



VIA EFILE

October 25, 2016

**FEI ALL-INCLUSIVE CODE OF CONDUCT  
AND TRANSFER PRICING POLICY EXHIBIT A-5**

Ms. Diane Roy  
Vice President  
Regulatory Affairs  
FortisBC Energy Inc.  
16705 Fraser Highway  
Surrey, BC V3S 2X7

Dear Ms. Roy:

Re: FortisBC Energy Inc.  
All-Inclusive Code of Conduct and Transfer Pricing Policy  
Compliance filing to Order G-65-15

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Further to FortisBC Energy Inc.'s June 30, 2016 filing of the above noted application, enclosed please find British Columbia Utilities Commission Information Request No. 1. In accordance with the Regulatory Timetable, please file your responses no later than Thursday, November 10, 2016.

Yours truly,

*Original signed by:*

Laurel Ross

EC/yl

Enclosure

cc: Registered Interveners

**FortisBC Energy Inc.**  
**All-Inclusive Code of Conduct and Transfer Pricing Policy Application**

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- 1.0 Reference: Exhibit B-2, Section 2.3, pp. 7-9 and Section 3.1, pp. 9-10;  
Appendix C-2 CoC for Non-Regulated Businesses;  
Exhibit A2-1 Retail Markets Downstream of the Utility Meter (RMDM) Guidelines<sup>1</sup>  
Affiliate Non-Regulated Businesses (Affiliate NRB, ANRB)**

The All-Inclusive Code of Conduct and Transfer Pricing Policy Application (Application) states on pages 7 and 8 that in developing the proposed All-Inclusive Code of Conduct and Transfer Pricing Policy (CoC/TPP), FortisBC Energy Inc. (FEI) has reviewed the existing CoC/TPP for Affiliate Regulated Businesses (ARBs) which is based on the principles and guidelines of the Alternative Energy Solutions (AES) Inquiry Report. The Application also says that FEI has used the existing CoC/TPP for Affiliate NRBs to govern and provide protection to FEI ratepayers in the sharing of FEI's resources with affiliated non-regulated entities.

In Figure 1, the chart depicts FortisBC's organizational structure and FEI's affiliates and shows Fortis Inc. (FI), FortisBC Pacific Holdings Inc. (FPHI), FortisBC Holdings Inc. (FHI) and FortisBC Midstream Inc. (FMI) as ANRBs.

- 1.1 In FEI's view, are the RMDM Guidelines applicable only to entities in the retail market downstream of the utility meter or are they equally applicable to any ANRBs including those that are parent companies of FEI? Please explain your answer including a discussion of any RMDM conditions that should only apply to downstream market participants.
- 1.2 Does FEI agree that the British Columbia Utilities Commission (BCUC) review of RMDM was "to examine the forces which are causing utilities to wish to expand the number and kinds of services which they offer and to determine if, and to what extent, utilities and/or their affiliated non-regulated businesses, ("NRBs") should be allowed to participate in downstream retail markets?" (RMDM Guidelines, April 1997, Introduction, p. 1)
- 1.3 According to pages 9 to 11 of the Application, FEI provided no services to FPHI and FI in 2015, FEI provided services to FMI to assist in the acquisition of Aitken Creek Gas Storage ULC (ACGS) in 2015, and FEI provided FHI services which are governed by a Continuing Services Contract as set out in FEI's TPP Appendix A. In this context, please comment on the applicability of the CoC that is in Appendix C-2 to Affiliate NRBs such as FI, FPHI, FHI and FMI despite the fact that these entities are not downstream of the meter.
  - 1.3.1 How often has the CoC in Appendix C-2 been actively applied to FEI's transactions in the past 10 years?
  - 1.3.2 To the best of FEI's knowledge, will there be new ANRBs in the future that will invoke an application of the All-inclusive CoC/TPP? If so, please describe the nature of the ANRB businesses that might be developed.

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<sup>1</sup> <http://www.bcuc.com/Guidelines.aspx> on Retail Markets Downstream the Meter Guidelines.

- 1.3.3 For each of FAES, FMI and ACGS, please identify the services provided by FEI in 2015 and 2016, the service payments made by the ARB/ANRB to FEI and whether the costing arrangements were based on fully loaded cost, a higher market price or another pricing arrangement approved by the Commission.
- 1.3.4 Did FEI receive any services from its ARB/ANRB affiliates in 2015 and 2016 and were those services priced at market price, fully loaded cost or another pricing method? Please explain differences, if any, in service pricing between services provided by FEI and those received by FEI.

