



Energy solutions For every customer

Corporate report 2012



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Energy solutions For every customer

FortisBC works hard to ensure the energy our customers rely on is there whenever they need it. From electricity and natural gas, including natural gas for transportation, to propane and thermal energy, we provide solutions.

Being part of our customers' day is something we're proud of, whether it's keeping the coffee warm, or a family cosy by the fireplace, we know safe, reliable service is something customers shouldn't have to worry about. Our employees and their commitment to customer service make this happen.

As we look back over 2012, you'll see the dedication to our core business, but since our customers live in an ever-changing world, so must we. Innovation was at the forefront of our business, helping us to provide energy solutions for every customer.

Jason Dingwall, a FortisBC Customer Service Technician, with customers in Kelowna.

Performance

Looking back on 2012

At FortisBC, we deliver the energy our customers need safely and reliably, at the lowest reasonable cost.

We deliver approximately 21 per cent of the total energy consumed in British Columbia, which is the most energy delivered by any utility in the province. Whether delivering electricity, natural gas, propane or thermal energy solutions, our 2,200 employees make it happen every day serving approximately 1.1 million customers in 135 communities.

FortisBC owns and operates approximately 47,000 kilometres of natural gas transmission and distribution pipelines and approximately 7,000 kilometres of transmission and distribution power lines. We also own and operate two liquefied natural gas storage facilities and four hydroelectric generating plants, all of which are regulated to serve our customers.

FortisBC Inc., FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc. and FortisBC (Whistler) Inc. do business as FortisBC. We are indirectly, wholly owned by our parent company Fortis Inc., the largest investor-owned distribution utility in Canada. Through its subsidiaries, Fortis Inc. serves more than two million natural gas and electricity customers.

Financial highlights (in millions of dollars)

FortisBC Holdings Inc. ^{1,2} <i>(Natural gas and piped propane)</i>	2012	2011
Net earnings	\$138	\$137
Gross revenues	\$1,428	\$1,575
Operating expenses	\$287	\$292
Capital programs before CIAC ³	\$206	\$249

FortisBC Inc. <i>(Electricity)</i> ²	2012	2011 ⁴
Net earnings	\$49	\$48
Gross revenues	\$293	\$283
Operating expenses	\$73	\$71
Capital programs before CIAC ³	\$69	\$103

Performance

FortisBC Holdings Inc. <i>(Natural gas and piped propane)</i>	2012	2011
Peak day demand (TJ)	1,336	1,211
Gas volumes (TJ)	198,615	202,755
Customer satisfaction index	78.9%	79%

FortisBC Inc. <i>(Electricity)</i>	2012	2011
Generating capacity (MW)	223	223
Peak demand each year (MW)	737	669
Energy sales (GWh)		
(Unregulated) Walden	34	40
(Regulated)	3,144	3,143
Customer satisfaction index	84%	87%

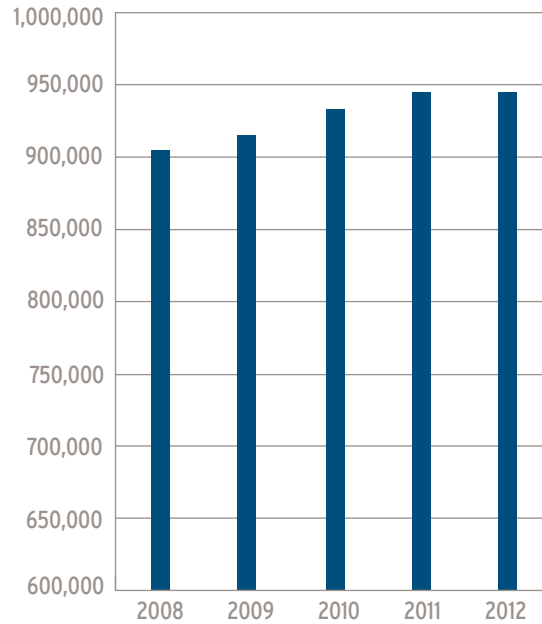
¹ Consolidated results of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc., and FortisBC Energy (Whistler) Inc.

² Based on United States Generally Accepted Accounting Principles.

³ Contribution in Aid of Construction.

⁴ Certain comparative figures have been reclassified to comply with the current period's classification.

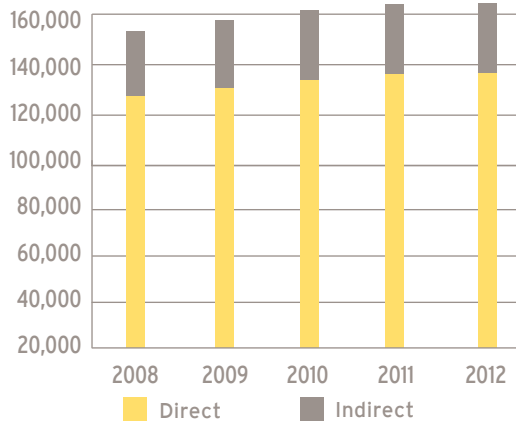
FortisBC gas customers^{1,2}
(Approximately 945,000 total in 2012)



