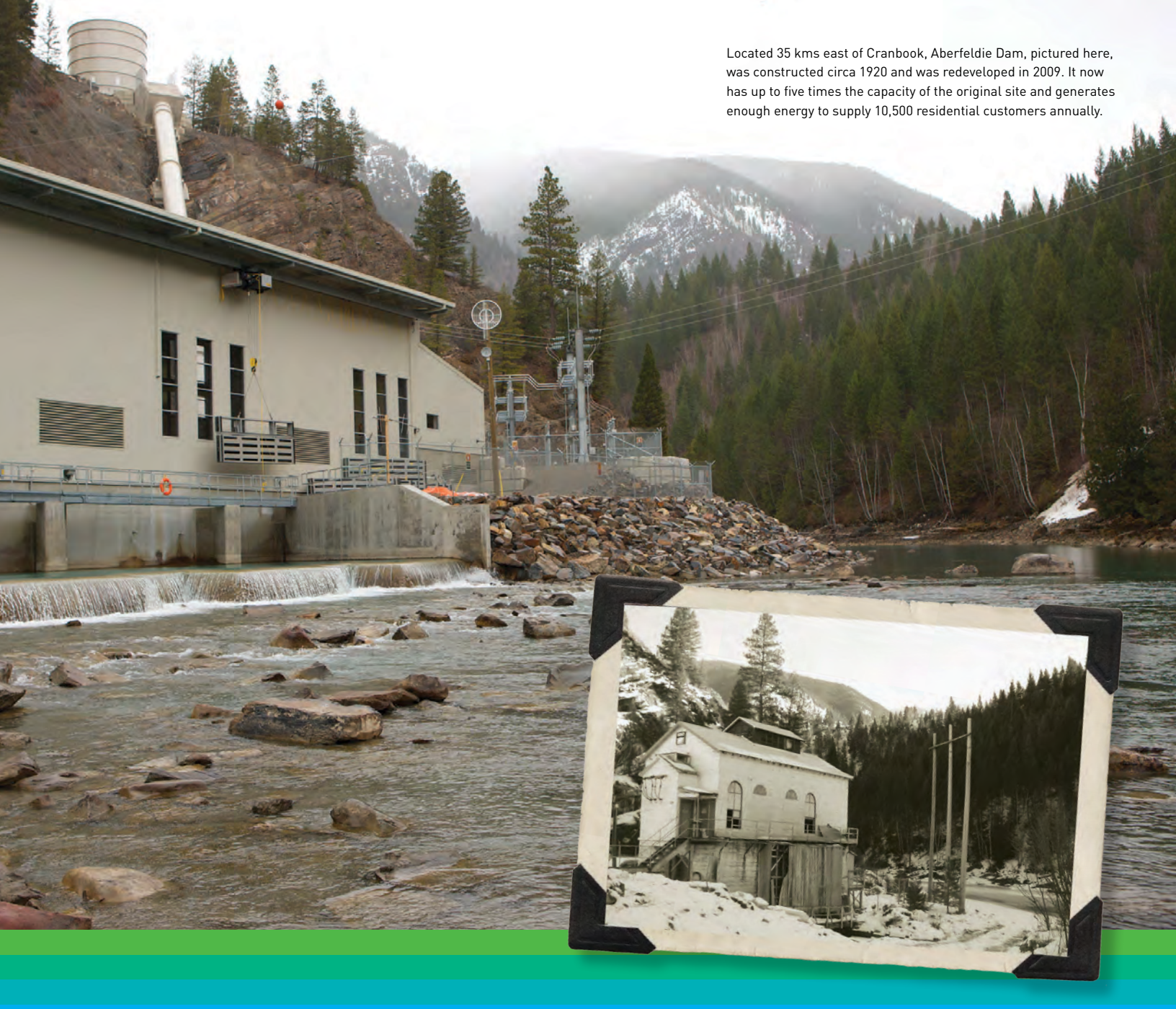

Located 35 kms east of Cranbook, Aberfeldie Dam, pictured here, was constructed circa 1920 and was redeveloped in 2009. It now has up to five times the capacity of the original site and generates enough energy to supply 10,500 residential customers annually.

BC HYDRO SERVICE PLAN 2012/13–2014/15

BC hydro
REGENERATION

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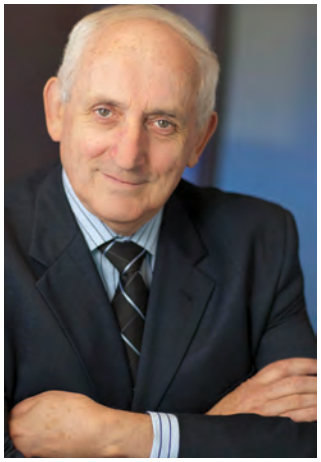
LETTER FROM THE CHAIR TO THE MINISTER

TO: THE HONOURABLE RICH COLEMAN, MINISTER OF ENERGY AND MINES

On behalf of the Board of Directors and employees of BC Hydro, I am pleased to submit BC Hydro's Service Plan for fiscal years 2012/13–2014/15. This Service Plan was prepared under the direction of the Board and management in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. It has been developed to be consistent with the Government's strategic priorities and fiscal plan. The Board and management are accountable for the contents of the Plan, including the selection of performance measures and targets. The performance measures presented are consistent with BC Hydro's mandate and strategic objectives, and focus on aspects critical to the organization's performance. The targets in this Plan have been determined based on an assessment of BC Hydro's operating environment, forecast conditions, risk assessment and past performance.

All significant assumptions, policy decisions and identified risks as of January 31, 2012 have been considered in preparing this Service Plan.



Dan Doyle
Chair, BC Hydro

REGENERATING OUR SYSTEM

Fifty years ago, the business of generating and delivering electricity to British Columbians was transformed by the creation of BC Hydro.

Over the decades that followed, BC Hydro harnessed the province's hydroelectric potential to power our economy and our quality of life. The company built dams and generating stations on the Peace and Columbia Rivers between the 1960s and 1980s and this foresight has given us electricity rates that remain among the lowest in North America. As the province's population boomed and our energy-intensive industries such as forestry and mining flourished, BC Hydro has been there to provide clean, reliable power.

We are experiencing a great shift as our company sets out to update and upgrade our electricity system while ensuring the continued safety of our customers and employees, as well as the optimal health of our dams and other assets. Our extensive reinvestment and modernization plans are the foundation for decades of clean, reliable power to come—they are valuable investments in our Province's future. We will continue to meet our customers' current and long-term needs for more power as our province's population grows and as business and industry expands to meet the demand for B.C.'s products in markets such as Asia. We will see strong long-term growth in demand in regions such as Northwest B.C. and the Peace region, as well as throughout the Lower Mainland. BC Hydro will be there to supply our growing economy with clean, reliable electricity while working hard to manage and grow relationships with First Nations, communities, and other stakeholders.

Our reinvestment plans include capacity, safety, reliability and seismic upgrades at our aging facilities. We're replacing the spillway gates at Hugh Keenleyside, Cheakamus and Stave Falls, adding two additional generating units at Mica, and replacing five turbine units at GM Shrum, our system's largest generating facility. To meet new demand, we're also pursuing a proposed third dam and hydroelectric generating station on the Peace River—the Site C Clean Energy Project—which is undergoing an environmental review process with the federal and provincial governments.

Major transmission line projects in the Northwest, Northeast, Interior and Lower Mainland will ensure new industry has a reliable and abundant supply of electricity, while bringing jobs and economic development to those regions and the entire province.

Every home and business in BC Hydro's service territory will have a smart meter by December 2012. Smart meters will not only improve our ability to restore power during outages, but also let BC Hydro operate more efficiently and cost-effectively. Smart meters will also support Demand-Side Management (DSM) by enabling customers to access new tools to measure, manage and reduce their personal energy use and save money. Such behavioural shifts are critical to the work we're doing to continue to develop a conservation culture in this province through our Power Smart program. And the energy we save through this program is the lowest cost and best way to meet new energy demand.

MAINTAINING AFFORDABLE RATES FOR CUSTOMERS

In November of 2011, BC Hydro submitted an update to our F2012–2014 Revenue Requirements Application with the B.C. Utilities Commission (BCUC) that balances the need to invest in our infrastructure with the need to manage the pressure on rates and keep British Columbia's electricity rates among the lowest in North America.

Over the next three years and beyond, we are undertaking a number of initiatives to ensure we achieve the efficiencies necessary to keep rates affordable including continuing to examine all areas for cost reductions and following up on the 56 recommendations that were outlined in the Government Review report in August 2011. We are committed to delivering on these recommendations without impact to our reliability or safety. The safety of employees and the public remains the highest priority for our company.

Our plans are ambitious, and on behalf of the entire BC Hydro team I'm confident that with BC Hydro's proven track record of success we will achieve our goals, while maintaining safety as our top priority. We will continue to run an efficient, cost-effective utility with the direction and support of the Province. Together, we will regenerate our system to continue to power B.C. with clean, reliable electricity for generations to come.

Dan Doyle, Chair

STRATEGIC CONTEXT

BC Hydro was created 50 years ago to generate and deliver clean, reliable and affordable electricity to British Columbia's homes and businesses. The electricity generated by BC Hydro's dams and delivered by its transmission and distribution infrastructure has powered B.C.'s economy and quality of life for generations.

Today, B.C.'s electrical system remains the backbone of the economy and quality of life. However, it is facing new strains as demand for electricity grows due to population and economic growth and as residential consumers and industry look to BC Hydro's clean electricity to power their homes and operations. This growth comes as BC Hydro's dams and other assets reach an age when they need significant investment in order to continue operating safely and effectively while maintaining B.C.'s clean electricity advantage.

That's why BC Hydro is in the midst of updating and upgrading its assets—everything from the generating facilities to the metering system. While making these much-needed investments and balancing the long term energy requirements of the province, BC Hydro must balance the need to keep rates affordable for customers.

BC Hydro's immediate priorities are to advance its capital investment program to update and upgrade existing facilities; operate in a more efficient manner to reduce costs; continue to encourage conservation and Power Smart initiatives; and modernize the electricity system by developing a smart grid and adopting new technologies, all while continually looking for ways to minimize upward pressure on rates.* With prudent reinvestment and careful planning, BC Hydro is positioned to safely deliver clean, reliable power for the long-term benefit of the growing province.

SAFETY IS THE TOP PRIORITY

Enhancing employee and public safety continues to be critical to BC Hydro. The company is transforming its safety culture, and every BC Hydro employee plays a role. A Safety Taskforce of operations-based employees was brought together after a fatal accident in August 2010. The Taskforce has reviewed the underlying causes of incidents and has issued a number of recommendations to improve worker safety which BC Hydro is now implementing.

PLANNING TO MEET FUTURE DEMAND

Meeting current and future demand for electricity is the foundation of BC Hydro's planning activities. It must consider trends that will increase electricity needs such as industry growth and economic activity, growth in population, electrification and new consumer technologies and then determine how conservation and energy efficiency, generating resources and transmission infrastructure will help meet this growing demand in the long-term. To ensure it is ready to meet this demand, BC Hydro is preparing an Integrated Resource Plan (IRP) for submission to the Ministry of Energy and Mines by December 2012. The plan will be a 20 to 30 year look at how BC Hydro will meet B.C.'s long-term power needs and what transmission requirements will be required. BC Hydro values its relationships and will consult with First Nations, the public, and stakeholders as it develops the IRP. The plan will be consistent with provincial energy objectives formalized by the Province of B.C. in the *Clean Energy Act*, including electricity self-sufficiency, reduced greenhouse gas emissions and economic development. The IRP will continue to rely on supportive direction from the Province.

CONSERVATION AND ENERGY EFFICIENCY

Conservation is the most cost-effective way to meet B.C.'s future energy needs. BC Hydro's Power Smart program is a world leader in promoting conservation and efficiency, through increasing public awareness, educating customers on conservation actions, and offering incentives and rebates to promote the use of energy efficient products and technologies. Power Smart achieves significant energy savings, which reduces the amount of new energy necessary to secure, either through upgrades to the electrical system or through energy purchases. The *Clean Energy Act* calls for BC Hydro to meet 66 per cent of future incremental power demand through conservation

* See Appendix B for the details on the Specific Corporate Accountabilities for BC Hydro from the B.C. Government's Letter of Expectations for F2012/13 and BC Hydro's Action Responses.

and energy efficiency by 2020. BC Hydro will continue to work to create a permanent conservation culture in B.C., collaborate with the Province to implement new programs, codes and standards and encourage British Columbians to be smart with their power.

INVESTING TO ENSURE RELIABILITY

In order to meet the needs of customers, now and in the future, BC Hydro must renew and expand its electrical system. Reliable power is the backbone of B.C.'s economy: businesses and industry depend on it. And, when people all over British Columbia return home from work, reliable power allows them to turn on the first light when they walk through the door.