**2.0 Reference: Exhibit B-2, Section 2.3 pp. 12, 14, and Section 4.2.6 pp. 21, 22; Appendix A-2 Black-lined CoC p. 1 and TPP p. 4 FEI Shared Services Agreements and determining costs**

According to the Application, FEI and FBC share common resources including the Executive Management team and other departmental resources, providing benefits to both organizations. This mutual shared services agreement is included in Appendix E-2 of the Application.

On pages 21 and 22 of the Application, FEI states:

For sharing of resources with an AU (i.e., FBC), FEI is proposing no change to the existing transfer pricing rule as outlined in the section titled "Mutual Shared Services with FortisBC Inc." on page 14 of this Application. The cross charges to FBC include fully loaded wages including benefits and time away, with no overhead or facilities fees assigned. This practice will continue to be used until FEI evaluates the feasibility of introducing a Shared Services model approach, similar to that successfully used in the past for sharing of resources between FEI and the Vancouver Island and Whistler gas utilities.

Under the Scope heading in the black lined proposed CoC included in Appendix A-2, FEI's proposed wording includes the following:

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. [emphasis added]

- 2.1 Please explain the difference between the charges that would apply to an ANRB and those being charged to FBC. Please include in your explanation an estimate of the differences in costs between an Affiliate Utility (AU) and an ANRB.
- 2.2 On page 14 of the Application, FEI comments on the objective of an All-Inclusive CoC/TPP, quotes the Commission decision on the ARB CoC/TPP: "... there should be only one integrated document which would make it easier to compare practices between entities of different natures; to keep track of any changes occurring over time; and to ensure consistency." In FEI's view, does allowing the existing agreement between FEI and its affiliates with respect to the sharing or provision of services to take precedence, defeat the purposes of the All-inclusive CoC/TPP? If not, why not?
- 2.3 Should the proposed wording "... that has been reviewed by the Commission" be better stated as "... that has been approved by the Commission"? Why or why not?

2.4 When will the Shared Services model approach for cross charging be completed and filed with the Commission?

**3.0 Reference: Exhibit B-2, Section 2.3 pp. 7 and 8;  
Appendix E-2, Mutual Shared Services – FEI and FBC p. 7  
Shared services agreements with AUs**

In developing the All-Inclusive CoC/TPP, FEI's approach is to combine the existing CoC/TPPs into one integrated CoC/TPP, modelling it on the approved CoC/TPP for ARBs.

In the Mutual Shared Services Agreement, under Section 6.2 on Termination, it states:

*This Agreement may be terminated by either FEI or FBC in their sole and absolute discretion at any time by giving fourteen (14) days notice after receipt by either FEI or FBC of written notice thereof from the other party. Such termination shall not affect any rights of the parties which have accrued prior to the date of termination and shall not relieve any party from its obligations which have arisen during the term of this Agreement.*

3.1 If the All-inclusive CoC/TPP as proposed is approved and becomes effective, what is FEI's intention with respect to the Mutual Shared Services Agreement with FBC? Please explain how the Mutual Shared Services Agreement can work side by side with the All-inclusive CoC/TPP, for example, updating the Mutual Shared Services Agreement to reflect the wording and intent of an approved All-inclusive CoC/TPP? Terminating the Mutual Shared Services Agreement?

3.2 Can FEI confirm that no major terms or conditions in the Mutual Shared Services Agreement have been left out of the All-inclusive CoC/TPP, such that the conducting of business between FEI and FBC would be fundamentally changed as a result?

3.2.1 Please comment if FEI's AUs, FBC and FortisBC Huntingdon Inc. (FBCH) have been consulted when preparing this Application. If not, why not? If yes, please provide a summary of FEI's consultation with the AUs.

**4.0 Reference: Exhibit B-2, pp. 16-17; Appendix A-1 CoC, p. 5 and Appendix A;  
Exhibit A2-5, November 10, 2015 FEI 2016 Core Market Administration Expense  
Budget Application, p. 2 and Schedule 1,  
Sharing of FEI personnel with ANRB and ARB (FMI and ACGS)**

On page 16 of the Application, FEI states that further to the ARB Decision, clarification of the specific wording and its application to precluding the sharing of business development personnel with an ARB is useful before applying the same wording in the All-Inclusive CoC/TPP. As an example, FEI cites the irrelevance of the wording in the ARB Decision for Aitken Creek Gas Storage ULC which is also considered an ARB, but where business is wholesale marketplace for natural gas which is different than that of FEI.

