BC Transmission
CORPORATION

Service Plan

For Fiscal Years 2009/10 to 2011/12

Building Connections

www.bctc.com

February, 2009

Message from the Chair

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

February 2, 2009

On behalf of the Board of Directors, the management and employees of British Columbia Transmission Corporation (BCTC), we are pleased to present our Service Plan (2009/10 - 2011/12).

BCTC's vision is to be globally recognized for its innovative and sustainable management of the electric transmission system for the benefit of British Columbians. For over five years, BCTC has been responsible for planning, building, operating, and maintaining the province's grid in a safe, reliable, cost-effective manner.

BCTC supports the Government of British Columbia's policy objectives in numerous ways. Most notably, BCTC enables provincial development by ensuring that British Columbia's transmission system has the capacity to deliver electricity efficiently and reliably to meet growing demand, and by ensuring that adequate transmission capacity is in place to meet the long-term electricity needs of the province. BCTC is also responsible for ensuring that the provincial transmission grid is ready to add new clean or renewable, low carbon energy sources, and for ensuring that system users have access to the western North American wholesale electricity markets, which brings benefits to provincial ratepayers and electricity producers.

BCTC achieves its mandate and meets its responsibilities by working collaboratively with government, stakeholders, and First Nations. Since the tabling of last year's Service Plan, BCTC has worked closely with the Ministry of Energy, Mines and Petroleum Resources (Ministry) to implement the policy objectives introduced in *The BC Energy Plan: A Vision for Clean Energy Leadership*. In particular, BCTC provided expert advice to Ministry staff in the development of the Terms of Reference, released on December 15, 2008, for the upcoming BC Utilities Commission-led inquiry to determine British Columbia's long-term electricity transmission infrastructure and capacity needs. We look forward to having a key role in this inquiry.

Other major achievements over the past year include the opening of our world-class system control centre, an excellent example of innovative, "smart grid" technology being incorporated into BC's grid. The new facility enables BCTC to more precisely control, monitor, and operate the provincial electricity system. BCTC also received regulatory approval of its 10-year Transmission System Capital Plan. The Plan details over $5.3 billion in expenditures on over 400 projects that BCTC intends to build over the next 10 years. Near the year's end, BCTC completed construction of, and energized, the Vancouver Island Transmission Reinforcement line.

Siting of transmission projects in British Columbia presents significant challenges; therefore, the company continues its consultation activities with First Nations, communities, and stakeholders. Through these consultation activities, BCTC is able to provide better and more timely responses to questions and concerns that are raised.

Finally, on its fifth anniversary of operating as an independent transmission company, BCTC took the opportunity to review its corporate strategy, with a focus on three core strategies:

1. Operational Excellence
2. Market Access and Customer Service
3. Long-term Capacity Build-out

The capital investments BCTC will be making over the next several years support economic development opportunities and support British Columbia's clean energy, low carbon economy.

This 2009/10 - 2011/12 Service Plan for BCTC was prepared under the direction of the Board of Directors in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. This plan is consistent with Government's strategic priorities and overall Strategic Plan.

The Board is accountable for the contents of the plan including the selection of performance measures and targets. The performance targets within the plan have been determined based on an assessment of BCTC's operating environment, forecast conditions, risks, and past performance. Achievement of results may be influenced by factors that are beyond the company's control. All significant assumptions, policy decisions, and identified risks, as of 23 January 2009, have been considered in preparing the plan. The Board is accountable for ensuring BCTC achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

David L. Emerson
Executive 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 F2009. When space limitations require a shorter abbreviation, the number of the year in which the fiscal year ends is presented. Thus F09 refers to the fiscal year ending 31 March 2009.

Organizational Overview

Enabling Legislation and Legislated Mandate

The British Columbia Transmission Corporation (BCTC) was formed in May 2003 and began operations on August 1, 2003. The *Transmission Corporation Act*, and a number of designated agreements between BCTC and BC Hydro define BCTC's responsibilities. BCTC is a Crown Corporation, with the province of British Columbia as the sole Shareholder, and is regulated by the BC Utilities Commission (BCUC). The Minister of Energy, Mines and Petroleum Resources is the Minister Responsible for BCTC. An eleven-member Board of Directors, appointed by the Shareholder, oversees the operations of the company.

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. The 2008 Shareholder's Letter of Expectation is available on BCTC's website. Appendix 1 of this Service Plan provides a synopsis of specific directions contained in the Shareholder's Letter of Expectations, and BCTC's actions to address those directions.

BCTC's mandate is to operate, maintain, plan, and expand the province's transmission system in a safe, reliable and cost-effective manner, and to ensure that transmission system planning is effective for British Columbia generation and distribution entities, neighbouring interconnected transmission systems, and other eligible users. BCTC also has a key responsibility to fulfill public policy objectives. The importance of BCTC's role in advancing energy policy was first introduced in the Government's 2002 Energy Plan, and was confirmed again in 2007 with the release of "The BC Energy Plan: A Vision for Clean Energy Leadership" (BC Energy Plan).

Further information on BCTC's mandate and enabling legislation can be found at http://www.bctc.com/about_bctc/standards_agreements/.

BC Energy Plan

A series of five key agreements with BC Hydro were designated by Order in Council in November 2003, pursuant to the *Transmission Corporation Act*. These agreements ensure that BCTC and BC Hydro coordinate their long-term planning processes to ensure the delivery of reliable, low cost power in BC. An overall Master Agreement sets out BCTC's roles and responsibilities. In addition, Transmission Operating, Asset Management and Maintenance, Asset Lease, License and Transfer, and Support Services Agreements are also in place.

The BC Energy Plan sets out a vision for electricity self-sufficiency by 2016, for meeting half of the future resource needs through conservation by 2020, and for continued environmental leadership by encouraging clean or renewable, low carbon sources of energy. BCTC has a number of activities underway to support the goals of the BC Energy Plan.

Energy Security – The BC Energy Plan sets an objective for the province to become self-sufficient in electricity supply by 2016, and have an additional 3,000 gigawatt-hours of insurance annually as soon as practicable thereafter. A critical element in achieving the Government's target for self-sufficiency is to ensure that transmission investments are made in a timely manner. Because transmission lead times are longer than generation lead times, the BC Energy Plan included policies requiring that adequate transmission infrastructure be built in advance of contracted need, and the *Utilities Commission Amendment Act* (2008) requires the BCUC to conduct a regulatory inquiry to determine the province's long-term transmission needs. BCTC will play a lead role in providing evidence in the inquiry to help identify the transmission infrastructure investment over the next 30 years.

Self-sufficiency also requires a reliable transmission grid. This means ensuring

Organizational Overview

sufficient interconnectivity exists with major markets and remaining consistent with evolving North American reliability standards. The BC Energy Plan commits to the introduction of mandatory reliability standards in British Columbia. BCTC is leading the initiative to implement industry-developed reliability standards in BC in a cost-effective manner that respects provincial interests and sovereignty.

Conservation – The BC Energy Plan sets ambitious conservation targets to reduce the growth in electricity use within the province. The Plan states that 50 per cent of BC Hydro's incremental resource needs will be met through conservation by 2020. BCTC is committed to supporting BC Hydro's conservation targets by identifying ways to reduce the energy lost through the transmission of electricity.

Investing in Innovation – A key objective of the BC Energy Plan is 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. In 2008, BCTC placed the system's new control centre in service, which enables BCTC to better monitor the real-time condition of the transmission system, to run the grid closer to its operating limits and, as a result, provide more transmission capacity to customers.

Government has established the Innovative Clean Energy (ICE) Fund to foster the development of clean energy technologies. The fund has identified new technologies that increase the efficiency of power transmission as a potential area for funding. BCTC has completed its Technology Roadmap study and will continue to adopt innovative technologies that improve the efficiency and reliability of the transmission system.

Environmental Leadership – The BC Energy Plan emphasizes the increasing use of clean or renewable, low carbon energy in British Columbia. Some clean or renewable generation technologies provide energy on an intermittent basis and, as a result, create special challenges for grid interconnection and operation. BCTC is developing the necessary expertise and processes to manage these new technologies. BCTC has initiated, with BC Hydro, a wind integration project to study 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 BC Energy Plan has specific policy actions requiring BC Hydro to provide a standing offer to buy energy from small, environmentally friendly generators. BC Hydro will also conduct a number of calls for clean and renewable power, and 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 by providing interconnection processes, system studies, costing data, and other support as required on a timely basis.

Climate Action

On November 29, 2007, the *Greenhouse Gas Reduction Target Act* became law in BC. This Act codifies the Government's commitment to reduce carbon emissions by establishing a target of reducing greenhouse gas (GHG) emissions by at least 33% below 2007 levels by 2020.

