Columbia Power Corporation

2016/17
ANNUAL SERVICE PLAN REPORT

For more information on Columbia Power Corporation contact:

David de Git

Suite 200 – 445 13th Avenue, Castlegar, British Columbia

David.deGit@columbiapower.org

Or visit our website at
www.columbiapower.org

Board Chair's Accountability Statement

The 2016/17 Columbia Power Corporation Annual Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and BC Reporting Principles.

As the Board Chair, I am responsible for ensuring internal controls are in place to guarantee information is measured and reported accurately and in a timely fashion. All significant assumptions, policy decisions, events and identified risks, for the twelve months ending March 31, 2017, have been considered in preparing the report. The report contains estimates and interpretative information that represent the best judgement of management. Any significant limitations in the reliability of data, changes in mandated direction, goals, strategies, measures or targets made since the 2016/17 – 2018/19 Service Plan was released, are identified in the report.

The performance measures presented are consistent with Columbia Power's mandate and goals and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of Columbia Power's past performance, operating environment, forecast conditions and risk assessment.

Columbia Power Corporation's 2016/17 Annual Service Plan Report compares the corporation's 2016/17 actual results to the expected results identified in the *2016/17 – 2018/19 Service Plan.* I am accountable for those results as reported.

Lee Doney
Board Chair

Table of Contents

Chair/CEO Report Letter

Columbia Power Corporation (Columbia Power) had a very challenging year in 2016/17 as a result of the deferral of the Elko Redevelopment Project and the removal of its project development mandate. As a result, Columbia Power's primary focus became operations.

Early in fiscal 2017, BC Hydro's load forecasts indicated that there would not be sufficient energy demand for the Elko Project and the project was deferred.

In 2016/17, Columbia Power continued to act as the Owner's Representative for the operational Waneta Expansion Project with activities during the year focused on successfully closing out the Design-Build Contract, including managing deficiencies, warranty items and all other responsibilities to Final Acceptance, targeted for April 2018.

Columbia Power continued to operate and maintain Arrow Lakes Generating Station, Brilliant Dam, and Brilliant Expansion within all safety standards and met and exceeded the performance benchmarks set out in the 2016/17-2018/19 Service Plan.

In accordance with Taxpayer Accountability Principles, Columbia Power has participated in regular meetings with the Minister of Energy and Mines Deputy Minister, and biweekly meetings with senior ministry staff to strengthen the accountability for strategic initiatives and key deliverables and foster a principled culture of efficiency and accountability.

Thank you to Columbia Power's Board of Directors, employees and partners during this time of transition for the organization.

Lee Doney
Board Chair

Johnny Strilaeff
Acting President and Chief Executive Officer

Purpose of the Organization

Columbia Power, a commercial Crown corporation, operates under the *Business Corporations Act* and an agency agreement with the Province to develop power projects within British Columbia. Columbia Power currently owns and operates hydro power assets in the Columbia Basin.

Columbia Power and Columbia Basin Trust (the Trust) own Arrow Lakes Power Corporation (ALPC), which owns the Arrow Lake Generating Station (ALH); Brilliant Expansion Power Corporation (BEPC), which owns Brilliant Expansion Generating Station (BRX); and Brilliant Power Corporation (BPC), which owns the Brilliant Dam and Generating Station (BRD) all on a 50/50 basis.

The Waneta Expansion Limited Partnership (WELP), which holds the Waneta Expansion Project (WAX), is owned 51per cent by Fortis Inc., 32.5 per cent by Columbia Power and 16.5 per cent by the Trust.

Columbia Power uses its income generated from these hydroelectric facilities to pay dividends to our shareholder, the Province of British Columbia. Columbia Power also uses a portion of its income to sponsor community and First Nations groups and events, offer bursaries and scholarships to secondary schools and community colleges, and develop and deliver environmental stewardship programs.

Strategic Direction and Context

Columbia Power's strategic direction is guided by the Mandate Letter (the Letter) that is received each year from the Minister of Energy and Mines. The Letter sets out Columbia Power's corporate mandate including high-level performance expectations, public policy issues and strategic priorities. The Letter directs Columbia Power to conduct its operations and financial activities in a manner that is consistent with legislative, regulatory and policy framework established by government. All activities and initiatives undertaken by Columbia Power are subject to overarching government priorities described in the Taxpayer Accountability Principles. Columbia Power's 2016/17 Mandate Letter outlined three priorities for the year:

1. Enhance Columbia Power's asset management process and management systems to ensure long-term profitability and reliability of its facilities through effective and efficient plant operation and maintenance, including improved accountability of Columbia Power's staff and third party service providers.
2. Through Columbia Power's role as Owner's Representative for the Waneta Expansion project, successfully close out the Design-Build construction contract, including management of deficiencies, warranty items and all other responsibilities of the Owner's Representative to Final Acceptance in 2018. Complete the transition to Owner operational oversight through the involvement in the Waneta Expansion Operating Committee.
3. Continue to work with BC Hydro to add incremental value to the Province by advancing the Elko project to an investment decision and explore other opportunities through the Joint Development Committee.

In the beginning of 2016/17 the Elko project was deferred, and in August 2016 the province removed the exploration of other opportunities from Columbia Power's mandate.

In terms of strategic context, Columbia Power is a risk-focused organization that continually strives to identify and evaluate risks that could affect performance both positively and negatively. Columbia Power manages risks associated with each of the Mandate Letter priorities in addition to other organizational risks which are captured in the Enterprise Risk Management (ERM) program. Key risks that Columbia Power was exposed to in 2016/17, and strategies that were used to manage these risks are outlined in the Risk Matrix/Management Table.

Columbia Power's operating facilities, as well as Independent Power Producers (IPPs), provide energy to a domestic power market where there is a single dominant wholesale purchaser. Availability of transmission capacity to adjacent power markets in Alberta and the US Pacific Northwest is constrained due to limited transmission capacity and limited demand for power in the near term. The operating environment is complex, and includes federal and provincial regulators, the Columbia River treaty, as well as First Nations and local, regional, and American stakeholders.

In 2016/17 there were significant changes to Columbia Power's operating environment including a significant reduction and reorganization of staff, the deferral of the Elko Project, and the removal of new project development activities from Columbia Power's mandate.

Report on Performance

As per the 2016/17 Mandate Letter objectives from the Minister of Energy and Mines, Columbia Power was successful in meeting its targets for its role as Owner's Representative of the Waneta Expansion Project. In addition, Columbia Power maintained efficient and reliable plant operations at ALH, BRD, and BRX. Columbia Power ensured effective financial performance by maximizing revenue and returning free cash-flow to the shareholder. Columbia Power's mandate for the development of Elko and selective investment opportunities with BC Hydro has ended.

Columbia Power's performance measure framework follows the *Budget Transparency and Accountability Act* requirements for performance measures, benchmarks and targets linked to specific goals, objectives and strategies. The framework also reflects Columbia Power's commitment to the Taxpayer Accountability Principles of cost consciousness, accountability and appropriate compensation and adheres to the Office of the Auditor General's Performance Reporting Principles for the BC Public Sector.

