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March 3, 2022

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

Attention: Mr. Patrick Wruck, Commission Secretary

Dear Mr. Wruck:

Re: FortisBC Energy Inc. (FEI)

Review of the Code of Conduct (COC) and Transfer Pricing Policy (TPP) and Application for an Updated COC and TPP

After conducting a review of the COC and TPP, FEI writes requesting approval from the British Columbia Utilities Commission (BCUC), pursuant to sections 58 to 61 of the *Utilities Commission Act* (UCA) of an updated COC and TPP effective April 1, 2022. The updated COC and TPP include updates for the exchange of Customer Information between FEI and an Affiliated Natural Monopoly Utility (AU) and also to the effective dates; the TPP also includes an increase to the General Overhead rate¹ from 10 percent to 15 percent for the following types of service:

- Specific Committed – On-Site Full time;
- As Required – On-Site Short Term; and
- As Required – Off-Site Short Term.

and an update to the illustrative example for the associated fully allocated costs per day and cost ratios per day for the indicated types of services.

Background:

On March 1, 2017, the BCUC issued its Decision and Order G-25-17, approving FEI's current COC and TPP. The currently approved COC and TPP are included in Appendix A to this letter for reference. Pursuant to Section 10 of the COC, FEI is required to review the provisions to ensure that the COC remains workable and effective. Section 10 of the COC states the following:

In order to ensure that this Code remains workable and effective, the Company will review the provisions of this Code on an ongoing basis and

¹ Appendix A of the TPP.

as required by the Commission, but with a maximum of five years between reviews.

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

In compliance with this language, FEI has undertaken a review of the current COC within the maximum five years specified between reviews, from March 1, 2017 to February 28, 2022, to ensure that the COC remains workable and effective. In addition, FEI has also reviewed the FEI TPP for changes required in the policy, as the COC and TPP work together in providing guidance for interactions between FEI and its affiliates.

The following discusses the recommended updates to provisions of the COC and TPP. Appendix B contains a table providing a summary of FEI's review of each policy.

Code of Conduct Review:

Following FEI's review of the COC, FEI proposes to update the language for an exchange of Customer Information between FEI and an AU and also the date references of the TPP to be used in conjunction with the COC. Please refer to Appendix B for the detailed review by section.

Transfer Pricing Policy Review:

Following FEI's review of the TPP, other than updating date references to the TPP to be used in conjunction with the COC, only updates to the General Overhead rate and the associated fully allocated costs per day and cost ratios per day for the illustrative example for the indicated types of services are included. Please also refer to Appendix B for the detailed review by section.

Section 2 – Determining Costs – Update to the General Overhead Rate

Section 2 is found on pages 4 to 6 of the TPP with page 9 providing a table as an illustrative example (Appendix A to the TPP).

This section outlines the three types of services that can be provided to an affiliate including Specific Committed, As Required, and Designated Subsidiary/Affiliate and the loadings based on the fully allocated cost to be applied to any Transfer Price.

Starting January 1, 2017, for the purpose of determining the appropriate general overhead rate to use for calculating the fully allocated cost for the three types of services, FEI has been applying a higher general overhead rate of 15 percent instead of 10 percent for Specific Committed – On-Site Full time; As Required – On-Site Short Term; and As Required – Off-Site Short Term. FEI believes that at this time the 15 percent appropriately reflects FEI's general overhead costs applicable to each situation and, therefore, should be updated.

FEI requests that the general overhead rate referenced in the Appendix A of the TPP be updated to 15 percent for the indicated types of services along with the associated fully allocated costs per day and cost ratios per day for the illustrative example.

Summary of Review:

The existing COC and TPP policies were approved by BCUC Decision and Order G-25-17 and were developed through that regulatory process during which FEI consulted with and worked collaboratively with interveners to develop the necessary language to guide interactions between FEI and its affiliates for sharing of resources. Since the effective date (March 2017) to today, the COC and TPP have worked well to govern the use of FEI resources and services provided to affiliates including shared services, employment or contracting of FEI personnel, and the treatment of Customer Information and Commercial Information. Over the past five-year period, there have been no complaints raised by third parties about the application of the COC and no issues identified with the administration of the COC and TPP as part Annual Compliance review submitted to the BCUC. FEI will continue to review the provisions of the COC and TPP to determine whether they are operating as intended and will report to the BCUC either every five years as outlined in Section 10 of the COC, or earlier if amendments are required.