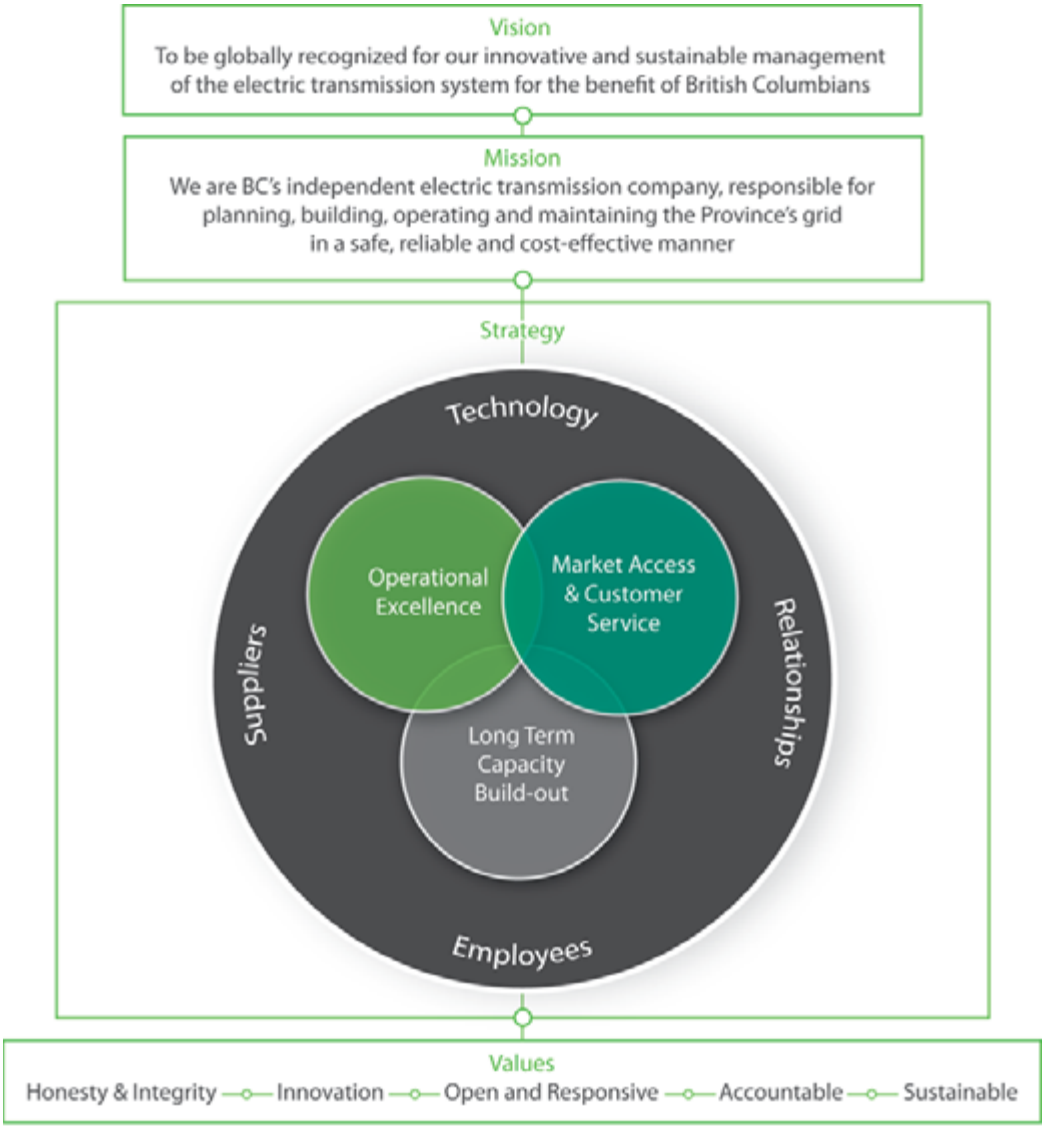
This Act also requires Crown Corporations to become carbon neutral by 2010 and report actions taken toward carbon neutrality annually. In response, BCTC has launched its Integrated Climate Change Response Program to identify and evaluate risks presented by climate change and to develop effective risk management measures.

BCTC Strategy Map

Strategic Vision and Values

2008 marked BCTC's fifth year of operating as an independent transmission company. Over the five year period since its inception, BCTC has gained operating experience and implemented its business model based on the framework defined in the *Transmission Corporation Act* and in the designated BCTC/BC Hydro Master Agreement.

BCTC's strategy is focused on the safe, reliable, cost effective transmission of electricity and on building-out BC's electric transmission grid to ensure customers can access markets within and beyond BC. In 2008, BCTC reviewed its strategy and identified opportunities to refine the vision and mission and better articulate the Company's core and enabling strategies. In September 2008, BCTC's Board of Directors endorsed the revised vision, mission and corporate strategies.



Organizational Overview

Core and Enabling Strategies

To improve understanding of the company's priorities, BCTC has defined "core" and "enabling" strategies. These strategies help guide BCTC's planning as well as help define resource requirements. BCTC's core strategies address challenges and opportunities presented by the company's operating environment. The three core strategies are:

Operational Excellence
Continuous improvements to everything we do to manage the transmission system in a safe, reliable, cost-effective manner.

Market Access & Customer Service
Creating the business rules and physical infrastructure to allow customers to reach their markets within and beyond BC, now and in the future.

Long-Term Capacity Build-out
Building new and replacement transmission infrastructure based on a long-term view of BC's needs.

The four enabling strategies (Technology, Suppliers, Employees, Relationships) provide the critical building blocks that ensure BCTC succeeds in the implementation of its core strategies:

Relationships
Open and constructive relationships with First Nations, communities and stakeholders are key to accomplishing BCTC's core objectives.

Employees
Successful implementation of BCTC's strategy is dependent on highly skilled and engaged employees.

Technology
BCTC is a technology intensive company and needs long-term technology plans for asset management, energy management and information systems.

Suppliers
BCTC's unique business model requires that we rely on external resources for the provision of many critical services and warrants that we establish strategic relationships with some of our suppliers.

Business Profile

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.

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 the provincially owned electricity transmission assets;
- Operating the transmission system, including real-time operation of transmission, generation, distribution and telecommunications systems, and transaction scheduling;
- Providing 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;
- Maintaining the existing assets, including transmission lines, substations and telecommunications systems owned by BC Hydro, as well as BCTC's control centres. This involves the execution of more than 25,000 work orders per year, with an annual expenditure of approximately $85 million;
- Replacing and expanding the transmission assets, and BCTC's control centre and other technology assets, to ensure reliable service for domestic customers and for electricity trade. BC Hydro, as the transmission asset owner, finances BCTC's transmission construction expenditures, following the BCUC's approval. As owner of the control centre and other technology assets, BCTC funds capital expenditures on these assets, also subject to BCUC approval.
- Assisting in maintaining competitive electricity rates in British Columbia through the cost-effective management of all BCTC functions; and
- Complying with requirements for a carbon neutral public sector by 2010 through measurement and reporting of BCTC's greenhouse gas emissions, implementation of programs to reduce emissions, offsetting remaining emissions, and engaging employees to develop further solutions to meet Government's climate change objectives.

In F2010, BCTC forecasts that its activities and services will be delivered by 445 employees across six business divisions. For further information on BCTC's organizational structure, visit http://www.bctc.com/about_bctc/organizational_chart/.

Organizational Overview

The Bulk Transmission System

The bulk transmission system is the backbone of the province's high voltage electricity grid. It includes the 500 kilovolt (kV) transmission system, parts of the 230 kV system, the transmission connections to Vancouver Island, and interconnections with other utilities through interties. The diagram below illustrates how these lines connect the large remote generating stations in the Peace River and Columbia River areas with the major load centres of the Lower Mainland and Vancouver Island.

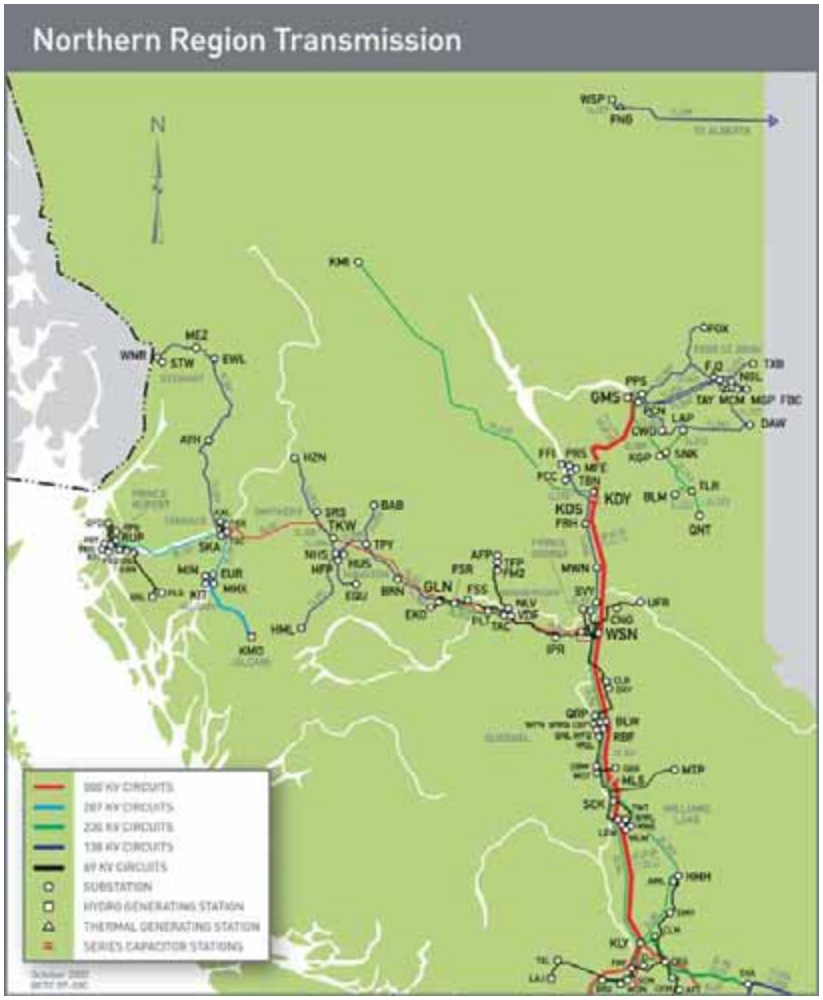
The transmission system receives power from approximately 60 generating stations across BC and through interconnections with Alberta and the U.S., and delivers it through approximately 18,300 kilometres of transmission lines to approximately 400 delivery points throughout the province.

