory Work Leader			COPE	2076	Finance	FIN	O11FR	\$ 83.14	518	\$ 54,230.28	\$ 43,027.53	\$ 11,202.75
4	Asset Accounting Manager			M&E	2076	Finance	FIN	M59	\$ 74.29	2	\$ 190.10	\$ 148.58	\$ 41.52
5	Asset Accounting Analyst 2			COPE	2076	Finance	FIN	O8FR	\$ 60.26	18	\$ 1,433.05	\$ 1,084.59	\$ 348.46
6	Financial Accounting Clerk 4			COPE	2076	Finance	FIN	O8FR	\$ 60.26	12	\$ 955.37	\$ 723.06	\$ 232.31
7	Financial Accounting Clerk 3			COPE	2076	Finance	FIN	O7TMP	\$ 33.11	80	\$ 3,980.62	\$ 2,649.05	\$ 1,331.57
8	Credit Card Administrator			COPE	2153	Finance	FIN	O7FR	\$ 58.08	33	\$ 2,548.33	\$ 1,916.67	\$ 631.67
9	Credit Card Administrator			COPE	2153	Finance	FIN	O7FR	\$ 58.08	33	\$ 2,548.33	\$ 1,916.67	\$ 631.67
10	Accounts Payable Leader			COPE	2153	Finance	FIN	O8FR	\$ 60.26	40	\$ 3,184.56	\$ 2,410.20	\$ 774.35
11	Accounts Payable Clerk 2			COPE	2153	Finance	FIN	O6FR	\$ 53.78	45	\$ 3,261.97	\$ 2,419.97	\$ 842.00
12	Accounts Payable Clerk 2			COPE	2153	Finance	FIN	O6FR	\$ 53.78	45	\$ 3,261.97	\$ 2,419.97	\$ 842.00
13	Accounts Payable Clerk 2			COPE	2153	Finance	FIN	O6FR	\$ 53.78	45	\$ 3,261.97	\$ 2,419.97	\$ 842.00
14	Accounts Payable Clerk 2			COPE	2153	Finance	FIN	O6FR	\$ 53.78	45	\$ 3,261.97	\$ 2,419.97	\$ 842.00
15	Accounts Payable Support Clerk			COPE	2153	Finance	FIN	O5FR	\$ 49.89	45	\$ 3,069.79	\$ 2,245.27	\$ 824.53
16	A/P Systems Support Analyst			COPE	2153	Finance	FIN	O8FR	\$ 60.26	45	\$ 3,582.62	\$ 2,711.48	\$ 871.15
17	Director, Employee Services			M&E	2174	Human Resources	HROG	M98	\$ 147.91	40	\$ 7,041.54	\$ 5,916.55	\$ 1,124.99
18	Manager, Compensation & Benefits			M&E	2174	Human Resources	HROG	M75	\$ 93.41	20	\$ 2,321.70	\$ 1,868.21	\$ 453.49
19	Manager, HRIS/Payroll			M&E	2174	Human Resources	HROG	M83	\$ 102.21	20	\$ 2,515.26	\$ 2,044.18	\$ 471.08
20	Talent Sourcer			M&E	2174	Human Resources	HROG	M51	\$ 65.04	45	\$ 3,819.59	\$ 2,926.90	\$ 892.69
21	Compensation Analyst			M&E	2174	Human Resources	HROG	M59	\$ 74.29	30	\$ 2,851.54	\$ 2,228.67	\$ 622.87
22	Pension & Benefits Analyst			M&E	2174	Human Resources	HROG	M67	\$ 84.25	20	\$ 2,120.14	\$ 1,684.97	\$ 435.16
23	Corporate Communications Advisor			M&E	2247	Strategic Communications	M&BD	M67	\$ 84.25	30	\$ 3,180.20	\$ 2,527.46	\$ 652.75
24	Communications Co-ordinator			COPE	2247	Strategic Communications	M&BD	O9FR	\$ 67.96	19	\$ 1,673.75	\$ 1,291.29	\$ 382.46
25	Digital & Customer Communications Manager			M&E	2247	Strategic Communications	M&BD	M67	\$ 84.25	15	\$ 1,590.10	\$ 1,263.73	\$ 326.37
26	Lead Designer, Communication Services			COPE	2247	Strategic Communications	M&BD	O10FR	\$ 74.10	25	\$ 2,371.22	\$ 1,852.62	\$ 518.60
27	Director, Communications			M&E	2247	Strategic Communications	M&BD	M98	\$ 147.91	3	\$ 528.12	\$ 443.74	\$ 84.37
28	Sr Manager, Customer Communications			M&E	2247	Strategic Communications	M&BD	M83	\$ 102.21	3	\$ 377.29	\$ 306.63	\$ 70.66

