

| | |
|--|--------------------------|
| Haisla Nation Information Request No. 1.1.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

1.0 Re: Exhibit B-5-1, Section 5.7.1, p. 5-26, line 6-9

“BCTC is responsible for planning, operating, managing and maintaining the transmission system. BC Hydro, however, continues to own the transmission system and continues to be responsible for First Nations’ relationships and property rights with respect to the transmission system.”

- 1.1.0 Please describe who bears the costs allocated to First Nations’ relationships and property rights with respect to the transmission system. Please also describe how the amount allocated to First Nations’ relationships and property rights is established.

RESPONSE:

Please refer to the response to Haisla IR 1.2.0.

| | |
|--|---------------------------|
| Haisla Nation Information Request No. 1.2.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

2.0 Re: Exhibit B-5-1, Section 5.7.2, p. 5-26, line 21-, p. 5-27, line 1-2

“BCTC independently operates the transmission system and provides transmission services to customers through its Open Access Transmission Tariff (OATT) which is, in part, designed to recover BC Hydro’s costs of owning the transmission system and administering property rights and First Nations issues relating to the transmission system. BC Hydro has ongoing responsibility for these costs, also referred to as the BC Hydro Owner’s Revenue Requirement (ORR), and BCTC incorporates the ORR in the total Transmission Revenue Requirement (TRR). BCTC then applies to the BCUC for approval of the TRR.”

1.2.0 Please describe in greater detail the relationship between BC Hydro’s costs for property rights and First Nations issues and BCTC’s operation and management of the transmission system, along with the apportionment of costs to BCTC’s responsibilities for property rights and First Nations issues and how these costs are recovered through BC Hydro and/or BCTC’s rates.

RESPONSE:

The ARN and Properties departments incur costs for maintaining the relationship between BC Hydro and First Nations and transmission property rights with respect to the transmission system (see the Asset Management and Maintenance Agreement, Article 5 and Article 6 respectively). An allocation of these costs for ARN and Properties (\$0.5 million per annum and \$4.2 million per annum respectively for First Nations and property rights) is charged into BC Hydro Owner’s Revenue Requirement amount in the Transmission Revenue Requirement which is recovered through rates approved by the BCUC for recovery by BCTC.

BCTC is responsible for preparing an application to the BCUC for approval of the BCTC Revenue Requirement, the BC Hydro Owner’s Revenue Requirement and the Asset Management/ Maintenance Revenue Requirement, which in total make up the Transmission Revenue Requirement.

| | |
|---|--------------------------|
| Haisla Nation Information Request No. 1.3.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

3.0 Re: Exhibit B-5-1, Section 5.7.2, p. 5-31, Table 5-11

This table sets out the Operating Costs Going to Transmission, and includes amounts for First Nations Community Development Fund, Properties, and Aboriginal Relations and Negotiations.

1.3.0 Please describe in greater detail the relationship between BC Hydro's costs for property rights and First Nations issues and BCTC's operation and management of the transmission system, along with the apportionment of costs to BCTC's responsibilities for property rights and First Nations issues and how these costs are recovered through BC Hydro and/or BCTC's rates.

RESPONSE:

Please refer to the response to Haisla IR 1.2.0.

| | |
|---|---------------------------|
| Haisla Nation Information Request No. 1.4.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

4.0 Re: Exhibit B-5-1, Section 6. 1, p. 6-3, Table 6-1

This table sets out the Corporate Operating Costs and FTEs, and includes an amount for Aboriginal Relations and Negotiations. The planned amounts for 2007 and 2008 show a significant increase over 2006 amounts.

1.4.0 Does this increase include amounts to improve BC Hydro's relationship with First Nations across the Province, including the Haisla Nation? If not, what aspect of aboriginal relations and negotiations is this increase intended for?

RESPONSE:

Yes, the budget for ARN was increased for 2007 and 2008 with particular emphasis on building relationships with First Nations. The increased funding is not designated for improving relationships with specific First Nations.

| | |
|---|--------------------------|
| Haisla Nation Information Request No. 1.5.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

5.0 Re: Exhibit B-5-1, Section 6.5.1, p. 6-22, line 3-6

“Legal Services, through internal and external counsel, provides comprehensive legal advice and representation to all parts of BC Hydro’s business in such areas as rates and regulatory matters, commercial transactions, First Nations issues and major civil claims by and against BC Hydro.”

