



Doug Slater
Director, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (778) 578-3874
Cell: (778) 214-3842
Fax: (604) 576-7074
Email: doug.slater@fortisbc.com
www.fortisbc.com

July 11, 2019

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary and Manager, Regulatory Support

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)

Application for Approval of an Operating Agreement between the Corporation of the City of Castlegar (Castlegar or the City) and FEI (the Application)

FEI and Castlegar have entered into a new Operating Agreement dated July 5, 2019 (the FEI-Castlegar Operating Agreement), for which FEI is requesting approval from the British Columbia Utilities Commission (BCUC), on a permanent basis effective August 30, 2019, pursuant to section 23(1)(g) and section 89 of the *Utilities Commission Act* (UCA). A copy of the executed FEI-Castlegar Operating Agreement is provided in Appendix A.

Castlegar is an Interior Municipality with an Expiring Franchise Agreement

FEI (through predecessor companies Inland Natural Gas Co. Ltd. and BC Gas Utility Ltd.) and the City entered into a Franchise Agreement, which expired on August 30, 1998. Subsequently, FEI and the City entered into a Franchise Agreement dated October 13, 1998, which was approved by BCUC Order C-17-98. The term of this agreement expires on August 29, 2019. A copy of the expiring Franchise Agreement is provided in Appendix B.

The FEI-Castlegar Operating Agreement is Based on the Identical Terms as the FEI-Kamloops Operating Agreement

On May 3, 2019, the BCUC issued Order G-99-19 approving the terms to a new operating agreement between FEI and the City of Kelowna.

On June 3, 2019, FEI applied for approval of the City of Kelowna terms¹ to a revised operating agreement between FEI and the City of Kamloops. Further, FEI requested approval from the BCUC to use the City of Kamloops Operating Agreement terms as the basis for comparison of future operating agreement applications with Interior municipalities.² Since the BCUC has not issued a decision on the use of the City of Kamloops terms for comparison, FEI provides in Appendix C a list of all of the changes to the Castlegar agreement as compared to the Village of Keremeos terms. These changes are identical to all the changes identified for the City of Kamloops.

Order Sought

Given the existing Franchise Agreement expires on August 29, 2019, FEI requests approval from the BCUC, pursuant to section 23(1)(g) and section 89 of the UCA, of the executed FEI-Castlegar Operating Agreement on a permanent basis effective August 30, 2019. In the event that the BCUC is unable to render its decision prior to expiry of the existing agreement, FEI requests approval of the FEI-Castlegar Operating Agreement on an interim basis pending a final determination by the BCUC. A draft form of Order is provided in Appendix D.

If further information is required, please contact Ilva Bevacqua, Manager of Regulatory Compliance and Administration at (604) 592-7664.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

Attachments

cc (email only): City of Castlegar

¹ Based on Order G-99-19.

² Order C-8-14, dated July 24, 2014, approved the Village of Keremeos terms to be the basis for comparison in future operating agreement applications.

Appendix A

FEI – CASTLEGAR OPERATING AGREEMENT - EXECUTED

OPERATING AGREEMENT

THIS OPERATING AGREEMENT (the "Agreement") made this 5th day of July, 2019.

BETWEEN:

THE CORPORATION OF THE CITY OF CASTLEGAR, a municipal corporation incorporated under the laws of the Province of British Columbia

(hereinafter called the "Municipality")

OF THE FIRST PART

AND:

FORTISBC ENERGY INC., a body corporate duly incorporated under the laws of the Province of British Columbia, formerly known as Terasen Gas Inc., and having its registered office in the City of Vancouver, in the Province of British Columbia

(hereinafter called "FortisBC")

OF THE SECOND PART

RECITALS:

- A. Whereas by a certificate of public convenience and necessity (CPCN), FortisBC was granted the right to construct and operate gas distribution facilities within the Municipality;
- B. And whereas pursuant to the Community Charter, S.B.C. 2003, a Municipal council may, by resolution adopt and enter into a licensing and operating agreement;
- C. And whereas FortisBC and the Municipality are the parties to a Franchise or Operating Agreement dated October 13, 1998, which will expire on August 29, 2019;
- D. And whereas FortisBC and the Municipality wish to enter into this Agreement to clarify and settle the terms and conditions under which FortisBC shall exercise its rights to use Public Places in conducting its business of distributing Gas within the Municipality.

NOW THEREFORE THIS AGREEMENT WITNESSES that the parties covenant and agree as follows:

1. DEFINITIONS

For the purposes of this Agreement:

- (a) "Boundary Limits" means the boundary limits of the Municipality as they exist from time to time and that determine the area over which the Municipality has control and authority;
- (b) "BCUC" means the British Columbia Utilities Commission or successor having regulatory jurisdiction over natural gas distribution utilities in British Columbia;
- (c) "CPCN" means a Certificate of Public Convenience and Necessity granted by the BCUC which allows FortisBC to operate, maintain and install Company Facilities for the distribution of Gas within the Municipality;
- (d) "Company Facilities" means FortisBC's facilities, including pipes, buildings, structures, valves, signage, storage facilities, machinery, vehicles and other equipment used to maintain, operate, renew, repair, construct and monitor a natural Gas Distribution and transmission system;
- (e) "Distribution Pipelines" means pipelines operating at a pressure less than 2071 kilopascals (300 psi);
- (f) "FortisBC Employees" means personnel employed by or engaged by FortisBC including officers, employees, directors, contractors, and agents;
- (g) "Gas" means natural gas, propane, methane, synthetic gas, liquefied petroleum in a gaseous form or any mixture thereof;
- (h) "Gas Distribution" means fixed equipment, structures, plastic and metal lines and pipe, valves, fittings, appliances and related facilities used or intended for the purpose of conveying, testing, monitoring, distributing, mixing, storing, measuring and delivering Gas and making it available for use within the Municipality;
- (i) "Highway" means street, road, lane, bridge or viaduct controlled by the Municipality or Provincial Government of British Columbia;
- (j) "Mains" means pipes used by FortisBC to carry gas for general or collective use for the purposes of Gas Distribution;
- (k) "Municipal Employees" means personnel employed by or engaged by the municipality, including officers, employees, directors, contractors and agents;
- (l) "Municipal Facilities" means any facilities, including highways, sidewalks, conduits, manholes, equipment, machinery, pipes, wires, valves, buildings, structures, signage, bridges, viaducts and other equipment within the Public Places used by the Municipality for the purposes of its public works or municipal operations;

- (m) "Municipal Supervisor" means the Municipal Engineer or other such person designated by the Municipality to receive notices and issue approval as set out in this Agreement;
- (n) "New Work" means any installation, construction, repair, maintenance, alteration, extension or removal work of the Company Facilities in Public Places except;
 - (i) routine maintenance and repair of the Company Facilities that does not involve any cutting of asphalted road surface;
 - (ii) installation or repair of Service Lines whether or not such installation or repair involves cutting of asphalted road surface; or
 - (iii) emergency work;but notwithstanding such exceptions, New Work shall include any installation, construction or removal of the Company Facilities in Public Places that are planned to disturb underground Municipal Facilities;
- (o) "Pipeline Markers" means post, signage or any similar means of identification used to show the general location of Transmission Pipelines and distribution pipelines or FortisBC Rights of Way;
- (p) "Planned Facilities" means those facilities not yet constructed but which have been identified by way of documented plans for the works of the Municipality, for works of third parties, where such works are identified by documented plans approved by the Municipality, or for works of FortisBC submitted to the Municipality subject to Municipal approval;
- (q) "Public Places" means any public thoroughfare, highway, road, street, lane, alley, trail, square, park, bridge, right of way, viaduct, subway, watercourse or other public place in the Municipality;
- (r) "Service Line" means that portion of FortisBC's gas distribution system extending from a Main to the inlet of a meter set and, for the purposes of this Agreement, includes a service header and service stubs;
- (s) "Transmission Pipeline" means a pipeline of FortisBC having an operating pressure in excess of 2071 kilopascals (300 psi); and
- (t) "Utilities" means the facilities or operations of any water, waste water, sewer, telecommunications, energy, cable service or similar service provider located in Public Places within the Municipality.