FEI proposes wording to clarify the sharing of business development personnel where FEI is providing similar energy solutions. FEI also proposes to include wording that it would not share FEI personnel directly responsible for natural gas portfolio planning and mitigation, and related contract negotiation activities with Aitken Creek Gas Storage ULC and FortisBC Midstream Inc. The proposed wording on page 5 of the proposed CoC states:

“[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.”

In Appendix A of the proposed CoC the list of relevant positions is provided as follows:

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

4.1 Please describe what the term “not to be shared” means. Does it mean in the narrow sense that FEI staff currently working on the natural gas portfolio planning activities will not also work on assignments to FMI/ACGS? Or does it mean that in the broader sense, that these personnel will not be transferred, on either a temporary or permanent basis, from FEI to FMI/ACGS?

4.1.1 In FEI’s view, does the narrow definition address the “Shared Services and Personnel” principles as listed in section 2 b), on page 5 of the proposed CoC?

4.1.2 Have any personnel directly responsible for FEI’s “natural gas portfolio planning and mitigation activities, and related contract negotiations” been transferred to FMI/ACGS? If so, please provide the list of personnel and the dates of the transfers.

FEI included a total of 19.9 full-time equivalent staff in the costs allocated to the 2016 Core Market Administration Expense (CMAE) Budget in Schedule 1 of the FEI 2016 CMAE Budget application. On page 2 of this application the CMAE function is described as follows:

The Core Market Administration Expense is a component of the cost of gas, recovered through gas cost recovery rates. The CMAE costs incurred and forecast budget amounts are required to manage the gas supply functions which encompass most elements of the merchant role and ensure that there are reliable, secure, and cost effective supplies of gas for core customers.

4.2 Please confirm that the FEI personnel allocated to the CMAE are the specific FEI personnel directly responsible for and involved in the day-to-day “natural gas portfolio planning and mitigation activities and related contract negotiations”, referred to on page 5 of the CoC. If not confirmed, please explain.

4.3 Please confirm that in addition to the five positions listed in Schedule A of the CoC, a number of other personnel allocated to the CMAE would reasonably be considered to have access to, and knowledge of confidential “Commercial Information” regarding FEI’s “natural gas portfolio planning and mitigation activities and related contract negotiations.” If it cannot be confirmed, please explain why not.

- 4.4 Please explain why the list of FEI personnel not to be shared with ACGS or FMI, should not include all of the personnel allocated to the CMAE.
- 4.4.1 By limiting the list of FEI personnel to only five in Appendix A of CoC, does it not raise the need to amend or add more general conflict check language to the All-Inclusive CoC?
- 4.5 Please provide an organizational chart for FEI's Energy Supply and Resource Development Department highlighting the personnel allocated to the CMAE.

**5.0 Reference: Exhibit B-2, pp. 9 and 11; Exhibit B-2, Appendix A-1 Proposed CoC; Appendix F, p. 2, Sharing of Natural Gas Portfolio, Mitigation and Contract Negotiation Personnel Exhibit A2-6, Aitken Creek Gas Storage ULC (ACGS) Order G-39-16 ACGS Code of Conduct and Transfer Pricing Policy Compliance Filing dated June 30, 2016, cover letter, p. 2 Use of FMI employees by ACGS**

On page 2 of the Aitken Creek Gas Storage ULC Order G-39-16 ACGS Code of Conduct and Transfer Pricing Policy Compliance Filing, ACGS states that the CoC and TPP documents filed by ACGS in compliance with Commission Order G-39-16 "differ in material respects from the FEI documents in recognition of the significant differences between the two utilities." ACGS goes on to state:

ACGS does not currently have any employees. Instead, ACGS relies on its parent company, FMI, for all personnel and services required to operate. The CoC/TPP are drafted to account for both the current circumstances where FMI provides all personnel and services, and a hypothetical future scenario in which ACGS might have employees of its own. It is a term of the CoC that personnel of another entity (including FMI) who provide services on behalf ACGS will be bound by the CoC in the course of the duties those personnel are providing for and on behalf of ACGS. ACGS is thus answerable to the Commission for the conduct of personnel during the course of their work for ACGS.

On page 9 of the Application, FEI states "In 2015, no sharing of services occurred between FEI and ACGS." And on page 11, FEI states "In 2015, FEI provided services to FMI to assist in the acquisition of ACGS."

