



Annual Report 2010

April 1, 2009 – March 31, 2010



BRITISH
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BC Transmission
CORPORATION

Building Connections

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A note on fiscal year references: BCTC's fiscal year ends on 31 March. The fiscal year ending 31 March 2010 is abbreviated F2010. When space limitations require a shorter abbreviation, the number of the year in which the fiscal year ends is used. Thus, F10 refers to the fiscal year ending 31 March 2010. Year references without a fiscal denotation refer to the calendar year (e.g. "2010" refers to 1 January 2010 to 31 December 2010).

About BC Transmission Corporation

British Columbia is uniquely positioned to become a North American leader in clean energy and technology development. Achieving this vision will foster economic development and create jobs across every region of the province and will help British Columbia meet its commitment to reduce greenhouse gas emissions.

BC Transmission Corporation (BCTC) is the Crown corporation responsible for managing the province's publicly owned electrical transmission system. Transmission is the enabling link that helps integrate clean, renewable technologies into the electricity system. On June 3, 2010, the Province of British Columbia ("the Province") signed into law its *Clean Energy Act* ("the Act"), a key component of which involves the merging of BCTC and BC Hydro. Going forward, the integrated company will include responsibility for all roles and responsibilities previously held by BCTC.

Since May 2003, BCTC has been responsible for:

- **Planning:** planning the Province's transmission system to ensure the needs of British Columbians are met, today and in the future.
- **Building:** effectively advancing new transmission infrastructure development to serve the electricity needs of British Columbians.
- **Operating:** ensuring the reliable transmission of electricity – including real-time operation of the system and the scheduling of all power transactions.
- **Maintaining:** keeping the transmission system safe and reliable; managing vegetation surrounding the 18,600 kilometres (km) of infrastructure; and finding innovative solutions to extend the life of Province's existing transmission assets.

Did you Know?

- The provincial transmission system delivers more than 50,000 gigawatt hours (GWh) of energy to about 400 delivery hubs throughout British Columbia.
- BCTC receives power from nearly 60 generating stations across British Columbia, and through interconnections with Alberta and the US.
- The Province's transmission system is part of the Western North American electrical grid interconnection, which provides more than 800,000 GWh of energy to its markets.
- Most of British Columbia's electricity comes from facilities in the Northern and Southern Interior of British Columbia while 80 percent of the electricity demand comes from the Lower Mainland and Vancouver Island.
- The Province's electrical transmission system is the second largest in the Pacific Northwest and is made up of an extensive network that includes:
 - 18,600 km of transmission lines and underwater submarine cables;
 - 22,000 steel towers and 100,000 wood structures;
 - 300 substations; and
 - A state-of-the-art system control centre and backup facility.

More information about the Province's bulk and regional electrical transmission system, including maps, is online at www.bctc.com/transmission_system/

BCTC's Years of Achievement

Since May 2003, BCTC has operated and maintained one of the most complex and geographically diverse electricity grids in North America. While keeping the lights on, BCTC has planned and constructed major transmission infrastructure expansions and introduced innovative new technologies and services to the British Columbia electricity sector. Some examples of BCTC's accomplishments over the past several years include:

- Connecting 485 megawatts (MW) of green and renewable electricity generating capacity to the grid in F2010. This represents five percent of the overall capacity of the Province's transmission system.
- Winning a 2010 Edison Electric Institute award – the highest accolade in the electric power industry - for LineScout™, line inspection robotic technology developed in partnership with Hydro-Québec.
- Expanding BCTC's 10-year capital plan to \$5.8 billion, with \$2.2 billion in projects underway today. Since beginning operation, BCTC has invested approximately \$2.1 billion in the Province's transmission system.
- Supporting the Province in pursuing the potential for long-term economic expansion in the northeast region of British Columbia, and finding ways to mitigate greenhouse gas (GHG) emissions through new transmission expansion and use of renewable, low-carbon electricity.
- Advancing the Northwest Transmission Line (NTL) project, conducting consultation with First Nations, stakeholders and the general public; completing field studies; and filing an Application for an Environmental Assessment Certificate for this important 335 km, 287 kilovolt (kV) new transmission line between Terrace and Bob Quinn Lake.
- Placing into service the Vancouver Island Transmission Reinforcement project that will help to ensure a reliable supply of power for more than 700,000 residents and the businesses on Vancouver Island and the southern Gulf Islands.
- Opening a new, state-of-the-art system control centre. This facility allows BCTC operators to control, monitor and operate the Province's complex electricity system. It is also an important example of BCTC's adoption of Smart Grid technology.
- Introducing dynamic scheduling, a valuable service that creates new market opportunities for BCTC's customers by opening access to markets in which they previously were not able to participate.
- Adopting an Open Access Transmission Tariff (OATT) with British Columbia Utilities Commission (BCUC) approval that sets out the terms and conditions by which BCTC conducts business with its customers.

Financial Highlights

<i>(\$ in millions)</i>	F2010	F2009
Income Statement		
Revenues	\$ 235.3	\$ 237.8
Operations, maintenance and administration expenses	211.9	206.7
Net income	7.0	7.1
Capital Expenditures		
Assets owned by BCTC	\$ 12.1	\$ 18.7
Provincially owned transmission assets	302.9	376.1
Balance Sheet		
Total assets	\$ 189.1	\$ 178.0
Debt	73.4	73.5
Shareholder's Equity	58.2	51.3

Message from the Chair

Our province has enormous untapped sources of electricity, offering significant economic and environmental opportunities for British Columbians. The Province's new *Clean Energy Act* (the *Act*), signed into law on June 3, 2010, is the blueprint for unleashing British Columbia's full potential in clean energy, power smart technologies, environmental stewardship and climate action.

A key component of the *Act* involves the merging of BC Transmission Corporation (BCTC) and BC Hydro. BCTC was created in 2003 in response to directions in the industry calling for increased independence of transmission, and the development of regional transmission organizations. However, regional transmission organizations did not develop in the Pacific Northwest as anticipated, and the movement toward greater independence for transmission stalled. The *Act* will bring together BCTC and BC Hydro to move forward together in building British Columbia's clean energy economy. This will be the final annual report from BCTC; the integrated BC Hydro will include responsibility for all roles and responsibilities previously held by BCTC, including planning, building, operating and maintaining the Province's electrical transmission system.

As a unified company, BC Hydro will plan and deliver the clean energy required to meet British Columbia's growing demand for electricity. The transmission system will continue to play a key role in British Columbia's energy future by connecting our wealth of renewable energy sources to the grid. Transmission is about more than connecting electricity; it's about connecting communities to new economic opportunities, individuals to new jobs, and British Columbia to a leadership role in the new, clean energy economy.

Investing in a Future Powered by Clean Energy

Over the past year, BCTC has worked toward the Province's objective to put British Columbia at the forefront of clean energy development. We completed more than 80 interconnection studies for bio-energy and clean power calls during F2010, and placed five generator interconnection projects into service during the year, connecting green and renewable electricity generating capacity of 485 megawatts (MW) to the grid. As part of this effort, we connected the Bear Mountain Wind Farm near Dawson Creek, the province's first wind power project, which contributes 102 MW of renewable energy to the province's electricity supply.

BCTC moved ahead on a number of transmission projects in F2010, as part of more than 400 projects planned over the next decade to

open up regions of British Columbia for new business and enhance the existing grid to make the system more reliable and efficient. In F2010, we advanced the Northwest Transmission Line project, filing the Environmental Assessment application, conducting consultation, and completing field studies for this important new 335 km transmission line between Terrace and Bob Quinn Lake. We have also begun to assess the opportunity to expand the transmission system in British Columbia's northeast to facilitate economic development in that region.

Under the *Act*, the unified BC Hydro will produce an Integrated Resource Plan (IRP) every five years. One component of the IRP is a 30-year vision of BC Hydro's infrastructure and capacity needs for transmission. This vision will include an assessment of the potential for developing electricity generation from clean and renewable resources in British Columbia, by geographic area, over the 30-year period. BCTC initiated development of a long-term vision for the transmission system in F2010, beginning consultation with stakeholders and First Nations to get input into transmission needs and infrastructure requirements, and developing a long-term planning tool to model future scenarios to assist with planning.

Demonstrating Environmental Leadership

Our commitment to green the grid with innovative technologies and the interconnection of clean and renewable power will ensure British Columbia remains an environmental leader in the power industry. We also support the Province's proactive approach to address climate change through our Climate Change Response Plan. In F2010, we filed our first Carbon Neutral Report, which outlined how we are working to reduce direct emissions through the use of low carbon fuels; replacement of greenhouse gas-emitting equipment; energy conservation and efficiency; as well as how we are using renewable and recycled products to achieve reductions in our indirect emissions.

This year, BCTC met its target for reportable environmental incidents, demonstrating commitment to excellence in environmental performance while managing the risks and challenges associated with a changing regulatory framework. More stringent Federal Polychlorinated Biphenyls (PCB) regulations were enacted in September 2009 and, in response to the changes, BCTC conducted an asset condition assessment to mitigate issues related to oil-filled equipment with varying PCB concentrations. We identified actions to mitigate releases, monitor leaks and prioritize equipment for replacement and revised our target to account for an expected temporary increase in reportable incidents while we completed the work.

Focusing on Fiscal Prudence

Prudent management of transmission capital and operating expenditures underpins BCTC's delivery of service to its customers. During a challenging economic period for the province, BCTC continued to demonstrate fiscal responsibility to the Shareholder. Our financial position at the end of F2010 was consistent with our budget for the year. Our transmission services revenue of \$81.0 million is below Plan primarily due to lower volumes in transmission and ancillary services. Expenditures reflected the approved F2010 level. BCTC's net income of \$7.0 million for the year ended March 31, 2010 is consistent with our budgeted net income.

Looking ahead to F2011, BCTC's management closely scrutinized all Operation, Maintenance and Administration (OMA) costs to achieve its goal of managing these costs within F2010 levels, despite the natural cost pressures associated with an increase of nine percent of transmission assets under management and a base of managed assets with an average age of more than 30 years.

Building Lasting Relationships

Connections are at the heart of the transmission system, in terms of electricity and people. Open and transparent consultation and communication helped us achieve a higher level of public acceptance as we upgrade and build transmission infrastructure to meet British Columbia's long-term energy needs. Our comprehensive communication and consultation program helped us to build and strengthen relationships with First Nations, communities, and stakeholders across the province. Last year, we undertook 170 community relations initiatives – a 30 percent increase from the previous year.

BCTC's Performance

For F2010, BCTC met or exceeded targets for five of seven performance measures, exceeding performance expectations in safety, employee engagement and budgeting of capital projects, and meeting targets for both environmental performance and efficient operation of the transmission system.

BCTC did not meet our system reliability target, measured by the amount of time in hours per delivery point that service is interrupted in a year. We achieved a result of 3.00 hours, 0.54 hours or 18 percent above our target. The F2010 result for Critical Commitments Met on Time was 80 percent, missing the target of 87 percent. This capital project schedule measure is based on projects completed in a fiscal year and is calculated based on the actual in-service date compared

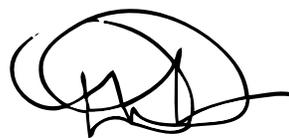
Accountability Statement

The F2010 BCTC Annual Report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The information presented was prepared in accordance with the BC Reporting Principles and provides a comprehensive representation of our performance in relation to our September 2009 Service Plan Update. The measures look at key aspects of the corporation's performance and are consistent with BCTC's mission, vision, values and objectives.

The Board is responsible for ensuring that internal controls are in place so that performance information is measured accurately and in a timely fashion. All significant decisions, events and identified risks, as of June 1, 2010 have been considered in preparing this report. Estimates and interpretive information are contained in this report and represent the best judgment of management. Any changes in mandate, goals, strategies, measures or targets made since the September 2009 Service Plan Update was released, and any significant limitations in the reliability of data, are identified in the report.

to the last approved in-service date for a project. These results provide areas of focus for future transmission activities.

The expertise, experience, and value that BCTC has built over the past seven years will position the new BC Hydro to maximize clean energy opportunities for the benefit of all British Columbians. We are moving forward as a unified company and as a province, toward a new energy economy. As investments in clean, renewable resources across the province increase, transmission will be a critical factor in ensuring British Columbia achieves its vision of electricity self-sufficiency, job creation and reduced greenhouse gas emissions.



Dan Doyle
Chair of the Board
British Columbia Transmission Corporation

Organizational Overview

This section provides an overview of BCTC's purpose, strategy, business operations and the services BCTC provides to its customers and stakeholders.

BCTC: Then and Now

BCTC was established in May 2003 as a separate company with a focus on managing the Province's transmission infrastructure to ensure fair and equitable access for independent power producers to sell their power. BCTC was created to help foster and encourage new sources of power generation across British Columbia, in keeping with one of the goals of the Province's 2002 Energy Plan.

Since that time, BCTC has been responsible for planning, building, operating and maintaining the Province's transmission system for the benefit of all British Columbians. As discussed in the Letter from the Board, upon passage into law, the *Act* transfers to BC Hydro all of BCTC's property, obligations, liabilities and employees, repealing the *Transmission Corporation Act* of 2003, BCTC's original enabling legislation. Provisions in the *Act* ensure the integrated company will include responsibility for all roles and responsibilities previously held by BCTC.

More information about BCTC's mandate and enabling legislation is found at www.bctc.com/about_bctc/standards_agreements/

A Shareholders' Letter of Expectations from the Minister of Energy, Mines and Petroleum Resources to BCTC's Chair sets out the corporate mandate, high-level performance expectations, strategic priorities and the relationship between the Shareholder and BCTC. The 2009 Shareholders' Letter of Expectations is available on BCTC's website at www.bctc.com/shareholders_letter/ Appendix 1 of this Annual Report provides a synopsis of specific directions contained in the Shareholders' Letter of Expectations, and BCTC's actions to address those directions during F2010.

Vision and Values

For information about BCTC's vision and values, please visit www.bctc.com/about_bctc/strategic_vision/

Roles, Responsibilities and Services

BCTC is responsible for transmission system operations, planning and asset management, including system expansion and asset replacement. Since F2004, BCTC has owned the control centre assets required for operating and controlling the transmission system, while transmission system assets were owned and financed by BC Hydro. Upon passage of the *Act* into law, all of BCTC's rights, property and assets will be transferred to BC Hydro.

To date, BCTC's primary roles, responsibilities and services have been:

- Having exclusive authority for transmission reliability of the provincially-owned electricity transmission assets;
- Operating the transmission system, including real-time operation of transmission, generation, distribution and telecommunications systems and transaction scheduling;
- Providing services under the OATT, including all aspects of the regulatory process, tariff administration and customer relations. The OATT defines the rates and terms and conditions of transmission service and interconnection to the transmission system;
- Planning the transmission system in coordination with the Province's generation and distribution entities and neighbouring control areas and transmission organizations;
- Maintaining the existing assets, including transmission lines, substations, telecommunications systems and control centres;
- Replacing and expanding transmission assets, BCTC's control centre and other technology assets, to ensure reliable service for domestic customers and for electricity trade;
- Assisting in maintaining competitive electricity rates in British Columbia through the cost-effective management of all BCTC functions;
- Complying with requirements for a carbon neutral public sector by 2010 through measurement and reporting of BCTC's GHG emissions; implementation of programs to reduce emissions; offsetting remaining emissions; and engaging employees to develop further solutions to meet the government's climate change objectives.

Delivery of Service

During F2010, BCTC has performed a large portion of its operating and capital activities through contracts with third parties. Major contractors include BC Hydro Field Operations (approximately \$67.2 million in F2010), BC Hydro Engineering (approximately \$11.9 million in F2010), Accenture Business Services for Utilities (approximately \$7.5 million in F2010), and others including SNC Lavalin (approximately \$30.5 million in F2010).

Location of Operations

BCTC's corporate head office is located in Vancouver, with one system control centre in the Fraser Valley and a backup control centre in the Southern Interior. These two state-of-the-art facilities became operational in F2008.

Key Relationships

BCTC has a number of key relationships with customers, First Nations, stakeholders, industry associations and strategic partners, for example. These relationships are important to BCTC's operations and necessary in providing reliable service for customers and benefits to British Columbians. For more information, go to www.bctc.com/about_bctc/key_relationships/



Corporate Governance

A key component of the Province's Act involves the merging of BCTC and BC Hydro. The Act will bring together BCTC and BC Hydro in building British Columbia's clean energy economy. This will be the final report from the BCTC Board of Directors, and the integrated company will include responsibility for all governance, roles and responsibilities previously held by BCTC.

BCTC's Board of Directors has been responsible for the governance and stewardship of BCTC, the full and timely disclosure of BCTC's financial and business performance and the monitoring material developments that could have a significant impact. In British Columbia, public sector organizations are subject to the Governance and Disclosure *Guidelines for Governing Boards of British Columbia Public Sector Organizations*. The Board has ensured that BCTC's governance framework and disclosures comply with or exceed the expectations established in the Guidelines. For more information on BCTC's Corporate Governance practices, please see: www.bctc.com/governance/

To assist directors and employees in knowing and understanding the standards of conduct that are expected of them, a Code of Ethics is in place and disclosed for the organization. No waivers were granted by the Board under the Code of Ethics in F2010.

Board of Directors

At the close of F2010, the Board had in place four standing committees: the Audit Committee; Human Resources, Safety and Environment Committee; Capital Review Committee and Corporate Governance Committee. Terms of reference are disclosed on BCTC's website (www.bctc.com/board_report/), and are accompanied by director and executive biographies.

The mandate and membership of each Committee is as follows:

Audit Committee: supports the Board in fulfilling its obligations and oversight responsibilities relating to the audit process, financial reporting, internal controls, relationships with the external and internal Auditors, governance of BCTC's pension plan and oversight of BCTC's enterprise risk management framework. **Members:** *Bill Bakk (Chair), Joanne McLeod, O'Brian Blackall*

Human Resources, Safety and Environment Committee: provides guidance in the development of human resource policies to ensure BCTC is successful in attracting and retaining the resources needed to execute BCTC's mandate. Also responsible for monitoring BCTC's safety and environmental matters. **Members:** *Ralph Winter (Chair), Bev Park, Margot Northey*

Capital Review Committee: supports the Board in the discharge of its responsibilities relating to BCTC's capital planning activities, budgets, and projects. **Members:** *Joanne McLeod (Chair), Richard Campbell, Bev Park*

Corporate Governance Committee: provides advice and recommendations relating to corporate governance. Also oversees the procedures and disclosure practices for managing director, officer, and employee conflicts of interest. **Members:** *Nicole Byres (Chair), Richard Campbell*

Members of the Board	BCTC Corporate Officers	
	Corporate Officer	Job Title
Dan Doyle (Chair)	Janet Woodruff	Interim President
Nicole Byres	Martin Huang	Vice President, System Operations
Richard Campbell	John Irving	Vice President, General Counsel
Margot Northey	Doug Little	Vice President, Customer and Strategy Development
O'Brian Blackall	Bruce Barrett	Vice President, Major Projects
Bev Park	Julius Pataky	Vice President, System Planning and Asset Management
Joanne McLeod	Andrea Johnston	Director, Finance, Business Improvement and Human Resources
Bill Bakk	Diana Stephenson	Corporate Secretary
Ralph Winter		
(Gerald Wesley)*		

* Departed January 29, 2010

Goals, Objectives, Strategies, Performance Measures and Targets

BCTC's corporate goals outline the results or achievements toward which efforts were directed over a three-year planning horizon. As provided in this section of the report, each corporate goal has a corresponding set of strategies, performance measures and targets. A rationale for each goal is provided, as well as performance measure results and benchmarking measures that allow a comparison of performance over time. The measures track BCTC's progress in delivering on its key priorities.

BCTC's goals and measures have remained the same since the Service Plan Update for F2010-F2012, published in September 2009.

Ensuring the Accuracy and Reliability of Performance Information

BCTC works continuously to ensure the accuracy and reliability of performance information. Internal reporting of results, including data collection and review of monthly performance, is done by staff trained in performance measurement and results are subject to executive management review. In addition, BCTC's Board of Directors' Human Resources, Safety and Environment Committee reviews performance results quarterly. When BCTC considers the development of new performance measures, historic data relating to the measures are reviewed to confirm availability, thoroughness and accuracy.