2. INTERPRETATION

For the purposes of interpreting this Agreement:

- (a) the headings are for convenience only and are not intended as a guide to interpretation of this Agreement;
- (b) words in the singular include the plural, words importing a corporate entity include individuals, and vice versa;
- (c) in calculating time where the agreement refers to "at least" or "not less than" a number of days, weeks, months or years, the first and last days must be excluded and where the agreement refers to "at least" or "not less than" a number of days, Saturdays, Sundays and holidays must be excluded;
- (d) the word "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters, but rather as permitting the general term or statement to refer to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement.

3. OBLIGATION TO ACT IN GOOD FAITH

FortisBC and the Municipality acknowledge and agree that they will act in good faith, in carrying out the terms and conditions of this Agreement and within reasonable time frames, carry out the obligations under this Agreement.

FortisBC and the Municipality will at all times carry out all work and operations with the due care and attention that is necessary to safeguard the interests of the public, their own employees, and the other party's employees.

4. FORTISBC RIGHTS TO ACCESS & USE PUBLIC PLACES

The Municipality hereby acknowledges FortisBC's rights to:

- (a) develop, construct, install, maintain or remove Company Facilities on, over, in and under Public Places in the Municipality;
- (b) enter on Public Places from time to time as may be reasonably necessary for the purpose of maintaining, repairing, or operating the Company's Facilities;
- (c) place pipeline identification markers within Public Places where a Transmission Pipeline or Distribution Pipeline crosses or is otherwise within a Public Place;

subject to terms and conditions defined in this Agreement.

5. FORTISBC COMPLIANCE WITH STANDARDS FOR USE OF PUBLIC PLACES

5.1 Non-discriminatory Standards for FortisBC

In its use of Public Places, FortisBC shall comply with all Federal and Provincial laws, regulations and codes and shall comply with all Municipal bylaws, standards and policies except that FortisBC shall not have to comply with such Municipal bylaws, standards and policies that:

- (a) conflict with terms of this Agreement or limit any rights or concessions granted to FortisBC by the Municipality under this Agreement; or
- (b) conflict with other legislation governing FortisBC.

Further, where the Municipality has established requirements and standards for work in Public Places, the Municipality shall apply them in a fair, reasonable and non-discriminatory manner consistent with the manner that the Municipality establishes requirements on other Utilities.

5.2 Provide emergency contacts.

FortisBC will provide the Municipality with a 24 hour emergency contact number which the Municipality will use to notify FortisBC of emergencies including; gas leaks, third party accidents around work sites, ruptures of gas lines, and other potentially hazardous situations.

5.3 Assist with facility locates

FortisBC will, at no cost to the Municipality, provide locations of its Company Facilities within a time frame as may be reasonably requested by the Municipality unless the reason for the request is the result of an emergency; in which case the information shall be provided forthwith. FortisBC shall provide gas locations from FortisBC records. FortisBC shall perform on site facility locates in accordance with the *Safety Standards Act – Gas Safety Regulations* Section 39.

6. FORTISBC WORK OBLIGATIONS:

6.1 Notices - General Requirements

6.1.1. Notice for New Work

For New Work, FortisBC shall give notice to the Municipality or such officer or official thereof who has been designated from time to time by the Municipality that it intends to perform such New Work. The Notice shall include:

- (a) a plan and specifications showing the proposed location and dimensions of the New Work;

- (b) FortisBC's plans for the restoration of the Public Place affected by the New Work if FortisBC's restoration plans are different from those set out in Section 6.4.2 of this Agreement;
- (c) the name of a FortisBC representative who may be contacted for more information;
- (d) projected commencement and completion dates; and
- (e) such other information relevant to the New Work as the Municipality may reasonably request from time to time.

6.1.2. Exception for Emergency

Where FortisBC is required to carry out work urgently in the interests of public safety or health or to preserve the safety of property and Company Facilities, FortisBC shall not be required to give prior notice but shall do so as soon as possible thereafter.

6.1.3. Municipal Approval for New Work

The Municipality may object to the New Work on the following grounds:

- (a) the proposed location of the New Work conflicts with existing Municipal Facilities, existing third party facilities or Planned Facilities; or
- (b) the proposed location or design of the New Work is likely to compromise public safety or does not conform with Municipal bylaws, standards or policies; or
- (c) in instances where FortisBC can delay the New Work without compromising the supply, capacity or safety of its Gas Distribution System or its customers' need for gas service and the Municipality intends within the next 3 months to undertake work in the same location and wishes to co-ordinate both work;

by providing FortisBC with notice of its objections, provided such objections are reasonable, no more than 10 days after receiving FortisBC's notice of New Work. If the Municipality has not provided such notice of its objections to FortisBC, or in the case of large and complex New Work, the Municipality has not provided FortisBC with a notice to extend the time to reply to FortisBC until a stated time, the Municipality shall be deemed to have granted its approval of the New Work. The Municipality shall not otherwise withhold or delay its approval.

In addition, the Municipality may request FortisBC to provide the public with notice of the New Work.

6.1.4. Work Not to Proceed

If the Municipality has notified FortisBC of its objections or has requested a time extension, no more than 10 days after receiving FortisBC's notice of New Work, FortisBC shall not proceed with the New Work until FortisBC and the Municipality have agreed upon a resolution to the Municipality's objections. If the Municipality and FortisBC are unable to agree, then the matter shall be resolved in accordance with Section 17 (Resolution of Disputes).

6.2 Notice of Service Lines

FortisBC shall provide the Municipality with notice of its intent to install, remove or repair Service Lines no less than three (3) days prior to commencement of such work. FortisBC's request for the location of the Municipality's Utilities shall be deemed to be a notice of FortisBC's intent to install, remove or repair Service Lines. The Municipality may object to such work on the same grounds as set out in Subsection 6.1.3 (a) and (b) above by providing FortisBC with notice of its objections within two (2) days of receiving FortisBC's notice. If the Municipality has not provided such notice of its objections to FortisBC, the Municipality shall be deemed to have granted its approval of the installation, removal or repair of the Service Lines. The Municipality shall not otherwise withhold or delay its approval.

6.3 FortisBC to Obtain Locate Information

Prior to conducting any New Work, FortisBC shall locate other Utilities and satisfy itself that it is clear to proceed.

6.4 Work Standards

All work carried out by FortisBC shall be carried out in accordance with sound engineering practices.

6.4.1. Specific Work Requirements Remove Materials

FortisBC shall keep its work sites clean and tidy. FortisBC shall remove all rubbish and surplus material from Public Places upon completion of its work.

The Company shall not leave any part of its gas system in such a state as to constitute a nuisance or a danger to the public through neglect, non-use and want of repair.

6.4.2. Restore Surface and Subsurface

Where FortisBC has performed any operations or New Work in a Public Place, FortisBC shall restore without unreasonable delay and return such Public Place, as much as reasonably practical, to the condition and use which existed prior to such activity. The restoration will be in accordance with the specifications set out by the Municipality. Such specifications may include the degree and nature of compaction, subsurface structure, surface finish and landscaping required.

Without limiting the generality of this section and by way of example only, the Municipality may require FortisBC to restore asphalt and concrete surfaces with a permanent repair or a temporary repair. Should a temporary repair be directed, FortisBC or the Municipality at its discretion will subsequently construct a permanent repair in accordance to its usual maintenance/replacement schedule for that area. The cost of permanent and temporary repairs to remediate Highway surfaces will be at the expense of FortisBC proportional to the surface area affected by the New Work.

