



SHAREHOLDER'S LETTER OF EXPECTATIONS

BETWEEN

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

AND

**THE CHAIR OF THE BRITISH COLUMBIA HYDRO AND POWER
AUTHORITY
(AS REPRESENTATIVE OF BC HYDRO OR THE CORPORATION)**

FOR 2011/12

PURPOSE

This Letter of Expectations between the Shareholder and BC Hydro is an agreement on their respective roles, responsibilities and corporate mandate, including high level strategic priorities, public policy issues and performance expectations as documented in the Shareholder's Expectations Manual for British Columbia Crown Agencies¹. The Letter is the basis for the development of the BC Hydro's Service Plans and Annual Service Plan Reports, and is reviewed and updated annually. The Letter does not create

¹ The Province of British Columbia's Crown Agency Accountability System (<http://www.gov.bc.ca/caro/publications/index.html>) establishes guiding principles for the governance of Crown corporations. The Shareholder's Expectations Manual identifies roles and responsibilities for the Shareholder and Crown corporations, and provides for a Shareholder's Letter of Expectations (Letter) to be jointly developed.

any legal or binding obligations on the parties and is intended to promote a co-operative working relationship.

CLEAN ENERGY ACT

On June 3, 2010, the Province passed the *Clean Energy Act* which sets the foundation for a future of electricity self-sufficiency, job creation and reduced greenhouse gas emissions, powered by unprecedented investments in clean, renewable energy across the province.

The Act advances 16 specific energy objectives that align and guide the Government, BC Hydro and the British Columbia Utilities Commission (Commission) in advancing clean energy in British Columbia. BC Hydro is required to be guided by these 16 objectives in developing and implementing its plans.

The *Clean Energy Act* sets the foundation for areas of priority.

The Act will ensure electricity self-sufficiency at low rates by providing for a new regulatory framework for long-term electricity planning, commitments to clean and renewable electricity generation, streamlined approval processes, and new measures to promote electricity efficiency and conservation.

It also strengthens protection for B.C. ratepayers with new measures to promote competitive rates and to ensure that all of the benefits from the province's heritage assets continue to flow to British Columbians. The British Columbia Utilities Commission will continue to ensure appropriate rates are set in advancing government's energy objectives and long-term resource plans.

The Act will support harnessing B.C.'s clean power potential to create jobs in every region. It provides BC Hydro with the tools to establish British Columbia as a clean energy powerhouse that enables economic growth and job creation in every region.

It enables BC Hydro to maximize the value of its energy resources for the benefit of ratepayers and taxpayers. It provides a new model to secure long-term export power sales to other jurisdictions seeking clean power by partnering with renewable power producers without risk or cost to B.C. ratepayers.

The Act strengthens environmental stewardship and will help reduce greenhouse gases. The Act enshrines in law targets for conservation and emission reductions, and enables new measures to reduce greenhouse gas emissions, help customers save money through conservation and protect the environment.

BC HYDRO ACCOUNTABILITIES

Government has provided the following mandate direction to BC Hydro:

- Pursuant to the *Hydro and Power Authority Act*, BC Hydro's mandate includes the generation, manufacture, transmission, distribution and supply of power subject to the regulatory oversight of the Commission pursuant to the *Utilities Commission Act*;
- Ensure British Columbians continue to benefit from competitively priced and reliable power for generations to come.

To achieve this mandate direction, and in response to the Shareholder's general direction, frameworks and principles, BC Hydro will:

- ensure that BC Hydro's priorities reflect government's goals of building a strong economy; job creation; infrastructure and private sector investment; First Nations reconciliation; and climate action initiatives;
- conduct its affairs to achieve its mandate and the performance expectations of the Shareholder, with the principles of integrity, efficiency, effectiveness, and customer service;
- display annual *Financial Information Act* – Statement of Financial Information and Executive Compensation Disclosure Schedules, a Remuneration for Appointees to Crown Agency Boards Schedule and Corporate Governance Disclosure in an easily accessible website location; and
- inform the Shareholder immediately if BC Hydro is unable to meet the performance and financial targets identified in its Service Plan.

The Shareholder also sets broad policy direction to ensure BC Hydro's operation and performance is consistent with government's strategic priorities and Fiscal Plan; as such BC Hydro will:

- comply with the Shareholder's requirements to be carbon neutral under the *Greenhouse Gas Reduction Targets Act*, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from BC Hydro'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 BC Hydro's scope of operations;
- ensure the Shareholder is advised in advance of the release of any information requests by BC Hydro under the *Freedom of Information and Protection of Privacy Act*;
- ensure any debit/credit card payment services provided to the public are in compliance with the international Payment Card Industry (PCI) Data Security Standards;
- ensure BC Hydro's membership in the Crown Corporation Employers' Association is in good standing;
- annually assess the Board appointment process to ensure that succession results in a balance of renewal and continuity of Board membership, and provide the results of this assessment to the Shareholder for consideration;

- ensure that Board appointments to BC Hydro's subsidiaries comply with Board Resourcing and Development Office's Best Practice Guidelines and are approved by Cabinet; and
- comply with government's requirement that lobbyists not be engaged to act on behalf of BC Hydro in its dealings with government.