BCTC provides financial information through its audited financial results, while environmental and safety results are captured through BCTC's related reporting systems. BCTC gathers reliability data in its operational databases and analyzes the data for internal and external reporting purposes. Third parties conducted the employee survey.

BCTC has strong internal controls in place to mitigate the risk of inaccurate recording, which can impact data reliability.

Performance Benchmarking

Wherever possible, BCTC has sought independent validation of performance results. BCTC participates in a number of industry benchmarking initiatives for continuous improvement of its performance. However, benchmarking against comparable electricity transmission organizations is not always possible, given BCTC's unique business model, geographical span, system and operating climate. As a result, BCTC has worked with industry trade groups and consulting firms to identify appropriate benchmarks and gather data.

For example, BCTC participates in the International Transmission Operations and Maintenance Study (ITOMS) which occurs every two years. Over the past decade, the ITOMS program has focused predominantly on the maintenance and operation functions of the transmission business unit. BCTC participated in the ITOMS Benchmarking Studies for F2005, F2007 and F2009. In F2009, BCTC displayed lower than average transmission and substation maintenance costs relative to other study participants, which are positive results in terms of cost management.

Significant Risk and Capacity Issues

BCTC is exposed to a variety of business risks and has an established Enterprise Risk Management (ERM) program to identify, assess, treat and monitor these risks in order to ensure the achievement of its corporate and business objectives. Please see the Management Discussion and Analysis for further discussion of these risks and mitigation strategies.

The following section of the report provides explanations of BCTC's corporate goals, its strategies to meet them, and F2010 performance measures and results.



Goal 1: Operational Excellence

Continuous improvements to everything BCTC does to manage the transmission system in a safe, reliable, and cost effective manner.

RATIONALE FOR THIS GOAL

Ensuring reliable transmission service is one of BCTC's fundamental responsibilities. Maintaining and improving transmission reliability requires a combination of cost-effective capital investments, astute operating procedures, and the use of new technologies that address customer needs and improve efficiency, while reducing safety risks to the public, employees and workers on the system.

F2010 Strategies

- Continue to improve overall system reliability and target specific areas of vulnerability, for example, advancing reliability enhancement initiatives and developing a plan to reduce restoration times in metropolitan areas.
- Contribute to competitive electricity rates through prudent financial management of transmission capital and operating expenditures, such as the completion of a comprehensive review of BCTC's capital management program.
- Continue to improve BCTC's environmental and safety performance, including the implementation of a critical infrastructure program for both physical and cyber asset security.

Performance Measures

Measure 1: System Average Interruption Duration Index (SAIDI)

SAIDI provides an assessment of BCTC's effectiveness in providing a high level of reliability in transmission service to customers. It measures the average amount of time in hours, across all transmission delivery points, that service is interrupted in a year due to planned or unplanned outages. It excludes interruptions caused by generators and major external events that are out of BCTC's control. SAIDI assesses BCTC's effectiveness in providing high levels of service reliability from the point of receipt for transmission service to the point of delivery.

Measure	F07 Actual	F08 Actual	F09 Actual	F10 Actual	F10 Target	Results
SAIDI	2.67	2.14	2.36	3.00	2.46	Did not meet target

Performance Analysis

For SAIDI, BCTC achieved a result of 3.00 hours, 0.54 hours above the target. BCTC's SAIDI comprises two elements of reliability: those outages which are beyond BCTC's control and those that are planned for maintenance of the system. For outages beyond BCTC's control, or "forced outages", the F2010 SAIDI target was established as the average for the previous five years, resulting in an expected performance of 1.85 hours. The actual SAIDI result for forced outages was 1.80 hours which is within the expected range of forced SAIDI performance.

The SAIDI target for planned outages was established as the actual performance level for the previous year, resulting in an expected performance of 0.61 hours. The actual F2010 SAIDI performance for planned outages was 1.20 hours. SAIDI results were impacted by planned outages that exceeded the initial plan for F2010 due to a backlog of deferred maintenance, BC Hydro's preference for de-energized work and planned outages to affect permanent repairs on damaged components. A concerted effort in the unified BC Hydro will be necessary to improve planning around these outages to reduce impact on service to customers.

Benchmark Comparison

Currently, the only benchmark for Canadian transmission reliability is the Canadian Electricity Association's (CEA) annual study of the Bulk Electricity System (BES). The CEA's definition of SAIDI differs from BCTC's definition in three respects: the CEA uses a calendar year whereas BCTC uses a fiscal year; the CEA includes generation source outages whereas BCTC does not; and CEA's calculation includes only unplanned outages while BCTC SAIDI includes both planned and unplanned outages. BCTC's SAIDI number best reflects the transmission component of operating the Province's grid.

The most recent results for CEA's BES study are from F2007. For this study, BCTC submitted a forced SAIDI value – outages beyond BCTC's control – of 2.83 hours, compared to the CEA composite (weighted average) result of 1.30 hours. There are several different factors that contribute to the varying SAIDI results across companies: geography, climate, system age, and the impact of significant events such as weather. It is difficult to benchmark results without normalizing for these factors.

Data Source/Reporting Period

Data for this measure derives from BCTC's Reliability Database Management System (RDMS), for the period April 1, 2009 to March 31, 2010. BCTC continues to carry out the Reliability Data Management project to mitigate potential data limitations on BCTC.

Measure 2: Total Transmission Expenditures (TTE) per GWh x km

This efficiency measure is calculated by dividing total transmission operation, administration, maintenance, and sustaining capital expenditures, by the product of the amount of energy transmitted and the length of the transmission network. Annual performance is measured by the percentage variance between actual results and the approved budget established at the beginning of the year.

Measure	F07 Actual	F08 Actual	F09 Actual	F10 Actual	F10 Target	Results
TTE Variance to Plan %	3.21%	-0.21%	-2.22%	3.5%	+5%	Met target

Performance Analysis

The F2010 result for TTE variance from plan is 3.5 percent which meets the target of +/- five percent. This measure addresses BCTC’s contribution to competitive electricity rates through prudent management of transmission operating and capital expenditures. BCTC continues to manage its sustainment capital and operating and maintenance costs within the acceptable target range for this measure. The target of +/- five percent was selected as an acceptable standard for BCTC’s combined capital and operating budget.

Importance of the Measure and Target

The measure assesses BCTC’s contribution to competitive electricity rates through prudent management of transmission capital and operating expenditures. The TTE per GWh x km measure provides an indication of performance as BCTC strives to avoid cost overruns and to enforce discipline in budgeting.

Benchmark Comparison

BCTC submitted results of this measure to the CEA benchmarking studies. The closest benchmark to BCTC’s measure for TTE per GWh x km is the CEA’s total OMA + Sustain Maintenance Capital per GWh x km. The Total OMA + Sustain Maintenance Capital per GWh x km for all utilities decreased with an average of 9.5 percent (from 0.21 to 0.19 cents). BCTC’s Total OMA + SMC per GWh x km increased with 4.9 percent (from 0.31 to 0.32 cents), which was primarily driven by the decrease in transmitted energy. The table below outlines these results.

Benchmark Information	Fiscal Year	BCTC	RANK	Peer Benchmarks			
				Count	Low	Median	High
(Total OMA + SMC) per GWh x km	2008	0.31	6	8	0.11	0.21	0.85
	2009	0.32	6	8	0.12	0.19	0.91

Data Source/Reporting Period

Data for this measure derives from detailed plans and budgets created by BCTC, approved by the Board annually and submitted to and approved by the BCUC. The reporting period for this measure is April 1, 2009 to March 31, 2010.

Goal 1: Operational Excellence

Continuous improvements to everything BCTC does to manage the transmission system in a safe, reliable, and cost effective manner.

Measure 3: Safety: Lost-time Accidents

BCTC's lost-time accidents measure includes all lost-time accidents, whether preventable or not, affecting BCTC employees and contractors.

Measure	F07 Actual	F08 Actual	F09 Actual	F10 Actual	F10 Target	Results
Lost-time Accidents						
BCTC	0	0	1	0	0	Met target
Contractors	6	17	6	8	15	Met target

Performance Analysis

BCTC met its target for Lost-time accidents for F2010 with no accidents for BCTC employees and eight accidents for contractors. This result is significantly ahead of target and demonstrates BCTC's continued commitment to the safety of its employees and contractors. Targets are set based on historical performance and planned increase in work load due to an expanded capital budget. Targets demonstrate the BCTC's continued success in ensuring a safe working environment.

Going forward, BCTC had planned to transition to the all injury frequency rate, a measure used by BC Hydro. Target setting for the new measure will be conducted jointly with BC Hydro for the transmission line of business.

Benchmark Comparison

BCTC benchmarks its safety performance against the CEA Safety Incidents Statistics Report, which reports on a calendar year basis. BCTC submitted annual performance results to the CEA on the following industry-wide metrics: all injury frequency rate, lost-time injury frequency rate and lost-time injury severity rate. However, at the time of publishing this report, the CEA results were not yet available.

Data Source/Reporting Period

Data collection for this measure is done by BCTC staff trained in performance measurement. The reporting period for this measure is April 1, 2009 to March 31, 2010.

Measure 4: Reportable Environmental Incidents

This measure tracks BCTC's environmental performance against the environmental standards and regulations set by various federal and provincial regulatory agencies, as well as agreements with agencies.

Measure	F07 Actual	F08 Actual	F09 Actual	F10 Actual	F10 Target	Results
Reportable Environmental Incidents	13	9	12	19	19	Met target

Performance Analysis

This year, BCTC met its target for reportable environmental incidents, demonstrating commitment to excellence in environmental performance. In F2010, BCTC adjusted the target for this measure to reflect an increase in the expected number of reportable environmental incidents due to more stringent Federal Polychlorinated Biphenyls (PCB) regulations enacted in September 2009. As a result of revisions to PCB regulations, BCTC conducted an asset condition assessment to mitigate issues related to oil-filled equipment with varying PCB concentrations. BCTC identified actions to mitigate releases, monitor leaks and prioritize equipment for replacement and revised its target to account for the expected temporary increase in reportable incidents while BCTC completed the work.

Importance of the Measure

The measure reflects BCTC's guiding principles for environmental responsibility. BCTC uses the measure to focus on minimizing environmental incidents.

Benchmark Comparison

The CEA environmental benchmarking studies measure the volume of spills, not the frequency of reportable incidents, making a direct comparison challenging. Adding to this issue, standards for environmental incident reporting can vary by province. As a result, BCTC uses historical performance data and root cause analysis of asset performance to determine areas for improvement.

Data Source/Reporting Period

In accordance with provincial and federal environmental reporting requirements, BCTC monitors and reports annually any environmental incidents. These reports provide the base data from which BCTC analyzes performance on this measure. The reporting period for this measure is April 1, 2009 to March 31, 2010.

Achievements

This section highlights some of BCTC's achievements in F2010 to meet the goal of operational excellence.

Improving System Reliability

BCTC's foremost operational priority is ensuring transmission system reliability. In F2010, BCTC implemented a series of system enhancements to improve reliability of service to communities served by radial lines. For example, this year BCTC filed for BCUC approval for the Columbia Valley Transmission (CVT) project, a new 230 kV transmission line between Invermere and Golden, British Columbia to address reliability issues along the existing 69 kV radial line and add a secure backup power source in the event of an area outage.

To plan for the long-term electricity needs of Metro Vancouver, BCTC completed a Metro Vancouver Supply Plan in F2010. This plan presents a 30-year vision of the evolution of the transmission system in the area, and proposes strategies to ensure a continued, reliable supply of electricity based on load forecasts. These strategies will result in a gradual addition of transmission circuits, substations and substation upgrades as load grows.

In addition to managing 18,000 km of transmission lines, BCTC manages more than 50,000 km of electrical distribution lines in British Columbia (on behalf of BC Hydro), and is involved in restoring power to distribution customers following outages. In F2010, BCTC made strides toward implementation of North America's first Distribution Management System (DMS), a Smart Grid initiative, undertaken in partnership with BC Hydro, to automate the process of identifying a power outage on a distribution line. This automation will enable the new BC Hydro's system operators to identify quickly the source of the outage and help BC Hydro restore power to customers in a much shorter timeframe.

Demonstrating Fiscal Responsibility

Prudent management of transmission capital and operating expenditures underpins BCTC's delivery of service to its customers. During a challenging economic period for the province, BCTC continued to demonstrate fiscal responsibility to the Shareholder. For F2010, BCTC was asked by the Province to contribute \$1 million in additional net income. BCTC undertook an organizational review of discretionary expenditures such as travel, meals, and contractor/consulting costs in an effort to reduce costs and deliver this additional net income. Also, looking ahead to F2011, BCTC's management closely scrutinized all OMA costs to achieve its goal of managing these costs within F2010 levels, despite the natural cost pressures associated with an increase of nine percent of transmission assets under management and a base of managed assets with an average age of more than 30 years.

Improving Safety and Environmental Performance

BCTC is committed to being a safety and environmental leader in the power industry, enhancing the grid through both its use of innovative technologies to update and maintain the existing transmission system, and through the ongoing integration of clean and renewable electricity. In F2010, BCTC implemented a successful joint partnership with Hydro-Québec to develop an innovative line inspection robot known as LineScout™, which increases the capability for live line inspections and dramatically reduces safety risk for inspection personnel. The LineScout™ project was awarded a 2010 Edison Electric Institute (EEI) Award in May 2010, representing an enormous achievement for BCTC and Hydro-Québec. EEI awards recognize outstanding leadership, service and innovation, and are considered the most prestigious award in the electric power industry. While BCTC has been nominated three times in the past four years – a great honour – this is BCTC's first win.



Goal 1: Operational Excellence

Continuous improvements to everything BCTC does to manage the transmission system in a safe, reliable, and cost effective manner.

Some other highlights of BCTC's F2010 performance include:

- BCTC continued its polychlorinated biphenyl (PCB) management program to address PCB particulates contained in oil-filled equipment. Any new oil-filled equipment added to the transmission system is required to be PCB-free. An ongoing PCB reduction program is underway to ensure BCTC is compliant with the Federal PCB Regulations under the *Canadian Environment Protection Act*.
- BCTC continued to address the challenges of achieving carbon neutrality. BCTC's carbon emissions actually increased for the year, due to a rise in use of natural gas and electricity in BCTC's buildings. However, employees made a positive contribution, reducing emissions by 110 tonnes as part of BCTC's OneLessTonne program. BCTC also reduced fleet emissions by approximately 41 percent in F2010, compared with F2009.
- BCTC undertook a number of studies to examine the potential impacts of climate change on the transmission system, including a 50-year view of the impact of climate change on surface winds in British Columbia. The studies produced a series of thematic maps which show predictions of various weather conditions and which can be overlaid on maps of the transmission system to identify areas prone to risk from adverse or extreme weather.
- BCTC completed Phase One of the post-construction environmental monitoring of the Vancouver Island Transmission Reinforcement project, to examine the impact of the underwater cables on the marine environment at Galiano Ridge in the Strait of Georgia. The specific focus of the study was to measure the extent and nature of the project's impact on the Galiano Ridge sponge reef. Results show steady progress in the recovery of the habitat: sponges in the area are beginning to grow back over the new cables and many marine species and plants have returned. Monitoring will continue in 2010 and 2011.
- BCTC advanced its technology roadmap, partnering with a number of companies to develop and introduce innovative, new technologies. Companies include EDM Pacific and RS Technologies on composite materials, and American Superconductor on superconductive transmission cables. BCTC also worked with Lafarge Canada on composite cross arm technology, developing, testing and installing transmission cross arm structures made of sustainable, high strength composite material as part of BCTC's continued use of innovative materials technology. This material is expected to last at least twice as long as traditional wooden structures, making it a more economic choice as aging assets need to be replaced around the province. BCTC jointly filed a patent application for this new technology with Lafarge Canada.
- BCTC replaced, in a joint initiative with BC Hydro, nine wood power poles with six new longer-lasting fibreglass poles on two existing 69 kV transmission lines in the Camosun Bog in Pacific Spirit Regional Park in Vancouver. The work was undertaken to have the smallest environmental impact possible on the Camosun Bog's sensitive ecosystem. The new poles require less maintenance and are environmentally benign, mitigating the risk of disturbances to the bog in the future. As part of this project, crews used a helicopter to remove the old poles and install the new poles in one day, minimizing disturbance to the ecosystem and the public.

Powering the Winter Games

To ensure a secure, reliable supply of electricity for the entire province during the 2010 Olympic and Paralympic Winter Games, BCTC and BC Hydro began planning six years in advance for the first Olympics in history powered from the grid. The result was the Province's electrical system had the capacity to provide local power to Games venues, eliminating the need to use up to 100 diesel generators in venue municipalities.

BCTC identified and implemented a series of reliability and security measures throughout the Lower Mainland and the Sea to Sky corridor to guard against potential outages and security risks. BCTC also prepared for potential shortfalls in energy during the Games by examining system configuration, generation availability, and inertia availability between British Columbia and our neighbours in Alberta and Washington State. Security measures at key substations and transmission facilities were increased during the Games, and an internal incident management team was formed to monitor critical situations related to electrical infrastructure.

As a result of this comprehensive planning process, no outages or power quality issues occurred during the Olympic Games. BCTC and BC Hydro were able to provide a reliable supply of clean power and create the greenest Olympics on record, setting the standard for future host cities of the Games.

Goal 2: Market Access and Customer Service

Support the development of electricity policies in British Columbia and in the region. Deliver on BCTC's commitments to customers, providing timely and efficient service. Promote greater integration of British Columbia with the Western markets.

RATIONALE FOR THIS GOAL

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

F2010 Strategies

- Support the development of electricity policies in British Columbia and the region, such as the government's clean energy powerhouse objective.
- Deliver on commitments to customers, providing timely and efficient service (such as effective and efficient interconnection service for new generators), and provide exemplary operational services to BC Hydro's generation and distribution lines of business and to BC Hydro's transmission-connected customers.
- Promote greater integration of British Columbia with the Western Markets by expanding dynamic scheduling services to other jurisdictions in the Western Interconnection, among other initiatives.

Performance Measure

Measure: Stakeholder Satisfaction

Satisfaction with BCTC's performance from the perspective of government and commercial stakeholders, where satisfaction is defined as positive and neutral responses.

Measure	F07 Actual	F08 Actual	F09 Actual	F10 Actual	F10 Target	Results
Stakeholder Satisfaction	91%	87%	89%	-	90%	N/A

Stakeholder survey results provide BCTC with direct feedback on its performance in meeting the needs of customers and stakeholders and BCTC uses this information to refine corporate strategies and develop future initiatives. This year, the timing of BCTC's stakeholder survey, typically conducted at fiscal year end, coincided with the government's introduction of the *Act* into the British Columbia legislature on April 28, 2010. Given this fact, BCTC chose not to proceed with its stakeholder survey in F2010.

Performance Analysis

BCTC's commitment to continuous improvement in stakeholder relations has yielded strong stakeholder satisfaction results every year since F2004, and BCTC anticipated positive results again in F2010. BCTC's ongoing focus on communication, collaboration and consultation, within the North American utility industry as a whole, and in communities across British Columbia, positioned BCTC as a leader in its industry, and increased public acceptance and support for transmission projects.

Benchmark Comparison

Because of BCTC's unique business model, BCTC has found no comparable peers for benchmarking the stakeholder satisfaction measure. BCTC tracks its performance year over year and uses this historical measure to determine trends in stakeholder satisfaction.

Data Source/Reporting Period

In past years, stakeholder groups have included BCTC wholesale and industrial customers, IPPs and provincial and municipal government officials.

Goal 2: Market Access and Customer Service

Support the development of electricity policies in British Columbia and in the region. Deliver on BCTC's commitments to customers, providing timely and efficient service. Promote greater integration of British Columbia with the Western markets.

Achievements

Over the past year, BCTC has worked to put British Columbia at the forefront of clean energy development, by continuing to ensure transmission capacity is in place to connect our province's rich diversity of clean, low carbon electricity potential to consumers across British Columbia and the Western electricity grid.

In F2010, BCTC advanced the Northwest Transmission Line (NTL) project, conducting consultation and completing field studies for this important, new 335 km transmission line between Terrace and Bob Quinn Lake. BCTC filed its Application for an Environmental Assessment Certificate for NTL to the British Columbia Environmental Assessment Office on January 28, 2010. In addition to creating 860 full-time construction jobs, plus approximately 1500 jobs in supply industries, NTL will provide a secure interconnection point for clean generation projects, a reliable supply of clean power to potential industrial developments in the area, and could enable some communities in the northwest to connect to the electricity grid, rather than relying on diesel generators for power.