Where FortisBC is required to cut pavement on a Public Place such cuts and restoration will be limited to less than 1.5 meters unless at the discretion of FortisBC a larger excavation is warranted due to the depth or size of the pipe or requirements of the Workers' Compensation Board or other relevant Provincial or Federal regulations. FortisBC will be responsible for any repairs and maintenance of the surface repair for a period of three (3) years. However, where pavement restoration has been conducted by the Municipality, whether or not such work was undertaken to repair cuts on FortisBC's behalf, FortisBC shall not be responsible for the repairs or maintenance of the surface repair.

6.4.3. Repair Damage to Municipal Facilities

To the extent that any of the work being done by FortisBC results in damage to Municipal Facilities or Public Places, other than the usual physical disruption to Public Places caused by the installation of Company Facilities that FortisBC shall restore in accordance with Section 6.4.2 above, FortisBC will, as soon as reasonably possible, report such damage and reimburse the Municipality for its costs arising from such damage calculated in accordance with Section 14.1 below. Where such damage results directly from inaccurate or incomplete information supplied by Municipality, and FortisBC has complied with all applicable laws and regulations, and with instructions supplied by the Municipality, then the cost of repairing damaged Municipal Facilities or Public Places will be at the expense of the Municipality.

6.5 Conformity Requirement

The New Work must be carried out in conformity with FortisBC's notice of New Work except that FortisBC may make in-field design changes when carrying out the New Work to accommodate field conditions which could not have been reasonably foreseen by FortisBC. If such in-field conditions materially impact FortisBC's plans for restoration or materially change the impact of FortisBC's work on Municipal Facilities, other than in respect of projected commencement and completion dates, FortisBC shall notify the Municipality of the changes and the reasons for them as soon as reasonably possible.

6.6 Non-Compliance

If Company Facilities located in Public Places are later found not to be located in compliance with FortisBC's notice of New Work provided in accordance with Section

6.1 and 6.5, then any alteration or upgrading required to bring them into compliance with such notice will be at the expense of FortisBC provided that the work has not been altered, damaged or modified by the Municipality or a third party.

7. COMPANY FACILITY CHANGES REQUIRED BY THE MUNICIPALITY

7.1 Notice of Closure of Public Places

Before any Public Places containing Company Facilities may be legally closed or alienated by the Municipality, the Municipality shall as soon as reasonably possible notify FortisBC of its intent to close or alienate such Public Places and either:

- (a) grant FortisBC a registered statutory right of way in a form satisfactory to FortisBC so as to maintain FortisBC's right to use the land; or
- (b) request FortisBC to remove and (if possible and practicable) relocate those Company Facilities affected by such closure or alienation at the sole cost of the Municipality.

If the Public Places are expropriated by an expropriating authority and FortisBC is required to remove the Company Facilities then the Municipality shall as soon as reasonably possible notify FortisBC of the expropriation. This provision is applicable when the Municipality receives official notice of expropriation or otherwise becomes aware of expropriation through communications with the expropriating authority.

8. FACILITY CHANGES REQUIRED

8.1 By FortisBC

FortisBC may provide Notice to the Municipality that it requires Municipal Facilities to be altered, changed, temporarily shut-down, temporarily by-passed, or relocated to accommodate its requirements. The Municipality will comply with FortisBC's requests to the extent it is reasonably able to do so and with reasonable speed and dispatch after receipt of written request. FortisBC agrees to pay for all of the costs for changes to the affected Municipal Facilities.

8.2 By the Municipality

The Municipality may provide Notice to FortisBC that it requires Company Facilities to be altered, changed or relocated to accommodate its requirements. FortisBC will comply with the Municipality's requests to the extent it is reasonably able to do so and with reasonable speed and dispatch after receipt of written request. The Municipality agrees to pay for all of the costs for changes to the affected Company Facilities. This section 8.2 is an agreement between the Municipality and FortisBC for the purpose of section 76(1)(c) of the *Oil and Gas Activities Act*.

9. JOINT PLANNING, COOPERATION AND COORDINATION

9.1 Conduct of Construction and Maintenance Activities

The Municipality and FortisBC agree to use reasonable efforts in carrying out their construction and maintenance activities in a manner that is responsive to the effect that it may have on the other party, as well as other users of Public Places. Such reasonable efforts include attending the planning meetings described in Section 9.2 below and reducing as much as is practical, the obstruction of access to Public Places, and interference with the facilities and activities of others in Public Places.

9.2 Communication and Coordination Activities

At the initiation of the Municipality, representatives of the Municipality, FortisBC and other affected Utilities and third parties will meet each year, prior to the construction season, to discuss the parties' anticipated construction activities for that year. Such discussions will include

- (a) the use of common trenching, common utility access facilities and such other common facilities as may be commercially reasonable and comply with operating and safety standards; and
- (b) the consolidation of planned maintenance work where pavement must be cut in order to avoid multiple excavations.

9.3 Municipal Planning Lead

During such annual planning meetings, the Municipality shall lead the planning process for all Utilities and third parties with Planned Facilities in Public Places.

10. MUTUAL INDEMNITY

10.1 Indemnity by FortisBC

10.1.1. FortisBC indemnifies and protects and saves the Municipality harmless from and against all claims by third parties in respect to loss of life, personal injury (including, in all cases, personal discomfort and illness), loss or damage to property caused by FortisBC in:

- (a) placing, constructing, renewing, altering, repairing, maintaining, removing, extending, operating or using the Company's Facilities on or under any Public Places;
- (b) any breach of this Agreement by FortisBC;

except to the extent contributed by negligence or default of the Municipality or the Municipal Employees.

10.1.2. This indemnity expressly extends to all acts and omissions of FortisBC Employees.

10.2 Indemnity by the Municipality

10.2.1. The Municipality indemnifies and protects and saves FortisBC harmless from and against all claims by third parties in respect to loss of life, personal injury (including, in all cases, personal discomfort and illness), loss or damage to property to the extent caused by the Municipality in:

- (a) placing, constructing, renewing, altering, repairing, maintaining, removing, extending, operating or using the Municipal Facilities on or under any Public Places;
- (b) any breach of this Agreement by the Municipality;

except to the extent contributed by the negligence or default of FortisBC or FortisBC Employees.

10.2.2. This indemnity expressly extends to all acts and omissions of Municipal Employees.

10.3 Limitations on Municipality's Liability

All property of FortisBC kept or stored on the Public Places will be kept or stored at the risk of FortisBC. For further certainty, FortisBC acknowledges that the Municipality has made no representations or warranties as to the state of repair or the suitability of the Public Places for any business, activity or purpose whatsoever. FortisBC accepts its use of Public Places on an "as is" basis.

11. OPERATING FEE

11.1 Fee Calculation

11.1.1. FortisBC agrees to pay to the Municipality a fee of three percent (3%) of the gross revenues (excluding taxes) received by FortisBC for provision and distribution of all gas consumed within the Boundary Limits of the Municipality, excluding all compressed natural gas and liquefied natural gas distributed from fueling stations, the provision and delivery of all liquefied natural gas, and all gas consumed by customers from whom the BCUC has not allowed FortisBC to collect the fee, and provided that the Municipality is permitted by law to charge such a fee. Such amount will not include any amount received by FortisBC for gas supplied or sold for resale.

11.1.2. The Municipality will provide FortisBC with thirty (30) days prior written notice of any boundary expansion so that existing and new customers in the expanded area can be included as a part of the annual payment fee.

11.1.3. FortisBC will be responsible for adding those existing and new customers within the new Municipal boundary upon receipt of such notice from the Municipality and the revised calculation of the fee will commence effective the date that is the later of the date of actual boundary change or thirty (30) days after the notification under section 11.1.2.