In Appendix A of the proposed FEI All-Inclusive Code of Conduct FEI provides the following list of FEI personnel that will not be shared:

- Director, Energy Supply and Gas Control;
  - Midstream Services Manager;
  - Midstream Operations Manager;
  - Energy Supply Planning Coordinator;
  - Senior Manager, Price Risk and Resource Planning.
- 5.1 While the proposed Code stipulates that there is no 'sharing' of the five listed positions in Appendix A, is it the intention of FEI that employees from these five positions can be transferred to an ANRB or ARB? If it is FEI's intention, please explain how effective is the Code in addressing the concerns of distinct competitive advantage to the affiliate by sharing FEI's employees. If it is not FEI's intention, please explain if the proposed wording in 2d, on page 12 of Appendix F is sufficient in preventing the transfer of employees.

- 6.0 Reference: Exhibit B-2, Section 2.3, p. 8;  
Appendix D-1 Affiliated Party Transactions Report Summary p. 9;  
Exhibit A2-4 excerpts from Pacific Northern Gas (N.E.) Ltd.  
(Fort St. John/Dawson Creek Division) and (Tumbler Ridge Division)  
2012 Revenue Requirements Decision [2012 PNG (N.E.) Decision], p. 33  
Sharing common resources**

On page 8 of the Application, FEI states:

For FBC, since 2010, FEI and FBC have been sharing common resources under a shared services agreement. This arrangement was discussed in FEI's 2012-2013 RRA Application and also in its 2014 to 2018 Multi-Year PBR Application.

- 6.1 The affiliated party operating transactions summary report shows that in 2015, FEI charged FBC \$3.756 million, and charged FEI \$5.818 million. Please provide a schedule showing the annual operating transactions (\$) between FEI and FBC from 2010 – 2015.

6.1.1 Does the schedule above show an increasing, constant, or decreasing trend? Please discuss.

The 2012 PNG (N.E) Decision states on page 33:

...the total Shared Service allocation to PNG (N.E.) has been an issue in each RRA for the last several years. PNG (N.E.) FSJ/DC Division has seen its share of the pool of Shared Service costs rise from \$1,685,000 in 2008 to \$2,233,000 proposed for 2012. (Exhibit B-1, Tab Application, p. 11; Exhibit B-9, BCUC 1.23.1) This 33 percent increase over 4 years is the result of rising Shared Service costs and increasing allocations to PNG (N.E.) FSJ/DC Division as that utility has had increased customers and gas sales while PNG [West] has stagnated.

- 6.2 The 2012 PNG (N.E) Decision notes that the stagnation of sales and customer additions results in increased allocation to a more robust affiliate. Is this a concern for FEI and its cost allocation with its AUs? Why or why not?
- 6.3 While a shared resource between two AUs may not require an increase in total resources over time, a declining utility would see its share of the total costs declining while the stable utility would see its allocated share of shared services increasing. Would this be fair to the customers of the stable utility?

- 7.0 Reference: Exhibit B-2, Appendix A-1 Proposed CoC pp. 6 - 9, Appendix A on Affiliates of FEI;  
Appendix F Summary Matrix, pp. 1, 2 and 4;  
Exhibit A2-3 Pipeline Companies Regulated by the National Energy Board (NEB)  
Shared resources with AUs and ANRB, Shared commercial information for AUs and  
preferential treatment for AUs**

Under the proposed All-Inclusive CoC, AUs are treated differently from ARB and ANRB in that they can: (i) share services and non-executive personnel with Affiliates as long as there is no detriment to FEI, (ii) can share business development personnel, and (iii) directors and officers/executives with dual management roles are not required to sign a non-disclosure agreement.

The proposed All-Inclusive CoC's section on Preferential Treatment is not applicable to AUs.

On treatment on information sharing, the rules that FEI will not provide commercial information to an Affiliate do not apply to AUs.