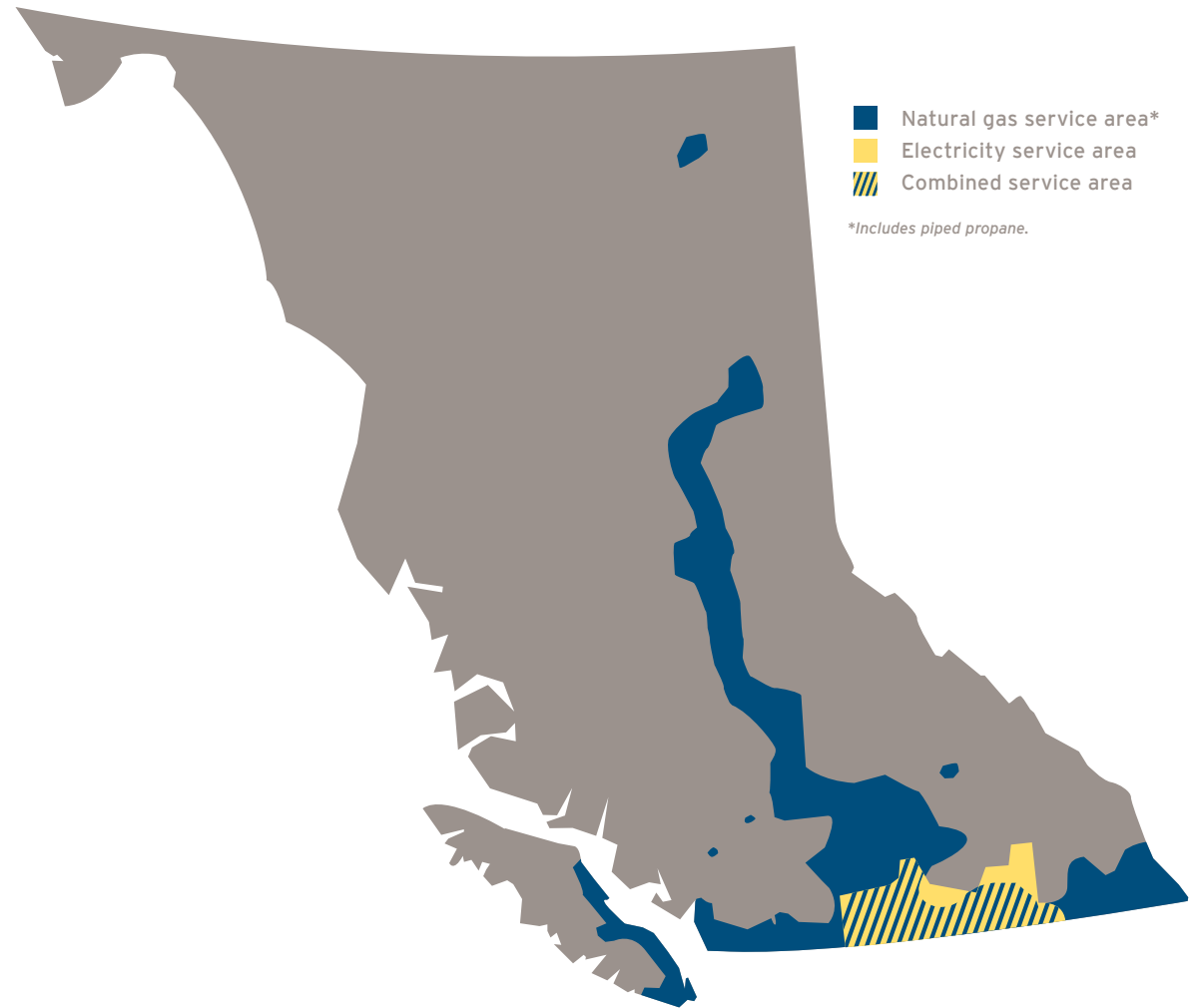
¹ Includes piped propane customers.

² With the implementation of the new Customer Care Enhancement Project on January 1, 2012, the definition of customer changed, thereby reducing gas customers by approximately 18,000 customers effective January 1, 2012. All comparative periods have been restated to reflect this change.

FortisBC electricity customers
(Approximately 163,000 total in 2012)



Area of operations



A message from the President and CEO



John Walker

As we look back on 2012, it was a year of solid performance for all areas of FortisBC. It was a year defined by significant change, challenges and continued progress.

The regulatory agenda continued to be very active with several key decisions rendered by the British Columbia Utilities Commission, with numerous decisions pending and a number of important files in progress. Financial results for the year were higher than 2011, with the electric operations reporting a net income of \$49 million and the gas operations reporting a net income of \$138 million. Capital spending for electrical operations was \$69 million and \$206 million for gas operations.

Our focus is always to improve our customer service delivery and to do so safely, reliably and at the lowest reasonable cost. The year began with the insourcing of our natural gas customer service centres in Burnaby and Prince George, enabling us to deliver better service while creating 300 new jobs in British Columbia. Further service enhancements for 2013 will see billing estimates reduced or eliminated as we move to monthly meter reads for natural gas customers.

In 2012, the evolution of our organization and move to a common business culture progressed. We continued to align our electric and gas field operations for better use of our resources and to provide more responsive service, which led to changes affecting 1,400 employees. At the heart of these changes is FortisBC's commitment to push decision making closer to the decision point through a flatter organizational structure with enhanced accountability for all employees.

Public and employee safety is always our top priority. In 2012, we saw a 28 per cent increase in general awareness around the smell of natural gas, and by working with our partners in the Co-operative Safety Program, we continued to educate about electrical and gas safety. Employee safety experienced a positive trend. Our *Drive to Zero* campaign reminded employees to approach every situation with prevention in mind.

Throughout the year, our field crews worked tirelessly, putting in long days—and many nights—to ensure customers were safe and had the services they rely on. Notable challenges included multiple wind and thunderstorms as well as flooding during spring time.

We continued to see a reduction in damage to gas lines, by increasing awareness of the need to call BC One Call prior to digging. This improved public safety and system reliability. Electricity customers experienced fewer outages in 2012 compared to previous years.

This year again has been characterized by an intense regulatory agenda that touched almost every aspect of our business. We received two Revenue Requirement decisions and incorporated those decisions into our operations. We are also working through the Commission's review of our allowed return on equity and capital structure. In total for 2012, we had 71 major filings and our employees responded to approximately 11,350 related information requests as part of the regulatory process.

Growth and service enhancements are supported by several significant applications in progress. Approval of purchase of the City of Kelowna's electric utility would add approximately 15,000 electricity customers to FortisBC's customer base helping to mitigate future rate increases. It is anticipated that implementation of our Advanced Metering Infrastructure project would lead to better location of outages, more accurate billing and reduced electricity theft.

We continued to provide some oversight on the Waneta Hydroelectric Expansion Project from which we will purchase required capacity to meet our customers' needs beginning in 2015. This \$900 million project is a partnership between our parent company, Fortis Inc., the Columbia Power Corporation and the Columbia Basin Trust and has provided \$125 million in local expenditures. This project is currently on budget and on schedule.

To help customers reduce energy costs, we developed new energy efficiency programs to meet their specific needs. Together with Rossland's Sustainability Commission, we developed a community Energy Diet, resulting in reductions of 1.5 million kilowatt hours of electricity and 2,500 gigajoules of natural gas from local homes and businesses. In 2012, we began using the FortisBC PowerSense brand for our electricity and natural gas programs to better meet the energy needs of our shared service territory.