SPECIFIED COMMITTED SERVICES										HOURS	CHARGEABLE LOADED DOLLARS	Dollars - Credit to O&M	Dollars - NRB Recoveries - Revenue
NUM	Position	SURNAME	GIVEN	CLASS	CC#	AREA	DEPT	GRADE	RATE				
STEP 1		<div> <div>Please indicate your acceptance of this final contract by signing below:</div> <div> <div>Approved by: _____</div> <div>(PRINT NAME)</div> </div> <div> <div>Date: _____</div> <div></div> </div> <div>Approved by: _____</div> <div>(SIGNATURE)</div> </div>											
STEP 2		<div> <div>Return to:</div> <div>Daisy Gill, Financial Reporting Manager</div> <div>16705 Fraser Highway, Surrey BC V4N 0E8</div> <div>(SO 3-204)</div> </div>											

* Includes applicable overhead loading per Transfer Pricing Policy and Code of Conduct

Appendix F

**SUMMARY MATRIX COMPARING KEY SECTIONS OF THE
FEI ALL-INCLUSIVE COC/TPP**

Summary Matrix Comparing Key Sections of the FEI All-Inclusive CoC/TPP

Section	AU	ARB	ANRB
Resource Sharing	<p>2. Shared Services and Personnel</p> <p>a) This Code recognizes the potential benefits to [FortisBC Energy] and Affiliates in sharing resources.</p> <p>b) [FortisBC Energy] will only its share services and non-executive personnel with Affiliates in circumstances where:</p> <ol style="list-style-type: none"> 1. the services can be identified and tracked effectively and there are other appropriate safeguards in place as discussed in Section 7 of this document; 2. there is limited potential for disclosure of confidential information; and 3. there are benefits to [FortisBC Energy] customers. <p>[FortisBC Energy] may also its share services and non-executive personnel with an AU where there is no detriment to [FortisBC Energy].</p> <p>c) Business Development Personnel</p> <p>[FortisBC Energy] will not share business development personnel with an Affiliate where the Affiliate is carrying out business development activities to acquire customers seeking energy</p>	<p>2. Shared Services and Personnel</p> <p>a) This Code recognizes the potential benefits to [FortisBC Energy] and Affiliates in sharing resources.</p> <p>b) [FortisBC Energy] will only its share services and non-executive personnel with Affiliates in circumstances where:</p> <ol style="list-style-type: none"> 1. the services can be identified and tracked effectively and there are other appropriate safeguards in place as discussed in Section 7 of this document; 2. there is limited potential for disclosure of confidential information; and 3. there are benefits to [FortisBC Energy] customers. <p>[FortisBC Energy] may also share its services and non-executive personnel with an AU where there is no detriment to [FortisBC Energy].</p> <p>c) Business Development Personnel</p> <p>[FortisBC Energy] will not share business development personnel with an Affiliate where the Affiliate is carrying out business development activities to acquire customers seeking energy</p>	<p>2. Shared Services and Personnel</p> <p>a) This Code recognizes the potential benefits to [FortisBC Energy] and Affiliates in sharing resources.</p> <p>b) [FortisBC Energy] will only share its services and non-executive personnel with Affiliates in circumstances where:</p> <ol style="list-style-type: none"> 1. the services can be identified and tracked effectively and there are other appropriate safeguards in place as discussed in Section 7 of this document; 2. there is limited potential for disclosure of confidential information; and 3. there are benefits to [FortisBC Energy] customers. <p>[FortisBC Energy] may also share its services and non-executive personnel with an AU where there is no detriment to [FortisBC Energy].</p> <p>c) Business Development Personnel</p> <p>[FortisBC Energy] will not share business development personnel with an Affiliate where the Affiliate is carrying out business development activities to acquire customers seeking energy</p>