- 7.1 According to Figure 1 in the Application, the AUs for FEI are FBC and FBCH. Does FBCH have any non-regulated businesses, projects or subsidiaries? If so, please describe.
- 7.2 Is there not a concern that an AU might pass on sensitive information provided by FEI to other ANRBs or ARBs? Would it be appropriate to add wording to the CoC to make it clear that any information provided by FEI to an AU must not be shared with any other party? Please discuss the concern and suggest any appropriate wording that should be added to the CoC.
- 7.3 Please describe the key stakeholders of FBCH. Do FBCH's stakeholders overlap FEI's own stakeholder group?
  - 7.3.1 Have FBCH and its stakeholders been consulted? If so, has any party expressed potential concerns? If not, why not?
- 7.4 For the purposes of this CoC/TPP Application, FEI classifies FBCH as an AU. According to the NEB (Exhibit A2-3), FBCH is regulated on a complaints basis only. Does this make FBCH's activities more akin to unregulated activities and therefore an ANRB classification is more appropriate? Why or why not?

Regarding Preferential Treatment, the rule that FEI will not state or imply that favoured treatment will be available to customers of FEI as a result of using any service of an Affiliate does not apply to AUs.

- 7.5 Under the proposed FEI All-Inclusive CoC/TPP, could FEI state or imply that favoured treatment will be available to customers of FEI as a result of using any service of an AU? For example, could FEI state or imply that favoured treatment will be available to customers of FEI as a result of using FBC to install an electric vehicle charging station on an FEI customer's premise?

**8.0 Reference: Exhibit B-2, Section 4.2.1, pp. 15 - 17; Appendix A-2 black-lined CoC p. 7; Exhibit A2-2 Annual Review of CoC and TPP Sharing of business development personnel**

The ARB CoC precludes sharing of FEI business development personnel with an ARB.

On page 16 of the Application, FEI says that it believes clarification of this specific wording is useful before applying the same wording in the All-Inclusive CoC/TPP. FEI says that the clarification is based on recognizing the concern by interveners in the AES Inquiry Report proceeding, that the focus was on energy solutions in a competitive marketplace and where there may be a distinct competitive advantage to the affiliate. FEI believes that its business development personnel with expertise in energy solutions should not be precluded from being shared with an Affiliate for the development of other lines of business that are different than those provided by the regulated utility. It cites as an example the Aitken Creek Gas Storage ULC which is an ARB, but the business is in the wholesale marketplace for natural gas, which is different than that of FEI energy solutions for end use customers.

In the internal audit report carried out to provide reasonable assurance of compliance with the CoC/TPP (October 16, 2015), it was observed that one employee had business development responsibilities for both FEI and FAES. The internal audit report noted that this was because management had interpreted the policy (i.e., no sharing of business development personnel) to mean that no similar business development activity was to be undertaken by business development personnel.

On page 15 of the Application, FEI states that it believes that the restrictions on shared services and personnel in an ARB situation is also appropriate for an ANRB situation, ensuring that FEI ratepayers are protected and that the non-regulated affiliate is not subsidized by FEI.

8.1 Under the proposed wording in paragraphs 2 c) and 2 d) on page 7 of the black-lined All-inclusive CoC, would the incident as reported in the 2015 internal audit still be considered not in compliance of the CoC for: (a) ARB, or (b) ANRB? Please explain your answer.

8.2 Paragraph 2 c) and 2 d) of the proposed All-inclusive CoC seem to treat ARBs and ANRBs the same with respect to the sharing of services and personnel. In FEI's view, does it adhere to the principles enunciated in the RMDM Guidelines which state that, "Utility participation in the unregulated downstream market by completely stand-alone NRBs using no utility resources is the preferred option since it provides the maximum protection to utility ratepayers..."? (Exhibit A2-1, RMDM Guidelines, p. 24)

8.2.1 Please provide FEI's rationale that the shared services CoC for ARB is also appropriate for ANRB. Why shouldn't the shared services restrictions be more restrictive for an ANRB, since those companies are not regulated in their competition with other market participants?

8.3 While FEI proposed new wording to clarify the specific wordings in the existing CoC for ARBs in order to accommodate the development of other lines of business that is different from the energy solutions projects contemplated in the CoC for ARBs, are the new wordings in paragraph 2 d) in the proposed All-Inclusive CoC, general enough to address other future ARB or ANRB businesses?

**9.0 Reference: Exhibit B-2, p. 13; Appendix B-2 Minutes from Workshop  
FEI Workshop participants**

FEI held a workshop on May 26, 2016 that was attended by FEI utility-related participants, but no potential or actual competitors of ARBs or ANRBs of FEI.

9.1 What efforts did FEI undertake to encourage participation by companies in competition with those ARBs and ANRBs? Why does FEI think those potential or actual competitors did not participate?

9.2 Following the workshop, what efforts has FEI made to engage those competitors and advise them of the content of this Application?