Natural gas customers continue to benefit from the lower-price environment for the commodity. Combined with its environmental attributes, natural gas is an attractive energy source for residential and industrial use and as a fuel for the power generation and transportation sectors. Our heavy duty vehicle incentive program will help put approximately 320 natural gas vehicles on the road over the next year. This program helps reduce energy costs and carbon emissions for operators, benefiting taxpayers and consumers. The additional natural gas volumes from vehicles provide a positive rate impact, benefiting all natural gas customers.

With B.C.'s natural gas and liquefied natural gas (LNG) strategies announced by the province in 2012, FortisBC is pursuing LNG as an energy solution for remote communities. We are doing this by leveraging our two existing LNG storage facilities and capabilities acquired over the more than 40 years of managing LNG operations in our system.

As we continue to innovate for customers, new opportunities are created. In 2012, we worked with the Delta School District to provide thermal energy and high-efficient natural gas upgrades to 19 of their buildings and similar projects in numerous private sector developments. These projects help customers lower operating costs, reduce energy use and provide environmental benefits.

FortisBC believes in strong relationships with local governments and Aboriginal people throughout B.C. We signed a landmark energy efficiency memorandum with B.C.'s First Nations Energy and Mining Council, making us the first private sector company in the province to do so. We also connected with many community groups through employee volunteerism and corporate support.

All of our 2012 achievements were greatly aided by the guidance of our Board of Directors and the contributions from each of our 2,200 employees. We had a number of retirements from our Board and our Executive Leadership team during the year. I would like to thank Beth Campbell and Roger Mayer for their leadership on our Board and to recognize Bob Samels, Vice President, Business Planning, for his career and years of service to FortisBC.

FortisBC provides customers with a variety of energy options. We focus on our customers and work to deliver value in all that we do. As demonstrated in 2012, we are uniquely positioned to offer energy solutions for every customer.



John Walker
President and CEO
FortisBC



Service

Customers first



FortisBC crews move through cleared slide debris on the way to restoring electricity for customers living near Arrow Lake. The mudslide was one of several that occurred around Castlegar as a result of severe storms.

At FortisBC, we know our customers depend on the energy solutions we provide for their homes, businesses and communities.

Satisfying service

Friendly, effective service. That's what we expect customers to receive when contacting us. Since 2005, we have operated a contact centre in Trail for our electricity customers. In January 2012, we opened two new B.C.-based, natural gas customer service centres in Burnaby and Prince George. Within the first year of operation, employees were recognized with an award from a leading call centre research firm that rated our service against 30 other energy sector centres.

In response to customer feedback, we will make further service enhancements. For 2013, we will work to reduce or, where possible, eliminate billing estimates as we move to monthly meter readings for natural gas customers.

Restoring service safely

In the event electricity or natural gas service is interrupted, our priority after ensuring public safety is to restore service as soon as possible.

The severity of 2012's storms and flood season saw us experience some large scale outages. We worked safely and as quickly as possible to restore power for our customers.

On July 20, a widespread storm system began in the Okanagan and moved through the Kootenays. Approximately 13,000 electricity customers across 15 communities were without power as a result of high winds and mudslides, which downed power poles and damaged transformers. Crews from throughout the region travelled approximately 200 kilometres to aid in the restoration efforts. Employees worked throughout the night to restore electricity, and due to such dedication, a wedding in Castlegar was able to take place.

When it comes to our natural gas distribution and transmission systems, we ensure our pipelines and facilities are well maintained and protected. We conduct ongoing monitoring, inspection and mitigation activities to address all potential hazards, ensuring consistent, reliable natural gas for our customers.

Offering renewable options

In addition to offering renewable natural gas to residential customers, we extended the offer to commercial customers in 2012. To date, 85 businesses across B.C. have designated at least 10 per cent of their natural gas consumption as renewable.

Residential enrolments increased by over 400 per cent, resulting in our first biogas project in Abbotsford to be fully subscribed. A second biogas facility at the Salmon Arm landfill has been commissioned and we received approval to move ahead with construction of a third facility at Kelowna's Glenmore landfill.

Notable numbers

On July 20, 2012, the Kootenay region was hit by a widespread storm system that included a set of severe wind and thunderstorms, resulting in:

13,000

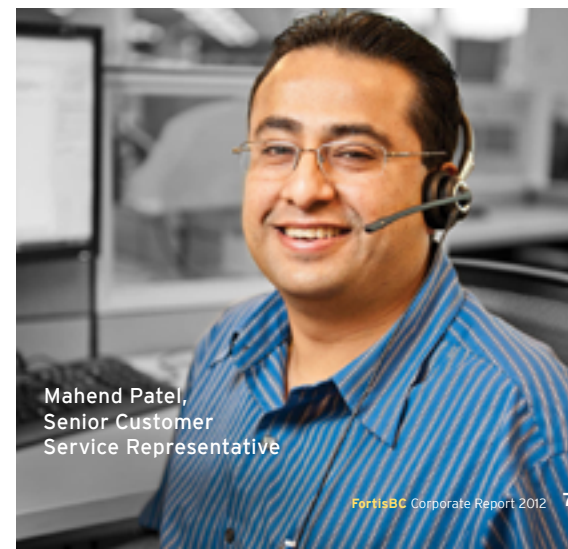
Electric customers without power

Number of power lines that required repair:

20

Number of person hours dedicated to repairs:

3,089



Mahend Patel,
Senior Customer
Service Representative

Employees

Dedicated to service



Troy Winters,
FortisBC Power Line Technician

Our employees have passion about delivering energy solutions to British Columbians.

Structuring for success

In 2012, we continued to align our electric and gas operations and move to a common business culture. The year began with all executive team members having responsibilities covering the electric and gas sides of our operations. By the end of the year, we further aligned our field services, including announcing the move to a single point of leadership for our field operations in our shared service territory.

All changes are part of our commitment to a flatter organizational structure with broader roles. This enhances accountability and strengthens decision-making for each employee. Using our resources more effectively also improves customer service and enhances our responsiveness.

With customer needs in mind, employees worked with local developers to reduce service installation times. Now, developers with standard natural gas requests receive installations up to two weeks earlier. By evolving our business and improving our processes, we are structured in a way that best meets our customers' needs.

