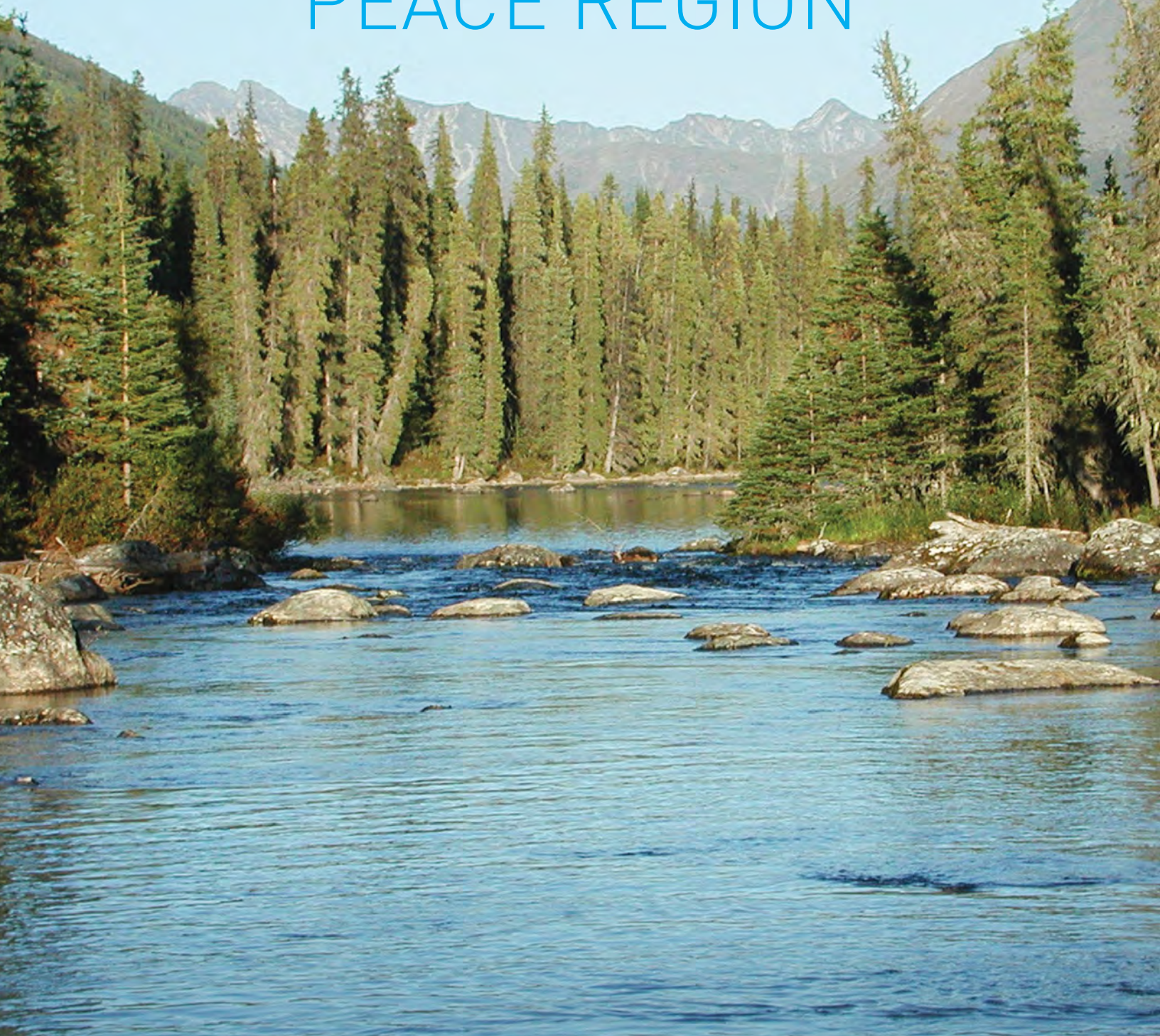


2012 – 2013 FWCP ANNUAL REPORT PEACE REGION



The FWCP is a partnership of BC Hydro, the Province of B.C., Fisheries and Oceans Canada, First Nations, and Public Stakeholders.