	<p>products and services available in a competitive marketplace and where [FortisBC Energy] is providing similar energy solutions.</p> <p>FortisBC Energy and an AU can share business development personnel.</p> <p>d) Natural Gas Portfolio, Mitigation and Contract Negotiation Personnel</p> <p>[FortisBC Energy] will not share personnel directly responsible for natural gas portfolio planning and mitigation activities and related contract negotiations with Aitken Creek Gas Storage ULC and FortisBC Midstream Inc. Refer to Appendix A for the relevant positions.</p> <p>e) Directors and officers/executives with dual management roles in [FortisBC Energy] and an Affiliate are required to execute a non-disclosure agreement.</p> <p>In the situation of an AU, a non-disclosure agreement is not required.</p>	<p>products and services available in a competitive marketplace and where [FortisBC Energy] is providing similar energy solutions.</p> <p>FortisBC Energy and an AU can share business development personnel.</p> <p>d) Natural Gas Portfolio, Mitigation and Contract Negotiation Personnel</p> <p>[FortisBC Energy] will not share personnel directly responsible for natural gas portfolio planning and mitigation activities and related contract negotiations with Aitken Creek Gas Storage ULC and FortisBC Midstream Inc. Refer to Appendix A for the relevant positions.</p> <p>e) Directors and officers/executives with dual management roles in [FortisBC Energy] and an Affiliate are required to execute a non-disclosure agreement.</p> <p>In the situation of an AU, a non-disclosure agreement is not required.</p>	<p>products and services available in a competitive marketplace and where [FortisBC Energy] is providing similar energy solutions.</p> <p>FortisBC Energy and an AU can share business development personnel.</p> <p>d) Natural Gas Portfolio, Mitigation and Contract Negotiation Personnel</p> <p>[FortisBC Energy] will not share personnel directly responsible for natural gas portfolio planning and mitigation activities and related contract negotiations with Aitken Creek Gas Storage ULC and FortisBC Midstream Inc. Refer to Appendix A for the relevant positions.</p> <p>e) Directors and officers/executives with dual management roles in [FortisBC Energy] and an Affiliate are required to execute a non-disclosure agreement.</p> <p>In the situation of an AU, a non-disclosure agreement is not required.</p>
Provision of Information	<p>3. Provision of Information by FortisBC Energy Inc.</p> <p>a) Individual Customer Information must be treated as required by the Personal Information Protection Act (PIPA). Subject to subsection (b) below, the Customer Information</p>	<p>3. Provision of Information by FortisBC Energy Inc.</p> <p>a) Individual Customer Information must be treated as required by the Personal Information Protection Act (PIPA). Subject to subsection (b) below, the Customer Information</p>	<p>3. Provision of Information by FortisBC Energy Inc.</p> <p>a) Individual Customer Information must be treated as required by the Personal Information Protection Act (PIPA). Subject to subsection (b) below, the Customer Information</p>