This year, BCTC conducted 80 interconnection studies for the bio-energy and clean power calls and completed six transmission interconnections to the grid to help the Province to firm and shape the intermittent power supply that characterizes new sources of clean energy. BCTC integrated the province's first wind power facility, the Bear Mountain Wind Farm near Dawson Creek adding 102 MW of clean and renewable generation to the system. BCTC also added a new interconnection to the Harrison Hydro Run of River project, located near the northern end of Harrison Lake, adding 162 MW of power to the Province's grid. Since F2004, BCTC has connected 32 independent power projects and approximately 1700 MW of clean power.

BCTC continued to expand market services and products to enable market participants to transact both inside and outside of British Columbia. The Province's flexible hydro generation capability and large storage capacity offers a strong ability to deal with the challenge of integrating large amounts of variable generation and alternative energy under development or planned on the Western Interconnection. These products include intra-hour scheduling and increased dynamic scheduling capabilities.

In F2010, BCTC ensured British Columbia's interests were represented in various regional transmission planning initiatives; that BC's clean energy resources and products were included in regional planning scenarios; and that British Columbia's regulatory and legislative sovereignty were respected in regional planning discussions. BCTC ensured British Columbia's interests were accurately represented in the Western Governors' Association Western Renewable Energy Zone initiative. This initiative identifies areas in Western North America that have utility-scale renewable energy resources in order to expedite the development and delivery of those resources to meet regional energy needs.

BCTC was a significant participant in the Canada to Northern California transmission study. BCTC remains committed to working with utilities across the Western region to find ways to ensure the transmission system can meet growing demand for clean electricity. One significant driver of this demand is California's Renewable Portfolio Standards, which require distribution utilities to acquire 20 percent of renewable generation by 2010 and potentially 33 percent by 2020.

Goal 3: Long-term Capacity Build-out

Ensure appropriate transmission investment decisions are made to meet the long-term needs of British Columbia. Deliver BCTC's capital projects on time and on budget.

RATIONALE FOR THIS GOAL

BCTC is responsible for managing the Province's transmission infrastructure and expanding that infrastructure to meet future needs. This requires BCTC to be proactive in becoming more aware of customers' requirements in advance of service requests; acknowledges the different timeframes for developing transmission compared to generation; and anticipates the growth of transmission to realize electricity market opportunities.

F2010 Strategies

- Ensure appropriate transmission investment decisions are made to meet the long-term needs of British Columbia.
- Continue all activities necessary to ensure that BCTC's capital program is delivered on time and on budget.

Performance Measure

Measure 1: Capital Projects On/Under Budget

A time-series measure that compares the actual cost of completed projects with the initial budget costs on a project-by-project basis, weighted by cost of project, to determine whether projects were completed on or under budget.

Measure 2: Capital Projects Critical Commitments On Time

Measures BCTC's ability to meet critical commitments on time, on a project-by-project basis, weighted by the cost of the project.

Goal	Measure	F07 Actual	F08 Actual	F09 Actual	F10 Actual	F10 Target	Results
Long-term Capacity Build-out	% Projects On/Under Budget	-	-	69%	85%	69%	Met target
	% Critical Commitments Met On Time	-	-	87%	80%	87%	Did not meet target

Performance Analysis

The F2010 result for Projects Completed On/Under Budget was 85 percent, exceeding the target of 69 percent. The F2010 result for Critical Commitments Met On Time was 80 percent, missing the target of 87 percent. Targets for these measures are based on historical performance. On Time performance was most significantly impacted by the Mission and Matsqui Area 69 kV Reinforcement project which was placed in service in April 2009, four months after the planned in-service date of November 30, 2008. Work on this project was delayed while BCTC worked with the District of Mission to study routing options through the Mission waterfront area. The \$55 million value of the project negatively impacted the annual results by five percent.

BCTC carried out a number of initiatives in order to improve the performance in these two areas. Specifically, the BC Hydro/BCTC Joint Initiatives project, completed in F2009, was aimed to improve performance in five key areas: Estimating, Project Controls, Resource Planning, Project Teams and Commercial Management. The realization of the benefits of this initiative started in F2010. In addition, BCTC reviewed internal risks associated with executing BCTC's significantly increased capital plan. In this regard, BCTC completed a management assessment of Asset Program Management (APM) to evaluate APM's ability to execute the capital plan and made several recommendations around resources, organizational structure, tools and process improvement. APM has implemented a number of these recommendations and some remain in progress. In addition to these initiatives, BCTC has introduced a more rigorous approval process prior to a formal change in service dates.

Importance of the Measure

These measures evaluate BCTC's performance in executing capital programs against preset targets in its capital plan and are lagging indicators. They support BCTC's management of a key strategic priority: Long-term Capacity Build-out.

Benchmark Comparison

BCTC tracks its performance year over year using this time series measure to determine trends in long-term capacity build-out.

Goal 3: Long-term Capacity Build-out

Ensure appropriate transmission investment decisions are made to meet the long-term needs of British Columbia. Deliver BCTC's capital projects on time and on budget.

Data Source/Reporting Period

Data for the On/Under Budget measure derive from actual project costs compared to BCTC Board approved budget costs. BCTC bases the Critical Commitments On Time measure on projects completed in F2010 and calculates the measure based on the actual in-service date compared to the last approved in-service date. The reporting period for this measure is April 1, 2009 to March 31, 2010.

Achievements

Infrastructure investments are needed to support economic development and job creation across the province. There are several areas of the province poised to grow over the next 10 years, either from expanding residential and business communities or from the development of significant industrial potential. BCTC anticipates and plans for where future investment is needed by developing capital plans and advancing significant projects that provide safe, reliable service to customers and open up opportunities for provincial growth. Since F2004, BCTC has invested approximately \$2.1 billion in the Province's transmission system, with \$2.2 billion in projects currently underway today.



Some examples of BCTC's F2010 initiatives in different areas of the province include:

- BCTC filed an application with the BCUC for approval of a Vancouver City Central Transmission (VCCT) project, a key initiative identified in BCTC's Metro Supply Plan. VCCT involves construction of a new substation and replacement of the aging underground transmission line currently linking the south and north portions of the transmission grid in Vancouver. The BCUC decision is expected in June 2010.
- BCTC began constructing the Central Vancouver Island (CVI) project, needed to provide continued, reliable supply of electricity to growing communities between Nanaimo and Qualicum Beach. Construction is expected to be complete by late summer with a target in-service date of October 2010.
- BCTC continued to include the Interior to Lower Mainland (ILM) project in its planning. The ILM project, a new 500 kV transmission line from Merritt to Coquitlam, is needed to meet growth in electricity demand in the Lower Mainland, and spur economic development in the region. In early 2009, the BCUC initiated a process to assess the adequacy of consultation with First Nations on BCTC's ILM project. An oral hearing was held in January 2010, and the reconsideration decision is expected this summer. The project is still scheduled to be in-service by the fall of 2014.
- BCTC conducted studies to assess the potential for long-term economic expansion in the northeast region of British Columbia, and the ability to mitigate GHG emissions through new transmission expansion and use of renewable, low-carbon electricity.

Goal 4: Relationships

Continue to build open and constructive relationships with stakeholders and First Nations.

RATIONALE FOR THIS GOAL

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

F2010 Strategies

- Sustain a positive, open and cooperative relationship with First Nations and all BCTC stakeholders, including the BCUC, customers, stakeholder groups, and industry associations.
- Maintain effective communications with the Shareholder on BCTC's business objectives and operations.

Performance Measure

Measure: Stakeholder Satisfaction

Measure	F07 Actual	F08 Actual	F09 Actual	F10 Actual	F10 Target	Results
Stakeholder Satisfaction	As reported under Goal 2, Market Access and Customer Satisfaction					

Achievements

BCTC is committed to developing positive and effective relationships with British Columbia's First Nations, stakeholders and employees during F2010. Connections are at the core of the transmission business, in terms of electricity and people.

Supporting Aboriginal Communities

In F2010, BCTC continued participation in the British Columbia Multi-sectoral Aboriginal Leadership Initiative, which brings together representatives from Aboriginal communities, the provincial and federal governments, and corporate partners to work on social and economic development projects to benefit participating communities. BCTC worked with the Ahousaht and Nuuchahnulth First Nations to expand their capacity to lead eco-tourism initiatives in their traditional territories.

BCTC's Aboriginal Business Development Program has been a continued success. The program aims to foster business capacity in First Nations communities and increase contract awards to First Nations businesses. BCTC awarded 21 contracts to Aboriginal businesses (this includes businesses who hire Aboriginal subcontractors) as part of BCTC's Aboriginal Business Development Program. This represents a 43 percent increase over F2009 contract awards.

Through its Aboriginal Outreach program, BCTC continued to invest in First Nations specific community initiatives. In F2010, BCTC supported 24 community programs across British Columbia as part of its Aboriginal Outreach program. One example is the Aboriginal Tourism Association of British Columbia, focused on growing and promoting a sustainable Aboriginal tourism industry.

Supporting British Columbia's Communities

Through its Community Investment program, BCTC continues to enhance the quality of life in communities throughout British Columbia. Working in partnership with a range of charitable and non-profit organizations, BCTC strives to make a positive difference in the communities where we live and work. This year, BCTC invested more than \$315,000 in community donations throughout British Columbia and \$65,000 in scholarships at post-secondary institutions in British Columbia.

This year, BCTC undertook 170 community relations initiatives, including project-specific consultation; presentations to municipal, regional and provincial governments; presentations to business, community, environmental, and recreational associations; and participation in local government area association conferences and forums. This level of community relations activities represents a 30 percent increase over last year.

BCTC initiated development of a long-term vision for the transmission system to provide a 30-year perspective on clean energy development in British Columbia and the associated bulk transmission needed to access that energy. As part of this work, BCTC began consulting with stakeholders and First Nations to get input into anticipated transmission needs and infrastructure requirements. BCTC also developed the long-term planning tool to model future scenarios to assist with planning.

Goal 5: Employees

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

RATIONALE FOR THIS GOAL

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

F2010 Strategies

- Continue to attract employees by developing BCTC's employment reputation in the market, further leverage existing and new talent markets, expand the pool of available resources and increase effectiveness in sourcing those resources through connections with post-secondary institutions and students.
- Develop and retain internal talent by providing growth opportunities. Further build management capability through development offerings focused on enhancing leadership across BCTC.

Performance Measure

Measure: Employee Engagement Index

This is the overall mean score, calculated by equally weighting the mean scores of the four pillars of productive engagement (Alignment, Capability, Resources and Motivation). Each of the four pillars comprises a set of questions with a maximum score of five.

Measure	F07 Actual	F08 Actual	F09 Actual	F10 Actual	F10 Target	Results
Employee Engagement Index	3.55	3.53	3.61	3.59	3.53	Met target

Performance Analysis

The Employee Engagement Index is BCTC's key measure of employee satisfaction. Targets were calculated based on the five-year rolling average plus a 0.05 improvement factor for target. The F2010 result of 3.59 exceeded the target of 3.53. This high level of engagement is consistent with the previous years' scores, and results show that employees understand how their role and unique skills contribute towards achieving BCTC's goals and many projects. At the same time, the survey was conducted during uncertainty over the anticipated Act and the future of BCTC; this is reflected in slightly lower Alignment scores.

Importance of the Measure

Employee engagement is widely considered a key indicator for current and future employee performance and commitment. BCTC uses results of this measure to develop ongoing employee initiatives.

Benchmark Comparison

In F2009, BCTC transitioned the engagement survey to another vendor and therefore the Watson Wyatt WorkCanada Engagement Index benchmark was no longer available. BCTC reviewed its new vendor's benchmarks to identify appropriate external benchmarking data and concluded that suitable data was not available at this time.

Data Source/Reporting Period

TalentMap conducted the employee engagement survey in early March 2010 and made results available to BCTC in April this year. The reporting period for this measure is April 1, 2009 to March 31, 2010.

Achievements

In F2010, BCTC focused efforts on increasing training and development opportunities for existing employees and building resource capacity from within BCTC, launching an updated online training program to increase accessibility and efficiency for employees. Also, BCTC continued to focus on knowledge retention as employees retire and recorded reduced attrition in F2010 as a result of this ongoing effort.

BCTC continued to support employee work-life balance through its employee driven outreach fund, TransConnect. In F2010, TransConnect provided \$50,000 in funding to 26 community programs and non-profit groups where BCTC employees are actively involved as volunteers. Also, in preparation for the 2010 Olympic Winter Games in Vancouver, telework pilots were facilitated at the Vancouver office to ensure employees had work location options during a potentially disruptive period in the city.

Going forward, employees and their expertise will continue to play an important role in the Province's Clean Energy vision.

Financials 2010

April 1, 2009 – March 31, 2010

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Management's Discussion and Analysis

Management has prepared a discussion and analysis of BC Transmission Corporation's (BCTC) business operations and significant events that have affected the results of operations and financial position for the year ended March 31, 2010 (F2010) relative to the same period last year (F2009) and to the Updated Service Plan published in September 2009 (F2010 Plan). References to transmission system and assets contained in this discussion and analysis include those systems and assets which BCTC plans, builds, operates and manages, which are owned by BC Hydro, in addition to BCTC's assets. This management's discussion and analysis should be read in conjunction with the audited financial statements and the accompanying notes. These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and are expressed in Canadian dollars.

Financial and Business Overview

BCTC is responsible for planning, building, operating and maintaining the high-voltage electricity transmission system owned by BC Hydro. BCTC is a Crown corporation regulated by the British Columbia Utilities Commission (BCUC). The Minister of Energy, Mines and Petroleum Resources (the Minister) is responsible for BCTC.

BCTC's mandate is to ensure fair and open access to the transmission grid and create value and new opportunities for our customers and other stakeholders by providing safe, reliable and cost-effective transmission services. In February 2007, the Province of British Columbia (the Province) released *The BC Energy Plan, A Vision for Clean Energy Leadership* (the Energy Plan). BCTC plays a key role in delivering on the objectives of the Energy Plan. BCTC supports the achievement of the Province's objectives by ensuring needed transmission infrastructure is constructed to integrate new clean or renewable generation on a timely basis.

Clean Energy Act (the Act)

On June 3, 2010, the Act was signed into law in the British Columbia Legislature. The Act sets out specific provisions for British Columbia to be a leading supplier of clean, renewable energy. The Act also establishes a number of measures to help meet future electricity needs, while generating new jobs and reducing greenhouse gas emissions. Of the many important elements in the Act, BCTC and BC Hydro will be unified into a single Crown corporation. The Crown corporation will be accountable for all roles and responsibilities previously held by BCTC. Unifying BCTC and BC Hydro provides a single point of planning and authority to deliver the objectives of realizing the Province's clean energy strategy. It is anticipated that the Act will be passed into law in July 2010.

<i>(\$ in millions)</i>	F2010 Actual	F2009 Actual	F2008 Actual
Net Income	\$ 7.0	\$ 7.1	\$ 3.2
Total Assets	189.1	178.0	186.1
Debt	73.4	73.5	85.9
Shareholder's Equity	58.2	51.3	43.8
Debt to Equity Ratio*	57:43	63:37	58:42
Transmission Capital Expenditures			
Assets Owned by BCTC	12.1	18.7	70.1
Transmission Assets Owned by BC Hydro	302.9	376.1	203.0
Total Capital Expenditures	\$ 315.0	\$ 394.8	\$ 273.1
Point-to-Point Sales Volume (GWh)			
Long-term	9,779	10,977	8,710
Short-term	10,060	12,457	12,922
Full Time Equivalents (FTEs)**	417	401	384

* Debt to Equity Ratio is calculated based on the average of the opening and closing balances. Debt is defined as short-term and long-term debt, obligations under capital lease less short-term investments. The deemed capital structure as per Special Direction No. 9 is 59.3 debt to 40.7 equity.

** FTEs are defined as full time regular employees at March 31 of each year.

Management's Discussion and Analysis

Highlights

Capital

- Five Generator Interconnection projects were placed in service to connect green renewable electricity generating capacity of approximately 485 MW to the transmission grid.
- Following the September announcement that up to \$130 million will be funded from the Federal Green Infrastructure Fund to support construction of the estimated \$400 million Northwest Transmission Line (NTL) project, discussions regarding terms and conditions of the contribution continue between the Federal government and the Province. Negotiations are also ongoing with potential third party partners to participate in this project. BCTC filed an application with the BCUC for an Environmental Assessment Certificate (EAC) for NTL on January 28, 2010.
- The effect of the Certificate of Public Convenience and Necessity (CPCN) for the Interior to Lower Mainland (ILM) project is currently suspended and an oral hearing was held in January 2010 in relation to the adequacy of consultation with First Nations. Subsequently, final arguments were filed and a decision is expected in late summer 2010. Two judicial review applications to overturn the EAC are expected to be heard by the British Columbia Supreme Court in November or December of 2010.
- BCTC filed an application for a CPCN with the BCUC for the Vancouver City Central Transmission (VCCT) project in September 2009. To allow for additional time for public input, the BCUC extended the proceeding for review of the application and a decision is expected in June 2010. Construction is scheduled to commence as soon as the CPCN is granted.
- In January 2010, BCTC filed an application with the BCUC for a CPCN for the Columbia Valley Transmission (CVT) project. The BCUC held a procedural hearing and established a schedule for the proceeding. The proceeding is advancing normally and a decision is expected in the summer of 2010.
- In February 2010, the BCUC approved the Transmission Services Agreement with FortisBC. Approvals included the Wheeling Agreement between BCTC and FortisBC, and the required capital expenditures of \$12 million.
- In October 2009, the Market Operations and Development (MOD) project was granted a CPCN by the BCUC.

Financial

- In July 2010, when the *Act* is passed into law, BCTC and BC Hydro will be unified into a single Crown corporation that will include responsibility for all of the roles, responsibilities and operations previously held by BCTC.
- BCTC continues to manage its operating costs in a prudent manner, while delivering on the company objective of maintaining a safe and reliable transmission system.
- Tariff revenue was renamed Transmission services revenue and Non-tariff revenue was renamed Service fees and other revenue to better reflect the services provided.
- BCTC's application to the BCUC to clear the March 31, 2009 deferral account balances was approved, resulting in a recovery of approximately \$14.6 million in October 2009.
- In November 2009, BCTC received BCUC approval for two new deferral accounts: the Aboriginal Relations Deferral Account and the Polychlorinated Biphenyls (PCB) Mitigation Deferral Account.
- In March 2010, BCTC received BCUC approval for a new deferral account, the F2011 BCTC Capital Portfolio Sustaining Costs Deferral Account. BCTC was directed to create two new deferral accounts: the Communication Deferral Account and the Labour Deferral Account. This allows the F2010 OATT rates to remain effective for F2011.

Long-term Electricity Transmission Inquiry

- Pursuant to the *Act*, the inquiry into long-term determinations regarding the Province's bulk electrical transmission infrastructure and capacity needs will be rolled into an Integrated Resource Plan (IRP).
- The IRP will be submitted to the Minister within 18 months of the *Act* being passed into law by BC Hydro and will include, among other things, forecasts to achieve electricity self-sufficiency and a description of expected export demand during a defined period.

Other

- During the year the Province provided direction and funding to allow BCTC to continue to lead British Columbia's involvement in exploring and evaluating opportunities for increasing the Province's transmission capacity to improve access to external markets.

Results of Operations

Results of operations for the years ended March 31, 2010 and March 31, 2009 are as follows:

<i>(\$ in millions)</i>	F2010 Actual	F2009 Actual	Variance
Revenues			
Transmission services	\$ 81.0	\$ 90.0	\$ (9.0)
Asset management and maintenance fee	92.4	90.9	1.5
Service fees and other	61.9	56.9	5.0
Total Revenue	235.3	237.8	(2.5)
Expenses			
Operations, maintenance and administration (OMA)	211.9	206.7	5.2
Depreciation of Property, Plant and Equipment	10.2	13.1	(2.9)
Amortization of Intangible Assets	7.2	6.6	0.6
Cost of market and other asset related costs	8.2	9.2	(1.0)
Total Expenses	237.5	235.6	1.9
(Loss) Income from Operations	(2.2)	2.2	(4.4)
Other income	0.4	0.1	0.3
(Loss) Income before Deferral Account Transfers	(1.8)	2.3	(4.1)
Deferral Accounts	8.8	4.8	4.0
Net Income	\$ 7.0	\$ 7.1	\$ (0.1)
Other comprehensive income	-	0.3	(0.3)
Comprehensive Income	\$ 7.0	\$ 7.4	\$ (0.4)

F2010 Actual versus F2009 Actual

Net income for F2010 is \$7.0 million compared to \$7.1 million for F2009. This decrease is primarily due to lower transmission services revenue as a result of a lower transmission rate approved by the BCUC, lower volumes in point-to-point (PTP) revenues and higher operating costs, predominantly offset by higher deferral account transfers.

