

PACIFIC NORTHERN GAS LTD.

Inter-Affiliate Code of Conduct

For Provision of Utility Resources and Services

To Affiliates

(November 2019)

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1 PURPOSE AND OBJECTIVES

1.1 Purpose and Objectives of the COC

1.1.1 Purpose of the COC

The purpose of this Code of Conduct (COC) is to set out standards and conditions for interaction between Pacific Northern Gas Ltd. (PNG) and its affiliated companies. This COC applies equally to the conduct of PNG's wholly-owned subsidiary, Pacific Northern Gas (N.E.) Ltd. (PNG(NE)). The COC attempts to anticipate and adjust for the potential misalignment of interest between shareholders and customers of regulated businesses that may occur in the course of interactions with affiliated companies.

The standards established in the COC are intended to:

- (a) prevent customers of regulated businesses from cross-subsidizing competitive or non-regulated activities of affiliated companies;
- (b) protect the confidentiality of customer information collected by PNG in the course of providing Regulated Service; and
- (c) ensure there is no preferential access to Regulated or non-Regulated Services.

1.1.2 Objectives of COC

While the overall purpose of the COC is to establish standards and conditions which prohibit inappropriate Affiliate conduct, preferences, or advantages which may adversely impact the customers of regulated businesses, this purpose reflects several important underlying objectives, including:

- (a) creating a clearly defined set of rules designed to enhance inter-affiliate transparency, fairness and senior management accountability with respect to inter-affiliate interactions impacting regulated businesses;
- (b) providing an environment in which inter-affiliate economies and efficiencies can be realized by PNG;
- (c) developing support and respect for the COC by the employees, officers and directors of PNG, which will in turn promote ratepayer confidence in the application of the COC; and
- (d) the creation of regulatory processes and cost efficiencies through the consistent application of a clear set of standards and reporting requirements to PNG's inter-affiliate transactions, enhanced by a practical, resolution driven, dispute process.

1.2 Application

This COC is not meant to replace or modify in any manner, any statutory or regulatory requirements relating to PNG. If the COC is silent on a principle or guideline otherwise established by the BCUC, acceptance of the COC does not imply that the principle, guideline or BCUC direction is void or invalid.

Where there is an agreement between PNG and its Affiliates with respect to the sharing or provision of services, resources or personnel that has been reviewed and accepted by the BCUC, the terms of that agreement will govern.

Where applicable, this COC is intended to be consistent with the principles of the BCUC as outlined in the RMDM Guidelines. For reference, the code of conduct and transfer pricing principles as per the RMDM Guidelines are reproduced as Appendix A and Appendix B to this policy, respectively.

2 GENERAL PROVISIONS

2.1 Definitions

In this COC the following words and phrases shall have the following meanings:

- (a) **"Affiliate"** means with respect to PNG:
 - i) an "affiliate" as defined in the CBCA;
 - ii) a unit or division within PNG or any Body Corporate referred to in clause a) i) above;
 - iii) a partnership, joint venture, or Person in which PNG or any Body Corporate referred to in clause a) i) above has a controlling interest or that is otherwise subject to the control of PNG or such Body Corporate;
 - iv) any partnership, joint venture, or person deemed by the BCUC to be an affiliate of PNG for the purposes of this COC; or
 - v) an agent or other person acting on behalf of any Body Corporate, operating division, partnership, joint venture or person referred to in clauses a) i) to iv) above.
- (b) **"Affiliate Service"** means any service, provided:
 - i) by PNG to an Affiliate, other than a Regulated Service; or
 - ii) by an Affiliate to PNG.
- (c) **"Affiliated Party Transactions Summary"** means a summary of each type of business transaction or service performed by an Affiliate for PNG or by PNG for an Affiliate, which will contain:

