



Service Plan

For Fiscal Years 2008/09 to 2010/11



January 2008

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Message from Board Chair to Minister of Energy, Mines and Petroleum Resources

25 January 2008

On behalf of the Board of Directors, the management and employees of British Columbia Transmission Corporation (BCTC), I am pleased to present the Corporation's 2008/09 – 2010/11 Service Plan.

Under the *Transmission Corporation Act*, BCTC is responsible for operating, maintaining and planning the growth of the high-voltage electric transmission system owned by BC Hydro. BCTC is a Crown corporation regulated by the BC Utilities Commission (BCUC or the Commission). The Minister of Energy, Mines and Petroleum Resources is the Minister Responsible for BCTC.

BCTC began operations as an independent transmission company in August 2003 in response to the Government's 2002 Energy Plan, *Energy for our Future: A Plan for BC*. In addition to operating, maintaining and planning the growth of the transmission system, BCTC is responsible for providing customers with access to reliable, low-cost electricity, and improving access to the western North American wholesale electricity market for the benefit of electricity consumers and producers.

Since its establishment, BCTC has achieved significant milestones and advanced its mandate in a number of ways. BCTC has planned and started construction of new transmission facilities, interconnected new clean generation, established strong relationships with stakeholders and First Nations, created a highly effective and engaged organization, and maintained an unblemished employee safety record. Since last year's Service Plan, BCTC's accomplishments include the following:

- Expanded our capital investment program to meet the growing electricity needs of the province, which will add one thousand kilometres of new transmission circuits and five new substations.
- Made additional transmission capacity available to customers, resulting in greater trade opportunities for market participants and higher point-to-point revenues for BCTC.
- Filed for our first regulatory approval under the Transmission Expansion Policy to build transmission infrastructure in advance of contracted need.
- Initiated steps to comply with the Government's requirement for Crown corporations to be greenhouse gas neutral by 2010.
- Identified a framework for implementation of Mandatory Reliability Standards to continue the provision of reliable electricity service in BC.
- Developed a Wind Integration Study with BC Hydro to facilitate clean, renewable electricity generation in BC.
- Completed a study of intertie expansion with Alberta to expand interprovincial electricity trade.
- Prepared technology and research and development (R&D) roadmaps to ensure the transmission system incorporates advanced grid technology.
- Launched a comprehensive study to identify opportunities to minimize energy losses in the transmission system to conserve energy.

In February 2007, the Provincial Government released *The BC Energy Plan, A Vision for Clean Energy Leadership*. BCTC will play a key role in delivering on the objectives of the Energy Plan. We will support the achievement of the self-sufficiency objective by ensuring needed transmission infrastructure is constructed to integrate new clean or renewable generation on a timely basis. In some cases this will require that transmission facilities be constructed in advance of being fully contracted; adding additional risk. To manage this risk, BCTC is introducing more robust planning processes to define where, and on what timing, new transmission capacity will be needed.

BCTC will need to respond to challenges to siting new transmission facilities in British Columbia. Public opposition has emerged in all jurisdictions where new transmission infrastructure is being planned. To this end we have greatly improved our public consultation processes to provide better, more timely information to communities adjacent to new transmission projects. However, even with best-in-class public consultation efforts, we should expect citizens to remain concerned about new projects that directly affect them.

Transmission projects are being affected by the rapid inflation in construction costs being experienced in other sectors. It will be challenging to complete large-scale transmission projects on-time and on-budget. In response to these challenges, BCTC has continued to strengthen our capacity and improve the ability to manage the risks and deliver needed new transmission projects on-budget and on-time.

Growth in demand for electricity in BC in the coming years will increase our focus on integrating generation facilities. Our \$5 billion capital program will continue as the centerpiece of our efforts to meet the electricity needs of British Columbians.

In addition to planning for growth, BCTC's strategy supports a number of other Energy Plan priorities, particularly in the areas of environmental responsibility and reliability. We commence operation of the new Control Centre in F2009 and its advanced technology will increase the efficiency of transmission system operations as well as enhance reliability. We are also responding to climate change initiatives, amending our Open Access Transmission Tariff (OATT) and adapting to new industry-wide reliability standards in parallel with the Energy Plan goals.

We are proud of our accomplishments in the past year and excited about the opportunities ahead. BCTC continues to focus on creating value for our customers, our Shareholder and BC's economy. We look forward to making significant progress on our strategic initiatives in the coming year, implementing the objectives of the Government's 2007 Energy Plan and working with our stakeholders to plan and build for British Columbia's future.

This 2008/09 - 2010/11 Service Plan for BCTC was prepared under my direction and in accordance with the *Budget Transparency and Accountability Act*. On behalf of the Board, I am accountable for the contents of the plan including the selection of performance measures and targets. The plan is consistent with the Government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks, as of 25 January 2008, have been considered in preparing the plan. The performance targets within the plan have been determined based on an assessment of BCTC's operating environment, forecast conditions, risk assessment and past performance. On behalf of the Board, I am accountable for ensuring BCTC achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

A handwritten signature in black ink, appearing to read 'R.T.F. Reid' with a stylized flourish at the end.

R.T.F (Bob) Reid
Chair of the Board
British Columbia Transmission Corporation

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A note on fiscal year references: BCTC's fiscal year ends on 31 March. The fiscal year ending 31 March 2009 is abbreviated F2008/09 or F2009. When space limitations require a shorter abbreviation, the number of the year in which the fiscal year ends is presented. Thus F08 refers to the fiscal year ending 31 March 2008.

Organizational Overview

British Columbia Transmission Corporation's mandate is to ensure fair and open access to the grid and create value and new opportunities for our customers and other stakeholders by providing safe, reliable and cost-effective transmission services.

Formed in 2003, BCTC is a Crown corporation created under the *Business Corporations Act* in response to the BC Government's 2002 Energy Plan, *Energy for our Future: A Plan for BC*. BCTC has powers and functions specified in the *Transmission Corporation Act*, which came into force in July 2003, and the Key Agreements with BC Hydro designated by Order-in-Council in November 2003. The Minister of Energy, Mines and Petroleum Resources is the Minister responsible for BCTC, and BCTC is governed by a Board of Directors appointed by its Shareholder, the Province of British Columbia.

BCTC is responsible for transmission system operations, planning, asset management and maintenance, including system expansion and asset replacement. The transmission system assets continue to be owned and financed by BC Hydro. BCTC owns the control centre assets required for operating and controlling the transmission system.

BCTC is regulated by the British Columbia Utilities Commission (BCUC), which approves the Corporation's revenue requirement, rates, tariffs and capital plan following open, public processes.

A Shareholder's Letter of Expectations between the Minister of Energy, Mines and Petroleum Resources and BCTC's Board Chair sets out the corporate mandate, high level performance expectations, strategic priorities and the respective roles and responsibilities of the Shareholder and BCTC. BCTC also has responsibilities under the British Columbia 2007 Energy Plan.

Following are highlights of BCTC's significant responsibilities under the Shareholder's Letter and the 2007 Energy Plan:

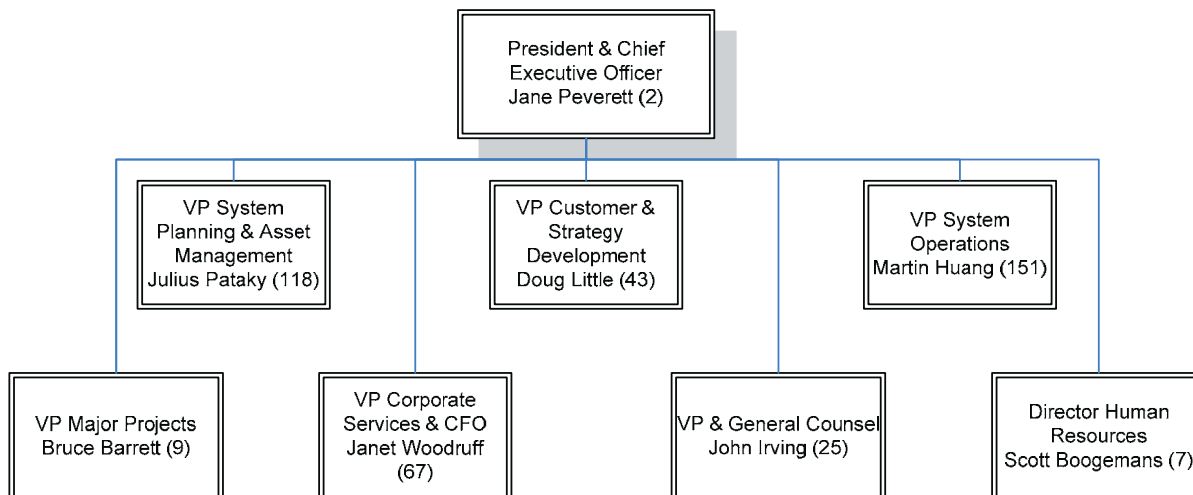
- implement actions, working with the Ministry of Energy, Mines and Petroleum Resources as necessary, to support the objectives of British Columbia's 2007 Energy Plan, including actions that will:
 - ensure BC's transmission technology and infrastructure remains at the leading edge and has the capacity to deliver efficient and reliable power;
 - contribute to energy conservation efforts by establishing and implementing a loss reduction strategy;
 - work with Government to develop and implement a transmission congestion relief policy to ensure current and future adequacy of transmission infrastructure; and
 - maintain consistency with North American reliability standards.
- 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 BC Utilities Commission;
- control the operation of generating units to the extent necessary to ensure short-term transmission system reliability;
- 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 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 in the context of the 2007 Energy Plan; and
- continue to enhance access to markets for BC produced electricity.