1.5.0 Please indicate who the external legal advisors are.

RESPONSE:

BC Hydro anticipates obtaining legal advice in F2007 and F2008 from a number of firms in Vancouver, and for some matters, from outside Vancouver. The major firms in Vancouver are Borden Ladner Gervais, Lawson Lundell, Dickson Murray, Singleton Urquhart, Farris Vaughn, Fasken Martineau, Gowlings, and Ogilvy.

| | |
|---|--------------------------|
| Haisla Nation Information Request No. 1.6.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

6.0 Re: Exhibit B-5-1, Section 6.5.1, p. 6-22, line 21, p. 6-23, line 1-3

“Legal Services is experiencing increased needs and resulting costs for legal services in the areas of First Nations, regulatory, competitive procurement (both energy and otherwise), and in formation technology while demand for legal services continues in all other areas.”

1.6.0 Please describe and explain the increased needs and costs relating to legal services for First Nations issues.

RESPONSE:

As the courts continue to clarify the obligations of the Crown to First Nations, BC Hydro’s legal needs and costs in relation to obtaining regulatory approvals and sustaining BC Hydro’s long term business interests require increased engagement with First Nations. BC Hydro is in consultation with a number of First Nations in relation to capital projects, including generating facilities and transmission lines. BC Hydro is also engaged in litigation settlement negotiations and historical grievance negotiations. As a number of First Nations advance through the AIP and Final Agreement stages in treaty negotiations, BC Hydro has required increasing legal support in identifying BC Hydro interests potentially affected by treaties.

| | |
|--|--------------------------|
| Haisla Nation Information Request No. 1.7.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

7.0 Re: Exhibit B-5-1, Section 6.5.2, p. 6-24, line 16

“One FTE is required to support First Nation Treaty related work.”

1.7.0 Please describe BC Hydro’s Treaty related work and to what extent BC Hydro becomes involved in Treaty negotiations with First Nations.

RESPONSE:

The Provincial Government represents BC Hydro’s interests in treaty negotiations. BC Hydro supports treaty negotiations through its participation from time to time in the various Provincial Treaty Caucus Committees.

BC Hydro’s interests in treaty negotiations are to ensure treaties provide appropriate rights and tenures on treaty lands which include:

- **tenures for existing BC Hydro infrastructure and for replacement of infrastructure;**
- **rights of access for maintenance of BC Hydro infrastructure and for danger tree clearing; and**
- **future expansion of BC Hydro infrastructure.**

| | |
|---|---------------------------|
| Haisla Nation Information Request No. 1.8.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

8.0 Re: Exhibit B-5-1, Section 6.5.2, p. 6-25, line 11, 17-18

“Properties’ provides leadership, governance and services to ensure: ...

•Relations with First Nations are respectful and mutually beneficial encouraging appropriate resolutions of property issues in a timely and appropriate manner ...”

1.8.0 Please describe what steps Properties has taken to ensure a respectful and mutually beneficial relationship with the Haisla Nation, including details of time and financial investment.

RESPONSE:

BC Hydro has permits for its distribution facilities on Haisla Nation lands, Henderson’s Ranch 11 (Reserve Number 07629) and Kitamaat 2 (Reserve Number 07620). Properties ensures that any property issues which arise in respect to such facilities are dealt with in a timely and appropriate manner and in accordance with the terms of the applicable permits.

| | |
|--|---------------------------|
| Haisla Nation Information Request No. 1.9.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

9.0 Re: Exhibit B-5-1, Section 6.9.1, p. 6-35, line 19-21

“The Aboriginal Relations and Negotiations (ARN) group is a corporate business unit that provides policy and strategic direction to BC Hydro and BCTC and leads negotiations and consultation.”

1.9.0 Please set out in detail what BC Hydro’s First Nation policies and strategic directions are. To what extent do these incorporate case law on consultation and accommodation? What steps are being taken to address the ongoing infringement of BC Hydro and BCTC operations on Haisla Nation Territory and on the Haisla Nation’s aboriginal rights, including aboriginal title?