Approval Sought:

FEI requests approval from the BCUC, pursuant to sections 58 to 61 of the UCA, of an updated COC and TPP attached as Appendix C to this letter, effective April 1, 2022. In addition to updating date references to the COC and TPP and language around the exchange of Customer Information between FEI and an AU, the updated TPP increases the General Overhead rate from 10 percent to 15 percent for Specific Committed – On-Site Full time; As Required – On-Site Short Term; and As Required – Off-Site Short Term with the associated fully allocated costs per day and cost ratios per day for the illustrative example updated respectively for the indicated types of services. Appendix D contains the blacklined version of the existing COC and TPP reflecting the updates. A draft form of Order is provided in Appendix E.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

Appendix A

COC AND TPP EFFECTIVE MARCH 1, 2017

CODE OF CONDUCT

*For Provision of Utility Resources and Services to Affiliates
effective March 1, 2017*

SCOPE

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

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

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

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

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

The FortisBC Energy Transfer Pricing Policy for Affiliates (Transfer Pricing Policy) dated March 1, 2017, will be used in conjunction with this Code to establish the costs and pricing for FortisBC Energy resources and services provided to an Affiliate.

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

DEFINITIONS

Affiliate	<i>Includes an Affiliated Natural Monopoly Utility, an Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment, and an Affiliated Non-Regulated Business, and refers to the entities listed in Appendix A to this Code.</i>
Affiliated Natural Monopoly Utility (AU)	<i>A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a natural monopoly environment.</i>
Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARB)	<i>A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a non-natural monopoly environment.</i>
Affiliated Non-Regulated Business (ANRB)	<i>A separate legal entity that is an affiliate of FortisBC Energy not regulated by the Commission or the National Energy Board or a division of FortisBC Energy offering products and services unregulated by the Commission.</i>
Commercial Information	<i>Information related to FortisBC Energy's commercial or trading activities such as natural gas supply portfolio planning, mitigation activities and related contract negotiations, or information that will inhibit a competitive energy services market from functioning.</i>
Commission	<i>British Columbia Utilities Commission.</i>
Customer	<i>Means a person who is being served by and paying rates to FortisBC Energy. The term Customer has the same meaning as ratepayer.</i>
Customer Information	<i>Information relating to a specific Customer or potential Customer of FortisBC Energy, which FortisBC Energy has obtained or compiled in the process of providing current or prospective public utility services and which is not otherwise available to the public.</i>
FortisBC Energy Inc.	<i>May be abbreviated as follows: FortisBC Energy or the Company, and may also include employees of the Company.</i>

Guidelines

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

RMDM

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

Transfer Price or Transfer Pricing

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

APPLICATION OF COMMISSION PRINCIPLES

CODE OF CONDUCT PRINCIPLES

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

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

1. Transfer Pricing for Affiliates

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

2. Shared Services and Personnel

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

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

- c) **Business Development Personnel**

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

FortisBC Energy and an AU can share business development personnel.

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

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

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

3. Provision of Information by FortisBC Energy Inc.

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

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

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

4. Preferential Treatment

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

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

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

5. **Equitable Access to Services**

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

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

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

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

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

7. **Compliance and Complaints**

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

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

8. Financing and Other Risks

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

9. Use of FortisBC Name

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

10. Amendments

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

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

APPENDIX A

AFFILIATES OF FORTISBC ENERGY as at June 30, 2016.

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

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

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

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

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

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

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

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

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

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

FortisBC Energy Inc.

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

*For Provision of Utility Resources and Services to Affiliates
Effective March 1, 2017*

SCOPE

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

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

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

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

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

The FortisBC Energy Code of Conduct for Provision of Utility Resources and Services to Affiliates (Code of Conduct) dated March 1, 2017, will be used in conjunction with this Transfer Pricing Policy.