The transmission system receives power from approximately 60 generating stations across BC and through interconnections with Alberta and the U.S., and delivers it through approximately 18,300 kilometres of transmission lines to approximately 400 delivery points throughout the province. BCTC's primary roles, responsibilities and services include:

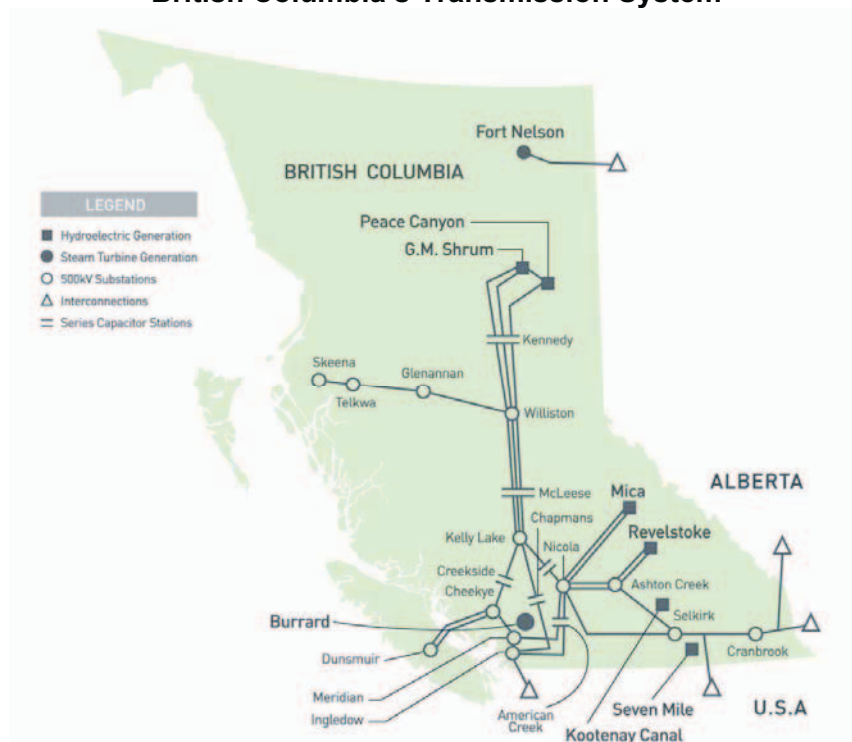
- Exclusive authority for electric transmission reliability of BC Hydro's transmission assets;
- Operation of the transmission system owned by BC Hydro, including real-time operation of transmission, generation, distribution and telecommunications systems, and transaction scheduling;
- Provision of services under the Open Access Transmission Tariff (OATT), including all aspects of the regulatory process, tariff administration and customer relations. The OATT defines the rates and terms and conditions of transmission service and interconnection to the transmission system;
- Planning the transmission system in coordination with BC generation and distribution entities and neighbouring control areas and transmission organizations;
- Asset management and maintenance of transmission lines, substations and telecommunications systems owned by BC Hydro, as well as BCTC's control centres. The maintenance plan involves the execution of over 25,000 work orders per year, with an annual expenditure of approximately \$80 million;
- Sustaining, replacing and expanding the transmission assets owned by BC Hydro and BCTC's control centre assets, to ensure reliable service for domestic customers and for electricity trade. As the transmission asset owner, BC Hydro finances transmission capital expenditures as identified by BCTC, following BCUC approval. As owner of the control centre assets, BCTC funds capital expenditures on these assets, subject to BCUC approval. At 30 September 2007 the net book value of transmission assets owned by BC Hydro was \$2,652 million and the net book value of BCTC's capital assets was \$135.1 million; and
- Actions to assist in maintaining low electricity rates in British Columbia, including the cost-effective management of all BCTC functions.

BCTC's corporate structure and planned Fiscal 2008/09 employee headcount or complement of full-time employees (FTEs) are shown below:



BCTC currently conducts business operations from its head office in Vancouver, the System Control Centre in Burnaby, four Area Control Centres in Vancouver, Duncan, Prince George and Vernon, and the Telecommunications Control Centre in Burnaby. In the coming year, BCTC will consolidate the Control Centres in a new facility in Langley and establish a back-up facility in Vernon. In addition to the approximately 18,300 circuit kilometres of high voltage transmission lines that range from 60kV to 500kV, BCTC operates and manages an extensive network of facilities that includes 292 stations and over 100 microwave stations. BC's integrated transmission network covers much of the province's land mass and interconnects with neighbouring transmission systems in Alberta and the United States. Along with lines owned by BC Hydro, the province's transmission system also includes lines owned by Fortis BC and other power generators.

British Columbia's Transmission System



BCTC's largest transmission services customer is BC Hydro, serving the majority of domestic electricity customers in British Columbia. Point-to-point wholesale transmission services are provided to BC Hydro, Powerex and a number of energy marketers who participate in electricity trade in Western North America. BCTC also provides services to BC Hydro to operate its distribution system and dispatch its generating units. Total transmission revenues collected by BCTC from tariff services, non-tariff services and other cost recoveries exceed \$600 million per year, and recover BCTC's own operating and asset-related costs as well as approximately \$500 million for BC Hydro's asset ownership costs and allowed return.

BCTC's principal stakeholders are its transmission service customers, including BC Hydro and other utilities, independent power producers (IPPs), power marketers, industrial customers directly connected to the transmission system, as well as municipalities, and community and environmental groups. BCTC has an active process to ensure stakeholder and First Nations views are considered throughout the planning and execution of projects and regulatory applications.

BCTC is actively involved in regional and national organizations promoting safe, reliable and cost-effective operation of the grid. We belong to the Western Electricity Coordinating Council, the North American Electricity Reliability Council and the Canadian Electricity Association.

A large portion of BCTC's operating and capital activities are performed by third parties under contract to BCTC. Major contractors include BC Hydro Field Operations (approximately \$100 million per annum), BC Hydro Engineering (approximately \$55 million per annum), SNC - Lavalin (approximately \$15 million per annum) and Accenture Business Services for Utilities (approximately \$10 million per annum).

BC's Energy Plan

In February 2007, the BC Government released its *Energy Plan: A Vision for Clean Energy Leadership* (the Plan). Four broad themes of the plan have significant implications for BCTC.

Energy Security The vision of the Plan is for BC Hydro to be electricity self-sufficient by 2016, with an extra amount of insurance energy by 2026.

Conservation The Plan directs BC Hydro to meet 50 percent of its incremental resource needs through conservation by 2020.

Investing in Innovation The Plan calls on BCTC to ensure that BC's transmission system technology and infrastructure remain at the leading edge.

Environmental Leadership The Plan calls for investment in alternative energy sources and technology. The Plan, among other things, changes the previous target for clean or renewable energy acquisition to a generation standard that at least 90 per cent of total provincial generation must come from clean or renewable resources.

Climate Action

British Columbia took several steps over the past year to strengthen and reinforce its commitment to combating climate change. On 29 November 2007 the Legislature passed the *Greenhouse Gas Reduction Targets Act*, which calls for a reduction in overall greenhouse gas emissions by at least 33 percent below 2007 levels by 2020.

BCTC's Climate Action responsibilities are outlined in the Shareholder's Letter of Expectations. They are as follows:

- 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; and
- To 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.

BCTC's activities in the coming year to advance the Energy Plan and Climate Action Change Plan objectives are described in the "Strategic Context" section below.

Corporate Governance

BCTC's Board of Directors is responsible for the governance and stewardship of the Corporation. The Board's role is to set and maintain corporate direction, review and approve BCTC's strategic plan, set corporate objectives, monitor performance against those objectives and ensure processes are in place to identify, monitor and mitigate substantial business risks. The Board is responsible for full and timely disclosure of BCTC's financial and business performance, and the monitoring of material developments that could have a significant impact.

BCTC's Board has four Standing Committees: the Audit Committee (AC), Human Resources, Safety & Environment Committee (HRSEC), Capital Review Committee (CRC) and Corporate Governance Committee (CGC). Terms of reference outlining respective roles and responsibilities for the Board, individual Directors, Board Committees, Board Chair, President and Corporate

Secretary are available at http://www.bctc.com/about_bctc/board_executive/corp_governance/. Biographical information for Board members and the senior management team is available at http://www.bctc.com/about_bctc/board_executive/board_of_directors/.