Columbia Power has continued to adhere to Taxpayer Accountability Principles and incorporate Government Action Plan Principles as directed by the Province. The Mandate Letter was signed on February 22, 2016 by the Board of Directors to demonstrate accountability to the Province's strategic mandate and Columbia Power's commitment to Taxpayer Accountability Principles for 2016/17. Early in 2016/17 all Columbia Power employees signed a copy of the Code of Conduct as acknowledgement of the importance for each employee to understand the principles of cost consciousness, accountability, service, respect and integrity and their responsibility to conduct day-to-day activities with those principles in mind. In addition, the organization's Chief Operating Officer (COO) and Board Chair worked closely with the Assistant Deputy Minister (ADM) of the Ministry of Energy and Mines (MEM), meeting regularly to further strengthen the Province's strategic mandate focusing on results and strategic decision-making within Columbia Power.

Goals, Strategies, Measures and Targets

The purpose of this section is to provide performance results of Columbia Power's goals and strategies to ensure the company meets its three mandated priorities while supporting the Province's strategic direction. Columbia Power's goals include:

1. Successful close-out of the Waneta Expansion Project;
2. Efficient and Reliable Plant Operations at Arrow Lakes Generation Station (ALH) and Brilliant Expansion (BRX);[1]
3. Effective Financial Planning; and
4. Continue to pursue selective investment opportunities.

For each of the four goals there are specific targets. The targets are measureable providing accountability for performance. The actual performance results from 2013/14-2015/16 and targeted results for 2015/16-2017/18 are summarized by each goal below.

Goal 1: Successful close-out of the Waneta Expansion Project

- Act as Owner's Representative for the Waneta Expansion Project to ensure a positive revenue stream and continued operations in future years by successfully closing out the Design-Build Contract including management of deficiencies, warranty items and all other responsibilities to Final Acceptance targeted for April 2018.
- Complete the transition to Waneta Expansion Limited Partnership Operating Committee and provide operational and financial oversight.

Strategies

- Monitor and administer the Design-Build Contract to ensure the Waneta Expansion Project is delivered according to schedule, while meeting scope and quality expectations to protect future income.
- Continue to perform monthly forecast and risk registry reviews to provide early detection of potential budget variances.
- Meet or exceed all Environmental Assessment Certificate commitments and permit conditions.

Performance Measure 1.1: **Waneta Expansion is on-schedule**

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
1.1 Waneta Expansion (WAX) construction completed early and Contract Closeout On-Schedule to Final Acceptance	WAX On-schedule	WAX On-schedule	WAX Construction Completed six weeks ahead of schedule	Contract Close-out On-Schedule to Final Acceptance	Contract Close-out On-Schedule to Final Acceptance	Contract Close-out On-Schedule to Final Acceptance	Contract Close-out On-Schedule to Final Acceptance

Data Source: **2017/18 & 2018/19 Targets are sourced from the 2017/18-2019/20 Service Plan. Actual results are internally tracked by the WAX project team.**

[1] BRD is leased to FortisBC and is therefore not included in Goal 2.

Discussion

- The benchmark for WAX is to achieve close-out of the Design-Build Contract on or before the Final Acceptance Milestone Date of April, 1 2018.
- Following achievement of Substantial Completion in April 2015, WAX commenced and continued with Design-Build contract close-out activities that are precedent to Final Acceptance such as completion of deficiencies, completion of warranty repairs, completion of site cleanup and restoration and delivery of outstanding documentation such as operations and maintenance manuals and as-built drawings.
- The target was adjusted to the 2017/18 – 2019/20 Service Plan, as it reflects that Final Acceptance is expected to occur on April 1, 2018, which is in fiscal 2018/19.

Performance Measure 1.2: **Waneta Expansion is on-budget**

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
1.2 Waneta Expansion (WAX) is On-Budget	WAX On-budget	WAX On-budget	WAX Construction Completed On-Budget	On-Budget to Final Acceptance	On-Budget to Final Acceptance	On-Budget to Final Acceptance	On-Budget to Final Acceptance

Data Source**: The budget is the capital budget as approved by the Owner. 2017/18 & 2018/19 Targets are sourced from the 2017/18-2019/20 Service Plan. Actual results are internally tracked by the WAX project team.**

Discussion

- The benchmark for WAX was to achieve both Substantial Completion and Final Acceptance on-budget.
- WAX achieved Substantial Completion on-budget.
- The target was adjusted to the 2017/18 – 2019/20 Service Plan, as it reflects that Final Acceptance is expected to occur on April 1, 2018, which is in fiscal 2018/19. To date, the WAX project team has been able to resolve all issues arising which could have delayed Final Acceptance.

Goal 2: Efficient and Reliable Plant Operations

- o Enhance Columbia Power's asset management process to ensure long-term profitability and reliability of its facilities through effective and efficient plant operation and maintenance, including improved performance of third party service providers.

Strategies

- Maximize availability of the power generation facilities of Arrow Lakes Power Corporation (ALPC) and Brilliant Expansion Power Corporation (BEPC). Agreements with BC Hydro provide both ALPC and BEPC with an energy entitlement based only on availability of the operating units. Columbia Power has identified two metrics for plant availability: Equivalent Availability Rate (Hours), and Equivalent Availability Rate (MWh).

- Manage joint ventures effectively and efficiently and achieve Operations, Maintenance and Administration (OMA) costs within industry norms by improving availability of the generating units and financial performance through the application of an Asset Management System. Columbia Power has identified the Operations, Maintenance and Administration (OMA) Costs metric to measure plant operational cost efficiency relative to the industry.

Performance Measure 2.1: Equivalent Availability Rate (Hours)

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
2.1 Equivalent Availability Rate (Hours)	ALH: 87.0% BRX: 89.4%	ALH: 88.3% BRX: 88.7%	ALH: 91.8% BRX: 93.4%	ALH: 89.4% BRX: 92.2%	ALH: 92.7% BRX: 95.6%	ALH: 95.3% BRX: 92.2%	ALH: 93.55% BRX: 89.5%

Data Source: **2017/18 & 2018/19 Targets are sourced from the 2017/18-2019/20 Service Plan.**

Explanation of performance measure:

The Equivalent Availability Rate (Hours) is the number of hours the plant is available divided by the total number of hours in the year. This measure references industry benchmarks using the Navigant Study[2]. Equivalent Availability Rate (Hours) can be compared to other hydro operators with similar assets. The targets for this metric are adjusted for forecast planned maintenance and forced outages.

Discussion

- The benchmark for Equivalent Availability Rate (Hours) is 90.5 per cent and is the five year average equivalent rate for medium-sized hydro plants in operation for less than forty-five years as provided by the Navigant Study.
- Interim annual targets reflect extended periods of major planned maintenance for the facilities commencing in 2015/2016 and continuing into 2016/17 and 2017/18. As a result, there is a slight increase in the potential for forced (unplanned) outages.
- The significant increase in plant performance in 2016/17 is the result of Columbia Power's recent initiatives under the Asset Management Program to introduce controls that promote detailed planning at the field level and to validate the existing maintenance program effectiveness which resulted in changes to maintenance application.
- Targets for 2017/18 and 2018/19 have been revised in the 2017/18 Service Plan to reflect management's expectation for future plant performance based on better knowledge from recent initiatives mentioned above.
- The results represent shorter plant outage times for both planned and forced outages which resulted in improved entitlement returns and plant reliability.

