



SHAREHOLDER'S LETTER OF EXPECTATIONS

BETWEEN

**THE MINISTER 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 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. The Letter is also the basis for developing the Corporation's Service Plans and Annual Service Plan Reports. 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

¹ The Province of British Columbia's Crown Agency Accountability System (CAAS) http://www.gov.bc.ca/cas/down/crown_agencies_reader.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

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.

This Shareholder's Letter of Expectations letter replaces any previous such documents between the Shareholder and the Corporation.

CORPORATION ACCOUNTABILITIES

Government confirms the following mandate direction to the Corporation, consistent with the government's November 2002 Energy Plan. The Corporation will:

- Plan, operate, manage and maintain the transmission system, owned by BC Hydro in a manner consistent with the relationship 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;
- Ensure that transmission system planning is effective for BC generation and distribution entities and neighbouring interconnected transmission systems;
- 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 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.

In responding to the 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, benchmarks and performance measures and targets, and Annual Service Plan 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;
- 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; and
- Take appropriate action to ensure that if Shareholder-directed transactions affect the Service Plan or financial targets of the Corporation, the Shareholder is informed of any impacts.

In addition, the Shareholder directs the Corporation to take the following specific actions in support of the objectives set out in the Energy Plan:

- Implement 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;
- Implement 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 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 planning for BC;
- Continue to enhance access to markets for BC 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 Cabinet for consideration; and
- 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.

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 broad policy direction and confirmation of general frameworks/principles to Crown corporations, within which the Crown corporations may establish and apply specific policies/processes;
- 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.

The Shareholder has announced its intention to undertake a comprehensive review of the November 2002 Energy Plan. Until the completion of the energy plan review, the Corporation will continue to exercise its mandate in a manner consistent with the direction contained the November 2002 Energy Plan. If during this review period, the Corporation is unclear with regard to the province's policy direction, the Corporation will seek direction from the Shareholder.

The Shareholder has recently 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 and expects them to be implemented by all Crown corporations by April 2006 (<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 corporation sector, and will communicate any such direction to Crown corporations, including implementation expectations, as decisions are made. The Shareholder will also, on a continuing basis, monitor the achievement of the goals, objectives and targets identified in Crown corporation's Service Plans.

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 reporting calendar that 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. The Chair will present its Service Plan to the Government Caucus Committee on Natural Resources and Economy prior to the Plan being tabled in the Legislature.

June 28, 2006

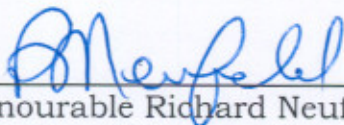
In addition to these financial and performance reporting requirements, the Corporation agrees to provide information to the Shareholder related to risks and opportunities anticipated in achieving financial forecasts. The Shareholder and the Corporation agree that, as a matter of course, each will advise in a timely manner of any issues that may materially impact the business of the Corporation or the interests of the Shareholder. In order to ensure effective and timely communications between the parties, the Chair and the Minister Responsible will meet quarterly to review and discuss progress and issues. Once a year, the Chair will also meet with Cabinet to review and discuss progress and issues.

It is agreed that the Corporation, when asked, will appear before the Select Standing Committee on Crown Corporations, an all party committee of the Legislature.

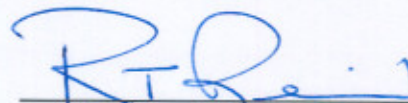
It is also agreed that the Corporation will post the most recent signed copy of the Shareholder Letter of Expectations on its website. The Ministry will also post a signed copy of the Letter on its website.

Review and Revision of this Letter

In addition to co-ordinating the overall process for preparing this Letter on behalf of the Shareholder, the Minister Responsible 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, Mines
and Petroleum Resources



Bob Reid, Chair
BC Transmission Corporation

July 26/06
Date

July 25, 2006
Date

cc. Honourable Gordon Campbell, Premier

Jessica McDonald, Deputy Minister to the Premier and Cabinet Secretary
Office of the Premier

June 28, 2006

Jane Peverett, Chief Executive Officer
BC Transmission Corporation

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

Dana Hayden, Deputy Minister
Strategic Policy, Natural Resources and the Economy
Office of the Premier

Tamara Vrooman, Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Molly Harrington, A/CEO
Crown Agencies Secretariat