11.2 Payment Date and Period

Payments by FortisBC to the Municipality will be made on the first day of March of each year of the Agreement in respect of the amount received by FortisBC during that portion of the term of this Agreement which is in the immediately preceding calendar year. By way of example only, payment made on March 1, 2018 will be the amount received during the 2017 calendar year.

11.3 BCUC Decision or Provincial Legislation

In the event that a decision by the BCUC, other than periodic rate changes as a result of commodity, delivery or margin increases or decreases, or new legislation by the Provincial Government, impacts the operating fee being paid to the Municipality so as to increase it or decrease it by more than 5% annually at the time of the decision or in subsequent years, the parties shall negotiate a new operating fee formula which best reflects the revenue stream received by the Municipality under this Agreement. For greater certainty, the parties acknowledge that a change to the BCUC's decision that FortisBC shall provide the agency billing and collections service for marketers on a mandatory basis, as set out in the "Business Rules for Commodity Unbundling dated June 5, 2003 as set out in Appendix A to Letter No. L-25-03, may impact the operating fee being paid to the Municipality.

12. OTHER APPROVALS, PERMITS OR LICENSES

Except as specifically provided in this Agreement, the Municipality will not require FortisBC to seek or obtain approvals, permits or licenses. The Municipality will not charge or levy against FortisBC any approval, license, inspection or permit fee, or charge of any other type, that in any manner is related to or associated with FortisBC constructing, installing, renewing, altering, repairing, maintaining or operating Company Facilities on any Public Places or in any manner related to or associated with FortisBC exercising the powers and rights granted to it by this Agreement (other than for repair of damage to the Municipal Facilities or Public Places in accordance with Section 14).

If the Municipality does charge or levy fees or costs against FortisBC (other than for repair of damage to the Municipal Facilities or Public Places in accordance with Section 14) then FortisBC may reduce the annual operating fee payable to the Municipality under Section 11 by an amount equal to such charges, fees or costs or in the event no annual operating fee is payable, FortisBC will not be required to pay such charges or fees or costs.

13. MUNICIPAL OBLIGATIONS

13.1 Municipal Work

13.1.1. Before the Municipality undertakes any construction or maintenance activity which is likely to affect a part of the Company Facilities, excluding routine maintenance and repair that does not involve any cutting of asphalted road surface, it must give FortisBC notice not less than 10 days before commencing such construction or maintenance activity.

Before the Municipality undertakes routine maintenance and repair that does not involve any cutting of asphalted road surface and is likely to affect Company Facilities, it must give FortisBC notice not less than 3 days before commencing such construction or maintenance activity.

13.1.2. Where the Municipality is required to carry out work urgently in the interests of public safety or health or to preserve the safety of property and Municipal Facilities, the Municipality shall not be required to give prior notice but shall do so as soon as possible thereafter.

13.1.3. FortisBC will be entitled to appoint at its cost a representative to inspect any construction or maintenance activity undertaken by the Municipality. The provisions of this section do not relieve the Municipality of its responsibilities under the *Safety Standards Act, Oil and Gas Activities Act*, and successor legislation, regulations thereunder, or the requirements of the BC Workers' Compensation Board.

13.1.4. In addition, the Municipality shall provide Notice to FortisBC of any work planned that will be adjacent to, across, over or under a Transmission Pipeline or within a right-of-way for a Transmission Pipeline. To the extent that FortisBC requires that permit be issued for construction or other activities within a Transmission Pipeline right-of-way, the Municipality will submit an application for such a permit in sufficient time for the application to be reviewed and approved by FortisBC prior to the commencement of the construction or other activity.

13.1.5. The Municipality shall assist FortisBC in FortisBC's efforts to reduce instances of residences being built over gas lines and other similarly unsafe building practices by third parties.

13.1.6. The Municipality shall not interfere with Transmission Pipeline markers.

13.1.7. The Municipality shall provide notice to FortisBC of any damage caused by the Municipality to Company Facilities or Transmission Pipeline Markers as soon as reasonably possible. To the extent that any of the work being done by the Municipality results in damage to the Company Facilities, the Municipality will report such damage and pay FortisBC its costs arising from such damage in accordance with Section 14.1 below.

condition. If this condition is not fulfilled or waived within one (1) year of the date of execution of this Agreement, then the obligation on FortisBC to make reasonable efforts to fulfill this condition will terminate, and neither party will have any further obligation to the other under this Agreement.

15.3 Termination of Franchise Agreement

If not already terminated or expired, any franchise and operating agreement between the Municipality and FortisBC is terminated upon the effective date of this Agreement as referred to in section 15.2 of this Agreement.

15.4 Term of Agreement

This Agreement will have a term of 20 years from the date that it comes into effect and after the initial term shall continue indefinitely unless terminated in accordance with Section 15.5 below.

15.5 Termination of Agreement

15.5.1. This Agreement may be terminated by the Municipality upon the occurrence of any of the following events:

- (a) FortisBC admits its inability to pay its debts generally as they become due or otherwise acknowledges its insolvency;
- (b) FortisBC starts proceedings or takes any action to commence or executes an agreement to authorize its participation in any proceeding:
 - (i) seeking to adjudicate it bankrupt or insolvent;
 - (ii) seeking liquidation, reorganization, arrangement, protection, relief or composition of it or any of its property or debt or making a proposal with respect to it under any law relating to bankruptcy, insolvency, reorganization or compromise of debts or other similar laws; or
 - (iii) seeking the appointment of a receiver, trustee, agent, custodian or other similar official for it or for any substantial part of its assets or if a creditor seeks the appointment of a receiver, trustee, agent, custodian or other similar official for any substantial part of its assets; and such proceeding is not dismissed, discharged, stayed or restrained within 20 days of the Municipality becoming aware of it.

15.5.2. Either party may terminate if other breaches any term, provision, obligation hereunder and such breach, is a material major breach, and has not been cured within sixty (60) days of receipt of Notice of such breach. A Party will not be considered to be in default if such matter is in dispute

or has been referred to commercial arbitration, the outcome of which is pending, or is being resolved in good faith compliance with the dispute resolution and arbitration processes of this Agreement.

15.5.3. After the initial twenty (20) year term of this Agreement, either party may terminate this Agreement by giving the other not less than one (1) year's notice of termination.

15.6 Amendments and Waivers

This Agreement may be amended only by an agreement in writing signed by the parties. No waiver of any provision nor consent to any exception to the terms of this Agreement shall be effective unless in writing and signed by the parties to be bound, and then only to the specific purpose, extent and instance so provided. No waiver, delay or failure to exercise any rights under this Agreement shall be construed as a continuing waiver of such right or as a waiver of any other right under this Agreement.

The parties agree to meet to discuss the operations of the Agreement within thirty (30) days of either party making the request. Such a meeting will determine whether any amendments are required to this Agreement and the parties shall discuss any proposed amendments with a view to maximizing the benefit of the relationship.

15.7 Negotiations on Termination or Expiry of this Agreement

Upon one party giving Notice to the other of termination of this Agreement, the parties shall negotiate in good faith to enter into a new agreement with respect to the terms and conditions under which FortisBC may use the Public Places. In the event that such negotiations break down and in the opinion of one or other of the parties acting in good faith that settlement is unlikely, either party may give Notice to the other of its intention to apply to the BCUC to seek resolution of the terms and conditions applicable to FortisBC's continued operations and construction activities within the Municipality.

15.8 Continuity In The Event No Agreement Is Settled

Upon termination of this Agreement, if a new agreement has not been ratified or if the BCUC has not imposed the terms and conditions under which FortisBC may use the Public Places, the following provisions will apply:

- (a) The Company Facilities within the boundary limits of the Municipality both before and after the date of this Agreement, shall remain FortisBC's property and shall remain in the Public Places.
- (b) The Company Facilities may continue to be used by FortisBC for the purposes of its business, or removed from Public Places in whole or in part at FortisBC's sole discretion.
- (c) FortisBC may continue to use Public Places within the Municipality for the purposes of its business. FortisBC's employees, may enter upon all the Public Places within the Boundary Limits of the Municipality to maintain,

operate, install, construct, renew, alter, or place Company Facilities; provided that FortisBC continues to operate in a manner consistent with the terms and conditions of this Agreement as if the term had been extended except with respect to the payment of the operating fee.

