



The Best Place on Earth

SHAREHOLDER'S LETTER OF EXPECTATIONS

BETWEEN

**THE MINISTER OF ENERGY, MINES AND PETROLEUM RESOURCES
(AS REPRESENTATIVE OF THE SHAREHOLDER,
THE GOVERNMENT OF BRITISH COLUMBIA)**

AND

**THE CHAIR OF THE BRITISH COLUMBIA TRANSMISSION
CORPORATION
(AS REPRESENTATIVE OF THE CORPORATION)**

PURPOSE

This Shareholder's Letter of Expectations between the Shareholder and the Corporation is an agreement on the respective roles and responsibilities of each, and serves as the basis of agreement between the Shareholder and the Corporation on corporate mandate including high-level performance expectations, public policy issues and strategic priorities¹. It will be reviewed annually and updated as required. The Shareholder's Letter of Expectations is the basis for the development of the Corporation's Service Plans and Annual Service Plan Reports. The Letter applies to the Shareholder and the Corporation. This Letter does not create any legal or binding obligations on the part of the Shareholder or the Corporation but rather is intended to define and promote a positive and co-operative working relationship.

¹ The Province of British Columbia's Crown Agency Accountability System (CAAS) ([http://www.gov.bc.ca/cas/down/shareholder's_expectations_manual_\(version%208\)_june_2_06.pdf](http://www.gov.bc.ca/cas/down/shareholder's_expectations_manual_(version%208)_june_2_06.pdf)) establishes guiding principles for the governance of Crown Corporations. The CAAS also identifies roles and responsibilities for the Shareholder and Crown Corporations, and provides for a Shareholder's Letter of Expectations (Letter) to be jointly developed.

CORPORATION ACCOUNTABILITIES

Government has provided the following mandate direction to the British Columbia Transmission Corporation (BCTC):

- Plan, operate, and maintain the transmission system, owned by BC Hydro in a manner consistent with the relations between the Corporation and BC Hydro as defined in the Key Agreements between the parties, designated by the Lieutenant Governor in Council under the *Transmission Corporation Act*, on November 20, 2003; and
- Ensure that transmission system planning is effective for British Columbia generation and distribution entities, neighbouring interconnected transmission systems and other eligible users.

In responding to Government's performance expectations and the general and specific frameworks and direction of the Shareholder, the Corporation will:

- Conduct its affairs to achieve its mandate and the performance expectations and objectives of the Shareholder, including establishing and implementing corporate strategies, policies, programs, plans and financial outcomes that are consistent with the Shareholder's general direction and consistent with principles of efficiency, effectiveness, and customer service;
- Prepare Service Plans with clearly articulated goals, objectives, strategies and performance measures and targets, and Annual Reports that detail progress toward achieving those goals, and post both documents on its website;
- Display all annual Statement of Financial Information schedules prepared under the *Financial Information Act* in an easily accessible location on its website (some of this information is included in annual reports and does not need to be otherwise displayed);
- Conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by the Shareholder;
- Develop and implement strategies to manage risks identified in the Service Plan;
- Comply with the Shareholder's requirements to make the public sector carbon neutral by 2010, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from the Corporation's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of the Corporation's scope of operations;
- Encourage staff involvement in developing ideas and new solutions to meet Government's climate change objectives, including energy conservation programs and fleet and traffic management initiatives, and report on results achieved;
- Provide the Shareholder with reports and other information that would enable the Shareholder to carry out its responsibilities; and
- Provide information to the Shareholder immediately if the Corporation is unable to meet the targets identified in its Service Plan.

In addition, the Shareholder directs the Corporation to take the following specific actions:

- Implement actions, working with the Ministry of Energy, Mines and Petroleum Resources as necessary, to support the objectives of British Columbia's 2007 Energy Plan, including actions that will:
 - ensure British Columbia's transmission technology and infrastructure remains at the leading edge and has the capacity to deliver power efficiently and reliably to meet growing demand;
 - contribute to energy conservation efforts by establishing and implementing a loss reduction strategy;
 - develop and implement a transmission congestion relief policy to ensure current and future adequacy of transmission infrastructure and to support the objective of electricity self-sufficiency; and
 - maintain consistency with North American reliability standards.

