



**GOVERNMENT'S LETTER OF EXPECTATIONS**

**BETWEEN**

**THE MINISTER OF ENERGY AND MINES AND MINISTER RESPONSIBLE FOR CORE REVIEW  
(AS REPRESENTATIVE OF THE GOVERNMENT OF BRITISH COLUMBIA)**

**AND**

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

**FOR 2014/15**

**PURPOSE**

This Letter of Expectations (the Letter) provides Government's annual direction to BC Hydro and is an agreement on the parties' respective accountabilities, roles, and responsibilities. The Letter confirms BC Hydro's mandate and priority actions, articulates the key performance expectations as documented in the Government's Expectations Manual for British Columbia Crown Agencies<sup>1</sup>, and forms the basis for the development of BC Hydro's Service Plan and Annual Service Plan Report. The Letter does not create any legal or binding obligations on the parties. It is intended to create an opportunity for dialogue between the parties and to support an open, positive and co-operative working relationship, resulting in the achievement of government's policy and performance expectations in a transparent and accountable manner.

**CORPORATION ACCOUNTABILITIES - MANDATE**

Government has provided the following mandate direction to BC Hydro under the *Hydro and Power Authority Act*:

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<sup>1</sup> The Province of British Columbia's Crown Agency Accountability System (<http://www.gov.bc.ca/caro/publications/index.html>) establishes guiding principles for the governance of Crown corporations. The *Government's Expectations for British Columbia Crown Agencies* provides for a Government's Letter of Expectations (Letter) to be developed.

- Pursuant to the *Hydro and Power Authority Act*, BC Hydro's mandate includes the generation, transmission, distribution and supply of power subject to the regulatory oversight of the BC Utilities Commission pursuant to the *Utilities Commission Act*.
- BC Hydro's vision is to power B.C. with clean, reliable electricity for generations to come.
- This vision will be achieved by focussing on six strategic objectives, as outlined in BC Hydro's Service Plan. These objectives are Safely Keep the Lights On, Succeed Through Relationships, Mind Our Footprint, Foster Economic Development, Maintain Competitive Rates and Engage a Safe and Empowered Team.
- For those Crown corporations that are commercial entities, they are expected to earn positive returns for their shareholders, the people of British Columbia.

### **SPECIFIC CORPORATION ACCOUNTABILITIES**

To achieve this mandate, BC Hydro is directed to take the following specific actions:

- Work to implement the revised Integrated Resource Plan if approved by the Government.
- Continue to develop the Site C project and support it through the environmental assessment review process to final decision in fall 2014.
- Deliver value and maintain competitive rates by efficiently and responsibly managing the business.
- Minimize rate increases to consumers and industry while continuing to replace and build hydroelectric and transmission infrastructure, including: installation of the Mica Generating Station Unit 5 and Unit 6, Dawson Creek/Chetwynd Area Transmission (DCAT) Project, Interior to Lower Mainland Transmission Project, and the Hugh Keenleyside Dam Spillway Gate Improvements; all projects with 2014-15 target completion dates.
- Work with Columbia Power Corporation to report to Government on the progress of the Columbia Power Corporation/ BC Hydro Joint Development Committee including providing timetables and a budget of proposed activities.

### **GENERAL CORPORATION ACCOUNTABILITIES**

Over the past decades, British Columbians have come to expect high quality products and services delivered by their Crown corporations. The Province is well served by our Crown corporations and it is up to the Boards and Senior Management teams of these organizations to manage in the best interests of the Province and our citizens and conduct its affairs with the principles of integrity, efficiency, effectiveness, and customer service.

As a Crown corporation, it is critical that the operations of the entity be done as efficiently as possible, in order to ensure families are provided with services at the lowest cost possible.

Government sets broad policy direction to ensure the Corporation's operation and performance is consistent with the Government's Strategic Plan, found at: [http://www.bcbudget.gov.bc.ca/2013 June Update/stplan/2013 June Strategic Plan.pdf](http://www.bcbudget.gov.bc.ca/2013_June_Update/stplan/2013_June_Strategic_Plan.pdf)

and as such, BC Hydro will:

- Ensure that its priorities reflect Government's priorities of:
  - Strong Economy**  
A government that supports our economy by controlling spending to balance the budget, keeping taxes and government debt affordable and protecting B.C.'s hard-earned triple-A credit rating.
  - Jobs**  
A government that is focused on job creation and investment in the province.
  - Families**  
A government that works continuously to improve social programs that support families of every description, and improve the lives of British Columbians.
- Comply with Crown Agency Accountability System guidelines, policy, due dates and best practices, as set out from time to time and as applicable to BC Hydro, found at <http://www.gov.bc.ca/caro/publications/index.html> including the Information and Events Calendar for commercial and service delivery Crown corporations, Government's Expectations Manual for British Columbia Crown Agencies and the Best Practices Guideline & Disclosure Requirements for Governing Boards of British Columbia Sector Organizations.
- Comply with all legislation and policies applicable to BC Hydro including but not limited to:
  - The executive compensation policies for Crown corporations. Found at: [http://www.fin.gov.bc.ca/psec/disclosedocs/crown corporation executive compensation\\_july\\_2012.pdf](http://www.fin.gov.bc.ca/psec/disclosedocs/crown_corporation_executive_compensation_july_2012.pdf);
  - Ensure Government is advised in advance of the release of any information requests by BC Hydro under the *Freedom of Information and Protection of Privacy Act*;
  - Government's requirements to be carbon neutral under the *Greenhouse Gas Reduction Targets Act*.
- Follow the spirit and intent of the financial policy requirements in the Ministry of Finance Core Policy and Procedures Manual found at: <http://www.fin.gov.bc.ca/ocg/fmb/manuals/CPM/CPMtoc.htm>
- Participate in Government's Core and Crown reviews, which may include the review of Crown mandates, and implement the recommendations of these reviews.
- Ensure that any planned deficit spending or use of the retained earnings is approved in advance by Treasury Board.

- Inform Government immediately if BC Hydro is unable to meet the performance and financial targets identified in its Service Plan.

## **GOVERNMENT RESPONSIBILITIES**

Specific to BC Hydro, Government will:

- Review progress reports on BC Hydro's implementation of its revised Integrated Resource Plan.
- Provide support on Impact Benefit Agreements with First Nations that would be affected by Site C, and on other issues related to Site C as needed.
- Continue work on implementing the recommendations of the Review of BC Hydro, including that the Province: review the methodology to allocate costs among customer classes to ensure that it supports government priorities and objectives for rates; and ensure rate structures are designed to achieve priority Provincial objectives, including requiring the BC Utilities Commission to confirm this as part of their review of the new rate structures.
- Address any policy issues that arise from energy development and procurement needed to support LNG or other industrial facilities.
- Review progress reports from the Columbia Power Corporation/ BC Hydro Joint Development Committee

During the term of this Letter, Government may provide further policy direction to the Ministry of Energy and Mines who will communicate any such direction, including implementation expectations, to BC Hydro as decisions are made.

## **AREAS OF SHARED ACCOUNTABILITY**

Government and BC Hydro are committed to transparency and accountability to the public and have planning, reporting and disclosure requirements in the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, and/or the *Financial Information Act*.

On a quarterly basis, the Minister Responsible, Honourable Bill Bennett, the Deputy Minister, Dave Nikolejsin, the Board Chair, Stephen Bellringer, and the Chief Executive Officer, Charles Reid, will meet to discuss relevant and current BC Hydro business. The meeting will be to review the achievement of the goals, objectives, performance measures, financial targets and risk assessments identified in BC Hydro's Service Plan.

The parties agree that each will advise the other in a timely manner of any issues that may materially affect the business of BC Hydro and/or the interests of Government, including information on any risks to achieving financial forecasts and performance targets.

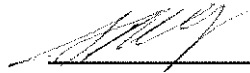
BC Hydro and the Crown Agencies Resource Office will post the most recent signed copy of the Government's Letter of Expectations on their respective websites.

**REVIEW AND REVISION OF THIS LETTER**

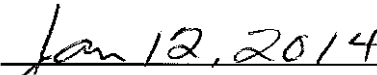
The Minister of Energy and Mines is accountable for undertaking reviews of this Letter and monitoring its implementation. Government and BC Hydro may agree to amend this Letter on a more frequent than annual basis.



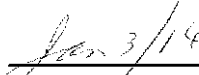
Honourable Bill Bennett  
Minister of Energy and Mines  
and Minister Responsible for Core Review



Stephen Bellringer,  
Chair, BC Hydro



Date



Date

cc. Honourable Christy Clark  
Premier

John Dyble  
Deputy Minister to the Premier and Cabinet Secretary

Peter Milburn  
Deputy Minister and Secretary to Treasury Board  
Ministry of Finance

Cheryl Wenezenki-Yolland  
Associate Deputy Minister  
Ministry of Finance

Dave Nikolejsin  
Deputy Minister  
Ministry of Energy and Mines

Charles Reid  
Chief Executive Officer  
BC Hydro