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

DEFINITIONS

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

Fully Allocated Cost	<i>The sum of the direct costs and overhead costs required to provide the product or service.</i>
Guidelines	<i>Principles and Guidelines from the Retail Markets Downstream of the Utility Meter Guidelines published by the British Columbia Utilities Commission in April, 1997 and the Commission’s Report in the Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives published in December 27, 2012. This definition does not negate the applicability of other relevant orders or directions such as Commission directions in proceedings regarding affiliates or Special Directions issued by the Province of British Columbia to the Commission on matters related to specific FortisBC Energy business activities.</i>
Research	<i>Planned investigation undertaken for the purpose and expectation of gaining new scientific or technical knowledge and understanding. Such investigation may or may not be directed towards a specific practical aim or commercial application.</i>
RMDM	<i>Acronym for “Retail Markets Downstream of the Utility Meter”, which may include any utility or energy related activity at or downstream of the utility meter.</i>
Transfer Price or Transfer Pricing	<i>The price established for the provision of FortisBC Energy resources and services to an Affiliate. Transfer pricing for any Utility resource or service will be determined by applying the appropriate FortisBC Energy Transfer Pricing Policy as approved by the Commission.</i>

POLICY

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

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

1. Pricing Rules

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

2. Determining Costs

i. **Fully Allocated Costs**

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

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

The determination of fully allocated costs, specifically the cost loadings, is based on services to be provided in accordance with the FortisBC Energy Code of Conduct dated March 1, 2017.

2.1 Type of Service

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

i. Specific Committed Service

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

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

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

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

ii. As Required Service

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

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

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

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

iii. **Designated Subsidiary/Affiliate Service**

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

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

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

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

3.1 Transfer Costs

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

3.2 Research Costs

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

3.3 Development Costs

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

4. Cost Collection Procedures

4.1 Internal Orders

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

4.2 Time Sheets

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

4.3 Invoicing

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

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

4.4 Compliance

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

5. Review of Transfer Pricing Policy

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

Appendix A

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

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

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

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

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

Appendix B

SUMMARY OF FEI'S REVIEW OF THE COC AND TPP

Section	Purpose/Description	FEI's Review Summary
Code of Conduct (COC)		
Scope	Provides an overview of the COC, its purpose and the essential highlights and features of the COC. This includes that the COC governs the relationships between FEI and its affiliates for the provision of FEI resources, and where applicable, is to be consistent with the principles of the British Columbia Utilities Commission (BCUC) outlined in the "Retail Markets Downstream of the Utility Meter" (RMDM) Guidelines of April, 1997 and the BCUC's Report on the "Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives" published in December 27, 2012.	No changes are proposed other than to update the date of the TPP which is used in conjunction with the COC.
Definitions	Contains the different definitions used in the COC and was developed in consultation with stakeholders participating in the FEI All-Inclusive COC and TPP proceeding.	No changes proposed as the definitions continue to remain appropriate and provides clarity for the interpretation of the COC.
Application of Commission Principles	Contains the principles applied in the development of the FEI COC. FEI developed the principles based on the AES Inquiry Report and stakeholder feedback received during the regulatory process for the FEI All-Inclusive COC and TPP.	Updated principle (ii) for language to recognize the sharing of Customer Information may be required between FortisBC Energy and an AU to develop, enhance and provide integrated products and services offered by FortisBC Energy and the AU for consistency with the proposed changes to Section 3 Provision of Information by FortisBC Energy Inc. Refer to Section 3 below for discussion.
Section 1 – Transfer Pricing for Affiliates	Provides direction that FEI will conform with the TPP.	No changes proposed as the FEI TPP remains appropriate for providing guidance on the Transfer Pricing for resources provided to affiliates. For further discussion refer to the review of the TPP below.

Section	Purpose/Description	FEI's Review Summary
Section 2 - Shared Services and Personnel	Provides guidance on the sharing of FEI resources and personnel with affiliates including business development personnel.	No changes proposed as the existing language for the sharing of FEI Resources and Personnel with affiliates has worked well since its approval in 2017 to protect the interests of the FEI's ratepayers and that the non-regulated affiliate is not subsidized by FEI. The existing language remains appropriate for providing guidance in the sharing of personnel and resources with its affiliates and protecting the interests of the FEI's ratepayers.
Section 3 - Provision of Information by FortisBC Energy Inc.	Addresses the management and disclosure of individual customer information and commercial information by FEI. Disclosure of customer information must abide by the Personal Information Protection Act while disclosure of commercial information is specific to information on related to FEI's commercial or trading activities such as natural gas supply portfolio planning, mitigation activities and related contract negotiations, or information that will inhibit a competitive energy services market from functioning.	Added subsection (e) to recognize the sharing of Customer Information may be required between FortisBC Energy and an AU to develop, enhance and provide integrated products and services offered by FortisBC Energy and the AU. <p style="text-align: center;"><i>e) FortisBC Energy may exchange Customer Information with an AU to further develop, enhance and provide integrated products and services offered by FortisBC Energy and the AU, without being required to disclose the Customer Information to other parties.</i></p> This new language for exchange of Customer Information applicable only to an AU is consistent with the exceptions included in the COC applicable only to AU (i.e. subsection (d) where FortisBC Energy will not provide Commercial Information to an Affiliate except in the case of an AU). <p>No other changes are proposed as the existing language is clear and provides the necessary guidance on disclosure of and information sharing between FEI and its affiliates.</p>
Section 4 - Preferential Treatment	Ensures that FEI will not state or imply that favoured treatment will be available to customers of the company as a result of using any service of an affiliate.	No changes proposed as the existing language remains appropriate for providing guidance on Preferential Treatment.