Performance Measure 2.2: Equivalent Availability Rate (MWh)

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
2.2 Equivalent Availability Rate (MWh)	ALH: 98.8% BRX: 97.8%	ALH: 98.5% BRX: 96.1%	ALH: 99.4% BRX: 98.5%	ALH: 97.8% BRX: 97.6%	ALH: 98.8% BRX: 99.7%	ALH: 98.5% BRX: 97.6%	ALH: 98.4% BRX: 97.4%

Data Source: **2017/18 & 2018/19 Targets are sourced from the 2017/18-2019/20 Service Plan.**

[2] Columbia Power engaged Navigant Consulting Inc. to provide benchmarking services, including the provision of a report detailing the compilation of industry benchmarks, otherwise known as the Navigant Study.

Explanation of performance measure:

The Equivalent Availability Rate (MWh) is an internal benchmark and is calculated as the number of entitlement megawatt-hours (MWh) available to each facility annually accounting for both planned and forced (unplanned) outages, divided by the total entitlement MWh available to each facility. As the metric is entitlement-based, it is not comparable to external industry metrics, but is useful as a measure of how well Columbia Power maximized revenue.

Discussion

- For the Equivalent Availability Rate (MWh) benchmark, Columbia Power uses historic and forecast production levels based on internal data. This metric allows a comparison of Columbia Power's revenue capture performance relative to an internal benchmark.
- As with the Equivalent Availability Rate (Hours) metric, major maintenance periods can vary in duration from those expected. Forced outages may increase during and following major equipment warranty periods, early plant lifecycle abnormalities and major maintenance activities.
- For the 2016/17 year, both the Arrow Lakes Generation Station (ALH) and Brilliant Expansion (BRX) hydro facilities exceeded the internal targets for plant performance as shown in the results for Equivalent Availability Rate (MwH) based on plant reliability.
- The significant increase in plant performance is the result of Columbia Power's introducing controls that promote detailed planning at the field level and to validate the existing maintenance program effectiveness which resulted in changes to maintenance application.
- Targets for 2017/18 and 2018/19 have been revised in the 2017/18 Service Plan to reflect management's expectation for future plant performance based on better knowledge from recent initiatives mentioned above.
- The results represent shorter plant outage times for both planned and forced outages which resulted in improved entitlement returns and plant reliability.

Performance Measure 2.3: OMA Costs ($ per MWh)

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
2.3 OMA Costs ($ per MWh)	ALH: 7.2 BRX: 13.2	ALH: 8.0 BRX: 11.7	ALH: 6.6 BRX: 10.2	ALH: 7.2 BRX: 12.1	ALH: 6.6 BRX: 8.7	ALH: 8.2 BRX: 12.2	ALH: 9.3 BRX: 12.9

Data Source: **2017/18 & 2018/19 Targets are sourced from the 2017/18-2019/20 Service Plan.**

Explanation of performance measure:

This metric is the OMA costs for each facility divided by entitlement energy (net of allowance for outages) for that facility, measured in dollars per megawatt-hour (MWh).

Discussion

- The long-term target is to manage the facilities effectively and efficiently and to achieve OMA costs within industry norms. Under the terms of the long-term fixed-price power sales agreements for ALH and BRX, Columbia Power has limited ability to adjust the contract price to flow through cost increases.
- The OMA costs per megawatt hour for ALH and BRX in 2016/17were significantly lower than

target due to strong operating performance from high entitlement (MWh) and lower operating expenses.
- For the 2016/17 year, both ALH and BRX hydro facilities demonstrated a significant reduction in operation, maintenance and administration (OMA) costs compared to the internal target.
- The main factor contributing to the reduction of costs is due to recent initiatives under the Asset Management Program to improve the up-front detailed planning, both in the day-to-day maintenance activities and during the annual planned maintenance outages, representing a more efficient use of maintenance resources and funding.
- Although costs tend to be reducing, targets for 2017/18 and 2018/19, as revised in the 2017/18 Service Plan, have been increased slightly to reflect management's expectation for future plant costs based on better knowledge from the initiatives mentioned above.

Goal 3: Effective Financial Planning

- Deliver effective financial planning as a critical component of optimizing shareholder value. Access to key financial information drives sound decision making for managing existing operations, management of projects and development of projects. Sophisticated financial models are continually advanced and developed to provide sensitivity analysis over short-range and long-range planning.

Strategies

- Maximize revenue generated through investment in power projects and control costs associated with operations of existing facilities.
- Monitor and control corporate costs in adherence to Taxpayer Accountability Principles through cost control measures and monthly variance reporting.
- Manage working capital to meet Columbia Power's mandate while returning free cash-flow to the shareholder through a dividend.
- Invest in management systems necessary to carry out enhancements to the asset management process, including improvements to the financial, asset assessment and performance data required for review, analysis and optimization.

Performance Measure 3.1: Net Income

Performance Measure ($000)	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
3.1 Net Income	19,550	8,930	44,517	42,885	42,246	46,802	47,425

Data Source: **2017/18 & 2018/19 Targets are sourced from the 2017/18-2019/20 Service Plan. Actual results come from audited 2016/17 financial statements. Prior year figures have been revised due to a prior period adjustment in Columbia Power in fiscal 2017.**

Discussion

- Columbia Power's net income is the most appropriate measure to gauge the company's financial performance.
- Net income is closely monitored throughout the reporting period and audited annually.
- All components are rigorously reviewed for reliability and consistency with government reporting standards and the Taxpayer Accountability Principles.
- Corrective measures are taken to achieve forecast net income if variances are identified.

- Future net income targets have been revised from the 2016/17 - 2018/19 Service Plan based on Columbia Power's reduced mandate and restructuring that occurred in fiscal 2017. Future net income, as revised in the 2017/18 Service Plan, is expected to be higher because of lower general and administrative costs and no project development costs.
- Net income has increased significantly since 2013/14 mainly due to increased pricing as per the 2010 Electricity Purchase Agreement for Arrow Lakes Generating Station, which commenced in January 2016, and additional income earned from WELP since WAX achieved substantial completion on April 1, 2015.

Net income decreased compared to the prior year primarily due to the following:

- A write down of the Elko Redevelopment Project costs of \$4.7 million and restructuring costs of \$1.3 million incurred in fiscal 2017; and
- Lower revenues of \$1.8 million due to fewer management services provided to WAX and reduced recoveries from the joint ventures.

The negative variances were offset by positive variances in investment income mainly due to increased pricing as per the *2010 Electricity Purchase Agreement* for Arrow Lakes Generating Station, which commenced in January 2016. However, this positive variance was largely offset by an additional \$11.1 million in income from WEPC in fiscal 2016 which was recognized in accordance with the terms of the *Asset Purchase Agreement.*

Performance Measure 3.2: Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) Growth

Performance Measure (\$000)	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
3.2. EBITDA	20,825	20,301	56,147	53,385	53,597	57,090	57,505

Data Source: **2017/18 & 2018/19 Targets are sourced from the 2017/18-2019/20 Service Plan. Prior year figures have been revised due to a prior period adjustment in Columbia Power in fiscal 2017.**

Discussion

- EBITDA is a measure of operating cash flow and focuses on returns more directly influenced by management and excludes those factors which management has limited or no influence over.
- External benchmarks are difficult to identify because Columbia Power is unique as a small unregulated commercial Crown Corporation working within a largely regulated environment.
- In terms of financial benchmarks, Columbia Power's corporate characteristics are similar to an Independent Power Producer.
- EBITDA is particularly effective as a means to compare the performance of the joint venture entities. Future net income targets have been revised from the 2016/17 - 2018/19 Service Plan based on Columbia Power's reduced mandate and restructuring that occurred in fiscal 2017.
- Future EBITA is expected to be higher because of lower general and administrative costs and no project development costs.
- EBITA has increased significantly since 2013/14 mainly due to increased pricing as per the 2010 Electricity Purchase Agreement for Arrow Lakes Generating Station, which commenced in January

2016, and additional income earned from WELP since WAX achieved substantial completion on April 1, 2015.
- EBITDA decreased compared to the prior year primarily due to the following:
    - A write down of the Elko Redevelopment Project costs of $4.7 million and restructuring costs of $1.3 million incurred in fiscal 2017; and
    - Lower revenues of $1.8 million due to fewer management services provided to WAX and reduced recoveries from the joint ventures.

