Introduction: Why are we here?

- 19 of 24 operating agreements on Vancouver Island, Sunshine Coast and Powell River expire in 2012 and will require renewal
- 6 others on Vancouver Island do not have operating agreements

Agenda

1) Introduction to FortisBC
2) What are Operating Agreements?
3) Approach to renewals
4) Timeline to renew Operating Agreements

Introduction to FortisBC Energy Inc.

On March 1, 2011 the following corporate changes were made:
- Terasen Gas Inc. became Fortis BC Energy Inc. (FEI)
- Terasen Gas (Vancouver Island) Inc. became FortisBC Energy (Vancouver Island) Inc. (FEVI)

What are Operating Agreements?

Operating agreements cover the following:

- Construction & Operations
  - construction, operation & maintenance and relocation of facilities
- Finance
  - Provisions for the collection and payment of operating fees; repair and payment when facilities damaged, and definition and verification of costs
- Legal / Regulatory
  - dispute resolution through arbitration; notice of closure of public places; no exclusivity provisions; normally 21 year term; mutual indemnity; requires BCUC approval

Pro Forma Interim Municipal Gas Operating Agreement

- BC Utilities Commission approved the Agreement in 1991 for 19 municipalities within FEVI (still in effect for 12 municipalities)
- expires February 7, 2012
- provides for franchise / operating fees if or when permitted by law
What are Operating Fees?

• separate line item 3% tax charged to ratepayers
• collected from ratepayers and paid annually to municipality
• additional to existing 1% payment in lieu of property tax

Interior: Operating fees paid in exchange for streamlined construction and operating processes

Vancouver Island: Operating fees prohibited by legislation, however provided for in Pro Forma Agreement and subsequent negotiated Agreements

Approach to renewal of Operating Agreements

Vancouver Island, Sunshine Coast & Powell River:

• pursue the renewal of 19 operating agreements that expire in 2012, while negotiating agreements with 7 other municipalities who do not currently have agreements
• Only pursue renewal of operating agreements which are expiring in 2012
• use “UBCM” Agreement as approved by BCUC since 2006 to have consistent terms and conditions in all agreements
• streamline construction and operation administration for both the municipality and FortisBC

What we have done until now

• introduced to AVICC (UBCM area association)
  Conference in 2010
• met individually with most senior staff between March and June 2010
• met with group of senior staff in July 2010
• circulated draft operating agreement to senior staff in August 2010
• met with mayors and counselors representatives in January 2011

Timeline – Vancouver Island, Sunshine Coast & Powell River

April 2011: Brief Vancouver Island elected officials
April- August 2011: Negotiate Operating Agreement with municipal staff and elected officials
September 2011: Municipal council approvals
December 2011: Apply for BCUC approval