- i) A detailed listing of all assets, services and products provided to and from PNG and each of its affiliated companies;
 - ii) Each item on the listing will indicate the price received or paid and, as appropriate, the relevant fully allocated costs or market values;
 - iii) Where fair market value is used, an explanation will be provided as to how the value was determined, including the comparative source for the value;
 - iv) Where cost allocations are involved, a description of the cost allocators and methods used to make the allocations will be included; and
 - v) A summary of shared corporate services and the methodology for ensuring fair allocations of these costs.
- (d) **"BCUC"** means the British Columbia Utilities Commission.
- (e) **"Body Corporate"** means a "body corporate" as defined in the CBCA.
- (f) **"CBCA"** means the Canada Business Corporations Act, R.S.C., 1985, c. C-44.
- (g) **"COC"** means this PNG Inter-Affiliate Code of Conduct.
- (h) **"Compliance Officer"** shall have the meaning ascribed thereto in section 7.3 hereof.
- (i) **"Compliance Report"** shall have the meaning ascribed thereto in section 7.5 hereof.
- (j) **"Confidential Information"** means any information relating to a specific customer or potential customer of PNG, which information PNG has obtained or compiled in the process of providing current or prospective Regulated Service and which is not otherwise available to the public. Confidential Information must be treated as required by PIPA and should only be released with the written consent of the customer.
- (k) **"Cost Recovery Basis"** with respect to:
 - i) the use by one Affiliate of another Affiliate's personnel, means the fully burdened costs of such personnel for the time period they are used by the Affiliate, including salary, benefits, vacation, materials, disbursements and all applicable overheads;
 - ii) the use by one Affiliate of another Affiliate's equipment, means an allocated share of capital and operating costs appropriate for the time period utilized by the Affiliate;
 - iii) the use by PNG of an Affiliate's services, means the complete costs of providing the service, determined in a manner acceptable to PNG, acting prudently;
 - iv) the use by an Affiliate of PNG's services, means the complete costs of providing the service, determined in a manner acceptable to PNG, acting prudently; and
 - v) the transfer of equipment, plant inventory, spare parts or similar assets between Affiliates, means the lower of fair market value or net book value of the transferred assets.

- (l) **“Customer”** means an individual or business receiving a Regulated Service from PNG and is held to be synonymous with the regulatory term ratepayer.
- (m) **“Development”** means 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 commencement of commercial production or use.
- (n) **“Direct Costs”** means costs that can reasonably be identified with a specific unit of product of service or with a specific operation or cost centre.
- (o) **“Fair Market Value”** means the price reached in an open and unrestricted market between informed and prudent parties, acting at arm’s length and under no compulsion to act.
- (p) **“Fully-allocated Cost”** means the sum of the direct costs plus a share of indirect costs to provide a product or service.
- (q) **“Indirect Costs”** means costs that cannot be identified with a specific unit of product of service or with a specific operation or cost centre service, and include but are not limited to overhead costs, administrative and general expenses, and taxes.
- (r) **“Information Services”** means any computer systems, computer services, databases, electronic storage services or electronic communication media utilized by PNG relating to its customers or operations.
- (s) **“Major Transaction”** means a transaction or series of related transactions within a calendar year between PNG and an Affiliate relating to the sale or purchase of an asset(s) or to the provision of a service or a similar group of services, other than Regulated Service, which has an aggregate value within that calendar year of \$500,000 or more.
- (t) **“Modified Massachusetts Formula or MMF”** is a financial composite cost allocation methodology widely used and accepted by the utility industry in North America to allocate shared corporate services costs to a utility’s business units.
- (u) **“Occasional Services”** shall have the meaning ascribed thereto in section 3.3.8 hereof.
- (v) **“PIPA”** means the Personal Information Protection Act of British Columbia.
- (w) **“PNG”** means Pacific Northern Gas Ltd.
- (x) **“PNG(NE)”** means Pacific Northern Gas (N.E.) Ltd., PNG’s wholly-owned subsidiary.
- (y) **“RMDM Guidelines”** means the Retail Markets Downstream of the Utility Meter Guidelines published by the BCUC in April 1997.
- (z) **“Regulated Service”** means a service, the terms and conditions of which are regulated by the BCUC, and includes services for which an individual rate, joint rate, toll, fare, charge or schedule of them (rates, tolls, fares or charges), have been approved by the BCUC.

- (aa) **“Research”** means 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.
- (bb) **“Services Agreement”** means an agreement entered into between PNG and one or more Affiliates for the provision of Affiliate Services or Shared Services and shall provide for the following matters as appropriate in the circumstances:
 - i) the type, quantity and quality of service;
 - ii) pricing, allocation or cost recovery provisions;
 - iii) confidentiality arrangements;
 - iv) dispute resolution provisions; and
 - vi) a representation by PNG and each Affiliate party to the agreement that the Services Agreement complies with the COC.
- (cc) **“Shared Service”** means any routine service, other than a Regulated Service or a Shared Corporate Service, provided on a Cost Recovery Basis by PNG to an Affiliate or by an Affiliate to PNG.
- (dd) **“Shared Corporate Services”** means corporate and financial market services performed by one Affiliate for another in relation to the daily operation of its business that provide shared strategic management and policy support to the corporate group of which PNG is a member, relating to, but not limited to, strategy and oversight, legal, finance, tax, treasury, pensions, risk management, audit services, regulatory, corporate planning, human resources, health and safety, communications, investor relations, trustee, or public affairs.
- (ee) **“Transfer Price or Transfer Pricing”** means the price established for the provision of PNG resources and services to an Affiliate. Transfer Pricing for any PNG resource or service will be determined by applying the Transfer Pricing principles described per section 4 hereof.