The negative variances were offset by positive variances in Investment income mainly due to increased pricing as per the *2010 Electricity Purchase Agreement* for Arrow Lakes Generating Station, which commenced in January 2016. However, this positive variance was largely offset by an additional $11.1 million in income from WEPC in fiscal 2016 which was recognized in accordance with the terms of the *Asset Purchase Agreement.*

Goal 4: Continue to pursue selective investment opportunities

- Continue to collaborate with BC Hydro to add incremental value to the Province by advancing the Elko Redevelopment Project (Elko) through Definition Phase. Explore, with BC Hydro, other opportunities for redevelopment.

Strategies

- Actively participate in the Joint Development Committee (JDC) with BC Hydro on the Elko Redevelopment Project and explore other investment opportunities.
- Work through the JDC to identify other potential redevelopment opportunities in BC Hydro's system.
- Collaborate with Government, First Nations, stakeholders and industry partners to identify and selectively evaluate opportunities to utilize Columbia Power's expertise in project development and bring additional value to the shareholder.

Discussion

- In early 2016, BC Hydro's load forecasts indicated that there would not be sufficient energy demand when the project was expected to come into service, or for years afterwards. As a result, the Elko Redevelopment Project has been deferred.
- The province provided further direction in August 2016 to remove new project development activities from Columbia Power's mandate as explained in the Strategic Direction and Context section of this report.

Financial Report

Discussion of Results

The Discussion of Results provides an overview of the financial performance of Columbia Power for the fiscal year ending March 31, 2017. The details of the 2016/17 results are contained in the Corporation's audited financial statements. Financial results in the 2016/17 Annual Service Plan Report are presented in accordance with International Financial Reporting Standards (IFRS). The 2016/17 financial performance of Columbia Power and its joint ventures and partner corporations is summarized as follows:

- Consolidated net income was less than budget by $639 thousand. Key differences include:
  - Lower service agreement revenue and lower recoveries from the joint ventures than budgeted caused a negative variance in operating revenue of $716 thousand;
  - Increased operating expenses of $3.7 million include the write down of Elko costs and restructuring costs. These additional costs of $6.0 million were offset by lower salary costs and other corporate costs associated with less staff at Columbia Power in fiscal 2016/17 than had been budgeted.
  - Increased amortization and financing expenses of $851 thousand include interest costs on the provision in Columbia Power associated with its share of contributions to be in paid in 2020 to WELP when the promissory note to WEPC becomes due. The provision and associated interest costs were recognized in the current year and prior years through prior period adjustment but had not been anticipated in the 2016/17 Service Plan.
  - The negative variances were offset by investment income from the investments in the joint ventures and WELP, which exceeded prior year by $4.7 million (more details provided below).
- Consolidated net income was $2.3 million lower than the prior year. Key differences include:
  - Lower service agreement & management fees revenue, reflecting the winding down of the WAX project, and lower recoveries from the joint ventures caused a negative variance of $1.8 million;
  - Increased operating expenses of $4.1 million include the write down of Elko costs and restructuring costs. These additional costs of $6 million were offset by lower salaries costs and other corporate costs associated wish less staff at Columbia Power in fiscal 2016/17;
  - The negative variances were offset by income from the investments in the joint ventures and WELP, which exceeded prior year by $3.4 million (more details provided below).

Investments in Joint Ventures and WELP

- ALPC's net income was less than budget by $209 thousand. The decrease in net income compared to budget is mainly due to lower than budgeted revenues of $1.4 million. This negative variance was offset by a positive variance in Expenses of $1 million mainly caused by lower than expected operations and maintenance expenses and a positive variance in Amortization and Financing Expenses of $126 thousand. Net income was $24 million higher than the prior year's income of $7.1

million as a result of $23.7 million higher power sales due to the new electricity purchase agreement and $193 thousand lower operating expenses and $133 lower amortization and financing expenses.

- BEPC recorded net income of $23.6 million that was $2.3 million above budget and $1.7 million above the prior year. Lower operating expenses accounted for $1.6 million of the positive variance compared to budget and higher power sales accounted for $663 thousand. Similarly, lower operating expenses accounted for $803 thousand of the positive variance compared to prior year and higher power sales accounted for $893 thousand.
- BPC recorded net income of $23.4 million for the year that was $309 thousand above budget of $23.1 million. Operating revenue was $857 thousand below budget which was offset by operating costs that were $1.2 million below budget as well. Amortization and financing costs were $33 thousand above budget. Net income for the year was $1.2 million higher than the prior year primarily due to interest on the Brilliant Project Bonds decreasing significantly as the principle portion of the debt is paid down, and the BRD lease revenue increasing which reflects a higher return on capital associated with the additional capital spending over prior year.
- Columbia Power's 32.5 per cent share of WELP accounted for net income of $20.8 million compared to a budget of $18.4 million and prior year net income of $20.3 million. Net income exceeded budget due to lower than forecast outages and lower than forecast operating costs. In addition, the budgeted net income did not include interest income on the receivable in WELP associated with contributions to be received in 2020 from the owners when the promissory note to WEPC becomes due.
- Columbia Power's 58 percent share of WEPC net income of $2.3 million is greater than budget by $1 million due to a change in the method of consolidating net income that was not reflected in the budget. Although WEPC is experiencing increasing returns earned each year on the promissory note and long term receivable, there is a negative variance compared to prior year of $10.6 million given the recognition of the $20 million receivable in the prior year on a discounted cashflow basis.

Financial Resource Summary Table

$ IN THOUSANDS	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Budget	2016/17 Actual	2016/17 Variance	2015/16 - 16/17 Variance
Operating Revenue							
Service Agreement	1,742	1,280	1,415	649	775	126	(640)
Management Fee	90	415	328	386	192	(194)	(136)
Recoveries**	3,815	3,743	4,052	3,705	3,057	(648)	(995)
Income From Equity Accounted Investees							
Brilliant Power Corporation	10,334	10,750	11,100	11,551	11,706	115	606
Brilliant Expansion Power Corporation	11,292	10,361	10,962	10,667	11,813	1,146	851
Arrow Lakes Power Corporation	67	210	3,561	15,689	15,585	(104)	12,024
Waneta Expansion Power Corporation	1,054	1,113	12,887	1,242	2,303	1,061	(10,584)
Waneta Expansion Limited Partnership*	-	-	20,350	18,421	20,814	2,393	484
Total Operating Revenue	28,394	27,872	64,655	62,310	66,245	3,935	1,590
Expenses							
General & Administrative Costs**	6,798	6,879	7,872	7,262	7,025	(237)	(847)
Project Development Cost	182	73	-	750	4,720	3,970	4.720
Community Sponsorship	85	95	97	390	342	(48)	245
Grants-in-Lieu of Property Taxes	504	524	539	523	561	38	22
Total Operating Expenses	7,569	7,571	8,508	8,925	12,648	3,723	4,140
EBITDA	20,825	20,301	56,147	53,385	53,597	212	(2,550)
Amortization and Financing							
Interest Expense*	1,835	12,101	12,235	11,419	12,486	1,067	251
Amortization of Property, Plant & Equipment	433	211	209	382	238	(144)	29
Less: Interest Revenue	993	941	814	1,301	1,373	72	559
Total Amortization & Financial Expenses*	1,275	11,371	11,630	10,500	11,351	851	(279)
Net Income*	19,550	8,930	44,517	42,885	42,246	(639)	(2,271)
Total Liabilities*	323,962	324,400	331,452	299,521	399,841	100,320	68,389
Accumulated Surplus & Retained Earnings*	183,108	185,530	228,047	220,047	201,493	(18,554)	(26,554)
Capital Expenditures	34,246	20,795	11,834	6,183	1,779	1,541	8,704