Developing careers

We support life-long learning because we know our success is based on the knowledge and skills of our people. We also offer specialized apprenticeship and engineer-in-training programs, as well as co-op student initiatives. This helps to support local job growth and contributes to B.C.'s economy.

The company ratified three labour agreements in 2012. In February, our Trail contact centre and Kelowna billing group were amalgamated into the Gas Customer Service Centre bargaining unit. In June, FortisBC reached an agreement with the International Brotherhood of Electrical Workers (IBEW) Local 213, which represents our natural gas field employees. In November, an agreement was ratified with the Canadian Office and Professional Employees Union Local 378, which represents our electric employees. These agreements offer certainty for employees and our customers.

Sharing our commitment

Our employees believe in customer service and safety on and off the job. Neil Gatti, a customer service technician, was recognized throughout the year by his Kelowna customers for his gas meter exchange work.

"Your tech deserves a gold crown. He was helpful and attentive to my concerns. I have not come across many people like him."

a Kelowna customer

Power line technician Troy Winters was driving along Kootenay Lake Road near Creston when he came across an injured motorcyclist. Winters stayed with the motorcyclist until help arrived. Thanks to Winters' call to 911, emergency crews were able to find their location and the victim received needed aid.

Notable numbers

Developer wait times (in days) for standard gas installations was reduced by up to:

14

Number of BC One Call requests processed more efficiently in 2012:

86,828

Approximate decrease in natural gas line damages from 2011:

17%

Promoting technology

For his contributions to the field, FortisBC's Mike Killacky, manager of our Install Centre in Surrey, was given the Professional Achievement Award by the Applied Science Technologists and Technicians of B.C. (ASTTBC).

FortisBC also received the ASTTBC 2012 Employer Award for creating a work environment that supports the career success of technology professionals.



Safety

Our top priority

John Radies, a FortisBC Power Line Technician, wears full personal protective equipment—one of the mandatory safe work practices employees live by.

Notable numbers

1,350

Our electric generation employees' number of consecutive days of staying safe on the job with no lost time for injuries.

For this they were awarded the Canadian Electricity Association's Vice President Award for Safety Excellence.

Working together

In 2012, FortisBC continued to work with numerous first responders, organizations and government at all levels. We participated in 14 emergency preparedness exercises, including those with:

- City of Vancouver
- City of New Westminster
- City of Campbell River / Strathcona Regional District
- Chase, Cache Creek and Ashcroft
- City of Kelowna
- Sun Peaks Resort Municipality
- Seattle and Selkirk, Washington

Safety for our employees, customers and the public is the top priority in all that we do, every day.

Increasing awareness

In 2012, we launched our *Drive to Zero Avoidable Incidents* campaign. We educated employees to be mindful of accident prevention when doing their jobs by assessing each situation. Recordable injuries and vehicle incidents saw a positive trend from previous years, although our ultimate goal will always be zero.

A member of BC One Call and a founding member of the BC Common Ground Alliance, FortisBC sponsored the annual *Dig Safe* workshops. These sessions have led to a positive trend in preventing natural gas line hits among third party excavators. For the second year in a row, we processed more than 80,000 BC One Call requests for natural gas line information. This contributed to a decrease of approximately 17 per cent in gas line damages from 2011.

Our public safety awareness efforts also continued in 2012, including our Co-operative Safety Program, a regional partnership dedicated to increasing awareness of electrical and gas safety among the public and industry. Our print and radio safety campaigns contributed to six in 10 people being aware of the smell of natural gas, a 28 per cent increase since 2011. In addition, gas odour, electrical safety and damage prevention information was shared at more than 60 public outreach events across the province.

FortisBC worked with the City of Kelowna and the RCMP to raise awareness with community members about the dangers of copper theft and the need to stay clear of exposed electrical wires.

Practising preparedness

Conducting emergency preparedness exercises is critical to FortisBC's ongoing commitment to public and employee safety. These simulated scenarios are conducted for all utility operations, including electric and gas operations, propane and LNG storage and transportation.

Our annual LNG preparedness exercise was held at our Mt. Hayes storage facility on Vancouver Island. With participation by local emergency responders, this exercise was among the few in Western Canada designed and practised by an in-house emergency planning team.

At our Oliver fire training workshop more than 350 volunteer firefighters practised real-life electricity and natural gas emergency scenarios. These sessions illustrate how we work together with emergency and first responders throughout the province.

Our public safety ambassadors play a critical role in our emergency management program. These employee volunteers promote utility safety education and emergency response, on the job and in their communities.

Three of our employees, based in the Kootenays, have collectively contributed more than 40 years of volunteer service to their communities. Willie Johnson, safety coordinator, volunteers as a paramedic with the B.C. Ambulance Service. Peter Kabel, construction manager-generation, volunteers his time with the local fire service. And Dorian Craft, crew leader and millwright, volunteers with local fire departments in addition to search and rescue organizations. These safety ambassadors live safety every day.

We also launched our new kids safety and energy efficiency program. Designed for kids aged eight to 11, the program is delivered by our ambassadors who speak in schools and at youth organizations.

From emergency response and preparedness, to working with children to raise awareness—safety is always our top priority.

Commitment

To our core business



At the Waneta Hydroelectric Expansion Project workers are in one of the tunnels that will carry water to the new powerhouse.

At FortisBC, our core business is electricity and natural gas transmission and distribution. They play pivotal roles in the province's history and are key to a strong B.C. economy.

Ensuring reliability

Our electric operations serve more than 163,000 customers directly and indirectly through wholesale utilities, and our natural gas operations serve almost 950,000 residential, commercial and industrial customers.

In 2012, maintenance and upgrade work continued at our electric facilities to ensure reliable service for customers. Such work assists in our continued effort to provide customers with dependable power at the lowest reasonable cost.

Ongoing inspection and mitigation work continued on our natural gas pipelines and infrastructure. Some activities included water crossing inspections, corrosion prevention and monitoring programs. We also worked on enhancing our long-term asset management strategy including improved methodology for identifying and prioritizing capital programs.

Securing future capacity

Construction continued on the \$900-million Waneta Hydroelectric Expansion. The project, on the Pend d'Oreille River south of Trail, is a partnership between Fortis Inc., Columbia Power Corporation and the Columbia Basin Trust.