Much of BC Hydro's generating, transmission and distribution system was built in the 1960s, 1970s, and 1980s. For example, the meters that measure how much electricity customers are using have not fundamentally changed since the 1950s. The time has come to regenerate—to invest in the vast network of dams, turbines, generators, substations, transformers, transmission and distribution lines, and meters.

In July 2011, a BC Hydro transmission tower fell into the Fraser River near the Port Mann Bridge in Surrey due to erosion from above average water flows. The collapse caused another metal tower and three wooden structures to fall south of the river. This incident is a reminder that in addition to aging, infrastructure is exposed to natural and unexpected environmental conditions. Investments in maintenance and upgrades are essential to renew and protect BC Hydro's assets.

Currently, hundreds of capital projects are planned and underway that, together, make up one of the largest expansions of electrical infrastructure in British Columbia's history. BC Hydro's planned capital investments over the next three years span the generation, transmission and distribution systems. These investments create jobs and economic activity in communities around the province. Highlights include:

- Mica Generating Station—installation of two additional 500 megawatt generating units into existing turbine bays.
- Gordon M. Shrum generating facility—replacement of the turbines for Units 1 to 5 to reduce the risk of runner failure. The work on these five 1960s-era units, which represent 12 per cent of BC Hydro's generating capacity, will ensure ongoing reliability, availability and operational flexibility.
- Northwest Transmission Line—construction of a 340 kilometre transmission line between Terrace and Bob Quinn Lake to ensure a reliable supply of clean power to industrial developments in northwest B.C.
- Interior-to-Lower Mainland Transmission Line—construction of a 255 kilometre transmission line between Merritt and Coquitlam to expand the capacity of the transmission system that brings power from where it's generated in the north and southern Interior of the province to the Lower Mainland and Vancouver Island.
- Smart Metering and Infrastructure Program—provide all 1.8 million customers with new, digital smart meters, a key piece to modernizing the electrical grid, so that it can support new technologies including customer applications and clean energy initiatives.

The Site C Clean Energy Project (Site C) is a proposed third dam and hydroelectric generating station on the Peace River in northeast B.C. It would provide enough energy to power the equivalent of 450,000 homes per year. Subject to approvals, Site C would be a source of clean, reliable and cost-effective electricity for more than 100 years. The project is in the environmental assessment process, which is expected to take approximately three years. In September 2011, the federal and provincial environmental assessment agencies released a draft agreement for a harmonized environmental assessment of Site C, including a review by a joint panel. Based on the draft agreement, the environmental assessment process will include several public comment periods, as well as a comprehensive public hearing process that will provide opportunities for timely and meaningful participation by the public, Aboriginal groups, all levels of government, and other interested groups.

KEEPING RATES AFFORDABLE

BC Hydro has been engaged in an ongoing effort to reduce costs and operate more efficiently and the Government Review report released in August 2011 made it clear that BC Hydro's efforts are headed in the right direction.

BC Hydro's electricity rates are among the lowest in North America, in large part due to the past investments in infrastructure which help us generate and deliver cost-effective, clean energy. It is BC Hydro's challenge to balance the need for valuable investment in order to update and upgrade this system with the need to manage the pressure on rates and keep rates affordable for British Columbians.

ORGANIZATIONAL OVERVIEW

Almost 50 years ago, the Province of B.C. created one unified utility to plan, build and bring clean and reliable electricity to homes and businesses throughout the province. Today, BC Hydro is one of the largest electric utilities in Canada. It serves 95 per cent of B.C.'s population, delivering electricity safely and reliably at competitive rates to approximately 1.8 million customers. Nearly 90 per cent of customer accounts are residential, with the remainder either commercial or industrial. Each of these three groups consumes roughly one third of the total electricity supplied. With approximately 6,000 employees stationed throughout the province, BC Hydro operates 31 hydroelectric facilities and three thermal generating plants, capable of generating approximately 12,000 MW of power.

Over 95 per cent of the electricity generated comes from hydroelectric facilities, which are located throughout the Peace, Columbia and Coastal regions of B.C. Three thermal generating plants produce the remainder. BC Hydro delivers electricity to customers through a network of nearly 80,000 kilometres of transmission and distribution lines. This system also includes approximately 300 substations, 900,000 utility poles and 325,000 individual transformers. The transmission network connects with transmission systems in Alberta and Washington State, which both improves the overall reliability of the system and provides opportunities for trade.

BC Hydro's Vision, Values and Strategic Objectives outline the purpose, direction and priorities of the organization and help clarify how employees manage the business and make day-to-day decisions.

VISION

"Powering B.C. with clean, reliable electricity for generations."

VALUES

Six Core Values are essential to BC Hydro's success: Accountability, Ingenuity, Integrity, Safety, Service, and Teamwork.

STRATEGIC OBJECTIVES

BC Hydro's Strategic Objectives are to:

- Safely Keep the Lights On
- Succeed Through Relationships
- Mind Our Footprint
- Foster Economic Development
- Maintain Competitive Rates
- Engage a Safe and Empowered Team

Please see the Strategic Objectives, Performance Measures and Targets section, beginning on page 8, for descriptions and targets associated with these Objectives.

MANDATE

As a Provincial Crown corporation, the owner and sole Shareholder is the Province of British Columbia. BC Hydro reports to the B.C. Government through the Minister of Energy and Mines. The Government's expectations are expressed through legislation, policy and instructions.

Legislation

The *Hydro and Power Authority Act* is the most important long-standing piece of legislation governing BC Hydro. This Act gives BC Hydro its mandate: to generate, manufacture, conserve, supply, acquire and dispose of power and related products.

The *Utilities Commission Act* gives the British Columbia Utilities Commission (BCUC) the power to regulate BC Hydro to ensure that customers receive safe, reliable and non-discriminatory energy services at fair rates and that the Province, as Shareholder, is afforded a reasonable opportunity to earn a fair return on its invested capital.

The *BC Hydro Public Power Legacy and Heritage Contract Act* ensures public ownership of BC Hydro's heritage resources, which include BC Hydro's transmission and distribution systems, and all of BC Hydro's existing generation and storage assets.

The Province's *2007 BC Energy Plan* lays out the general energy policies BC Hydro is required to follow. The 2010 *Clean Energy Act* (CEA) updates several elements and targets included in that plan and provides further guidance for how BC Hydro is to meet the Province's energy objectives.

The B.C. Government's Letter of Expectations (GLE) describes the relationship between BC Hydro and the Province, and sets out objectives that the Shareholder wishes BC Hydro to achieve.

The Province and BC Hydro review the letter annually and update it as required. Directions outlined in the letter focus on:

- Delivering value for British Columbia and maintaining competitive rates by efficiently and responsibly managing the business.
- Completing the Integrated Resource Plan (IRP) to meet the newly legislated timeline and advancing Site C through the environmental assessment process.
- Planning and operating the transmission system to serve domestic requirements, export opportunities, and economic development needs.
- Working with the BCUC.

This Service Plan outlines how BC Hydro intends to meet the Shareholder's expectations over the next three years. Appendix B outlines specific directives received from the Province in the GLE and BC Hydro's corresponding actions. For more details on the current Shareholder's letter, see Appendix B or go to: bchydro.com/about/company_information/openness_accountability.html.

STRATEGIC OBJECTIVES

Each Strategic Objective is supported by corresponding strategies, performance measures and targets. Each performance measure is supported by a definition and rationale, as well as benchmarking measures that allow a comparison of performance over time. These measures track BC Hydro's progress in delivering on its key priorities; BC Hydro management is responsible for measuring performance against targets, and results are reported to the Board on a quarterly basis and publicly on an annual basis in the Annual Report.

Vision

POWERING BC WITH CLEAN, RELIABLE ELECTRICITY FOR GENERATIONS

Values

ACCOUNTABILITY | INGENUITY | INTEGRITY | SAFETY | SERVICE | TEAMWORK

Strategic Objectives

SAFELY KEEP THE LIGHTS ON

Reliably meet the electricity needs of our customers through integrated planning, technology and safely operating, maintaining & advancing our system.

SUCCEED THROUGH RELATIONSHIPS

Gain support for our work by building trusted relationships with customers, suppliers, First Nations and the communities we serve.

MIND OUR FOOTPRINT

Create a sustainable energy future in B.C. by carefully managing our impacts on the environment and fostering an energy conservation and efficiency culture.

FOSTER ECONOMIC DEVELOPMENT

Foster economic development opportunities across B.C. through our projects, practices and advancement of the clean energy sector.

MAINTAIN COMPETITIVE RATES

Deliver value for British Columbia and maintain competitive rates by efficiently and responsibly managing our business.

ENGAGE A SAFE AND EMPOWERED TEAM

Empower a team that is innovative, prepared for the future and committed to safety.

STRATEGIC OBJECTIVES, PERFORMANCE MEASURES AND TARGETS

SAFELY KEEP THE LIGHTS ON

Reliably meet the electricity needs of our customers through integrated planning, technology and safely operating, maintaining and advancing our system.

The majority of BC Hydro's workforce supports the generation, transmission and distribution of electricity by maintaining and operating the system to safely and reliably meet customer needs.

This work also involves an important planning element whereby BC Hydro must maintain the health of its assets, plan for new sources of supply to meet future customer needs, and utilize new technologies that support safe and reliable operations.

Producing and delivering electricity safely involves keeping a well-maintained electrical system that is safe for workers and the public. This includes preventing employee injuries as well as vandalism and theft, and anticipating and responding to the impacts of natural disasters, such as storms, floods and forest fires.

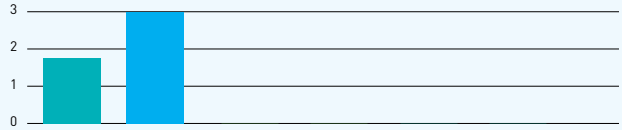
BC Hydro has a Four Pillar Safety Plan that includes Safety-By-Design, Job Planning, Job Observation, and Incident Management. This plan was most recently put to the ultimate test when a BC Hydro employee was fatally wounded in a workplace accident in August 2010. A Safety Taskforce, comprised of cross-operational employees, led a comprehensive incident investigation and analysis, a process and best practice review, and a culture and organization effectiveness review which resulted in the development and approval of a Safety Action Plan. The Safety Action Plan consists of 19 recommendations that are largely focused on leadership and culture, and implementation has begun in F2012.

PERFORMANCE MEASURES

(Please see Appendix A for Performance Measure definitions, rationales and benchmarking information.)

ZERO FATALITY AND SERIOUS INJURY

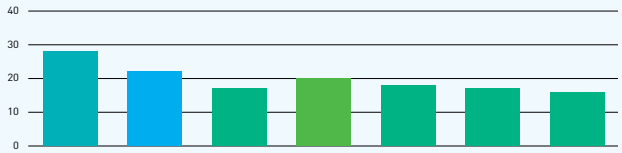
There has either been a loss of life or an injury resulting in a permanent disability.



FOUR YEAR AVG.[1]	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
1.75	3[2]	0	0	0	0	0

SEVERITY

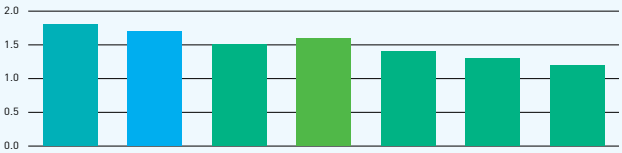
Number of days lost due to injury per 200,000 hours worked—*lower is better*



FOUR YEAR AVG.[1]	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
28	22.2[3]	17	20	18	17	16

ALL INJURY FREQUENCY

Number of injuries per 200,000 hours worked—*lower is better*



FOUR YEAR AVG.[1]	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
1.8	1.7	1.5	1.6	1.4	1.3	1.2

[1] For trending purposes, four-year averages are included in the Targets section, where applicable. Four-year averages are based on historical actuals.

[2] This represents one loss of life and two serious injuries in F2011.

[3] Report production dates and other factors (such as corporate reorganizations and claim status changes) can impact historic statistics that form part of year-to-year comparisons.

The targeted future state of safety at BC Hydro will be one where employees are aware of risks, feel that their voice matters in resolving future issues, and take accountability for their choices.

It is expected that the implementation of these recommendations will take 2-3 years followed by several years of sustainment and continuous improvement before the changes will be fully embedded in the organization.

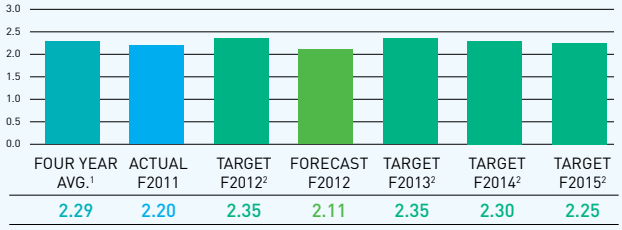
STRATEGIES

- Continue to implement phase 1, and plan phase 2 and 3 of the Safety Action Plan, complementing and supporting the existing Four Pillar Plan.
- Systematically include identification of hazards and barriers in all work-planning activities and work procedure development.
- Increase integration of job-safety planning into day-to-day work for all operating facilities and all operational activities.
- Participate in regional planning initiatives to identify opportunities to increase regional transmission capacity and advance work on major transmission infrastructure projects.
- Continue implementation of a comprehensive, long-term reliability strategy to improve the system and customer reliability.
- Invest in projects that utilize new technologies that support safe and reliable operations, such as: the Smart Metering and Smart Grid Program, Distribution Management System, Enterprise Geographic Information system, and other Business Intelligence solutions.
- Continue to effectively manage dam safety issues, risks and regulatory requirements.