A list of Energy Plan statements that provide direction specific to BCTC is enclosed as Appendix 1.

- Ensure sustained asset health, reliability and security of the transmission system;
- Ensure that there is adequate transmission capacity available to reliably serve domestic and electricity trade needs, and that all eligible transmission users have non-discriminatory access to this capacity, subject to approval by the British Columbia Utilities Commission (Commission);
- Control the operation of generating units to the extent necessary to ensure short term transmission system reliability;
- In the context of the Energy Plan, implement actions necessary to maintain British Columbia's electricity rates as among the lowest in North America;
- Continue to enhance open access transmission tariffs that promote private sector opportunities in wholesale electricity supply and facilitate direct purchase of electricity by large users, subject to the approval of the Commission;
- Continue to enhance wholesale transmission rates that promote maximum use of the transmission grid through appropriate pricing, subject to the approval of the Commission;
- Continue to work with its neighbouring transmission companies to enhance trade opportunities by pursuing such regional initiatives as harmonizing business practices, and improving system planning and expansion procedures to reduce seams and increase the capacity of the grid;
- Continue to utilize public planning processes with the Corporation's stakeholders to promote openness and transparency in overall planning objectives;
- Fully participate in various regulatory processes under the direction of the Commission related to planning and capital projects by both the Corporation and BC Hydro in order to achieve cost-effective integrated energy planning for British Columbia in the context of the 2007 Energy Plan;
- Continue to enhance access to markets for British Columbia produced electricity;
- Advise and consult with the Shareholder in advance of any anticipated or desired BCTC initiatives that could have public policy implications;
- Work with the Shareholder to identify current or upcoming transmission issues that could require provincial policy development, and assist with implementation of any such policies;

- The Board will annually assess its appointment process to ensure succession results in both renewal and continuity of Board membership and provide the results of this assessment to the Shareholder for consideration;
- Include, in the Corporation's Service Plans and Annual Service Plan Reports, the specific actions being undertaken in support of, and progress towards achieving, the energy policy objectives articulated by the Shareholder; and
- Support the Shareholder in developing options to advance the Northwest Transmission Line project.

SHAREHOLDER'S RESPONSIBILITIES

The Shareholder is responsible for the legislative, regulatory and public policy framework in which Crown Corporations operate. In order to meet these responsibilities and support achievement of Government's performance expectations, the Shareholder will:

- Establish, review, revise and communicate Crown Corporations' mandates;
- Establish the overall and Crown-specific financial frameworks under which Crown Corporations operate (borrowing, investment, and payment to the Shareholder);
- Issue performance management guidelines, including guidelines for service planning and annual reports (<http://www.gov.bc.ca/cas/rpts/>);
- Provide strategic input and advice to Crown Corporations in the development of their Service Plans and Annual Reports;
- Provide broad policy direction and confirmation of general frameworks/principles to Crown Corporations, within which the Crown Corporations may establish and apply specific policies/processes;
- Advise Crown Corporations of Government's priorities, strategic decisions and public policy and performance objectives and expectations that may impact the Crown Corporations; and
- Issue directives or orders or sponsor submissions on behalf of Crown Corporations that may be required to seek decisions or policy direction by the Executive Council or its committees, in order to facilitate Crown Corporations fulfilling their mandates and achieving the performance targets outlined in Crown Corporations' Service Plans.

The Shareholder has developed policies for ministries and Crown Corporations for Capital Asset Management (<http://www.fin.gov.bc.ca/tbs/camf.htm>) and Board remuneration policies for Crown agencies. The shareholder has also issued Best Practice Guidelines for board governance and disclosure (<http://www.fin.gov.bc.ca/oop/brdo/corporateguidelines.pdf>). During the term of this Letter, the Shareholder may provide policy direction to the Crown agency sector, and will communicate any such direction, including implementation expectations, to Crown Corporations as decisions are made.

The Shareholder will also, on a continuing basis, monitor the achievement of the goals, objectives and targets identified in Crown Corporations' Service Plans.