Composition of the Board, its Committees and the BCTC executive team follows:

Board & Committees

- Robert Reid, Board Chair *
- Nicole Byres (CGC Chair)
- Richard Campbell (CGC, CRC)
- John Gill (AC Chair)
- Norm Laythorpe (AC)
- Joanne McLeod (CRC Chair, AC)
- Margot Northey (HRSEC)
- Bev Park (HRSEC, CRC)
- Gerald Wesley (CGC)
- Ralph Winter (HRSEC Chair)

Executive Management

- Jane Peverett, President & CEO
- Bruce Barrett, VP, Major Projects
- Scott Boogemans, Director, Human Resources
- Martin Huang, VP, System Operations
- John Irving, VP & General Counsel
- Doug Little, VP, Customer & Strategy Development
- Julius Pataky, VP, System Planning & Asset Management
- Janet Woodruff, VP, Corporate Services & CFO

* *The Board Chair serves as an officer and is an ex-officio member of all Board Committees.*

Governance Practices

In 2003, the Board established a governance framework consisting of guiding corporate principles and business policies. The guiding principles reflect BCTC's corporate values of *Innovation, Openness & Responsiveness, Accountability, Sustainability and Honesty & Integrity*.

In 2005, the British Columbia Board Resourcing & Development Office established *Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations* (<http://www.lcs.gov.bc.ca/brdo/governance/corporateguidelines.pdf>). The Guidelines set out governance principles and disclosure practices for public sector organizations in BC. BCTC's Board has ensured the organization's governance framework and disclosure practices comply with the principles set forth in the Guidelines. Further information on BCTC's disclosure practices is available online at http://www.bctc.com/about_bctc/board_executive/corp_governance/.

Strategic Context

Economic and industry factors in British Columbia

Capital Procurement Policy: In July 2007, the Ministry of Finance issued a new capital standard requiring consideration of public private partnerships (P3s) for projects over \$20 million. BCTC has worked with Partnerships BC to establish criteria for the review of projects where P3s could be feasible.

Cost Escalation: BCTC is facing the same cost pressures as other organizations with large construction programs. The strongest multi-year economic expansion in BC in three decades has resulted in record low unemployment, with corresponding skill and labour shortages. Construction is driving the BC economy, with a record high number of major projects in process at September 2007 (843 projects, valued at \$135 billion, according to the Business Council of British Columbia). BCTC expects that high commodity prices will continue to impact capital projects.

BCTC carefully examines all potential capital projects and proceeds with the projects that are most urgent and required to serve domestic electricity needs. Once projects are deemed necessary and are approved by the Commission, BCTC procures and executes its capital plan within the planned schedule, cost and scope parameters. Management is increasing the number of project managers to ensure on-time, on-budget delivery.

Siting challenges: It has become increasingly difficult in recent years for transmission companies to carry out new construction projects.

In response, BCTC started a multi-year program in F2008 to build awareness of the need for infrastructure, including transmission rights-of-way, to meet the growing need for electricity in BC. Going forward, BCTC will continue to hold regional planning meetings, in advance of specific projects, in areas where emerging transmission needs have been identified. In F2009, BCTC will continue to develop and implement communications programs to increase overall understanding of long-term transmission plans with communities and stakeholders in the province.

BCTC's actions in response to the Energy Plan and the Climate Change Action Plan

In February 2007, the BC Government released its *Energy Plan: A Vision for Clean Energy Leadership*. The Government directs BCTC to take action in support of the Energy Plan objectives, which include:

Energy security - A critical element in achieving the Government's target for self-sufficiency is to ensure that transmission investments are made in a timely manner. By recognizing and providing for the long lead times associated with new transmission construction, BCTC can ensure new transmission infrastructure is available when needed. BCTC's first Energy Plan priority is to work with Government to develop a Congestion Relief Policy that will remove system constraints and advance high-priority projects.

Self-sufficiency will require a reliable transmission grid. This means ensuring sufficient interconnectivity exists with major markets and remaining consistent with evolving North American reliability standards. BCTC seeks to implement industry-developed reliability standards in BC in a cost-effective manner that respects provincial interests and sovereignty. The Energy Plan commits to the introduction of mandatory reliability standards in British Columbia. BCTC is working with Government, stakeholders and other utilities to develop a made-in-BC framework to implement these standards.

- **Conservation** - The Energy Plan sets ambitious conservation targets to reduce the growth in electricity use within the province. BCTC is committed to supporting BC Hydro's conservation targets by reducing the energy lost through the transmission of electricity. To support conservation and energy efficiency targets, BCTC will carry out a comprehensive loss reduction study and develop an action plan to reduce transmission losses.
- **Investing in Innovation** – The government directs BCTC to ensure that BC's transmission technology and infrastructure remains at the leading edge and has the capacity to deliver efficient and reliable power to meet growing demand. To support this objective, by the end of fiscal 2008, BCTC will develop an Innovation Strategy that will outline BCTC's plan to introduce new transmission technologies into the BC system that will help to increase the efficiency and reliability of the transmission system. During F2008/09, BCTC will place the new Control Centre technology in service, which will enhance reliability by increasing the speed and quality of data transfer in the network. It will also enable BCTC to "see" the current condition of the grid better, enabling us to run the grid closer to its limits and provide more transmission capacity to customers.

Government has established the Innovative Clean Energy Fund to foster the development of promising clean energy technologies. New technologies that increase the efficiency of power transmission have been identified as one potential area for funding. BCTC will work with the Province to coordinate BCTC initiatives with the objectives of the new Fund. BCTC is working with Government to help identify potential private sector participants, provide demonstration opportunities, and identify members of a peer review selection committee.

- **Environmental leadership** - The Energy Plan emphasizes the increasing use of clean or renewable energy in British Columbia. Some clean or renewable generation technologies provide energy on an intermittent basis, are new to the province, and create special challenges for grid interconnection and operation. BCTC is developing the necessary expertise and processes to manage these new sources. BCTC has initiated with BC Hydro a Wind Integration Project to examine the impact of intermittent generation sources on the

transmission system, as well as to propose effective solutions for integrating wind power reliably and economically.

The Energy Plan has specific policy actions requiring BC Hydro to provide a standing offer to buy energy from small, environmentally-friendly generators. Under the Energy Plan, BC Hydro is also conducting a targeted call for power from wood biomass using timber affected by the mountain pine beetle and other underutilized wood residues. BCTC is supporting BC Hydro in the design and implementation of these programs by providing interconnection processes, system implications, costing data, and other support as required on a timely basis.

- **Climate Action** - BCTC's Integrated Climate Change Response Program will identify and evaluate the risks presented by climate change. The program will develop effective risk management measures pursuant to BCTC's responsibility under the Shareholder's Letter of Expectations in the context of climate change legislation.

Economic and industry factors in the United States:

FERC Order 890: In February 2007 the U.S. Federal Energy Regulatory Commission (FERC) issued Order 890, which refines the open access rules implemented ten years ago. Tariff amendments in the Order are intended to improve coordination of planning activities within the regional transmission system. These regional planning activities extend the efforts in recent years to improve reliability and expand trade between BCTC and its regional neighbours.

The issuance of FERC 890 in February 2007 coincided with the release of BC's 2007 Energy Plan. The objectives of FERC Order 890 are largely consistent with the objectives of BC's Energy Plan and will provide a parallel policy framework for advancing congestion relief and facilitating the access of clean or renewable generation to the transmission system beyond BC.

Renewable portfolio standards: Nearly half of U.S. states now have Renewable Portfolio Standards (RPS). These jurisdictions require utilities to have a specific quantity or percentage of renewable generation sources in their overall supply mix. A RPS requirement is also being discussed at the U.S. federal level.

California's RPS has particular significance to BC in light of BC's alignment with this state on environmental issues and the extent of trade between California and BC. California's RPS target is 20 percent of all state's electricity from renewable sources by 2010, and is considering increasing that to 33% by 2020. California is interested in BC as a potential source of and partner in green energy development.

Internal operating environment - resourcing requirements

Operating, maintaining and planning the transmission system requires special skills and years of experience to establish senior technical and management expertise. BCTC is at risk of losing critical skills as a result of the volume of workforce retirements. The highest vulnerabilities are in engineering skills and system operations.

The following table presents BCTC's current employee demographic statistics, and compares these to other Canadian transmission entities (mostly transmission lines of business within Canadian electric utilities, data provided by the Canadian Electricity Association).

	BCTC	Canadian Electric Transmission Entities
Average Age of Employees	46	44
% of employees currently eligible to retire with full benefits	14.5% (58 employees)	8%
% of employees eligible to retire within 5 years	26%	29%
% of employees eligible to retire within 10 years	38%	50%
Historic annual attrition	F2006, 6.3%; F2007, 9.3%	4% (electric utility avg.)
Forecasted annual attrition	7-9% (approx. 30 employees)	No annual forecast

BCTC's employee demographics are not substantially different from its peers, so all companies are expected to be in strong competition for a limited supply of talent. Given a predictable and high level of demand for skills, BCTC is responding with a focused effort to increase its supply of job candidates from sources such as universities and internal development.

Expansion of the grid, increased maintenance of existing aging facilities, evolving industry standard tariffs and reliability standards and changes to public policy are increasing BCTC's resourcing requirements. BCTC also faces compliance issues with respect to international financial reporting standards.