Results of Operations (continued)

Transmission Services Revenues

BCTC earns revenues for transmission services provided under its Open Access Transmission Tariff (OATT). Transmission services revenue is BCTC's share of the revenue collected for network integrated transmission services, PTP services and ancillary services under the OATT. The 12.40 percent and 87.60 percent (F2009 – 14.36 percent and 85.64 percent) split between BCTC and BC Hydro respectively for network and PTP is based on BCUC-approved revenue requirements. BCTC and BC Hydro's respective share of the OATT revenues are recorded in the individual companies' financial accounts. The total transmission services revenue billed under the OATT during F2010 are as follows:

<i>(\$ in millions)</i>	Revenue Billed under BCTC's OATT	BC Hydro's Revenue	BCTC's Revenue
Network Integrated Transmission services	\$ 505.5	\$ 442.8	\$ 62.7
Point-to-Point services (PTP)			
Long-term	55.9	49.0	6.9
Short-term	5.9	5.2	0.7
Ancillary services	6.7	-	6.7
Total OATT Revenues	574.0	497.0	77.0
FortisBC General Wheeling Agreement	4.0	-	4.0
Total Transmission services revenue	\$ 578.0	\$ 497.0	\$ 81.0

BCTC's transmission services revenue billings for F2010 were \$578.0 million (F2009 - \$564.3 million), an increase of \$13.7 million from the prior year. BCTC's share of the transmission services billings was \$81.0 million (F2009 – \$90.0 million), which represents a decrease of \$9.0 million from the prior year. This was primarily due to lower Network Integrated Transmission services revenue due to the lower rate approved by the BCUC and lower revenue from long-term PTP services due to lower volumes.

Of BCTC's total OATT revenue of \$77.0 million (F2009 - \$86.2 million), \$72.4 million (F2009 - \$76.8 million) was earned from BC Hydro.

Asset Management and Maintenance Fees

The Asset Management and Maintenance fee from BC Hydro was \$92.4 million (F2009 – \$90.9 million), reflecting an increase of \$1.5 million due to the increased BCUC-approved fee as compared to the prior year.

Service Fees and Other

Service fees and other revenue are largely related to services provided to BC Hydro under Service Level Agreements (SLAs) and other non-tariff services. Service fees and other of \$61.9 million (F2009 - \$56.9 million) are \$5.0 million higher than the prior year. The increase is primarily due to recoveries from BC Hydro of NTL project costs and Substation Distribution Asset service revenue, offset by lower study revenues related to new generator interconnection activities.

Operations, Maintenance and Administration Expenses (OMA)

OMA expenses consist of internal and external resources deployed to execute annual work programs and special initiatives. OMA costs increased to \$211.9 million from \$206.7 million in F2009. Included in OMA are \$42.0 million (F2009 - \$38.7 million) for flow through recoveries of costs related to capital overhead, studies work, and other services for BC Hydro.

BC Hydro's Field Operations and Engineering Services groups provide asset maintenance and engineering services to BCTC in accordance with SLAs. During F2010, BCTC incurred \$67.2 million and \$11.9 million (F2009 - \$63.8 million and \$10.3 million) for field operations and engineering services costs respectively.

Details of OMA expenses are as follows:

(\$ in millions)	F2010 Actual	F2009 Actual	Variance
Operations	\$ 54.9	\$ 52.2	\$ (2.7)
Maintenance	113.2	112.9	(0.3)
Administration	43.8	41.6	(2.2)
Total OMA	211.9	206.7	(5.2)
Less: Transfers to Deferral Accounts			
Emergency Maintenance	(0.5)	(3.1)	(2.6)
Regulatory Cost	(0.6)	(0.7)	(0.1)
IFRS Cost	(0.3)	(0.2)	0.1
Section 5 Inquiry	(3.2)	(0.1)	3.1
Aboriginal Relations	(0.1)	-	0.1
PCB Mitigation	(2.3)	-	2.3
OMA Net of Deferrals	\$ 204.9	\$ 202.6	\$ (2.3)

Operations costs relate to system planning, the real-time operation of the transmission system, market operations and administration. Operations costs increased by \$2.7 million from the prior year due to higher expenses related to the NTL project, higher labour costs associated with increased FTEs and salary increases, offset by lower System Control Modernization Project (SCMP) relocation costs.

Maintenance costs relate to the asset management and maintenance of BC Hydro's \$3.3 billion transmission system and station assets. The increase in F2010 of \$0.3 million over the prior year is primarily due to higher stations maintenance costs to ensure compliance with the revised Federal PCB regulations. This increase is partially offset by decreased emergency and vegetation maintenance costs.

Emergency maintenance costs included in total maintenance costs were \$3.5 million (F2009 - \$6.2 million). \$0.5 million of the emergency maintenance costs were transferred to the emergency maintenance deferral account and BCTC will be seeking BCUC approval for recovery of these costs in F2011.

Administration costs include strategic management, financial governance and oversight of BCTC business operations as well as enterprise-wide support services for the company and its service providers. The increase of \$2.2 million over the prior year is primarily due to higher information technology costs and rent for additional office space.

Other Income

Other income comprises the equity portion of the Allowance for Funds Used During Construction (AFUDC). The increase of \$0.3 million in F2010 as compared to F2009 is due to increased capital expenditures for information technology projects.

Results of Operations (continued)

Deferral Accounts

BCTC maintains regulated deferral accounts as approved by the BCUC. The deferral accounts accumulate the difference between the BCUC-approved amounts and the actual OATT revenues, cost of market and certain operating expenses for recovery from or refund to customers in a future period. There were two new deferral accounts approved by the BCUC in F2010 to capture incremental non-capital costs incurred to comply with Federal PCB regulations and First Nation consultation assessment and engagement activities. In F2010 the net variance from all the deferral accounts resulted in a regulatory deferral asset that increased the net income reported by \$8.8 million (F2009 - \$4.8 million).

Each deferral account accrues interest monthly on the balance recorded in the deferral account. The interest is based on BCTC's annual weighted average cost of debt that was 4.23 percent for F2010 (F2009 – 4.29 percent). The amounts recorded in each deferral account are:

<i>(\$ in millions)</i>	F2009 Actual	(Recovered)/ Refunded	F2010 Deferral amounts	Interest	F2010 Actual
OATT Revenue	\$ 10.3	\$ (10.6)	\$ 17.3	\$ 0.6	\$ 17.6
Emergency Maintenance	3.2	(3.2)	0.5	0.1	0.6
Cost of Market	(0.2)	0.2	(1.5)	-	(1.5)
Regulatory Cost	0.7	(0.7)	0.6	-	0.6
IFRS Cost	0.2	(0.2)	0.3	-	0.3
Section 5 Inquiry	0.1	-	3.2	-	3.3
Aboriginal Relations	-	-	0.1	-	0.1
PCB Mitigation	-	-	2.3	-	2.3
Total	\$ 14.3	\$ (14.5)	\$ 22.8	\$ 0.7	\$ 23.3

The F2010 OATT Revenue deferral amount of \$17.3 million reflects the variance between actual OATT revenues and the BCUC-approved amount.

BCTC's deferral accounts are subject to review and approval by the BCUC before the account balances can be recovered from customers.

Summary of Financial Position

BCTC's financial position is summarized as follows:

<i>(\$ in millions)</i>	F2010 Actual	F2009 Actual	Variance
Current Assets	\$ 39.4	\$ 24.4	\$ 15.0
Property, Plant and Equipment	112.3	118.0	(5.7)
Intangible Assets	35.1	33.9	1.2
Other Assets	2.3	1.7	0.6
Total Assets	\$ 189.1	\$ 178.0	\$ 11.1
Current Liabilities	38.7	30.3	8.4
Long-term Debt	73.4	73.4	-
Other Long-term Liabilities	18.8	23.0	(4.2)
Total Liabilities	130.9	126.7	4.2
Shareholder's Equity	58.2	51.3	6.9
Total Liabilities and Shareholder's Equity	\$ 189.1	\$ 178.0	\$ 11.1

The increase in BCTC's total assets of \$11.1 million was primarily driven by the higher balances in Current Assets, including cash and cash equivalents, prepaid expenses and deferral accounts.

Current liabilities have increased primarily due to an increase in deferred revenue as well as the balance due to BC Hydro related to timing of services received and payments made.

Regulatory

- BCTC earns its return on equity (ROE) based on a Special Direction issued to BC Hydro under which BC Hydro is to achieve a ROE equal to the benchmark ROE based on the most comparable investor-owner energy utility regulated by the BCUC.
- In March 2010, BCTC filed an application to increase F2011 OATT rates to reflect the F2011 BC Hydro Owner's Revenue Requirement, and to increase its allowed ROE to be consistent with that of Terasen and the updated PTP Transmission Service revenue forecast. In March, the BCUC approved interim rates for F2011 and established a written process to determine final rates.
- In November 2009, BCTC received approval for the F2009 and F2010 OATT rates.
- In November 2009, BCTC received BCUC approval for two new deferral accounts: the Aboriginal Relations Deferral Account and the PCB Mitigation Deferral Account. The Aboriginal Relations Deferral Account covers incremental non-capital costs associated with First Nations consultation assessment and engagement activities, and the PCB Mitigation Deferral Account covers incremental costs incurred to comply with Federal PCB Regulations.
- In March 2010, the BCUC approved an application to establish a deferral account to record the OMA Sustaining costs associated with BCTC's F2011 Capital Portfolio.
- In March 2010, the BCUC directed that two additional deferral accounts be created to capture incremental external communications expenditures and labour cost escalations, excluding labour contracts. There is no impact to F2011 OATT rates resulting from increased operational expenditures.

Liquidity and Capital Resources

<i>(\$ in millions)</i>	F2010 Actual	F2009 Actual	Variance
Cash and Cash Equivalents, Beginning of Year	\$ 4.1	\$ 8.2	\$ (4.1)
Cash Provided by (Used for):			
Operating Activities	16.0	23.5	(7.5)
Investing Activities	(12.2)	(19.1)	6.9
Financing Activities	0.4	(8.5)	8.9
Increase (Decrease) in Cash and Cash Equivalents	4.2	(4.1)	8.3
Cash and Cash Equivalents, End of Year	\$ 8.3	\$ 4.1	\$ 4.2

Operating Activities

Cash provided by operating activities in F2010 was \$16.0 million compared to \$23.5 million in F2009. The decreased cash provided by operating activities for F2010 was primarily due to changes in accrued employee benefits, working capital changes, and lower non-cash depreciation.

Investing Activities

Cash used for investing activities during F2010 was \$12.2 million as compared to \$19.1 million in the prior year. The decrease in cash used of \$6.9 million is primarily due to lower capital expenditures in F2010.

Financing Activities

Financing activities resulted in a cash inflow of \$0.4 million in F2010 compared to a cash outflow of \$8.5 million in F2009. In F2010 there were no new net borrowings compared to a net repayment of short-term borrowings in F2009.

Capital Resources

Short-term liquidity is provided through surplus cash invested in short-term money market funds from operations during the year, supplemented with short-term commercial paper borrowings from the Province as required. The Province limits short-term commercial paper borrowing to \$40.0 million. Additionally, BCTC has a \$5.0 million demand revolving credit facility for general corporate purposes with a chartered bank. The facility is available by way of Canadian or US dollar overdrafts and is priced at the prime rate for Canadian dollar overdrafts and the US base rate for US dollar overdrafts.

BCTC had an active short-term borrowing program in F2010 to supplement cash flow timing differences between payables and receivables. During F2010, BCTC borrowed and repaid in increments a total of \$168.1 million. In May 2010, BCTC will make an OATT revenue true-up payment of \$14.3 million to BC Hydro and expects to experience a significant level of short-term borrowings until the deferral account balances of approximately \$22.0 million are recovered in October 2010.

Long-term financing is provided by the Province through an off-lending arrangement and the issuance of matching debentures to the Province. In June 2007, BCTC issued a \$40.0 million bond, at a coupon rate of 4.75 percent, maturing in June 2017. In November 2008, BCTC issued a \$30.0 million bond at a coupon rate of 5.06 percent, maturing in November 2018.

Comparison to Service Plan

F2010 Actual versus F2010 Plan

Under the *Budget Transparency and Accountability Act*, Crown agencies are required to include in their annual report a comparison of the actual performance for the fiscal year then ended against the planned performance submitted in the annual service plan. The F2010 Plan shown below is the updated financial plan submitted by BCTC in its September 2009 Service Plan. A copy of this Service Plan is available on BCTC's website at www.bctc.com/service_plan

(\$ in millions)	F2010 Actual	F2010 Plan	Variance
Revenues			
Transmission services	\$ 81.0	\$ 84.0	\$ (3.0)
Asset management and maintenance fee	92.4	92.4	-
Service fees and other	61.9	61.8	0.1
Total Revenue	235.3	238.2	(2.9)
Expenses			
OMA	211.9	210.0	(1.9)
Depreciation and amortization	17.4	16.3	(1.1)
Cost of market and other asset related costs	8.2	9.8	1.6
Total Expenses	237.5	236.1	(1.4)
(Loss) Income from Operations	(2.2)	2.1	(4.3)
Other income	0.4	0.4	-
(Loss) Income before Deferral Account Transfers	(1.8)	2.5	(4.3)
Deferral Accounts	8.8	4.5	4.3
Net Income	\$ 7.0	\$ 7.0	\$ -

Net Income

Net income for the year ended March 31, 2010 of \$7.0 million is consistent with Plan net income.

Revenues

Transmission services revenue of \$81.0 million is \$3.0 million below Plan primarily due to lower revenue from PTP transmission services due to lower volumes and lower ancillary services revenue. The asset management and maintenance fee of \$92.4 million and service fees and other revenue reflect the F2010 approved level.

Expenses

OMA costs are higher than Plan by \$1.9 million primarily due to higher station maintenance costs to ensure compliance with the revised PCB regulations. These costs have been transferred to the PCB deferral account. BCTC will apply to the BCUC to clear these deferred costs in F2011.

Depreciation and amortization is higher than Plan largely due to dismantling costs related to control centres replaced by the SCMP project.

Cost of market and other asset related costs are lower than Plan largely due to lower transmission services volumes.

Transmission Capital Expenditures

Capital expenditures for control centres, information technology and office facilities are financed and owned by BCTC, whereas those relating to the transmission system are financed and owned by BC Hydro. The transmission capital expenditures are accounted for and reported in BC Hydro's financial accounts as the owner of transmission assets and are not reflected in BCTC's financial statements.

Transmission capital expenditures are summarized as follows:

<i>(\$ in millions)</i>	F2010 Actual	F2009 Actual	Variance from Actual	F2010 Plan	Variance from Plan
Assets Owned by BCTC					
Control Centre Technologies	\$ 0.6	\$ 8.8	\$ 8.2	\$ 2.5	\$ 1.9
Information Technologies	11.2	8.8	(2.4)	18.8	7.6
Facilities	0.3	1.1	0.8	0.9	0.6
Total BCTC Capital Expenditures	\$ 12.1	\$ 18.7	\$ 6.6	\$ 22.2	\$ 10.1
Transmission Assets Owned by BC Hydro					
Sustaining Capital	\$ 145.7	\$ 101.6	\$ (44.1)	\$ 128.4	\$ (17.3)
Growth Capital	192.9	292.9	100.0	291.6	98.7
Less: Contributions in Aid of Construction	(35.7)	(18.4)	17.3	(19.2)	16.5
Transmission Capital Investments on behalf of BC Hydro	\$ 302.9	\$ 376.1	\$ 73.2	\$ 400.8	\$ 97.9

Assets Owned by BCTC

Capital expenditures totaled \$12.1 million in F2010, a \$6.6 million decrease from the prior year. This is primarily due to a decrease in spending on the SCMP project in F2010 compared to F2009. This is partially offset by increased expenditures on information technology projects.

Compared to F2010 Plan of \$22.2 million, BCTC's capital expenditures were lower by \$10.1 million below Plan primarily due to a delay in the initiation of the MOD project due to the requirement of a CPCN, and also delays in the start of several other projects pending BCUC approval of the F2010 Transmission System Capital Plan.

Transmission Assets Owned by BC Hydro

Sustaining capital expenditures totaled \$145.7 million, which is a \$44.1 million increase over the prior year. The increase in expenditure is primarily due to costs to restore part of the network damaged by the severe fires during the past summer and the costs to relocate transmission lines due to the construction of the new Port Mann bridge as part of the Province's Gateway Project. These relocation costs are recovered from the Province and are reflected in Contributions in Aid of Construction.

Growth related capital expenditures totaled \$192.9 million, which is a \$100 million decrease from the prior year. The decrease is largely due to the substantial completion of the Vancouver Island Transmission Reinforcement (VITR) project in F2009. The decrease in capital spending is partially offset by increased expenditures on Generator Interconnection projects like East Toba and Montrose, the Central Vancouver Island (CVI) Transmission project, and \$20.2 million in assets that were constructed by Kinder Morgan and donated to BC Hydro.

Compared to F2010 Plan of \$400.8 million, actual transmission capital expenditures were lower by \$97.9 million primarily due to cash flow shifts and project deferrals to F2011 for some growth projects. This was partially offset by above Plan expenditure on the sustain portfolio arising from unplanned emergency expenditures, and customer-requested projects.

Capital Project Developments

Generator Interconnection projects

- During the year, five Generator Interconnection projects were placed in service to connect renewable electricity generating capacity of approximately 485 MW to the transmission grid. This includes the first wind farm to reach commercial operation in British Columbia, which is known as the 102 MW Bear Mountain Wind Farm near Dawson Creek.

Northwest Transmission Line (NTL) project

- The NTL project is a proposed 335 km, 287 kV transmission line that will extend from Terrace to Meziadin Junction and north to Bob Quinn Lake, providing access to the electricity grid and supporting economic diversification of the area.
- Following the September 2009 announcement that up to \$130 million will be funded from the Federal Green Infrastructure Fund to support construction of the estimated \$400 million NTL project, discussions regarding the terms and conditions of the contribution continue between the Federal government and the Province. Negotiations are also ongoing with potential third party partners to participate in this project. The project is targeted to be in-service by the end of 2013.
- In December 2009, the British Columbia Environmental Assessment Office (BCEAO) issued the approved Assessment Information requirements for the project. BCTC filed the application for an EAC for NTL on January 28, 2010. The BCEAO has accepted the application and commenced their prescribed 180-day review process on April 15, 2010. A decision is expected on the application in October 2010.
- The Canadian Environmental Assessment Agency (CEAA) has determined that NTL requires an environmental assessment under the *Canadian Environmental Assessment Act*. Canada has delegated the conduct of the federal environmental assessment to the BCEAO. Under this arrangement, the BCEAO will undertake the procedural aspects of the federal environmental assessment. However, the federal responsible authorities will retain their decision-making authority and also their responsibilities for Aboriginal consultation with regards to the NTL project.
- In February 2010, certain First Nations groups applied to the Federal Court for judicial review of the Federal government's delegation of the NTL project's environmental assessment under the *Canadian Environmental Assessment Act* to the BCEAO.