*Prior year figures have been revised due to a prior period adjustment in Columbia Power in fiscal 2017.
*Note that in the 2016/17 Service Plan, General & Administrative Costs were shown net of Recoveries. The format of this table has been changed so that Recoveries and General & Administrative Costs are shown separately.

COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

Table of Contents

COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

Statement of Management Responsibility

The consolidated financial statements of Columbia Power Corporation have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and fairly present Columbia Power Corporation's consolidated financial position, financial performance, and cashflows. The integrity of the information presented in the consolidated financial statements, including estimates and judgments relating to matters not concluded by fiscal year end, is the responsibility of management.

Management is responsible for establishing and maintaining appropriate systems of internal control (which include policies and procedures) to provide reasonable assurance that Columbia Power Corporation's assets are safeguarded and that reliable financial records are maintained.

The Auditor General of British Columbia has been appointed by the Board of Directors to audit the consolidated financial statements. The report of the Auditor General of British Columbia is attached, outlining the scope of his examination and providing his opinion on the consolidated financial statements.

Johnny Strilaeff
Acting President and CEO

David de Git, CPA CMA
Director, Finance

May 17, 2017

COLUMBIA POWER CORPORATION
Statement of Income to Budget (Unaudited)
For the year ended March 31, 2017
(Expressed in thousands of dollars)

	Actual	Budget	Budget to Actual Variance	Prior Year	Current Year to Prior Year Variance
REVENUES					
Services Agreement & Management Fees	$ 967	$ 1,025	$ (58)	$ 1,743	$ (776)
Recoveries	3,057	3,705	(648)	4,052	(995)
	4,024	4,730	(706)	5,795	(1,771)
Investment Income:					
ALPC (50%)	15,585	15,496	89	3,561	12,024
BEPC (50%)	11,813	10,867	946	10,962	851
BPC (50%)	11,706	11,771	(65)	11,100	606
WEPC (58%)	2,303	1,242	1,061	12,887	(10,584)
WELP (32.5%)	20,814	18,421	2,393	20,350	464
	62,221	57,797	4,424	58,860	3,361
OPERATING EXPENSES					
Other expenses	12,648	10,687	(1,961)	8,508	(4,140)
	12,648	10,687	(1,961)	8,508	(4,140)
EBITDA	53,597	51,840	1,757	56,147	(2,550)
AMORTIZATION & FINANCING EXPENSES					
Amortization expense	238	239	1	228	(10)
Financing expense	12,486	11,419	(1,067)	12,235	(251)
Less: gain on sale of property, plant and equipment	-	-	-	19	(19)
Less: interest revenue	1,373	1,301	72	814	559
	11,351	10,357	(994)	11,630	279
CONSOLIDATED NET INCOME	$ 42,246	$ 41,483	$ 763	$ 44,517	$ (2,271)

Breakdown of Other Expense as per Budget Approved by the Board on March 17, 2016:

	Actual	Budget	Variance
Budget element			
Salaries & benefits	$ 4,080,833	$ 4,885,000	$ 804,167
Travel & Business Expense	149,677	242,000	92,323
Board Expenses	81,625	90,000	8,375
Advisory Services & Audit	196,035	566,000	369,965
Systems and Networks	292,603	313,000	20,397
Rent Expense	314,487	350,000	35,513
Corporate Operations	191,802	410,000	218,198
First Nations Sponsorship	31,048	35,000	3,952
Training, Conferences, Memberships	267,365	218,000	(49,365)
Miscellaneous Expenses	650	24,000	23,350
Depreciation	238,271	239,000	729
Business Development third party costs	-	750,000	750,000
Loss on Disposal Fixed Assets	-	5,000	5,000
Corporate Communications	164,407	182,000	17,593
Community Sponsorship	341,900	337,000	(4,900)
Grants-in-Lieu	561,428	523,000	(38,428)
Loss on write-down of capitalized project costs	4,720,350	-	(4,720,350)
Extraordinary	1,253,648	579,000	(674,648)
Subtotal	**12,886,131**	**9,748,000**	**(3,138,131)**
Interest expense	12,405,339	11,419,000	(986,339)
Financing cost			
(Debt Issue Cost Amortization)	79,566	-	(79,566)
	25,371,035	21,167,000	(4,204,035)
Recoveries	(3,056,627)	(3,705,000)	(648,373)
Other recoveries	-	(80,000)	(80,000)
Deferred development management costs	-	(750,000)	(750,000)
Net expense after recoveries and cost deferal	22,314,408	16,632,000	(5,682,408)
Remove other line items:			
Interest expense	(12,484,905)	(11,419,000)	1,065,905
Depreciation/amortization	(238,271)	(239,000)	(729)
Sub-total	**9,591,233**	**4,974,000**	(4,617,233)
Add back recoveries for presentation	3,056,627	3,705,000	648,373
Other expenses	$ **12,647,859**	$ **8,679,000**	$ **(3,968,859)**

OFFICE OF THE
Auditor General
of British Columbia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Columbia Power Corporation, and
To the Minister of Energy and Mines, Province of British Columbia

I have audited the accompanying consolidated financial statements of Columbia Power Corporation (the "entity"), which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

COLUMBIA POWER CORPORATION
Independent Auditors Report

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Columbia Power Corporation as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Russ Jones

Victoria, British Columbia
May 17, 2017

Russ Jones, FCPA, FCA
Deputy Auditor General

OFFICE OF THE
Auditor General
of British Columbia

COLUMBIA POWER CORPORATION
Consolidated Statement of Financial Position
(Expressed in thousands of Canadian dollars)