Goals, Objectives, Strategies, Performance Measures and Targets

BCTC's corporate goals state the direction the Corporation will take over a three-year planning horizon. The corporate goals are supported by a corresponding set of strategies, performance measures and targets. Definitions and the rationale for each performance measure are provided, as well as internal/external benchmarking measures that allow a comparison of performance over time. The measures track BCTC's progress in delivering on its key priorities and the results will be reported in the annual report. Key changes in corporate goals and measures from previous Service Plans are included in the attached Appendix.

Ensuring the Accuracy and Reliability of Performance Information

BCTC is diligent in ensuring the accuracy and reliability of performance information. Before a measure is chosen, a review of historic data relating to the measure is made to confirm the availability, thoroughness and accuracy of source data.

Financial information is provided through BCTC's audited financial results, while environmental and safety results are captured through BCTC's reporting systems in these areas. Reliability data are gathered in BCTC's operational databases and analyzed for the purpose of internal and external reporting. The employee and stakeholder surveys are conducted by third parties.

Internal reporting of results, including data collection and review of monthly performance, is done by staff trained in performance measurement. Results are subject to executive management review.

Wherever possible, BCTC seeks independent validation of performance results. Sources of independent validation include the Human Resources, Safety and Environment Committee of the Board of Directors, which reviews performance results quarterly. Benchmarking is used wherever feasible. However, benchmarking against comparable electricity transmission organizations is not always possible, given BCTC's unique business model. As a result, BCTC is working with industry trade groups and consulting firms to identify appropriate benchmarks and gather data.

Measures and Targets at a Glance

The following table summarizes BCTC's corporate performance measures and targets:

CORPORATE MEASURE	F2007/08 Target	F2008/09 Target	F2009/10 Target	F2010/11 Target
Reliability: BCTC SAIDI (hours)	2.18 hrs	2.30	2.22	2.20
Efficiency: OMA (cents) per GWh-km (measure discontinued in F2008/09)	18.0 cents	NA	NA	NA
Cost management: Actual OMA costs divided by plan (Measure commences in F2008/09)	No target in F2007/08	98%-102% of OMA Plan	98%-102% of OMA Plan	98%-102% of OMA Plan

CORPORATE MEASURE	F2007/08 Target	F2008/09 Target	F2009/10 Target	F2010/11 Target
Customer Satisfaction: % of Stakeholders Positive or Neutral	90%	90%	90%	90%
Safety: Lost Time Accidents: BCTC	0	0	0	0
Contractors	17	16	15	13
Environment: Reportable Incidents	9	9	9	9
Employee Engagement: Work Canada Index	3.40	3.42	3.43	3.44

Following is a presentation of BCTC's F2007/08 goals, strategies, performance measures and targets, as well as the rationale for each goal. Benchmark information for each performance measure is included in the attached Appendix.

Goal 1: RELIABILITY AND SERVICE

Achieve reliability improvements and deliver outstanding service

Objectives: Pursue incremental improvements in overall reliability performance trends. Define, measure and improve service levels to customers.

Rationale for this goal

Ensuring reliable transmission service is among the most fundamental of BCTC's responsibilities. The Energy Plan recognizes the need for consistent, North American-wide reliability standards. Maintaining and improving transmission reliability requires a combination of cost-effective capital investments, astute operating procedures and the regular introduction of new technologies that address customer needs and improve efficiency. BCTC's customer service efforts focus on all of our customers, including new and existing Open Access Transmission Tariff customers and BC Hydro under our Service Level Agreements.

Reliability Strategies

- (1a). Work with Government and consult with stakeholders to introduce the North America industry-wide mandatory reliability standards in British Columbia.
- (1b). Complete major reliability enhancing projects, including the Vancouver Island Transmission Project and the System Control Modernization Project.
- (1c). Pursue and adopt new technologies to increase the efficiency, reliability and security of the system and reduce life-cycle costs. Support government on the new Innovative Clean Energy Fund.
- (1d). Determine the impact of integrating wind generation on the transmission system, including assessing system operation requirements and wind interconnection standards.
- (1e). Use advanced asset management techniques to maintain and invest in the legacy transmission assets to ensure reliability performance targets are met.
- (1f). Ensure system reliability by implementing the security and business continuity roadmap with a focus on adopting industry standards for information technology and physical asset security.
- (1g). Work with BC Hydro to meet delivery / receiving point reliability expectations and factor these into our decisions on OMA, sustaining and growth capital investments.

Customer Service Strategies

- (1h). Implement the Transmission Scheduling System replacement project to make scheduling transmission system services easier for customers.

- (1i). Provide exemplary operational services to BC Hydro's generation and distribution lines of business under the respective Service Agreements and to BC Hydro's transmission-connected customers.
- (1j). Facilitate new clean or renewable generation in BC by providing effective and efficient interconnection service for new generators and increasing transparency in BCTC's system planning processes.

Performance Measure

The performance measure for this goal for F2008/09 and beyond is BCTC SAIDI. In addition, BCTC's Stakeholder Survey performance measure assesses overall stakeholder satisfaction, including that of customers. Details of the stakeholder survey measure are provided in the discussion of Goal Four below.

Prior to F2008/09, BCTC measured cost efficiency by tracking OMA (cents) / GWh-km. OMA is Operating, Maintenance and Administrative expense, GWh is the volume of energy delivered to domestic customers measured in gigawatt hours and km the length of the transmission system measured in kilometres. BCTC's measure of cost management effectiveness for F2008/09 and beyond will be OMA (actual versus plan) only. That measure is discussed in Goal 6 below.

BCTC SAIDI (System Average Interruption Duration Index) –This measure is the average number of hours across all transmission delivery points that service is interrupted in a year. It includes both planned and unplanned outages, but excludes interruptions due to generators, as these are not within BCTC's responsibility. The measure assesses BCTC's effectiveness in providing high service reliability from the point of receipt for transmission service to the point of delivery.

Transmission system outages stem from a variety of causes, including weather, animals and motor vehicle accidents. The frequency and duration of outages due to some causes can vary widely from year-to-year.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F05	F06	F07	F08	F09	F10	F11
BCTC SAIDI (hours per delivery point)	2.33*	2.07	4.23**	2.18 (target) 2.79 (forecast)	2.30	2.22	2.20

* Results for F2004/05 have been corrected to reflect data collection variances caused by conversion from manual to automated systems.

** F2006/07 results included the effect of major weather events. Removing the extraordinary events would improve the results to 2.67 hours.

Basis of Forecasts

BCTC determines future year performance targets by applying an improvement factor to the average of previous years' results. Extraordinary events, such as the F2006/07 weather-related outages, are removed for the purpose of establishing future performance targets. The performance target for F2008/09 increases from the previous year because of the drop-off of an earlier year's favourable performance from the average.

Goal 2: MARKET EFFICIENCY

Ensure efficient use and development of the transmission system

Objectives: Proactively seek ways to enhance electricity industry activity on BC's transmission system, resulting in more services used by customers, and new transmission service customers. Make the system available to allow expanded access to market opportunities, limiting congestion and curtailment on the system.

Rationale for this goal

BCTC is responsible for managing British Columbia's transmission infrastructure and expanding that infrastructure to meet future needs. The benefits of this infrastructure go well beyond meeting reliability needs of domestic electricity consumers. Access to BC's transmission system can give rise to many potential economic benefits, and it is BCTC's objective to ensure the system is used and developed in an efficient manner that will best capture those benefits.

This goal is intended to extend BCTC's service beyond providing open access in a sufficient and reactive manner by becoming better aware of customers' requirements in advance of requests for service. This acknowledges the different timeframes for developing transmission compared to generation, and anticipates the growth of transmission to realize electricity market opportunities.

Strategies

- (2a). Work with Government to develop the new Congestion Relief Policy to ensure the appropriate transmission facilities are built in support of the electricity self-sufficiency objective.
- (2b). Implement loss reduction study recommendations to minimize energy losses on the transmission system.
- (2c). Reduce or eliminate transmission constraints through better asset management and operational and planning coordination with neighbouring utilities and operation cooperation.
- (2d). Through regional and intertie studies, identify opportunities to increase regional transmission capacity most efficiently, including studies of expanded transmission between British Columbia and California. Identify and initiate opportunities for improving IPP and general market access to California and other markets.
- (2e). Make changes to the tariff to remain compliant with the industry open-access tariff. Expand dynamic scheduling and ACE Diversity Interchange services to other jurisdictions.

Measures

In F2008/09, BCTC will continue to track and analyze our response to congestion at the US and Alberta interties as an informational measure. The informational measure is reported to BCTC's executive management.

Given the significance of electricity self-sufficiency in the Energy Plan and the need to build transmission infrastructure to meet this objective, BCTC has developed several informational measures to assess its performance in meeting this corporate goal. During F2008/09 BCTC will test the effectiveness and validity of these measures with the intention of establishing a new Service Plan performance measure (or measures) for this corporate goal in subsequent years.