FISH AND WILDLIFE
COMPENSATION PROGRAM

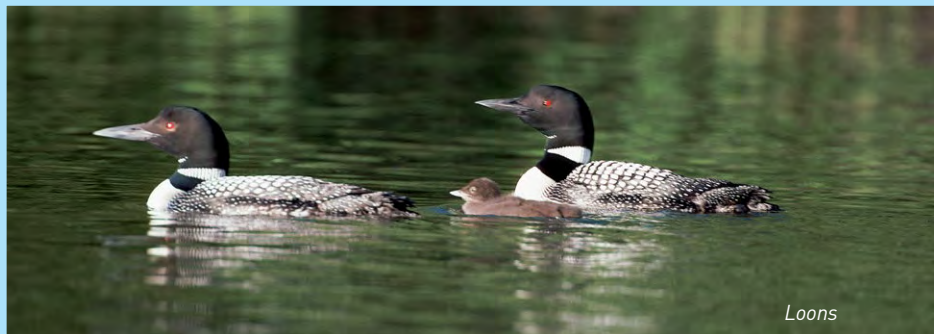




Caribou

2013

MESSAGE FROM THE BOARD CHAIR



Loons

On behalf of the FWCP-Peace Board, I'm pleased to invite you to read our Annual Report for Fiscal Year 2013 covering the period April 1, 2012 to March 31, 2013. The FWCP-Peace program is dedicated to advancing objectives of the FWCP partnership – conservation, sustainable use and community engagement – in watersheds impacted by the initial construction of BC Hydro generation facilities in the Peace region.

Fiscal Year 2013 (F13) was a transition year for FWCP-Peace as the Program developed its new delivery model. The new model will deliver priority Program work primarily by providing grants to successful applicants and by carrying out Board-directed projects that require appropriate sequencing to achieve success.

After a number of years of dialogue with First Nations in the region the FWCP finalized a Memorandum of Understanding that formalized the relationship between the program partners and First Nations and clarified their partnership participation

in the Program. The newly defined partnership will provide greater opportunity for participation among First Nations in the region.

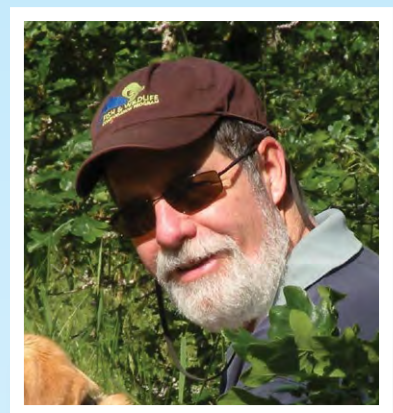
Also in Fiscal Year 2013, the Board initiated a strategic planning process to engage all interested parties to identify forward-looking program priorities with a kick-off scoping workshop held in October 2012. The ideas generated from this workshop set the stage for several technical, First Nations, Public and Strategic Planning Working Group workshops to take place in F14 that will result in the preparation of a Basin Plan and Action Plans that will define the path and the priorities for the next several years.

This year, we funded projects on bull trout, wolf and moose, caribou, migratory birds and stocking of lakes to enhance recreational opportunities and initiated strategic planning. We planned \$884.6K in spending out of an available \$1.4M in annual program funding. Spending was kept low to focus on completion of strategic plans and identification of new priorities.

Reflecting the FWCP partnership, the FWCP-Peace Board is made up of representatives from the public, First Nations, the Province of BC, and BC Hydro. We wish to thank all those who contributed to the Program this year through participation on technical committees, the Board and strategic planning working group, or who provided advice and insight. With your continued support you will help us achieve our vision of thriving fish and wildlife populations in healthy and sustainable ecosystems.