Specific to the Corporation, the Shareholder:

- Continues the Corporation under the *Business Corporations Act*;
- Confirms the role of the Minister of Finance as fiscal agent to the Corporation, providing the Corporation with access to Government financing and banking services; and

- Will provide ongoing policy support and may propose legislation, regulations and/or special directions where appropriate to facilitate regulatory approvals for BCTC to undertake Energy Plan related activities, particularly those which contribute to:
 - environmental leadership, innovation, energy conservation and efficiency; and
 - energy security and self-sufficiency, particularly with respect to the transmission aspects of additional energy and capacity from new British Columbia-based generating facilities.

AREAS OF SHARED ACCOUNTABILITY:

Communications

It is agreed by both the Shareholder and the Corporation that, to ensure effective and efficient day-to-day communications and relationship building, officials representing both parties will be tasked with implementing the contents of this Letter and keeping the Minister Responsible and the Board of Directors informed of progress in a timely fashion.

Reporting

The Shareholder and the Corporation are committed to enhanced transparency and accountability to the public. The Shareholder has put in place a public reporting structure set out in the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, and the *Financial Information Act*. The Shareholder has provided the Corporation with a reporting calendar which sets out financial and performance reporting requirements (<http://www.gov.bc.ca/cas>). The Corporation agrees that it will meet these financial and performance reporting requirements. If Government determines that changes to the reporting requirements are necessary, the Shareholder will communicate these to the Corporation.

It is agreed by both the Shareholder and the Corporation that there will be advance discussion and review of key strategic documents such as Service Plans, Quarterly Financial Reports and Annual Reports. These discussions will be completed sufficiently in advance of deadlines to ensure effective and timely input by the Shareholder.

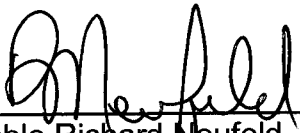
In addition to these financial and performance reporting requirements, the Corporation agrees to provide information to the Shareholder related to risks and opportunities anticipated in achieving financial forecasts.

The Shareholder and the Corporation agree that, as a matter of course, each will advise the other in a timely manner of any issues that may materially impact the business of the Corporation or the interests of the Shareholder.


It is agreed that the Corporation will post the most recent signed copy of the Shareholder's Letter of Expectations on its website. Crown Agencies Secretariat will also post a signed copy of the Letter on its website.

Review and Revision of this Letter

The Minister of Energy, Mines and Petroleum Resources is accountable for undertaking reviews of this Letter and monitoring its implementation. The Crown Agencies Secretariat is responsible for co-ordinating the overall process for preparing Shareholder's Letters of Expectation, and may assist the Minister in undertaking reviews of this Letter and monitoring its implementation. If deemed necessary by either party, the Shareholder and the Corporation will discuss any issues and may agree to amend this letter.



Honourable Richard Neufeld
Minister of Energy, Mines and
Petroleum Resources



R.T.F (Bob) Reid
Chair, British Columbia Transmission
Corporation

April 17/2008
Date

April 30, 2008
Date

pc: Honourable Gordon Campbell
Premier

Ms. Jessica McDonald
Deputy Minister to the Premier and Cabinet Secretary

Mr. Greg Reimer
Deputy Minister
Ministry of Energy, Mines and Petroleum Resources

Mr. Chris Trumpy
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Ms. Jane Peverett
President and Chief Executive Officer
British Columbia Transmission Corporation

Ms. Molly Harrington
Assistant Deputy Minister and Chief Executive Officer
Crown Agencies Secretariat

Appendix 1: Policy Actions that provide direction specific to BCTC in the BC Energy Plan

The Policy Actions in the BC Energy Plan that provide direction specific to BCTC are:

- The BC Transmission Corporation is to ensure that British Columbia's transmission technology and infrastructure remains at the leading edge and has the capacity to deliver power efficiently and reliably to meet growing demand;
- Ensure adequate transmission system capacity by developing and implementing a transmission congestion relief policy; and
- Ensure that the Province remains consistent with North American transmission reliability standards.