Goal 3: ENVIRONMENT AND SAFETY

Continually improve our environmental and safety management performance

Objective: Continually focus on enhancing our performance in these areas, ensuring that we maintain our excellent safety results for BCTC and work with our contractors on their safety management, reduce greenhouse gas emissions from our operations, and minimize the number of environmental incidents.

Rationale for this goal

The Government's Climate Action initiatives call for BCTC and its employees to take actions to minimize British Columbia's impact on global climate change. In addition, BCTC takes its responsibilities for safety and the environment seriously and continuously looks to improve our performance in these areas.

Strategies

- (3a). Ensure contractors meet BCTC's environmental and safety standards and ensure our Safety and Environment Management Systems are continuously reviewed for improvement opportunities.

- (3b). Ensure the safety of BC Hydro employees working on the transmission system by continuing the work of the Joint Safety Review Committee and implementing the enhanced Power System Safety Protection program.
- (3c). Implement a plan to achieve BCTC's reporting/targets requirements pursuant to the government's *Greenhouse Gas Reduction Targets Act* and anticipate long-term effects of climate change on BCTC's operations and assets.

Safety Performance Measures

BCTC's safety measure has two equally weighted components to determine overall safety performance; the number of lost-time accidents involving BCTC employees and the number of contractor lost-time accidents. A lost-time accident occurs when at least one day of work is missed after the date of an accident.

Number of BCTC Lost-Time Accidents – This measures all lost-time accidents, whether preventable or not, affecting BCTC employees. The measure supports the fundamental BCTC objective of employee safety.

Number of Contractor Lost-Time Accidents – This measures lost-time accidents for BCTC direct contractors and BC Hydro Field Operations personnel who work on BCTC transmission projects. Starting in F2007/08, subcontractors to BC Hydro were included in this measure.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F05	F06	F07	F08	F09	F10	F11
Lost time safety accidents: BCTC	0	0	0	0 (target) 0 (forecast)	0	0	0
Contractors	27	18	6	17 (target) 16 (forecast)	16	15	13

Basis of Forecasts:

BCTC's employee safety record has been perfect since the creation of the company in 2003. The forecast reflects a continuation of that performance.

The contractor safety performance targets are based on average of the five previous years' results minus an improvement factor.

Environment Performance Measure

Number of Reportable Environmental Incidents – This measure tracks BCTC's environmental performance against the environmental standards and regulations set by various regulatory agencies. Performance targets for F008/09 through F2010/11 will be reviewed based on actual results, including F2007/08.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F05	F06	F07	F08	F09	F10	F11
Reportable environmental incidents	10	12	13	9 (target) 9 (forecast)	9	9	9

Basis of Forecasts:

The environmental performance targets in this Service Plan are the lower of the five-year average of previous results or the previous year's target.

Goal 4: RELATIONSHIPS**Build open and constructive relationships with stakeholders and First Nations**

Objective: Continue to develop our relationships with stakeholders and First Nations so that our engagements on our plans and proposals are productive and we maintain the current high level of positive and neutral responses from stakeholders.

Rationale for this goal

BCTC values its relationships with stakeholders and First Nations highly and considers those relationships to be critical to its success, both in the short and long-term. As a government-owned BC utility, there is much interest and focus on BCTC, our performance and the benefits BCTC brings. This goal recognizes the importance of establishing the organization's credibility and position in the industry, both within BC and regionally.

Strategies

- (4a). Build in First Nations and stakeholder considerations as early as possible in our planning and engagement activities, including BCTC's outreach program. Ensure we reach the communities where existing and future transmission system impacts are greatest.
- (4b). Expand First Nations' working involvement in BCTC projects and programs.
- (4c). Sustain a positive, open and cooperative relationship with the BCUC, First Nations, customers, stakeholder groups and industry associations.
- (4d). Maintain effective communications with the Shareholder on BCTC's business objectives and operations.

Performance Measure

Stakeholder Survey Results – This measure is derived from an annual stakeholder survey which includes customers who buy wholesale transmission services or interconnection services (for example, BC Hydro, energy marketers, IPPs), industrial electricity users, municipal governments and Provincial Government agencies. The survey assesses awareness, impressions and satisfaction with BCTC. The measure is based on the percentage of stakeholders who have a very positive, somewhat positive or neutral impression of BCTC. Results assist BCTC in refining corporate goals and future actions in light of the needs of customers and stakeholders.

Targets for F2008/09 through F2010/11 remain steady and statistically consistent with previous results. BCTC believes that even with its extensive construction plans and the expected public concerns over the siting of transmission infrastructure, we should work to maintain the current high stakeholder satisfaction level.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F05	F06	F07	F08	F09	F10	F11
Stakeholder Response – neutral, positive, very positive	87%	91%	91%	90% (target)*	90%	90%	90%

* The F2007/08 survey will occur in March 2008.

Basis of Forecasts:

Performance targets for F2008/09 and beyond remain steady at 90% on the basis that BCTC's extensive construction activities will provide a challenge to remain at the current level.

Goal 5: ORGANIZATION AND PEOPLE

Build an engaged and highly skilled workforce

Objective: Develop an organization with employees who understand the business objectives, know how they are counted on to contribute, and who have the motivation and capabilities to achieve the results.

Rationale for this goal

To execute BCTC's mandate effectively, we need to invest in the recruitment, renewal, development and growth of staff capabilities. The intent of this goal is to continually take BCTC to a higher level of performance – setting high goals, being driven to achieve them, taking accountability for actions and results. The continual renewal and development of a technically expert workforce contributes directly to the Energy Plan goal of secure and reliable supply. It is not just the infrastructure and resources that provide security and reliability, it is also the skilled people operating, managing and planning the system. A high performance organization contributes to the achievement of all BCTC's other objectives, and hence to a number of other goals under the Energy Plan.

Strategies

- (5a). Monitor current and anticipated workloads to ensure they are balanced against sufficient resources through a rigorous approach to business and strategic workforce planning.
- (5b). Expand the pool of available resources and increase effectiveness in sourcing those resources through better connections with post-secondary institutions and students, geographically expanding recruitment, utilizing contingent resources and maximizing employment brand value.
- (5c). Develop internal resources by providing growth opportunities through development planning, rotational assignments, mentorship program, succession planning, structured training for operators, engineers, and leaders, and cross-departmental communications
- (5d). Maximize effectiveness of available resources by focusing on engagement (alignment, capability, resources, and motivation), emphasizing employee involvement and two-way communication, committing to development activities, addressing resource issues, effectively executing performance management processes, and increasing awareness of compensation package value.

Measures

Employee Engagement Index – This measure is the result of an annual employee survey, which measures perceptions on motivation, resource availability, capability and alignment. It is a leading indicator of progress in developing a highly productive and engaged workforce. The measure will be compared to BCTC's historical performance and benchmarked against the Watson Wyatt "Work Canada" national survey.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F05	F06	F07	F08	F09	F10	F11
Employee Engagement Index (max. score 5.0)	3.37	3.35	3.55	3.40 (target)*	3.42	3.43	3.44

* The F2007/08 employee survey will occur in March 2008.

Basis of Forecasts

Notwithstanding the excellent results in F2006/07, BCTC projected a return to a slightly lower performance level in F2008 due to the pending consolidation of regional control centres with a gradual improvement in performance thereafter.

Goal 6: COST MANAGEMENT

Maintain prudent financial management of capital and operating expenditures

Objective: Ensure that operating costs and actual net income results (after deferral accounts) are as planned each year.

Rationale for this goal

BCTC's financial objective is to effectively complete all planned work while managing costs and risks. BCTC is disciplined in budgeting and controlling actual operating and capital expenditures so that it can meet its service obligations.

Strategies

- (6a) Ensure effective budgeting, forecasting, cost controls and monitoring processes are embedded into our management activities.
- (6b). Ensure annual risk management plans are effective in managing variability of costs.
- (6c). Meet on-time/on-budget milestones for all BCTC's capital projects.
- (6d). Optimize the cost-effectiveness of relationships with service providers, including reviews of procurement policies and procedures.

Measure

The performance measure for this goal is "OMA actual against plan." OMA is defined as Operations, Maintenance and Administration costs within BCTC's control. Transmission OMA costs within BC Hydro's exclusive control, including First Nations, properties and business sustaining costs, are excluded from this corporate measure. OMA does not include "Cost of Market" expenses. In BCTC's Service Plan and other publications, OMA and "Cost of Market" expenses are combined and reported as "Operating Expenses."

Annual performance is measured in terms of percentage variance between actual results against the approved budget established at the beginning of the year. Targets are established to assess performance within a tight range of approved budgeted expenditures as BCTC's cost management objective is to execute business plans within approved budget levels. Actual OMA costs are defined as BCTC OMA costs reported in financial statements and adjusted for additional costs incurred to earn revenue (such as System Impact Studies) and additional costs that can be deferred for recovery through future rates.

The following table presents historical results starting F2006, first year of BCTC's operation as a regulated utility.