RESPONSE:

BC Hydro’s First Nations policy is the Statement of Principles for Relations with Aboriginal People (see attached). Strategic direction to BCTC is set out in the First Nations Protocol Agreement between BC Hydro and BCTC dated April 1, 2005 (please refer to the response to BCUC IR 1.73.0). Decisions in implementing the policies and developing strategies take into consideration case law. BC Hydro does not have the authority to resolve issues pertaining to aboriginal rights and title. Authority for resolution of these issues rests with the First Nation, Canada and the Province. BC Hydro will, however, ensure that both BC Hydro planning and operations consider impacts on aboriginal rights and titles asserted by the Haisla Nation.

BC Hydro received a letter from Donovan & Company on behalf of the Haisla Nation on April 4, 2005 detailing the Haisla Nation’s assertion of unextinguished aboriginal title to their traditional territory and hydroelectric power activities within Haisla Nation territory.

As per BC Hydro’s May 9, 2005 response to Donovan & Company’s correspondence dated April 4, 2005, BC Hydro is prepared to discuss elements of a possible protocol agreement that would establish appropriate protocols for communications and consultation. In this same correspondence, BC Hydro committed to explore ways for Haisla to benefit from BC Hydro and BCTC programs, employment and procurement opportunities. This commitment was reiterated in BC Hydro’s correspondence to the Haisla Nation on July 19, 2005. In more recent correspondence from BC Hydro to Haisla Nation, dated July 6, 2006, BC Hydro reiterated its desire to discuss a protocol agreement with the Haisla.

| | |
|---|--------------------------------|
| Haisla Nation Information Request No. 1.9.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 2 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

**HAISLA IR 1.9.0
Attachment 1**Copyright © 2006 BC Hydro
All rights reserved.**Principles**

BC Hydro uses a principle-based approach to establish mutually beneficial relationships with First Nations. Hydro's Board of Directors has adopted the following Statement of Principles to serve as instructions for staff and management in their day-to-day dealings with First Nations.

Preamble

BC Hydro recognizes that the Aboriginal population of British Columbia has a distinct legal, historical and cultural status, and is committed to working with the Aboriginal population according to the following principles:

[Co-operation](#)
[Communication](#)
[Impact of Hydro Operations](#)
[Resolution of Disputes](#)
[Community and Economic Development](#)
[Employment](#)

Co-operation

BC Hydro respects Aboriginal aspirations to self-government and will, wherever possible, deal with Aboriginal authorities.

BC Hydro will consult, where appropriate, with Aboriginal peoples in the early stages of project, policy and program development, and will seek joint resolution of issues.

Communication

BC Hydro acknowledges that it has much to learn and gain from the diverse cultures of the Aboriginal population of the province. BC Hydro will provide cross-cultural training and support, and guidance to its employees to help them understand and work more effectively with Aboriginal peoples.

BC Hydro will also provide training to Aboriginal groups in order to increase their awareness of Hydro's business purposes, practices and constraints.

BC Hydro commits itself to listening and communicating with its employees and the Aboriginal community about events, issues and other matters of mutual interest.

BC Hydro will consult and co-operate with provincial and federal ministries on Aboriginal matters of mutual interest and concern, as appropriate.

[Top of page](#)

Impact of Hydro Operations

BC Hydro will endeavour to be a good tenant of Aboriginal properties over which its transmission lines pass and lands on which BC Hydro facilities are located, paying fair compensation and maintaining the properties in environmentally responsible ways.

BC Hydro will endeavour to minimize the negative impacts and maximize the positive impacts of existing and future Hydro projects on Aboriginal communities.

[Top of page](#)

Resolution of Disputes

BC Hydro favours negotiation over mediation and mediation over litigation in its efforts to resolve disputes or reach new agreements with bands. It will work with bands towards achieving negotiated relationships based on mutual respect and trust, open and frank sharing of information and ideas, and determination to reach settlements, which are of mutual benefit to bands and BC Hydro.

BC Hydro will move in a timely and orderly fashion to correct permit deficiencies and resolve grievances. Where third parties (such as Provincial ministries or Indian and Northern Affairs Canada) need to be involved, Hydro may seek direction from the Province and/or may seek to establish multi-party resolution processes.