	Notes	March 31, 2017	March 31, 2016
Assets			
Current assets			
Cash and cash equivalents	9	$ 68,598	$ 37,205
Accounts receivable	10	146	1,431
Prepaid expense		18	30
Other investments	11	51,413	51,009
Total current assets		120,175	89,675
Non-current assets			
Restricted cash	9	612	608
Investment in equity accounted joint arrangements	5, 6	225,441	215,735
Investment prior to limited partnership	7, 8	1,325	1,325
Investment in Waneta Expansion Limited Partnership	4, 7, 8	242,454	241,790
Property, plant & equipment	12	579	759
Other investments	11	10,748	5,258
Deferred development costs	13	-	4,349
Total non-current assets		481,159	469,824
TOTAL ASSETS		$ 601,334	$ 559,499
Liabilities and Shareholder's Equity			
Current liabilities			
Accounts payable and accrued liabilities	14	$ 4,364	$ 4,512
Dividends payable	25	68,800	2,000
Total current liabilities		73,164	6,512
Non-current liabilities			
Loans and borrowings	15	299,529	298,800
Provisions	4,16	27,148	26,140
Total non-current liabilities		326,677	324,940
Equity			
Share capital	17	-	-
Contributed surplus	18	26,065	26,065
Retained earnings	4	175,428	201,982
Total Equity		201,493	228,047
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		$ 601,334	$ 559,499
Commitments	28		
Contingencies	29		

The accompanying notes are an integral part of the consolidated financial statements

APPROVED ON BEHALF OF THE BOARD:

Lillian White

Director | Director

COLUMBIA POWER CORPORATION
Consolidated Statement of Comprehensive Income
For the year ended March 31
(Expressed in thousands of Canadian dollars)

	Notes		2017		2016
Revenue	19	$	4,024	$	5,795
Other income	4, 20		62,221		58,878
Depreciation expense	12		(238)		(228)
Other expenses	23		(12,648)		(8,507)
Results from operating activities			53,359		55,938
Finance income	21		1,373		814
Finance costs	4, 22		(12,486)		(12,235)
Net finance income			(11,113)		(11,421)
Net comprehensive income for the year		$	42,246	$	44,517

The accompanying notes are an integral part of the consolidated financial statements

COLUMBIA POWER CORPORATION
Consolidated Statement of Changes in Equity
For the year ended March 31
(Expressed in thousands of Canadian dollars)

	Notes	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at April 1, 2015 as previously stated			$ 26,065	$ 162,496	$ 188,561
Correction of an error relating to previous years	4			(3,031)	(3,031)
Balance at April 1, 2015 restated			26,065	159,465	185,530
Net comprehensive income for the year	4		-	44,517	44,517
Dividend to equity holder	25		-	(2,000)	(2,000)
Balance at March 31, 2016		-	$ 26,065	$ 201,982	$ 228,047
Balance at April 1, 2016			$ 26,065	$ 201,982	$ 228,047
Net comprehensive income for the year			-	42,246	42,246
Dividends to equity holder	25		-	(68,800)	(68,800)
Balance at March 31, 2017		-	$ 26,065	$ 175,428	$ 201,493

The accompanying notes are an integral part of the consolidated financial statements

COLUMBIA POWER CORPORATION
Consolidated Statement of Cash Flows
For the years ended March 31
(Expressed in thousands of Canadian dollars)

	Notes	2017	2016
Cash flows from operating activities			
Net comprehensive income for the year		$ 42,246	$ 44,517
Adjustments to reconcile cash flow from operations			
Depreciation of property, plant and equipment	12	238	228
Interest income	21	(1,373)	(814)
Interest expense	22	12,486	12,235
Write down of Elko development costs		4,721	-
Investment income	6	(62,221)	(58,859)
Net change in non-cash working capital balances			
Accounts receivable		1,285	211
Prepaid expense		12	8
Accounts payable and accrued liabilities		(136)	(437)
Net cash from operating activities		(2,742)	(2,911)
Cash flows from financing activities			
Interest paid		(10,760)	(10,771)
Dividends paid	25	(2,000)	(2,000)
Provision for payable to WELP	16	-	6,025
Net cash used in financing activities		(12,760)	(6,746)
Cash flows from investing activities			
Interest received		522	201
Dividends received	6	51,850	39,361
(Purchase)/sale of temporary investments		-	11,000
Investment in limited partnership	8	-	(8,724)
Investment in Elko	13	(372)	(2,888)
Investment in bond sinking fund	11	(5,043)	(5,043)
(Acquisition)/disposal of property, plant and equipment	12	(58)	(300)
Net cash used in investing activities		46,899	33,607
Increase (decrease) in cash and cash equivalents		31,397	23,950
Cash and cash equivalents, beginning of year		37,813	13,863
Cash and cash equivalents, end of year		$ 69,210	$ 37,813
CASH CONSISTS OF:			
Restricted cash	9	612	608
Cash available for operations	9	68,598	37,205
		$ 69,210	$ 37,813

The accompanying notes are an integral part of the consolidated financial statements

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

1. Reporting entity:

Columbia Power Corporation (CPC) is a company incorporated in British Columbia and domiciled in Canada. The address of Columbia Power's registered office is Suite #200, 445 – 13th Avenue, Castlegar, British Columbia. Columbia Power is wholly owned by the Province of British Columbia (the Province). As an agent for the Province, Columbia Power committed to entering into joint ventures to develop and operate hydroelectric power projects as set out in the Agreement signed in 1995 (the Agreement) between the Province and the Columbia Basin Trust (The Trust), also wholly owned by the Province.

The Agreement anticipated that several power projects would be undertaken through joint ventures between Columbia Power and subsidiaries of The Trust (the shareholders). The final power project under the Agreement, the Waneta Expansion Project, currently being undertaken through a partnership between CPC Waneta Holdings Ltd. (CPC Waneta - Columbia Power's 100% owned subsidiary), The Trust, and Fortis Inc. achieved substantial completion on April 1, 2015. Final acceptance of the Waneta Expansion Project is expected to occur in April 2018. The cost of all projects is expected to exceed $1 billion. Under the Agreement between the Province and The Trust, the Province committed to make $500 million in capital contributions for the purpose of funding the capital costs of the power projects, with the remaining capital costs to be financed through joint venture borrowings by Columbia Power and The Trust's subsidiaries. The entities holding legal title to the power projects and their governance structures are described in notes 5 and 7.

Columbia Power is appointed the manager of the joint ventures with the authority to manage the day-to-day activities of the joint ventures, subject to the direction of their boards and annual capital and operating budgets approved by their boards. Columbia Power's material transactions and agreements require the approval of the Province's Treasury Board.

2. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which have been adopted by the Canadian Accounting Standards Board as Canadian generally accepted accounting principles for publically accountable enterprises.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended March 31, 2017, and the comparative information presented in these consolidated financial statements for the year ended March 31, 2016.

The consolidated financial statements were authorized for issue by the board of directors on May 17, 2017.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

2. Basis of preparation (continued):

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is Columbia Power's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand except as otherwise noted.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 2(e) - Determination of fair values;

Note 3(a) (ii) - Investments in joint arrangements and in associates (equity accounted investees);

Note 3(c) - Designation of financial instruments; and

Note 3(f) - Leased assets.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3(g) - Impairment; and

Notes 3(i) and 29 – Provisions, and Contingencies.

(e) Determination of fair values:

Certain of Columbia Power's accounting policies and disclosures require the determination of fair value, for financial assets and liabilities. The fair value of accounts receivable, other investments (non-current), accounts payable and accrued liabilities, loans and borrowings, and provisions are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value for other investments (current) is determined as the quoted market prices of those investments. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

The accounting policies have been applied consistently by Columbia Power entities.

(a) Basis of consolidation:

These consolidated financial statements and notes include Columbia Power's operations, account balances and operations of Columbia Power's wholly owned subsidiary, and interests in jointly controlled operations and investments in associates accounted for under the equity method.