	<p>should only be released with the written consent of the customer or representative of the customer.</p> <p>b) [FortisBC Energy] may disclose to a party that requests Customer Information that is aggregated or summarized in such a way that confidential or individual information would not be ascertained by third parties. A written consent will be not required for the release of aggregated or summarized Customer Information.</p> <p>c) If a customer requests their information be provided to a specific party, only that party may receive the information. If a customer agrees to a general release of their information, or if the aggregated or summarized Customer Information is released, that information must be made available to all interested parties who request it, without discrimination as to access, timing, cost or content.</p> <p>When the Customer Information or Commercial Information is provided, the requesting party must pay a reasonable price that allows FortisBC Energy to recover the cost of extracting and providing the information. All parties should pay the same price for the same information.</p>	<p>should only be released with the written consent of the customer or representative of the customer.</p> <p>b) [FortisBC Energy] may disclose to a party that requests Customer Information that is aggregated or summarized in such a way that confidential or individual information would not be ascertained by third parties. A written consent will be not required for the release of aggregated or summarized Customer Information.</p> <p>c) If a customer requests their information be provided to a specific party, only that party may receive the information. If a customer agrees to a general release of their information, or if the aggregated or summarized Customer Information is released, that information must be made available to all interested parties who request it, without discrimination as to access, timing, cost or content.</p> <p>When the Customer Information or Commercial Information is provided, the requesting party must pay a reasonable price that allows FortisBC Energy to recover the cost of extracting and providing the information. All parties should pay the same price for the same information.</p>	<p>should only be released with the written consent of the customer or representative of the customer.</p> <p>b) [FortisBC Energy] may disclose to a party that requests Customer Information that is aggregated or summarized in such a way that confidential or individual information would not be ascertained by third parties. A written consent will be not required for the release of aggregated or summarized Customer Information.</p> <p>c) If a customer requests their information be provided to a specific party, only that party may receive the information. If a customer agrees to a general release of their information, or if the aggregated or summarized Customer Information is released, that information must be made available to all interested parties who request it, without discrimination as to access, timing, cost or content.</p> <p>When the Customer Information or Commercial Information is provided, the requesting party must pay a reasonable price that allows FortisBC Energy to recover the cost of extracting and providing the information. All parties should pay the same price for the same information.</p>
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	d) [FortisBC Energy] will not provide Commercial Information to an Affiliate except in the case of an AU.	d) [FortisBC Energy] will not provide Commercial Information to an Affiliate except in the case of an AU.	d) [FortisBC Energy] will not provide Commercial Information to an Affiliate except in the case of an AU.
Preferential Treatment	<p>4. Preferential Treatment</p> <p>[FortisBC Energy] will not state or imply that favoured treatment will be available to customers of [FortisBC Energy] as a result of using any service of an Affiliate.</p> <p>In addition, no Company personnel will condone or acquiesce in any other person stating or implying that favoured treatment will be available to customers of the Company as a result of using any product or service of an Affiliate.</p> <p>This section on Preferential Treatment is not applicable to an AU.</p> <p>5. Equitable Access to Services</p> <p>Except as required to meet acceptable quality and performance standards, and except for some specific assets or services which require special consideration as approved by the Commission, [FortisBC Energy] will not preferentially direct its customers to an Affiliate.</p> <p>In discussing energy alternatives with a customer, or a potential customer, [FortisBC Energy] personnel may not preferentially direct customers to an</p>	<p>4. Preferential Treatment</p> <p>[FortisBC Energy] will not state or imply that favoured treatment will be available to customers of [FortisBC Energy] as a result of using any service of an Affiliate.</p> <p>In addition, no Company personnel will condone or acquiesce in any other person stating or implying that favoured treatment will be available to customers of the Company as a result of using any product or service of an Affiliate.</p> <p>This section on Preferential Treatment is not applicable to an AU.</p> <p>5. Equitable Access to Services</p> <p>Except as required to meet acceptable quality and performance standards, and except for some specific assets or services which require special consideration as approved by the Commission, [FortisBC Energy] will not preferentially direct its customers to an Affiliate.</p> <p>In discussing energy alternatives with a customer, or a potential customer, [FortisBC Energy] personnel may not preferentially direct customers to an</p>	<p>4. Preferential Treatment</p> <p>[FortisBC Energy] will not state or imply that favoured treatment will be available to customers of [FortisBC Energy] as a result of using any service of an Affiliate.</p> <p>In addition, no Company personnel will condone or acquiesce in any other person stating or implying that favoured treatment will be available to customers of the Company as a result of using any product or service of an Affiliate.</p> <p>This section on Preferential Treatment is not applicable to an AU.</p> <p>5. Equitable Access to Services</p> <p>Except as required to meet acceptable quality and performance standards, and except for some specific assets or services which require special consideration as approved by the Commission, [FortisBC Energy] will not preferentially direct its customers to an Affiliate.</p> <p>In discussing energy alternatives with a customer, or a potential customer, [FortisBC Energy] personnel may not preferentially direct customers to an</p>