The Regional Transmission System

Four regional transmission systems transfer energy within specific geographic areas of the province. These regional systems generally consist of 230 kV, 138 kV, and 60 kV transmission networks that connect local generation and deliver power to distribution utilities or transmission customers located within the region.

The Northern Grid

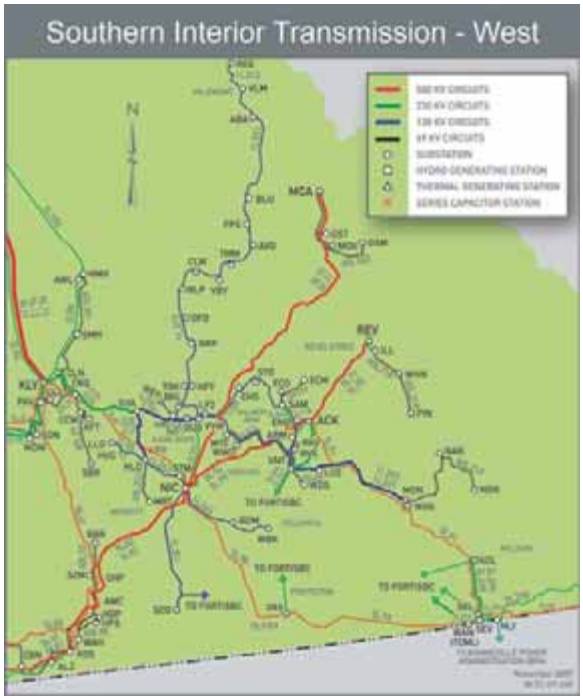
The Northern Grid includes the major Peace River generation region in the Northeast (G.M. Shrum, Peace Canyon) and the main transmission lines to Williston Substation near Prince George, from Williston to the Kelly Lake Substation near Clinton, and from Williston to the North Coast, which interconnects to the Skeena Substation.



Organizational Overview

The Southern Interior Grid

Approximately half of BC Hydro's generation is located in the Southern Interior. The grid in the Southern Interior transmits energy generated by BC Hydro in the Columbia (MCA) and Kootenay (REV) regions, plus imported energy from the US and Alberta. The energy flows west to the Nicola Substation (NIC) near Merritt. The Southern Interior system is also used to deliver FortisBC energy from the Kootenay area to the Okanagan area according to the general wheeling agreement between BCTC and FortisBC.



The Interior to Lower Mainland (ILM) Grid

The ILM grid is one of the most critical transmission paths in the province. It transmits energy from the Interior of the province to serve the Lower Mainland and Vancouver Island load requirements and is a key transmission path for both firm and non-firm energy trading activity. The ILM grid comprises eight 500 kV transmission lines. BCTC recently received approval from the BCUC to construct a new 500 kV line between the Nicola substation (NIC) near Merritt and the Meridian substation (MDN) in Coquitlam to meet the need for more capacity.

Lower Mainland to Vancouver Island Grid

There are two existing transmission corridors from the Lower Mainland to Vancouver Island and the Southern Gulf Islands:

- The Northern Corridor, connecting south of Powell River to north of Qualicum Beach and consisting of two 500 kV submarine cables.
- The Southern Corridor, connecting from Delta/ Tsawwassen to near Duncan via Galiano and Salt Spring Islands and consisting of one 138 kV AC circuit, one 230 kv circuit, plus two high-voltage direct current (HVDC) circuits.

Organizational Overview

Intra-provincial BC Interties

Alcan Intertie

The transmission system is connected to the Alcan transmission system in the Kitimat area by a single 287 kV line from Minette Substation near Kitimat to Alcan's substation.

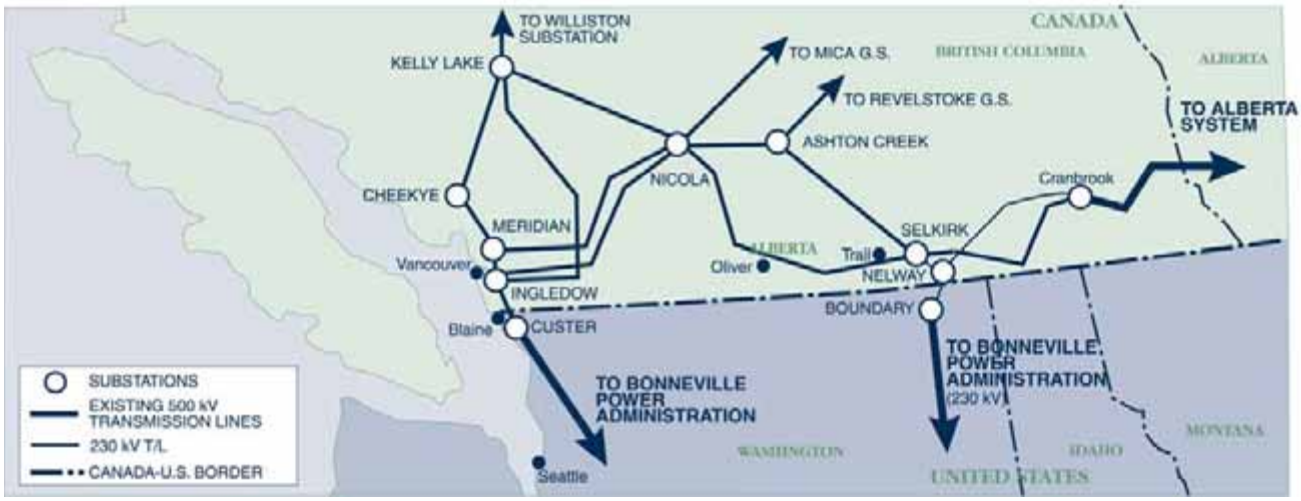
FortisBC Interties

The Southern Interior regional system has a number of interconnections to FortisBC's transmission system. There are two 500/230 kV transformers at Vaseux Lake Substation near Oliver, two 230 kV transmission lines connecting Vernon to FortisBC's system, and interconnections at Kootenay Canal, Selkirk, and Nelway at the 63 kV and 230 kV levels.

Provincial Interties

The transmission system is also interconnected with transmission systems in Alberta and Washington State, providing opportunities for trade and improving the overall reliability of the system. The system is connected with Alberta by one 500 kV line from Cranbrook to Langdon Substation in Alberta and by two 138 kV lines from Natal substation near Sparwood to the Alberta system.

The interconnection between the BC system and Bonneville Power Administration's (BPA) transmission system in Washington state consists of two interties: the Westside Intertie (two 500 kV lines from Ingledow to BPA's Custer Substation near Bellingham) and the Eastside Intertie (two 230 kV lines, one is owned by Teck Cominco and operated by FortisBC).



Location of Operations

BCTC's corporate head office is located in Vancouver, with one system control centre in the Lower Mainland and a back-up control centre in the Southern Interior. These two facilities became operational in F2008. In addition to the transmission lines described above, BCTC operates and manages an extensive network of facilities that includes 291 substations and 169 microwave and fibre-optic sites.

Industry Associations

BCTC is actively involved in North American organizations promoting the safe, reliable and cost-effective operation of the grid. BCTC participates in the Western Electricity Coordinating Council (WECC) and the North American Electricity Reliability Council (NERC). BCTC is also part of the Canadian Electricity Association (CEA), the national association of the electricity business in Canada.

BCTC Customers and Stakeholders

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 $680 million per year. BCTC's own operating and asset-related costs are recovered as well as approximately $450 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.

Delivery of Service

BCTC performs a large portion of its operating and capital activities through contracts with third parties. Major contractors include BC Hydro Field Operations (approximately $126 million per annum), BC Hydro Engineering (approximately $57 million per annum), Accenture Business Services for Utilities (approximately $6 million per annum), and others (approximately $38 million).

Corporate Governance

BCTC's Board of Directors is responsible for the governance and stewardship of the Corporation. The Board's role is to, 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, Executive 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/.

Board & Committees

David Emerson, Executive Chair* & CEO
Robert Reid (Director)
Nicole Byres (CGC Chair)
Richard Campbell (CGC, CRC)
John Gill (AC Chair)
O'Brian Blackall (AC)
Joanne McLeod (CRC Chair, AC)
Margot Northey (HRSEC)
Bev Park (HRSEC, CRC)
Gerald Wesley (CGC)
Ralph Winter (HRSEC Chair)

Executive Management

Janet Woodruff, Acting President
Bruce Barrett, VP, Major Projects
Martin Huang, VP, System Operations
John Irving, VP & General Counsel
Doug Little, VP, Customer & Strategy Development
Julius Pataky, VP, System Planning & Asset Management
Janet Fraser, acting CFO

** The Executive Chair 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

During the past year, the British Columbia government reinforced through legislation, policy direction, and participation in regional initiatives, its support for planning the transmission system in a timely manner, and for exploring opportunities for exporting the province's clean, renewable, low carbon electricity. This public policy framework sets the context for BCTC's activities over the next few years.

Provincial Legislation

Utilities Commission Amendment Act

The *Utilities Commission Amendment Act* became law in May 2008. The amendments enable the BCUC to better support, through regulation of public utilities such as BCTC, the principles and objectives of the BC Energy Plan. For BCTC, several provisions of this Act are particularly relevant.