Section	Purpose/Description	FEI's Review Summary
Section 5 - Equitable Access to Services	Ensure that FEI will not preferentially direct its customers to an affiliate.	No changes proposed as the existing language remains appropriate for providing guidance on Equitable Access to Services.
Section 6 - Equitable Treatment of Demand-Side Management and Incentive Funds	Ensures the Utility ratepayer funded DSM or other incentive activities are directed fairly to meet the most effective proposals for meeting the objectives of the funded activities.	No changes proposed as the existing language remains appropriate for providing guidance on Equitable Treatment of Demand-Side Management and Incentive Funds.
Section 7 - Compliance and Complaints	Provides guidance on the process for monitoring compliance with the COC and provides a process for third parties to raise complaints. The existing wording incorporates language to address concerns raised by stakeholders in prior proceedings including the addition of wording to provide additional oversight by designating the Finance Director to be responsible for monitoring compliance with the COC. Also, reminders to employees of the COC requirements are more frequent, changing from annual to quarterly. Since the effective date March 1, 2017, FEI has received no complaints from third parties regarding the COC.	No changes proposed as the existing language remains appropriate for providing guidance on Compliance and Complaints.
Section 8 - Finance and Other Risks	States that FEI will not normally provide financing, or any form of financial assistance including co-signing of loans, to an affiliate, without advance BCUC approval.	No changes proposed as the existing language remains appropriate for providing guidance on Finance and Other Risks.
Section 9 - Use of FortisBC Name	Provides language to clarify Fortis Inc.'s ownership of the FortisBC name and the use of the FortisBC name. FEI will exercise care in distinguishing between services provided by FEI and services offered by an affiliate.	No changes proposed as the existing language remains appropriate for providing guidance on the use of the FortisBC name.
Section 10 - Amendments	Provides guidance on the requirement to review the COC on an ongoing basis with a maximum of five years between reviews. Additionally, a process is outlined on how amendments to the COC may be initiated by FEI, the BCUC, an affiliate and a customer or stakeholder.	No changes proposed as the existing language remains appropriate for providing guidance for amendments to the Code.

Section	Purpose/Description	FEI's Review Summary
Transfer Pricing Policy (TPP)		
Scope	Provides an overview of the TPP, its purpose and the essential highlights and features of the TPP. This includes that the Transfer Pricing mechanism should provide a fair and transparent mechanism to FEI's customers, and after having considered the interests of FEI's customers, may consider the potential interests of the customers of an affiliate. A key requirement is that costs to be allocated from FEI to an affiliate are on the basis of the higher of market price or fully allocated cost as set out in the TPP.	No changes are proposed.
Definitions	Contains the different definitions used in the TPP and was developed in consultation with stakeholders participating in the FEI All-Inclusive COC and TPP proceeding.	No changes proposed as the definitions continue to remain appropriate and provides clarity for the interpretation of the TPP.
Policy	States that the provision of services from FEI to an affiliate must be in accordance with the FEI COC and TPP or as approved by the BCUC. Transfer Prices charged to affiliates by FEI are intended to ensure that FEI customers are not adversely affected by the pricing for services performed for affiliates, and will be established using the pricing rules outlined in the TPP.	No changes are proposed.
Section 1 – Pricing Rules	Outlines the Pricing Rules for determining the pricing of the services provided from FEI to an affiliate. Essential is that where no tariff rate exists, the Transfer Price will be set on the basis of the higher of market price or the fully allocated cost. Where there is no market price or a market price is not readily discernible, the Transfer Price will be set on the basis of fully allocated cost. If there is an agreement between FEI and an affiliate that has been reviewed by the BCUC, that agreement applies.	No changes proposed as the Pricing Rules continue to remain appropriate for the pricing of services provided from FEI to an affiliate.