Along with steady progress, a major milestone was achieved when the intake and tunnel excavation was completed. In total, more than 62,000 cubic metres of rock were removed from the tunnels. The project has invested approximately \$125 million in the region for local goods and services, and will help FortisBC ensure long-term, reliable electricity for our customers.

Emerging opportunities

With B.C.'s natural gas and liquefied natural gas (LNG) strategies announced by the province in 2012, FortisBC is leveraging our core business and developing energy solutions for remote communities. We have the only two LNG storage facilities in Western Canada. Using our experience of managing LNG operations for more than 40 years, we are pursuing opportunities for the use of LNG in communities that are not within proximity of our natural gas distribution system.

Many of these communities want to move away from fuels like diesel to a cost-effective, environmentally sound option for space and water heating. This also means new industry can grow in these areas that previously lacked the infrastructure and energy required to support business and economic growth.

Notable numbers

\$275 million

The combined gas and electric capital expenditure in 2012.



FortisBC crews install a new 10 inch valve on the Savona-Nelson pipeline in Penticton.

Innovation

New options for customers



ABBOTSFORD B.C.
FIRE EXTINGUISHER INSIDE
CAN 63,500 KGS

Powered by natural gas
FORTIS BC™



In collaboration with FortisBC,
Vedder Transport has 50
heavy-duty LNG trucks.

Notable numbers

As a result of FortisBC's heavy duty fleet incentives, we estimate:

1,500

The number of natural gas-fuelled vehicles on B.C. roads by 2017 due to our program.

7 million

The number of natural gas gigajoules to be added to our system.

80,000

The equivalent number of homes* that could be heated annually.

20 to 30%

The reduction in greenhouse gas emissions from displacement of diesel.

12,000

The equivalent number of cars removed from our roads.

*Based on 100 gigajoules usage/year.

Our customers live in an ever-changing world. As FortisBC continues to meet B.C.'s conventional energy needs, we anticipate and adapt, ensuring our customers have innovative solutions.

Driving innovation

Switching fleets and vehicles to natural gas helps fleet operators reduce costs and carbon emissions and improves air quality in communities. Following the introduction of the Government of B.C.'s Greenhouse Gas Reduction (Clean Energy) Regulation, we announced an incentive funding program in 2012 to assist heavy duty fleet operators with purchasing natural gas vehicles.

Natural gas is 25 to 50 per cent less expensive than diesel. This could help reduce the cost of public services such as waste collection and transit, and help increase the competitiveness of B.C. businesses by reducing transport costs for goods. The additional natural gas volumes from our program is anticipated to provide a positive rate impact of \$3 million a year by 2017, benefiting all natural gas customers.

Modernizing infrastructure

With the goal to continue improving and modernizing the electrical grid, we filed an application with the B.C. Utilities Commission for the Advanced Metering Infrastructure project. Our filing is part of a public, transparent regulatory process that will determine whether we move forward. If approved, the project is expected to provide savings to be factored into customers' rates.

Breaking new ground

FortisBC* is providing thermal energy upgrades to 19 buildings in Metro Vancouver's Delta School District. The project will help to significantly lower energy consumption and greenhouse gases.

With the upgrades, the District expects to lower their gas usage and save funds previously used to purchase carbon offsets. FortisBC* has signed Memorandums of Understanding with 11 school districts.

More than schools are benefiting from thermal energy solutions. FortisBC* is investing over \$20 million in three major upcoming Lower Mainland developments: Marine Gateway, TELUS Garden and SOLO District.

*FortisBC Alternative Energy Services Inc. doing business as FortisBC.

Progressive Waste Solutions

BFI Canada, through its contract with the City of Surrey, purchased 52 new waste hauling trucks that use compressed natural gas.

The new vehicles help to reduce greenhouse gas emissions by approximately 20 to 30 per cent compared to diesel vehicles.

BFI Canada's vehicles, which operate as Progressive Waste Solutions, refuel at FortisBC's onsite fuelling station. By offering fuel for waste haulers, and similar fleets, we can help expand the use of compressed natural gas for transportation in B.C.



Connecting

To where we live and work



One of three Community Giving Days in 2012, where 120 employee volunteers came out to help rejuvenate a BMX park for youth in Abbotsford.

The growth and well-being of local communities we serve is important to FortisBC.

Reaching out

In 2012, we increased our outreach in the communities we serve across the province. We interacted with more than 50,000 British Columbians in more than 80 communities through 574 events. Topics of discussion ranged from safety at home, to energy efficiency tips and rebates.

Helping hands

We proudly supported the volunteer efforts of employees who made a difference in their communities in 2012.

Understanding the unique needs of B.C. communities, employee volunteers cleared land for a wilderness camp and recreational facility for those with special needs at Penticton's Agur Lake. Duchess Park in Prince George was revitalized with playground equipment for children with developmental capabilities. Youth in Abbotsford have new seating for a BMX park and in Victoria new playground equipment provides a safe place to play for children at Burnside Gorge Community Centre.

In 2012, FortisBC gave back to dozens of local charities and organizations across the province including:

- BC Children's Hospital
- Canstruction Vancouver
- Canadian Cancer Society - BC and Yukon Division
- Food Banks BC
- Salvation Army Gateway of Hope
- SOS Children's Village B.C. (Canada) Society
- 8th Annual FortisBC Toy Drive for transition homes

Empowering future generations

FortisBC supports the training and skills development of B.C.'s future workforce. We committed \$300,000 to the University of British Columbia's Master of Clean Energy Engineering, the first program of its kind in Canada.

Students from Prince George and Vernon graduated with new, employable skills in energy efficiency retrofitting thanks to the FortisBC and BC Hydro supported REnEW (Residential Energy and Efficiency Works) program. This brings the number of graduates close to 100 since the program launched in 2010.

Wendy Jael, one REnEW graduate in Prince George, is putting her skills to work delivering the Energy Conservation Assistance Program (ECAP) to the Lheidli T'enneh Band. ECAP provides low-income FortisBC natural gas and BC Hydro residential customers with a free home energy evaluation and installation of energy saving products.

Building with communities

On Vancouver Island, our new Victoria Area Operations Centre is home to FortisBC's regional headquarters, combining three offices. Consolidating locations will help save money and improve logistics and customer service on the Island.

Continuing our commitment to sustainable building, the facility was built to LEED® standards. Features include energy-efficient lighting, a geoexchange heating and cooling system, in-floor heating, low-flow plumbing fixtures and hot water pre-heated by solar thermal collectors.

