



SHAREHOLDER'S LETTER OF EXPECTATIONS

BETWEEN

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

AND

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

PURPOSE

This Shareholder's Letter of Expectations between the Shareholder and the Corporation is an agreement of 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 should inform 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 *Governance Framework for Crown Corporations* (http://www.gov.bc.ca/cas/down/govframe_redraft.pdf) establishes guiding principles for the governance of Crown corporations. The Governance Framework 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

Government has provided the following direction to the Corporation:

Based on the results of the Core Services Review process and the government's November 2002 Energy Plan, the Corporation will:

- complete the transformation of BCTC to an independent regulated transmission utility by April 1, 2005;
- plan, operate, and maintain the BC transmission system, owned by BC Hydro. The relationship between the Corporation and BC Hydro is defined in the Key Agreements between the parties, designated by the Lieutenant Governor in Council under the Transmission Corporation Act, on November 20, 2003;
- ensure that transmission system planning is co-ordinated with BC generation and distribution entities and neighbouring interconnected transmission systems;
- ensure sustained asset health, reliability and security of the BC transmission system;
- ensure that there is adequate transmission capacity available to reliably serve domestic and electricity trade needs, and that all eligible electricity suppliers and buyers have non-discriminatory access to this capacity, subject to approval by the BC Utilities Commission;
- control the operation of generating units to the extent necessary to ensure short term transmission system reliability; and
- implement actions necessary to maintain low electricity rates in British Columbia.

The Parties hereby specifically agree that:

CORPORATION ACCOUNTABILITIES

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, consumer choice 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;
- 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;
- provide the Shareholder with reports and other information that would enable the Shareholder to carry out its responsibilities;
- provide information to the Shareholder if the Corporation is unable to meet the targets identified in its Service Plan;

- provide advice to the Shareholder, as required, on the implications of Shareholder initiatives that may affect the performance targets established in the Corporation's Service Plan;

In addition, the Shareholder directs the Corporation to take the following specific actions in support of the general objective of maintaining low electricity rates:

- implement a new open access transmission tariff that promotes private sector opportunities in wholesale electricity supply and facilitates direct purchase of electricity by large users;
- implement wholesale transmission rates that promote maximum use of the transmission grid through appropriate pricing, subject to the approval of the Commission;
- establish a public planning process with BCTC's stakeholders to promote openness and transparency in BCTC's overall planning objectives;
- fully participate in various regulatory processes under the direction of the BC Utilities Commission related to planning and capital projects by both the Corporation and BC Hydro in order to achieve the least cost integrated energy plan for BC;
- continue, under the direction of a steering committee Chaired by Ministry staff, to participate in discussions on the formation of RTO West and other initiatives related to coordinated transmission planning, or enhanced reliability and trade; and
- ensure continued access to markets for BC produced electricity.

SHAREHOLDER 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;
- advise Crown corporations of government's priorities, strategic decisions and public policy and performance objectives and expectations that may impact the Crown corporation; 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.

During the term of this Letter, the Shareholder anticipates providing policy direction in a number of areas that will affect all Crown corporations, including:

- Capital Asset Management Framework;
- CEO and executive compensation;
- enterprise risk management;
- zoning and land use;
- property taxation;
- First Nations policy and treaty mandates;
- climate change;
- donations; and
- environmental remediation.

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 has;

- enacted the *Transmission Corporation Act* to provide the legislative framework for an independent and publicly-owned BCTC to plan, operate, manage and maintain the transmission system and provide reliable and open-access transmission services;
- confirmed the role of the Minister of Finance as fiscal agent to the Corporation;
- established regulatory oversight of the Corporation by the BC Utilities Commission pursuant to the *Utilities Commission Act*;
- recognized the capital structure requirements necessary to ensure the financial independence and long term viability of BCTC, and has committed to review these requirements prior to April 1, 2005; and
- preserved its right to provide broad policy direction and confirmation of general frameworks/principles, within which the Corporation may establish and apply specific policies and processes.

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.

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 financial reporting calendar and details of 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.

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 in a timely manner of any issues that may materially impact the business of the Corporation or the interests of the Shareholder.

Review and Revision of this Letter:

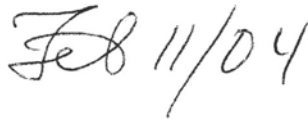
In addition to co-ordinating the overall process for preparing this Letter on behalf of the Shareholder, the Crown Agencies Secretariat is accountable for undertaking reviews of this Letter and monitoring its implementation. If deemed necessary by either party, the Shareholder and the Corporation will discuss any issues and may agree to amend this letter.



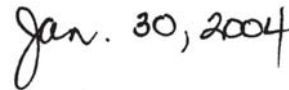
Honourable Richard Neufeld
Minister of Energy and Mines



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



Date



Date

cc: Honourable Gordon Campbell
Premier

Ken Dobell
Deputy Minister and Cabinet Secretary
Office of the Premier

Dana Hayden
Chief Executive Officer
Crown Agencies Secretariat

Michael Costello
President and Chief Executive Officer
British Columbia Transmission Corporation