Section	Purpose/Description	FEI's Review Summary
<p>Section 2 – Determining Costs</p>	<p>Outlines the three types of services that can be provided to an affiliate including Specific Committed, As Required, and Designated Subsidiary/Affiliate and the correct loadings based on the fully allocated cost to be applied to any Transfer Price.</p>	<p>Starting January 1, 2017, for the purpose of determining the appropriate general overhead rate to use for calculating the fully allocated cost for the three types of services, FEI has been applying a higher general overhead rate of 15% instead of 10% for Specific Committed – On- Site Full time; As Required – On-Site Short Term; As Required – Off-Site Short Term. The 15% appropriately reflects FEI's general overhead costs applicable to each situation.</p> <p>FEI requests to update the reference to the COC effective date and to increase the general overhead rate referenced in the Appendix A of the TPP to 15% for the indicated types of services. For the illustrative example, the associated fully allocated costs per day and cost ratios per day have been updated respectively for the indicated types of services.</p>
<p>Section 3 - Cost Relating to the Transfer of Activities from FEI to an Affiliate</p>	<p>Provides language on the transferring of costs from FEI to an affiliate for activities initially undertaken within FEI. This includes accounting for development costs for new products and services transferred to an affiliate. Additionally, guidance is provided on the treatment of research related expenses where the research activities are for an affiliate.</p>	<p>No changes are proposed.</p>
<p>Section 4 - Cost Collection Procedures</p>	<p>Outlines the cost collection procedures to be used to track and account for the costs of the services provided by FEI to an affiliate. This includes the use of Internal Orders and Timesheets for tracking of costs. Additionally, guidance is provided for the preparation of the invoices to include the number of hours, the activities being billed and to include the applicable loadings. Stated is the Director of Finance is responsible for the oversight of safeguards related to the TPP, including the ongoing design and operating effectiveness of the timekeeping process and other related controls and safeguards, and the maintenance of adequate records and documentation.</p>	<p>No changes are proposed.</p>

APPENDIX B

FEI REVIEW OF THE CODE OF CONDUCT AND TRANSFER PRICING POLICY



Section	Purpose/Description	FEI's Review Summary
Section 5 - Review of Transfer Pricing Policy	Provides guidance that the TPP will be reviewed on an annual basis as part of the COC compliance review.	No changes are proposed.

Appendix C

UPDATED COC AND TPP EFFECTIVE APRIL 1, 2022

CODE OF CONDUCT

*For Provision of Utility Resources and Services to Affiliates
effective April 1, 2022*

SCOPE

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

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

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

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

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

The FortisBC Energy Transfer Pricing Policy for Affiliates (Transfer Pricing Policy) dated April 1, 2022, will be used in conjunction with this Code to establish the costs and pricing for FortisBC Energy resources and services provided to an Affiliate.

This Code replaces the existing Codes of Conduct governing the relationship between FortisBC

Energy and its Affiliates.

DEFINITIONS

Affiliate	<i>Includes an Affiliated Natural Monopoly Utility, an Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment, and an Affiliated Non-Regulated Business, and refers to the entities listed in Appendix A to this Code.</i>
Affiliated Natural Monopoly Utility (AU)	<i>A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a natural monopoly environment.</i>
Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARB)	<i>A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a non-natural monopoly environment.</i>
Affiliated Non-Regulated Business (ANRB)	<i>A separate legal entity that is an affiliate of FortisBC Energy not regulated by the Commission or the National Energy Board or a division of FortisBC Energy offering products and services unregulated by the Commission.</i>
Commercial Information	<i>Information related to FortisBC Energy's commercial or trading activities such as natural gas supply portfolio planning, mitigation activities and related contract negotiations, or information that will inhibit a competitive energy services market from functioning.</i>
Commission	<i>British Columbia Utilities Commission.</i>
Customer	<i>Means a person who is being served by and paying rates to FortisBC Energy. The term Customer has the same meaning as ratepayer.</i>
Customer Information	<i>Information relating to a specific Customer or potential Customer of FortisBC Energy, which FortisBC Energy has obtained or compiled in the process of providing current or prospective public utility services and which is not otherwise available to the public.</i>
FortisBC Energy Inc.	<i>May be abbreviated as follows: FortisBC Energy or the Company, and may also include employees of the Company.</i>

Guidelines

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

RMDM

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

Transfer Price or Transfer Pricing

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

APPLICATION OF COMMISSION PRINCIPLES

CODE OF CONDUCT PRINCIPLES

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

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

1. Transfer Pricing for Affiliates

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

2. Shared Services and Personnel

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

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

- c) **Business Development Personnel**

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

FortisBC Energy and an AU can share business development personnel.