Interior to Lower Mainland (ILM) project

- The ILM project is a planned 255 km, 500 kV alternating current overhead electric transmission line from the Nicola Substation, near Merritt, to the Meridian Substation, in Coquitlam. The project is forecast to cost \$599 million and has an estimated in-service date in the fall of 2014.
- The ILM project received a CPCN from the BCUC in August 2008. The project received an EAC under the *BC Environmental Assessment Act* in June 2009.
- In February 2009 the British Columbia Court of Appeal issued its decision in the ILM project appeal, suspending the effect of the CPCN and stating that the BCUC should have considered the adequacy of First Nations consultation at the time the CPCN decision was made. In April 2009 the BCUC established a regulatory process to assess the adequacy of consultation with the First Nations up to the date of the CPCN decision. In the fall of 2009, BCTC filed supplemental evidence on First Nations consultation and completed the responses to a substantial number of information requests. Further evidence was also filed by intervenors. A BCUC oral hearing was held in January, March and April 2010. Oral argument is scheduled for June 2010 and the BCUC decision is expected in late summer 2010.
- In order to advance the project and ensure prudence of expenditures until such time as the CPCN is granted, BCTC is continuing consultation with First Nations and advancing procurement.
- First Nation groups applied to the British Columbia Supreme Court for judicial review of the decision in June 2009 granting an EAC for the project. A formal hearing on this matter is set for November and December 2010 and a decision will follow.

Vancouver City Central Transmission (VCCT) project

- The VCCT project consists of a new enclosed 230/12 kV substation in the Mount Pleasant/South False Creek area of Metro Vancouver and two new underground 230 kV transmission circuits connecting the new substation to the existing transmission network. The project is forecast to cost \$200 million and has an estimated in-service date in the fall of 2012.
- BCTC filed its application for a CPCN with the BCUC in September 2009. To allow for additional time for public input, the BCUC extended the proceeding for review of BCTC's application and a decision is expected in June 2010.
- In order to maintain the target in-service date, procurement activities are well underway. Initial contract pricing for major equipment has come under budget. Major construction contracts are expected to be awarded by early summer of 2010. Construction is scheduled to begin as soon as the CPCN is granted.

Capital Project Developments (continued)

Columbia Valley Transmission (CVT) project

- The CVT project consists of a new 230 kV line between Invermere and Golden, British Columbia and is required to address load growth and reliability issues in the upper Columbia Valley area. The required in-service date is in the fall of 2012.
- BCTC filed an application for a CPCN with the BCUC in January 2010. The BCUC held a procedural hearing and has established a schedule for a written proceeding. Two rounds of information requests have been completed. A decision on this application is expected in the summer of 2010.

Central Vancouver Island Transmission (CVI) project

- The CVI project consists of a new 230/138 kV substation near Nanaimo and a new 12 km double-circuit 230 kV transmission line connecting to the existing transmission network. The project will relieve the near term system overloads and provide for the future needs of this rapidly growing region.
- This project received a CPCN from the BCUC in December 2008 and has an approved budget of \$92.4 million.
- Construction commenced September 1, 2009, total costs are under budget and the project is scheduled to meet the anticipated in-service date in the fall of 2010.

Transmission Services Agreement with FortisBC

- In October 2009, BCTC entered into a 50-year transmission services agreement with FortisBC. BCTC will be utilizing the FortisBC system to supply electricity to meet the load growth in the Woods Lake area. The agreement is mutually beneficial to BCTC and FortisBC and optimizes the use of existing transmission infrastructure, minimizes environmental impacts and benefits ratepayers.
- On February 12, 2010, the BCUC approved the Woods Lake/Duck Lake Wheeling agreement and Related Matters Application which was filed in December 2009. Approval included the Wheeling Agreement between BCTC and FortisBC, amendments to BCTC's OATT, and the required capital expenditures of \$12 million for upgrades to the Duck Lake Substation.

Market Operations and Development (MOD) project

- The MOD project is replacing and upgrading the existing Market Operations Business System with a new, consolidated and integrated suite of Market Operations Business applications. This project is essential to allow BCTC to deliver open access to the transmission system and to realize Network Integrated Transmission Services and PTP revenue pursuant to the OATT. The project is forecast to cost \$10 million and has an estimated in-service date in the spring of 2010.
- On October 1, 2009 the MOD project was granted a CPCN.
- System development is nearing completion and testing of completed modules is in progress.

Dawson Creek Chetwynd Area Transmission (DCAT) project

- The DCAT project is required to meet an urgent need to increase transmission capacity in the South Peace region. Existing transmission capacity is already strained to serve the rapid economic expansion being driven by natural gas exploration and development. Several short-term upgrades are already underway to help alleviate existing capacity constraints until a larger long-term solution can be implemented. There are also additional future transmission requirements to serve wind generation resources in the region further south toward Tumbler Ridge.
- BCTC is in the process of completing a regional planning study which includes consultation with public stakeholders and First Nations, and developing an appropriate long-term solution.

Critical Accounting Policies and Estimates

The preparation of BCTC's financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs, and related disclosures of commitments and contingencies. BCTC has based its estimates and judgments on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments.

BCTC's management believes the following issues involve the more significant estimates and judgments used in the preparation of its financial statements:

Regulatory Assets and Liabilities

GAAP would not allow deferral or regulatory assets and liabilities were it not for rate regulated accounting. The earnings impact would have to be recorded in the period of recovery. BCTC's regulatory assets and liabilities have been recorded based on expected, existing or previous regulatory orders or decisions. In a regulatory environment, disposition of amounts in deferral accounts are only finalized when regulatory decisions or proceedings culminate. Therefore, certain estimates are necessary in the interim period in order to provide regular reporting of amounts.

Pension Amounts

BCTC provides a defined benefit registered pension plan to all employees. BCTC contributes amounts as prescribed by an independent actuary towards the cost of providing basic benefits under the plan. BCTC's actuary calculates the accrued benefit obligation using the projected benefit method prorated on service.

This method incorporates management's best estimate of future salary levels, health care cost escalation, retirement ages of employees and other actuarial factors. Additionally, the calculations prepared by the actuary incorporate an assumption related to the discount rate in accordance with Section 3461 of the Canadian Institute of Chartered Accountants (CICA) Handbook for the accrued benefit obligation and the expected long-term rate of return on plan assets. This weighted average discount rate is 6.2 percent for both the Pension Plan and for the Other Benefits Plan. Fluctuations in actual market returns and changes in interest rates may result in increases or decreases to future pension expenses.

Accounts Receivable

Accounts receivable are reported in terms of their age and are monitored for collectibility. At each quarter end, management reviews the likelihood of collection of certain receivables that are deemed to be at risk and records a provision against these balances when there is a possibility that amounts may not be collected. Insurance claims related to damage incurred to plant assets are included in BCTC's accounts receivable and are managed and monitored separately from trade accounts receivable. At each quarter end, if there is any indication of insurance collection concern, a provision is recorded against these balances. These provisions are based on management's best estimate of collectibility when taking into account what is known about the customer and the age of the outstanding balance.

Impairment of Long-Lived Assets

Long-lived assets, including property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be fully recoverable. Recoverability of assets is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount exceeds its estimated future cash flows, an impairment charge is recognized by the amount that the carrying amount of the asset exceeds its fair value.

Intangible Assets

The amortization method and estimated useful life of intangible assets are reviewed annually.

Critical Accounting Policies and Estimates

New Accounting Policies

BCTC adopted the following new accounting pronouncements in F2010:

Intangible Assets

On April 1, 2009, BCTC retroactively adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this standard resulted in the reclassification of assets from Property, Plant and Equipment to Intangible Assets and depreciation to amortization expense.

Regulation

Effective April 1, 2009, the temporary exemption provided for in CICA Handbook Section 1100, *Generally Accepted Accounting Principles*, which allowed the recognition and measurement of assets and liabilities arising from rate regulation was withdrawn. In accordance with the CICA Handbook accounting hierarchy, BCTC chose to adopt accounting policies consistent with the US Financial Accounting Standards Board's, Accounting Standards Codification 980, *Regulated Operations*. As a result, BCTC retained the current accounting treatment for regulatory assets and liabilities. Therefore, the withdrawal of the exemption had no impact on the financial statements.

Financial Instruments – Disclosures

In June 2009, CICA Handbook Section 3862, *Financial Instruments – Disclosures* was amended to include additional disclosure requirements about the fair value measurement of financial instruments and to enhance liquidity risk disclosures. The standard allows these disclosures to be provided on a prospective basis.

The amendments establish a hierarchical disclosure framework associated with the level of pricing observability utilized in measuring the fair value. The framework defines three levels of inputs to the fair value measurement process and requires that each fair value measurement be assigned to a level corresponding to the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- Level 2 Inputs – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 Inputs – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The amended section relates to disclosure only and did not have a material impact on BCTC's financial statements. BCTC has reflected the additional disclosures in Note 16 to the financial statements.

Risk Management

BCTC is exposed to a variety of business risks. BCTC has an established Enterprise Risk Management (ERM) program to identify, assess, treat and monitor risks, and to ensure the achievement of its corporate and business objectives. BCTC utilizes a Corporate Risk Matrix to determine the level of risks, ranging from Low to Extreme. This classification is based on the likelihood of an event occurring and its impact on the following criteria: Safety, Financial, Reliability, Market Efficiency, Relationships, Organization and People, and Environment. The ERM program is overseen by the Audit Committee of the Board of Directors and Risk Management Committee which is composed of members of the Executive Leadership Team.

BCTC regularly updates its corporate risk profile. Throughout F2010 risk treatment plans were implemented and the corporate risk profile has been continuously monitored to track risk trends and newly emerging risks. BCTC's Risk Management Framework outlines the different risk management strategies that the organization uses to manage uncertainty. For certain types of risks, BCTC uses insurance as an effective risk transfer mechanism. BCTC has in place a comprehensive insurance program with limits that are within the acceptable range of industry practices.

Risk of interruption to mission critical business processes is managed, in part, through an enterprise business continuity management program (the Program). The Program encompasses emergency response planning, information system disaster recovery planning and other contingency planning initiatives, including grid outage, facility disruptions and loss of key staff. The Program ensures that BCTC's personnel, assets, information systems, and operations are resilient to potential business disruptive events.

The following are some of the corporate risks that BCTC faces:

First Nations' Relationship Risk

BCTC plans, operates and expands the transmission system on First Nations reserve lands, treaty settlement lands and traditional territories. Positive relationships are required to implement BCTC's capital plan and operation and maintenance activities. BCTC works in collaboration with BC Hydro to consult with First Nations on its capital projects and has an Aboriginal Business Development program to increase business opportunities and build the capacity of Aboriginal businesses. Costs related to consultation with First Nations are planned for and generally incorporated into project costs and did not have a significant impact on BCTC's financial performance in F2010.

Public Acceptance Risk

The planning, building and operation of a transmission system carries with it an inherent risk that the general public and various stakeholders may not readily accept certain infrastructure projects. BCTC's corporate reputation and business objectives may be jeopardized as a result. BCTC responds to these challenges with ongoing proactive communications, community relations and consultation processes to promote openness and transparency with stakeholders and to help manage public expectations. Costs related to consultation with the public are planned for and incorporated into project costs and did not have a significant impact on BCTC's financial performance in F2010.

Customer Expectations Management Risk

There is a risk that commitments with customers in terms of timelines of studies, construction of interconnection facilities and costing accuracy are not met or effectively managed. To manage this risk, BCTC is implementing improvement in the end-to-end interconnection process in order to meet the expectation of customers under the OATT and the new Standard Generator Interconnection Agreement. In F2010, there was no significant impact on BCTC's financial performance related to customer expectations.

Contractor Management Risk

BCTC relies heavily on service providers and contractors to execute construction and maintenance activities and in some cases, administer its procurement policies and procedures on its behalf. To mitigate risk, BCTC continuously improves its operating procedures to provide contractors with more clarity on its standards and processes for safety, environmental and work quality requirements and periodically conducts Operational Reviews and audits the procurement policies and procedures undertaken by the service providers. In F2010, there was no significant impact on BCTC's financial performance related to contracted services.

System Reliability Risk

BCTC plans, builds, operates and maintains the provincially owned transmission system assets and exercises exclusive authority for electric transmission reliability in British Columbia. In the execution of this mandate, BCTC manages risks that could potentially impact the reliability, capacity, sustainment, safety or environmental performance of the transmission system, including unexpected events such as extreme weather or system events of interconnected jurisdictions.

Risk Management (continued)

BCTC has categorized the criticality of delivery points and is continuously monitoring asset health and performance to manage risk according to the criticality levels. BCTC also actively participates in the Western Electricity Coordinating Council (WECC) and plans and operates the system in compliance with WECC and North American Electric Reliability Council guidelines as well as actively coordinating regional transmission planning with neighbouring utilities. A comprehensive system of operating policy and local and system operating orders safeguard against worker and public endangerment, equipment damage, loss of reliability and loss of public support.

Human Resources Risk

BCTC relies on a lean, highly skilled workforce. The average age of employees is 45 years. Voluntary attrition for F2010, inclusive of retirement, is 4.2 percent (F2009 – 9.0 percent).

Approximately 40 percent of BCTC's employees are represented by either the International Brotherhood of Electrical Workers or the Canadian Office and Professional Employees Union. In the event of a labour dispute, essential services are protected by legislation but BCTC still could face some degree of operational risk related to providing service to customers. When the Act is passed into law, and BCTC and BC Hydro are unified into one Crown corporation, all employees of BCTC will become BC Hydro employees.

The Human Resources, Safety & Environment Committee provides guidance to senior management on the development of human resource policies to ensure BCTC is successful in attracting and retaining the human resources needed to execute BCTC's mandate.

Labour risk did not have a significant impact on BCTC's financial performance in F2010.

Environment and Safety Risk

Environment and safety risks are managed by use of International Organization for Standardization (ISO) standards for environmental and safety management systems. BCTC has an annual audit program that reviews the various parts of these management systems with respect to the ISO Standards, organization commitments and regulatory requirements. The structure and timing of these audits are consistent with the ISO Standards. Where risk mitigation is required, appropriate management and operational controls are implemented.

In day to day practice, BCTC uses the management systems it has developed to identify, assess, and control environmental, change management, health and safety risks. BCTC utilizes contractor services as part of the operating model and those contractors are subject to the BCTC management systems for environment and safety. The Human Resources, Safety and Environment Committee of the Board of Directors have oversight responsibility for matters relating to the environment, health and safety.

BCTC conducted a comprehensive analysis of BC Hydro equipment managed by BCTC to assess the mitigation issues and costs associated with complying with the Environment Canada regulations related to management of PCB contamination issued in September 2008. BCTC has identified and begun to implement actions to mitigate releases, monitor leaks and prioritize equipment for repairs or replacement. Environmental and safety risk mitigation reduced the impact that PCBs had on BCTC's financial statements.

In addition to the key corporate risks identified above, there are several other financial related risks that BCTC manages. Among others, these include:

Economic and Credit Risk

Credit risk is the risk of loss in the event that a counterparty fails to fulfill its payment obligations. A counterparty is typically a customer under the OATT.

BCTC has a low risk tolerance for credit risk and has established appropriate credit policies and procedures for the day to day management of credit risk exposure. Transmission services are provided only to those customers whose financial standing, as determined by major rating agencies, meets BCTC's creditworthiness criteria or upon receipt of acceptable security. The management of credit risk is centralized under the Director of Finance and Business Improvement and Human Resources from a strategic and operational perspective. Additionally, the operations group at BCTC regularly monitors customer accounts. Credit risk is measured on an ongoing basis and a monthly credit review and exposure report is provided to management for review. In F2010, BCTC did not experience any significant credit loss from customer accounts.

As it relates to BCTC's pension plan, the calculations prepared by BCTC's actuary incorporate certain assumptions related to the discount rate in accordance with Section 3461 of the CICA Handbook for the accrued benefit obligation and the expected long-term rate of return on plan assets.

As it relates to liquidity and financing risk, BCTC has minimal exposure as its financing is provided by the Province and is at a fixed interest rate.

Regulatory Risk

The Master Agreement signed between BCTC and BC Hydro requires BC Hydro to fund those capital projects approved by the BCUC. The cost of any capital project constructed by BCTC and funded by BC Hydro for which approval of the BCUC is denied will not be recoverable through BCTC's rates and must be repaid to BC Hydro. BCTC manages this risk through prudent planning, seeking approvals as early as they can be obtained and by minimizing any capital activity in advance of the necessary approvals.

BCTC has received approval from the BCUC for several deferral accounts and in F2010, was provided a direction to create two additional deferral accounts to capture incremental non-capital costs. BCTC is subject to the same deferral account clearance risks as other regulated companies and manages this risk by ensuring deferred costs and revenues are prudent and by demonstrating prudent action to the BCUC.

During the year, BCUC approval was not granted for some sustaining capital expenditures due to concerns regarding adequacy of First Nations consultation. BCTC intends to reapply for approval after gathering additional documentation.

Management Report

The financial statements of British Columbia Transmission Corporation (BCTC) are the responsibility of management and have been prepared in accordance with Canadian Generally Accepted Accounting Principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates, which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at June 1, 2010. The financial statements have also been reviewed by the Audit Committee and approved by the Board of Directors.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safe-guarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee.

The financial statements as at March 31, 2010, and for the year then ended have been examined by an independent external auditor. The external auditor's responsibility is to express his opinion on whether the financial statements, in all material respects, fairly present BCTC's financial position, results of operations, retained earnings and cash flows in accordance with Canadian Generally Accepted Accounting Principles. The Auditor's Report, which follows, outlines the scope of his examination and his opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, comprising directors who are not employees, meets regularly with the external auditor, the internal auditor and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors. The internal and external auditors have full and open access to the Audit Committee, with and without the presence of management.



Janet Woodruff
Interim President



Andrea Johnston
Director of Finance, Business Improvement and Human Resources

Vancouver, Canada
June 1, 2010

Report of the Auditor General of British Columbia

To the Members of the Board of British Columbia Transmission Corporation

To the Minister of Energy, Mines and Petroleum Resources, Province of British Columbia:

I have audited the balance sheet of the British Columbia Transmission Corporation as at March 31, 2010, and the statements of operations and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the British Columbia Transmission Corporation as at March 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



John Doyle
Auditor General

Victoria, British Columbia
May 27, 2010

Statement of Operations and Comprehensive Income

<i>For the years ended March 31 (\$ in thousands)</i>	2010	2009
Revenue		
Transmission services (Note 10)	\$ 81,013	\$ 90,018
Asset management and maintenance fees (Note 10)	92,400	90,900
Service fees and other (Notes 2, 10)	61,820	56,762
Investment income	127	158
	235,360	237,838
Expenses		
Cost of market (Note 14)	3,660	5,016
Operations, maintenance and administration (Notes 2, 10)	211,869	206,679
Taxes and grants	905	718
Depreciation of Property, Plant and Equipment	10,241	13,040
Amortization of Intangible Assets	7,205	6,620
Finance charges (Note 15)	3,636	3,525
	237,516	235,598
(Loss) Income from Operations	(2,156)	2,240
Other income	368	118
(Loss) Income before Deferral Account Transfers	(1,788)	2,358
Deferral accounts (Note 4)	8,809	4,759
Net Income	\$ 7,021	\$ 7,117
Other comprehensive income (Note 9)	-	337
Comprehensive Income	\$ 7,021	\$ 7,454

Statement of Retained Earnings

<i>For the years ended March 31 (\$ in thousands)</i>	2010	2009
Retained Earnings, beginning of year	\$ 30,910	\$ 23,793
Net Income	7,021	7,117
Retained Earnings, end of year	\$ 37,931	\$ 30,910

See accompanying notes to the financial statements.

Balance Sheet

<i>as at March 31 (\$ in thousands)</i>	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 8,255	\$ 4,068
Accounts receivable	2,564	3,914
Prepaid expenses	5,353	2,150
Deferral accounts (Note 4)	23,257	14,262
	39,429	24,394
Other Assets (Note 5)	1,465	1,117
Prepaid Expenses - Long-term	826	589
Property, Plant and Equipment (Note 6)	112,275	117,992
Intangible Assets (Note 7)	35,098	33,880
	\$ 189,093	\$ 177,972
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 21,816	\$ 21,357
Due to BC Hydro (Note 10)	7,681	5,701
Current portion of obligations under capital lease (Note 12)	51	48
Deferred revenue	7,526	1,557
Deferred leasehold inducements	1,644	1,635
	38,718	30,298
Accrued Employee Benefits (Note 11)	18,749	22,992
Long-term Debt (Note 8)	69,981	69,979
Obligations Under Capital Lease (Note 12)	3,405	3,456
	130,853	126,725
Shareholder's Equity		
Share capital (Note 13)	20,000	20,000
Retained earnings	37,931	30,910
Accumulated other comprehensive income (Note 9)	309	337
	58,240	51,247
	\$ 189,093	\$ 177,972

Commitments and Contingencies (Note 18)

See accompanying notes to the financial statements.