**10.0 Reference: Exhibit B-2, pp. 16 and 19  
FEI sharing resources with FBC**

FEI states on page 16 of the Application that: "As FBC is also a regulated utility that is a natural monopoly, sharing FEI resources with FBC with no detriment to FEI ratepayers is warranted." On page 19 of the Application, it states: "For Commercial Information, concerns over sharing of the information are different for an AU than that for an ARB or ANRB. For an ARB or ANRB where competition is more prevalent and with the value of Commercial Information greater than in the situation with an AU, precluding the sharing of Commercial Information between FEI and an ARB and ANRB is warranted. This is not justified with an AU. FEI considers that sharing of Commercial Information as defined with an AU would therefore be acceptable."

10.1 British Columbia Hydro and Power Authority (BC Hydro) is also a regulated utility that is a natural monopoly and may have interests in acquiring customer or market information for such purposes as designing DSM programs or rate design. Would FEI equally share any customer or market related information that it would provide to FBC with BC Hydro? Why or why not?

10.1.1 Please discuss whether the current wording in the proposed CoC regarding sharing information with an AU is appropriate for this type of situation?

**11.0 Reference: Exhibit B-2, p. 17  
FEI business development personnel**

On page 17 of the Application, FEI proposes the following wording to clarify the interpretation of the current wording which states: “[FortisBC Energy] will not share business development personnel.”

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

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

11.1 Why is the wording, “and where (FortisBC Energy) is providing similar energy solutions” needed? Would it not be preferable to replace that wording with “unless approved by the Commission”? Please explain FEI’s rationale.

**12.0 Reference: Exhibit B-2, Appendix A-1 proposed CoC, p. 2  
ANRB definition**

FEI includes the following definition of an ANRB: “A separate legal entity that is an affiliate of FortisBC Energy not regulated by the Commission or the National Energy Board or a division of FortisBC Energy offering products and services unregulated by the Commission.”

12.1 What divisions of FEI offer products and services unregulated by the Commission, and why are they included within the regulated utility that is FEI?

**13.0 Reference: Exhibit B-2, Appendix A-1 proposed CoC, pp. 2, 4 and 5  
Shared services and personnel and non-disclosure agreements**

FEI includes the following statement in the All-inclusive CoC:

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

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.

The proposed CoC defines Commercial Information as “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.”

- 13.1 Are there situations where FEI is sharing services or personnel with an AU at rates below fully loaded cost? If yes, then please identify the charge out rate and the fully loaded rate equivalent.
- 13.2 Please identify situations where a non-disclosure agreement would be detrimental to the operations of FEI directors and officers/executives?
- 13.3 Would a non-disclosure agreement in the case of an AU help to overcome the risk that market or customer information might be passed on inappropriately to an ARB or ANRB?
- 13.4 Should a non-disclosure agreement be required for any FEI employee with direct responsibility for, access to, or knowledge of FEI's Commercial Information as part of their role at FEI and who is subsequently transferred, either on a permanent or a temporary basis, to an ARB or ANRB? If not, why not?

**14.0 Reference: Exhibit B-2, Appendix A-1 proposed CoC, p. 6  
Provision of Information**

FEI includes the following statement in 3 b): "A written consent will be not required for the release of aggregated or summarized Customer Information."

- 14.1 Please correct the wording.

**15.0 Reference: Exhibit B-2, Appendix A-1 proposed CoC, p. 9  
FBCH**

FEI includes the following statement in reference to FBCH: "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."

- 15.1 Please correct the wording.

**16.0 Reference: Exhibit B-2, Appendix A-1 Proposed TPP, p. 3  
TPP under the heading: Policy**

FEI includes the following statement: "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."

- 16.1 Should the words "not adversely affected" be replaced by "benefitted"? If no, please explain the situations where FEI customers would not be benefitted.

**17.0 Reference: Exhibit B-2, Appendix A-1 proposed TPP, pp. 5 and 6  
Section 2.1 Type of Service and overtime charges**

- 17.1 How are overtime charges incorporated into the three 'types of service' identified in the TPP section 2.1? Are these charges reflected in Appendix A to the TPP?

**18.0 Reference: Exhibit B-2, Appendix A-1 Proposed TPP, p. 7  
Research Costs**

Section 3.2 states: “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].”

18.1 Please explain all those cases where FEI has reduced its research information charges to an affiliate due to “quantifiable benefits received by” FEI.