PERFORMANCE MEASURES

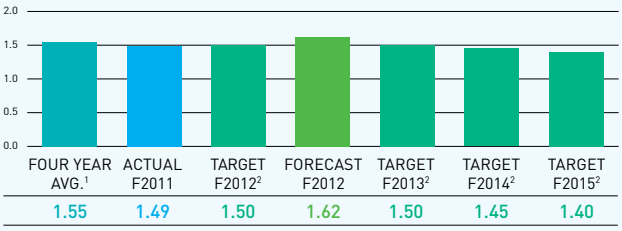
(Please see Appendix A for Performance Measure definitions, rationales and benchmarking information.)

CAIDI—Average interruption in hours per interrupted customer *(lower is better)*



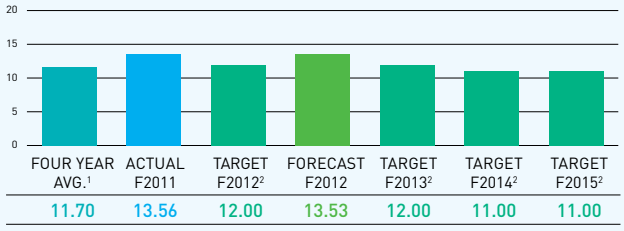
FOUR YEAR AVG.[1]	ACTUAL F2011	TARGET F2012[2]	FORECAST F2012	TARGET F2013[2]	TARGET F2014[2]	TARGET F2015[2]
2.29	2.20	2.35	2.11	2.35	2.30	2.25

SAIFI—Number of interruptions per customer per year *(lower is better)*



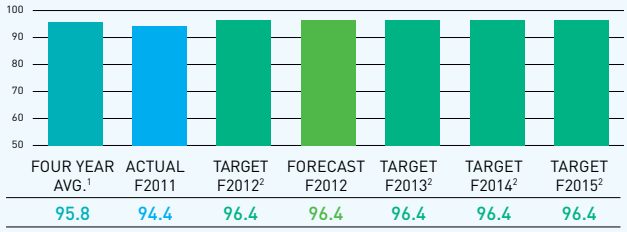
FOUR YEAR AVG.[1]	ACTUAL F2011	TARGET F2012[2]	FORECAST F2012	TARGET F2013[2]	TARGET F2014[2]	TARGET F2015[2]
1.55	1.49	1.50	1.62	1.50	1.45	1.40

CEMI-4—Percentage of customers experiencing 4 or more outages *(lower is better)*



FOUR YEAR AVG.[1]	ACTUAL F2011	TARGET F2012[2]	FORECAST F2012	TARGET F2013[2]	TARGET F2014[2]	TARGET F2015[2]
11.70	13.56	12.00	13.53	12.00	11.00	11.00

WINTER GENERATION AVAILABILITY FACTOR (%)—Heritage Asset units >20 MW available to generate electricity, excluding certain planned capital outages *(higher is better)*



FOUR YEAR AVG.[1]	ACTUAL F2011	TARGET F2012[2]	FORECAST F2012	TARGET F2013[2]	TARGET F2014[2]	TARGET F2015[2]
95.8	94.4	96.4	96.4	96.4	96.4	96.4

[1] For trending purposes, four-year averages are included in the Targets section, where applicable. Four-year averages are based on historical actuals.

[2] Reliability targets are based on specific values, however performance within 10 per cent is considered acceptable given the wide range of variations in weather patterns and other uncontrollable elements that can significantly disrupt the electrical system. BC Hydro measures reliability under normal circumstances, because major events are not predictable and largely uncontrollable. The reliability measure is therefore based on data that excludes major events. BC Hydro reviews performance during major events and takes that performance into consideration in reliability improvement initiatives.

STRATEGIC OBJECTIVES, PERFORMANCE MEASURES AND TARGETS

SUCCEED THROUGH RELATIONSHIPS

Gain support for our work by building trusted relationships with customers, suppliers, First Nations and the communities we serve.

BC Hydro works to build and improve relationships with its customers and also with its suppliers. The organization's goals include delivering outstanding value and service to our customers and to be a customer of choice for its suppliers.

BC Hydro recognizes the importance of building mutually beneficial relationships with Aboriginal communities. It continues to implement a comprehensive approach to Aboriginal relations that provides a foundation for long-term and effective business relationships with Aboriginal people in B.C. This can uncover new opportunities for collaboration and reduce financial, legal and operating risks for BC Hydro associated with the outstanding claims of Aboriginal rights and title.

BC Hydro is also increasing its focus on communities, including local governments, regional districts and constituents to advance shared goals by working together. BC Hydro's Power Smart and Community Relations programs help gain support for work in communities where BC Hydro operates or has projects underway.

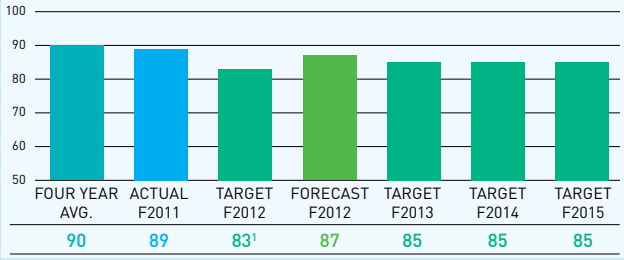
STRATEGIES

- Undertake consultation where activities may have an impact on Aboriginal rights and title and where appropriate, accommodate First Nations' interests. Continue to build longer-term relationships with First Nations.
- Strengthen BC Hydro's understanding of customers' needs and expectations through customer engagement, targeted segmentation and benchmarking.
- Increase the efficiency, consistency and quality of customer experiences through integration of all customer channels.
- Educate, support and encourage regional districts, municipalities and large-scale developers in creating integrated, community-wide energy strategies.
- Implement recommendations from our supplier engagement review to improve how we engage and transact business with our suppliers.

PERFORMANCE MEASURES

(Please see Appendix A for Performance Measure definitions, rationales and benchmarking information.)

CSAT INDEX—CUSTOMER SATISFACTION INDEX (%)
higher is better

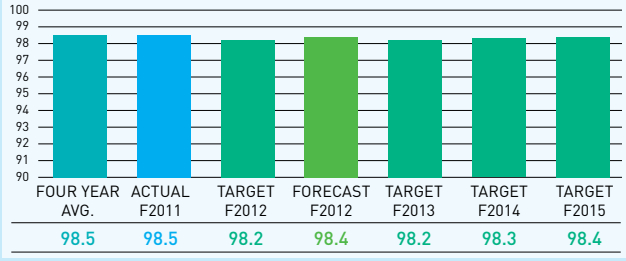


FOUR YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
90	89	83[1]	87	85	85	85

PROGRESSIVE ABORIGINAL RELATIONS DESIGNATION

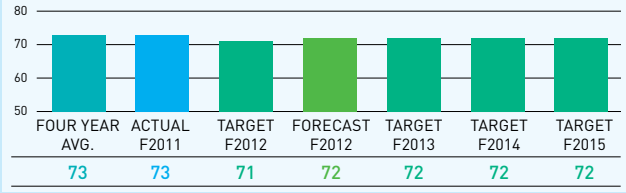
FOUR YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
	SILVER	SILVER	SILVER	GOLD	GOLD	GOLD
N/A	SILVER	SILVER	SILVER	GOLD	GOLD	GOLD

BILLING ACCURACY (%)
higher is better



FOUR YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
98.5	98.5	98.2	98.4	98.2	98.3	98.4

FIRST CALL RESOLUTION (%)
higher is better



FOUR YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
73	73	71	72	72	72	72

[1] Historical target has been 83.

STRATEGIC OBJECTIVES, PERFORMANCE MEASURES AND TARGETS

MIND OUR FOOTPRINT

Create a sustainable energy future in B.C. by carefully managing our impacts on the environment and fostering an energy conservation and efficiency culture.

BC Hydro continues to make progress toward reduced environmental impact through its existing environmental management and compensation programs. BC Hydro is committed to minimizing impacts on, and future risk to, the environment as it designs and builds capital projects. The company has developed metrics to quantify its impact to air, land and water, and plans to report its performance using these metrics in future Service Plans.

Provincial legislation reinforces BC Hydro's commitment to reducing its own greenhouse gas (GHG) emissions and highlights that its low-carbon electricity generation is to remain at least 93 per cent clean or renewable, which can also help customers contribute to provincial GHG reduction targets. BC Hydro anticipates a longer than planned implementation timeline for facilities retrofits designed to improve energy efficiency and reduce GHG emissions. Also, fleet greening initiatives, the majority of which are implemented with the acquisition of new vehicles, have been reduced for F13 and F14 in order to keep rates low.

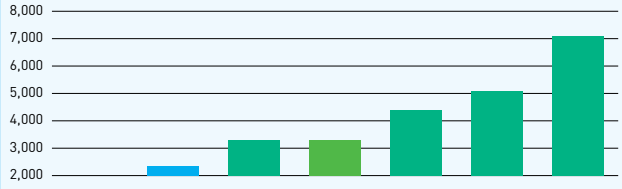
B.C.'s first and best choice for managing the future supply gap is through energy conservation and efficiency. By helping customers be more efficient and use their power wisely, BC Hydro can reduce the need to buy or build new generation capability. The *Clean Energy Act* also raises the bar for BC Hydro's reliance on demand-side measures. Demand-Side Management (DSM) is crucial for meeting the Act's requirement to meet 66 per cent of all new power demand through conservation by 2020.

PERFORMANCE MEASURES

(Please see Appendix A for Performance Measure definitions, rationales and benchmarking information.)

DEMAND-SIDE MANAGEMENT[1] (GWh/yr)

Cumulative annual electricity savings since 2008—*higher is better*

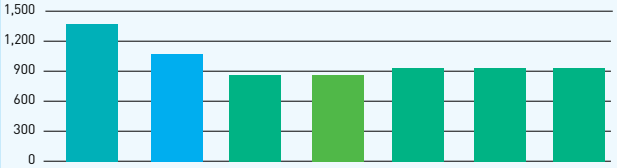


FOUR YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
N/A[2]	2,322	3,300	3,300	4,400	5,100	7,100

ELECTRICITY PRODUCTION GHG EMISSIONS[3] (kt)

Carbon dioxide equivalent metric kilotonnes from electricity production

lower is better



FOUR YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET C2012[4]	TARGET C2013[4]	TARGET C2014[4]
1,371	1,074	860	860	930	930	930

[1] F2012 and F2013 targets are from the F2012–F2014 RRA. Future targets are subject to change based on the business objectives and results of the IRP.

[2] This is a cumulative target; an average is not applicable.

[3] For the purpose of the Electricity Production GHG metric, emissions from natural gas-fired generation are included based on forecast need to run these resources, taking into account water conditions, reliability and system needs, and key market conditions, including the expected price of carbon emissions. We have recalibrated the targets for Electricity Production GHG Emissions from the F2012–F2014 Service Plan to reflect updates to the forecast.

[4] Targets have shifted from being measured by fiscal year to calendar year for 2012, 2013 and 2014. Starting in this Service Plan, GHG emissions targets are set by calendar year to ensure consistency with GHG emissions reports filed under the Canadian Environmental Protection Act, 1999, the B.C. Reporting Regulation and the B.C. Carbon Neutral Reporting Regulation.

STRATEGIES

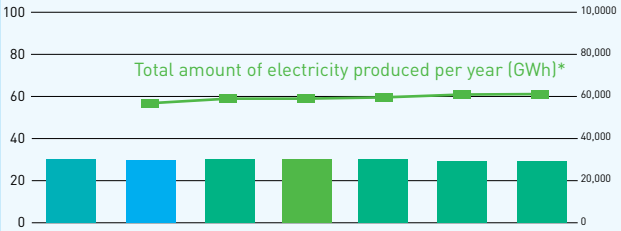
- Continue to implement the DSM plan, including Power Smart programs and conservation rate structures, supporting new energy efficiency regulations, and fostering an energy conservation and efficiency culture.
- Manage the impact on the environment from BC Hydro operations and new developments by applying an avoiding, minimizing and offsetting approach.
- Meet all new regulatory requirements for GHG emissions from emission sources. This includes preparing to participate in emission trading under the B.C. *Cap and Trade Act* and ensuring operations are carbon neutral under the B.C. *Greenhouse Gas Reduction Targets Act*.
- Continue to purchase power from independent power producers (IPPs) that use clean or renewable resources.
- Continue implementing the PCB electrical equipment phase out strategy, and develop a long-term strategy for the handling, decontamination and disposal of PCB contaminated equipment and materials.