Approved on behalf of the Board:



Dan Doyle
Chair of the Board



Bill Bakk
Chair, Audit Committee

Statement of Cash Flows

<i>For the years ended March 31 (\$ in thousands)</i>	2010	2009
Operating Activities		
Net income	\$ 7,021	\$ 7,117
Adjustment for non-cash items:		
Depreciation of Property, Plant and Equipment	10,241	13,040
Amortization of Intangible Assets	7,205	6,620
Other amortization expense included in operations, maintenance and administration	(1,460)	162
Allowance for Funds Used During Construction - equity	(368)	(118)
Accrued employee benefits changes	(4,243)	11
	18,396	26,832
Changes in non-cash working capital:		
Accounts receivable and prepaid expenses	(1,853)	1,933
Due to BC Hydro	1,980	(4,720)
Accounts payable and accrued liabilities	459	710
Deferred revenue	5,969	1,099
Deferral accounts	(8,995)	(2,372)
	(2,440)	(3,350)
Cash provided by operating activities	15,956	23,482
Investing Activities		
Property, Plant and Equipment expenditures	(2,903)	(13,454)
Intangible Assets expenditures	(8,887)	(5,152)
Other assets, net of repayment	(348)	(453)
Cash used for investing activities	(12,138)	(19,059)
Financing Activities		
Proceeds from long-term debt	-	29,990
Proceeds from interest rate hedge	-	348
Repayment of long-term debt	-	(30,000)
Proceeds from short-term debt	168,053	151,943
Repayment of short-term debt	(168,053)	(160,955)
Leasehold inducements	417	228
Principal payments of obligations under capital lease	(48)	(61)
Cash provided by (used for) financing activities	369	(8,507)
Increase (decrease) in cash and cash equivalents	4,187	(4,084)
Cash and cash equivalents, beginning of year	4,068	8,152
Cash and cash equivalents, end of year	\$ 8,255	\$ 4,068
Supplemental disclosure of cash flow information		
Interest paid	\$ 2,562	\$ 2,872

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the Years Ended March 31, 2010 and 2009

Note 1: Nature of Operations

The British Columbia Transmission Corporation (BCTC) is a provincial Crown corporation incorporated on May 2, 2003 under the *BC Business Corporations Act*. BCTC is authorized by the *Transmission Corporation Act* (May 29, 2003) and the Key Agreements designated by the Lieutenant Governor in Council (November 20, 2003) pursuant to the *BC Business Corporation Act* to plan, operate and manage the British Columbia Hydro and Power Authority's (BC Hydro) electric transmission system. As part of the British Columbia Energy Plan, BCTC's mandate is to plan, build, operate and manage BC Hydro's transmission assets and provide open and non-discriminatory access to the Province's electric transmission system. BCTC reports to the Minister of Energy, Mines and Petroleum Resources and is regulated by the British Columbia Utilities Commission (BCUC).

Going Concern

On April 28, 2010, the Province of British Columbia tabled its *Clean Energy Act* (the *Act*) in the BC Legislature. Under the terms and conditions of the *Act*, BCTC and BC Hydro will be united into a single Crown corporation. The Crown corporation will be accountable for the roles and responsibilities previously held by BCTC. It is anticipated that the *Act* will be passed into law in July 2010. Since the operations of BCTC will continue in the unified entity, these financial statements have been prepared on a going concern basis, which contemplates the realization of assets and payment of liabilities in the ordinary course of business.

Note 2: Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and are expressed in Canadian dollars.

Use of Estimates

Management has made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and disclosure of contingent liabilities to prepare these financial statements in conformity with GAAP. These estimates are based on historical experience, current conditions and various other assumptions believed to be reasonable under the circumstances. These estimates include the collectability of accounts receivable, impairment of long-lived assets, useful lives of assets, Allowance for Funds Used During Construction (AFUDC), employee future benefits and regulatory deferral accounts. Due to changes in facts and circumstance and the inherent uncertainty involved in making estimates, actual results may differ significantly from current estimates. Estimates are reviewed at each quarter end and, as adjustments become necessary, are reported in earnings in the period in which they become known. Impact of the change in useful life as a result of the *Act* has been disclosed in Note 21.

Regulation

BCTC adopted the Canadian Institute of Chartered Accountants (CICA) Accounting Guideline AcG-19, *Disclosures by Entities Subject to Rate Regulation*, which provides disclosure requirements for rate-regulated entities.

Cash and Cash Equivalents

Cash and cash equivalents include cash and units in money market funds with original maturity dates of less than 90 days from the original date of acquisition.

Financial Instruments

BCTC adopted the Emerging Issues Committee Abstract 173 (EIC-173), *Credit Risk and the Fair Value of Financial Assets and Liabilities* which states that an entity's own credit risk and the credit risk of counterparties should be taken into account in determining the fair value of financial assets and liabilities.

Financial assets:

BCTC classifies its financial assets as loans and receivables except for forward currency contracts which are classified as derivatives.

Loans and receivables are non-derivative financial assets resulting from the delivery of cash and other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, usually with interest, other than debt securities.

Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are presented in the income statement in the period in which they arise.

Derivative financial instruments, such as forward currency contracts, are measured at fair value with changes in fair value recorded in earnings.

Notes to the Financial Statements

For the Years Ended March 31, 2010 and 2009

Financial liabilities:

BCTC classifies its financial liabilities as other financial liabilities. Other financial liabilities are initially recognized at fair value and are carried at amortized cost using the effective interest method. A gain or loss is recognized in net income when other financial liabilities are derecognized or impaired.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. During the construction of new assets, direct costs plus a portion of overhead costs and related financing costs and return on equity are capitalized using the AFUDC method. AFUDC allows for the capitalization of the return on equity relating to Work in Progress (WIP) balances that does not affect current period rates and allows BCTC to comply with Special Direction No. 9. WIP is transferred to property, plant and equipment when the asset is substantially complete and available for use.

Depreciation commences in the month after an asset is put into service. Depreciation is provided principally on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	45 years
Computer hardware and software	3 – 10 years
Communication equipment	5 – 30 years
Furniture and equipment	5 – 34 years
Leasehold improvements	5 – 10 years

Intangible Assets

Intangible assets are recorded at cost. During the construction of new assets, direct costs plus a portion of overhead costs and related financing costs and return on equity are capitalized using the AFUDC method. WIP is transferred to intangible assets when the asset is substantially complete and available for use.

Amortization commences in the month after an intangible asset is put into service. Amortization is provided on a straight-line basis over the estimated useful lives of the intangible assets as follows:

Acquired computer software and licenses	3 – 10 years
Internally-generated computer software	13 years

The amortization method and estimated useful lives of intangible assets are reviewed annually.

Impairment of Long-Lived Assets

Long-lived assets, including property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be fully recoverable. Recoverability of assets is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount exceeds its estimated future cash flows, an impairment charge is recognized by the amount that the carrying amount of the asset exceeds its fair value.

Leases

Leases are classified as capital or operating depending upon the terms and conditions of the contracts.

Asset values recorded under capital leases are amortized on a straight-line basis over their estimated useful lives. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

Deferred Revenue

Deferred revenue consists principally of amounts received under Study Agreements to investigate the requirements for interconnecting independent power generation facilities to the transmission system. The amounts received are deferred and included in income as the work is completed.

Leasehold Inducements

Leasehold inducements are monies advanced on an operating lease for premises by the property owner. Inducements are amortized over the period of the lease and reduce lease expenses.

Revenue Recognition

BCTC recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of BCTC's activities, as described below.

Transmission services revenue is approved by the BCUC. Customers are billed at interim rates until the BCUC approves the final rates. Customers receive funds or are charged the difference, with interest, between the interim and final rates. On a quarterly basis, management assesses the risk with respect to rates and forms an assessment of revenue to be recognized at that time.

Transmission services revenues are provided under the Open Access Transmission Tariff (OATT) and include network integration transmission, point-to-point and ancillary services revenues. Revenues are recognized as follows:

- Network integration transmission services are recognized on a straight-line basis at one twelfth of the annual approved revenue; and
- Point-to-point and ancillary services are recognized on an accrual basis as services are provided.

Asset management and maintenance fees are earned through the provision of services to BC Hydro as approved by the BCUC. The fees are recognized on a monthly straight-line basis at one twelfth of the annual approved revenue.

Service fees and other are earned through the provision of services to BC Hydro, services to other customers and recovery of labour and project related costs. Revenue comprises a fixed fee component that is recognized on a straight-line basis over the term of the contract and a variable fee component that is recognized as services are provided.

Foreign Currency Translation

Foreign currency denominated revenues and expenses are translated into Canadian dollars at the prior month average rate of exchange. Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses are included in the determination of net income.

Pension and Other Retirement Benefit Plans

The actuarial determination of the accrued benefit obligation for pensions and other retirement benefits uses the projected benefit method prorated on service, which incorporates management's best estimate of future salary levels, health care cost escalation, retirement ages of employees and other actuarial factors. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period, from differences in actual experience versus the assumed experience or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees is 11 years.

Capital Disclosures

BCTC adopted CICA Handbook Section 1535, *Capital Disclosures*, which establishes standards for disclosing information about an entity's capital structure, including qualitative and quantitative information about management of capital items such as debt and equity.

Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

Notes to the Financial Statements

For the Years Ended March 31, 2010 and 2009

Note 3: Adoption of New Accounting Standards

Intangible Assets

On April 1, 2009, BCTC retroactively adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this standard resulted in the reclassification of \$34 million of assets from Property, Plant and Equipment to Intangible Assets and the associated depreciation expense of \$7 million to amortization expense.

Regulation

Effective April 1, 2009, the temporary exemption provided for in CICA Handbook Section 1100, *Generally Accepted Accounting Principles*, which allowed the recognition and measurement of assets and liabilities arising from rate regulation, was withdrawn. In accordance with the CICA Handbook accounting hierarchy, BCTC chose to adopt accounting policies consistent with the US Financial Accounting Standards Board's, *Accounting Standards Codification 980, Regulated Operations*. As a result, BCTC retained the current accounting treatment for regulatory assets and liabilities. Therefore, the withdrawal of the exemption had no impact on the financial statements.

Financial Instruments – Disclosures

In June 2009, CICA Handbook Section 3862, *Financial Instruments – Disclosures*, was amended to include additional disclosure requirements about the fair value measurement of financial instruments and to enhance liquidity risk disclosures. The standard allows these disclosures to be provided on a prospective basis.

The amendments establish a hierarchical disclosure framework associated with the level of pricing observability utilized in measuring the fair value. The framework defines three levels of inputs to the fair value measurement process and requires that each fair value measurement be assigned to a level corresponding to the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- Level 2 Inputs – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 Inputs – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The amended section relates to disclosure only and did not have a material impact on BCTC's financial statements. BCTC has reflected the additional disclosures in Note 16 to these financial statements.

Note 4: Regulation

Effective April 1, 2005, BCTC is regulated by the BCUC which approves BCTC's revenue requirement, rates, tariff and capital expenditures.

BCTC operates under cost of service regulation and applies to the BCUC for the approval of rates recovering an annual revenue requirement. For the year ended March 31, 2010, BCTC earned transmission revenues under tariffs that were projected to recover an 11.42 percent (F2009 - 11.78 percent) return on deemed equity. Special Direction No. 9 sets out BCTC's deemed equity structure for the purpose of setting rates.

BCTC maintains eight BCUC-approved deferral accounts. In the absence of rate regulation, these accounts would not exist. The Revenue, Emergency Maintenance, Cost of Market and Regulatory Expense Deferral Accounts accumulate the difference between the BCUC-approved amounts and the actual revenues and costs for recovery from or refund to customers through future rates. The remaining deferral accounts capture non-capital costs that are not in the current revenue requirement and will be recovered from ratepayers in future periods.

Revenue Deferral Account

As outlined in the Master Agreement between BCTC and BC Hydro and designated by the Lieutenant Governor in Council on November 20, 2003, BCTC administers OATT for transmission services to recover its own costs as well as costs incurred by BC Hydro. BCTC, therefore, bears the financial responsibility for funding any shortfalls or receiving surpluses in the total OATT Revenue Requirement for each fiscal year. BCUC has approved the establishment of the Revenue Deferral Account and other regulatory mechanisms to recover revenue shortfalls from or refund revenue surpluses to customers. Consequently, BCTC's deferral account includes a portion pertaining to BC Hydro's Revenue Requirement for transmission services.

BCTC's Revenue Deferral Account captures annual variances between the OATT revenues approved by the BCUC and the actual revenues for both BCTC and BC Hydro. BCTC reports the full amount of its own OATT revenue in Transmission services revenue on the statement of operations and comprehensive income. Any variance from approved OATT revenues is added or deducted from earnings and recorded in the balance sheet deferral account. BC Hydro records its portion of the approved OATT revenues in its financial statements and these revenues are not recorded in the statements of BCTC. However, any variance between BC Hydro's actual OATT revenues and BC Hydro's approved OATT revenue is recorded in BCTC's deferral account and an equivalent amount accrued as a receivable or payable to BC Hydro. The Revenue Deferral Account also includes variances relating to BCTC's ancillary services.

Emergency Maintenance Deferral Account

This account captures the variances between approved and actual non-capital emergency maintenance expenditures incurred as a result of unanticipated major equipment failures, extreme weather, wildfires or similar events.

Cost of Market Deferral Account

This account captures variances between approved and actual cost of market expenditures. Cost of market expenditures include:

- Congestion management expenses relating to the purchase of operating reserves, transmission location credits, unscheduled flow mitigation and operating agreements between control areas, and
- Ancillary services expense BCTC incurs for all generation-based ancillary services that BCTC, in turn, sells to customers on a cost flow-through basis.

Regulatory Expense Deferral Account

This account captures the variances between approved and actual regulatory costs. These costs include BCTC's counsel, experts and staff, hearing costs associated with the applications and intervenors costs as approved by the BCUC.

International Financial Reporting Standards (IFRS) Deferral Account

This account captures the non-capital costs associated with the implementation of IFRS which are incremental to BCTC's normal business activities.

Section 5 (Long-term Electricity Transmission Inquiry) Deferral Account

This account captures the non-capital costs related to the inquiry mandated by Section 5(4) of the *Utilities Commission Act* which are incremental to BCTC's routine business activities. This inquiry is to make determinations about the long-term infrastructure and capacity needs for electricity within the Province.

Aboriginal Relations Deferral Account

This deferral account was approved by the BCUC by Order G-142-09 on November 26, 2009. The account captures the incremental F2010 and F2011 non-capital costs associated with First Nation consultation assessment and engagement activities which are required but not included in the approved F2010 Transmission Revenue Requirements rates.

Notes to the Financial Statements

For the Years Ended March 31, 2010 and 2009

Polychlorinated Biphenyls (PCB) Mitigation Deferral Account

This deferral account was approved by the BCUC by Order G-142-09 on November 26, 2009. The account captures the incremental F2010 and F2011 non-capital costs associated with mitigation activities to comply with Federal PCB regulations that are required but not included in the approved F2010 Transmission Revenue Requirements.

The deferral account balances are as follows:

(\$ in thousands)	2009	Adj.	Refunded	BCTC	BC Hydro	Interest	2010
Revenue	\$ 10,311	\$ 67	\$ (10,596)	\$ 3,289	\$ 13,994	\$ 566	\$ 17,631
Emergency Maintenance	3,218	(25)	(3,258)	562	-	77	574
Cost of Market	(236)	-	241	(1,470)	-	(39)	(1,504)
Regulatory Expense	681	-	(695)	610	-	27	623
IFRS Costs	236	-	(241)	279	-	12	286
Section 5 Inquiry	52	-	-	3,220	-	41	3,313
Aboriginal Relations	-	-	-	60	-	-	60
PCB Mitigation	-	-	-	2,259	-	15	2,274
Total	\$ 14,262	\$ 42	\$ (14,549)	\$ 8,809	\$ 13,944	\$ 699	\$ 23,257

The interest on deferred revenue includes \$348,000 (F2009 - \$254,000) interest income for BC Hydro's portion of the revenue requirement. This amount is not reflected in BCTC's finance charges. The adjustment of \$67,000 in the Revenue Deferral Account reflects the difference between the forecasted and actual Transmission services revenue in F2009. An adjustment was made to the Emergency Maintenance Deferral Account to reallocate \$25,000 of costs not related to emergency maintenance to Operations, Maintenance and Administration expenses.

The interest recorded in each of the deferral accounts was based on BCTC's weighted average cost of debt of 4.23 percent (F2009 - 4.29 percent).

Note 5: Other Assets

Other assets consist solely of mortgages receivable. BCTC has an Employee Housing Assistance Program, which grants five-year housing mortgages to employees. At March 31, 2010, there were nine employee mortgages outstanding (2009 - seven employees). These mortgages were issued at rates ranging from 2.6 percent to 3.6 percent and are secured by a second mortgage registered against their property. At the expiry of the mortgage term, the employees have the option to renew the mortgage for an additional five-year term.

Note 6: Property, Plant and Equipment

2010

<i>(\$ in thousands)</i>	Cost	Accumulated Depreciation	Total
Buildings	\$ 72,211	\$ (3,316)	\$ 68,895
Buildings under capital lease	3,730	(762)	2,968
Land	4,370	-	4,370
Computer hardware and software	31,092	(11,634)	19,458
Communication equipment	5,022	(1,091)	3,931
Furniture and equipment	11,986	(2,555)	9,431
Leasehold improvements	4,198	(2,106)	2,092
Contributions in aid of construction	(84)	41	(43)
	132,525	(21,423)	111,102
Unfinished construction	1,173	-	1,173
Total	\$ 133,698	\$ (21,423)	\$ 112,275

2009

<i>(\$ in thousands)</i>	Cost	Accumulated Depreciation	Total
Buildings	\$ 72,048	\$ (1,597)	\$ 70,451
Buildings under capital lease	3,730	(642)	3,088
Land	4,370	-	4,370
Computer hardware and software	27,711	(8,176)	19,535
Communication equipment	4,782	(670)	4,112
Furniture and equipment	11,722	(1,608)	10,114
Leasehold improvements	4,140	(1,533)	2,607
Contributions in aid of construction	(144)	144	-
	128,359	(14,082)	114,277
Unfinished construction	3,715	-	3,715
Total	\$ 132,074	\$ (14,082)	\$ 117,992

Property, Plant and Equipment asset balances as at March 31, 2009 have been reclassified to Intangible Assets for comparative purposes.

Notes to the Financial Statements

For the Years Ended March 31, 2010 and 2009

Note 7: Intangible Assets

2010

<i>(\$ in thousands)</i>	Cost	Accumulated Ammortization	Total
Acquired computer software and licenses	\$ 64,469	\$ (37,032)	\$ 27,437
Internally-generated computer software	619	(215)	404
	65,088	(37,247)	27,841
Unfinished software development	7,257	-	7,257
Total	\$ 72,345	\$ (37,247)	\$ 35,098

2009

<i>(\$ in thousands)</i>	Cost	Accumulated Ammortization	Total
Acquired computer software and licenses	\$ 62,763	\$ (30,965)	\$ 31,798
Internally-generated computer software	619	(167)	452
	63,382	(31,132)	32,250
Unfinished software development	1,630	-	1,630
Total	\$ 65,012	\$ (31,132)	\$ 33,880

Intangible Asset balances as at March 31, 2009 have been reclassified from Property, Plant and Equipment for comparative purposes.

Note 8: Debt

Short-term Debt

Under the terms of an agreement with the Province of British Columbia, BCTC is authorized to borrow \$40,000,000 under the short-term commercial paper program. Interest is charged at the prevailing money market rates.

During the year ended March 31, 2010, BCTC entered into 34 short-term borrowings with interest rates varying from 0.10 percent to 0.28 percent and terms of 1 day to 115 days totalling \$168,053,000 all of which have been repaid.

BCTC has available a \$5,000,000 demand revolving line of credit with a chartered bank. As at March 31, 2010, \$993,000 in letters of credit have been issued for the Vancouver Island Transmission Reinforcement project and the Saltery Bay Substation project. The letters of credit expire from August 11, 2010 to October 21, 2013. There were no draws on the line of credit for the year ended March 31, 2010.