- (d) FortisBC will with the support of the Municipality take such steps necessary to seek BCUC approvals of the extension of terms and conditions including payment of the operating fee under the terminated agreement during negotiations of a new agreement.
- (e) Should FortisBC no longer be authorized or required to pay the operating fee under any Agreement between it and the Municipality or by any order of the BCUC, the Municipality shall be free to apply such approval, permit and licence fees, charges and levies it is legally entitled to collect.

16. ACCOMMODATION OF FUTURE CHANGES

16.1 Outsourcing of Infrastructure Management

In the event that the Municipality assigns the task of infrastructure management to a third party the Municipality will ensure that:

- (a) its contracts for such infrastructure management contain provisions that will allow the Municipality to meet its obligations under and to comply with the terms and conditions of, this Agreement, and
- (b) FortisBC will accept the appointment of such third party as the Municipality's agent or subcontractor to enable such third party to deal directly with FortisBC so as to enable the Municipality to comply with the terms, obligations and conditions of this Agreement.

16.2 Changes to the Community Charter

In the event that the provisions of the *Community Charter* or other legislation affecting the rights and powers of municipalities change in such a way as to materially, in the opinion of the Municipality, affect municipal powers in respect to matters dealt with in this Agreement,

- (a) the Municipality may within one year of the change coming into effect propose new agreement terms with respect to only those specific changes and FortisBC agrees to negotiate such terms; and
- (b) failing satisfactory resolution of the terms of the Agreement either of the parties may seek resolution through the Dispute Resolution Process, Section 17.

16.3 Changes to the Utilities Commission Act

In the event that the provisions of the *Utilities Commission Act* or other legislation affecting the rights and powers of regulated Utilities change in such a way as to materially, in FortisBC's opinion, affect FortisBC's powers in respect to matters dealt with in this Agreement,

- (a) FortisBC may within one year of the change coming into effect propose new agreement terms with respect to only those specific changes and the Municipality agrees to negotiate such terms; and
- (b) failing satisfactory resolution either of the parties will seek resolution through the Dispute Resolution Process, Section 17.

17. DISPUTE RESOLUTION

17.1 Mediation

Where any dispute arises out of or in connection with this Agreement, including failure of the parties to reach agreement on any matter arising in connection with this Agreement, the parties agree the dispute shall be mediated pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc.

17.2 Referral to the BCUC or Arbitration

If the parties fail to resolve the dispute through mediation, the unresolved dispute shall be referred to the BCUC if within its jurisdiction. If the matter is not within the jurisdiction of the BCUC, such unresolved dispute shall be referred to, and finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada, Inc. Unless the parties agree otherwise the arbitration will be conducted by a single arbitrator.

17.3 Additional Rules of Arbitration

The arbitrator shall issue a written award that sets forth the essential findings and conclusions on which the award is based. The arbitrator will allow discovery as required by the *Commercial Arbitration Act* of British Columbia in arbitration proceedings.

17.4 Appointment of Arbitrator

If the arbitrator fails to render a decision within thirty (30) days following the final hearing of the arbitration, any party to the arbitration may terminate the appointment of the arbitrator and a new arbitrator shall be appointed in accordance with these provisions. If the parties are unable to agree on an arbitrator or if the appointment of an arbitrator is terminated in the manner provided for above, then any party to Agreement shall be entitled to apply to a judge of the British Columbia Supreme Court to appoint an arbitrator and the arbitrator so appointed shall proceed to determine the matter *mutatis mutandis* in accordance with the provisions of this Section.

17.5 Award of Arbitrator

The arbitrator shall have the authority to award:

- (a) money damages;
- (b) interest on unpaid amounts from the date due;
- (c) specific performance; and
- (d) permanent relief.

17.6 Cost of Arbitration

The costs and expenses of the arbitration, but not those incurred by the parties, shall be shared equally, unless the arbitrator determines that a specific party prevailed. In such a case, the non-prevailing party shall pay all costs and expenses of the arbitration, but not those of the prevailing party.

17.7 Continuation of Obligations

The parties will continue to fulfill their respective obligations pursuant to this Agreement during the resolution of any dispute in accordance with this Section 17, provided that, neither party shall proceed with any work or activity or take any further action which is the subject matter of the dispute.

18. GENERAL TERMS & CONDITIONS

18.1 No Liens

FortisBC will do its best to not allow, suffer or permit any liens to be registered against the Company Facilities located in Public Places as a result of the conduct of FortisBC. If any such liens are registered, FortisBC will start action to clear any lien so registered to the Public Place within ten (10) days of being made aware such lien has been registered. FortisBC will keep the Municipality advised as to the status of the lien on a regular basis. In the event that such liens are not removed within ninety (90) days of the registration of such lien, FortisBC will pay them in full or post sufficient security to ensure they are discharged from title.

18.2 Corporate Authority

FortisBC now warrants, represents and acknowledges that:

- (a) it has the full right, power and authority to enter into this Agreement;
- (b) it is a corporation, duly organized, legally existing and in good standing under the laws of its jurisdiction of incorporation or continuance and is lawfully registered and licensed to do business in British Columbia.

18.3 Representations

Nothing in this Agreement shall be deemed in any way or for any purpose to constitute either party as the legal representative, agent, partner or joint venturer of the other, nor shall either party have the right or authority to assume, create or incur any liability or any obligation of any kind, express or implied, against, in the name of, or on behalf of the other party.

18.4 Assignments and Enurement

This Agreement and any rights or obligations under it are not assignable by either party, without the prior written consent of the other party hereto, such consent not to be unreasonably withheld. This Agreement shall be binding upon, enure to the benefit of, and be enforceable by, the successors and permitted assigns of the parties hereto.

18.5 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia.

18.6 General

This Agreement is subject to the laws of Province of British Columbia and the applicable laws of Canada, and nothing in this Agreement will be deemed to exclude the application of the provisions of such laws, or regulations thereunder.

18.7 Entire Agreement

This Agreement constitutes the entire agreement and understanding of the parties with respect to the subject matter herein contained and supersedes all prior agreements and undertakings with respect thereto.

18.8 Severability

If any provision of this Agreement is held invalid by any court, governmental agency or regulatory body, the other provisions to the extent permitted by law shall remain in full force and effect. To the extent permitted by applicable law, the parties hereby waive any provision of law that renders any provision hereof prohibitive or unenforceable in any respect.

18.9 Force Majeure

Neither party shall be liable to the other for temporary failure to perform hereunder, if such failure is caused by reason of an Act of God, labour dispute, strike, temporary breakdown of facilities, fire, flood, government order or regulations, civil disturbance, non-delivery by program suppliers or others, or any other cause beyond the parties' respective control.