PERFORMANCE MEASURES

(Please see Appendix A for Performance Measure definitions, rationales and benchmarking information.)

CARBON NEUTRAL PROGRAM EMISSIONS (kt)

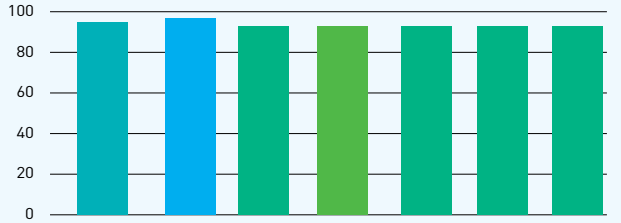
Carbon dioxide equivalent metric kilotonnes from building energy use and vehicles—*lower is better*



	THREE YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET C2012[2]	TARGET C2013[2]	TARGET C2014[2]
	30[1]	29.5	30	30	30	29	29
	N/A	57,236	59,402	59,402	60,007[3]	61,355[3]	61,574[3]

CLEAN ENERGY (%)

Energy from clean or renewable resources—*higher is better*



	FIVE YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
	94[4]	95	93	93	93	93	93

* The total amount of electricity produced per year is projected to increase annually as Carbon Neutral Program Emissions are targeted to decrease.
Source for GWh: BC Hydro Service Plan 2011/2012–2013/14 page 6.

[1] This measure was not reported in F2008; this represents three years of data.

[2] Targets have shifted from being measured by fiscal year to calendar year for 2012, 2013 and 2014.

[3] Measured by fiscal year.

[4] This measure is a five-year moving average.

FOSTER ECONOMIC DEVELOPMENT

Foster economic development opportunities across B.C. through our projects, practices and advancement of the clean energy sector.

By the virtue of its business, BC Hydro has always been and will continue to be a major contributor to economic development in B.C. Through its projects and investments, the organization was responsible for approximately 1.5 per cent of B.C.'s overall GDP in Fiscal 2010. The company also contributes to economic development through its provision of clean, reliable power; competitive rates; and its role in attracting, expanding and retaining domestic and trade customers.

BC Hydro's economic development strategy supports the objectives of the BC Jobs Plan which recognizes that BC Hydro's scale and product are critical enablers of business expansion. BC Hydro will continue to support new development, such as the unprecedented growth in mining and natural gas in northern B.C., in ways that foster economic development while minimizing impacts to ratepayers.

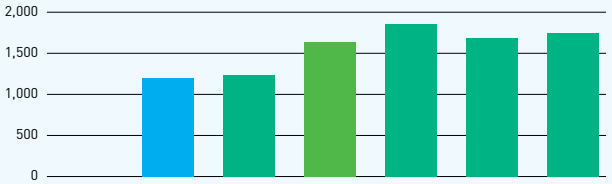
STRATEGIES

- Continue to develop best-in-class energy-procurement practices and strengthen relationships with energy suppliers.
- Integrate economic development principles into decision-making tools, business cases and corporate policies.
- Ensure appropriate tariff/rate structures are in place to enable the expansion of business activity across B.C.
- Develop new business models to enable new energy projects that make sense from a longer-term, provincial perspective while minimizing ratepayer impacts.
- Help expand and retain current customers by fostering business competition through Power Smart programs and the delivery of clean, reliable energy.

PERFORMANCE MEASURE

(Please see Appendix A for Performance Measure definitions, rationales and benchmarking information.)

BC HYDRO CAPITAL SPENDING[1] ($ millions)



FOUR YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
N/A[2]	1,193	1,234	1,635	1,854	1,688	1,744

[1] Total capital spend adjusted for estimated spend within B.C. on Generation, Transmission, and Distribution. In this chart, capital spending is adjusted to exclude goods and services that are purchased from outside B.C., as these expenditures do not directly contribute to economic activity in B.C.

[2] This measure was only introduced in 2010 so 4 years historical data is not yet applicable.

STRATEGIC OBJECTIVES, PERFORMANCE MEASURES AND TARGETS

MAINTAIN COMPETITIVE RATES

Deliver value for British Columbia and maintain competitive rates by efficiently and responsibly managing our business.

BC Hydro's goal is to maintain competitive rates over the long-term and provide value for the Province.

In large part due to the development of its heritage assets —generating facilities that were built between the 1950s and 1980s—BC Hydro's electricity rates remain some of the lowest among major utilities across North America.

As BC Hydro moves forward with significant investments in B.C.'s electricity system, it will spend close to $2 billion a year for the next three years on capital projects. These investments are required to renew and replace aging facilities that were built decades ago and to meet the growing demand for power with clean, renewable energy by building new generating capacity and new transmission lines to deliver the power reliably to people's homes and businesses.

While making these significant investments, BC Hydro will carefully manage costs and operate in an efficient and cost-effective manner and will strive to ensure that projects deliver benefits and are on time, and within both scope and budget.

STRATEGIES

- Implement recommendations from the Government Review report to realize cost-savings and efficiencies.
- Increase focus on management and control of its cost structure.
- Continue with IT system and process improvements in the areas of human resources, supply chain, and work management.
- Effectively deliver on BC Hydro's capital investment program, including process and procurement improvements.
- Optimize BC Hydro's balance sheet and cost of capital.
- Realize value through innovative procurement strategies, strategic sourcing and by building mutually strong supplier relationships.
- Manage the cost of energy to customers by: implementing a 20-year Demand-Side Management plan; procuring and/or building new electricity supply at competitively benchmarked costs; making careful short-term generate and buy decisions; and using BC Hydro's ability to use the flexibility of its heritage assets.

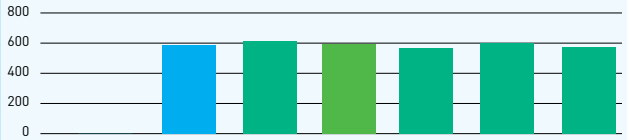
PERFORMANCE MEASURES

(Please see Appendix A for Performance Measure definitions, rationales and benchmarking information.)

COMPETITIVE RATES

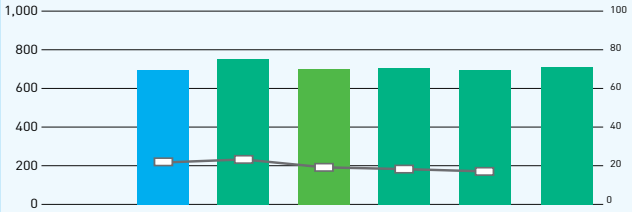
FOUR YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
1st Quartile	1st Quartile	1st Quartile	1st Quartile	1st Quartile	1st Quartile	1st Quartile

NET INCOME ($ millions)



FOUR YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
N/A[1]	589	611	595	566	599	576

OPERATING COSTS ($ millions)



	FOUR YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
	N/A[1]	695[3]	753[4]	699	705	696	711
Operating Costs as % of Revenue Requirement[2]		22.1%	23.7%	19.6%	18.7%	17.5%	N/A

DEBT TO EQUITY (%)

FOUR YEAR AVG.	ACTUAL F2011	TARGET F2012	FORECAST F2012	TARGET F2013	TARGET F2014	TARGET F2015
80/20	80/20	80/20	80/20	80/20	80/20	80/20

[1] Due to integration of the British Columbia Transmission Corporation (BCTC) in 2010 and changes in financial statement presentation there is no meaningful comparable data.

[2] Line shows Operating Costs as percentage of Revenue Requirement as submitted in the F2012–F2014 Amended RRA to the BCUC in November 2011. A decision is anticipated by the fall of 2012.

[3] F2011 is not comparable to future years as F2011 includes the integration of BCTC as at July 1, 2010. Therefore only 9 months of the integrated company is included in F2011.

[4] Restated to conform with presentation in future years.

ENGAGE A SAFE AND EMPOWERED TEAM

Empower a team that is innovative, prepared for the future and committed to safety.

With the ongoing challenges and increasing pace of change in the utility industry, BC Hydro continues to require a highly qualified, diverse and flexible workforce. BC Hydro was already in the process of reviewing its organizational structure and planning workforce reductions when the Government Review report released in August 2011 made the recommendation to decrease BC Hydro's workforce. Subsequent to the Government Review, the previously planned workforce reductions were increased and planned changes to the organizational structure and workforce were implemented in October 2011.

BC Hydro will continue to support and develop remaining employees for success and ensure its objectives, accountabilities and decision-making processes are clear. Despite the changing environment, managers and employees must continue to focus on safety, fiscal responsibility, teamwork and innovation in how they approach their work.

Efforts will remain focused on building and enhancing a positive safety culture and demonstrating safety leadership across the company, aligned to BC Hydro's six values. (See page 8 for our safety measures and strategies.)

STRATEGIES

- Continue to adapt the organizational structure to prudently manage staffing levels; ensure the optimal complement of new recruits, skilled, experienced and high-performing employees; and leverage contracted and outsourced service providers in an efficient manner.
- Support leaders to engage employees so they are highly motivated to work together safely and effectively.
- Identify key skill shortages in critical roles and create recruitment and development plans to ensure a readily available talent pool for critical roles.
- Provide an appropriate balance of competitive, cost-efficient compensation and flexible benefits, and work/life programs that serve to attract the best possible candidates, retain top performers and enhance employees' well being.

In order to gain more comprehensive and timely data from which to set engagement strategies, BC Hydro is currently reviewing its process and associated metrics. It is anticipated that new baseline measures and targets will be set in F2013 for future years.

FINANCIAL OUTLOOK SUMMARY

High-level financial forecasts for revenues and expenses; the key assumptions and risks considered in setting these projections; and the major capital expenditures that support the business all combine to create BC Hydro's financial outlook.

BC Hydro's financial performance considers the financial return to the Province of British Columbia and the electricity rates paid by customers.

In F2011, BC Hydro provided $960 million in transfers to the Province. This amount includes water rental fees (royalties paid for the use of provincial water resources), provincial and municipal property taxes and grants-in-lieu of taxes, and BC Hydro's annual dividend to the Province.

COST INFLUENCES

BC Hydro's costs are driven by its capital investment costs, the return to Government, the cost of energy, and ongoing operating costs.

The largest cost driver relates to BC Hydro's amortization costs and finance charges, derived from the capital investment needed to ensure the ongoing reliability of our assets and to build new assets to meet growing demand. This category accounts for approximately one-third of all costs to serve domestic load. The main upward pressure on rates are BC Hydro's aging assets, increasing costs of new supply, system expansion due to increasing customer demand, increasing debt levels and market interest rates.

FINANCIAL PERFORMANCE

BC Hydro's operations are subject to a range of risks and uncertainties. As a result, actual financial results may differ materially from those described in this Service Plan.

RATES

BC Hydro filed an Amended F2012-F2014 RRA on November 24, 2011 that reflected the outcome of the Government Review and updated other assumptions in the normal course of a net income forecast update, such as interest rates and water inflow levels. The Amended RRA seeks the following rate increases:

	F2012	F2013	F2014
Rate Increase	8.00%	3.91%	3.91%
Deferral Account Rate Rider	2.50%	2.50%	2.50%
Annual Net Bill Impact[1]	7.77%	4.52%	3.91%
Cumulative Net Bill Impact[1]	7.77%	12.63%	17.04%
Average Residential bill ($/month)[2]	$ 76.54	$ 80.00	$ 83.13

[1] The bill impact is disclosed relative to the annualized weighted average rates for F2012 that reflect the 8.00% increase effective May 1, 2011.

[2] Comparison based on an average residential bill of $71.02 per month in F2011.

The BCUC must approve any requested rate increases. BC Hydro expects a decision from the BCUC by the fall of 2012. Requested rate increases reflect increasing capital related costs (amortization, financing costs and return on equity) due to higher levels of investment in assets and an increase in domestic energy costs due to purchases of higher-priced new supply.

CAPITAL STRUCTURE

Prior to F2012, BC Hydro's equity for rate-setting purposes was deemed to be 30 per cent of the total of average debt and average equity balances for the year. Commencing in F2012, Special Direction HC2 deems BC Hydro's equity for rate-setting purposes to be 30 per cent of the company's rate base, comprised largely of BC Hydro's property, plant and equipment in service.

Special Direction HC2 states that in regulating and setting rates for BC Hydro, the BCUC must ensure that those rates allow BC Hydro to collect sufficient revenue in each fiscal year to enable it to:

- provide reliable electricity service
- meet all of its financial obligations
- comply with government policy directives, and
- achieve an allowed annual rate of return.

Under Special Direction HC1, BC Hydro pays a dividend to the Province equal to 85 per cent of BC Hydro's net income. This payment is reduced if the payment would cause BC Hydro's debt to equity ratio to exceed 80:20.