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

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

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

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

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

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

- d) FortisBC Energy will not provide Commercial Information to an Affiliate except in the case of an AU.
- e) FortisBC Energy may exchange Customer Information with an AU to further develop, enhance and provide integrated products and services offered by FortisBC Energy and the AU to customers, without being required to disclose the Customer Information to other parties.

4. **Preferential Treatment**

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

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

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

5. **Equitable Access to Services**

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

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

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

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

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

7. **Compliance and Complaints**

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

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

8. Financing and Other Risks

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

9. Use of FortisBC Name

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

10. Amendments

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

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

APPENDIX A

AFFILIATES OF FORTISBC ENERGY as at June 30, 2016.

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

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

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

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

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

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

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

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

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

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

FortisBC Energy Inc.

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

*For Provision of Utility Resources and Services to Affiliates
Effective April 1, 2022*

SCOPE

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

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

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

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

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

The FortisBC Energy Code of Conduct for Provision of Utility Resources and Services to Affiliates (Code of Conduct) dated April 1, 2022, will be used in conjunction with this Transfer Pricing Policy.

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

DEFINITIONS

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

Fully Allocated Cost	<i>The sum of the direct costs and overhead costs required to provide the product or service.</i>
Guidelines	<i>Principles and Guidelines from the Retail Markets Downstream of the Utility Meter Guidelines published by the British Columbia Utilities Commission in April, 1997 and the Commission’s Report in the Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives published in December 27, 2012. This definition does not negate the applicability of other relevant orders or directions such as Commission directions in proceedings regarding affiliates or Special Directions issued by the Province of British Columbia to the Commission on matters related to specific FortisBC Energy business activities.</i>
Research	<i>Planned investigation undertaken for the purpose and expectation of gaining new scientific or technical knowledge and understanding. Such investigation may or may not be directed towards a specific practical aim or commercial application.</i>
RMDM	<i>Acronym for “Retail Markets Downstream of the Utility Meter”, which may include any utility or energy related activity at or downstream of the utility meter.</i>
Transfer Price or Transfer Pricing	<i>The price established for the provision of FortisBC Energy resources and services to an Affiliate. Transfer pricing for any Utility resource or service will be determined by applying the appropriate FortisBC Energy Transfer Pricing Policy as approved by the Commission.</i>

POLICY

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

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

1. Pricing Rules

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

2. Determining Costs

i. **Fully Allocated Costs**

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

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

The determination of fully allocated costs, specifically the cost loadings, is based on services to be provided in accordance with the FortisBC Energy Code of Conduct dated April 1, 2022.

2.1 Type of Service

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

i. Specific Committed Service

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

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

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

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

ii. As Required Service

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

As Required Service must be specified to be either for an extended term (greater or equal to three months) or short term (less than three months) period prior to the commencement

of the work. In addition, it must be identified whether the individual providing the services will work at his or her normal place of work (“on-site”) or at the Affiliate site (“off-site”).

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

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

iii. **Designated Subsidiary/Affiliate Service**

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

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

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

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

3.1 Transfer Costs

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

3.2 Research Costs

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

3.3 Development Costs

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

4. Cost Collection Procedures

4.1 Internal Orders

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

4.2 Time Sheets

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

4.3 Invoicing

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

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

4.4 Compliance

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

5. Review of Transfer Pricing Policy

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

Appendix A

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

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

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

Column	1		2			3
	Specific Committed Service		As Required Service			Designated Subsidiary / Affiliate
	Off-Site Full-time	On-Site Full-time	On-Site Short Term	Off-Site Short Term	Off Site Extended	
BASE PAY PER DAY	\$327.00	\$327.00	\$327.00	\$327.00	\$327.00	\$327.00
PLUS CONCESSIONS and BENEFITS (90%)	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00
LOADED LABOUR PER DAY	\$622.00	\$622.00	\$622.00	\$622.00	\$622.00	\$622.00
GENERAL OVERHEAD	5%	15%	15%	15%	5%	5%
SUPERVISION	N/A	Direct Charge	20%	N/A	N/A	Direct Charge
AVAILABILITY CHARGE	N/A	N/A	20%	20%	20%	N/A
FACILITIES CHARGE (If Applicable)	N/A	\$100.00	\$100.00	\$100.00	N/A	N/A
EQUIPMENT CHARGE (If Applicable)	Direct Charge	Direct Charge	Direct Charge	Direct Charge	Direct Charge	N/A
TOTAL FULLY ALLOCATED COSTS PER DAY	\$653.00	\$815.00	\$1,064.00	\$940.00	\$778.00	\$653.00
Cost Ratio to Base Pay per day	2.00	2.49	3.25	2.87	2.38	2.00
Cost Ratio to Loaded Labour per day	1.05	1.31	1.71	1.51	1.25	1.05

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

Appendix D

BLACKLINED COC AND TPP

FortisBC Energy Inc.