18.10 Notice

Any notice or other written communication required, or permitted to be made or given pursuant to this Agreement (the "Notice") shall be in writing and shall be deemed to have been validly given if delivered in person or transmitted electronically and acknowledged by the respective parties as follows:

A) if to the Municipality:

THE CORPORATION OF THE CITY OF CASTLEGAR
460 Columbia Avenue
Castlegar, B.C. V1N 1G7

(B) If to FortisBC:

FORTISBC ENERGY INC.
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Attention: ~~Vice President, Regulatory Affairs~~ *col*

THE CORPORATION OF THE CITY OF CASTLEGAR


by its authorized signatories


Authorized Signatory *Bruno Tassone, Mayor*


Authorized Signatory *Tracey Butler, Director of Corporate Services*

FORTISBC ENERGY INC.

by its authorized signatories


Authorized Signatory

D.L. Stout
Vice - President
Market Development
& External Relations

Authorized Signatory

Appendix B

**FEI – CASTLEGAR FRANCHISE AGREEMENT DATED
OCTOBER 13, 1998**

BC Gas Utility Ltd.
Legal Services
1111 West Georgia Street
Vancouver, British Columbia
Canada V6E 4M4

Tel (604) 443-6561
Fax (604) 443-6789



November 5, 1998

R.J. Pellatt
British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Dear Mr. Pellatt:

**Re: Renewal of Franchise Agreement ("Agreement")
Between BC Gas Utility Ltd. and The City of Castlegar**

Enclosed for filing is an executed copy of the above noted renewal agreement effective August 30, 1998 to August 29, 2008. The Agreement was ratified by the attached Bylaw No. 834 and Statutory Approval Certificate of The City of Castlegar. Pursuant to Section 45 of the Utilities Commission Act, BC Gas seeks Commission approval of the Agreement.

Questions regarding this matter should be directed to Ms. Sarah Lerner-Neiman at 443-6379.

Yours truly,

BC Gas Utility Ltd.

Sarah Lerner-Neiman
Senior Solicitor

SLN/ler
Encls.

cc: The City of Castlegar

STANDARD FORM FRANCHISE AGREEMENT

**Schedule "A"
to City of Castlegar
Bylaw 834**

THIS AGREEMENT made this 13th day of October, 1998

**Between: BC GAS UTILITY LTD.
111 West Georgia Street
Vancouver, British Columbia
Canada V6E 4M4**

**And: THE CITY OF CASTLEGAR
460 Columbia Avenue
Castlegar, British Columbia
Canada V1N 1G7**

BC GAS UTILITY LTD. STANDARD FORM FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT made this 13th day of OCTOBER, 1998.

BETWEEN:

The Corporation of the City of Castlegar
460 Columbia Avenue
Castlegar, British Columbia
V1N 1G7

(hereinafter called the "Municipality")

OF THE FIRST PART

AND:

BC Gas Utility Ltd., a body corporate duly incorporated under the laws of the Province of British Columbia, and having its registered office in the City of Vancouver, in the Province of British Columbia

(hereinafter called the "Company")

OF THE SECOND PART

WHEREAS the Company has entered into gas purchase contracts for the supply of gas by pipeline for the purposes of making same available for distribution in British Columbia in accordance with the terms of such contracts.

AND WHEREAS the Company was formed for the purpose of engaging in the business of transporting, supplying, distributing and selling gas for industrial, commercial, domestic and other uses for power, heat and energy, and pursuant to the terms and conditions of its contracts with its suppliers, has available for such uses supplies of gas for the purpose of making same available to the Municipality and to consumers within, or in the environs of, the Municipality.

AND WHEREAS the Company has constructed and is operating all the necessary facilities, pipelines, mains and pipes for a supply of gas (which term as used in this Agreement shall include natural gas, manufactured gas, mixed gas, liquefied petroleum gas, synthetic natural gas, liquefied natural gas, and/or other utility gases or any of them or any mixtures thereof) to the Municipality and such consumers or customers as are situated within the boundary limits thereof and is willing to continue to do so on the terms and conditions hereinafter set forth.

AND WHEREAS it is to the mutual advantage of the Company and the Municipality to enter into this Agreement.

AND WHEREAS the Company has constructed the necessary transmission and distribution facilities, all in accordance with governmental, municipal, or other regulatory authorities having jurisdiction over same for the supply of gas to and within the Municipality.

NOW THEREFORE THIS INDENTURE WITNESSETH that in consideration of the premises and mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. GRANT OF FRANCHISE

The Municipality hereby grants to the Company, its successors and assigns, subject to the terms, conditions and provisions hereinafter contained, the full power, right and liberty to place, construct, renew, alter, repair, maintain, operate and use its pipes and other equipment and appliances (which pipes and other equipment and appliances are hereinafter sometimes called "the gas system"), for mixing, transmitting, distributing, delivering, furnishing, selling and taking delivery of gas upon, along, across, over or under any public thoroughfare, highway, road, street, lane, alley, square, park, public place, bridge, viaduct, subway or watercourse in the Municipality (all or any of which are hereinafter sometimes called "public places") as may be necessary or convenient for the purposes of supplying and conducting gas to the consumers thereof, and the Company by its officers, employees, contractors and licensees as to that end authorized to enter upon any and all public places and to break at its own expense the surface and to make the necessary excavation thereon when and where the same may be required for the aforesaid purpose, and to do all other things reasonably necessary or convenient for the purpose of supplying gas to the inhabitants of the Municipality, and placing, constructing, renewing, altering, repairing, maintaining, operating and using the gas system doing as little damage as may be in the execution of the powers hereby granted, and causing as little obstruction as possible during the progress of the work, and at all other times, and restoring without unreasonable delay the public places in the Municipality to a state of repair or conditions as nearly as reasonably possible as existed immediately before the commencement of such work, and the Company shall at all times, while any public place shall be broken up, cause safeguards to be set up and maintained during which same shall be broken up, and a proper guard during the day to the satisfaction of the Municipal Clerk or such other officer as may be appointed by the Municipality for that purpose.

2. NOT TO INTERFERE WITH EXISTING FACILITIES

The gas system shall be placed and constructed in such manner as not to interfere with any public or private sewer or any other pipe, conduit, duct, manhole or system belonging to the Municipality or which shall have been previously laid down and be then subsisting in any public place by, or with the permission or approval of the Municipality, or by virtue of any charter or right granted by competent government or municipal authority.

3. COMPANY TO INDEMNIFY MUNICIPALITY

The Company agrees with the Municipality that it shall protect, indemnify and save harmless the Municipality from and against all actions, proceedings, claims and demands of any corporation, firm or person against the Municipality and will reimburse the Municipality for all damage and expenses caused to it in respect of or by the execution by the Company of the authorities, permissions and rights hereby granted to it or by reason of the construction, maintenance or operation of the gas system of the Company within the boundary limits of the Municipality, except where caused by or contributed to by the negligence or default of the Municipality or its servants or agents. The Company further agrees that it shall protect and indemnify the Municipality from and against all claims, demands and actions by third persons in respect of damages sustained by reason of any operations of the Company in connection with the execution of the powers hereby granted, or by reason of any operations of the Company in relation to its gas system.

4. WRITTEN NOTICE EXCEPT IN EMERGENCIES

The Company shall give notice in writing to the Municipality or such officer or official thereof as shall be designated from time to time by the Municipality for the purposes set out in Clause Five (5), of its intention to break up, dig, trench, open up or excavate any, or in or on any, public place, not less than three (3) clear days before the beginning of such work, except in such cases of repair, maintenance or the like that can reasonably be deemed to be emergencies or in the interests of the health or safety of the public, or of the safety of property by whomsoever owned, or any of them, in which cases no notice need be first given but shall be given as soon as practicable thereafter.

5. APPROVAL OF GAS SYSTEM PLANS

A plan showing the proposed location of the gas system to be placed or constructed from time to time shall be first submitted to and approved by such officer or official as shall be designated from time to time by the Municipality for that purpose, and the gas system shall not be placed or constructed without such approval, provided always it shall not be unreasonably withheld.

6. NOTICE TO COMPANY OF MUNICIPAL WORKS

The Municipality agrees with the Company that before it makes any additions, repairs or alterations to any of its public services within the boundary limits of the Municipality, and which additions, repairs or alterations may in any way affect any part of the gas system of the Company, it shall give to the Company at its main office in the Province of British Columbia or such other office as the Company may advise the Municipality in writing from time to time not less than three (3) clear days' notice thereof, except in such cases of repair, maintenance or the like that can reasonably be deemed to be emergencies or in the interests of the health or safety of the public, or of the safety of property by whomsoever owned, or any of them, in which case no notice need be first given but shall be given as soon as practicable thereafter. The Company shall be entitled to appoint a representative to supervise or advise in respect to such additions, repairs or alterations. The provisions of this clause shall not relieve the Municipality of its responsibilities under regulations pursuant to the Gas Safety Act, R.S.B.C. 1979, Chapter 149 and any amendments thereto.