Deferral and Other Regulatory Accounts*

BC Hydro has three energy deferral accounts:

- Heritage Deferral Account
- Non-Heritage Deferral Account, and
- Trade Income Deferral Account

These energy deferral accounts capture specific differences between forecast costs and actual costs and smooth the overall effect on ratepayers of cost volatility out of BC Hydro's control, similar to those used by most regulated utilities. BC Hydro is subject to periodic reporting of changes in the energy deferral accounts. Recovery of the accumulated balances in future rate increases is subject to determination and approval by the BCUC and is done through the rate rider.

BC Hydro also has a number of other regulatory accounts, the purpose of which is to defer (for future recovery through rates) those amounts that, under Generally Accepted Accounting Principles (GAAP), would otherwise be recorded as expenses in the current accounting period. This allows, for rate-setting purposes, a better matching of costs and benefits for different generations of customers and a smoothing out of the rate impact of large non-recurring costs. The recovery of these expenditures through BC Hydro's rates is determined by the BCUC. These regulatory accounts relate to capital like items such as Demand Side Management and Site C project definition and consultation expenditures, and to non-cash provision amounts such as First Nation settlement costs and environmental provisions.

FINANCING STRATEGY

BC Hydro forecasts the overall borrowing requirement to be approximately $2.2 billion in F2012, $450 million of which will be used to refinance retired debt for a net requirement of $1.8 billion. This borrowing is largely required to finance BC Hydro's capital expenditure program. BC Hydro expects to borrow $1.5 billion of the $2.2 billion through long-term debt, and the remainder through available revolving borrowing capacity. During F2011, BC Hydro borrowed $593 million of new long-term debt.

As a provincial Crown corporation, BC Hydro borrows all funds through the Province, and all of BC Hydro's debt is either held or guaranteed by the Province, resulting in a credit rating on our long-term debt similar to the Province's own rating of Aaa by Moody's and AAA by Standard and Poors.

BC Hydro's capital expenditure program and higher interest rates result in increasing debt levels and subsequently an increase in finance charges. BC Hydro forecasts finance charges to be approximately $487 million in F2012 and $631 million in F2015. BC Hydro forecasts debt net of sinking funds, as of March 31, 2012, to be $13.3 billion, increasing to $18.2 billion at the end of F2015.

* For more information on BC Hydro's energy deferral accounts, visit bchydro.com/etc/medialib/internet/documents/planning_regulatory/rev_req/rra_fact_sheet_regulatory_accts.Par.0001.File.rra_fact_sheet_regulatry_accts.pdf

FINANCIAL PROJECTIONS

BC Hydro prepared the following financial projections for revenues and expenses through F2015 which were approved by the Board and submitted to the Ministry of Finance in January 2012.

The financial information, including forecast information, related to fiscal periods up to the end of F2012 is prepared based on Canadian GAAP. The forecast information related to periods after F2012 is prepared based on prescribed accounting standards in accordance with a Directive issued by Treasury Board pursuant to section 23.1 of the *Budget Transparency and Accountability Act* and section 9(1) of the *Financial Administration Act*. The prescribed accounting standards reflect International Financial Reporting Standards (IFRS), and apply United States Financial Accounting Standards Board Accounting Standards Codification 980 (Regulated Operations).

CONSOLIDATED STATEMENT OF OPERATIONS [1] ($ MILLIONS)	ACTUAL F2011[2]	FORECAST F2012	FORECAST F2013	FORECAST F2014	FORECAST F2015
REVENUES					
Domestic	3,438	3,707	3,900	4,146	4,815
Trade	578	1,114	1,320	1,617	1,853
	4,016	4,821	5,220	5,762	6,669
EXPENSES					
Operating Costs					
Cost of energy	1,415	1,999	2,209	2,593	3,316
Other operating expenses					
Personnel expenses, materials & external services[3]	834	857	849	870	893
Amortization	533	693	842	884	1,007
Finance Charges	435	487	525	579	631
Grants and taxes	184	185	195	206	213
Other	26	5	33	32	33
	3,427	4,226	4,653	5,164	6,093
NET INCOME	**589**	**595**	**566**	**599**	**576**
Net Debt[4]	11,520	13,305	15,162	16,828	18,228
Equity	2,880	3,326	3,790	4,207	4,557
Capital Spending	1,519	2,082	2,361	2,150	2,222

Notes:

[1] Table may not add due to minor rounding.

[2] F2011 is not comparative to future years as F2011 includes the integration of BCTC as at July 1, 2010. Therefore only 9 months of the integrated company is included in F2011. F2011 and F2012 are under Canadian GAAP whereas F2013 and future years are in IFRS. As a result there are reclassification adjustments between these years.

[3] These amounts are net of capitalized overhead.

[4] Debt figures are net of sinking funds and cash and cash equivalents.

KEY ASSUMPTIONS

BC Hydro used the following key assumptions in preparing these financial projections:

KEY ASSUMPTIONS	ACTUAL F2011	FORECAST F2012	FORECAST F2013	FORECAST F2014	FORECAST F2015
GROWTH AND LOAD:					
B.C. Real Gross Domestic Product Growth (%)[1]	3.8	2.0	2.3	2.6	2.7
Domestic Sales Load Growth (%)[2]	0.8	4.6	1.2	1.6	4.2
Residential Sales Load Growth (%)[2]	1.2	2.3	0.0	(0.8)	(1.0)
Light Industrial and Commercial Sales Load Growth (%)[2]	1.4	0.9	(1.5)	(1.4)	2.4
Large Industrial Sales Load Growth (%)[2]	1.1	9.8	6.0	7.9	12.2
Domestic Load (GWh)					
Domestic Sales Volume (GWh)	50,607	52,919	53,527	54,356	56,640
Surplus Sales Volume (GWh)	53	109	874	1,496	1,361
Line Loss and System Use (GWh)	5,053	5,399	5,544	5,427	5,031
Total Domestic Load (GWh)	55,713	58,427	59,946	61,279	63,032
ENERGY GENERATION:					
Total System Water Inflows (%)[3]	86	100	100	100	100
Sources of Supply to Meet Domestic Load:					
Net Hydro Generation (GWh)	40,752	44,745	45,518	46,254	47,115
Market Electricity Purchases (GWh)	3,791	1,610	1,419	660	1,924
Independent Power Producers and Long-term Purchases (GWh)	10,805	11,618	12,367	13,606	13,191
Thermal Generation (GWh)	365	454	642	759	801
Sources of Supply for Domestic Load (GWh)	55,713	58,427	59,946	61,279	63,032
Electricity Trade Sales Volumes (GWh)	26,253	29,317	32,233	35,333	38,824
Average Mid-C Price (U.S.$/MWh)	28.02	28.69	36.67	41.01	44.88
Average Natural Gas Price at Sumas (U.S.$/MMBTU)	3.85	4.30	4.77	5.17	5.54
FINANCIAL:					
Canadian Short-Term Interest Rates (%)[4]	1.13	0.97	1.26	2.20	3.23
Canadian Long-Term Interest Rates (%)[4]	3.39	3.46	3.65	4.30	5.30
Foreign Exchange Rate (U.S.$:Cdn$)[4]	1.0191	0.9943	0.9957	1.0040	0.9901

Notes:

[1] Economic assumptions, based on calendar year, from Government's First Quarter Report September 2011.

[2] Includes the impact of Power Smart programs.

[3] Water inflows assume future year inflows will be at average levels. The sensitivity analysis that follows shows the impact of change in water flows.

[4] F2011 from Bloomberg; 3 months rates for short term and 10 years for long term. F2012 to F2015 financial assumptions from Ministry of Finance, October 2011.

Various legal and regulatory matters are pending. Owing to the size, complexity and nature of BC Hydro's operations, the outcome of these matters cannot be predicted at this time.

SENSITIVITY ANALYSIS

The following table shows the effect on earnings of changes in some key variables. The analysis is based on business conditions and production volumes forecast for Fiscal 2013. Each separate item in the sensitivity analysis assumes the others are held constant. While these sensitivities are applicable to the period and magnitude of changes on which they are based, they may not be applicable in other periods, under other economic circumstances or greater magnitude of changes.

The volatility between BC Hydro's plan and actual results are mostly mitigated through the use of BCUC-approved regulatory deferral accounts.*

Factor	Change	Approximate change in earnings before regulatory deferral account transfers (in millions)
Water Inflows[1]	+/- 1%	15
Electricity trade margins	$1/MWh	35
Interest rates	+/- 1%	50
Exchange rates (US/ CDN)	$0.01	5
Weather	1°C change in average temperature	20

[1] Assumes a change in water inflows impact hydro generation and has a corresponding impact on energy imports. An increase in water inflows reduces energy imports and increases earnings before regulatory account transfers.

BC Hydro reports on actual performance in annual reports, and provides updated forecasts each year in its Service Plan.

* For more information on BC Hydro's energy deferral accounts, visit bchydro.com/etc/medialib/internet/documents/planning_regulatory/rev_req/rra_fact_sheet_regulatory_accts.Par.0001.File.rra_fact_sheet_regulatry_accts.pdf

CAPITAL EXPENDITURES SUMMARY

BC Hydro is refurbishing its heritage assets to ensure system reliability, and undertaking new projects to meet future electricity demand in B.C. These projects span the entire system, and provide economic and business development opportunities in different communities and regions across the province.

BC Hydro classifies capital expenditures as either sustaining capital or growth capital:

- Sustaining capital is required to meet targeted levels of customer and supply reliability. It includes expenditures to ensure the continued availability and reliability of generation, transmission and distribution facilities. It also includes expenditures to support the business, such as vehicles and information technology.
- Growth capital is required to meet customer load growth and other business investments. It includes expenditures related to the expansion of existing generation assets as well as expansion and reinforcement of the transmission and distribution system.

CAPITAL EXPENDITURES [1] ($ MILLIONS)	ACTUAL F2011	FORECAST F2012[2]	FORECAST F2013[2]	FORECAST F2014[2]	FORECAST F2015[2]
Sustaining	865	1,192	1,068	908	1,339
Growth	654	890	1,293	1,242	883
TOTAL	**1,519**	**2,082**	**2,361**	**2,150**	**2,222**
Generation	420	423	432	516	722
Transmission	437	648	1,169	1,048	792
Distribution	416	419	319	315	520
Smart Metering & Infrastructure Project	21	363	279	86	15
Properties and other	225	229	162	185	173
TOTAL	**1,519**	**2,082**	**2,361**	**2,150**	**2,222**

[1] Table may not add due to minor rounding.

[2] F2011 and F2012 are on Canadian GAAP basis; F2013 to F2015 are on an IFRS basis.

PLANNED PROJECTS OVER $50 MILLION

BC Hydro has planned for the following projects, listed according to targeted completion date, each with capital costs expected to exceed $50 million. Some of the projected cost ranges may be large, particularly for projects still in Definition phase, as scope, final costs and completion dates are still to be determined.

STAVE FALLS SPILLWAY GATE REPLACEMENT	F2013 Targeted completion	$61–66 Total cost ($ millions)[1]
Upgrade the spillway gates[2] at the Stave Falls dam to increase public and employee safety by enhancing reliability.		

COLUMBIA VALLEY TRANSMISSION PROJECT (CVT)	F2013 Targeted completion	$133 Total cost ($ millions)[1]
Construct a new 230kV transmission line from the existing Invermere substation to a new substation (called Kicking Horse) to be built on the west side of the Columbia River near the town of Golden; construct a new 69kV transmission line between the new Kicking Horse substation and the existing Golden substation; expand Golden and Invermere substations and modify the Cranbrook substation—all to meet load growth in the Columbia Valley area.		

SMART METERING & INFRASTRUCTURE PROGRAM	F2013–F2014 Targeted completion	$930 Total cost ($ millions)[1,3]
The Smart Metering Program includes the installation of 1.8 million smart meters in homes and businesses across the province, optional conservation tools, an advanced telecommunications infrastructure to support electricity system management and customer applications, and information technology to support customer billing, load forecasting and outage management systems. The Smart Metering & Infrastructure Program plays a key role in modernizing BC Hydro's electricity grid. All customers will benefit from more choice and control over their electricity usage, and operational efficiencies that will help keep BC Hydro's rates among the lowest in North America and contribute to a clean energy future.		

VANCOUVER CITY CENTRAL TRANSMISSION (VCCT)	F2014 Targeted completion	$177 Total cost ($ millions)[1]
Build an enclosed 230/12 kV substation in the Mt. Pleasant area of Vancouver and two new underground 230 kV transmission lines connecting the new substation to the existing transmission network to serve growing loads in the Mt. Pleasant/False Creek area and maintain a reliable supply of electricity to other areas of Vancouver.		

DAWSON CREEK/CHETWYND AREA TRANSMISSION (DCAT)	F2014 Targeted completion	$150–250 Total cost ($ millions)[1]
Extend the 230 kV transmission system to Bear Mountain terminal and Dawson Creek to meet the area's high load growth (primarily from oil and gas development).		