- Section 5 Inquiry: under Section 5 of the Act, the BCUC is required to conduct a public inquiry to determine the province's long-term transmission capacity and infrastructure needs. It must initiate the first inquiry by March 31, 2009
- Long-term Resource Plans: the legislation enhances requirements for public utilities to file long-term resource plans with the BCUC. BCTC expects to file its first long-term resource plan following the BCUC's determinations in the Section 5 inquiry
- Self-sufficiency: the above legislation, and regulations under the *Utilities Commission Act*, requires BC Hydro to achieve electricity self-sufficiency by 2016, with 3000 gigawatt-hours per year of insurance energy as soon as practicable, but not later than 2026. BC Hydro's recent long-term resource plan anticipates meeting this requirement through demand side management, expansion of its own facilities, a combination of IPP energy, and retaining the Burrard Thermal Generating Station as an energy resource

Greenhouse Gas Reduction Target Act

This legislation became law in November 2007 and, with subsequent regulations, codifies the Government's commitment to reduce carbon emissions by establishing the following targets for BC:

- GHG reductions of 6 per cent below 2007 levels by 2012
- GHG reductions of 18 per cent below 2007 levels by 2016
- GHG reduction of at least 33 per cent below 2007 levels by 2020
- GHG reduction target of 80 per cent below 2007 levels by 2050

The legislation also requires the provincial government, including provincial ministries and agencies, schools, colleges, universities, health authorities and Crown Corporations, to become carbon neutral by 2010, and report actions taken toward carbon neutrality annually. BCTC is working to meet these obligations and will file its first report with government in 2009.

Regional Initiatives and Demand Drivers

Demand for electricity continues to grow rapidly across the Western region. The United States Census Bureau forecasts that over the next 20 years, the Pacific Northwest will be the fastest growing region in North America.

[1] The term Western Interconnection describes the region served by Western North America's interconnected high-voltage transmission grid. It encompasses the provinces of BC and Alberta, all or portions of the 14 western states, and the northern portion of Baja California, Mexico.

Strategic Context

Like British Columbia, most jurisdictions in the Western Interconnection[1] have introduced energy conservation and efficiency programs to help reduce the rate of demand growth for electricity, and reduce the need to build new generation and transmission capacity. Even with aggressive demand side management, however, load forecasts suggest that a growing population will drive electricity consumption in the Western Interconnection from approximately 880,000 GWh in 2008 to 1,100,000 GWh by 2020. This represents a 25 percent increase in demand over the next 12 years. Concerns over climate change, and government initiatives to reduce GHG emissions, will require that the electricity industry meet this growing demand with resources that are clean, renewable, or low carbon.

Renewable Portfolio Standards (RPS) Most western US states now have Renewable Portfolio Standards (RPS) requirements that their load-serving utilities must meet. In general, RPS rules require that a specified percentage of energy delivered to customers in a year come from qualifying renewable sources. Western states will generate roughly 44,000 GWh of renewable electricity in 2008. To meet their current RPS targets, states will need to obtain over 177,000 GWh per year by 2020. This represents an increase of over 300 per cent in renewable output in just 12 years, and presents an opportunity for qualifying generators located in British Columbia.

State RPS requirements and total renewable demand in 2020

2020		US WECC		
	Total GWh Sales Forecast	Renewable Goal %	Target GWh	2008 Existing Renewable GWH
ID	29498	0%	0	1759
MT	13979	15%	2097	530
UT	41204	0%	0	661
CO	69031	20%	13806	3319
NV	52764	20%	10553	1627
CA	321679	33%	106154	26344
AZ	98720	10%	9872	172
NM	29751	15%	4463	878
Wy	21941	0%	0	809
WA/OR (1,2)	173226	17.50%	30356	7519
Total	851793		177301	43618

Source: BC Hydro's 2008 Long Term Acquisition Plan
Appendix H: Global Energy's Renewable Energy Market Analysis

Demand for electricity continues to grow across the Western region.

The Western Climate Initiative

The Western Climate Initiative (WCI) is a recent regional policy initiative that has utilities looking to clean, renewable, low carbon generating resources to meet load growth. Signatories to the WCI include seven states (Washington, Oregon, California, Arizona, Utah, Montana and New Mexico) and four provinces (British Columbia, Manitoba, Ontario, and Quebec).

WCI Cap and Trade Program

The WCI also aims to organize and streamline efforts to reduce GHG emissions by setting a goal for total allowable emissions and initiating a cap and trade program. WCI partners have set an overall regional goal to reduce GHG emissions by 15% below 2005 levels by 2020, although many partners such as BC and California have established more aggressive medium-term reduction targets. BC's reductions are legislated in the *Greenhouse Gas Reduction Targets Act* (2007). The Act requires the province to reduce GHG emissions to 33% below 2007 levels by 2020, and to 80% below 2007 levels by 2050. Other partners have established similar mid- and long-term reduction targets.

Electricity generation accounts for a large percentage of GHG emissions in the WECC (20% of WECC generation is from coal powered plants, 60% of total generation is from coal or other fossil fuels). However in BC, only three percent of the province's GHG emissions come from electricity generation because of the largely hydro-based generation supply.

The combination of RPS requirements and GHG reduction targets will stimulate the demand for low carbon energy. These resources will likely make up only a portion of the new generation needed to meet growing demand across the WECC.

Western Renewable Energy Zone (WREZ) Initiative

This regional planning initiative is sponsored by the Western Governors' Association and the US Department of Energy, and covers 11 western states, the provinces of BC and Alberta, and part of Mexico. The project's goal is to identify areas in Western North America that have utility-scale renewable energy resources and expedite the development and delivery of those resources to meet regional energy needs.

Many of these new renewable resources are located great distances from load centres. In many instances, generating facilities and load centres will be in different political jurisdictions. To connect the two, transmission developers will need to build lines across multiple political boundaries, which will require considerable inter-jurisdictional cooperation and collaboration.

The WREZ project involves four phases:

1. Identify all commercial renewable resource potential in the Western Interconnection, aggregate the best resources into renewable energy zones, and develop cost curves for each resource type in these zones;
2. Develop regional transmission plans to deliver energy from the identified zones to load centres;
3. Coordinate utility procurement plans to allow consolidation of generation projects into large-scale developments that better match the transfer capacity of new high-voltage transmission lines; and
4. Build inter-jurisdictional cooperation to address multi-jurisdictional permitting and cost allocation issues.

Strategic Context

The first two phases are to be complete in the next 12-18 months, and will produce a series of maps that show where high quality renewable energy zones exist, as well as a broad-based consensus on how these zones can be developed and connected to the transmission grid. Phases 3 and 4 are expected to take an additional 12-18 months and will promote coordinated procurement of renewable power by load serving entities, and the inter-jurisdictional cooperation needed to permit and construct transmission lines to the best and most economic zones.

The WREZ process is analogous to British Columbia's pending BCUC-led inquiry (Under Section 5 of the *Utilities Commission Act*, page 12). The inquiry will determine provincial long-term transmission needs based, in part, on establishing zones of renewable energy potential. Enabling the rational and efficient development of BC's clean, renewable and low carbon generating potential requires an expanded domestic transmission system to connect remote, locationally constrained resources with load centres, and strong interties with neighbouring provinces and states. BCTC views the WREZ process as complementary to the BCUC inquiry, since the inquiry process is provincial in scope and the WREZ process is regional.

Financing and siting interties demands significant cross-jurisdictional cooperation. To help build this cooperation, BCTC has begun working with the Alberta Electric System Operator to investigate expanding the BC – Alberta intertie, and is working with four U.S. utilities to study the viability of a new transmission line connecting Canada and the Pacific Northwest to northern California.

Internal Operating Environment

Economy

Economic uncertainties create planning challenges for BCTC and BC Hydro. In companies with 20 to 30 year planning horizons, short-run economic volatility must be distinguished from long-run structural change. Recognizing that long-term planning and construction of essential infrastructure needs to continue during times of economic uncertainty, the BCUC inquiry will commence by March 31, 2009 and will identify the province's long-term transmission capacity and infrastructure needs.

Supplier and Contractor Management

BCTC's highly out-source business model requires that the majority of its capital and operations, maintenance, and administration work is outsourced to external service providers. This means BCTC relies on external resources to provide critical services, and presents a risk that activities outsourced are not performed as defined in the contracts or agreements, or are performed in a manner that is inconsistent with BCTC's strategies and goals. There is also a risk that BCTC is unable to procure the services and equipment it needs to enable on-time implementation of its capital or maintenance plans. To mitigate these risks BCTC is securing strategic long-term alliances with preferred engineering, maintenance, equipment providers. BCTC is also refining its standards, and has increased its capability for controlling and enforcing the

application of these standards. In addition, ongoing audits are performed to validate work quality and contractor performance.

Organization and People

Operating, maintaining, building and planning the transmission system requires special skills and years of experience to develop senior technical and management expertise. Like other electric utility companies, 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 management.

Over the past year, BCTC's workforce experienced a decrease in the average age as a result of attracting younger applicants to the company, particularly to the Operator Trainee and Engineer Development programs. BCTC current average age of employees is consistent with the median age of Canadian transportation and utility companies. The percentage of employees eligible to retire now and over the next 10 years has also decreased. This is attributed to employees who elected to retire in F2008 as a result of the consolidation of the control centres. BCTC's attrition rate is slightly higher than the average turnover rate of Canadian transportation and utility companies (6.9%).

BCTC will continue to be in strong competition for a limited supply of talent. Given a predictable and high level of demand for skills, BCTC continues to focus its effort to increase its supply of job candidates from sources such as universities and internal development.

The following table presents BCTC's current employee demographic statistics.

	BCTC (as at December 1, 2008)
Average Age of Employees	43
% of employees currently eligible to retire with full benefits	13% (50 employees)
% of employees eligible to retire within 5 years	19%
% of employees eligible to retire within 10 years	31%
Historic annual attrition	F2006, 6.3%;F2007, 9.3%;F2008, 7.9%
Forecasted annual attrition	7-9% (approx. 30 employees)

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.