2.2 To Whom this COC Applies

PNG is obligated to comply with this COC. All Affiliates of PNG are obligated to comply with the COC to the extent they interact with PNG.

2.3 Coming into Force

This COC comes into force when approved by the BCUC.

2.4 Amendments to this COC

This COC may be reviewed and amended from time to time by the BCUC on its own initiative, or pursuant to a request by any party to whom this COC applies or by any interested party.

2.5 Exemptions

PNG is to make all applications to the BCUC for an exemption with respect to compliance with any provision of this COC on behalf of its Affiliates. Any such application will specify if the requested exemption is in respect of a particular transaction, a series of transactions, for a specified period of time, or for a general exemption from a particular provision.

2.6 Authority of the BCUC

Although this COC requires approval by the BCUC, such approval does not detract from, reduce or modify in any way, the powers of the BCUC to deny, vary, approve with conditions, or overturn, the terms of any transaction or arrangement between PNG and one or more Affiliates that may be done in compliance with this COC. Compliance with the COC does not eliminate the requirement for specific BCUC approvals or filings where required by statute or by BCUC decisions, orders or directions.

3 GOVERNANCE AND SEPARATION OF BUSINESS

3.1 Governance

3.1.1 Separate Operations

The business and affairs of PNG should be managed and conducted separately from the business and affairs of its Affiliates, except as required to fulfill corporate governance, policy, and strategic direction responsibilities of a corporate group of businesses as a whole.

3.1.2 Common Directors, Officers and Management

PNG may have common directors, officers and management with its Affiliates, as may be required to perform corporate governance, policy and strategic direction responsibilities of an affiliated group of businesses.

3.1.3 Guiding Principle

Notwithstanding section 3.1.2 hereof, an individual shall not act both as a director, officer or member of a management team of PNG and as a director, officer or member of a management team of any other Affiliate (thereby acting in a dual capacity) unless the individual is able to carry out his/her responsibilities in a manner that preserves the form, and the spirit and intent, of this COC. In particular, an individual:

- (a) shall not agree to act in a dual capacity if it could reasonably be considered to be detrimental to the interests of PNG's Regulated Service customers; and

- (b) if acting in a dual capacity, shall abstain from engaging in any activity that could reasonably be considered to be detrimental to the interests of PNG's Regulated Service customers.

3.2 Degree of Separation

3.2.1 Accounting Separation

PNG shall ensure accounting separation from all Affiliates and shall maintain separate financial records and books of accounts.

3.2.2 Separation of Information Services

Where PNG shares Information Services with an Affiliate, all Confidential Information must be protected from unauthorized access by the Affiliate.

3.2.3 Financial Transactions with Affiliates

PNG shall ensure that any loan, investment, or other financial support received from an Affiliate is provided on terms no less favorable than what PNG would be able to obtain as a stand-alone entity from the capital markets.

PNG shall ensure that any loan, investment, or other financial support provided to an Affiliate is provided on terms no more favorable than what that Affiliate would be able to obtain as a stand-alone entity from the capital markets, and in all cases at no more favorable terms than PNG could obtain directly for itself in capital markets.

Any loan, investment, or other financial support provided to, or received from, an Affiliate must be approved by the BCUC.

3.3 Resource Sharing

3.3.1 Sharing of Employees

PNG may share employees on a Cost Recovery Basis with an Affiliate when it is not considered to be detrimental to the interests of PNG or PNG's Regulated Service customers.

3.3.2 Transferring of Employees

PNG may transfer employees to or from an Affiliate.

3.3.3 Sharing of Assets

The plant, assets and equipment of PNG shall be separated in ownership and separated physically from the plant, assets and equipment of other Affiliates. Affiliates may share ownership and may physically share office space, equipment, rights-of-way and other assets on a Cost Recovery Basis when it is not considered to be detrimental to the interests of PNG or PNG's Regulated Service customers.