7. CLOSURE OF PUBLIC PLACES BY MUNICIPALITY

Should any of the public places under or on which any part of the gas system of the Company lies or is constructed, be legally closed or alienated by the Municipality or by or under any other paramount authority, the Municipality shall notify the Company forthwith, and the Company agrees that with all reasonable speed and dispatch after receipt of written notice from the Municipality, it shall remove and (if possible and practicable) relocate, subject as aforesaid to the approval of the Municipality, that part of its gas system so affected by such closure or alienation, the cost of such removal or relocation to be at the cost and expense of the Municipality, unless such removal or relocation has been enforced upon the Municipality by any such other paramount authority without the Municipality having applied therefor.

8. ALTERATIONS TO WORK

Notwithstanding anything hereinbefore contained, if either party shall request the other party to make some change in such other party's pipes, equipment, plant or appliances installed on, over, under or adjacent to, public property in order to facilitate the installation or construction of new pipes, equipment, plant or appliances by the requesting party, such other party shall, if it reasonably can, carry out the change or alteration requested and shall charge the requesting party with the entire cost thereof. Such costs shall include without limiting the generality of the foregoing, such overhead charges on labour and materials as may be from time to time be charged by the non-requesting party, as well as all expenses and disbursements incurred by the non-requesting party in carrying out such change or alteration.

9. DAMAGE TO GAS SYSTEM

If the Municipality shall destroy or damage any part of the gas system on, over, or under, public property which was installed before or after the date hereof the Municipality shall bear the cost of repairing the damaged gas system in such manner as to restore the damaged gas system to as good a state of repair as had existed prior to the occurrence of such damage or destruction and to the reasonable satisfaction of the Company.

10. GAS RATES CHARGES TO CONSUMERS

The Company agrees that the rates which the Company shall charge for gas sold to the Municipality or other consumers or customers taking delivery in the manner aforesaid within the boundary limits of the Municipality shall be the applicable rates filed with and approved by the British Columbia Utilities Commission or its successor.

11. ALLOCATION OF GAS

If the Company shall at any time not have a sufficient supply of gas to supply all the requirements of connected customers, the Company shall have the right to prescribe reasonable rules and regulations for allocating the available supply of gas for such requirements to domestic, commercial and industrial customers or consumers in that order or priority, or as approved by the British Columbia Utilities Commission or its successor.

12. EXTENSION OF SERVICES

Subject to the elements, acts of God and the Queen's enemies, and generally all shortages of supply or delays in delivery caused or resulting directly or indirectly from causes beyond the reasonable control of the Company, but commencing only after the construction and putting into service of facilities so to do, the Company shall supply such reasonable quantities of gas as may be required for consumption or purchase by its customers or consumers within the boundary limits of the Municipality, provided that such requirements are to be supplied to places or buildings lying or being on property fronting or lying alongside a main or pipe of the gas system of the Company. The property line of such property shall be the place of delivery of all gas supplied by the Company. The Company shall also supply and install a meter suitably located on the property and a service pipe line from the property line to the meter in accordance with the costs and terms set forth in the

Company's tariff and revisions thereto as filed with and approved by the British Columbia Utilities Commission or its successor, from time to time. The said meter and service pipe line shall be located and installed in a manner and at a location selected by the Company, and shall remain the property of the Company. The expense and risk of utilizing and using such gas after delivery at the said property line shall be borne by the customer or consumer and not by the Company unless any loss or damage occasioned by such utilization or user is directly attributed to the negligence or carelessness of the Company, its servants or agents.

13. COMPLIANCE WITH GAS SAFETY LEGISLATION

The Company agrees that the gas supplied to the Municipality and its inhabitants and to consumers or customers situated within its boundary limits shall at all times be of a quality and standard conforming with the regulations for the time being in force and from time to time formulated under the provisions of the Electricity and Gas Inspection Act being 1980-83 Chapter 86 of the Statutes of Canada, and any amending statutes, and also conforming with any regulations or laws applicable thereto, whether such regulations or laws be made or issued by the Government of Canada or by the Province of British Columbia and whether now or hereafter brought in force and effect.

14. FEE FOR FRANCHISE RIGHTS

As compensation for the use by the Company of the public places, as provided in Clause One (1) hereof, and for the exclusive charter, right, franchise, or privilege to supply gas granted herein, the Company shall pay to the Municipality on the first day of November in each year during the term of this Agreement a sum equal to three (3%) percent of the amount received in each immediately preceding calendar year by the Company for gas consumed within the boundary limits of the Municipality, but such amounts shall not include any percentage for or based upon any revenues received by the Company from gas supplied for resale. On the last day of March of the year immediately following the expiry or termination of this Agreement, the Company shall pay to the Municipality a sum equal to three (3%) percent of the amount received by the Company for gas consumed within the boundary limits of the Municipality during the period from the commencement of the preceding calendar year to the expiry or termination of this Agreement. Such compensation shall not be or be deemed to be in lieu of any taxes, rates, or licence fees otherwise properly payable to the Municipality.

15. DURATION AND EXCLUSIVITY OF FRANCHISE

Subject as hereinafter provided the Municipality hereby covenants and agrees with the Company that the powers hereby granted to the Company for the purpose aforesaid are and shall be granted to the Company exclusively for a period of ten (10) years commencing the **30th day of August, 1998** and expiring on the **29th day of August, 2008** (the "Primary Term") and continuing from year to year after the expiry of the Primary Term until terminated by either party upon twelve (12) months' written notice of termination received one year prior to the expiry of the Primary Term or any anniversary thereafter. Notwithstanding the foregoing, the term of this Agreement shall not continue longer than twenty-one (21) years. During the Primary Term or any extension of the term of this Agreement thereafter the Municipality shall not itself supply gas to any of its inhabitants, or use or allow or consent to any other person, firm, or corporation to supply or distribute gas to any of its inhabitants, or to use the said public places, or any of them, for the purpose of laying gas mains or pipes along, through or under the same; for the purpose of supplying or distributing gas within the boundary limits of the Municipality.

16. RENEWAL

Either party hereto shall have the right at any time prior to six (6) months before the expiration of the term of this Agreement, hereinbefore in Clause Fifteen (15) set out, to give to the other party notice in writing of its desire for a new agreement with powers as hereunder for a term of twenty-one (21) or lesser number of years, and upon such terms and conditions as may be mutually agreed upon. As soon as possible after giving of such notice, the parties shall, in the interest of both of them, enter into negotiations looking towards such a new agreement and shall use their best endeavours to bring such negotiations to a mutually satisfactory conclusion before the expiration of this Agreement.

17. OWNERSHIP OF THE GAS SYSTEM

Upon the termination of this Agreement, the gas system of the Company shall be and remain the Company's property and as such may be used by it in its business or removed in whole or in part as it may see fit, and for any of such purposes, but subject to the conditions of Clause One (1), the Company may enter in, upon and under all the public places in the Municipality and otherwise for the purpose of the maintenance, renewals, repair, removal or operation of the gas system or any part thereof; provided that the Company shall not leave any part of its gas system in such a state as to constitute a nuisance or a danger to the public through neglect, non-use and want of repair.

18. ASSIGNMENT

This Agreement shall be assignable by the Company to a subsidiary, or to its successor, without the consent of the Municipality but otherwise shall only be assignable by the Company with the prior written consent of the Municipality, such consent not to be unreasonably withheld. Subject to the foregoing, this Agreement shall enure to the benefit of and be binding on the parties hereto and their respective successors and assigns.