In July 2008, the BC government requested that a framework for performance evaluation be prepared for all of its commercial Crown Corporations. In response, BCTC initiated a Performance Measurement and Benchmarking Review Project, conducted jointly with the Crown Agency Secretariat, the Ministry of Energy, Mines and Petroleum Resources (MEMPR), and the Ministry of Finance. The results of this project and BCTC's strategic planning process led to BCTC restating its Goals in this year's Service Plan and changing some of its Performance Measures.

	F2009 Service Plan	**F2010 Service Plan**
GOAL ONE	**RELIABILITY & SERVICE** Achieve reliability improvements and deliver outstanding customer service	**OPERATIONAL EXCELLENCE** Continuously improve everything we do to manage the transmission system in a safe, reliable and cost-effective manner
Goal One Measures	BCTC SAIDI	BCTC SAIDI Total Transmission Expenditures/GWh x km Lost-time Accidents (BCTC and Contractors) * Reportable Environmental Incidents
GOAL TWO	**MARKET EFFICIENCY** Ensure efficient use and development of the transmission system	**MARKET ACCESS & CUSTOMER SERVICE** Ensuring the business rules and physical infrastructure is in place to allow our customers to reach their markets within and beyond BC, now and in the future
Goal Two Measures		Stakeholder Satisfaction
GOAL THREE	**ENVIRONMENT & SAFETY**	**LONG-TERM CAPACITY BUILD-OUT** (Environment & Safety now a component of Goal One)
Goal Three Measures	Reportable Environmental Incidents Safety (Lost-time Accidents (BCTC and Contractors))	In F2010, BCTC will develop a measure that measures the company's performance in executing capital programs on time and on budget
GOAL FOUR	**RELATIONSHIPS** Build open and constructive relationships with stakeholders and First Nations	**RELATIONSHIPS** Build open and constructive relationships with stakeholders and First Nations. Build an engaged and highly skilled workforce
Goal Four Measures	Stakeholder Satisfaction	Stakeholder Satisfaction (reported under Goal 2)
GOAL FIVE	**ORGANIZATION & PEOPLE** Build an engaged and highly skilled workforce	**EMPLOYEES** Attract, develop, and retain a highly skilled and engaged workforce
Goal Five Measures	Employee Engagement Index	Employee Engagement Index
GOAL SIX	**COST MANAGEMENT**	**(A component of Goal One)**
Goal Six Measures	OMA actual divided by plan	(measure a component of Goal One)

**BCTC will transition to a new safety measure, All Injury Frequency Rate, in F2011*
Note: BCTC does not currently include Corporate Performance Measures for the enabling strategies of Suppliers and Technology in its Service Plan. BCTC does have performance measures on these strategies for internal management use. BCTC will consider Corporate Performance Measures on these strategies for possible inclusion in future Service Plans.

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, historic data relating to the measure is reviewed 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. BCTC participates in a number of industry benchmarking initiatives for continuous improvement of its performance. 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:

Goal	Measure	F09 Target	F10 Target	F11 Target	F12 Target
Operational Excellence	SAIDI	2.23	2.29	2.29	2.29
Operational Excellence	Total Transmission Expenditures per GWh x km actual -variance to plan (%)	n/a	5%	5%	5%
Operational Excellence	Safety – lost time accidents: BCTC	0	0	0	0
	Contractors	20	20	20	20
Operational Excellence	Safety – all injury frequency	n/a	n/a	to be determined	to be determined
Operational Excellence	Reportable Environmental Incidents	10	10	10	10
Market Access & Customer Service	Stakeholder Satisfaction	89%	90%	90%	90%
Employees	Employee Engagement	3.48	3.51	3.53	3.57
Long-term Capacity Build-out	Capital Projects	n/a	to be determined	to be determined	to be determined

Following is a presentation of BCTC's F2010 goals, strategies, performance measures and targets, as well as the rationale for each goal.

GOAL 1: Operational Excellence

Continuous improvements to everything we do to manage the transmission system in a safe, reliable, and cost-effective manner.

Objectives

- Continuously improve overall system reliability and target specific areas of vulnerability.
- Contribute to competitive electricity rates through prudent financial management of transmission capital and operation expenditures.
- Continuously improve our environmental and safety performance.

Rationale for this Goal

Ensuring reliable transmission service is one of BCTC's fundamental responsibilities. Maintaining and improving transmission reliability requires a combination of cost-effective capital investments, astute operating procedures, and the use 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 tariff and non-tariff services.

Strategies

- Complete the 40-year plan to improve reliability and meet long-term electricity needs in Metro Vancouver
- Complete a comprehensive review of BCTC's capital management program to identify measurable performance targets to increase BCTC's effectiveness in executing its multi-year capital program
- Participate in the development of NERC reliability standards and their application in BC, and ensure BCTC is fully compliant with mandatory reliability standards approved by the BCUC
- Advance reliability enhancement initiatives, including cost/benefit analyses of radial line upgrades, and development of a plan to reduce restoration times in metropolitan areas
- Continue implementation of critical infrastructure program for both physical and cyber asset security
- Ensure contractors meet BCTC's environmental and safety standards and continuously review our Safety and Environment Management Systems for improvement opportunities
- Implement loss reduction study recommendations to minimize energy losses on the transmission system
- Report BCTC's GHG emissions and our reductions and mitigation initiatives in BCTC's annual Carbon Neutral Report, pursuant to the Government's *Greenhouse Gas Reduction Targets Act*
- Ensure BCTC's timely transition from Canadian accounting standards to International Financial Reporting (IFRS) standards for F2012 financial reporting

Performance Measures

BCTC System Average Interruption Duration Index (SAIDI) – SAIDI is a key measure of the reliability of the transmission system. It measures the average amount of time, in hours across all transmission delivery points, that service is interrupted in a year due to planned or unplanned outages. It excludes interruptions caused by generators and major external events that are out of BCTC's control. SAIDI assesses BCTC's effectiveness in providing high levels of service reliability from the point of receipt for transmission service to the point of delivery.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F06	F07	F08	F09	F10	F11	F12
BCTC SAIDI (hours per delivery point)	2.07	4.23*	2.43**	2.23	2.29	2.29	2.29

- *F2007 results included the effect of major weather events. Removing the extraordinary events would improve the results to 2.67 hours.
- **F2008 results included the effect of a major wildfire event. Removing this extraordinary event would improve the results to 2.14 hours.

Basis of Forecasts

BCTC calculates its SAIDI performance target using the average of the previous 5 years of SAIDI results. BCTC excludes from the SAIDI measure major external events that are beyond its control. Improvement is applied in the targets when BCTC has a project planned that will improve reliability. BCTC has implemented significant operational initiatives over the past five years, and continues to identify operational efficiencies that maintain reliability levels with our aging transmission assets. Further SAIDI improvements will be achieved through major capital investment, such as upgrading radial lines. BCTC's current capital plan includes five radial line upgrades, but these lines will not come into service during the period covered by this Service Plan.

Total Transmission Expenditures per GWh x km - The measure addresses BCTC's contribution to competitive electricity rates through prudent management of transmission capital and operating expenditures. This efficiency measure is calculated by dividing total transmission operation, administration, maintenance, and sustaining capital expenditures, by the product of the amount of energy transmitted and the length of the transmission network. The targets for the measure will be set based on detailed plans and budgets created by BCTC, approved by the Board annually, submitted to, and approved by the BCUC. Annual performance will be measured by the percentage variance between actual results and the approved budget established at the beginning of the year.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F06	F07	F08	F09	F10	F11	F12
Total Transmission Expenditures per GWh x km actual -variance to plan (%)	14.27%	3.21%	-0.21%	5%	5%	5%	5%

Basis of Forecasts:

*T*argets are a percentage range around planned operation, maintenance, administration, and sustaining capital expenditures. BCTC strives to avoid cost overruns, and to enforce discipline in budgeting.

The results can be benchmarked to other members of the Canadian Electricity Association as part of ongoing benchmarking activities. The measure was recommended in the recently completed Performance and Benchmarking Framework review.

Safety: Lost-Time Accidents and All Injury Frequency – For the purposes of the F2010 – F2012 Service Plan, BCTC will continue to use its existing Lost-Time Accidents measure. BCTC's safety measure has two equally weighted components: 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.

GOAL 1: Operational Excellence

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 F2008, subcontractors to BC Hydro were included in this measure.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F06	F07	F08	F09	F10	F11	F12
Lost-time safety accidents: BCTC	0	0	0	0	0	0	0
Contractors	18	6	17	20	20	20	20

Basis for Forecast:
BCTC's has had a near perfect employee safety record since the creation of the company in 2003. Although the company will report one lost-time accident in F2009, BCTC views this occurrence as an exception, and will retain a target of zero lost-time safety accidents into the future.

The contractor safety performance targets reflect the anticipated amount of work to be performed. A baseline frequency was established based on historical performance. The F2009 performance target was established by applying the baseline frequency against the upcoming capital projects, minus a 10% improvement factor. As the amount of work continues to increase over the following three years, the F2010 through F2012 numeric target will stay at the level of F2009, requiring a reduced frequency.

BCTC will be transitioning to a new safety measure in F2011. The All Injury Frequency (AIF) rate will comprise the total number of fatalities, lost-time injuries, and medical treatment injuries that occur over the year, calculated per 200,000 hours of work time annually. The measure will provide a more accurate assessment of the amount of safety incidents based upon the amount of work performed. It can also be benchmarked against other Canadian Electricity Association (CEA) utilities.