Additionally, many regional materials were used in construction, with builders using materials grown or extracted and manufactured from within 800 kilometres of the building, when possible.

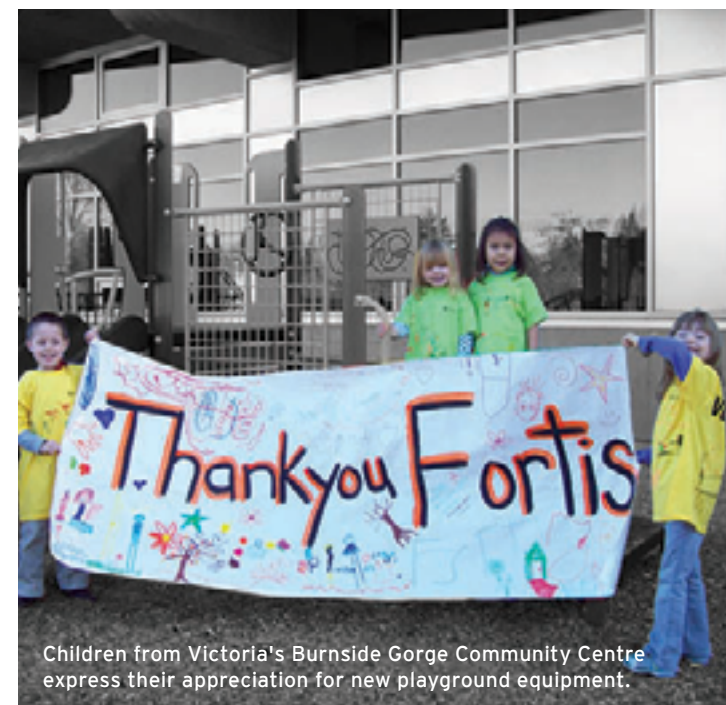
Notable numbers

Approximate number of communities we gave back to across the province in 2012:

68

Approximate number of community groups we supported in 2012:

155



Children from Victoria's Burnside Gorge Community Centre express their appreciation for new playground equipment.

Relationships

Creating solutions together



New generation youth participating in the annual B.C. Elders Gathering in 2012.

At FortisBC, we respect the social, economic and cultural interests of Aboriginal communities and are proud of our mutual history—one based on collaboration.

Building super-efficient homes

Together with the Penticton Indian Band and the Ministry of Energy, Mines and Natural Gas, we launched the Super-Efficient Housing Project to help the Band increase energy efficiency in new homes.

We worked closely with the Band, local architects and builders to construct affordable, sustainable homes that use 80 to 90 per cent less energy for heating. The homes include innovative and energy-efficient technologies such as super-insulated walls and roofs, triple-pane windows, heat pumps, heat recovery ventilators and solar panels.

Another example of collaborating to create energy solutions is located just south of Cawston. There, the Lower Similkameen Indian Band built a wind generation unit with support from FortisBC. The project generates electricity and helps offset energy costs for the Band's elementary school.

"This is the first step to meeting sustainable power initiatives for our Band. With support from FortisBC, students are learning about natural resources and renewable energy."

*Chief Rob Edward,
Lower Similkameen Indian Band*

Reaching new understandings

In 2012, FortisBC signed a Memorandum of Understanding with B.C.'s First Nations Energy and Mining Council, making energy self-sufficiency for First Nations communities a priority. It is the first time a privately held energy company has signed such a memorandum in the province.

"We are very excited to be working with FortisBC, since this is the first time B.C. First Nations have signed a memorandum with a private energy company."

*Dave Porter, CEO
First Nations Energy and Mining Council*

Together, we will develop energy opportunities for First Nations communities, including increasing energy efficiency on First Nations land and paving the way for certified energy auditors to assist communities with energy efficiency programs.

These projects reflect the strong relationships and innovative energy solutions that are a result of collaboration.

Notable numbers

122

The number of Aboriginal communities crossed by FortisBC's service areas throughout B.C.



FortisBC helped sponsor the 36th Annual B.C. Elders Gathering hosted in 2012 by the Tsawwassen First Nation and Sto:lo communities.

Responsibility

Energy and the environment



Osprey, one of the many species protected under FortisBC's Avian Protection Plan.

At FortisBC, we are responsible in all our operations and diligently mitigate any impact to the environment.

Respecting habitats

Our environmental specialists understand the potential impacts from our maintenance activity and capital projects and work to mitigate any impact on fish, wildlife habitats and native plant species. We also consult with local, provincial and federal government authorities, agencies and Aboriginal communities during project development.

Protecting fauna and flora

In 2012, we began developing a comprehensive Avian Protection Plan for our power lines and right-of-way construction and maintenance projects. The plan will provide a framework to help further reduce impact on raptors, migratory birds and avian species.

At the same time, it will help minimize operational risks and comply with environmental legislation. Various avoidance, reduction and control management tools are outlined including bird protection measures, collision mitigation measures and nest management.

Migratory bird nest protection and osprey nest prevention are already part of our daily activities. For example, osprey returned to a protected nest we placed atop a pre-constructed platform near Benvoulin Road in Kelowna. For a third year in a row, we streamed live video of the nest. As a result of our efforts, the birds moved to a safer location, protecting them from possible harm. This also helps avoid damage to our electrical equipment and potential power outages.

Working together with local communities and environmental agencies, employees gathered at two Kootenay riverbanks in an effort to reinvigorate an at-risk fish species. More than 6,000 juvenile white sturgeon were released.

Employees gathered at other waterways in support of the Great Canadian Shoreline Cleanup, an initiative we've supported for the last eight years. In Castlegar, employees focused on the Columbia River while Kelowna employees volunteered at KLO Creek. In Surrey, employees removed trash from Quibble Creek in Bear Creek Park.

When invasive aquatic species spread, they can impact fish and wildlife habitats and have negative economic impacts, including ruined fishing and recreational opportunities, depressed real estate values and damaged water intake structures on dams. FortisBC provides expertise and funding for invasive species management through a number of initiatives.

One such effort is our involvement with the Central Kootenay Aquatic Invasive Species Working Group. The group features representatives from other utilities, the Ministry of Environment, the Regional District and various stewardship societies. Together, we focus on preventing the introduction and spread of invasive species that could threaten the Central Kootenay region.