Yours truly,

Ted Down
FWCP-Peace Board Chair



1. ORGANIZATIONAL OVERVIEW

INTRODUCTION

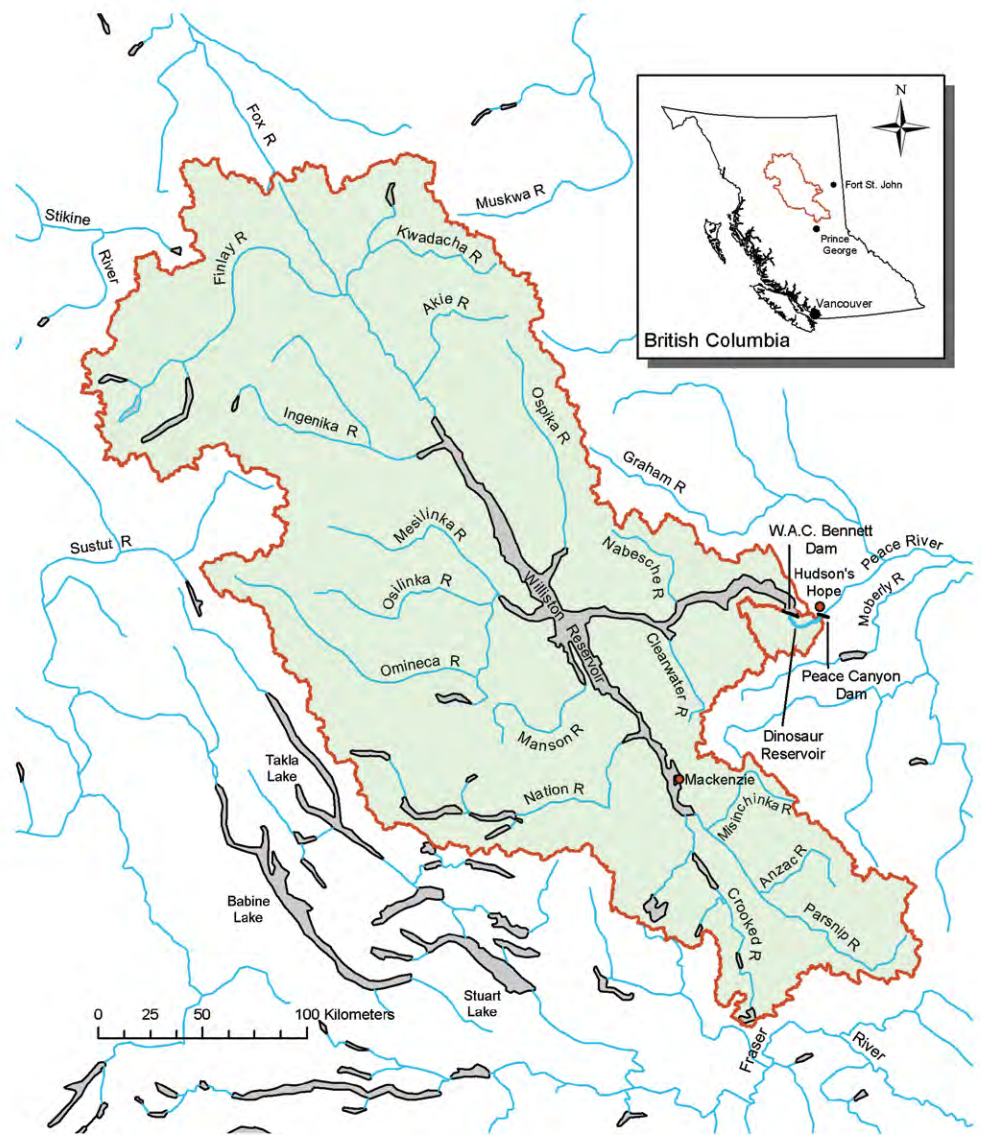
The Fish and Wildlife Compensation Program (FWCP) was established to compensate for the impacts resulting from the construction of BC Hydro dams by conserving and enhancing fish and wildlife in the Peace, Columbia and Coastal regions of British Columbia. The program operates as a partnership between BC Hydro, the Province of BC, Fisheries and Oceans Canada (DFO), First Nations, and the Public including local communities, organizations and groups.

The FWCP has invested more than \$110 million and delivered more than 1,500 projects that increase understanding and conserve and enhance fish, wildlife and their supporting habitats affected by the creation of BC Hydro owned and operated generation facilities in the Coastal, Columbia and Peace regions of British Columbia.

The Peace program was established in 1988 to support the conservation and enhancement of fish, wildlife and habitat in watersheds impacted by the impoundment of the Peace River and creation of the Williston and Dinosaur reservoirs (Figure 1). In the Peace and Columbia regions, the Program is in place as a mechanism to implement conditions in BC Hydro's water licenses issued under the provincial Water Act.

This Annual Report provides an overview of the activities of the FWCP-Peace for Fiscal Year 2013, including a report on financial

performance, project funding summary, alignment of the year's work with strategic objectives, and some highlights from the year.