(i) Investment in subsidiary:

These consolidated financial statements show the overall financial results and the overall financial position for Columbia Power and its wholly owned subsidiary, CPC Waneta. Columbia Power has control when it has direct or indirect ownership of the majority of voting capital. Control is normally achieved through ownership of 50 percent or more of voting capital. Intercompany sales, account balances, and gains and losses on intercompany transactions have been eliminated on consolidation.

(ii) Investments in joint arrangements and associates (equity accounted investees):

Joint ventures are those joint arrangements over whose activities Columbia Power has joint control, established by contractual agreement (see note 5 – Description of equity accounted investees).

Associates are those entities in which Columbia Power has significant influence, but not control (or joint control), over the financial and operating policies (see note 7 – Description of subsidiary and subsidiary's equity accounted investee). Significant influence is presumed to exist when Columbia Power holds between 20 and 50 percent of the voting power of another entity.

Joint ventures and investments in associates (equity accounted investees) are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include Columbia Power's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of Columbia Power, from the date that joint control or significant influence commences until the date that joint control or significant influence ceases. When Columbia Power's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that Columbia Power has an obligation or has made payments on behalf of the investee.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

3. Significant accounting policies (continued):

(a) Basis of consolidation:

(iii) Elimination of transactions with equity accounted investees:

Unrealized income and expenses arising from intra-company transactions with equity accounted investees are eliminated in preparing the consolidated financial statements to the extent that one of the parties has capitalized the unrealized income or expenses. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of Columbia Power's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Transactions that do not involve the assets of the equity accounted investee are not eliminated.

(b) Foreign currency transactions:

Transactions in foreign currencies are translated to the functional currency of Columbia Power at exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated into the functional currency at the rate of exchange prevailing at the reporting date.

(c) Designation of financial instruments:

(i) Non-derivative financial assets:

Columbia Power initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which Columbia Power becomes a party to the contractual provisions of the instrument.

Columbia Power derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Columbia Power is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, Columbia Power has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

IFRS requires financial assets to be classified as one of the following: fair value through profit or loss, available for sale, held to maturity, and loans and receivables.

Columbia Power has the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables, and held to maturity investments.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

3. Significant accounting policies (continued):

(c) Designation of financial instruments (continued):

(i) Non-derivative financial assets (continued):

Financial assets at fair value through profit or loss:

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss given that Columbia Power manages such investments and makes purchase and sale decisions based on their fair value in accordance with Columbia Power's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Assets in this category are classified as current assets and are included in other investments on the Consolidated Statement of Financial Position.

Loans and receivables:

Loans and receivables comprise cash and cash equivalents, restricted cash, and accounts receivable.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Held to maturity investments:

Held to maturity investments comprise bond sinking fund investments.

Held to maturity investments are long term investments with fixed and determinable payments and fixed maturity dates that Columbia Power has the intent and ability to hold to maturity. Held to maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

3. Significant accounting policies (continued):

(c) Designation of financial instruments (continued):

(ii) Non-derivative financial liabilities:

Columbia Power has the following non-derivative financial liabilities: accounts payable and accrued liabilities, dividends payable, loans and borrowings, and provisions.

Columbia Power initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which Columbia Power becomes a party to the contractual provisions of the instrument.

Columbia Power derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Transaction costs are amortized at the same rate as the repayment on the loans and borrowings.

(d) Inventories

Inventories in Columbia Power include Work in progress – development costs. Inventories are stated at the lower of cost and net realizable value. Costs include expenditures that are directly attributable and necessary for the acquisition and development of the asset, and that will be recoverable under the terms of the contract upon sale of the asset. Where applicable, interest during construction will form part of the cost of the work in progress.

(e) Property, plant and equipment:

(i) Recognition and measurement:

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income or other expenses in profit or loss.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

3. Significant accounting policies (continued):

e) Property, plant and equipment (continued):

(ii) Subsequent costs:

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Columbia Power, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation:

Items of property, plant and equipment are recorded at cost and are depreciated annually at rates calculated to expense the cost of assets over their estimated useful lives less their residual values. Depreciation begins when assets are available for use.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Computers and software	3 years
Furniture and equipment	5 years
Leasehold improvements	Term of lease
Vehicles	8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if applicable.

(f) Leased assets:

Leases for which Columbia Power assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases. Under an operating lease, the leased assets are not recognized in the Consolidated Statement of Financial Position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

3. Significant accounting policies (continued):

(g) Impairment:

(i) Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to Columbia Power on terms that Columbia Power would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

Management has determined that there is no evidence indicating that Columbia Power's financial assets are impaired as at March 31, 2017 and March 31, 2016.

(ii) Non-financial assets:

The carrying amounts of Columbia Power's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Management has determined that there is no evidence indicating that Columbia Power's non-financial assets are impaired as at March 31, 2017 and March 31, 2016.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

3. Significant accounting policies (continued):

(h) Employee benefits:

(i) Defined contribution plan benefits and employee benefits:

Columbia Power's pension plan is described in note 24 – Employee benefits and is accounted for as a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Other long-term employee benefits:

Columbia Power's net obligation in respect of long-term employee benefits other than the pension plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the net present value method of discounting estimated future cash flows. The discount rate used is 5.5%. Any gains and losses in net present value are recognized in profit or loss in the period in which they arise.

(iii) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term bonus or profit-sharing plans if Columbia Power has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

(i) Provisions:

A provision is recognized if, as a result of a past event, Columbia Power has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Legal or constructive obligations requiring a provision are described in note 16 - Provisions.

(j) Government grants:

The amounts recognized in contributed surplus, per note 18 – Contributed surplus, reflect contributions made by the Province in its capacity of shareholder to Columbia Power.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

3. Significant accounting policies (continued):

(k) Finance income and finance costs:

Finance income comprises interest income on cash and cash equivalents, and changes in the fair value of financial assets at fair value through profit or loss.

Finance costs comprise interest expense on borrowings, the unwinding of the discount on provisions, bank fees, and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in profit or loss.

(l) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

(m) Income tax:

As a Crown corporation, Columbia Power is exempt from corporate income taxes.

(n) New standards and interpretations not yet adopted:

A number of new standards, interpretations, amendments, and annual improvements to existing standards issued by the International Accounting Standards Board (IASB) are not yet effective for the year ended March 31, 2017, and have not been applied in preparing these consolidated financial statements. As of the reporting date, management has determined there will be no significant impact on Columbia Power's financial statement disclosures from the number of annual improvements. The following standards, which management has determined are more relevant to Columbia Power, have been published but are not effective until Columbia Power's accounting periods beginning after January 1, 2018.