MICA SF_6 GAS INSULATED SWITCHGEAR (GIS) REPLACEMENT PROJECT	F2014 Targeted completion	$169–189 Total cost ($ millions)[1]
Replace the switchgear system at the Mica Generating Station to ensure the reliability of this key generating station and reduce SF_6 (a greenhouse gas) leakage. (The switchgear system uses 500-kV circuits to conduct the energy from the Mica underground powerhouse to the surface, where it transitions to transmission lines.)		

HUGH KEENLEYSIDE SPILLWAY GATE RELIABILITY UPGRADE	F2015 Targeted completion	$83–95 Total cost ($ millions)[1]
Upgrade the spillway gates[2] at the Hugh Keenleyside dam to increase public and employee safety by enhancing reliability.		

NORTHWEST TRANSMISSION LINE PROJECT (NTL)	F2015 Targeted completion	$561 Total cost ($ millions)[1]
Construct a 344 km, 287 kV transmission line between Skeena substation near Terrace and a new substation to be built near Bob Quinn Lake to ensure a reliable supply of clean power to potential industrial developments in the area; provide a secure interconnection point for clean generation projects; and potentially help certain northwest communities access their power from the electricity grid rather than diesel generators.		

INTERIOR TO LOWER MAINLAND (ILM)	F2015 Targeted completion	$709 Total cost ($ millions)[1]
Construct a new 500 kV transmission line, approximately 255 km in length, between the Nicola substation near Merritt and the Meridian substation in Coquitlam and build a new series capacitor station at Ruby Creek near Agassiz to help meet domestic load growth in the Lower Mainland and on Vancouver Island.		

SEYMOUR ARM SERIES CAPACITOR STATION (SASC)	F2015 Targeted completion	$50–100 Total cost ($ millions)[1]
Construct a new 500 kV series capacitor station adjacent to the existing corridor for lines 5L71 and 5L72 near the mid-point between the Mica Generating Station and the Nicola Substation near Merritt to securely deliver the expanded generation output of the Mica generating station (see over).		

[1] The capital expenditure amounts are presented to reflect the impact of IFRS.

[2] Spillway gates control the amount of water that can be discharged from the reservoir. They are generally used in times of flood to pass high inflows.

[3] Smart Metering & Infrastructure Program amount includes both capital costs and operating expenditures subject to regulatory deferral.

UPPER COLUMBIA CAPACITY ADDITIONS AT MICA—UNITS 5 & 6	F2015–F2016 Targeted completion	$639–739 Total cost ($ millions)[1]
Install two additional 500 MW generating units into existing turbine bays at the Mica Generating Station. The new units are similar to the four existing units, but with more efficient turbines. Includes construction of a series capacitor station located near the mid-point on the existing Mica-Nicola 500kV transmission lines.		

G.M. SHRUM UNITS 1 TO 5 TURBINE REPLACEMENT	F2016 Targeted completion	$203–290 Total cost ($ millions)[1]
Replace the turbines for Units 1 to 5 to reduce the risk of runner failure, decrease maintenance costs and improve operating efficiency.		

RUSKIN DAM SAFETY AND POWERHOUSE UPGRADE	F2018 Targeted completion	$662–801 Total cost ($ millions)[1]
This project upgrade will meet modern safety and seismic requirements and replace the powerhouse equipment, which is in poor condition. It is expected to take six years to complete and includes: reinforcement of the right bank; seismic upgrade of the dam and water intakes; powerhouse upgrades; and, relocation of the switchyard. Once completed, the upgraded facility will be reliable and safe and will produce enough electricity to serve more than 33,000 homes.		

SITE C CLEAN ENERGY PROJECT	F2021* Targeted completion	$7,900 Total cost ($ millions)[1]
Site C is a proposed third dam and 1,100 megawatt hydroelectric generating station on the Peace River approximately 7 kilometres southwest of Fort St. John. It would be capable of producing approximately 5,100 gigawatt-hours of electricity annually and would deliver firm electricity with a high degree of flexibility. The Site C project is currently in Stage 3—environmental and regulatory review, which includes an independent federal and provincial environmental assessment. Subject to environmental certification, construction would take about seven years and Site C would provide clean, reliable power to BC for more than 100 years. *The project schedule is subject to the regulatory process and timing.		

CONTEMPLATED PROJECTS OVER $50 MILLION

BC Hydro is contemplating the following projects over $50 million during F2013–F2015, listed in alphabetical order. These projects are in the early Identification or Definition Phases; scope, final costs and completion dates are still to be determined. These projects have not yet been approved by the Board of Directors.

BRIDGE 2 UNITS 5 AND 6 REHABILITATION

Restore Bridge 2 Units 5 and 6 (commissioned over 60 years ago) to "as new condition". This would address known major component deficiencies and enable the units to run at full capacity (currently derated from 70MW to 60MW).

CHEAKAMUS UNIT 1 AND UNIT 2 GENERATOR REPLACEMENT

Replace or refurbish the two units at Cheakamus generating station (commissioned over 50 years ago) and ancillary equipment to address the condition and known deficiencies of major components.

COLWOOD AREA REINFORCEMENT

Reinforce the transmission system serving the Colwood/Langford, Sooke and Jordan River areas, which are currently supplied radially by one 138 kV circuit from Goward Substation in the Victoria area, to meet anticipated increased demand.

DOWNTOWN VANCOUVER REDEVELOPMENT PROGRAM

Upgrade and expand the transmission and distribution network serving downtown Vancouver.

EDMONDS NEW TOWER

Advance phase 2 of Edmonds Campus development consolidating office space at Edmonds to improve cost efficiencies and improve adjacencies and workspaces.

GMS / DAWSON AREA TRANSMISSION

Increase transmission capacity to the South Peace area by providing a second 230kV supply to Dawson Creek in response to the significant load growth in the area, mainly from the gas production industry.

ISKUT EXPANSION PROJECT

Construction of a 92 km 287 kV transmission extension, plus a 16km distribution line from Bob Quinn substation. The transmission line would terminate at a new substation at Tatooga Lake and a 16km 25 kV distribution line continuing to Iskut.

JOHN HART REPLACEMENT

Replace the existing six units, 126 MW generating station (in operation since 1947) and add integrated emergency bypass capability to ensure reliable long-term generation and to mitigate earthquake risk and environmental risk to fish and fish habitat. BC Hydro's Board has approved an initial $85 million in funding for this project.

LA JOIE SEISMIC IMPROVEMENTS

Upgrade the La Joie Dam (a rock fill structure completed in 1955) to address ongoing seepage and seismic withstand deficiencies, ensure dam and public safety and maintain reliability of supply.

LONG BEACH AREA TRANSMISSION

Replace existing transformers at Great Central (GCL) with two 75 MVA, 138/60 kV transformers, replace existing transformers at Long Beach (LBH) with two 50 MVA, 60/25 kV transformers and install two Statcom units for voltage support.

NORTH EAST TRANSMISSION LINE (NETL)

This study is in early stages, and will assess the feasibility of constructing a 500 km transmission line from G.M. Shrum Generating station to Fort Nelson and to the Horn River, and the feasibility of local generation. After the study, it will be assessed whether a project is required.

SOUTHERN INTERIOR SERIES COMPENSATION (SISC)

Construct two 500 kV series capacitor stations in the Southern Interior, one station near Summerland and the other near Edgewood, to meet the needs of major projects planned for the Southern Interior, such as Columbia Power Corporation's Waneta Expansion Project.

STRATHCONA EMBANKMENT DAM UPGRADE

Mitigate the risk of potential piping failure of the earthfill embankment dam due to internal erosion under earthquake conditions.

SURREY AREA SUBSTATION PROJECT

Construct a new 200 MVA 230/25 kV Substation in the Fleetwood area of Surrey. The supply to the station will be from circuit 2L75 and will allow for increased station capacity of 400 MVA.

W.A.C. BENNETT DAM IMPROVEMENTS

Improve BC Hydro's ability to manage the performance risks at W.A.C. Bennett Dam by gathering, reviewing, and updating all existing information on the performance of the dam; along with the evaluation, development, and application of new technologies for monitoring and improvement of dam performance.

W.A.C. BENNETT DAM RIPRAP UPGRADE

The W.A.C. Bennett Dam Riprap has functionally degraded since its completion in 1968. The project will rebuild the upstream slope to ensure there is adequate protection and shielding to the embankment dam from the wind generated waves.

W.A.C. BENNETT DAM SPILLWAY CHUTE REHABILITATION

Address the identified deficiencies to enable the spillway to safely pass sustained flows. The W.A.C. Bennett Dam spillway chute has functionally degraded since its completion in 1968.

WEST KELOWNA TRANSMISSION PROJECT

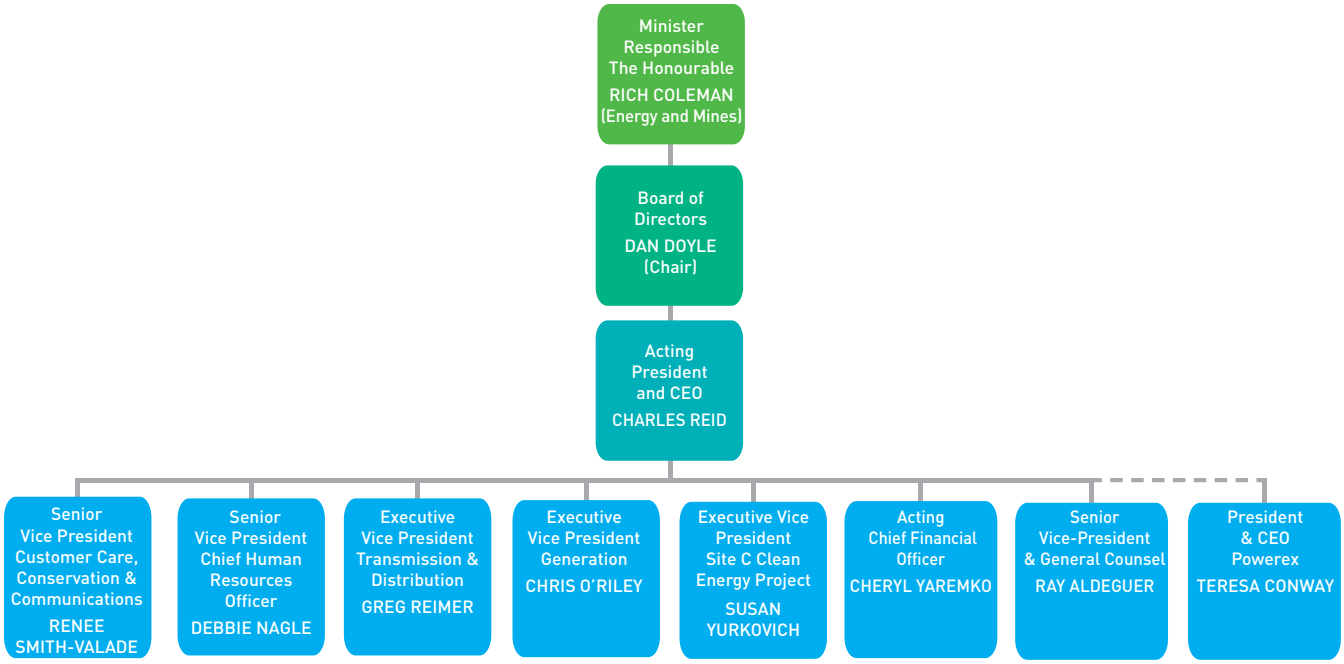
Install a new 138 kV transmission line to Westbank Substation to address reliability concerns associated with the single-circuit radial transmission system that presently supplies the West Kelowna area.

CORPORATE GOVERNANCE

EXECUTIVE OF BC HYDRO

BC Hydro's organizational structure is designed to ensure it delivers on its strategic objectives and the mandate of the *Clean Energy Act*; and facilitates coordination among business functions. BC Hydro regularly reviews and updates its governance framework to ensure business needs are met.

The following chart shows the current organizational structure* of the Executive Team.



Customer Care, Conservation & Communications— Responsible for Demand-Side Management programs, customer relations, and strategic communications that support BC Hydro's key business objectives.

Corporate Human Resources—Responsible for attraction and workforce planning, organizational effectiveness and benefits programs and the office of the Chief Safety, Health and Environment Officer.

Transmission and Distribution—Responsible for planning, building, maintaining and operating the systems and assets needed to deliver electricity safely and reliably to customers, as well as Aboriginal Relations & Negotiations and the implementation of the Smart Metering & Infrastructure Program.

Generation—Responsible for safely managing and operating BC Hydro's generation assets to provide a reliable supply of clean energy.

Site C Clean Energy Project—Responsible for the Site C Clean Energy project.

Finance and Corporate Resources—Responsible for several enterprise-wide functions, including Finance, Regulatory, Technology, Security, Procurement, Partnerships, Properties, Legal, Energy Procurement, Planning & Risk and Economic & Business Development.

Powerex—A wholly owned subsidiary of BC Hydro, responsible for energy marketing and trade activities that help optimize BC Hydro's electric system resources.

* Executive team structure is interim only as of December 19, 2011.