CODE OF CONDUCT

*For Provision of Utility Resources and Services to Affiliates
effective April 1, 2022*

Deleted: March 1, 2017

SCOPE

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

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

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

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

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

The FortisBC Energy Transfer Pricing Policy for Affiliates (Transfer Pricing Policy) dated April 1, 2022, will be used in conjunction with this Code to establish the costs and pricing for FortisBC Energy resources and services provided to an Affiliate.

Deleted: March 1, 2017

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

DEFINITIONS

Affiliate	<i>Includes an Affiliated Natural Monopoly Utility, an Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment, and an Affiliated Non-Regulated Business, and refers to the entities listed in Appendix A to this Code.</i>
Affiliated Natural Monopoly Utility (AU)	<i>A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a natural monopoly environment.</i>
Affiliated Regulated Business Operating in a Non-Natural Monopoly Environment (ARB)	<i>A separate legal entity that is an affiliate of FortisBC Energy regulated by the Commission or the National Energy Board offering regulated products and services in a non-natural monopoly environment.</i>
Affiliated Non-Regulated Business (ANRB)	<i>A separate legal entity that is an affiliate of FortisBC Energy not regulated by the Commission or the National Energy Board or a division of FortisBC Energy offering products and services unregulated by the Commission.</i>
Commercial Information	<i>Information related to FortisBC Energy's commercial or trading activities such as natural gas supply portfolio planning, mitigation activities and related contract negotiations, or information that will inhibit a competitive energy services market from functioning.</i>
Commission	<i>British Columbia Utilities Commission.</i>
Customer	<i>Means a person who is being served by and paying rates to FortisBC Energy. The term Customer has the same meaning as ratepayer.</i>
Customer Information	<i>Information relating to a specific Customer or potential Customer of FortisBC Energy, which FortisBC Energy has obtained or compiled in the process of providing current or prospective public utility services and which is not otherwise available to the public.</i>
FortisBC Energy Inc.	<i>May be abbreviated as follows: FortisBC Energy or the Company, and may also include employees of the Company.</i>

Guidelines

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

RMDM

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

Transfer Price or Transfer Pricing

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

APPLICATION OF COMMISSION PRINCIPLES

CODE OF CONDUCT PRINCIPLES

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

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

1. Transfer Pricing for Affiliates

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

2. Shared Services and Personnel

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

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

c) Business Development Personnel

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

FortisBC Energy and an AU can share business development personnel.

d) Natural Gas Portfolio, Mitigation and Contract Negotiation Personnel

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

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

3. Provision of Information by FortisBC Energy Inc.

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

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

- d) FortisBC Energy will not provide Commercial Information to an Affiliate except in the case of an AU.
- e) FortisBC Energy may exchange Customer Information with an AU to further develop, enhance and provide integrated products and services offered by FortisBC Energy and the AU to customers, without being required to disclose the Customer Information to other parties.

4. Preferential Treatment

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

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

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

5. **Equitable Access to Services**

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

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

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

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

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

7. **Compliance and Complaints**

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

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

8. Financing and Other Risks

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

9. Use of FortisBC Name

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

10. Amendments

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

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

APPENDIX A

AFFILIATES OF FORTISBC ENERGY as at June 30, 2016.

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

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

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

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

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

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

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

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

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

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

FortisBC Energy Inc.

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

For Provision of Utility Resources and Services to Affiliates

Effective April 1, 2022

Deleted: March 1, 2017

SCOPE

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

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

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

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

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

The FortisBC Energy Code of Conduct for Provision of Utility Resources and Services to Affiliates (Code of Conduct) dated April 1, 2022, will be used in conjunction with this Transfer Pricing Policy.