3.3.4 Shared Services Permitted

Where PNG determines it is prudent in operating its business to do so, it may obtain Shared Services from, or provide Shared Services to, an Affiliate. PNG shall periodically review the prudence of continuing Shared Services arrangements with a view to making any necessary adjustments to ensure that each Affiliate bears its appropriate share of costs.

3.3.5 Shared Corporate Services Permitted

Where PNG determines it is prudent in operating its business to do so, it may obtain Shared Corporate Services from an Affiliate. PNG shall periodically review the prudence of continuing Shared Corporate Services arrangements with a view to making any necessary adjustments to ensure that PNG bears an appropriate share of costs.

3.3.6 Pricing of Shared Corporate Services

Where PNG acquires Shared Corporate Services from an Affiliate, the cost of providing the services will be allocated to PNG by the Affiliate based on the Modified Massachusetts Formula or other accepted allocation model, as approved by the BCUC.

3.3.7 Services Agreement

PNG shall enter into a Services Agreement with respect to any Shared Services and Shared Corporate Services it provides to, or acquires from, an Affiliate and file Services Agreements with the BCUC in accordance with section 7.5(c) hereof.

3.3.8 Occasional Services Permitted

Where PNG has otherwise acted prudently, PNG may receive, or provide, one-off, infrequent or occasional services (Occasional Services) to, or from, an Affiliate on a Cost Recovery Basis when it is not considered to be detrimental to the interests of PNG or PNG's Regulated Service customers.

In the event that PNG is utilizing, or providing, services to an affiliate on a recurring basis and at a deemed fully loaded value of \$75,000 or more per year, PNG shall enter into a Services Agreement. Recurring basis is defined as more than once per year, in consecutive years, and is expected to continue to be provided, or required, in future years.

3.3.9 Emergency Services Permitted

In the event of an emergency, PNG may share services and resources with an Affiliate without a Services Agreement in place on a Cost Recovery Basis.

4 TRANSFER PRICING

4.1 Principles

The Transfer Pricing principles described in the sections 4.2, 4.3, 4.4, 4.5, 4.6, 4.7 and 4.8, hereof, are designed to ensure that PNG receives adequate compensation for resources and services provided to Affiliates and pays no more than a fair amount for resources and services purchased from Affiliates, thereby protecting ratepayers from subsidizing activities carried out by Affiliates that are not related to PNG's Regulated Service to its utility customers.

Where applicable, PNG's Transfer Pricing principles are intended to be consistent with the transfer pricing principles as outlined in the BCUC RMDM Guidelines. For reference, the BCUC transfer pricing principles are reproduced as Appendix B to this policy.

4.2 Affiliate Services

Where PNG determines it is prudent in operating its business to do so, it may obtain Affiliate Services from an Affiliate or provide Affiliate Services to an Affiliate. If PNG intends to outsource to an Affiliate a service it presently provides for itself, PNG shall, in addition to any other analysis it may require to demonstrate the prudence of an Affiliate Services arrangement, undertake a net present value analysis appropriate to the life cycle or operating cycle of the services involved.

PNG shall periodically review the prudence of continuing Affiliate Services arrangements.

4.3 Pricing Affiliate Services

When PNG acquires Affiliate Services, it shall pay no more than the Fair Market Value of such services. The onus is on PNG to demonstrate that the Affiliate Services have been acquired at a price that is no more than the Fair Market Value of such services.

When PNG provides Affiliate Services, the price will be established based on the greater of a Cost Recovery Basis and Fair Market Value. The Cost Recovery Basis will be such that the Fully-allocated Cost to provide a product or service has been captured in the price. The onus is on PNG to demonstrate that the Affiliate Services have been charged at a price that is not less than the Fair Market Value of such services.

4.4 Cost Recovery

PNG's Compliance Officer will be responsible for ensuring appropriate policies and internal controls are in place to identify and track costs related to the provision of Affiliate Services, and for the administration of the process to recovery these costs. Primary elements to be accounted for as part of this process include:

4.4.1 Labour Costs

PNG employees identified to perform Affiliate Services must track their actual time spent on providing each service. Completed time summaries are to be provided to the Compliance Officer on a periodic basis, serving as a primary input to the cost recovery process.