Targets:	Actual			Target			
	F05	F06	F07	F08	F09	F10	F11
OMA actual divided by plan (Effective F2009-11)	NA	95.7%	97.6%	99.6% (no target in F2007/08)	98%-102% of OMA Plan	98%-102% of OMA Plan	98%-102% of OMA Plan

Basis of Forecasts

Targets are a percentage range around planned OMA. The reasons for the plus or minus range are to avoid cost overruns (the plus part) and to enforce discipline in budgeting (the minus part) by making the overestimation of costs unattractive.

Summary Financial Outlook for the Service Plan Period

This Financial Summary highlights the key financial information pertaining to BCTC's own operations and includes BC Hydro's Transmission Capital Expenditures. Revenues, expenses and debt associated with BC Hydro's transmission asset ownership are included in BC Hydro's Service Plan.

BCTC forecasts continued growth in its business operations and transmission capital programs to meet the corporate objectives and performance targets set out in this Service Plan. As a regulated utility, BCTC's plans, including financial requirements, are subject to review by the Commission. Under Special Direction No.9, the Commission must ensure that transmission rates enable BCTC to collect revenue sufficient to recover costs and generate an allowed rate of return on deemed equity. BCTC plans to file a two-year (F2008/09-2009/10) revenue requirement application in early February 2008.

Financial Summary

(in \$ millions)	F2006/07 Actual	F2007/08 Budget	F2007/08 Forecast	F2008/09 Budget	F2009/10 Forecast	F2010/11 Forecast
Revenues	189.8	195.1	194.4	228.1	224.3	230.6
Expenses						
Operating Costs	(173.2)	(175.1)	(179.9)	(195.2)	(196.5)	(199.0)
Asset Related Costs	(15.7)	(14.4)	(16.1)	(26.7)	(21.7)	(25.5)
Total Expenses	(188.9)	(189.5)	(196.0)	(221.9)	(218.2)	(224.5)
Net Income (Loss) before Deferral Accounts	0.9	5.6	(1.6)	6.2	6.1	6.1
Deferral Accounts	1.8	-	5.5	-	-	-
Net Income	2.7	5.6	3.9	6.2	6.1	6.1
Dividend	-	-	-	-	-	1.5
Retained Earnings	19.0	25.9	22.9	29.1	35.2	39.8
Total Debt	37.0	94.7	94.5	79.2	76.8	73.5
Debt to equity ratio	44:56	67:33	69:31	62:38	58:42	51:49
BCTC Capital Investments	50.4	67.8	81.7	20.7	21.7	9.6
BC Hydro Transmission Capital Investments	183.4	204.7	288.6	501.0	412.6	462.4
Total Full-time Employees (FTE's)	360	390	408	422	419	419

Review of Revenues and Expenses

Revenues

(\$ millions)	F2006/07 Actual	F2007/08 Forecast	F2008/09 Budget	F2009/10 Forecast	F2010/11 Forecast
Transmission Tariff Revenue	155.3	155.8	184.6	180.5	187.2
Non-Tariff Revenues	34.5	38.6	43.5	43.8	43.4
Total Revenues	189.8	194.4	228.1	224.3	230.6

BCTC earns revenues for transmission services provided under its Open Access Transmission Tariff (OATT) and for non-tariff services provided in accordance with Service Level Agreements and other contracts.

Transmission Tariff Revenue: Tariff revenue is BCTC's share of the revenue collected for network services, point-to-point and ancillary services under the OATT tariffs. The transmission rates are adjusted to recover the cost of service and allowed net income.

The significant increase in tariff revenue reflects the transmission rate increase required to recover the higher costs associated with the new System Control Modernization Project (SCMP) scheduled for completion in April 2008, new maintenance programs, new initiatives, upward pressure on business costs, and higher allowed return associated with the growth in BCTC capital assets.

Non-Tariff Revenues: Non-tariff services are largely related to services provided to BC Hydro under Service Level Agreements (SLAs) and other non-tariff services.

Forecast non-tariff revenues are higher primarily due to increased requests for system impact and interconnection studies, additional work provided under Service Level Agreements and recovery of cost for resources allocated to managing the transmission capital projects.

Operating Costs

(\$ millions)	F2006/07 Actual	F2007/08 Forecast	F2008/09 Budget	F2009/10 Forecast	F2010/11 Forecast
Operations	42.3	44.4	53.1	51.7	52.0
Maintenance	99.9	105.4	108.4	110.4	112.2
General & Administration	26.0	25.2	28.8	29.5	29.9
Total OMA	168.2	175.0	190.3	191.6	194.1
Cost of Market	5.0	4.9	4.9	4.9	4.9
Total Operating Costs	173.2	179.9	195.2	196.5	199.0

Operations, Maintenance and Administration (OMA): OMA expenses consist of internal and external resources deployed to execute annual work programs and special initiatives. The key drivers for the forecast increase in F2008/09 OMA costs are:

- Higher demands for system impact and generator interconnection studies relating to BC Hydro's Call for Tender processes and growth in the transmission capital plan.
- The completion of the new System Control Modernization Project (SCMP) in April 2008.
- New asset maintenance requirements to address vandalism and theft issues, pine beetle infestation along rights-of-way, asset growth and higher vegetation management costs.
- BCTC's actions in response to the February 2007 Energy Plan and the Climate Change Action Plan.
- Changes in industry and regulatory requirements including Mandatory Reliability Standards, FERC Order 890 and the new Provincial Capital Standard requiring consideration of public private partnerships (P3s) for projects over \$20 million.
- General inflation due to the strong economy and increased labour costs.

Operations Costs

Operations costs encompass system planning and the real-time operation of the transmission system, including the implementation of the new SCMP Project. Market operations activities relating to the provision of transmission and interconnection services under OATT are also included in operations.

In addition to general cost inflation and labour cost increases, the higher operations costs reflect the growth in the number of system impact and generator interconnection studies from BC Hydro's Call for Tender processes. In order to respond effectively to these requests, BCTC is adding internal and external engineering resources and restructuring its system planning organization and business processes. These higher costs are forecast to be recovered from BC Hydro and other generators as non-tariff revenues. Industry and regulatory requirements, including Mandatory Reliability Standards, the NERC Critical Infrastructure Program, FERC Order 890 and higher membership fees for Western Electricity Coordinating Council also contribute to the cost increase.

The new \$133 million SCMP project is forecast to be complete in April 2008, ahead of schedule and on budget. The F2008/09 forecast includes transition costs associated with the consolidation of system operations employees from five control centers throughout the Province to a primary control centre in the Lower Mainland with a backup centre in the Interior, and the ongoing costs associated with the new facilities. In addition, BCTC's workforce planning process resulted in new training positions in anticipation of pending retirements.

Maintenance Costs

Maintenance costs relate to the management and maintenance of BC Hydro's transmission and substation distribution assets. BC Hydro's Field Operations and Engineering Services organizations provide maintenance services to BCTC in accordance with service level agreements. BCTC engages other external service providers to perform vegetation management and other maintenance work.

The higher F2007/08 expenditures are due to unanticipated costs relating to the Northwest Transmission Line (NTL) and other projects, corrective maintenance to repair asset damages caused by thefts and vandalism, and higher emergency maintenance relating to avalanche, storm, flood preparation and other emergency incidents. BCTC forecasts to recover these unanticipated costs.

Maintenance costs are projected to increase primarily due to new maintenance requirements relating to asset growth, increased station security to address theft and vandalism and vegetation management programs to deal with the threats of Mountain Pine Beetle and other infestation along transmission rights-of-way. Cost escalation relating to service rates, vegetation contract management services and labour costs also contribute to the anticipated cost increase. The implication of the Climate Action Plan is being assessed and therefore no significant expenditures are included in this forecast.

General and Administration Costs

General and administration (G&A) costs include BCTC's corporate governance, policy and strategy, business development, legal, aboriginal relations, procurement, regulatory, finance, information technology, human resources and public affairs activities. Certain employee-related costs are included as G&A costs.

The forecast increase in G&A includes costs to develop the Congestion Relief Policy and Long-Term Transmission Outlook Report, BCTC's participation in a study with other utilities to expand transmission between BC and California, and additional resources to support the growth in the transmission capital plan. Cost escalation and higher labour costs also contributed to the forecast cost increase.

Cost of Market: Congestion management and ancillary services costs make up Cost of Market expense. Congestion management costs include costs of operating reserves, transmission locational credits, unscheduled flow mitigation and operating agreements between control areas. It also includes the cost of all generation-based ancillary services that BCTC, in turn, sells to customers on a cost flow-through basis under the OATT tariff. Cost of Market is forecast to remain stable.

Asset Related Costs

(\$ millions)	F2006/07 Actual	F2007/08 Forecast	F2008/09 Budget	F2009/10 Forecast	F2010/11 Forecast
Depreciation and Amortization	14.2	14.4	20.9	16.4	20.3
Taxes and Grants	0.3	0.3	1.6	1.5	1.5
Finance Charges	1.2	1.4	4.2	3.8	3.7
Total Asset Related Costs	15.7	16.1	26.7	21.7	25.5

Asset related costs include depreciation, school taxes, grants in lieu of taxes, and finance charges associated with the assets owned by BCTC.