GOVERNANCE

The FWCP is governed through a framework that recognizes the regulatory accountabilities of the agency partners (BC Hydro, the Province of BC and DFO) and ensures active participation and input from First Nation and Public partners. Specifically, each region has a Board to provide local oversight to the planning and implementation of the FWCP at the regional level and to make local decisions on strategic priorities and on annual expenditures and investments by the Program.

In F13, the FWCP-Peace Board was made up of seven members representing First Nations, the public, Province of BC and BC Hydro. The Board members are:

FIRST NATION REPRESENTATIVES

- Luke Gleeson, Tsay Keh Dene First Nation

PUBLIC REPRESENTATIVES

- Debbie Beattie, Public
- Michael Nash, Public

AGENCY REPRESENTATIVES

- Ted Down, (Chair), Ministry of Environment
- Norm Bilodeau, Ministry of Forests, Lands and Natural Resource Operations
- Patrice Rother, BC Hydro
- Rian Hill, BC Hydro

The Board reports to the Policy Committee, representing the federal and provincial government regulators (DFO and the Province) and BC Hydro, which exists to allow the Agencies to provide oversight on a range of fish and wildlife-related issues relevant to BC Hydro including but not limited to the FWCP.

The Policy Committee members are:

- Edie Thome, Director of Environmental Risk Management, BC Hydro
- Mark Zacharias, Assistant Deputy Minister, BC Ministry of Environment
- Bonnie Antcliffe, Regional Director Pacific Region, DFO.

In F13 the Board was supported by two Technical Committees, one for wildlife projects, and one for fish projects. The primary roles of the Technical Committees are to provide a technical advisory role including provide fair and objective technical review, evaluation and ranking of fish and wildlife project proposals; support the development of strategic plans; assist in the development and oversight of directed projects; and provide advice on the effective implementation of action plans.

In each region, program management and operations are implemented by a full-time Program Manager who administers all aspects of program delivery including contribution agreements and contracts. During F13, the FWCP-Peace Program Manager was Dan Bouillon. The Program Administrator for all three FWCP regions was Lorraine Ens.

2. FWCP'S STRATEGIC FRAMEWORK

The FWCP uses a strategic framework to guide overall planning for compensation investments. The framework (Figure 2.1) has guided the development of strategic plans (Section 3) for each watershed within the FWCP program area, which are in turn informing action plans that focus on specific priorities within each watershed.

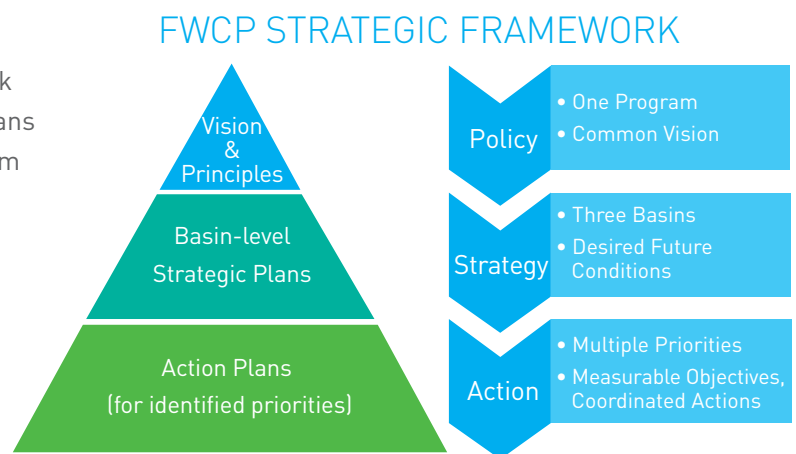


Figure 2.1: Relationship between the FWCP Strategic Framework, Watershed and Action Plans.

VISION

Thriving fish and wildlife populations in watersheds that are functioning and sustainable.

- An effective program will support the maintenance of healthy fish and wildlife populations in basins significantly altered by hydroelectric development. Actions taken should satisfy both the conservation and sustainable use objectives and, where possible, restore ecosystem function, making species more resistant to emerging pressures such as climate change.

MISSION

The FWCP compensates for the impacts to fish, wildlife and their supporting habitats affected by BC Hydro owned and operated generation facilities.