4.4.2 Labour Loadings

Accumulated labour costs will be subject to a benefit loading applicable to the employee's pay grade to allow for the recovery of employee benefit costs associated with the provision of Affiliate Services. Labour costs will also be subject to corporate facilities and overhead loadings to allow for the recovery of the cost of office facilities and supplies and general corporate costs.

4.4.3 Other Direct Costs

All other costs associated with the provision of Affiliate Services are to be tracked and accounted for recovery, including any direct third-party expenditures and any incidental internal vehicle and equipment charges.

4.4.4 Invoicing

PNG will invoice Affiliates on a quarterly basis for the costs of providing Affiliate Services during that period. The receiving Affiliate may review the validity of the charges.

4.5 Budgeting Affiliate Services

PNG will estimate or forecast Affiliate Services levels as part of the revenue requirements application process. These estimates or forecasts are to be consistent with the relevant costs and assumptions contained in the underlying application. The budgeting of Affiliate Services will also include a review and update of all numerical inputs and cost assumptions used to calculate burden and overhead rates.

Estimated or forecast Affiliated Services received from an Affiliate will be accounted for as an element of the cost of service. Estimated or forecast Affiliate Services provided to an Affiliate will be accounted for as a reduction to the cost of service.

4.6 Asset and Activity Transfers

Assets and activities may, from time to time, be transferred by PNG to an Affiliate, or transferred from an Affiliate to PNG.

4.6.1 Asset Transfers

For assets transferred or otherwise disposed of by PNG to an Affiliate, the price shall be the greater of Fair Market Value or the net book value of the asset. Assets transferred by PNG to an Affiliate are subject to BCUC approval.

Assets transferred or otherwise disposed of by an Affiliate to PNG shall be at no more than Fair Market Value.

4.6.2 Activity Transfers

Activities initially undertaken within PNG may be transferred to an Affiliate with BCUC 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 PNG resources are required during the transferring of the activity, the Affiliate shall reimburse PNG using the pricing rules described in section 4.3 for the provision of Affiliate Services by PNG. Costs relating to the termination of an activity within PNG shall be borne by PNG.

4.6.2.1 Research Activities

Research is regarded as a continuing activity required to maintain PNG's business and its effectiveness therefore such activity expenses shall be borne by PNG. However, where it is evident that certain research activities are clearly directed towards specific pursuits related to an Affiliate, PNG will ensure it is compensated by the Affiliate for the activities using the pricing rules described in section 4.3 for the provision of Affiliate Services by PNG, net of any quantifiable benefits received by PNG.

4.6.2.2 Development Activities

Development costs for new products or services transferred to an Affiliate will be tracked and charged to the Affiliate according to the pricing rules described in section 4.3 for the provision of Affiliate Services by PNG, net of any quantifiable benefits received by PNG.

4.7 Determination of Fair Market Value

In demonstrating that Fair Market Value was paid or received pursuant to an Affiliate Service arrangement or a transaction contemplated by sections 4.1, 4.2 and 4.6 hereof, PNG, subject to any prior or contrary direction by the BCUC, may utilize any method to determine Fair Market Value that it believes appropriate in the circumstances. These methods may include, without limitation: independent assessment, competitive tendering, competitive quotes, bench-marking studies, catalogue pricing, replacement cost comparisons or recent market transactions. PNG shall bear the onus of demonstrating that the methodology or methodologies utilized in determining the Fair Market Value of the subject goods or services was appropriate in the circumstances.

4.8 Where No Market Exists

Where it can be established that a reasonably competitive market does not exist for a service, product, resource or use of asset that PNG acquires from an Affiliate, PNG shall pay no more than the Affiliate's Fully-allocated Cost to provide that service, product, resource or use of asset. The Fully-allocated Cost may include a return on the Affiliate's invested capital. The return on invested capital shall be no higher than PNG's approved weighted average cost of capital.

Where a reasonably competitive market does not exist for a service, product, resource or use of asset that PNG sells to an Affiliate, PNG shall charge no less than its Fully-allocated Cost to provide that service, product, resource or use of asset. The Fully-allocated Cost shall include a return on PNG's invested capital. The return on invested capital shall be no less than PNG's approved weighted average cost of capital.

5 EQUAL TREATMENT WITH RESPECT TO UTILITY SERVICES

5.1 Impartial Application of Tariff

PNG shall apply and enforce all tariff provisions relating to Regulated Service impartially, in the same timeframe, and without preference in relation to its Affiliates and all other customers or prospective customers.