Princeton, one of 17 B.C. communities to participate in 2012's Earth Hour.

Switching off for Earth Hour

For the fourth year in a row, FortisBC sponsored the Earth Hour Challenge, encouraging residents from 17 communities to make a pledge to switch off all non-essential lighting, appliances and electronics.

We received more than 6,000 pledges, a record-setting number that tripled from 2011.

In total, we saw a 1.7 per cent drop in electricity consumption. That's equal to switching off approximately 90,000 60W incandescent light bulbs.

Energy efficiency

Saving energy and money

FortisBC customers in White Rock who received rebates through our natural gas ENERGY STAR® Water Heater Program.

Energy efficiency benefits the environment and can help our customers save on their energy bills.

Powering energy savings

More than 1,300 small businesses in the Okanagan and Kootenays achieved savings on their electricity bills due to a \$6.85 million energy-efficient lighting installation program sponsored by the province and FortisBC.

The FortisBC/LiveSmart BC Lighting Installation Program saved more than 8.7 million kilowatt hours, while the BC Non-Profit Housing Association retrofit of 48 Okanagan multi-family buildings achieved annual savings of more than 1.1 million kilowatt hours. Enrolment targets were surpassed in the first 14 months of this two-year program.

Our natural gas energy efficiency efforts expanded with Efficiency à la Carte, a new commercial foodservice incentive program. The most extensive natural gas rebate program of its kind in Canada, it offers rebates to businesses such as restaurants, bakeries, hotels or those with food prep areas for high-efficiency natural gas cooking equipment. The program's first customer, Thrifty Foods, a Vancouver Island-based grocery chain, received a \$9,500 rebate from FortisBC.

Energizing incentives

Quesnel River Pulp, a division of West Fraser, made a significant commitment to reduce its energy consumption. In support, the mill received a \$250,000 incentive from FortisBC. The mill was the first participant in our new Industrial Technology Retrofit Program, which offers incentives to industrial natural gas customers for energy efficiency improvement projects.

We exceeded our target for the Furnace Replacement Pilot Program with approximately 3,200 customers upgrading their heating systems within 60 days of launch. Aimed at encouraging residential customers to upgrade to high-efficiency models, participants may benefit with lower natural gas usage.

Dieting in Rossland

The Rossland Energy Diet took shape when the city identified the average home used 36 per cent more electricity than other B.C. homes. A community-level energy diet was developed with the City of Rossland, the Sustainability Commission Energy Task Force, Nelson and District Credit Union and Columbia Basin Trust.

More than 250 participants took part, including 22 per cent of single-family Rossland households and 36 small businesses. Estimated energy reductions will be approximately 2,500 gigajoules of natural gas and 1.5 million kilowatt hours of electricity. The energy efficient measures will also help reduce greenhouse gas emissions by up to 338 tonnes annually.*

**These preliminary results are for 135 of the 257 participating homes. More reductions are expected. Remaining participants have until March 31, 2013 to renovate and apply for grants through LiveSmart BC.*

Achieving real results

Our natural gas Energy Efficiency and Conservation programs evolved in the number of participants, offers and gigajoules of natural gas saved. In 2012, we offered various residential, commercial and industrial programs, saving customers more than 360,000 gigajoules of natural gas, enough energy to heat more than 4,100 homes in one year.

Customers saved an estimated 32 million kilowatt hours of electricity through PowerSense programs. Since its inception in 1989, PowerSense has helped customers save more than 445 GWh, enough electricity to power 35,000 homes each year.

To help streamline our outreach efforts, and further enhance customer service, we began using the FortisBC PowerSense name in the shared service territories. Now customers have the benefit of combined electricity and natural gas rebates and efficiency programs.



Rossland Mayor Greg Granstrom with Carol Suhan, FortisBC's PowerSense Manager.

"I think the numbers speak for themselves. To save more than a million kilowatts of electricity halfway through the diet and have more than \$1.5 million invested in the community is a real win-win."

*Greg Granstrom,
Rossland Mayor*

Encouraging conservation

Directed by the B.C. Utilities Commission, FortisBC implemented a residential conservation rate for our electricity customers in July 2012. The new rate encourages customers to conserve energy.

Customers are charged a rate that is lower for the first block of electricity they use in a billing period, up to 1,600 kWh, and a higher rate for any electricity used above that amount.

Next

Looking forward



Susan Browne and Jason Dingwall,
FortisBC Customer Service employees.

At FortisBC, we are committed to providing energy solutions, for every customer.

We work hard to improve our customer service delivery and to do so safely, reliably and at the lowest reasonable cost.

We will continue to expand our energy infrastructure in B.C. while striving for a stronger connection between policy and regulation in the province. This will enable us to bring energy solutions to market at a more rapid pace. A pace that is in response to the ever-changing world our customers live in. As we look to the future, we will continue to innovate, paving the way for further change and growth.

Part of our evolution is the pursuit of new opportunities, such as the proposed Advanced Metering Infrastructure project that will aid in modernizing our electrical infrastructure and result in expected savings to be factored in to our customers' rates. Other pursuits include thermal energy solutions, renewable natural gas and natural gas for transportation, as well as liquefied natural gas and natural gas-fired generation for remote communities.

As always, the focus of our business continues to be effective service and energy solutions for every customer.



Kettle Valley, one of many B.C. communities we're proud to serve.

Leadership Team



Standing (left to right): Douglas Stout, Cynthia Des Brisay, John Walker and Michael Mulcahy.
Seated: Doyle Sam, Tom Loski, David Bennett, Dwain Bell, Michele Leeners and Roger Dall'Antonia.

Dwain Bell

Vice President, Operations

Mr. Bell has approximately 40 years of experience in the natural gas business throughout B.C. and Alberta, all with FortisBC and its predecessor companies.

David Bennett

Vice President, General Counsel & Corporate Secretary

Mr. Bennett practiced law in Vancouver until 2001 and then moved to London, England. He returned to B.C. in 2003 and was in private practice until joining FortisBC Inc. in 2004.

Roger Dall'Antonia

Vice President, Strategic Planning, Corporate Development & Regulatory Affairs

Mr. Dall'Antonia rejoined the company in 2007, bringing 15 years of corporate finance and treasury experience. He has considerable experience in senior financial roles, primarily in the energy industry, including positions with Terasen, Westcoast Energy and Versacold Income Fund.