3. FWCP STRATEGIC OBJECTIVES AND STRATEGIC PLANS

3.1 STRATEGIC OBJECTIVES

The strategic objectives for the Fish and Wildlife Compensation Program reflect a synthesis of the core objectives and mandates of the partner agencies as they relate to mitigating impacts associated with hydro-power generation in British Columbia:

Conservation

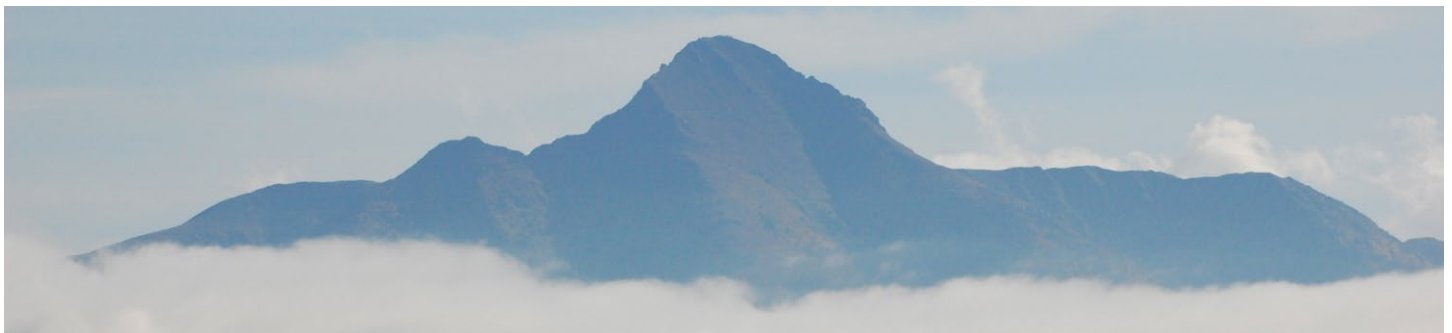
- Maintain or improve the status of species or ecosystems of concern.
- Maintain or improve the integrity and productivity of ecosystems and habitats. This addresses the concept of ecosystem integrity, resiliency and the functional elements of ecosystems, including efforts to optimize productive capacity.

Sustainable Use

- Maintain or improve opportunities for sustainable use, including harvesting and other uses. This objective focuses on the program's role in restoring or enhancing the abundance of priority species and in providing information to resource management decision makers related to providing opportunities for harvesting and other uses. Harvesting includes First Nations, recreational and commercial harvests. Other uses may include cultural, medicinal, or non-consumptive uses such as wildlife viewing.

Community Engagement

- Build and maintain relationships with stakeholders and aboriginal communities. This objective stems from BC Hydro's social responsibility policy, the provincial Ministry of Environment's shared stewardship goal and the approach of Fisheries and Oceans Canada's Stewardship and Community Involvement Program. This recognizes the importance of engaging aboriginal communities, local stakeholders, and other interest groups to contribute toward making good decisions and delivering effective projects.



3.2 STRATEGIC PLANS

The development of a Peace Basin Plan and Action Plans will complete the strategic framework envisioned in Figure 2.1 and will align planning and program delivery in the Coastal, Columbia and Peace regions. With strategic planning having been completed in the Coastal and Columbia regions, the Peace can benefit from and build upon the processes developed in these regions to develop robust Basin and Action Plans.

Program partners believed that a formal relationship with interested First Nations in the Peace region was desirable before the initiation of discussion to develop strategic plans. Dialogue had been occurring for a number of years to develop a Memorandum of Understanding that formalized the relationship between partners and First Nations and clarified their

partnership participation in the Program. The MOU document was finalized in September 2012 and individual documents were prepared for each First Nation for signature. Sign-on to the MOU will provide the opportunity to work with full participation of partner First Nations in priority identification and decision-making.

The FWCP-Peace Board initiated the strategic planning process with a scoping workshop held October 29-30, 2012 in Prince George. The objective of the process was to work together with all interested parties and partners to develop a Basin Plan and Actions Plans that would identify priority actions that would guide the Program into the future.

During the first workshop the Strategic Planning Group (SPG) was formed with membership from BC Hydro, the Province of BC, First Nations and Public representatives. The role of the SPG was to guide the FWCP-Peace through the planning process, seeking advice from agency, technical, First Nations and public interests to develop a Basin Plan and Action Plans for the FWCP-Peace.