BC HYDRO BOARD OF DIRECTORS

The BC Hydro Board of Directors oversees the conduct of business and supervises management, which in turn is responsible for the day-to-day operations of BC Hydro. Directors are appointed by the B.C. Cabinet to bring special skills and experience to the Board's deliberations.

CHAIR: **Dan Doyle**

MEMBERS: **Chief Kim Baird, Stephen Bellringer, Larry Blain, James Brown, John Knappett, Tracey McVicar, Janine North, John Ritchie**

The Board's broad set of responsibilities includes:

- Ensuring there is a strategic and business planning process, and then reviewing, validating and endorsing a strategy for the Corporation and monitoring its implementation.
- Ensuring that effective controls and appropriate governance are in place as part of its oversight of management.
- Having a continuing understanding of the principal risks associated with the Corporation's business and ensuring that the appropriate processes and systems are in place to mitigate that risk.

The Board acts in accordance with the *Best Practices Guidelines Governance and Disclosure Guidelines for Governing Boards of BC Public Sector Organizations*, which can be found at: fin.gov.bc.ca/brdo/governance/index.asp. More information on the Board can be found at bchydro.com/about/company_information/board_committees.html

AUDIT AND FINANCE COMMITTEE CHAIR: Tracey McVicar MEMBERS: Larry Blain, Jamie Brown, Dan Doyle*	**Purpose:** The Audit and Finance Committee assists the Board in fulfilling its obligations and oversight responsibilities relating to the audit process, financial reporting, the system of corporate controls and governance of the Corporation's pension plans. The Committee is also responsible for ensuring that principal risks associated with these issues are appropriately identified, monitored and managed.
CAPITAL PROJECTS COMMITTEE CHAIR: John Ritchie MEMBERS: John Knappett, Dan Doyle*	**Purpose:** The Capital Projects Committee assists the Board of Directors in fulfilling its obligations and oversight responsibilities relating to the Corporation's long-term capital plans, capital budgets and capital projects, including dam safety, aboriginal relations and negotiations, and transmission projects. The Committee is also responsible for ensuring that principal risks associated with these issues are appropriately identified, monitored and managed.
CONSERVATION AND CLIMATE ACTION COMMITTEE CHAIR: Janine North MEMBERS: Chief Kim Baird, Tracey McVicar, Dan Doyle*	**Purpose:** The Conservation and Climate Action Committee assists the Board by monitoring and directing the environmental performance of the Corporation and monitoring and supporting the implementation of an energy conservation strategy as described in the BC Energy Plan. The Committee also provides guidance and direction to management and makes recommendations to the Board regarding initiatives and programs related to meeting the Corporation's environmental goals. The Committee is also responsible for ensuring that principal risks associated with these issues are appropriately identified, monitored and managed.
CORPORATE GOVERNANCE COMMITTEE CHAIR: Stephen Bellringer MEMBERS: All Directors	**Purpose:** The Corporate Governance Committee is structured as a Committee of the Whole. This means that its membership includes all Directors. Nonetheless, the Committee has independent Terms of Reference and is responsible for ensuring that BC Hydro and its Board develops and implements an effective approach to corporate governance which enables the business and affairs of the Corporation to be carried out, directed and managed with the objective of enhancing shareholder value. The Committee is also responsible for ensuring that principal risks associated with these issues are appropriately identified, monitored and managed.
EXECUTIVE COMMITTEE CHAIR: Dan Doyle MEMBERS: Chief Kim Baird, Stephen Bellringer, Larry Blain, Janine North, Tracey McVicar	**Purpose:** The Executive Committee only meets in special circumstances. It has the full powers of the Board to act in situations when, for timing reasons, a Board meeting cannot be scheduled.
ENERGY PLANNING AND PROCUREMENT COMMITTEE CHAIR: Larry Blain MEMBERS: John Ritchie, Dan Doyle*	**Purpose:** The Energy Planning and Procurement Committee provides advice and direction to the Corporation on both its strategic direction relating to resource planning, export strategy, economic development and energy procurement activities, and its execution of related initiatives. In addition, the Committee provides advice and support to the Board Chair in his or her dealings with government pertaining to these issues. The Committee is also responsible for ensuring that principal risks associated with these issues are appropriately identified, monitored and managed.
HUMAN RESOURCES AND SAFETY COMMITTEE CHAIR: Chief Kim Baird MEMBERS: Stephen Bellringer, Janine North, Dan Doyle*	**Purpose:** The Human Resources and Safety Committee assists the Board in fulfilling its obligations relating to human resources and compensation issues, related specifically to senior management and generally to the Corporation. The Committee also monitors safety performance. The Committee is also responsible for ensuring that principal risks associated with these issues are appropriately identified, monitored and managed.

*The Board Chair is an ex-officio member of all committees.

BC HYDRO SUBSIDIARIES

POWEREX CORPORATION

Powerex Corp. is a wholly owned subsidiary of BC Hydro and a key participant in energy markets across North America, buying and supplying wholesale power, renewable energy, natural gas, ancillary services, and financial energy products and services. Established in 1988, its export, marketing and trade activities help optimize BC Hydro's electric system resources and provide significant economic benefits to British Columbia.

Powerex supports BC Hydro's electric system requirements through importing and exporting energy as required in addition to meeting its own trade commitments. Powerex also markets, on behalf of the Province, the Canadian Entitlement to the Downstream Benefits of the Columbia River Treaty.

The Chief Executive Officer of Powerex reports to the Board of Directors of Powerex Corp., and has a reporting relationship to BC Hydro's Chief Executive Officer. BC Hydro's Chief Executive Officer, together with the Chair of Powerex Board, ensures the Board of BC Hydro is informed of Powerex's key strategies and business activities. Powerex's Directors are Larry Blain (Chair), Stephen Bellringer, James Brown, Dan Doyle and Charles Reid. Along with President and CEO Teresa Conway, Powerex's Executive team consists of Tom Bechard, Amit Budhwar, Rob Campbell, Mark Holman, John Irving, Janette Lyons, Mike MacDougall and Julie Mantle.

Powerex operates in complex and volatile energy markets which can cause net income in any given year to vary significantly. Over the previous five years, Powerex income has ranged from $12 to $259 million. Market and economic conditions, reduced BC Hydro system flexibility, income timing differences and the strength of the Canadian dollar can materially impact Powerex net income.

The Service Plan includes annual net income of $115 million for F2013, $115 million for F2014 and $135 million for F2015. Powerex net income amount may vary significantly year over year. For more information, visit powerex.com

POWERTECH LABS INC.

Powertech Labs has operated as a separate, for-profit, commercial entity since their inception in 1979. In addition to supplying technical services to BC Hydro, Powertech is internationally recognised for providing consulting, testing and systems integration for a large number of clients in energy-related sectors.

Powertech's Directors are John Knappett (Chair), Brenda Eaton, and Nancy Olewiler. Powertech's senior management includes Acting President and CEO Kathy Nguyen, as well as Craig Webster, Kip Morrison and Jan Zawadzki.

Powertech's net income was $0.6 million in F2011. The forecasted annual net income is $1.5–$3 million over the F2012–F2015 period. For more information, visit powertechlabs.com

OTHER SUBSIDIARIES

BC Hydro has created a number of other subsidiaries to help it manage risk in developing projects and/or contracting with third parties. The Boards and management of these subsidiaries are made up of BC Hydro employees, who perform these duties without additional remuneration.

APPENDIX A: PERFORMANCE MEASURES

BC Hydro relies on various data sources for relevant and accurate reporting of its Performance Measures. This includes, but is not limited to, internal financial records, external research findings, and association indexes. The Performance Measures listed in this Appendix have unique requirements for source data and accompanying considerations.

SAFELY KEEP THE LIGHTS ON

DESCRIPTION OF PERFORMANCE MEASURES	RATIONALE/BENCHMARKING ACTIVITIES
SEVERITY is a standard Canadian Electricity Association (CEA) measure and is defined as the number of calendar days lost due to injury per 200,000 hours worked. The Severity metric does not include data on fatal incidents. One or two injuries can have a major impact on severity.	Both **Severity** and **AIF** metrics, as defined in the CEA Standard, are generally harmonized with the U.S. Occupational Safety and Health Administration Standards for safety statistics. BC Hydro benchmarks its safety performance against available Canadian Electricity Association composite AIF and Severity results. In AIF, BC Hydro closed out the last fiscal year at 1.7 in comparison to the CEA composite AIF of 2.09 for the calendar year ending December 31, 2010. The BC Hydro Severity rate at fiscal year end was 22.2, comparing with the CEA composite for calendar 2010 of 13.7. Unfortunately, BC Hydro continues to experience serious incidents with alarming frequency, primarily when work is being conducted in high hazard work environments. In response to this, it has formed a task force comprised of operational managers and front-line employees to uncover why these serious incidents are still occurring and to develop lasting solutions so that no employee experiences a serious work related injury. The task force's recommendations, combined with safety programs already underway, should help to continue to improve safety performance. Finally, in order to underscore its commitment to ensuring no serious incidents occur, BC Hydro has established the zero fatality target.
ALL INJURY FREQUENCY (AIF) is a standard CEA measure and is defined as the total number of employee Medical Aids and Disabling injuries occurring in the last 12 months per 200,000 hours worked. Medical Aid injuries are those where a medical practitioner has rendered services beyond the level defined as "first aid" and the employee was not absent from work after the day of the injury. Disabling injuries are those where the employee is absent beyond the day of injury.	
ZERO FATALITY AND SERIOUS INJURY a "Level 1 injury incident" is one where there has either been a loss of life or the injury has resulted in a permanent disability (for which a disability pension has been received or is expected).	
CAIDI is the average interruption in hours per interrupted customer.	BC Hydro's targets are set against normalized results which exclude major uncontrollable events. Annually, BC Hydro participates in Transmission and Distribution Benchmarking surveys conducted by the First Quartile Consulting and the Electric Utilities Costing Group, and the Distribution Service Continuity survey conducted by the Canadian Electricity Association. In F2011, BC Hydro's reliability is ranked third and fourth quartile for **CAIDI** and **SAIFI**, respectively. **CEMI** is not benchmarked externally as utilities are at varying stages in their development of this metric. Reliability is a challenge, given the size of the service area, predominantly overhead distribution system, abundance of trees and rough terrain. BC Hydro has two to three times as many trees per overhead pole kilometre as the North American average, and trees, together with adverse weather, account for half of the annual lost customer hours. These constraints significantly affect its ability to achieve higher levels of reliability while balancing the needs to remain as one of the lowest cost service providers in North America.
SAIFI is a measure of how many sustained interruptions (longer than one minute) an average customer will experience over the course of a year.	
CEMI-4 is the percentage of customers experiencing four or more outages during a 12-month period.	
WINTER GENERATION AVAILABILITY FACTOR (WGAF) is a percentage of Heritage Asset units in the system greater than 20 MW and available to generate electricity (total hours available for service/total hours) excluding certain planned capital outages, during the critical peak-load period of November 15 to February 15.	BC Hydro focuses on **WGAF** to manage the availability of generation during the critical winter period when customer loads are most likely to reach their annual peaks, and ensure all BC Hydro generating units will remain in-service barring a forced outage or urgent maintenance. BC Hydro is not aware of any external benchmarks suitable for comparison with the WGAF, and instead uses historical trend information to track performance.

SUCCEED THROUGH RELATIONSHIPS

DESCRIPTION OF PERFORMANCE MEASURES	RATIONALE/BENCHMARKING ACTIVITIES
CUSTOMER SATISFACTION (CSAT) is the percentage of customers—residential, small and medium-sized businesses and key accounts—who are satisfied or very satisfied with BC Hydro (as measured on a four-point verbal scale) in five equally weighted areas: • Providing reliable electricity. • Value for money. • Commitment to customer service. • Acting in the best interests of British Columbians. • Efforts to communicate with customers and communities.	BC Hydro maintains a minimum threshold target of 83 per cent for **CSAT** to ensure it has strong customer support. BC Hydro benchmarks against leading regional service providers and other electric utilities in an effort to better understand its performance relative to customer perceptions and understand what is needed to be a leader in industry and the province. Benchmarking results to date demonstrate BC Hydro compares well against both non-electric utility service providers and other electric utilities.
BILLING ACCURACY is the percentage of invoices that are accurately calculated based on the customer's consumption and do not require adjustment or rebilling.	This is a core expectation of customers. BC Hydro has therefore set targets to deliver consistently high performance.
FIRST CALL RESOLUTION is the percentage of customer calls that are resolved during the first contact with a call centre agent, without the need for additional investigation or follow-up.	This is a measure that assesses customer service operations as a whole in terms of accurate and timely information flow, agent capability and quality, and a satisfying customer experience at a transaction level.
PROGRESSIVE ABORIGINAL RELATIONS (PAR) designations are awarded by the Canadian Council for Aboriginal Businesses. Applications are subject to external verification and a PAR jury. The levels of bronze, silver and gold recognize achievements across 4 areas: employment, business development, individual capacity development, and community relations.	BC Hydro was the first utility in Canada to participate in the PAR program. Companies with designations remain an exclusive set. PAR re-assessment is scheduled to occur in early F2013. www.ccab.com/par_companies

MIND OUR FOOTPRINT

DESCRIPTION OF PERFORMANCE MEASURES	RATIONALE/BENCHMARKING ACTIVITIES
DEMAND-SIDE MANAGEMENT (DSM) reflects the cumulative rate of annual electricity savings resulting from DSM activities including programs, codes and standards and rate structures. The new programs and reported savings began in F2008, following the 2007 BC Energy Plan.	BC Hydro developed its annual cumulative **DSM** targets as part of long-term DSM and resource planning using the results from a Conservation Potential Review and research related to other DSM tools as benchmarks for achievable savings. DSM targets are lower than those in BC Hydro's previous service plan due to changes since that time among codes and standards, conservation rate structures and selected DSM programs. Note that F2011 actual savings are 10 GWh/yr less than reported in BC Hydro's 2011 Annual Report due to the removal of savings from substation voltage optimization stemming from a decision made after issuing the 2011 Annual Report. The F2012 target is 200 GWh/yr less than reported in BC Hydro's 2011 Annual Report due to a change in the methodology for estimating savings from conservation rate structures and the removal of savings from substation voltage optimization and in-home devices stemming from decisions made after issuing the 2011 Annual Report.