5.2 Equal Access

PNG shall not favor any Affiliate with respect to access to information concerning Regulated Service or with respect to the obtaining of, or the scheduling of, Regulated Service. Requests by an Affiliate for access to Regulated Service shall be processed and provided in the same manner as would be processed or provided for other customers or prospective customers of PNG.

5.3 No Undue Influence

PNG shall not condition or otherwise tie the receipt of Regulated Service to a requirement that a customer must also deal with an Affiliate. PNG and its Affiliates shall ensure that their employees do not, explicitly or by implication, suggest that an advantage will accrue to a customer in dealing with PNG if the customer also deals with an Affiliate.

5.4 Affiliate Activities

PNG shall take reasonable steps to ensure that an Affiliate does not imply in its marketing material or otherwise, favored treatment or preferential access to Regulated Service or non-Regulated Services.

5.5 Name and Logo

PNG shall take reasonable steps to ensure that an Affiliate does not use PNG's name, logo or other distinguishing characteristics, and that PNG does not use an Affiliate's name, logo or other distinguishing characteristics, in a manner which would mislead consumers as to the distinction or a lack of distinction between PNG and the Affiliate.

5.6 Access to Shared and Occasional Services

PNG is not required to provide non-Affiliated parties with equal access to Shared Services or Occasional Services.

6 CONFIDENTIALITY OF INFORMATION

6.1 No Release of Confidential Information

Confidential Information must be treated as required under the provisions of PIPA. PNG shall not release to an Affiliate Confidential Information relating to a customer or prospective customer, without receiving the prior written consent of the customer or prospective customer, unless such Confidential Information may be disclosed to an Affiliate in connection with a disclosure required:

- (a) for the purpose of a court proceeding or a proceeding before a quasi-judicial body to which the customer is a party;
- (b) for the purpose of complying with a subpoena, warrant, or order issued or made by a court, person or body having jurisdiction to compel the production of information or with a rule of court that relates to the production of information;
- (c) to a municipal or provincial police service for the purpose of investigating an offence involving the customer, if the disclosure is not contrary to the express request of the customer;
- (d) by law or by an order of a government or agency having jurisdiction over PNG; or
- (e) for the purpose of providing Shared Services or Affiliate Services to the Affiliate or for the purpose of receiving Shared Services or Affiliate Services from the Affiliate; provided appropriate measures are first put in place by the Affiliate to protect the Confidential Information and the Confidential Information is used by the Affiliate only for the purpose intended by the Utility.

In the event of any inconsistency or conflict between the provisions of the COC and the provisions of PIPA, the provisions of PIPA shall prevail.

6.2 Aggregated Confidential Information

PNG may disclose Confidential Information when aggregated with the Confidential Information of other customers in such a manner that an individual customer's Confidential Information cannot be identified, provided that PNG shall not disclose such aggregated customer information to an Affiliate unless it is also made available to all parties, including competitors, on an equal basis, upon request. The control of PNG Confidential Information should not provide an inappropriate competitive advantage to an Affiliate.

7 COMPLIANCE MEASURES

7.1 Responsibility for Compliance

PNG shall be responsible for ensuring compliance with this COC.

7.2 Communication of COC

PNG shall:

- (a) communicate the contents of the COC, and any modifications to it from time to time, to each of its directors, officers, employees, consultants, contractors, agents and Affiliates;
- (b) provide quarterly reminders to management of employees who may be directly involved with Affiliate activities, and
- (c) make the COC available on PNG's website.

7.3 Compliance Officer

PNG's Vice President Finance shall act as compliance officer (Compliance Officer). PNG shall ensure that the Compliance Officer has adequate resources to fulfill his or her responsibilities.

7.4 Responsibilities of the Compliance Officer

The responsibilities of the Compliance Officer shall include:

- (a) oversight of safeguards related to the COC, including the ongoing design and operating effectiveness of recordkeeping processes and related controls and safeguards, and the maintenance of adequate records and documentation;
- (b) providing advice and information to PNG for the purpose of ensuring compliance with this COC, including consideration to identifying potential conflicts of interest between PNG and its Affiliates prior to the provision or transfer of PNG resources to an Affiliate;
- (c) monitoring and documenting compliance with the COC by PNG, its directors, officers, employees, consultants, contractors and agents;
- (d) monitoring and documenting compliance with the COC by Affiliates of PNG with respect to the interactions of the Affiliates with PNG;
- (e) preparing an annual compliance report (Compliance Report) containing the information required in section 7.5 hereof within 90 days of the immediately preceding fiscal year for inclusion in PNG's annual report to the BCUC;

- (f) receiving and investigating internal and external disputes, complaints and inquiries with respect to the application of, and alleged non-compliance, with the COC in accordance with Section 8 hereof;
- (g) recommending to PNG measures required to address events of non-compliance with the COC; and
- (h) maintaining adequate records with respect to all aspects of the Compliance Officer's responsibility.