Long-term Debt

In June 2007, BCTC issued a bond, series BCTC-CP-124, to the Province of British Columbia with a face value amount of \$40,000,000, a coupon rate of 4.75 percent and an effective interest rate of 4.75 percent. The balance at March 31, 2010 consists of the face value of the bond of \$40,000,000, offset by \$10,000 transaction costs. The bond is due on June 11, 2017 with interest payable semi-annually in June and December. As at March 31, 2010, the fair value of this bond including accrued interest, as calculated by the Province of British Columbia, is \$42,956,000 compared to the carrying value of \$39,990,000.

In November 2008, BCTC issued a bond, series BCCP-140, to the Province of British Columbia with a face value amount of \$30,000,000, a coupon rate of 5.06 percent and an effective interest rate of 4.92 percent. The balance at March 31, 2010 consists of the face value of the bond of \$30,000,000, offset by \$9,000 transaction costs. The bond is due on November 10, 2018 with interest payable semi-annually in May and November. As at March 31, 2010, the fair value of this bond including accrued interest, as calculated by the Province of British Columbia, is \$32,824,000 compared to the carrying value of \$29,991,000.

<i>(\$ in thousands)</i>		2010	2009
4.75% due June 11, 2017	(effective rate 4.75%)	39,990	39,989
5.06% due November 10, 2018	(effective rate 4.92%)	29,991	29,990
Total		\$ 69,981	\$ 69,979

Long-term debt is summarized in the following table by year of maturity:

<i>(\$ in thousands)</i>	
Maturing in fiscal	
2011	\$ -
2012	-
2013	-
2014	-
2015 to 2019	69,981
Total	\$ 69,981

Note 9: Accumulated other comprehensive income

In August 2008, BCTC entered into a forward contract, designated as a cash flow hedge, to hedge interest rate risk on the future cash flows associated with the planned re-issuance of \$30,000,000 long-term debt. In November 2008, the forward contract was exercised resulting in a gain of \$348,000 which was recognized as Other Comprehensive Income in F2009 and is being amortized to interest expense over the life of the bond, which is due in November 2018.

<i>(\$ in thousands)</i>	2010	2009
Opening accumulated other comprehensive income	\$ 337	\$ -
Gain on forward contract	-	348
Amortization to interest expense	(28)	(11)
Closing accumulated other comprehensive income	\$ 309	\$ 337

Notes to the Financial Statements

For the Years Ended March 31, 2010 and 2009

Note 10: Transactions with Related Parties

a) BC Hydro pays BCTC for the cost of system operation and asset management services and other services as follows:

<i>(\$ in thousands)</i>	2010	2009
Revenues from BC Hydro		
Transmission services revenue	\$ 72,362	\$ 76,787
Asset management and maintenance	92,400	90,900
Service fees and other	58,991	53,156
Total revenues from BC Hydro	\$ 223,753	\$ 220,843

b) The amounts due (to) from BC Hydro as at March 31 are as follows:

<i>(\$ in thousands)</i>	2010	2009
OATT billing distributed to BC Hydro (less) more than its Revenue Requirement	\$ (12,375)	\$ 341
Accrued OATT billing receivable (payable)	10,688	(471)
Service fees and cost recoveries	2,008	5,918
Services performed by BC Hydro and subsidiaries	(8,002)	(11,489)
Total due to BC Hydro	\$ (7,681)	\$ (5,701)

c) Included in the operations, maintenance and administration expense is \$91,245,000 (2009 - \$80,890,000) for services purchased from BC Hydro and subsidiaries. Included in capital expenditures is \$34,000 (2009 - \$2,403,000) for services purchased from BC Hydro.

d) In December 2003, BCTC entered into lease contracts with BC Hydro for control centre buildings and land (see Note 12). The Lower Mainland Control Centre was terminated in June 2008. The building lease for the Southern Interior Control Centre (SICC) valued at BC Hydro's net book value of \$3,730,000 is accounted for as a capital lease. This amount has been included in the financial statements as property, plant and equipment and obligations under capital lease. At March 31, 2010, the balance of the obligations under capital lease was \$51,000 (2009 - \$48,000) current and \$3,405,000 (2009 - \$3,456,000) non-current. Included in finance charges is \$257,000 (2009 - \$320,000) of interest expense relating to the capital leases (Note 15). Other land and building leases with BC Hydro are accounted for as operating leases. Included in the operations, maintenance and administration expense is \$87,000 (2009 - \$116,000) for these operating leases.

e) In March 2010, BCTC received funding of \$7,000,000 from BC Hydro to lead British Columbia's involvement in exploring and evaluating opportunities for increasing the Province's transmission capacity to improve access to external markets. Costs of \$700,000 were incurred related to this in F2010.

Note 11: Accrued Employee Benefits

<i>(\$ in thousands)</i>	2010	2009
Registered pension plan	\$ (11,492)	\$ (4,885)
Supplemental pension plan	6,019	5,348
Total accrued benefit (asset) liability (see Note 17)	(5,473)	463
Post-retirement benefit costs (see Note 17)	13,414	12,360
Time bank liabilities	10,808	10,169
Total	\$ 18,749	\$ 22,992

The defined benefit costs for the year ended March 31, 2010 were \$4,113,000 (2009 - \$5,065,000).

Note 12: Obligations Under Capital Lease

BCTC has land and buildings under capital and operating leases with BC Hydro. The capital lease for the SICC was issued at an interest rate of 7.4 percent per annum compounded monthly. The lease term of 31 years will expire on November 30, 2034. The future minimum payments are as follows:

(\$ in thousands)

Less than 1 year	\$ 304
Year 2	304
Year 3	304
Year 4	304
Year 5	304
Later than 5 years	5,986
Total future minimum payments	7,506
Less: imputed interest	(4,050)
Capital lease liability	3,456
Less: current portion	(51)
Long-term portion of capital lease	\$ 3,405

Note 13: Share Capital

Authorized Share Capital

BCTC is authorized to issue 10,000,000 common shares without par value.

Common Shares

	2010		2009	
	Shares	Amount	Shares	Amount
Issued at incorporation	1	\$ 1	1	\$ 1
Issued pursuant to Subscription Agreement for cash consideration	1	20,000,000	1	20,000,000
Issued and outstanding	2	\$ 20,000,001	2	\$ 20,000,001

The Province of British Columbia owns both common shares.

Notes to the Financial Statements

For the Years Ended March 31, 2010 and 2009

Note 14: Cost of Market

Cost of market expenses includes ancillary service and congestion management costs. Ancillary service costs include scheduling, system control and dispatch, reactive supply and voltage control, regulation and frequency response, energy imbalance, operating reserves and loss compensation. Ancillary service costs are needed with transmission service to maintain reliability within and among the control areas affected by the transmission service. Congestion management costs relate to the purchase of operating reserves, transmission locational credits, unscheduled flow mitigation and operating agreements between control areas. Congestion management costs are incurred to maximize the transmission capacity available to be contracted by customers.

(\$ in thousands)	2010	2009
Congestion management	\$ 544	\$ 621
Ancillary services	3,116	4,395
Total	\$ 3,660	\$ 5,016

Note 15: Finance Charges

(\$ in thousands)	2010	2009
Interest on debentures	\$ 3,407	\$ 3,381
Interest on capital leases	257	320
Interest on deferral accounts	(351)	(332)
Interest on other	534	228
Less: AFUDC debt portion during construction	(211)	(72)
Total	\$ 3,636	\$ 3,525

Note 16: Financial Instruments and Concentration of Risk

Fair Values

For purposes of CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, BCTC has classified its financial instruments as follows:

Asset/liability classes	Financial assets/liabilities	Classification
Cash and cash equivalents	Financial assets	Loans and receivables
Accounts receivable	Financial assets	Loans and receivables
Other assets	Financial assets	Loans and receivables
Accounts payable and accrued liabilities	Financial liabilities	Other financial liabilities
Accrued interest	Financial liabilities	Other financial liabilities
Due to BC Hydro	Financial liabilities	Other financial liabilities
Long-term debt	Financial liabilities	Other financial liabilities

As at March 31, 2010, the fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accrued interest and other assets on the balance sheet approximate their carrying values due to the short-term nature of these instruments.

Long-term debt is measured at amortized cost using the effective interest rate method as required under CICA Handbook Section 3855. Disclosure of the fair value of BCTC's long-term debt, as calculated by the Province of British Columbia, is provided in Note 8. Since BCTC does not intend to settle the long-term debt prior to maturity, the fair value estimate does not represent an actual liability.

The following table illustrates the classification of BCTC's financial instruments within the fair value hierarchy as at March 31, 2010:

Financial assets at fair value as at March 31, 2010

(\$ in thousands)	Level 1	Level 2	Level 3	Total
Marketable Securities	\$ 5,009	-	-	\$ 5,009

Financial liabilities at fair value as at March 31, 2010

(\$ in thousands)	Level 1	Level 2	Level 3	Total
Foreign currency forward contract	-	\$ 31	-	\$ 31

Hedges

Section 3865, *Hedges*, establishes guidance on how hedge accounting is applied and reported, including the criteria that must be satisfied in order for it to be applied for fair value hedges and cash flow hedges. Hedge accounting is optional and requires documentation of the hedging relationship at inception of the hedge, including the risk management objective, the hedged item and related hedging item. At the end of each period, the effectiveness of the hedging relationship and measurement of the amount of any hedge ineffectiveness is required.

For fair value hedges, the carrying value of the hedged item is adjusted for gains and losses on the hedged item attributable to the hedged risk and recognized in net income.

For cash flow hedges, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income while the ineffective portion is recognized in net income.

Financial Risks

BCTC has exposure to credit risk, market risk, and liquidity risk in the normal course of operations. BCTC periodically utilizes derivative financial instruments to manage or hedge these risks. BCTC does not hold or use any derivative instruments for trading purposes.

Credit Risk

BCTC is directly exposed to counterparty credit risk as a result of providing transmission and related services to its customers. BCTC's customers are utilities and their affiliates and independent power producers in the western United States and western Canada. Credit risk is managed by authorizing transactions with only credit worthy counterparties as determined by BCTC management approval procedures and by monitoring the credit risk and credit standing of customers on a regular basis.

As at March 31, 2010, BCTC's accounts receivable balance, net of the provision for bad debts of \$375,000, was \$2,564,000. This amount includes insurance claims that are in the process of resolution and negotiation. Trade accounts receivable over 60 days past due was \$265,000. The deferral accounts receivable was \$23,257,000. This amount will be collected from customers subsequent to BCUC approval.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

- a) Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. BCTC enters, from time to time, into forward contracts to manage its exposure to fluctuations in foreign currency exchange rates as some suppliers are based in the United States and expenses are denominated in US dollars. Gains and losses on forward contracts are recorded in income.

During F2010, BCTC entered into four foreign exchange contracts to purchase US dollars and one of the contracts remained open as at March 31, 2010. The contracts were designated as derivative financial instruments and a foreign exchange loss of \$418,000 has been recognized to reflect the mark-to-market adjustments.

- b) Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to the short-term nature, BCTC's short-term investments and debt are not subject to significant interest rate risk. BCTC has short-term investments totalling \$5,009,000 and no short-term debt as at March 31, 2010.

BCTC's long-term debt bears fixed interest rates and therefore is not subject to interest rate risk. BCTC uses derivative financial instruments to manage interest rate risk. BCTC has no outstanding derivative financial instruments to manage interest rate risk as at March 31, 2010.

Notes to the Financial Statements

For the Years Ended March 31, 2010 and 2009

- c) Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from currency or interest rate risks. Due to the nature of BCTC's financial instruments and as the fair values of BCTC's financial instruments approximate carrying values, BCTC's financial instruments are not subject to other price risk.

Liquidity Risk

Liquidity risk is the risk that BCTC will not be able to meet its financial obligations as they become due. BCTC manages liquidity risk by monitoring its cash flows and secures additional funds through a \$5.0 million demand revolving credit facility with a chartered bank, and through borrowings with the Province of British Columbia's short-term commercial paper program. Under the program BCTC can borrow \$25,000,000 with a temporary increase permitted to \$40,000,000 for up to two months. These programs have been sufficient in funding normal operating requirements. BCTC monitors and reviews the maturity of its long term bonds and will refinance accordingly when due.

The maturity profile of BCTC's debt as at March 31, 2010 is as follows:

(\$ in thousands)	Less than 1 year	Greater than 5 years	Total
Commercial paper	\$ -	\$ -	\$ -
Bonds	-	69,981	69,981
Total	\$ -	\$ 69,981	\$ 69,981
Percentage of total	0%	100%	100%

Note 17: Employee Benefit Plans

BCTC provides a defined benefit registered pension plan to all employees (the Plan). As a result of the Act, the Plan will become part of the BC Hydro pension plan. No significant impact is expected to the pension and other benefits plans. Pension benefits are based on years of membership service and highest five-year average pensionable earnings. Employees make basic and indexing contributions to the Plan funds based on a percentage of current pensionable earnings. Annual cost-of-living increases are provided to pensioners to the extent that funds are available in the indexing fund. BCTC contributes amounts as prescribed by an independent actuary towards the cost of providing basic benefits under the Plan. BCTC's actuary prepares calculations for the accrued benefit obligation and the expected long-term rate of return on plan assets incorporating an assumption related to the discount rate in accordance with Section 3461 of the CICA Handbook. This weighted average discount rate is 6.20 percent for both the Pension Plan and for the Other Benefits Plan.

In addition, BCTC provides a supplementary pension arrangement that provides additional pension benefits to employees to the extent that their benefits under the Plan are constrained by the maximum pension limits under the *Income Tax Act*. The Supplemental Plan includes the minimum pension guarantee provided by BCTC to five employees with prior service under the British Columbia public service pension plans, as well as certain enhanced benefits payable to BCTC employees at the Vice-President level and above.

BCTC provides post-retirement benefits other than pensions including medical, extended health and life insurance coverage for retirees who have at least 10 years of service and qualify to receive pension benefits.

BCTC has measured its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31, 2010. The most recent actuarial valuation of the Plan for funding purposes was as of December 31, 2008, prepared by Mercer. The next actuarial valuation of the Registered Pension Plan for funding purposes is required as at December 31, 2011, in accordance with the *British Columbia Pension Benefit Standards Act*. The most recent valuation for the non-pension other benefit plan was completed as at May 1, 2009.

On June 30, 2009, the Registered Pension Plan completed an asset transfer to the BC Hydro Pension Plan in relation to 3 employees who elected to transfer their accrued pension from the Plan to the BC Hydro Pension Plan. The amount of the transfer, including interest, was \$427,000.

On July 3, 2009 the Registered Pension Plan received an asset transfer from the BC Hydro Pension Plan in relation to the 2 employees who elected to transfer their accrued pension from the BC Hydro Pension Plan to the Plan. The amount of the transfer was \$429,000.

On December 18, 2009 the Registered Pension Plan received an asset transfer from the BC Hydro Pension Plan in relation to the 1 employee who elected to transfer their accrued pension from the BC Hydro Pension Plan to the Plan. The amount of the transfer was \$107,000.

In total, the Plan assets in the year ended March 31, 2010 increased by \$536,000 (2009 - \$713,000) for transfers from the BC Hydro Pension Plan and decreased by \$427,000 (2009 - \$629,000) for transfers to the BC Hydro Pension Plan.

Total cash payments for employee future benefits for 2010, consisting of cash contributed by BCTC to its funded pension plan, and net cash payments directly to beneficiaries for its unfunded other benefit plans, was \$8,995,000 (2009 - \$4,816,000).

Elements of defined benefit costs

(\$ in thousands)	Pension Plans		Other Benefit Plans	
	2010	2009	2010	2009
Current service cost				
Basic benefits	\$ 1,929	\$ 3,307	\$ 468	\$ 559
Indexing benefits	372	359	-	-
Interest cost	3,794	3,199	851	712
Actual return on plan assets	(7,555)	7,228	-	-
Actuarial loss (gain) on accrued benefit obligation	21,358	(12,177)	6,638	(2,455)
Costs arising in the period	19,898	1,916	7,957	(1,184)
Differences between costs arising in the period and costs recognized in the period in respect of:				
Return on plan assets	4,402	(10,425)	-	-
Actuarial (loss) gain	(21,358)	12,303	(6,786)	2,455
Net periodic pension cost recognized	\$ 2,942	\$ 3,794	\$ 1,171	\$ 1,271

Weighted average assumptions for expense

	Pension Plans		Other Benefit Plans	
	2010	2009	2010	2009
Discount rate	8.40%	6.20%	8.40%	6.20%
Expected long-term rate of return on plan assets	6.75%	6.75%	-	-
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%
Weighted average health care trend rate – initial	-	-	5.80%	5.00%
Weighted average health care trend rate – ultimate rate	-	-	4.00% reached after 2029	4.00% reached after 2015

Notes to the Financial Statements

For the Years Ended March 31, 2010 and 2009

Weighted average assumptions for disclosure

	Pension Plans		Other Benefit Plans	
	2010	2009	2010	2009
Discount rate	6.20%	8.40%	6.20%	8.40%
Rate of compensation increase	4.00%*	3.50%	4.00%	3.50%
Weighted average health care trend rate – initial	-	-	6.90%	5.80%
Weighted average health care trend rate – ultimate	-	-	4.40% reached after 2029	4.00% reached after 2029

* 1.00 percent for 2010, 3.00 percent for 2011, and 4.00 percent for 2012 and subsequent years.

Change in accrued benefit obligation

(\$ in thousands)	Pension Plans		Other Benefit Plans	
	2010	2009	2010	2009
Accrued benefit obligation at beginning of year	\$ 52,730	\$ 58,529	\$ 9,752	\$ 10,996
Net obligation assumed from BC Hydro	109	84	-	-
Additional obligation due to special benefit granted to certain employees	-	53	-	-
Current service cost			-	-
Basic benefits	1,929	3,307	468	559
Indexing benefits	372	359	-	-
Interest cost	3,794	3,199	851	712
Actual return on plan assets – indexing benefits	1,648	(1,581)	-	-
Employee contributions				
Basic benefits	1,893	1,676	34	21
Indexing benefits	391	357	-	-
Benefits paid	(1,095)	(1,076)	(151)	(81)
Actuarial loss (gain)	21,358	(12,177)	6,638	(2,455)
Accrued benefit obligation at end of year	\$ 83,129	\$ 52,730	\$ 17,592	\$ 9,752

Change in plan assets

(\$ in thousands)	Pension Plans		Other Benefit Plans	
	2010	2009	2010	2009
Fair value of plan assets at beginning of year	\$ 52,402	\$ 55,414	\$ -	\$ -
Net assets transferred from BC Hydro	109	84	-	-
Actual return on plan assets				
Basic benefits	7,555	(7,228)	-	-
Indexing benefits	1,648	(1,581)	-	-
Employer contributions				
Basic benefits	8,485	4,397	117	60
Indexing benefits	393	359	-	-
Employee contributions				
Basic benefits	1,893	1,676	34	21
Indexing benefits	391	357	-	-
Benefits paid	(1,095)	(1,076)	(151)	(81)
Fair value of plan assets at end of year	\$ 71,781	\$ 52,402	\$ -	\$ -

As at March 31, 2010, the accrued benefit obligations of all the unfunded plans (all plans except for the Registered Pension Plan) totaled \$26,622,000 (2009 - \$14,987,000). This comprises the following: Supplemental Plan - \$9,030,000 (2009 - \$5,235,000) and the other benefit plans - \$17,592,000 (2009 - \$9,752,000). The fair value of plan assets for these plans is \$ nil.