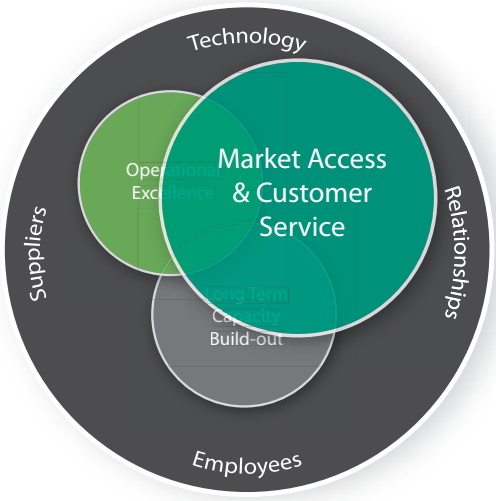
Reportable Environmental Incidents - This measure tracks BCTC's environmental performance against the environmental standards and regulations set by various regulatory agencies.

Historical Results and Performance Targets

Targets:	Actual			Target			
	F06	F07	F08	F09	F10	F11	F12
Reportable environmental incidents	12	13	9	10	10	10	10

Basis of Forecasts:
The targets for the Reportable Environmental Incidents measure are set following the same principles described for contractor safety performance.

GOAL 2: Market Access & Customer Service



Objectives

- Support the development of electricity policies in BC and in the region.
- Deliver on our commitments to customers, providing timely and efficient service.
- Promote greater integration of BC with the Western markets.

Rationale for this Goal

Access to BC's transmission system provides benefits to electricity market participants and BC Hydro ratepayers, and it is BCTC's mandate to ensure the system is developed and used in an efficient manner that will help realize those benefits.

Strategies

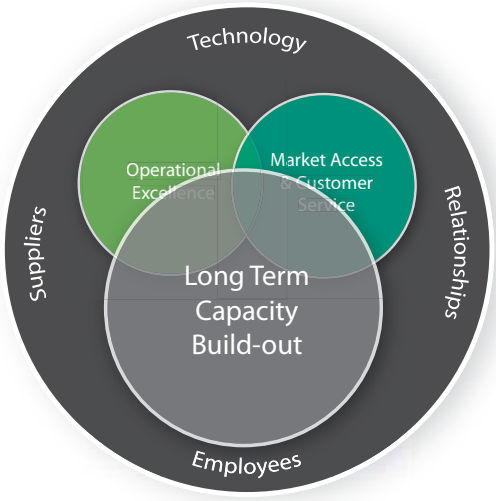
- Facilitate new clean or renewable generation in BC by providing effective and efficient interconnection service for new generators being contracted through BC Hydro's clean power procurement process
- Subject to BCUC approval, adopt and administer tariff changes to remain compliant with the Open Access Transmission Tariff
- Expand market services, such as dynamic scheduling and the Area Control Error (ACE) Diversity Interchange services, to other jurisdictions in the Western Interconnection
- Working with BC Hydro, complete studies to determine the operational impacts on the BCTC system for various levels of penetration of wind resource in BC
- 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
- Play a lead role in the upcoming BCUC inquiry into the province's long-term transmission needs and incorporate the inquiry's findings into BCTC's Long-term Transmission Vision
- Actively participate in regional planning initiatives to identify opportunities to increase regional transmission capacity, including studies of expanded transmission between British Columbia and California
- Support British Columbia's participation in the Western Renewable Energy Zone (WREZ) process to identify renewable resource potential in the Western Interconnection and to ensure the province's resource potential is recognized as conceptual transmission plans are developed to deliver the region's renewable energy to load centres

Targets:	Actual			Target			
	F06	F07	F08	F09	F10	F11	F12
Stakeholder Satisfaction	91%	91%	87%	89%	90%	90%	90%

Basis of Forecasts:

Based on actual performance, the average Stakeholder Satisfaction rating over BCTC's first five years of operation has been 89%. BCTC chose to retain a target of 89% for F2009, and increase the target to 90% for the period F2010 to F2012. BCTC believes that with the upcoming construction associated with implementing the Capital Plan, and the expected public concern over the sitting of transmission infrastructure, achieving these targets for stakeholder satisfaction will be challenging.

GOAL 3: Long Term Capacity Build-out



Objective

- Ensure appropriate transmission investment decisions are made to meet the long-term needs of BC.
- Deliver our capital projects on time and on budget.

Rationale for this Goal

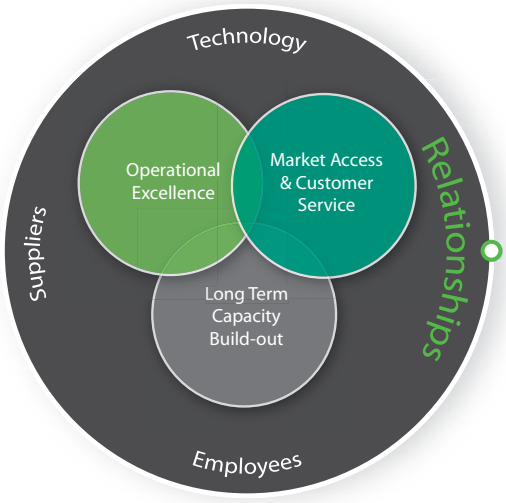
BCTC is responsible for managing British Columba's transmission infrastructure and expanding that infrastructure to meet future needs. BCTC's service extends beyond providing open access in response to customer's requests by becoming more aware of customers' requirements in advance of service requests. This acknowledges the different timeframes for developing transmission compared to generation, and anticipates the growth of transmission to realize electricity market opportunities.

Strategies

- Play a lead role in the upcoming BCUC inquiry into the province's long-term transmission needs and incorporate the inquiry's findings into BCTC's Long-term Transmission Vision
- Advance work on major transmission infrastructure projects, including the Interior to Lower Mainland (ILM) project and the Central Vancouver Island (CVI) and the Vancouver City Centre projects.
- Complete environmental studies and begin engaging First Nations and stakeholders regarding transmission upgrades in Northwest BC
- Implement loss reduction study recommendations to minimize energy losses on the transmission system
- Consider innovative transmission technologies in our long-term planning scenarios
- File seven Certificate of Public Convenience and Necessity applications during the period covered by this Service Plan

BCTC is developing a measure addressing its capital project performance for inclusion in the F2010/11-2012/13 Service Plan. BCTC will start reporting this new measure in F2011.

GOAL 4: Relationships



Objective

▶ Build open and constructive relationships with stakeholders and First Nations.

Rationale for this Goal

BCTC places a high value on its relationships with stakeholders and First Nations, and considers these relationships critical to the company's success. This goal recognizes the importance of establishing the organization's credibility and position in the industry, both within BC and within the broader region. Strategies under Goal 4 provide the building blocks that ensure BCTC succeeds in achieving its other Goals.

Strategies

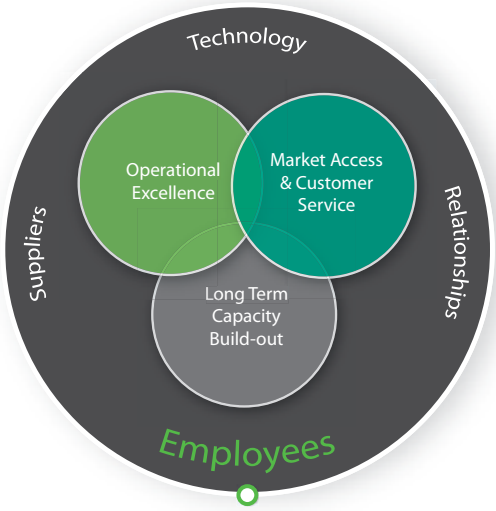
- Build in First Nations and stakeholder considerations as early as possible in our planning and engagement activities. Ensure we reach the communities where existing and future transmission system impacts are greatest
- Develop positive relationships, promote business opportunities, and develop the business capacity of Aboriginal communities and businesses
- Sustain a positive, open and cooperative relationship with all our stakeholders, including the BCUC, First Nations, customers, stakeholder groups and industry associations
- Maintain effective communications with the Shareholder on BCTC's business objectives and operations

Target:	Actual			Target			
	F06	F07	F08	F09	F10	F11	F12
Stakeholder Satisfaction	As reported under Goal #2, Market Access and Customer Satisfaction						

Basis of Forecasts:

Based on actual performance, the average Stakeholder Satisfaction rating over BCTC's first five years of operation has been 89%. BCTC chose to retain a target of 89% for F2009, and increase the target to 90% for the period F2010 to F2012. BCTC believes that with the upcoming construction associated with implementing the Capital Plan, and the expected public concern over the sitting of transmission infrastructure, achieving these targets for stakeholder satisfaction will be challenging.

GOAL 5: Employees



Objective

▶ Attract, develop, and retain a highly skilled and engaged workforce.

Rationale for this Goal

In order to execute BCTC's mandate, the company needs to invest in the recruitment, renewal, development, and growth of employee capabilities. BCTC's intent is to continuously improve our performance by setting high goals, being driven to achieve them, and taking accountability for our actions and results. Strategies under Goal 5 provide critical building blocks that ensure BCTC achieve its other objectives.

Strategies

- Monitor current and anticipated workloads to ensure they are balanced against sufficient resources through a rigorous approach to business and strategic workforce planning
- Enhance managers' capabilities in long term strategic planning to identify budget, resource and operational impacts that can affect their ability to execute on corporate strategies
- 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
- Continue to expand the pool of available resources and increase effectiveness in sourcing those resources through connections with post secondary institutions and students, geographically expanding recruitment and utilizing contingent resources

Target:	Actual			Target			
	F06	F07	F08	F09	F10	F11	F12
Employee Engagement Index (max. score 5.0)	3.35	3.55	3.53	3.48	3.51	3.53	3.57

Basis of Forecasts:

The F2009/10 target is calculated based on the 5 year rolling average plus a 0.05 improvement factor for target and a 0.10 improvement factor for stretch. Based on the past performance, the 5-year rolling average index score is 3.43, resulting in a target of 3.48 for F2008/09 (3.53 stretch). The F2010/11-F2011/12 targets are calculated based on the 5 year rolling average plus a 0.05 improvement factor for target and a 0.10 improvement factor for stretch.