Under the direction of the SPG, Compass Resource Management Limited guided the participants through a process to identify and set priorities. The objective was to develop plans that are inclusive of all interests (BC Hydro, agencies, First Nations and Public), while delivering on the mandate of the program to conserve and enhance fish and wildlife and their habitats affected by the development of BC Hydro's Peace facilities.

The Peace strategic planning process will be a main focus of work for FWCP-Peace during F14. The proposed work plan for F14 will include meetings with several groups including First Nations, Public, agencies, wildlife and fisheries technical working groups and the Strategic Planning Group. The plan is to meet in workshop settings that will provide all interested parties with the opportunity to identify priorities and to provide input to the development of draft Basin and Action Plans that clearly guide future decision-making. Once developed, the Basin Plan will set forth the strategic direction for the Fish and Wildlife Compensation Program in the Peace region. It will outline the Program's vision, principles, policy context and strategic objectives that form the foundation of the FWCP. It is anticipated that several Action Plans will be developed that will provide specific advice on actions required to achieve Program objectives for key ecosystems and species. Priorities will be identified for each action to guide Program work in the future.

4. REPORT ON PERFORMANCE

4.1 FINANCIAL REPORT

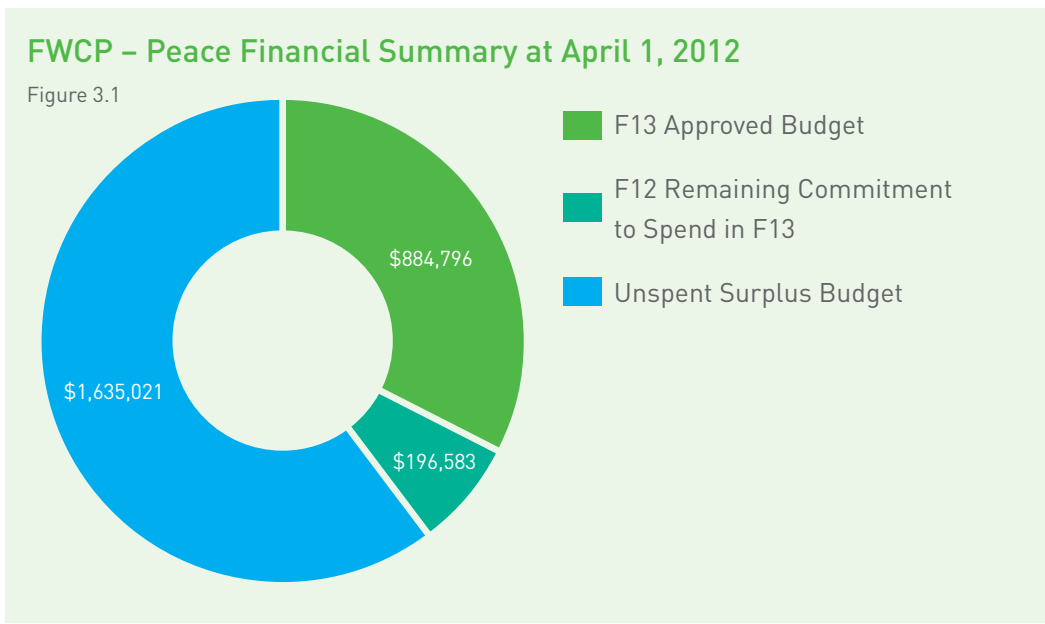
The FWCP is funded by BC Hydro through a notional fund which is indexed to the consumer price index. For Fiscal Year 2013 (F13) spanning the time period April 1, 2012 to March 31, 2013, the annual funding allotment through the notional fund for FWCP-Peace was \$1.39M.

Each year, current annual funding is allocated by the FWCP-Peace Board toward fish and wildlife projects, as well as administrative costs (e.g. salaries, travel, office, communication), community engagement (e.g. consultation and partnership, donations) and program planning (e.g. strategic planning, Board and technical review committee expenses). Any unallocated funds are carried forward ("unspent surplus budget"), and available for new spending in future fiscal years.