MIND OUR FOOTPRINT (CONTINUED)

The **ELECTRICITY PRODUCTION GHG EMISSIONS** measure includes carbon dioxide equivalent (CO_2e) emissions from stationary combustion for electricity generation (owned natural gas plants on the integrated grid, purchased electricity from natural gas and biomass IPPs, and diesel generation in the non-integrated areas) and fugitive SF_6 losses. For the purpose of the Electricity Production GHG metric, emissions from natural gas-fired generation are included based on forecast need to run these resources, taking into account water conditions, reliability and system needs, and key market conditions, including the expected price of carbon emissions.	In the past, BC Hydro set targets for Electricity Production and Carbon Neutral Program GHG Emissions by fiscal year. Starting in this Service Plan, GHG emissions targets are set by calendar year to ensure consistency with GHG emissions reports filed under the *Canadian Environmental Protection Act*, 1999, the B.C. *Reporting Regulation* and the B.C. *Carbon Neutral Reporting Regulation*. BC Hydro compares its Electricity Production GHG Emissions performance against published emission data from other Canadian hydroelectric utilities, and against members of the Canadian Electricity Association (CEA). Under the B.C. Carbon Neutral Government Regulation, public sector organizations are required to report their emissions to the Province. BC Hydro's Carbon Neutral Program Emissions will compare BC Hydro's performance relative to other public sector organizations.
The **CARBON NEUTRAL PROGRAM EMISSIONS** measure includes carbon dioxide equivalent (CO_2e) emissions from BC Hydro's vehicle fleet, buildings (heating and cooling, and lighting) and paper use, in accordance with the Province's guidelines for Crown corporations.	
The **CLEAN ENERGY** measure represents a minimum threshold generation target in accordance with the B.C. Government's requirement that at least 93 per cent of electricity generation in the province be from clean or renewable resources—i.e., from biogas, biomass, energy recovery generation, geothermal, hydrocarbon, hydro, hydrogen, municipal solid waste, solar, tidal, wave, wind or other potential clean or renewable electricity sources recognized by the B.C. Government.	The **Clean Energy** target aligns with the objectives set forth in the 2010 *Clean Energy Act*. BC Hydro does not compare its results for this performance measure against other utilities.

MAINTAIN COMPETITIVE RATES

DESCRIPTION OF PERFORMANCE MEASURES	RATIONALE/BENCHMARKING ACTIVITIES
COMPETITIVE RATES measures BC Hydro's rates against other utilities across North America for three types of power classes: • A typical residential customer with an estimated monthly consumption of 1,000 kWh. • A medium customer with an estimated monthly consumption of 400,000 kWh. • A large customer with an estimated monthly consumption of 30,600 MWh.	Pursuant to Rate Comparison Regulation under the *Utilities Commission Act*, issued on March 30, 2009, BC Hydro provides an Electricity Rate Comparison Annual Report to the BCUC. This is based on survey information taken from the Hydro-Quebec report, Comparison of Electricity Prices in Major North American Cities, which compiles monthly bill and average prices for 11 Canadian utilities and 10 U.S. utilities.
NET INCOME equals net income as reported in BC Hydro's financial statements.	BC Hydro bases Net Income targets on the latest forecast. The targets reflect expected rate increases required to enable BC Hydro to cover costs and earn its allowed return on equity. Rate increases for F2012 to F2014 are estimates and require BCUC approval.
OPERATING COSTS is defined as personnel, materials and external services expenses, included in income, that are incurred in the day to day operation of BC Hydro's electric utility, net of recoveries, capitalized costs, and reclassification adjustments.	BC Hydro regards Operating Costs as an important measure for benchmarking and to evaluate its prudency of expenditures.
DEBT TO EQUITY is defined as the ratio of debt to the sum of the total of debt and equity.	This is of interest to sector analysts, rating agencies, and finance providers. It is commonly used in the financial community. It measures the leverage in the company and is used in the regulation of electricity companies in some jurisdictions.

FOSTER ECONOMIC DEVELOPMENT

DESCRIPTION OF PERFORMANCE MEASURES	RATIONALE/BENCHMARKING ACTIVITIES
In the past year, a quantitative baseline was developed to understand the economic footprint of BC Hydro's operations. This allows BC Hydro to report its annual economic impacts in B.C. In F2010, BC Hydro: • Contributed approximately $2.7 billion (direct, indirect and induced) to provincial GDP; • Paid out $1.3 billion in taxes to the federal, provincial, and municipal governments. This baseline measure will be periodically refreshed and reported in BC Hydro's annual report. BC Hydro is exploring other possible Performance Measures for Economic Development.	Investments by BC Hydro enable economic growth across the province. The performance measure for economic development reflects these investments in infrastructure. Capital spending is adjusted to exclude goods and services that are purchased from outside B.C., as these expenditures do not directly contribute to economic activity in B.C.

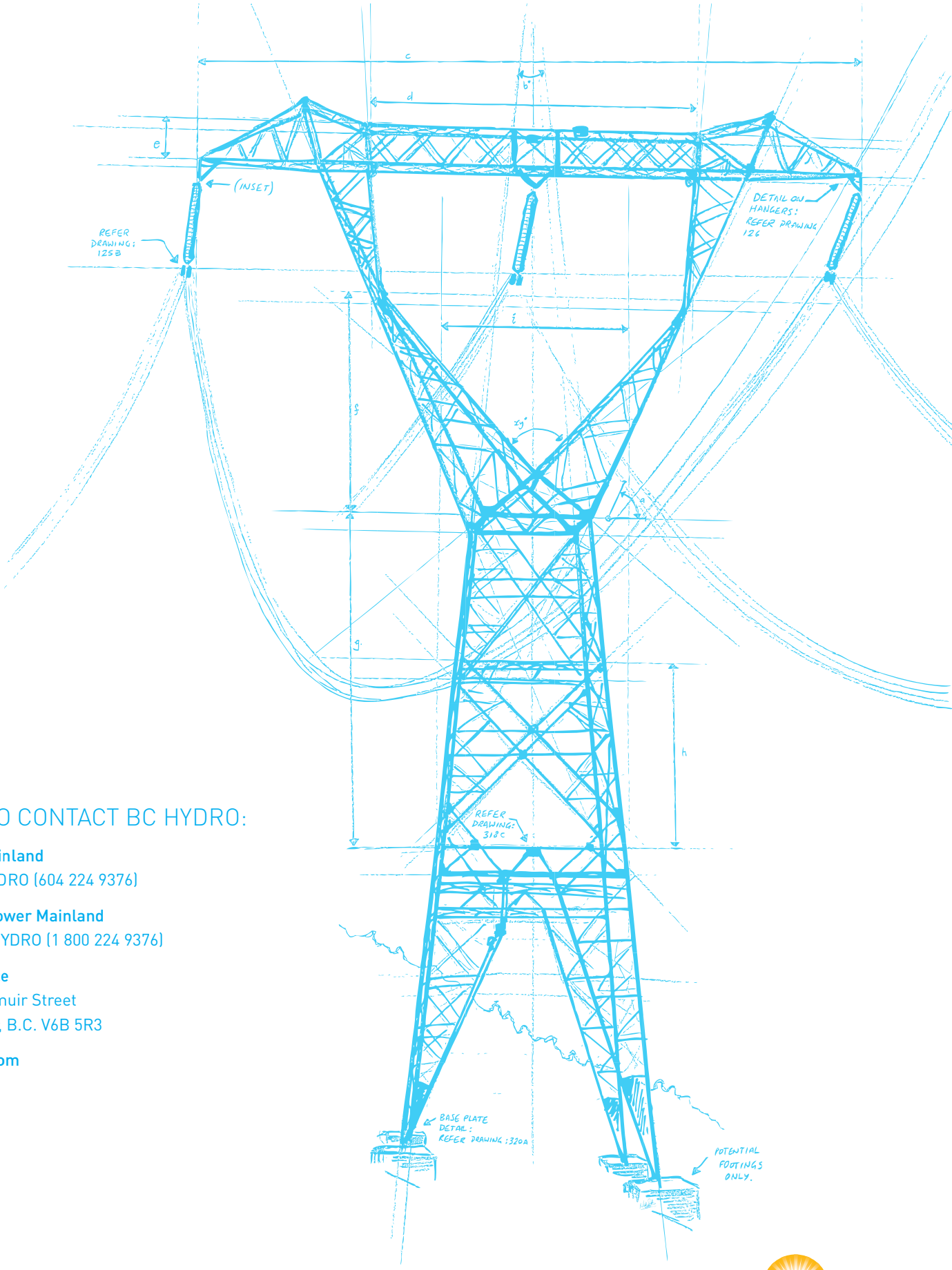
ENGAGE A SAFE AND EMPOWERED TEAM

DESCRIPTION OF PERFORMANCE MEASURES	RATIONALE/BENCHMARKING ACTIVITIES
BC Hydro has been measuring employee engagement on a bi-annual basis through a detailed all-employee survey. In order to gain more comprehensive and timely data from which to set engagement strategies, BC Hydro is currently reviewing its process and associated metrics. It is anticipated that new baseline measures and targets will be set in F2013.	The level of **Employee Engagement** indicates both employee satisfaction and productivity across the company.

APPENDIX B: SERVICE PLAN DIRECTIVES AND ACTION RESPONSES—2011

The B.C. Government's Letter of expectations (GLE) describes the relationship between BC Hydro and the Province, and sets out objectives that the Province wishes BC Hydro to achieve. In accordance with the Crown Corporation Service Plan Guidelines, Appendix B outlines only the 2011 directives and BC Hydro's action responses as outlined in the Specific Corporate Accountability section of the GLE.

DIRECTIVE	ACTION RESPONSE
BC Hydro will implement the recommendations of the June 2011 Panel Review of BC Hydro and continue to provide progress reports to the Shareholder on its implementation.	BC Hydro has committed to implementing all of the Panel's recommendations and will be providing regular progress reports to the Shareholder.
Work in collaboration with the Shareholder to ensure that adequate supplies of electricity are available to support new investments in liquefied natural gas and mines, consistent with Canada Starts Here: The BC Jobs Plan.	BC Hydro will work with the Shareholder to ensure an adequate and reliable source of electricity for new investments in liquefied natural gas and mines.
BC Hydro will advance Site C through the environmental assessment process, including consultation and input by the public, Aboriginal groups, communities, property owners and stakeholders. BC Hydro led consultations for Site C will be coordinated with other Natural Resource Sector consultations being undertaken by the Shareholder.	The Site C Clean Energy Project is in the early stages of a harmonized environmental assessment process by federal and provincial regulatory agencies, which includes a joint review panel. The environmental assessment for Site C will be thorough and independent. In addition, there will be multiple opportunities for timely and meaningful consultation and input by the public, Aboriginal groups, communities, property owners and stakeholders.
BC Hydro will complete the Integrated Resource Plan, meeting the newly legislated timeline.	BC Hydro will file the Final Draft Integrated Resource Plan submission with government December 2012.
BC Hydro will implement the capital projects necessary to address aging infrastructure as outlined in its Service Plan, subject to any necessary modifications to meet the requirements of the BC Hydro Review Panel Report and BC Hydro's Integrated Resource Plan.	BC Hydro is continuing to reinvest in aging infrastructure while incorporating necessary modifications to the capital projects plan to meet the requirements of the BC Hydro Review Panel Report and BC Hydro's Integrated Resource Plan.
Deliver value for British Columbia and maintain competitive rates by efficiently and responsibly managing the business.	BC Hydro continues to review all cost structures with a view to realizing cost savings for ratepayers. The Revenue Requirements process also ensures that our cost structures are reviewed on a regular basis for efficiencies.



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BC hydro REGENERATION

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