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.

As a regulated utility, BCTC's plans, including financial requirements, are subject to review by the Commission. In June 2008, the Commission approved BCTC's F2009 and F2010 revenue requirements through the negotiated settlement agreement. Forecast net income is based on the allowed return on deemed capital and the approved rate of return is 11.78% for F2009. The financial forecast for F2010-2012 reflects direction from the shareholder to reduce operating costs and deliver a higher return to address overall government fiscal constraints..

Financial Summary

($ millions)	F2008 Actual	F2009 Forecast	F2010 Forecast	F2011 Forecast	F2012 * Forecast
Revenues	197.2	229.0	225.8	228.2	232.8
Expenses Operating Costs Asset Related Costs	 (182.6) (15.7)	 (202.7) (24.3)	 (198.2) (20.7)	 (199.6) (21.7)	 (200.5) (25.3)
Deferral Accounts	4.3	4.1	0.1	-	-
Net Income	3.2	6.1	7.0	6.9	7.0
BCTC Capital	70.1	18.1	18.9	12.2	12.2
Debt (including capital leases)	85.9	73.5	73.4	73.3	73.3
Retained Earnings	23.8	29.9	36.9	37.8	38.9
Dividend	-	-	-	6.0	5.9
Debt to Equity Ratio	58:42	60:40	56:44	56:44	55:45
Employees (full-time equivalents)	384	428	445	444	441

* F2012 information is based on current Canadian Generally Accepted Accounting Principles (GAAP) and does not reflect the effects of adopting the International Financial Reporting Standards.

Review of Revenues and Expenses

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 (SLAs) and other contracts. The significant increase in revenues in F2009 reflects the transmission rate increase required to recover the costs associated with the new system control centers, which became fully operational in April 2008 and operating cost increases. Non-tariff revenues are forecast to be higher in F2009 and F2010 primarily due to the recovery of costs for the environmental assessment being conducted for the Northwest Transmission Line (NTL) project. This category of revenues is also largely dependent on the amount of studies performed in any year.

Summary Financial Outlook for the Service Plan Period

Operating costs have increased in F2009 largely due to the completion of System Control Modernization Project (SCMP) and the environmental assessment being conducted for the Northwest Transmission Line (NTL) project, which is fully offset by revenues. These costs are expected to remain steady throughout the forecast period. The weakening Canadian dollar is expected to create some cost pressures however; these risks will be managed within the approved budget amount.

Asset related costs include depreciation, taxes, grants in lieu of taxes, and finance charges associated with the assets owned by BCTC. The increase in depreciation and amortization in F2009 is primarily related to assets placed in service with the completion of SCMP. In F2010 these costs decrease as control centre assets (replaced with new assets from SCMP) reach their end of life, and finally increase in F2012 when information technology assets go into service. Finance charges are expected to remain steady over the forecast period as debt is predominantly long term with a fixed rate.

BCTC's dividend policy is currently under review. In the interim, the assumptions used to forecast dividends mirrors the BC Hydro policy, which allows for payment of a regular dividend of up to 85% of net income, provided the actual year-end ratio of equity to total capitalization is not less than BCTC's deemed equity ratio of 40.7%. The F2011 forecast dividend payment of $6 million is higher than the F2009 Service Plan forecast of $1.5 million due to lower short-term debt.

Full Time Employees (FTEs) are defined as the number of approved full-time employee positions. In F2008, BCTC completed a resource planning process to assess the resource implications of the growth in the Capital Plan, the new provincial Energy Plan and other drivers of BCTC's resource requirement. This Resource Plan was updated for F2009–F2013 resulting in an increase of six FTEs in F2009 and twenty-four in F2013. These increases are largely related to in-sourcing resources from external service providers and growth in business activities.

Debt

BCTC's financing plan includes both long-term debt and short-term borrowings through facilities established with the Ministry of Finance. Debt levels are forecast to remain steady over the forecast period. BCTC plans to use cash from operations to finance capital expenditures, which are forecast to decline slightly and then level off, supplemented by an intermittent and modest short-term borrowing program. In the third quarter of F2009, BCTC refinanced $30 million of long-term borrowing with no other refinancing planned for the forecast period.

($ millions)	F2008 Actual	F2009 Forecast	F2010 Forecast	F2011 Forecast	F2012 * Forecast
Short-term Borrowing	9.0	-	-	-	-
Long-term Borrowing	70.0	70.0	70.0	70.0	70.0
Total Borrowing	**79.0**	**70.0**	**70.0**	**70.0**	**70.0**
Capital Leases	6.8	3.5	3.4	3.3	3.3
Total Asset Related Debt	**85.8**	**73.5**	**73.4**	**73.3**	**73.3**

Future Outlook

BCTC does not foresee its future financial outlook changing significantly as its cost structure, capital investments and debt levels are expected to remain stable.

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: BCTC earns a higher rate of return on equity through the period F2010 to F2012 as directed by the shareholder.	A 1% change in the allowed return on equity will change annual net income by $0.6 million in F2010 to F2012
2. Costs: The F2009 and F2010 budget includes approved COPE and IBEW Collective Agreement increases and other Board approved allowances for salary and wage increases. The overall labor cost increase is 3%. 2.1% annual inflation on non-labour expenses other than BC Hydro and Accenture Business Services during the forecast period is partially offset by 1% productivity improvements.	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.

Summary Financial Outlook for the Service Plan Period

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
Regulatory clearing of cost deferral accounts	The F2009 and F2010 forecast contains a number of cost deferrals assumed to be cleared in the subsequent fiscal year.	Management will closely monitor the nature of costs booked to the deferral accounts to ensure eligibility for recovery from tariff customers.
Planning/IPP studies may be less than forecast	Management has included IPP study revenue based on the forecast level of interconnection studies.	Management will monitor and track IPP work and revenue billing. Work outsourced to contractors will be reduced should the number of interconnection studies fall below forecast levels.
BCUC approval of the proposed F2010 Capital Plan and CPCN projects	Financial forecast and resources are based on the proposed F2010 Capital Plan and CPCN projects.	Management will adjust external resources to reflect approved capital plan and major projects.
Cost pressures associated with new strategic initiatives or unplanned activities	Cost pressures need to be managed within the approved F2009-F2010 revenue requirements. The risk of the F2011-F2012 forecast largely relates to gaining BCUC approval of future rates.	
	Management will perform a detailed review of the F2010 work programs and re-prioritizing budgets as necessary.	
Close credit monitoring of counter parties.		
Economic Environment	Risk of non-payment by customers.	
Non-delivery by suppliers.	Letter of Credit.	
Delivery terms in contracts.		
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 November 21, 2008, BCTC submitted its F2010 Capital Plan to the BCUC. The F2009–F2012 transmission capital expenditure forecast contained in the table below reflects the F2010 Capital Plan application. For individual capital projects exceeding $50 million, BCTC prepares major capital project plans for public disclosure pursuant to the *Budget Transparency and Accountability Act*.

($ millions)	F2008 Actual	F2009 Forecast	F2010 Budget	F2011 Forecast	F2012 Forecast
Transmission Assets Owned by BC Hydro					
Sustaining Capital	82.4	111.2	119.0	125.4	131.2
Growth Capital	141.1	351.0	317.7	341.2	319.7
Contributions In Aid of Construction	(20.5)	(22.2)	(19.5)	(17.0)	(17.1)
Total Transmission Assets Owned by BC Hydro	**203.0**	**440.0**	**417.2**	**449.6**	**433.8**
Assets Owned by BCTC	**70.1**	**18.1**	**18.9**	**12.2**	**12.2**
Total Transmission System Capital Expenditures	**273.1**	**458.1**	**436.1**	**461.8**	**446.0**

The Transmission System Capital Plan is composed of three major portfolios. The Growth Portfolio includes investments required to extend and reinforce the transmission 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 investments for information management, 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 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 domestic load continues to increase, and to integrate new clean or renewable generation resources.

The major Growth Capital projects included in the forecast period are:

- Interior to Lower Mainland (ILM) project is projected to be in-service by October 2014.
- Vancouver Island Transmission Reinforcement (VITR) project is in-service as of December 2008.
- Vancouver City Central Transmission (VCCT) project (formerly known as Mount Pleasant Area Supply project) is projected to be in-service by November 2011.
- Central Vancouver Island (CVI) project is projected to be in-service by October 2010.

Capital Plan

- Columbia Valley Transmission (CVT) project is projected to be in-service by October 2012.
- Southern Interior Series Compensation project is projected to be in- service by October 2013.

The Sustaining Capital portfolio invests in existing transmission system assets to maintain reliability of equipment at design levels, to address known safety and environmental issues, and to optimize life cycle costs. BCTC's detailed analysis of existing transmission asset demographics and their performance has been translated into a forecast of capital expenditures required to sustain existing transmission assets.

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

- Higher number of end-of-life replacements, including circuit breakers, cables and protection and control;
- Increased focus on improving the resilience of the transmission system to severe events such as storms, seismic events, fire and flood; and
- Cost escalation due to a tight equipment and construction market for transmission businesses.