19. AGREEMENT SUBJECT TO LAW

This Agreement and everything herein contained shall be subject to the provisions of any statutory provision of the Government of Canada or of the Province of British Columbia relative thereto, and of the proper authorities and powers of the British Columbia Utilities Commission of the Province and nothing herein contained shall be deemed to exclude the application of the provisions of such statutory provisions or any jurisdiction thereof or thereunder, or of the British Columbia Utilities Commission or shall be deemed to be a waiver or abandonment by the Company of any right, privilege, or benefit conferred upon it by such statutory provisions.

20. RESOLUTION OF DISPUTES

If at any time during the term of this Agreement any dispute, difference or question shall arise between the parties hereto touching the construction, meaning or effect of this Agreement or concerning any clause or thing contained herein or the rights or liabilities of the parties respectively under this Agreement, or if the parties are unable to agree with respect to any matter or thing hereof, then every such dispute, difference or question, if within the jurisdiction of the British Columbia

Utilities Commission shall be determined by the British Columbia Utilities Commission and if not within such jurisdiction, shall be referred to arbitration pursuant to the Commercial Arbitration Act (B.C.).

21. BOUNDARY LIMITS

In this Agreement the words "boundary limits" or "limits" of the Municipality or like terms, shall mean the boundary limits or limits of the Municipality as exists from time to time and over which the Municipality has control and authority.

22. NOTICE

Any notice, demand or request required or desired to be given under the terms or in respect of this Agreement shall be deemed to have been well and sufficiently given if mailed prepaid registered post, and addressed respectively as follows:

- (a) if given to the Municipality:

The Corporation of the City of Castlegar
460 Columbia Avenue
Castlegar, British Columbia
V1N 1G7

- (b) if given to the Company:

BC Gas Utility Ltd.
1111 West Georgia Street
Vancouver, British Columbia
Canada, V6E 4M4

Attention: Corporate Secretary

or at such other address as may from time to time be specified in writing by a party hereto, and shall be deemed to have been given three (3) days after the mailing thereof, non postal delivery days excepted.

23. AGREEMENT TO ENURE


Subject to the terms hereof this Agreement shall enure to the benefit of and be binding upon the Municipality, its successors and assigns, and upon the Company, its successors and assigns.

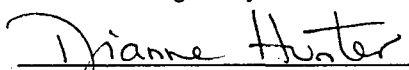
24. AGREEMENT NOT BINDING UNTIL APPROVED

This Agreement shall not be binding upon the parties unless and until it has been approved or assented to as required by law and is subject to the approval of the British Columbia Utilities Commission, and shall not be binding upon the Municipality until it has been authorized or adopted by By-law of the Municipality, which By-law shall before coming into force be subject to the approval of the Minister. This Agreement will be null and void if the conditions set out in this clause are not all met within five (5) months of the date first above written.


IN WITNESS WHEREOF the parties hereto have hereunto caused their respective corporate seals to be affixed, attested to by the signatures of their officers in that behalf, the day and year first above written.

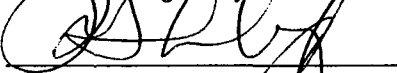
The Municipal Seal of the **Corporation**)
of the City of Castlegar was)
hereunto affixed in the presence of:)


_____)
Authorized Signatory)


_____)
Authorized Signatory)

The Common Seal of **BC Gas Utility Ltd.**)
was hereunto affixed in the presence)
of:)


_____)
Authorized Signatory)


_____)
Authorized Signatory)

Appendix C

**REVISIONS TO CITY OF CASTLEGAR OPERATING
AGREEMENT COMPARED TO KEREMEOS TERMS**

Appendix C
Revisions to City of Castlegar Operating Agreement Terms Compared to Keremeos Terms

1. **Section 6.2**, third line, capitalization of utilities:
 - "...the Municipality's utilities..." now reads "...the Municipality's Utilities..."
2. **Section 6.4.1**, last line of the second paragraph, replacing "or" with "of":
 - "...non-use and want or repair." now reads "...non-use and want of repair."
3. **Section 11.1.1**, addition of clarifying language to reflect that the operating fee is not collected on revenues from Compressed Natural Gas (CNG) or Liquefied Natural Gas (LNG) services.

11. OPERATING FEE

11.1 Fee Calculation

11.1.1. FortisBC agrees to pay to the Municipality a fee of three percent (3%) of the gross revenues (excluding taxes) received by FortisBC for provision and distribution of all gas consumed within the Boundary Limits of the Municipality, excluding all compressed natural gas and liquefied natural gas distributed from fueling stations, the provision and delivery of all liquefied natural gas, and all gas consumed by customers from whom the BCUC has not allowed FortisBC to collect the fee, and provided that the Municipality is permitted by law to charge such a fee. Such amount will not include any amount received by FortisBC for gas supplied or sold for resale.

4. **Section 11.2**, last two lines of the paragraph, to update the years in the example to be more current:
 - "...on March 1, 2014 will be the amount received during the 2013 calendar year." now reads "...on March 1, 2018 will be the amount received during the 2017 calendar year..."
5. **Section 13.1.3**, line 4, update to current legislation
 - "...Gas Safety Act,..." with "...Safety Standards Act,..."
6. **Sections 17.1 and 17.2**, replaced reference to the Rules of Procedure of the Canadian Foundation for Dispute Resolution with the ADR Institute of Canada, Inc.

17. DISPUTE RESOLUTION

17.1 Mediation

Where any dispute arises out of or in connection with this Agreement, including failure of the parties to reach agreement on any matter arising in connection with this Agreement, the parties agree the dispute shall be mediated pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. ~~to try to resolve the dispute by participating in a structured~~

Appendix C

Revisions to City of Castlegar Operating Agreement Terms Compared to Keremeos Terms

~~mediation conference with a mediator under the Rules of Procedure for Commercial Mediation of The Canadian Foundation for Dispute Resolution.~~

17.2 Referral to the BCUC or Arbitration

If the parties fail to resolve the dispute through mediation, the unresolved dispute shall be referred to the BCUC if within its jurisdiction. If the matter is not within the jurisdiction of the BCUC, such unresolved dispute shall be referred to, and finally resolved by arbitration under the Arbitration Rules of the ADR Institute of Canada, Inc. ~~or determined by arbitration under the Rules of Procedure for Commercial Arbitration of The Canadian Foundation for Dispute Resolution.~~ Unless the parties agree otherwise the arbitration will be conducted by a single arbitrator.

Appendix D
DRAFT ORDER



ORDER NUMBER

G-xx-xx

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

FortisBC Energy Inc.
Application for Approval of an Operating Agreement between the
Corporation of the City of Castlegar and FortisBC Energy Inc.

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on **Date**

ORDER

WHEREAS:

- A. On July 11, 2019, FortisBC Energy Inc. (FEI) applied to the British Columbia Utilities Commission (BCUC) for approval of an Operating Agreement between the City of Castlegar and FEI (FEI-Castlegar Operating Agreement) dated July 5, 2019 (Application). The terms to the FEI-Castlegar Operating Agreement are identical to those approved by the BCUC in Order G-99-19;
- B. The existing agreement expires on August 29, 2019 and was approved Order C-17-98 dated November 12, 1998;
- C. On May 3, 2019, the British Columbia Utilities Commission (BCUC) issued Order G-99-19, approving a revised operating agreement between the City of Kelowna and FortisBC Energy Inc.;
- D. The BCUC has completed its review of the Application and finds that approval is warranted.

NOW THEREFORE the BCUC orders that the operating agreement, dated July 5, 2019 between FEI and the City of Castlegar, is approved on a permanent basis.

DATED at the City of Vancouver, in the Province of British Columbia, this **(XX)** day of **(Month Year)**.

BY ORDER

(X. X. last name)
Commissioner