Deleted: March 1, 2017

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

DEFINITIONS

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

Fully Allocated Cost	<i>The sum of the direct costs and overhead costs required to provide the product or service.</i>
Guidelines	<i>Principles and Guidelines from the Retail Markets Downstream of the Utility Meter Guidelines published by the British Columbia Utilities Commission in April, 1997 and the Commission's Report in the Inquiry into the Offering of Products and Services in Alternative Energy Solutions and Other New Initiatives published in December 27, 2012. This definition does not negate the applicability of other relevant orders or directions such as Commission directions in proceedings regarding affiliates or Special Directions issued by the Province of British Columbia to the Commission on matters related to specific FortisBC Energy business activities.</i>
Research	<i>Planned investigation undertaken for the purpose and expectation of gaining new scientific or technical knowledge and understanding. Such investigation may or may not be directed towards a specific practical aim or commercial application.</i>
RMDM	<i>Acronym for "Retail Markets Downstream of the Utility Meter", which may include any utility or energy related activity at or downstream of the utility meter.</i>
Transfer Price or Transfer Pricing	<i>The price established for the provision of FortisBC Energy resources and services to an Affiliate. Transfer pricing for any Utility resource or service will be determined by applying the appropriate FortisBC Energy Transfer Pricing Policy as approved by the Commission.</i>

POLICY

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

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

1. **Pricing Rules**

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

2. **Determining Costs**

i. **Fully Allocated Costs**

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

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

The determination of fully allocated costs, specifically the cost loadings, is based on services to be provided in accordance with the FortisBC Energy Code of Conduct dated April 1, 2022.

Deleted: March 1, 2017

2.1 Type of Service

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

i. Specific Committed Service

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

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

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

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

ii. As Required Service

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

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

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

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

iii. **Designated Subsidiary/Affiliate Service**

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

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

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

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

3.1 Transfer Costs

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

3.2 Research Costs

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

3.3 Development Costs

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

4. Cost Collection Procedures

4.1 Internal Orders

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

4.2 Time Sheets

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

4.3 Invoicing

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

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

4.4 Compliance

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

5. Review of Transfer Pricing Policy

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

Appendix A

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

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

Column	1		2			3
	Specific Committed Service		As Required Service			Designated Subsidiary / Affiliate
	Off-Site Full-time	On-Site Full-time	On-Site Short Term	Off-Site Short Term	Off Site Extended	
BASE PAY PER DAY	\$327.00	\$327.00	\$327.00	\$327.00	\$327.00	\$327.00
PLUS CONCESSIONS and BENEFITS (90%)	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00	\$295.00
LOADED LABOUR PER DAY	\$622.00	\$622.00	\$622.00	\$622.00	\$622.00	\$622.00
GENERAL OVERHEAD	5%	15%	15%	15%	5%	5%
SUPERVISION	N/A	Direct Charge	20%	N/A	N/A	Direct Charge
AVAILABILITY CHARGE	N/A	N/A	20%	20%	20%	N/A
FACILITIES CHARGE (If Applicable)	N/A	\$100.00	\$100.00	\$100.00	N/A	N/A
EQUIPMENT CHARGE (If Applicable)	Direct Charge	Direct Charge	Direct Charge	Direct Charge	Direct Charge	N/A
TOTAL FULLY ALLOCATED COSTS PER DAY	\$653.00	\$815.00	\$1,064.00	\$940.00	\$778.00	\$653.00
Cost Ratio to Base Pay per day	2.00	2.49	3.25	2.87	2.38	2.00
Cost Ratio to Loaded Labour per day	1.05	1.31	1.71	1.51	1.25	1.05

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

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Appendix E
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 a Revised Code of Conduct and Transfer Pricing Policy

BEFORE:

[Panel Chair]
Commissioner
Commissioner

on **Date**

ORDER

WHEREAS:

- A. On March 3, 2022, FortisBC Energy Inc. (FEI) filed an application for the approval from the British Columbia Utilities Commission (BCUC), pursuant to sections 58 to 61 of the *Utilities Commission Act* (UCA), of an updated Code of Conduct (COC) and Transfer Pricing Policy (TPP), effective April 1, 2022 (Application).
- B. FEI's current COC and TPP effective March 1, 2017, were approved by the BCUC in Order G-25-17.
- C. The BCUC has reviewed the Application and considers that approval is warranted.

NOW THEREFORE pursuant to section 58 to 61 of the UCA, the BCUC orders as follows:

- 1. FEI's revised Code of Conduct and Transfer Pricing Policy is approved, effective April 1, 2022.

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