BCTC Capital Expenditures – Assets Owned by BCTC

BCTC capital expenditures declined substantially in F2009, reflecting the completion of the $129 million SCMP project in March 2008. Future investments over the forecast period are primarily in the area of information technology, including replacement of the aging Market Operations Business System, which is reaching end-of-life. Other information system projects include providing a data centre redundancy facility as part of the disaster recovery plan and ongoing system sustainment projects.

Major Capital Projects

Interior to Lower Mainland (ILM) - $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 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 projects planned in the South Interior. The ILM Project received a Certificate of Public Convenience and Necessity (CPCN) from the British Columbia Utilities Commission in August 2008. An application for an Environmental Assessment Certificate (EAC) was filed with the BC Environmental Assessment Office in November 2008 and is currently in the 180-day review period prescribed by legislation.

* Excluding First Nations accommodation costs.

Vancouver Island Transmission Reinforcement (VITR) - $298 million

This project is in service as of December 2008. The project replaced and upgraded the existing 138 kV transmission infrastructure on an existing 67 km corridor between the Arnott Substation in Delta and the Vancouver Island Terminal in North Cowichan with new 230 kV infrastructure. VITR provides system reliability and meets current and future electricity demands on Vancouver Island and the Southern Gulf Islands. The project included replacement of both overhead and submarine cable components.

Vancouver City Central Transmission (VCCT) - $159 million

The project consists of a new totally enclosed 230/12 kV substation in the Mt. Pleasant area of the City of Vancouver and two new underground 230 kV transmission circuits connecting the new substation to the existing transmission network. The project is required to serve growing loads in the Mt. Pleasant/False Creek area and to maintain adequate reliability to other areas of central Vancouver. The project will replace one aging underground circuit reaching the end of its useful life and to improve reliability of service to the existing Cathedral Square and Sperling Substations.

This project requires a CPCN from the British Columbia Utilities Commission.

Central Vancouver Island (CVI) - $94 million

The Central Vancouver Island project consists of a new 230/138 kV substation near Nanaimo and a new 12 km double-circuit 230 kV transmission line connecting the new substation to the existing 230 kV lines between Dunsmuir and Sahtlam substations. The 138 kV regional transmission system serving the east side of Vancouver Island between Qualicum Beach and Ladysmith will experience overload issues by year 2010. The proposed project will relieve the near term system overloads and provide for the future needs of this rapidly growing region. This project received a Certificate of Public Convenience and Necessity (CPCN) from the British Columbia Utilities Commission in December 2008. Construction is scheduled to start in 2009.

Columbia Valley Transmission Project (CVT) - $78 million

This project was formerly known as 'Golden 69 kV System Reinforcement'. The project consists of a new transmission line between Invermere and Golden plus related substation improvements. It may require a new substation outside of Golden if the existing substation in the city cannot be expanded. Rapid load growth has created a forecast transmission capacity deficiency in the Golden area. BC Hydro's recent load forecasts indicate that the existing radial 69 kV transmission circuit from Invermere, which supplies loads in the Columbia Valley from existing substations at Athalmer, Radium, Spillimacheen, Parson and Golden, will be overloaded by October 2011. The CVT project is scheduled to be in-service by October 2012. To bridge the timing gap and maintain adequate reliability until the CVT project can be completed, BCTC and BC Hydro have developed contingency plans and are engaged in discussions with a large customer in the Golden area to explore possible load curtailment measures.

There will be a public review of this project before construction begins.

South Interior Series Compensation Project (SISC) - $63 million

The SISC project includes the construction of a 500 kV series capacitor station immediately adjacent to each of two existing 500 kV lines in the Southern Interior. One station would be near Summerland and the other near Edgewood. This project will be needed to accommodate forecast generation additions in the Southern Interior, such as Columbia Power Corporation's plans to construct a second powerhouse at Waneta Dam on the Pend d'Oreille River south of Trail.
There will be a public review of this project before construction begins.

APPENDIX 1: Shareholder's Letter of Expectations

The Shareholder's Letter of Expectations between the Shareholder (the Government of British Columbia) and BCTC is an agreement on the respective roles of each, including the corporate mandate, high-level performance expectations, public policy issues, and strategic priorities. The letter also provides direction from the Shareholder to BCTC to take specific actions. The following table lists those directions and BCTC's responses. The Shareholder's Letter of Expectations is reviewed and updated as required.

Shareholder's Direction	BCTC Alignment
Implement actions to support the objectives of BC's Energy Plan, including: • Ensure British Columbia's transmission technology and infrastructure remains at the leading edge, and has the capacity to deliver power efficiently and reliably to meet growing demand • Ensure adequate transmission is in place to meet long-term electricity needs of the province, and to ensure the transmission grid can integrate new clean and renewable sources, and can accommodate the energy and capacity requirements needed to meet the Government's self-sufficiency objective • Contribute to energy conservation efforts • Maintain consistency with North American reliability standards and participate in standards development to ensure BC's interests are represented	• Incorporating technologies into BCTC's new control centre, including an innovative new distribution management system to improve operating efficiency and reliability, and to facilitate deployment of Smart Grid applications • Lead evidence to support BCUC inquiry into long-term transmission needs of the province, and incorporate inquiry findings into BCTC's first Long-term Transmission Vision document • Implement loss reduction strategy to support conservation and energy efficiency goals • Implement a regime to remain consistent with North American electricity reliability standards. • Continue studies to ensure BC's transmission system is able to integrate clean or renewable generators (such as wind).
Ensure sustained asset health, reliability and security of the transmission system	• Carry out BCTC's 10-year, $5.3 billion Capital Plan • Develop strategy and criteria for when to reinforce radial lines based on reliability benefits, criticality of load, and cost • Continue implementation of critical infrastructure program consistent with prevailing industry standards for both physical and cyber asset security
In the context of the BC Energy Plan implement actions necessary to maintain British Columbia's competitive electricity rates	• Continue cost-effective system operations • Support efficient trade of BC's generation sources through strategic transmission investment and participation in regional initiatives

Shareholder's Direction	BCTC Alignment
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 BCUC	• Upon BCUC approval, implement new provisions to the industry standard Open Access Transmission Tariff to ensure alignment with regulatory and policy direction of neighbouring jurisdictions • Continue to monitor tariff pricing practices to ensure they meet ratemaking objectives • Continue to identify and pursue candidate Transmission Expansion Policy projects by working with stakeholders
Continue to lead British Columbia's involvement in exploring and evaluating opportunities for increasing the province's transmission capacity to improve access to external markets	• Continue discussions with Bonneville Power Administration and Alberta Electric System Operator to identify opportunities to expand regional transmission • Continue to expand dynamic scheduling and Area Control Error (ACE) Diversity Interchange • Continue participation in Western Governors Association (WGA) Western Renewable Energy Zone (WREZ) initiative to identify areas in Western North America that have utility-scale renewable energy resources and expedite the development and delivery of those resources to meet regional energy needs • Continue participation in working group to evaluate benefits of the proposed Canada-Northwest-California (CNC) transmission project
Continue to utilize public planning processes with BCTC's stakeholders to promote openness and transparency in overall planning objectives	• Continue consultation activities with First Nations, communities and stakeholders • Continue the Aboriginal Business Development Program to increase contracting and employment opportunities for Aboriginal people and businesses. • Continue implemention of the Public Awareness Program, which includes integrated communications and consultation programs designed to gain broader public understanding and acceptance of the need and benefits of transmission projects
Fully participate in BCUC-led inquiry into long-term transmission requirements and in other regulatory processes under the direction of the BCUC related to transmission planning and capital projects	• Lead evidence to support inquiry into long-term transmission needs of the province, and incorporate inquiry findings into BCTC's first Long-term Transmission Vision document • Continue to support evidence requirements for BC Hydro's Long-term Acquisition Plan

APPENDIX 1: Shareholder's Letter of Expectations

Shareholder's Direction	BCTC Alignment
Work with Shareholder to identify current or upcoming transmission issues that could require provincial policy development , and assist with implementation of any such policies	• Continue to support the BC Energy Plan, particularly with Policy Actions 12, 13, 14 • http://www.energyplan.gov.bc.ca/PDF/BC_Energy_Plan.pdf • Continue to hold regular meetings with MEMPR staff • Continue to hold quarterly meetings with the Minister of Energy, Mines and Petroleum Resources
The Board will continually assess its appointment process to ensure succession results in both renewal and continuity of Board membership and provide the results of this assessment to Shareholder for consideration	• The Shareholder, as required under the *British Columbia Business Corporations Act*, appoints BCTC's Board members annually. Prior to the annual appointment, communications are held between the Board Chair and the Minister Responsible on Board renewal considerations • The Board, through its Corporate Governance Committee, maintains a succession framework and incoming director orientation program to facilitate the orderly transition of Board members over time
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	• Continue development of our Integrated Climate Change Response Program, including: • Assessment and auditing of BCTC emissions relative to defined BC government inventory protocols commencing in F2009, with annual audits every year thereafter • Report and document BCTC emissions and reduction and mitigation initiatives in BCTC's annual Carbon Neutral Report to government • Continue BCTC's Green Commuting Program that encourages employees to use public transit, bike or carpool to work • In the fourth quarter of 2009, BCTC will launch an employee engagement program with the goal of reducing BCTC's carbon footprint, and the carbon footprint of employees in their home environment. The program will be supported by an employee committee, and various emission reporting tools from the Pembina Institute
Support Shareholder on advancing the Northwest Transmission Line	• Conduct studies and consultation required for the Environmental Assessment process • Work with the Shareholder in assessing new cost sharing opportunities with industry

About BCTC

BC Transmission Corporation is the Crown corporation that operates, maintains, plans and expands the province's publicly owned electrical transmission system.

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