Depreciation and Amortization

The change in depreciation and amortization is primarily related to the new SCMP assets placed in-service in April 2008, partially offset by control centre assets and other information technology assets reaching end-of-life during the year.

Taxes and Grants

The forecast relates to property taxes for the new control centres.

Finance Charges

BCTC's financing plan includes both long-term debt and short-term borrowings through facilities established with the Ministry of Finance.

BCTC plans to finance future capital expenditures with cash from operations and short-term borrowing.

(\$ millions)	F2006/07 Actual	F2007/08 Forecast	F2008/09 Budget	F2009/10 Forecast	F2010/11 Forecast
Short-term Borrowing	-	17.7	5.6	3.3	-
Long-term Borrowing	30.1	70.1	70.0	70.0	70.0
Total Borrowing	30.1	87.7	75.6	73.3	70.0
Capital Leases	6.8	6.7	3.6	3.5	3.5
Total Asset Related Debt	36.9	94.5	79.2	76.8	73.5

Finance charges reflect interest on borrowings for capital expenditures less the interest portion of Allowance for Funds Used During Construction (AFUDC), which is capitalized. The interest rate forecast is provided by the Ministry of Finance. Finance charges are forecast to increase in F2008/09 as interest previously capitalized to the SCMP project will be expensed when the project goes into service in April 2008.

Deferral Accounts

BCTC has four deferral accounts approved by the BCUC to mitigate the financial risks associated with revenue and cost variances from forecast. BCTC is forecasting a net balance of \$5.5 million of deferred costs at 31 March 2008, which is expected to be recovered in fiscal 2008/09.

Net Income

The forecast net income is based on earning an allowed rate of return on the deemed equity balance. As set out in Special Direction No.9, the deemed equity is determined based on 40.7% of total debt and equity. The allowed rate of return is assumed to be 12.05% which is the

approved rate of return for F2007/08. Total debt and equity are projected to increase over the forecast period, contributing to the higher net income for the period.

Dividends

BCTC currently does not pay dividends to the Shareholder. Net income earned since the commencement of BCTC's operations in 2003 has been retained in the business to build equity to a level commensurate with the business risks associated with BCTC's operations. The forecast assumes payment of a dividend equivalent to 85% of net income, provided the deemed capital structure is attained at year end. BCTC expects to attain the deemed capital structure at the end of F2009/10 and dividend payment will be paid three months following the end of the previous fiscal year. BCTC will be working with the Provincial Shareholder to finalize and implement BCTC's dividend policy for payment of dividends commencing F2010/11.

Full Time Employees

Full Time Employees (FTEs) are defined as the number of approved full-time employee positions. In F2007/08, BCTC completed a resource planning process to assess the implications of growth in the Capital Plan, the new provincial Energy Plan and other drivers of BCTC's resource requirement. This resulted in a five-year resource plan which includes an increase the number of employees in F2008/09-2010/11. The number of employees is expected to decline in subsequent years to reflect retirements and the headcount reduction associated with the transition to the new consolidated control centre.

Risk Factors and Sensitivities Relating to the Financial Forecast

Key assumptions and sensitivities for the financial forecast are as follows:

Financial Assumptions	Sensitivities
1. Regulatory: <ul style="list-style-type: none"> BCTC earns 12.05% allowed return on equity through the period F2008/09 to F2010/11. To recover costs and allowed return on equity over the forecast period F2008/09 to F2010/11, Revenue Requirement changes are subject to review and approval by the BCUC. 	<ul style="list-style-type: none"> A 1% change in the allowed return on equity will change annual net income by \$0.5 million in F2008/09 to F2010/11. BCTC's costs and allowed return on equity would have to change by approximately \$1.8 million to effect a 1% change in transmission tariff revenues.
2. Costs: <ul style="list-style-type: none"> The F2008/09 and F2009/10 budget includes approved COPE and IBEW Collective Agreement increases and other Board approved allowances for salary and wage increases. 2.1% annual inflation on non-labour expenses other than BC Hydro and Accenture Business Services during the forecast period is offset by 1% productivity improvements. 	<ul style="list-style-type: none"> A 1% change in labour costs will change expenses by \$0.5 million in each year, of which \$0.1 million pertains to IBEW labour costs. A 1% change in inflation on non-labour expenses will change expenses by \$0.6 million.
<ul style="list-style-type: none"> Short-term and long-term interest rates reflect rates published by the Ministry of Finance for the forecast period. 	<ul style="list-style-type: none"> Each 1% change in short-term interest rate will change the gross finance charge of new debt by \$0.1 million in F2008/09-F2009/10. Each 1% change in long-term interest rate will change the gross finance charge of new debt by \$0.1 million in F2008/09 and \$0.3 million in F2009/10 and F2010/11.

Risk Factors

The following key risks may influence financial and performance expectations during the forecast period. The risks and mitigation strategies are described below.

Risks	Description	Mitigation Strategies
Recovery of cost deferral accounts	The F2007/08 forecast contained a number of cost deferrals assumed to be recovered by BCTC.	Management will be seeking recovery of the deferred costs.
Planning/Generator Interconnection studies may be less than forecast	Management has included generator interconnection study revenue based on forecast level of interconnection studies.	Management will closely monitor and track generator interconnection work and revenue billing. Work outsourced to contractors will be reduced should the number of interconnection studies fall below forecast levels.
SCMP Implementation	The SCMP project costs are estimates and may be impacted by the market conditions for facilities management and system sustainment services.	Management will have contracts in place for facilities and software maintenance prior to the April 1, 2008 in-service date.
Energy Plan, FERC 890 and Other Initiatives	Management has included Energy Plan and FERC 890 initiatives in the forecast. Climate Action Plan initiatives are not fully reflected at this point. Changing business requirements may affect the timing and scope of work required for these initiatives.	Management is reviewing work plans relating to these initiatives to ensure risk mitigation strategies exist for these initiatives. Management is reviewing what further action is needed to meet the government's Climate Action Plan.
Capital project execution	BCTC must procure resources and execute its capital plan within the planned schedule, cost and scope parameters.	Management is increasing the number of project managers and the monitoring of capital projects to ensure timely action can be taken.

Capital Plan

BCTC is accountable for investments in the transmission system assets that continue to be owned and financed by BC Hydro. BCTC owns and finances capital assets that are required to operate the transmission system. Investments in both the BC Hydro-owned assets and the BCTC-owned assets are presented in the Transmission System Capital Plan, which is subject to review and approval by the BCUC. On December 21, 2007 BCTC submitted its F2009 Capital Plan to the BCUC. The F2007/08–F2010/11 transmission capital expenditure forecast contained in the table below reflects the F2009 Capital Plan. For individual capital projects exceeding \$50 million, BCTC prepares major capital project plans for public disclosure pursuant to the *Budget Transparency and Accountability Act*.

Transmission Capital Expenditure Forecasts					
\$ millions	F2006/07 Actual	F2007/08 Forecast	F2008/09 Budget	F2009/10 Forecast	F2010/11 Forecast
Transmission Assets Owned by BC Hydro					
Sustaining Capital	88.8	91.4	112.8	123.4	140.4
Growth Capital	103.5	213.7	416.5	305.6	327.2
Contributions In Aid of Construction	(8.9)	(16.5)	(28.3)	(16.4)	(5.2)
Total – Transmission Assets Owned by BC Hydro	183.4	288.6	501.0	412.6	462.4
Assets Owned by BCTC	50.4	81.7	20.7	21.7	9.6
Total Transmission System Capital Expenditures	233.8	370.3	521.7	434.3	472.0

The transmission capital plan is composed of three major portfolios. The Growth Portfolio includes investments required to extend and reinforce the system to meet load growth, to transfer power from new generation resources, and to accommodate transmission customer and generator interconnection requests. The Sustaining Portfolio addresses transmission infrastructure capital equipment replacements, refurbishment and enhancements necessary to meet safety, reliability, environmental and regulatory standards. The BCTC Portfolio consists of information technology, control centre technologies and facilities.

The Growth Capital portfolio objectives are to serve firm load, to provide generation dispatch flexibility, to connect new generators, to meet point-to-point obligations and to plan for uncertainty while ensuring projects are affordable as well as socially and environmentally acceptable. As a member of the Western Electricity Coordinating Council (WECC), which is a regional member of the North American Electric Reliability Council (NERC), BCTC also conforms to relevant NERC/WECC planning standards. Significant Growth Capital investment is needed to meet future transmission requirements as the robust economy continues to drive domestic load and to integrate new clean or renewable generation resources. The major growth capital projects included in the forecast period are the Vancouver Island Transmission Reinforcement (VITR) project (execution phase and forecast to be in-service in F2008/09), SCMP Project (execution phase and forecast to be in-service in April 2008), Interior to Lower Mainland (ILM) project (Certificate of Public Convenience and Necessity application filed on November 5, 2007), Central Vancouver Island Project (projected in-service date in October 2010) and the Mount Pleasant Area Supply Project (projected October 2011 in-service date).