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

- support the Shareholder's implementation of the *Clean Energy Act* by pursuing actions to meet British Columbia's energy objectives as described in the *Act*, working in collaboration with the Shareholder, and report to staff of the Ministry of Energy on implementation and issues arising;
- actively pursue extra-Provincial energy trading markets and explore and identify opportunities to facilitate access for independent power producers to sell clean, renewable electricity in western North American markets;
- provide information to the Commission in a manner that allows the Commission to effectively review prudence of costs incurred to implement the measures in the *Clean Energy Act* and of measures and costs to achieve self-sufficiency.
- continue to plan, operate and maintain the transmission system in order to:
 - 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 Commission;
 - 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 support the Shareholder in assessing and pursuing the potential for long-term economic expansion in the northeast region of British Columbia, and the ability to mitigate greenhouse gas emissions through new transmission expansions and the use of renewable, low-carbon electricity; and
- capture cost and operational efficiencies when integrating with British Columbia Transmission Corporation. In addition, continue to pursue and implement cost saving measures resulting from the cost structure review as directed in the Corporation's Shareholder's Letter of Expectations signed January 2010.

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:

- issue performance management guidelines, including guidelines for Service Plans and Annual Service Plan Reports (<http://www.gov.bc.ca/caro/publications/index.html>); and

- review and provide feedback and final approval of BC Hydro's Service Plans and Annual Service Plan Reports.

The Shareholder has developed policies for Ministries and Crown corporations for Capital Asset Management (<http://www.fin.gov.bc.ca/tbs/camf.htm>) and Remuneration Guidelines for Appointees to Crown Agency Boards (<http://www.gov.bc.ca/caro/publications/index.html>). The Shareholder has also issued the Best Practice Guidelines – BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations (<http://www.lcs.gov.bc.ca/brdo/governance/index.asp>). During the term of this Letter, the Shareholder may provide additional policy direction to the Crown agency sector, and will communicate such direction to BC Hydro as decisions are made.

The Shareholder will also, on a continuing basis, monitor the achievement of the goals, objectives, performance and financial targets and risk assessments identified in BC Hydro's Service Plan.

Specific to BC Hydro, the Shareholder:

- continues BC Hydro as an agent of the Crown as set out in the *Hydro and Power Authority Act*;
- confirms the role of the Minister of Finance as fiscal agent to BC Hydro, providing the Corporation with access to government financing and banking services; and
- will consult with BC Hydro on any changes to the legislative and regulatory framework that will impact the Corporation's business activities; and will provide ongoing policy support and may propose legislation, regulations and/or directions where appropriate to facilitate regulatory approvals for BC Hydro and to implement the *Clean Energy Act*.

AREAS OF SHARED ACCOUNTABILITY:

Reporting

The Shareholder and BC Hydro are committed to transparency and accountability to the public. The Shareholder has put in place a public reporting structure which is set out in the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, and the *Financial Information Act* and has provided BC Hydro with an Information Requirements and Events Calendar which sets out financial and performance reporting requirements (<http://www.gov.bc.ca/caro/publications/index.html>). BC Hydro 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 BC Hydro.


The parties 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 BC Hydro and/or the interests of the

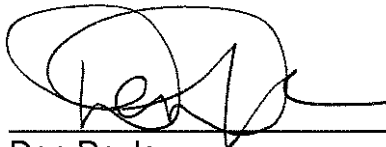
Shareholder, including information on any risks to achieving financial forecasts and performance targets.

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

Review and Revision of this Letter

The Minister of Energy is accountable for undertaking reviews of this Letter and monitoring its implementation. The Crown Agencies Resource Office is responsible for co-ordinating the overall process for preparing Letters of Expectations, and may assist the Minister in undertaking reviews of this Letter and monitoring its implementation. If deemed necessary by either party, the Shareholder and BC Hydro will discuss any issues and may agree to amend this Letter on a more frequent than annual basis.


Honourable Steve Thomson
Minister of Energy


Dan Doyle
Chair, BC Hydro and Power Authority

Jan 20, 2011
Date

December 10, 2010
Date

cc. Honourable Gordon Campbell
Premier

Allan Seckel
Deputy Minister to the Premier and Cabinet Secretary

Graham Whitmarsh
Deputy Minister and Secretary to Treasury Board
Ministry of Finance

Robin Junger
Deputy Minister
Ministry of Energy

Mr. David Cobb
Chief Executive Officer
BC Hydro and Power Authority

Marie Ty
Executive Director
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