Cynthia Des Brisay

Vice President, Energy Supply & Resource Development

Ms. Des Brisay has spent her entire career in the energy industry. Prior to joining FortisBC in 1999, she held engineering and commercial roles in the oil and gas industry and in independent power generation development in Canada and New Zealand.

Michele Leeners

Vice President, Finance & CFO

Ms. Leeners is a chartered accountant with over 22 years of experience in finance, treasury and accounting. Prior to joining FortisBC, she held financial management roles in the oil and gas sector in Calgary, Alberta.

Tom Loski

Vice President, Customer Service

Mr. Loski has over 30 years of experience with FortisBC and its predecessor companies. Prior to his current role, Mr. Loski was responsible for the development and implementation of corporate regulatory strategy as the Chief Regulatory Officer for FortisBC.

Michael Mulcahy

Executive Vice President, Human Resources, Customer & Corporate Services

Mr. Mulcahy began his career with the Fortis group of companies with Maritime Electric in 1993. Prior to joining FortisBC, he was Vice President of Customer and Corporate Services for Newfoundland Power. Mr. Mulcahy is also Chairman of the Customer Council of the Canadian Electricity Association.

Doyle Sam

Vice President, Engineering & Generation

Mr. Sam has worked in the energy industry since 1989 and for FortisBC and its predecessors since 2003. He has operated in a variety of engineering, planning, operations and senior management roles in both electric and gas utilities.

Douglas Stout

Vice President, Energy Solutions & External Relations

Mr. Stout joined the company in 2001 as Vice President, Gas Supply and Transmission. He has held senior roles with Belcorp Industries Inc. and Husky Energy Inc., and has served as Director for Sultran Ltd., Pacific Coast Terminals and Hillsborough Resources. He is on the National Advisory Committee for QUEST (Quality Urban Energy Systems of Tomorrow) and is currently a Director of the Northwest Gas Association and the Canadian Natural Gas Vehicle Alliance.

John Walker

President & CEO

Mr. Walker is President and CEO of FortisBC Inc., FortisBC Holdings Inc., and FortisBC Energy Inc. and serves on the Board of Directors of FortisAlberta Inc. and the FortisBC group of companies. He has worked with Fortis Inc. since 1983, where he began his career with Newfoundland Power Inc. He also serves on the Boards of Directors of the Canadian Gas Association, the Canadian Electricity Association and the Western Energy Institute.

Board of Directors



H. Stanley Marshall

Mr. Marshall is the President and CEO of Fortis Inc., serving in this role since 1995. He serves on the boards of several Fortis companies, is a Director of Enerflex Limited and is Chair of the FortisBC Inc., FortisBC Holdings Inc. and FortisBC Energy Inc. Boards.



Harold G. Calla

Mr. Calla is Chair of the First Nations Financial Management Board. He is a member of the Squamish Nation and has served two terms on its Council. He is on the Board of Directors of the Nicola Valley Institute of Technology, and is a past Director of CMHC and of Partnerships BC.



Brenda Eaton

Ms. Eaton is a corporate director who serves on the Boards of Directors of Transelec, Powertech and several not-for-profit organizations. She is the past Chair of BC Housing and previously served as Deputy Minister to the Premier and prior to that as Deputy Minister in Finance and Treasury Board, Energy Mines and Petroleum Resources and Social Services.



Ida J. Goodreau

Ms. Goodreau is Adjunct Professor, Sauder School of Business, University of British Columbia. Previously, she was President and CEO of LifeLabs Medical Laboratory Services, and President and CEO of the Vancouver Coastal Health Authority. She is on the Board of Directors of Fortis Inc. and is a member of the Boards of Pharmasave Drugs International, the Vancouver Foundation, Genome B.C., Streethome Foundation and Canada West Foundation.



Harry McWatters

Mr. McWatters is the President of Vintage Consulting Group Inc. and is the founding Chairman of the B.C. Wine Institute, a Director of the B.C. Progress Board, and founding Chairman of the B.C. Hospitality Foundation. He has served on the Board of Directors of FortisBC Inc. since 2005, served as Chairman from 2006 to 2010, and has served on the Fortis Inc. Board since 2007.



Barry V. Perry

Mr. Perry is the Vice President, Finance and Chief Financial Officer of Fortis Inc. Prior to his current role at Fortis, he held the position of Vice President, Finance and Chief Financial Officer of Newfoundland Power Inc. He serves on the boards of several Fortis companies.



Linda S. Petch

Ms. Petch is a Corporate Director and a member of the Board of Governors of RBC Funds and RBC Private Pools. She previously served as Chair of the Victoria Airport Authority and of the Health Employees Association of BC.



David R. Podmore

Mr. Podmore is the Chairman and CEO of Concert Properties Ltd., a national real estate enterprise he co-founded in 1989. He is the past Chair of the B.C. Pavilion Corporation and of the British Columbia Institute of Technology Foundation. He also serves on the Board of Directors of LifeLabs Inc. and as a Director of The Canadian Council of Public-Private Partnerships.



Karl W. Smith

Mr. Smith is President and Chief Executive Office of FortisAlberta Inc., a position he has held since 2007. Prior to this role, he was President and Chief Executive Officer of Newfoundland Power Inc. He also serves on the Boards of Directors of Junior Achievement of Southern Alberta and the Western Energy Institute and is a member of the Board of Governors of Mount Royal University.



John C. Walker

Mr. Walker is President and CEO of FortisBC Inc., FortisBC Holdings Inc., and FortisBC Energy Inc. and serves on the Board of Directors of FortisAlberta Inc. and the FortisBC group of companies. He has worked with Fortis Inc. since 1983, where he began his career with Newfoundland Power Inc. He also serves on the Boards of Directors of the Canadian Gas Association, the Canadian Electricity Association and the Western Energy Institute.



Corporate office
Suite 1000, 1111 West Georgia
Vancouver, British Columbia
V6E 4M3

Business operations
16705 Fraser Highway
Surrey, British Columbia
V4N 0E8

1975 Springfield Road
Kelowna, British Columbia
V1Y 7V7

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Mike Cooper, Customer Service Technician, FortisBC
Front cover: John Radies, Power Line Technician, FortisBC