The Sustaining Capital portfolio invests in existing system assets to maintain reliability of equipment at design levels, to address known safety and environmental issues, and to optimize life cycle costs, while limiting customer rate impacts by making steady annual investments. BCTC's detailed analysis of existing asset demographics and their performance has been translated into a forecast of capital expenditures required to sustain existing assets. A large proportion of transmission assets are approaching their end-of-life and BCTC's analysis projects an upward trend of expenditures over the next decades.

Sustaining Capital investments are forecast to increase over the forecast period primarily due to:

- Higher number of end-of-life replacements including circuit breakers;
- Increased focus on improving the resilience of the transmission system to severe events such as storms, seismic, fire and flood events. Projects include the seismic upgrade for Murrin substation and fire risk mitigation at Cathedral Square substation in downtown Vancouver; and
- Cost escalation due to the tight equipment and construction market.

BCTC Capital Expenditures – Assets Owned by BCTC

Reduced BCTC capital expenditures starting in F2008/09 reflect the completion of the \$133 million SCMP project in April 2008. Future investments over the forecast period are primarily in the area of information technology, including the replacement of the aging Market Operations Business System, which is reaching end-of-life. Other information system projects include providing data centre redundancy facility as part of the disaster recovery plan and other ongoing system sustainment projects.

Major Capital Projects

Vancouver Island Transmission Reinforcement Project - \$287 million

Replacement and upgrading of existing 138 kV transmission infrastructure between the Arnott Substation (ARN) in Delta and the Vancouver Island Terminal (VIT) in North Cowichan with new 230 kV infrastructure. The project is required to provide system reliability and to meet current and future electricity demands on Vancouver Island. The Project includes replacement of both overhead and submarine cable components.

SCMP - \$133 million

This project involves replacement of the obsolete Energy Management System and consolidation of five regional control centres into a primary lower mainland control centre and a backup centre in the interior. Key Objectives include: (1) replacing obsolete technology, (2) resolving seismic issues and addressing limitations of the existing SCC facility, (3) providing a geographically separate backup for the primary control centre and (4) streamlining the control and operating infrastructure.

Interior to Lower Mainland Reinforcement Project - \$602 million

The project will install a new series compensated 250 km, 500 kV transmission line (5L83) between Nicola substation (near Merritt) and Meridian substation (in Coquitlam). This will effectively reinforce the Interior to Lower Mainland bulk transmission system to meet load growth in the Lower Mainland, ensure existing transmission commitments are met and transport increased generation resulting from potential projects planned in the South Interior.

Central Vancouver Island Project - \$82 million

The Central Vancouver Island regional transmission system will experience overload issues on the existing 138kV circuits between Dunsmuir and Jingle Pot substations by year 2010. Resolving this issue on the regional 138kV transmission system involves the connection of existing 230kV transmission lines between Dunsmuir-Sahtlam substations to the existing 138kV transmission system at a new substation.

Mount Pleasant Substation - \$128 million

The Mount Pleasant / False Creek area in Vancouver extends from Knight Street to Oak Street and from False Creek to King Edward (25th) Avenue. Its forecast load demand for F2008 is 110 MVA and this is expected to be 139 MVA in 10 years, 175 MVA in 20 years and 213 MVA in 30 years. All three substations in this area are loaded to their capacity. BCTC is now installing a partial feeder section at Sperling substation to increase the area capacity in 2008.

BCTC and BC Hydro have identified two basic options to replace the at-risk Murrin feeders and meet the forecast area load growth. A joint review of construction costs and load growth data is in process.

Appendix

Key Changes in Corporate Goals and Measures from Previous Service Plans

At its October 2007 strategy session, BCTC's Board of Directors approved the modification of two of BCTC's corporate goals and the modification of one corporate performance measure. Details follow:

Modification of Corporate Goals Corporate goal six, "Financial Return" was changed to "Cost Management" and the word "Costs" was deleted from goal one.

Rationale: BCTC has always had a cost management goal. In BCTC's Service Plans, it was embedded in "Strategic Thrust-Business" in January 2004, "Model Transmission Company" in January 2005 and "Reliability, Costs and Service" in January 2006 and January 2007. The establishment of cost management as goal six clarifies the significance of managing capital and operating costs as the counter-balance to all of BCTC's other goals and related actions, not just to achieving reliability and service goals. For example, the continuous improvement of environment and safety performance does not come without the costs of managing BCTC's initiatives in these areas. The same is true for the goals of market efficiency, relationships, and organization and people.

Corporate Measure Modification: the OMA/GWh*km (OMA is annual Operating, Maintenance and Administrative expense, GWh is Gigawatt hours of electricity used by British Columbia customers each year and km is the length of the transmission system in Kilometres) measure was modified to "OMA actual against plan."

Rationale: Prior to F2005/06, this performance measure of costs was composed of OMA only. The GWh and km components were added in F2005/06 to facilitate benchmarking of BCTC's performance against other transmission organizations. However, BCTC has no control over the GWh component in this measure because electricity use in BC is closely tied to weather and economic conditions. As a result, BCTC's efforts in managing costs could be overwhelmed by GWh results that are unrelated to BCTC's performance.

Performance Benchmark Data

Benchmark Information for SAIDI (Goal 1)

Reliability statistics for independent transmission companies have a limited history. The SAIDI measure is often tailored by transmission organizations to meet their specific needs, based on the configuration of their transmission system network and their climate and terrain. As a result, the range of reported results is large. Currently, the best benchmark for Canadian transmission reliability can be found in the Canadian Electricity Association's (CEA) annual study of the Bulk Electricity System (BES).

The CEA BES SAIDI calculation differs from BCTC SAIDI in three respects: the CEA uses a calendar year versus BCTC's fiscal year, the CEA includes generation source outages whereas BCTC does not, and the CEA definition includes only unplanned outages while BCTC SAIDI includes both planned and unplanned outages.

The latest year for which CEA benchmark data is available is calendar year 2005. BCTC's SAIDI performance for the fiscal year ending 31 March 2006 was 2.07 hours per delivery point. By adjusting the BCTC SAIDI value to conform to the CEA BES study definition the result is 1.70 hours per delivery point, compared to the CEA composite result of 1.29 hours per delivery point (information on the extent of CEA reported generation outages are not available). Through CEA initiatives, BCTC and other member utilities are in the process of ensuring consistency in definitions and data quality to provide better benchmarking opportunities in future.

Benchmarking Data for Safety Measures (Goal 3)

The Canadian Electricity Association (CEA) tracks safety performance metrics. BCTC submits annual performance results to the CEA on the following industry wide metrics: all injury frequency rate, lost time injury frequency rate and lost time injury severity rate. BCTC's metrics are not directly comparable to the CEA's because BCTC reports the number of events, whereas the CEA reports injury rates in relation to hours worked. The performance of BCTC's employees, based on the CEA's

measures and the electrical industry member composite performance are shown below for 2006. The frequency rate in the table below is per 200,000 hours of work time. As a reference, BCTC's employees cumulatively work approximately 700,000 hours per year.

BCTC relies on contractors to perform a significant portion of field and construction tasks. Thus the CEA results, gathered from utilities that typically use employees to perform this work, are not directly comparable to the BCTC results. BCTC is working with the CEA and with contractors to gather data enabling a more useful benchmark.

	All Injury Frequency Rate	Lost Time Injury Frequency Rate	Lost Time Injury Severity Rate
BCTC (employees only)	0.00	0.00	0.00
CEA Composite	2.84	0.79	17.60

Benchmark Information for environmental measure (Goal 3)

The Canadian Electricity Association's environmental benchmarking studies measure the volume of spills, not the frequency of reportable incidents, which precludes direct comparisons. In addition, standards for reporting environmental incidents can vary by province, adding to the difficulty of benchmarking. As a result, BCTC uses historical performance data to determine areas for improvement.

Benchmark Information for stakeholder response measure (Goal 4)

Comparable industry statistics are not available; therefore results are compared to historical BCTC performance. After four years of operation, BCTC has the historical data to determine trends in performance, and will pursue ways of comparing our performance to standards across a variety of industries.

Benchmark Information for employee engagement index (Goal 5):

BCTC uses the Watson Wyatt Work Canada study as the basis of comparison, although some questions in BCTC's survey are slightly different from those in the Work Canada study. BCTC's Fiscal 2007 Employee Engagement result of 3.55 when adjusted for comparability to the Work Canada study is 3.57. This compares favorably with the mean score of 3.51 in the Watson Wyatt Work Canada 2006/07 study.

Library and Archives Canada Cataloguing in Publication Data

British Columbia Transmission Corporation.

Service Plan. -- 2004/2007 ; 2005/06/2007/08-
Annual.

Title varies slightly.

ISSN 1718-3588 = Service plan (British Columbia Transmission Corporation)

1. British Columbia Transmission Corporation - Periodicals. 2. Electric power transmission -
British Columbia - Periodicals. 3. Electric lines - British Columbia - Periodicals. 4. Electric
utilities - British Columbia - Periodicals. I. Title: British Columbia Transmission Corporation
service plan. II. Title: British Columbia Transmission Corporation service plan for fiscal years ...

HD2768.C35B7 354.4'9'0971105 C2006-960006-6



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