



LETTER No. L-38-08

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Log No. 26127

VIA E-MAIL

dennis.swanson@fortisbc.com

August 29, 2008

Mr. Dennis Swanson
Director
Regulatory Affairs
FortisBC Inc.
Suite 100 – 195 Springfield Road
Kelowna, BC V1Y 7V7

Dear Mr. Swanson:

Re: FortisBC Internal Audit Report, July 16, 2008
Code of Conduct and Transfer Pricing

This letter is in response to the July 16, 2008 confidential filing by FortisBC ("FBC") concerning the findings of the FBC Internal Audit Report (the "Report") on Code-of-Conduct and Transfer Pricing Policy compliance. The Report identifies and describes several areas of non-compliance with the Code of Conduct and Transfer Pricing ("TPP") Policies of FBC. The Commission thanks FBC for submitting the Report.

After having reviewed the Report, the Commission requests some additional information.

The Report comments that the loading rates in Schedule 1 of the TPP are obsolete, but that "current rates" are being used. FBC is asked to describe the loading rates for material and labour rates that were used for inter-affiliate transactions occurring during 2006 and 2007.

FBC is asked to provide a list of the non-regulated affiliates with whom it transacted business during 2006 and 2007. The list should show the affiliates' business addresses, names of their officers and directors, and a description of their business activities.

The Report comments on contractual arrangements between FBC and its affiliates. FBC is asked to provide a list of any agreements between it and the listed non-regulated affiliates described above, since 2006.

FBC is asked to provide a summary of transactions of services and/or materials between itself and its affiliates. The list should include both the values of the transactions and a general description of their nature. The list should be divided into instances wherein FBC was the buyer and those where it was the seller, of the materials or services. Transactions during 2006 and 2007 are to be included.

The Commission notes that FortisAlberta Inc. files compliance reports to the Alberta Utilities Commission, in fulfillment of Alberta Energy Utilities Board Decisions 2005-002 and 2006-012. The Commission invites FBC to provide the requested information in a format similar to Appendices 2 through 6 of the 2007 edition of the FortisAlberta Inc. report.

The Commission advises FBC that a report on affiliate-related activities during 2008, with similar content to the one described above for 2006 and 2007, will be expected next year.

Yours truly,

Original signed by:

Erica M. Hamilton

TR/rt