[Top of page](#)

Community and Economic Development

As part of planning for new projects, BC Hydro will encourage Aboriginal peoples to take advantage of economic, social and other opportunities the new projects may present.

Through means such as contracting opportunities, workshops, local procurement policies, and promoting business networking, Hydro will support the development and viability of Aboriginal contractors who can provide goods and services to Hydro.

In response to the many changes and developments within Aboriginal communities and of the pending land claims settlement, BC Hydro is open to participating in innovative initiatives such as joint stewardship proposals for resource use planning.

[Top of page](#)

Employment

BC Hydro will co-operate with Aboriginal peoples and educational institutions to develop initiatives that support Aboriginal peoples in acquiring knowledge and skills that will prepare them for employment with BC Hydro and its subsidiaries.

BC Hydro will develop employment equity programs with a goal of increasing Aboriginal representation in the Hydro workforce to a level proportional to their working population in B.C.

Last Modified: September 28, 2005

| | |
|--|---------------------------|
| Haisla Nation Information Request No. 1.10.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

10.0 Re: Exhibit B-5-1, Section 6.9.2, p. 6-36, line 9-11

“Building better relations with First Nations is essential to BC Hydro’s and BCTC’s abilities to build and upgrade new generation and transmission facilities and access and operate existing and future facilities.”

1.10.0 Please describe the steps taken by BC Hydro to build better relationships with the Haisla Nation, in whose territory BC Hydro owns and BCTC operates and manages extensive transmission assets, but in whose territory no major new projects are currently under way, including details of time and financial investment, meetings held, and agreements or protocols concluded.

RESPONSE:

BC Hydro has had discussions with Haisla Nation between March 2000 and September 2005 on the following topics:

- **Service reliability of power delivered to Haisla;**
- **Lack of three-phase power in Haisla;**
- **BC Hydro absorption of the costs associated with three-phase power;**
- **Business development;**
- **BC Hydro’s Community Development Fund;**
- **Existing BC Hydro transmission lines on Haisla Nation asserted traditional territory;**
- **BC Hydro’s participation in the Haisla “KitamaaX” Business & Natural Resources Expo & Conference; and**
- **Economic Development.**

| | |
|--|--------------------------|
| Haisla Nation Information Request No. 1.11.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

11.0 Re: Exhibit B-5-1, Section 6.9.2, p. 6-37, line 1-6

“Sustainable First Nations relationships need to be maintained in a variety of ways. The longterm First Nations strategy has multi-year resources committed to support the initiatives over a 20-year period, building on BC Hydro’s long-established Principles for Relations with Aboriginal People. It is designed to be proactive, so that potentially costly delays and unforeseen expenses that might occur later, in operations or capital improvements, are avoided.”

1.11.0 Please describe the steps taken by BC Hydro to build a better relationship with the Haisla Nation in the long term.

RESPONSE:

Please refer to the response to Haisla IR 1.10.0.

| | |
|--|--------------------------|
| Haisla Nation Information Request No. 1.12.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

12.0 Re: Exhibit B-5-1, Section 6.9.3, p. 6-37, line 20-23

“BC Hydro’s goal is to establish relationships with First Nations built on mutual respect and that appropriately reflect the interests of First Nations. Aboriginal interests in land and resources where BC Hydro facilities and operations are located have to be reconciled in a timely and cost-effective way with increasing electricity demand in the province.”

1.12.0 Please describe the steps taken by BC Hydro to reconcile BC Hydro and BCTC’s operations with Haisla Nation aboriginal rights, including aboriginal title.

RESPONSE:

Please refer to the response to Haisla IR 1.9.0 with regard to the Crown’s responsibility and authority to reconcile aboriginal rights and title.

| | |
|--|--------------------------|
| Haisla Nation Information Request No. 1.13.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

13.0 Re: Exhibit B-5-1, Section 6.9.3, p. 6-38, line 5-9

“ Consultation and Accommodation Policies and Strategies: This component of the strategy is designed to both meet the legal obligations of BC Hydro to consult and, where appropriate, to accommodate First Nations interests and to undertake proactive approaches that bring long-term business certainty to BC Hydro.”