Similarly, not all allocated funds are expended by the end of a given fiscal year, due to the seasonal nature of the field-based projects. The difference between planned spend and actually spent funds ("committed funds") are carried forward as a liability on the balance sheet and remain available for spending on the respective committed projects to ensure payment in full. All allocated funds are associated with the fiscal year in which the spending was approved, and tracked

separately. In F13 the FWCP-Peace had a primary focus to implement the new delivery model through the development of the strategic plan so project investment was mostly limited to the continuation or completion of projects with existing historical investment.

The FWCP-Peace financial summary at the start of F13 (April 1, 2012), is illustrated in Figure 3.1 and shows a Board-approved budget of \$884.8K (64% of the available notional fund). Project funding was restricted primarily to continuing investment in ongoing projects, not starting new projects, until strategic planning identified new program priorities. Funding commitments from the previous year (FY12) were \$196.6K and the unspent surplus budget available for future years is \$1.635M. The unspent surplus is expected to grow until strategic planning is complete and there is new investment in identified priority areas.



F13 Approved Budget at April 1, 2012

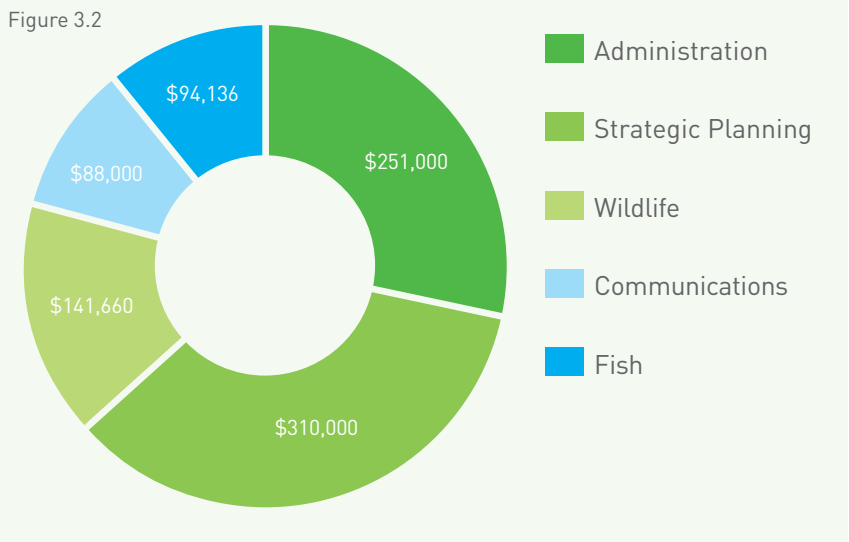


Figure 3.2 illustrates a break down of the approved budget by major category. As this was a transition year for the Program the primary focus was on initiating strategic planning, supporting ongoing investments and minimizing other project activity. The Board approved spending of 64% of the annual available funds (\$884.8K out of \$1.39M). As total administrative costs are somewhat fixed, they represent a larger proportion (28%) of the total annual budget this year than a typical year when it would be expected that most of the available funds are allocated. A significant portion of the budget was set aside for strategic planning including consultant fees, and support for participation from committees, the Public and First Nations. A list of continuing investment in fish and wildlife projects is presented in Table 4.2 of section 4.3.

Figure 3.3 illustrates program expenditures up to fiscal year-end, March 31, 2013 ('actual' amounts) compared to the planned spending. It should be noted that Figure 3.3 represents a "snapshot" in time of actual expenditures, as these values will change over the following months as F13 approved projects become finalized and final payments are issued.

Any funds not spent during the fiscal year will be carried forward as unspent surplus budget and made available for future new project spending.

Table 4.1 provides a summary of expenditures and charges up to fiscal year-end March 31, 2013 by major budget category, and shows the expected or planned payments and the resulting unspent funds. Almost 44% of the annual budget (\$385,021 out of \$884,796) was not spent by March 31 but expected to be invoiced in the coming months

as some large project invoices had not yet been received by year end. An additional 10.7% (\$94,476 out of \$884,796) was not spent, and not planned to be spent, representing a cost savings. These cost savings were achieved in reduced fish and wildlife project costs (\$34k and \$14k respectively), and less spending in strategic planning (\$49k) and communications (\$14k). Cost to support administration, travel, and office and warehouse closure costs was over plan by \$17.6K.