7.5 The Compliance Report

The Compliance Report shall include the following information prepared in respect to the period of time covered by the Compliance Report:

- (a) a corporate organization chart for PNG and its Affiliates indicating relationships and ownership percentages;
- (b) a list of all Affiliates with whom PNG transacted business, including business addresses, a list of the Affiliates' officers and directors, and a description of the Affiliates' business activities;
- (c) a list of all Services Agreements in effect at any time during such period;
- (d) an overall assessment of compliance with the COC by PNG, including compliance by the directors, officers, employees, consultants, contractors and agents of PNG and by Affiliates of PNG with respect to the interactions of the Affiliates with PNG;
- (e) in the event of any material non-compliance with the COC, a comprehensive description thereof and an explanation of all steps taken to correct such non-compliance;
- (f) subject to the confidentiality provisions of section 8.1 hereof, a summary of disputes, complaints and inquiry activity during the year;
- (g) a list and detailed description of all Major Transactions between PNG and its Affiliates;
- (h) an Affiliated Party Transactions Summary;
- (i) a summary description together with an estimated aggregate value for each Occasional Service provided by PNG to an Affiliate and by Affiliates to PNG;
- (j) a summary list of any exemptions granted to this COC or exceptions utilized, including the exception for emergency services;
- (k) a list of all employee transfers, temporary assignments and secondments between PNG and its Affiliates, detailing specifics as to purpose, dates and duration of such employee movements; and

- (l) an analysis for all transactions indicating whether fair market value or competitive tendering or quotes was used and describing the rationale for using or not using competitive tendering or quotes.

7.6 Non-compliance with the COC

7.6.1 Non-Compliance

Any non-compliance with the COC by any director, officer, employee, consultant, contractor or agent of PNG or by an Affiliate (or any director, officer, employee, consultant, contractor or agent of an Affiliate) with respect to the interactions of the Affiliate with PNG will be considered to be non-compliance by PNG.

7.6.2 Consequences for Non-Compliance with COC

Non-compliance with this COC could be considered as prima facie evidence in a regulatory proceeding of inappropriate conduct by PNG or of an inappropriate transaction, expense or activity by PNG. Non-compliance with the COC by a director, officer, employee, consultant, contractor or agent of PNG may subject such individual to disciplinary action by PNG.

7.7 Documents to be Provided to the BCUC upon Request

PNG shall provide the BCUC with a copy of a Compliance Report on an annual basis, and any document referred to in a Compliance Report or other supporting records and material, including relevant Affiliate records in position or control of the Affiliate as requested by the BCUC.

7.8 Compliance Records and Audit

The records required to be maintained by the Compliance Officer pursuant to section 7.4 hereof shall be retained for a period of at least six years. Compliance records shall be maintained in a manner sufficient to support a third party audit of the state of compliance with the COC by PNG, its directors, officers, employees, consultants, contractors and agents, and by Affiliates of PNG with respect to the interactions of the Affiliates with PNG. Subject to the confidentiality provisions of section 8.1 hereof, all such records shall be made available for inspection or audit as may be required by the BCUC from time to time.

8 DISPUTES, COMPLAINTS AND INQUIRIES

8.1 Filing with the Compliance Officer

Disputes, complaints or inquiries from within PNG or from external parties respecting the application of, or alleged non-compliance with, the COC shall be submitted in writing to the Compliance Officer and may be made confidentially. The identity of the party making the submission to the Compliance Officer shall be kept confidential by the Compliance Officer unless the party otherwise agrees.

8.2 Processing of Disputes, Complaints and Inquiries

8.2.1 Compliance Officer Acknowledgment

The Compliance Officer shall acknowledge all disputes, complaints or inquiries in writing within five working days of receipt.