	<p>Affiliate. If a customer, or potential customer, requests from [FortisBC Energy] information about products or services offered by an Affiliate, [FortisBC Energy] may provide such information, including a directory of suppliers of the product or service, but shall not promote any specific supplier in preference to any other supplier.</p> <p>This section on Equitable Access to Services is not applicable to an AU.</p>	<p>Affiliate. If a customer, or potential customer, requests from [FortisBC Energy] information about products or services offered by an Affiliate, [FortisBC Energy] may provide such information, including a directory of suppliers of the product or service, but shall not promote any specific supplier in preference to any other supplier.</p> <p>This section on Equitable Access to Services is not applicable to an AU.</p>	<p>Affiliate. If a customer, or potential customer, requests from [FortisBC Energy] information about products or services offered by an Affiliate, [FortisBC Energy] may provide such information, including a directory of suppliers of the product or service, but shall not promote any specific supplier in preference to any other supplier.</p> <p>This section on Equitable Access to Services is not applicable to an AU.</p>
Compliance	<p>7. Compliance and Complaints</p> <p>a) The Director of Finance at [FortisBC Energy] will be responsible for monitoring compliance at [FortisBC Energy] with this Code. This will include advising all of its employees of their expected conduct pertaining to this Code, and with quarterly reminders to management of employees who may be directly involved with Affiliate activities.</p> <p>b) [FortisBC Energy] will monitor employee compliance with this Code by also conducting an annual compliance review, the results of which will be summarized in a report to be filed with the Commission within 60 days of the completion of this review.</p> <p>c) Complaints by third parties about the application of this Code, or any</p>	<p>7. Compliance and Complaints</p> <p>a) The Director of Finance at [FortisBC Energy] will be responsible for monitoring compliance at [FortisBC Energy] with this Code. This will include advising all of its employees of their expected conduct pertaining to this Code, and with quarterly reminders to management of employees who may be directly involved with Affiliate activities.</p> <p>b) [FortisBC Energy] will monitor employee compliance with this Code by also conducting an annual compliance review, the results of which will be summarized in a report to be filed with the Commission within 60 days of the completion of this review.</p> <p>c) Complaints by third parties about the application of this Code, or any</p>	<p>7. Compliance and Complaints</p> <p>a) The Director of Finance at [FortisBC Energy] will be responsible for monitoring compliance at [FortisBC Energy] with this Code. This will include advising all of its employees of their expected conduct pertaining to this Code, and with quarterly reminders to management of employees who may be directly involved with Affiliate activities.</p> <p>b) [FortisBC Energy] will monitor employee compliance with this Code by also conducting an annual compliance review, the results of which will be summarized in a report to be filed with the Commission within 60 days of the completion of this review.</p> <p>c) Complaints by third parties about the application of this Code, or any</p>