1.13.0 Please describe the proactive approaches that BC Hydro is taking with the Haisla Nation.

RESPONSE:

Please refer to the response to Haisla IR 1.9.0.

| | |
|--|--------------------------|
| Haisla Nation Information Request No. 1.14.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

14.0 Re: Exhibit B-5-1, Section 6.9.3, p. 6-38, line 5-9

“Addressing Past Grievances with First Nations: BC Hydro faces a range of risks due to unresolved issues with First Nations across the Province. Increasingly First Nations are insisting that past grievances be resolved before they will discuss new projects. The long term strategy will be to resolve all valid grievances with First Nations either through the treaty negotiation process or other contractual arrangements with First Nations.”

- 1.14.0 Please explain why BC Hydro has failed to address the Haisla Nation’s past grievances in relation to the transmission assets located in Haisla Nation Territory. Further, what system or process does BC Hydro have in place to assess the validity of grievances and to determine the method for addressing these grievances?

RESPONSE:

Please refer to the response to Haisla IR 1.9.0.

Please refer to the response to BCUC IR 1.19.3 from the F05/F06 RRA process for more information on BC Hydro’s process for addressing grievances (attached).

| | |
|--|-----------|
| British Columbia Utilities Commission Information Request No. 1.19.3 Dated: 23 January 2004 British Columbia Hydro & Power Authority Response issued 20 February 2004 | Page 1 |
| British Columbia Hydro & Power Authority Revenue Requirements Application 2004/05 and 2005/06 | |

19.0 Reference: Application, Volume 1, Chapter 5, Section 9, p. 5-45


- 19.3 For each category of capital expenditures on First Nations Negotiations, please clarify if the expenditure is in response to a legislative or regulatory requirement, a Provincial government policy or a BC Hydro policy. Where expenditures are in response to BC Hydro policies, please explain why the expenditures are required.

RESPONSE:

BC Hydro does not have a specific policy related to settling grievances with First Nations. However, BC Hydro's current Risk Management policy, which is attached, supports the mitigation of significant financial losses or business disruptions, where it is economic to do so. The decision to pursue these expenditures is driven by business interests related to the potential costs of settling such claims weighed against the risk of a court-ordered settlement, in addition to the long-term business need for mutually beneficial relationships with specific First Nations. BC Hydro's interactions with First Nations are guided by the "Statement of Principles for Relations with Aboriginal People", which is attached.

When grievance claims of this nature arise, BC Hydro undergoes an analysis of the claims' merits. Once the merits of a claim are established, a risk analysis of the potential settlement costs relative to the legal risk of going through the courts is undertaken. In addition, dialogue with the Province is established to ensure there is mutual understanding of both BC Hydro's interests and wider provincial interests. This dialogue usually continues through various stages of the negotiation. Where the likelihood of merit exists and the legal risk has been identified, BC Hydro will enter into a grievance negotiation process that may ultimately lead to settlement. Much of the interest-based negotiation process is about determining the specifics of harm in the claim and to what extent the corporation can be held responsible for some, or all, of it. The expenditures in question here related to that process.

C O R P O R A T E P O L I C Y S T A T E M E N T S



Risk Management Policy

Issue Date: 12 May 1998
Revision: 1 (6 December, 1999)

Policy:

BC Hydro is committed to managing normal business and operational risks on an economic basis and will mitigate the chance of catastrophic losses to tolerable risk levels. The corporation will establish tolerable risk levels for catastrophic losses, risk evaluation criteria, and effective control mechanisms.

The Board of Directors is accountable for the risks associated with the utilization of the Corporation's assets. To ensure responsive and efficient operations, the Board delegates authority for risk management to the Corporate Management Committee and Director of Dam Safety.

Your Role in Fulfilling This Policy:

Employees are responsible for taking actions so that balance is achieved between risk reduction and the cost of reducing risk. Employees executing contracts or other agreements with external parties are responsible for applying risk management techniques to mitigate significant financial losses or business disruptions, where it is economic to do so.