Reconciliation of funded status to accrued benefit liability

(\$ in thousands)	Pension Plans		Other Benefit Plans	
	2010	2009	2010	2009
Funded status – deficit at end of year	\$ (11,348)	\$ (328)	\$ (17,592)	\$ (9,752)
Unamortized net actuarial loss	16,821	(135)	4,178	(2,608)
Accrued benefit asset (liability)	\$ 5,473	\$ (463)	\$ (13,414)	\$ (12,360)

Pension Plan assets by asset category

	2010	2009
Equity securities	52%	47%
Debt securities	46%	49%
Cash and short-term deposits	2%	4%
Total	100%	100%

Assumed health care trend rates have a significant effect on the amounts reported for the other benefit plans. A 1 percent change in assumed cost trend rate would have the following effects for F2010:

(\$ in thousands)	1% Increase	1% Decrease
Total of service and interest cost	\$ 312	\$ (258)
Accrued benefit obligation	\$ 3,820	\$ (2,982)

Notes to the Financial Statements

For the Years Ended March 31, 2010 and 2009

Note 18: Commitments and Contingencies

- a) BCTC has land and buildings under operating leases with BC Hydro. As well, BCTC has entered into service agreements with BC Hydro to purchase engineering and field services. These agreements have been amended with the new terms effective April 1, 2010. Either party has the right to unilaterally reduce services or service volumes, by giving five years notice. The future minimum payments under operating leases and service agreements with BC Hydro are approximately as follows:

<i>(\$ in thousands)</i>	Operating Leases	Service Agreements
2011	\$ 87	\$ 120,000
2012	87	120,000
2013	87	120,000
2014	64	120,000
2015	18	120,000
2016 and subsequent years	346	-
Total future minimum payments	\$ 689	\$ 600,000

Since 2004, an agreement has been in place between BC Hydro, BCTC and Accenture Business Services through which BCTC takes services and pays prices under the Master Services Agreement between Accenture Business Services and BC Hydro. BCTC will continue to take services under this agreement. Since this agreement has been in place, there has been no interruption of service to BCTC.

The future minimum payments on the lease for the Bentall office premises are approximately as follows:

<i>(\$ in thousands)</i>	
2011	\$ 3,381
2012	3,488
2013	3,490
2014	2,187
2015	912
2016 and subsequent years	3,698
Total future minimum payments	\$ 17,156

- b) As at March 31, 2010, BCTC has \$5,024,000 remaining in the commitment for a facilities maintenance contract for the new control centres and \$4,886,000 remaining for commitments associated with the Market Operations and Development Business system upgrade.
- c) In October 2009, BCTC entered into a 50-year transmission services agreement to utilize the FortisBC system to meet load growth in the Woods Lake area. This agreement was approved by the BCUC in February 2010. As part of the agreement, BCTC has committed a contribution to FortisBC for system upgrades, to a maximum of \$14,000,000. The full amount of the contribution will be funded by BC Hydro. BCTC has also committed to pay FortisBC for the transmission of electricity until December 31, 2060. These payments are expected to begin in December 2010 and will be calculated based on a formula set out in the agreement that includes an initial demand rate, annual nominated demand and the British Columbia Consumer Price Index. The net present value of these payments over the life of the agreement is estimated to be approximately \$11,800,000.

Note 19: Environmental Liability

In late 2008, Environment Canada published new final regulations governing the management of polychlorinated biphenyls (PCBs). The regulations are effective September 17, 2008 and impose timelines for disposal of PCBs based on different types of equipment, in-use status and PCB contamination threshold levels. BCTC has undertaken a comprehensive analysis of BC Hydro equipment managed by BCTC to assess the magnitude of the costs associated with the testing, repairs, disposal and replacement of PCB-contaminated equipment. As the assets are owned by BC Hydro and not BCTC, no provision is required to be recorded in these financial statements.

Note 20: Capital Disclosures

The Province of British Columbia's Special Direction No. 9 (SD 9), Order in Council No. 1107, approved and ordered November 27, 2003, sets out the mechanism for determining BCTC's deemed capital structure. Based on SD 9 definitions, BCTC's debt component comprises short-term debt, long-term debt, and obligations under capital lease less temporary investments. BCTC's equity component comprises share capital and retained earnings. BCTC's required deemed equity component, as amended by Order in Council No. 752 and approved and ordered October 19, 2005, is 40.7 percent.

Deemed equity is a method used in rate setting to ensure that rates are set on an appropriate capital structure. BCTC strives to conduct its business within the parameters of the deemed equity level. This safeguards BCTC's ability to function as a going concern.

Note 21: Subsequent Event

On June 3, 2010, the *Act* was signed into law in the British Columbia Legislature. Under the *Act*, BCTC and BC Hydro will be unified into a single Crown corporation. The Crown corporation will be accountable for all roles and responsibilities previously held by BCTC. It is anticipated that the *Act* will be passed into law in July 2010.

BCTC's assets and liabilities will be transferred to and assumed by BC Hydro. This includes the BCTC pension plan which will become part of the BC Hydro pension plan.

Management reviewed BCTC's assets and liabilities to identify potential adjustments to carrying value that may be required due to the unification. The actual adjustments will be dependent on future decisions and integration plans and will be reflected in the final reporting period. The preliminary estimates are as follows:

Estimated adjustments to Intangible Assets due to change in useful life	\$ 8,800,000
Removal from Property, Plant and Equipment of building under capital lease	\$ 2,900,000
Removal of Capital lease obligation	<u>\$ (3,400,000)</u>
Expected reduction to net income	\$ 8,300,000

Financial and Operating Statistics

<i>Financial Statistics</i>	Unit of Measures	F2010	F2009	F2008	F2007	F2006
Revenues	\$ millions	235.4	237.8	201.9	189.8	205.3
(Loss) Net Income before deferral accounts	\$ millions	(1.8)	2.3	(1.1)	1.3	21.6
Net Income	\$ millions	7.0	7.1	3.2	3.1	13.5
Total Assets	\$ millions	189.1	178.0	186.1	146.5	137.3
Total Liabilities	\$ millions	130.9	126.7	142.3	105.9	99.5
Shareholder's Equity	\$ millions	58.2	51.3	43.8	40.6	37.8
Debt	\$ millions	73.4	73.5	85.9	37.0	37.2
Total Transmission Assets under Management	\$ millions	3,278.30	3,009.7	2,710.7	2,587.0	2,479.0
Transmission Capital Expenditures						
- Assets owned by BCTC	\$ millions	12.1	18.7	70.1	50.4	21.4
- Transmission assets owned by BC Hydro	\$ millions	302.9	376.1	203.0	183.8	123.7
Actual Debt to Equity Ratio	Ratio	57:43	63:37	58:42	43:57	48:52
Operating Statistics						
BCTC SAIDI	(Hours)	3.00	2.36	2.43	4.23	2.07
Length of Transmission Lines	(Km)	18,603	18,589	18,300	18,234	18,286
Number of stations	(Number)	294	292	292	291	287
Maximum Reserve Demand ⁽¹⁾	(MW)	11,650	11,600	11,100	11,100	11,100
Peak Demand	(MW)	9,847	10,011	9,548	10,113	9,317
Point-to-Point (PTP) Sales Volume						
Long-term	(GWh)	9,779	10,977	8,710	5,958	4,190
Short-term	(GWh)	10,060	12,457	12,922	14,087	10,933
Transmission Rates						
Long-term PTP (Average)	(\$/MWh)	5.71	5.42	5.23	5.24	5.88
Short-term PTP (Average)	(\$/MWh)	0.59	0.39	1.20	1.80	4.16
Annual Network Charge	(\$ millions)	505.5	475.5	439.2	437.8	503.9
Number of Employees						
Regular		417	401	384	360	321
Temporary		57	47	40	37	19

(1) Maximum Reserve Demand is the maximum capacity supply that was used in the determination of long-term point-to-point transmission rates.

Glossary of Terms

Benchmark is a measured achievement that is used as a reference or measurement standard for comparison and is recognized as the standard of excellence for a specific business process.

Gigawatt hour (GWh) is a unit of bulk energy; one million kilowatt hours.

Interconnected System is a system which has two or more individual power systems normally operating in synchronism and having connecting tie lines.

Intertie is a transmission circuit used to tie or interconnect two utility systems.

Kilowatt hour (kWh) is the basic unit of electrical energy equal to 1 kilowatt or 1,000 watts of power used for one hour. The amount of power the customer uses is measured in kilowatt hours (kWh). A 100-watt light bulb operated for 10 hours uses 1 kWh.

Load is the total amount of electricity required to meet customer demand at any moment. The load fluctuates depending on electricity use throughout any given day.

Megawatt (MW) is a unit of electrical power or capacity

Megawatt hour (MWh) is a unit of bulk energy; 1,000 kilowatt hours.

Open Access allows all eligible parties to use the transmission system to move power on a non-discriminatory basis.

Power is the rate at which electrical energy is converted into another form, such as light, heat, or mechanical energy (or converted from another form into electrical energy).

Revenue Requirement means the amount of revenues the utility needs to receive in order to cover operating expenses, pay debt service and provide a fair return on invested capital.

Transmission is the process of transporting electrical energy in bulk on high-voltage lines from the generating facility to the local distribution company for delivery to retail customers.

Transmission capacity is the amount of electrical power that can be transferred over the interconnected transmission system network in a reliable manner while meeting all of a set of defined system conditions.

Voltage is the force which pushes electricity through a wire (just as pressure causes water to flow in a pipe).

Appendix 1: Alignment with the Shareholder's Letter of Expectations

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

<p>Comply with the Shareholder's requirements to make the Public Sector carbon neutral by 2010, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from the Corporation's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of the Corporation's scope of operations.</p>	<ul style="list-style-type: none"> • Continued development of BCTC's Integrated Climate Change Response Program, including: <ul style="list-style-type: none"> • Assessed and audited of BCTC emissions relative to defined British Columbia government inventory protocols commencing in F2009, with annual audits every year thereafter; and • Reported and documented BCTC emissions and reduction and mitigation initiatives in BCTC's annual Carbon Neutral Report to government. • Continued BCTC's Green Commuting Program, encouraging employees to use public transit, cycle or carpool to work. • Implemented employee engagement program with the goal of reducing BCTC's carbon footprint, and the carbon footprint of employees in their home environments.
<p>Support the Shareholder's clean energy powerhouse objective by helping to develop and implement strategies aimed at developing British Columbia's new clean, renewable, low carbon energy potential to stimulate new investment, industry and employment in the province.</p>	<ul style="list-style-type: none"> • Facilitated new clean or renewable generation in British Columbia by providing effective and efficient interconnection service for new generators being contracted through BC Hydro's clean power procurement process. • Supported British Columbia's participation in the Western Renewable Energy Zone (WREZ) process to identify renewable resource potential in the Western Interconnection. This will ensure the province's resource potential is recognized as conceptual transmission plans are developed to deliver the region's renewable energy to load centres.
<p>Support the Shareholder in advancing the Northwest Transmission Line by pursuing studies and consultation required for the Environmental Assessment process and working with the Shareholder in assessing new cost sharing opportunities with industry and the Government of Canada in order to complete the project.</p>	<ul style="list-style-type: none"> • Conducted studies and consultation required for the Environmental Assessment process. • Submitted NTL Environmental Assessment (EA) application in January 2010 and plan to begin construction in fall 2010, subject to EA approval. • Worked with the Shareholder in assessing new cost-sharing opportunities with industry.
<p>Continue to support the Shareholder in assessing and pursuing the potential for long-term economic expansion in the northeast region of British Columbia, and the ability to mitigate greenhouse gas emissions through new transmission expansions and the use of renewable, low-carbon electricity.</p>	<ul style="list-style-type: none"> • Assessed the need to expand the transmission system to facilitate economic development in the northeast region of the province by electrification of Horn River Basin shale gas processing and transportation to reduce GHG emissions and allow the Horn River basin to be developed in a manner consistent with provincial energy policy. • Report BCTC's GHG emissions and reductions and mitigation initiatives in BCTC's annual Carbon Neutral Report, pursuant to the government's <i>Greenhouse Gas Reduction Targets Act</i>.

<p>Fully participate in the ongoing British Columbia Utilities Commission (BCUC) led inquiry into long-term transmission requirements and in other regulatory processes under the direction of the BCUC related to transmission planning and capital projects.</p>	<ul style="list-style-type: none"> • Led evidence to support inquiry into long-term transmission needs of the province, and incorporated inquiry findings into BCTC's first Transmission 2040 Long-term Transmission Vision document. • Continued to support evidence requirements for BC Hydro's Long-Term Acquisition Plan.
<p>Continue to lead British Columbia's involvement in exploring and evaluating opportunities for increasing the province's transmission capacity to improve access to external markets.</p>	<ul style="list-style-type: none"> • Continued discussions with Bonneville Power Administration and Alberta Electric System Operator to identify opportunities to expand regional transmission. • Continued to expand dynamic scheduling and Area Control Error (ACE) Diversity Interchange. • Continued participation in Western Governors' Association (WGA) Western Renewable Energy Zone (WREZ) initiative to identify areas in Western North America that have utility-scale renewable energy resources and expedite the development and delivery of those resources to meet regional energy needs. • Continued participation in working group to evaluate benefits of the proposed Canada-Northwest-California (CNC) transmission project.
<p>Continue to work with its neighbouring transmission companies to enhance trade opportunities by pursuing such regional initiatives as harmonizing business practices, and improving system planning and expansion procedures to reduce seams and increase the capacity of the grid</p>	<ul style="list-style-type: none"> • Actively participated in regional planning initiatives to identify opportunities to increase regional transmission capacity, including studies of expanded transmission between British Columbia and California. • Participated in Northwest regional planning activities, including Western Electricity Coordination Council's transmission planning work in the Pacific Northwest, to ensure British Columbia's electricity resources are incorporated into regional transmission plans.
<p>Continue to enhance access to markets for British Columbia produced electricity</p>	<ul style="list-style-type: none"> • Subjected to BCUC approval, adopt and administer tariff changes to remain compliant with the Open Access Transmission Tariff. • Expanded market services, such as dynamic scheduling and the Area Control Error (ACE) Diversity Interchange services, to other jurisdictions in the Western Interconnection.

<p>Continue to implement actions, working with the Ministry of Energy, Mines and Petroleum Resources as necessary, to support the objectives of British Columbia's Energy Plan: <i>A Vision for Clean Energy Leadership</i> (Energy Plan), including actions that will:</p> <ul style="list-style-type: none"> • Ensure British Columbia's transmission technology and infrastructure remains at the leading edge and has the capacity to deliver power efficiently and reliably to meet growing demand; • Ensure adequate transmission is in place to meet the long-term electricity needs of the province, to ensure the transmission grid can integrate new clean and renewable energy sources and can accommodate the energy and capacity requirements needed to meet the government's self-sufficiency objective; • Contribute to energy conservation efforts by establishing and implementing a loss reduction strategy; and • Maintain consistency with North American reliability standards and participate in standards development to ensure British Columbia's interests are represented. 	<ul style="list-style-type: none"> • Continued to incorporate technologies into BCTC's control centre, including an innovative new distribution management system to improve operating efficiency and reliability, and to facilitate deployment of Smart Grid applications. • Led evidence to support BCUC inquiry into long-term transmission needs of the province, and incorporate inquiry findings into BCTC's first Transmission 2040 Long-term Transmission Vision document. • Continued to implement a loss reduction strategy to support conservation and energy efficiency goals. • Continued to implement a regime to remain consistent with North American electricity reliability standards. • Continued studies to ensure the Province's transmission system is able to integrate clean or renewable generators (such as wind). • Implemented next stages of BCTC's Transmission Technology Roadmap.
<p>Ensure sustained asset health, reliability and security of the transmission system.</p>	<ul style="list-style-type: none"> • Implemented first year of BCTC's 10-year, \$5.8 billion Capital Plan. • Continued to develop strategies and criteria for when to reinforce radial lines based on reliability benefits, criticality of load and cost. • Continued implementation of critical infrastructure program consistent with prevailing industry standards for both physical and cyber asset security.
<p>Ensure that there is adequate transmission capacity available to reliably serve domestic and electricity trade needs, and that all eligible transmission users have non discriminatory access to this capacity, subject to approval by the BCUC.</p>	<ul style="list-style-type: none"> • Subject to BCUC approval, continued work towards adopting and administering tariff changes to remain compliant with the Open Access Transmission Tariff (OATT), including the collaborative planning process (FERC 890). • Played a lead role in the BCUC inquiry into the province's long-term transmission needs and incorporate the inquiry's findings into BCTC's Transmission 2040 Long-term Transmission Vision. • Advanced work on major transmission infrastructure projects. • Continued to identify and pursue candidate Transmission Expansion Policy (TEP) projects by working with stakeholders. • Completed development of the 30-year plan to improve reliability and meet long-term electricity needs in Metro Vancouver. • Considered innovative transmission technologies in BCTC's long-term planning scenarios.

<p>Control the operation of generating units to the extent necessary to ensure short-term transmission system reliability.</p>	<ul style="list-style-type: none"> • Provided exemplary operational services to BC Hydro's generation and distribution lines of business under the respective Service Agreements and to BC Hydro's transmission-connected customers. • Continued a joint BC Hydro/BCTC initiative to develop a strategic direction for reliable supply to urban areas. • Advanced reliability enhancement initiatives, including cost/benefit analyses of radial line upgrades, and development of a plan to reduce restoration times in metropolitan areas and measurement of reliability vulnerability. • Developed a long-term technology strategy and action plan for System Operations to enrich the functionality of the existing system and to ensure that it will remain leading edge.
<p>Implement actions necessary to maintain British Columbia's competitive electricity rates as established in the Energy Plan.</p>	<ul style="list-style-type: none"> • Continued cost-effective system operations. • Supported efficient trade of British Columbia's generation sources through strategic transmission investment and participation in regional initiatives.
<p>Continue to enhance open access transmission tariffs that promote private sector opportunities in wholesale electricity supply and facilitate direct purchase of electricity by large users, subject to the approval of the BCUC.</p>	<ul style="list-style-type: none"> • Upon BCUC approval, implemented new provisions to the industry standard OATT to ensure alignment with regulatory and policy direction of neighbouring jurisdictions. • Continued to monitor tariff pricing practices to ensure they meet ratemaking objectives. • Continued to identify and pursue candidate TEP projects by working with stakeholders to identify projects with net benefit to ratepayers.
<p>Continue to enhance wholesale transmission rates that promote maximum use of the transmission grid through appropriate pricing, subject to the approval of the BCUC.</p>	<ul style="list-style-type: none"> • Upon BCUC approval, implemented new provisions to the industry standard OATT to ensure alignment with regulatory and policy direction of neighbouring jurisdictions. • Continued to monitor tariff pricing practices to ensure they meet ratemaking objectives. • Continued to identify and pursue candidate TEP projects by working with stakeholders. • Continued cost-effective system operations. • Supported efficient trade of British Columbia's generation sources through strategic transmission investment and participation in regional initiatives.
<p>Continue to utilize communications and consultation processes to promote openness and transparency with the Corporation's stakeholders and First Nations.</p>	<ul style="list-style-type: none"> • Continued consultation activities with First Nations, communities and stakeholders. • Continued the Aboriginal Business Development Program to increase contracting and employment opportunities for Aboriginal people and businesses. • Continued implementation of the Public Awareness Program, which includes strategic, integrated communications and consultation programs designed to gain broader public understanding and acceptance of the need and benefits of transmission projects.

<p>Work with Shareholder to identify current or upcoming transmission issues that could require provincial policy development, and assist with implementation of any such policies.</p>	<ul style="list-style-type: none"> • Continued to support the BC Energy Plan, particularly with Policy Actions 12, 13, 14 www.energyplan.gov.bc.ca/PDF/BC_Energy_Plan.pdf • Continued to hold quarterly meetings with the Minister of Energy, Mines and Petroleum Resources (MEMPR). • Continued to hold regular meetings with MEMPR staff.
<p>The Board will annually assess its appointment process to ensure succession results in both renewal and continuity of Board membership and provide the results of this assessment to the Shareholder for consideration.</p>	<ul style="list-style-type: none"> • The Shareholder, as required under the <i>British Columbia Business Corporations Act</i>, appoints BCTC's Board members annually. Prior to the annual appointment, the Board Chair and the Minister Responsible on Board discuss renewal considerations. • The Board, through its Corporate Governance Committee, maintains a succession framework and incoming director orientation program to facilitate the orderly transition of Board members over time.

ISSN:

Library and Archives Canada Cataloguing in Publication Data
British Columbia Transmission Corporation
Annual Report 2010

Annual

Issues also have distinctive titles.

Report year ends March 31.

ISSN 1911-0979 + Annual Report (British Columbia Transmission Corporation)

1. British Columbia Transmission Corporation - Periodicals.
2. Electric power transmission - British Columbia - Periodicals.
3. Electric lines - British Columbia - Periodicals.
4. Electric utilities - British Columbia - Periodicals. I. Title.

HD2768.C35B7

354.4'90971105

C2006-960116-X

About BCTC

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

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