	<p>alleged breach thereof, should be addressed in writing to the Company's Director of Finance and the Executive Vice-President responsible for Regulatory Affairs, who will bring the matter to the immediate attention of the Company's senior management and promptly initiate an investigation into the complaint. The complainant, along with the Commission, will be notified in writing of the results of the investigation, including a description of any course of action which will be or has been taken promptly following the completion of the investigation. The Company will endeavour to complete this investigation within 30 days of the written receipt of the complaint.</p>	<p>alleged breach thereof, should be addressed in writing to the Company's Director of Finance and the Executive Vice-President responsible for Regulatory Affairs, who will bring the matter to the immediate attention of the Company's senior management and promptly initiate an investigation into the complaint. The complainant, along with the Commission, will be notified in writing of the results of the investigation, including a description of any course of action which will be or has been taken promptly following the completion of the investigation. The Company will endeavour to complete this investigation within 30 days of the written receipt of the complaint.</p>	<p>alleged breach thereof, should be addressed in writing to the Company's Director of Finance and the Executive Vice-President responsible for Regulatory Affairs, who will bring the matter to the immediate attention of the Company's senior management and promptly initiate an investigation into the complaint. The complainant, along with the Commission, will be notified in writing of the results of the investigation, including a description of any course of action which will be or has been taken promptly following the completion of the investigation. The Company will endeavour to complete this investigation within 30 days of the written receipt of the complaint.</p>
Financing and Other Risks	<p>8. Financing and Other Risks</p> <p>[FortisBC Energy] will not normally provide financing, or any form of financial assistance including co-signing of loans, to an Affiliate. No [FortisBC Energy] financing or other financial assistance, including cross-guarantees, can occur under any circumstances without advance Commission approval.</p>	<p>8. Financing and Other Risks</p> <p>[FortisBC Energy] will not normally provide financing, or any form of financial assistance including co-signing of loans, to an Affiliate. No [FortisBC Energy] financing or other financial assistance, including cross-guarantees, can occur under any circumstances without advance Commission approval.</p>	<p>8. Financing and Other Risks</p> <p>[FortisBC Energy] will not normally provide financing, or any form of financial assistance including co-signing of loans, to an Affiliate. No [FortisBC Energy] financing or other financial assistance, including cross-guarantees, can occur under any circumstances without advance Commission approval.</p>
Transfer Pricing Rules	<p>1. Pricing Rules</p> <p>i. If an applicable [FortisBC Energy] tariff rate exists, the Transfer Price to an</p>	<p>1. Pricing Rules</p> <p>i. If an applicable [FortisBC Energy] tariff rate exists, the Transfer Price to an</p>	<p>1. Pricing Rules</p> <p>i. If an applicable [FortisBC Energy] tariff rate exists, the Transfer Price to an</p>

	<p>Affiliate will be set according to the tariff.</p> <p>ii. Where no tariff rate exists, the Transfer Price will be set on the basis of the higher of market price or the fully allocated cost.</p> <p>iii. Where there is no market price or a market price is not readily discernable, the Transfer Price will be set on the basis of fully allocated cost.</p> <p>iv. In situations where it can be shown that an alternative Transfer Price will provide greater benefits to the [FortisBC Energy] customers, [FortisBC Energy] must apply to the Commission for a variance from the pricing rules i, ii, or iii.</p> <p>v. If there is an agreement between [FortisBC Energy] and an Affiliate that has been reviewed by the Commission in another proceeding, that agreement applies.</p>	<p>Affiliate will be set according to the tariff.</p> <p>ii. Where no tariff rate exists, the Transfer Price will be set on the basis of the higher of market price or the fully allocated cost.</p> <p>iii. Where there is no market price or a market price is not readily discernable, the Transfer Price will be set on the basis of fully allocated cost.</p> <p>iv. In situations where it can be shown that an alternative Transfer Price will provide greater benefits to the [FortisBC Energy] customers, [FortisBC Energy] must apply to the Commission for a variance from the pricing rules i, ii, or iii.</p> <p>v. If there is an agreement between [FortisBC Energy] and an Affiliate that has been reviewed by the Commission in another proceeding, that agreement applies.</p>	<p>Affiliate will be set according to the tariff.</p> <p>ii. Where no tariff rate exists, the Transfer Price will be set on the basis of the higher of market price or the fully allocated cost.</p> <p>iii. Where there is no market price or a market price is not readily discernable, the Transfer Price will be set on the basis of fully allocated cost.</p> <p>iv. In situations where it can be shown that an alternative Transfer Price will provide greater benefits to the [FortisBC Energy] customers, [FortisBC Energy] must apply to the Commission for a variance from the pricing rules i, ii, or iii.</p> <p>v. If there is an agreement between [FortisBC Energy] and an Affiliate that has been reviewed by the Commission in another proceeding, that agreement applies.</p>
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