Policy Application:

In an increasingly competitive marketplace that changes almost daily, BC Hydro will likely encounter increased risks in its operations. Moreover, these risks will probably range from those that can be readily absorbed by the corporation to those involving catastrophic losses that could adversely impact the economies of British Columbia, neighboring provinces, states and Canada. Where the expected net benefits of taking these risks are positive, these risks should be accepted. However, in applying this policy, each Strategic Business Unit should establish risk management procedures that identify whether a risk must be reduced to tolerable levels or whether it is to be accepted or mitigated on an economic basis.

Risk management includes not only trade-offs in reducing or transferring risk and the resulting cost of such risk reduction, but also the determination of the reward that justifies the acceptance of risk. The process is on-going and includes:

- identifying the value of taking the risk,
- identifying exposures such as public liability, employee safety and health, legal and regulatory, financial, environmental, and project management,
- estimating the impact of the exposure,
- establishing tolerable risk levels,

- estimating the probability of loss,
- estimating the cost of risk control and the value of risk reduction,
- establishing appropriate risk control techniques, such as exposure avoidance, loss prevention, loss reduction, contractual transfer, insurance or financial instruments, and
- monitoring and improving the risk management controls.

Key Definitions:

Economic: Careful, efficient and prudent use of resources.

Risk: The likelihood and severity of an event or action that will adversely affect BC Hydro's ability to achieve its business objectives and execute its strategies successfully.

Statement of Principles for Relations with Aboriginal People

BC Hydro uses a principle-based approach to establish mutually beneficial relationships with First Nations. Hydro's Board of Directors has adopted the following Statement of Principles to serve as instructions for staff and management in their day-to-day dealings with First Nations.

Preamble

BC Hydro recognizes that the Aboriginal population of British Columbia has a distinct legal, historical and cultural status and is committed to working with the Aboriginal population according to the following principles.

Co-operation

1. BC Hydro respects Aboriginal aspirations to self-government and will, wherever possible, deal with Aboriginal authorities.
2. BC Hydro will consult, where appropriate, with Aboriginal people in the early stages of project, policy and program development and will seek joint resolution of issues.

Communication

3. BC Hydro acknowledges that it has much to learn and gain from the diverse cultures of the Aboriginal population of the province. BC Hydro will provide cross-cultural training and support and guidance to its employees to help them understand and work more effectively with Aboriginal people.
4. BC Hydro will also provide training to Aboriginal groups in order to increase their awareness of Hydro's business purposes, practices and constraints.
5. BC Hydro commits itself to listening and communicating with its employees and the Aboriginal community about events, issues and other matters of mutual interest.
6. BC Hydro will consult and co-operate with provincial and federal ministries on Aboriginal matters of mutual interest and concern as appropriate.

Impact of Hydro Operations

7. BC Hydro will endeavour to be a good tenant of aboriginal properties over which its transmission lines pass and on which other Hydro facilities are located, paying fair compensation and maintaining the properties in environmentally responsible ways.
8. BC Hydro will endeavour to minimize the negative impacts and maximize the positive impacts of existing and future Hydro projects on Aboriginal communities.

Resolution of Disputes

9. BC Hydro will favour negotiation over mediation and mediation over litigation in its efforts to resolve disputes or reach new agreements with bands. It will work with bands towards achieving negotiating relationships based on mutual respect and trust, open and frank sharing of information and ideas, and determination to reach settlements which are of mutual benefit to bands and Hydro.
10. BC Hydro will move in a timely and orderly fashion to correct permit deficiencies and resolve grievances. Where third parties, such as Provincial ministries or Indian and

Northern Affairs Canada need to be involved, Hydro may seek direction from the Province and/or may seek to establish multi-party resolution processes.

Community and Economic Development

11. As part of the planning for new projects, Hydro will encourage Aboriginals to take advantage of any economic, social and other opportunities the new projects may present.
12. Through such means and contracting opportunities workshops, local procurement policies and promoting business networking, Hydro will support the development and viability of Aboriginal contractors who can provide goods and services to Hydro.
13. In response to the many changes and development within Aboriginal communities and of the pending land claims settlement, BC Hydro will be open to participating in innovative initiatives such as joint stewardship proposals for resource use planning.