8.2.2 Disposition

The Compliance Officer shall respond to the dispute, complaint or inquiry within 21 working days of its receipt. The response shall include a description of the dispute, complaint or inquiry and the initial response of PNG to the issues identified in the submission. PNG's final disposition of the dispute, complaint or inquiry shall be completed as expeditiously as possible in the circumstances, and in any event within 60 days of receipt of the dispute, complaint or inquiry, except where the party making the submission otherwise agrees.

8.3 Referral to the BCUC

Independent of the internal disputes, complaints and inquiries process described in Section 8.1, PNG (subject to the confidentiality provisions of Section 8.1 hereof) or a party with a dispute, complaint or inquiry may refer the matter to the BCUC for consideration.

Referrals to the BCUC should follow the guidance provided in the BCUC Customer Complaint Guide available on the BCUC website (www.bcuc.com). PNG notes that the BCUC expects a party with a dispute, complaint or inquiry to attempt to resolve the matter with PNG prior to referring it to the BCUC.

APPENDIX A
Code of Conduct Principles as per RMDM Guidelines

Code of Conduct Principles as per RMDM Guidelines

The British Columbia Utilities Commission (Commission) has established the following code of conduct principles in the “Retail Markets Downstream of the Utility Meter” Guidelines of April, 1997 (page 26):

- (i) The regulated company will not provide to the non-regulated business (NRB) any market-sensitive or confidential information that would inhibit a competitive energy services market from functioning. If customers agree to a release of customer information to the NRB, it should be provided to other market participants under the same terms and conditions and for the same price. Should an individual customer make a specific request to have information released to a particular third party, it will be released to that party only. The utility will be able to recover from the customer the costs associated with the provision of this information.
- (ii) No regulated company personnel will state or imply that favoured treatment will be available to customers of the company as a result of using any service of an NRB. In addition, no regulated 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 service of an NRB.
- (iii) No regulated company personnel will preferentially direct customers seeking competitively offered services to an NRB. If a customer, or potential customer, requests from the regulated company information about products or services offered by an NRB or its competitors in downstream markets, the regulated company may provide such information, including a directory of retailers of the product or service, but shall not promote any specific retailer in preference to any other retailer.
- (iv) The regulated company will formally advise all employees of expected conduct related to these principles and it will undertake to perform periodic audits of the relationships to ensure compliance with these principles. These audits will be performed no less than once a calendar year and filed with the Commission.
- (v) Complaints by non-affiliated parties about the application of these principles, or any alleged breach thereof, will be brought to the immediate attention of the senior management of the regulated company and subsequently a report of the complaints, and action taken, will be filed with the Commission. The report will be filed with the Commission within one month of the complaint being made.
- (vi) The financing of the utility and NRB will be accounted for entirely separately with the financing costs reflecting the risk profile of each entity. No cross-guarantees or any form of financial assistance whatsoever should be provided directly or indirectly by a utility to its NRB without approval of the Commission.

- (vii) Use of the utility name by a related NRB will require approval by the Commission to ensure that its use will not interfere with the Commission's ability to protect ratepayers.

In those cases where retail customers have direct market access to the commodity, the utility's code of conduct will also include the following provision.

- (viii) The regulated company will treat all requests for distribution system access for the purpose of direct commodity marketing equitably and according to the requirements approved for direct commodity marketing in British Columbia.

APPENDIX B
Transfer Pricing Principles as per RMDM Guidelines

Transfer Pricing Principles as per RMDM Guidelines

The British Columbia Utilities Commission (Commission) has established the following transfer pricing principles in the “Retail Markets Downstream of the Utility Meter” Guidelines of April, 1997 (page 25):

- (i) The operating costs of non-regulated activities are not to be reflected in the utility’s cost of service.
- (ii) The costs of developing new business ventures are to be charged to and recovered from the non-regulated business (NRB).
- (iii) The accounting costs are to be transparent and will normally fully recover costs for all services, including overhead, space, employee benefits, inconvenience, and a profit margin where appropriate. If the service provided by the utility to the related-NRB could also be obtained from an independent supplier, the price paid by the related-NRB to the utility should be no less than the competitive market price and will never be below the incremental cost.
- (iv) The financial costs of each business are to be borne by the specific business. In the exceptional case where the utility provides guarantees for NRBs, the utility must be given financial compensation.
- (v) Utilities will be required to file periodic reports which demonstrate that they are adhering to the transfer pricing policy. The form and timing of the report will be determined by the Commission.