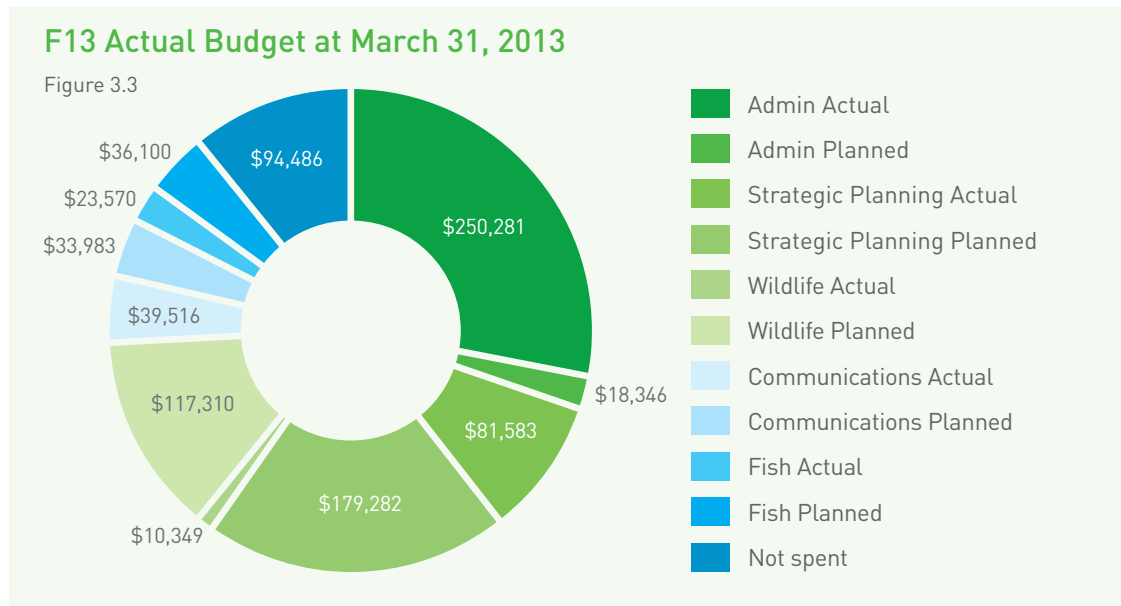


Table 4.1: FY13 Actual Budget at March 31, 2013

Fund Category	FY13 Approved Budget	Paid up to March 31, 2013	Planned Payments ¹	Unspent Funds ²
Fish	\$94,136	\$23,570	\$36,100	\$34,466
Wildlife	\$141,660	\$10,349	\$117,310	\$14,001
Administration	\$251,000	\$250,281	\$18,346	\$(17,627)
Strategic Planning	\$310,000	\$81,583	\$179,282	\$49,135
Communications	\$88,000	\$39,516	\$33,983	\$14,501
TOTAL	\$884,796	\$405,299	\$385,021	\$94,476

Note 1: Planned payments represent expected invoices for approved, ongoing projects that have not yet submitted final reports by March 31st

Note 2: Unspent funds are carried forward and available for next fiscal year

4.3 F13 LIST OF PROJECTS AND GRANT RECIPIENTS

As F13 was a year focused on program transition and strategic planning the only projects supported were those that were of an ongoing nature and represented a continuing investment. Table 4.2 provides a listing of the projects selected for funding during F13.

Table 4.2: F13 Projects and Grant Recipients

Project Description	Lead Applicant	Region ¹	FWCP Investment
UNBC Lecture Series	University of Northern BC	All	\$4,500.00
Bull Trout Assessment Study	Ministry FLNRO ² Prince George	PS, PC	\$33,000.00
Fish Stocking - 7 Lakes	Freshwater Fisheries Society of BC	PS	\$25,536.00
Outstanding Project Completion	D. Cowie Consulting	All	\$10,000.00
Kwadacha/Tsay Keh Dene Wolf/Moose Study	Ministry FLNRO Prince George	FL	\$68,130.00
Parsnip Caribou Recovery	Ministry FLNRO Prince George	PS	\$48,000.00
Mackenzie Migratory Bird Banding	Mackenzie Nature Observatory	PS	\$10,000.00
TOTAL			\$219,766.00

Note 1: Region: FL = Finlay; PS = Parsnip; PC = Peace; DS = Dinosaur

Note 2: Ministry of Forests, Lands and Natural Resource Operations (FLNRO)