Employment

14. BC Hydro will co-operate with Aboriginal peoples and educational institutions in the development of initiatives to support the attainment of knowledge and skills that will prepare Aboriginal people for employment with BC Hydro and its subsidiaries.
15. BC Hydro will develop employment equity programs with a goal of increasing Aboriginal representation in the Hydro workforce to a level proportional to their working population in B.C.

| | |
|---|---------------------------|
| Haisla Nation Information Request No. 1.15.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

15.0 Re: Exhibit B-5-1, Section 6.9.3, p. 6-38, line 26-29, p. 6-39, line 1-2

“ Implementation of the Master Agreement with BCTC: As the owner of the transmission assets, BC Hydro retains the responsibility for managing First Nation issues related to the transmission system. ARN is responsible for undertaking consultation and negotiations related to the planning, operations and growth of the transmission system. A strong working relationship with BCTC ensures that BC Hydro effectively manages First Nations issues.”

1.15.0 Please describe any directives BC Hydro gives to BCTC in relation to management of First Nations issues.

RESPONSE:

The First Nations Protocol Agreement entered into by BC Hydro and BCTC on April 1, 2005 outlines the roles and responsibilities of BC Hydro and BCTC with respect to the management of First Nations issues (attached to the response to BCUC IR 1.73.0). Direction is provided to BCTC in BC Hydro’s policy *Statement of Principles for Relations with Aboriginal People* (attached to the response to Haisla IR 1.9.0).

| | |
|--|--------------------------|
| Haisla Nation Information Request No. 1.16.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

16.0 Re: Exhibit B-5-1, Section 7.3, p. 7-3, line 22-23

“•Maintaining and building trust with First Nations and key stakeholders, with the support of corporate business units such as CC&PA and ARN.”

- 1.16.0 Please describe the relationship between BC Hydro’s costs of maintaining and building trust with First Nations and the budgets for CC&PA and ARN.

RESPONSE:

While ARN has accountability and maintains the budget for relationship building with First Nations, its expenditures are flowed through Generation or BCTC. CC&PA works with ARN when required but does not have any budget or primary accountability for this work. Please also refer to the response to Haisla IR 1.18.0.

| | |
|--|--------------------------|
| Haisla Nation Information Request No. 1.17.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

17.0 Re: Exhibit B-5-1, Section 7.3.2.2, p. 7-6, line 3-7

“ BC Hydro is facing legal and other challenges to its existing operations and development of future projects because they are located in First Nations’ traditional territories. Building better relationships with First Nations is essential to BC Hydro’s ability to develop new generation and transmission facilities and to access and operate existing and future facilities.”

1.17.0 Please describe the steps taken by BC Hydro to address legal and other challenges to its existing operations and development of future projects in the traditional territory of the Haisla Nation.

RESPONSE:

Please refer to the response to Haisla IR 1.9.0.

There are not currently any plans for the development of future projects in the asserted traditional territory of the Haisla Nation.

| | |
|--|--------------------------|
| Haisla Nation Information Request No. 1.18.0 Dated: July 5, 2006 British Columbia Hydro & Power Authority Response issued July 26, 2006 | Page 1 |
| British Columbia Hydro & Power Authority BC Hydro F07/F08 Revenue Requirements Application | Exhibit: B-11 |

18.0 Re: Exhibit B-5-1, Section 7.3.3, p. 7-7, line 7-10

“The ARN business unit activities are discussed in section 6.9. An allocation to Generation of ARN’s operating costs is included in Corporate Allocations, and an allocation of its capital program is included in the Generation capital plan.”

1.18.0 Please itemize BC Hydro’s ARN budget, including the portions allocated to individual business units, as well as the portion allocated to BCTC as part of the Asset Maintenance and Management fee.

RESPONSE:

**Aboriginal Relations & Negotiations
Department
Resource Budget**

| (\$ million) | F2007 Plan | F2008 Plan |
|---|---------------|---------------|
| Labour | 1.4 | 1.5 |
| Materials | 0.0 | 0.0 |
| External Services | | |
| Consultants and Outside Services | 0.7 | 0.9 |
| Donations | 0.4 | 0.4 |
| ABSU | 0.1 | 0.1 |
| Other | 0.0 | 0.1 |
| | 2.6 | 3.0 |
| Allocation to Generation | 2.1 | 2.5 |
| Allocation to BCTC | 0.5 | 0.5 |
| | 2.6 | 3.0 |