(i) IFRS 9, Financial Instruments:

IFRS 9, Financial Instruments was originally issued in October 2010 and replaced the multiple classification and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, with a single model that has only two classification categories: amortized cost and fair value. The final version of this new standard, issued by the IASB in July 2014, supersedes earlier versions and also replaces IFRIC 9 Reassessment of Embedded Derivatives. This standard largely retains the classification and measurement requirements and new hedge accounting model included in earlier versions, while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. As of the reporting date, management is assessing the impact of the standard on Columbia Power's financial statement disclosures.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

3. Significant accounting policies (continued):

(n) New standards and interpretations not yet adopted (continued):

(ii) IFRS 15, Revenue and Contracts with Customers:

This new standard, issued by the IASB in May 2014, establishes a comprehensive framework for the recognition, measurement and disclosure of revenue. The core principle in that framework is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The main features of the new standard are as follows:

- An entity identifies the contract(s) with a customer and the performance obligations in the contract, determines the transaction price and allocates it to the performance obligations, and recognizes revenue when (or as) the entity satisfies the performance obligations.
- Performance obligations are satisfied when promised goods or services are transferred to a customer (i.e., when the customer obtains control of those goods or services).
- An entity recognizes assets for some costs incurred to obtain a contract, or to fulfil a contract provided the costs are not within the scope of another standard.
- An entity discloses information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The new standard supersedes the requirements in IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue — Barter Transactions Involving Advertising Services. The new standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. As of the reporting date, management is assessing the impact of the standard on Columbia Power's financial statement disclosures.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

3. Significant accounting policies (continued):

(n) New standards and interpretations not yet adopted (continued):

(iii) IFRS 16, Leases:

IFRS 16, issued by the International Accounting Standards Board in January 2016, sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. As of the reporting date, management is assessing the impact of the standard on CPC's financial statement disclosures.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

4. Prior period adjustment:

a) Correction to recognize obligation relating to maturity of Promissory Note in WELP

In fiscal 2017, management determined that a provision for CPC Waneta's share of the promissory note repayment from WELP to WEPC should have been accrued on a discounted cashflow basis in CPC Waneta at the time the promissory note was set up in WELP in October 2010. The Waneta Expansion Amended and Restated Limited Partnership Agreement stipulates that significant payments (i.e. in excess of $1 million) relating to the construction of the Waneta Expansion project require contributions from the WELP partners according to their ownership interest. Consequently, at the time the promissory note becomes due, Fortis Inc., Columbia Power, and the Trust will be required to contribute $36.72 million, $23.4 million, and $11.88 million respectively. Given that management did not accrue a provision at the time the promissory note was set up in WELP, an error exists in CPC Waneta's financial statements requiring a retrospective adjustment to the March 31, 2017 financial statements.

For fiscal 2016, an adjustment has been made to opening balances on the Statement of Financial Position to record a provision of $19.4 million, to increase the Investment in limited partnership account by $16.3 million, and to increase opening Retained earnings on the Statement of Changes in Equity by $3.0 million. A further adjustment has been made on the Statement of Financial Position and the Statement of Comprehensive Income to increase the Investment in limited partnership and Other income by $1.1 million each (to record CPC Waneta's share of interest earned on the receivable in WELP from the owners with respect to the promissory note), to increase the Provision and Finance costs for interest expense of $747 thousand, and to increase Retained earnings by $331 thousand on the Statement of Changes in Equity.

($ in thousands)	Investment in limited partnership	Provisions	Retained earnings
Balances at April 1, 2015 as previously stated	207,593	-	162,496
Impact of error corrections from prior years	16,337	19,368	(3,031)
Balances at April 1, 2015 as restated	**223,930**	**19,368**	**159,465**
Balances at March 31, 2016 as previously stated	224,374	6,025	204,681
Impact of error corrections as at April 1, 2015	16,337	19,368	(3,031)
Impact of error corrections in fiscal 2016	1,079	747	332
Balances at March 31, 2016 as restated	**241,790**	**26,140**	**201,982**

The effect on the Consolidated Statement of Comprehensive Income is as follows:

($ in thousands)	Other income	Finance costs	Net Comprehensive income
Balances for the year ended March 31, 2016 as previously stated	57,799	11,488	44,185
Impact of error corrections	1,079	747	332
Balances for year ended March 31, 2016 as restated	**58,878**	**12,235**	**44,517**

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

5. Description of equity accounted joint arrangements:

Columbia Power carries out its mandate to develop and operate hydroelectric facilities through its interest in the following jointly controlled operations which were incorporated in British Columbia, Canada:

- **Brilliant Power Corporation (BPC)**

  The purpose of BPC is to act as lessor of the Brilliant Dam and Generating Station (Brilliant Power Facility) and Brilliant Terminal Station (BTS) assets. The Brilliant Power Facility and BTS are currently leased to FortisBC Inc., a regulated utility operating in British Columbia, according to the terms of finance leases. The Brilliant Power Facility is located on the Kootenay River, 3 kilometers upstream of the confluence with the Columbia River.

- **Brilliant Expansion Power Corporation (BEPC)**

  The purpose of BEPC is to operate the Brilliant Expansion Project (Brilliant Expansion), a 120 megaWatt power generation facility adjacent to the Brilliant Dam at Castlegar, British Columbia, and to sell the power generated from this facility.

- **Arrow Lakes Power Corporation (ALPC)**

  The purpose of ALPC is to operate the 185 megaWatt Arrow Lakes Generating Station (ALGS) adjacent to the Hugh Keenleyside Dam at Castlegar, British Columbia and a 48-kilometre transmission line from the power plant to British Columbia Hydro and Power Authority's (BC Hydro, a provincial Crown corporation) Selkirk substation, and to sell the power generated from ALGS.

All three corporations are jointly owned on a 50/50 basis by Columbia Power and one of The Trust's wholly owned subsidiaries. The shareholders direct activities for each corporation through the corporation's board of directors with an equal number of directors appointed by each shareholder. All decisions of the boards of directors require the unanimous approval of the directors.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

5. Description of equity accounted joint arrangements (continued):

Revenues in ALPC and BEPC and finance income in BPC are determined by terms specified in long-term power purchase agreements. As such, these corporations have no significant exposure to commercial risk.

For BPC and ALPC, which have issued project bonds, Columbia Power's access to its investment is secondary to the bondholders' claims on the assets of BPC and ALPC.

- **Waneta Expansion Power Corporation (WEPC)**

  WEPC is jointly owned by Columbia Power (58%) and CBT Energy Inc. (42%) (a subsidiary of The Trust). Given that Columbia Power and CBT Energy Inc. share control over decision-making on a 50/50 basis, Columbia Power accounts for WEPC as an investment in an equity accounted joint arrangement.

  Prior to October 2010, WEPC held legal title to all assets related to the Waneta Expansion project. In October 2010 title of all property, plant and equipment (development costs) and intangibles (expansion rights) was transferred from WEPC to the Waneta Expansion Limited Partnership (WELP) in exchange for a $72 million non-interest bearing promissory note consistent with the terms of the Asset Purchase Agreement between WEPC and WELP. After receipt of the promissory note at the end of its term in 2020 WEPC will be wound down.

  According to the Asset Purchase Price Agreement between WELP and WEPC, if the aggregate amount of the design-build costs to the Final Acceptance Date is less than $635,120,000, WELP will pay WEPC an amount equal to the lesser of a) the amount by which the design-build costs are less than $635,120,000 and b) $20,000,000. This amount is payable 90 days after the Final Acceptance Date scheduled at April 1, 2018. Management of Columbia Power and WEPC have determined that it is virtually certain that the Contingent Purchase Price payable at Final Acceptance will be $20 million based on expenditures to date and forecast cost estimates. Management therefore accrued in at March 31, 2016 $19.22 million as income and a long-term receivable which is the present value of $20 million discounted at 2% which is based on the Canadian 3-year zero coupon bond rate of 1.15% plus an appropriate spread for non-recourse debt. The balance of the receivable at March 31, 2017 is $19.6 million.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

6. Summary financial information for equity accounted joint arrangements:

Columbia Power's share of profit in its equity accounted joint arrangements for the year was $41,407 thousand (2016: $38,510 thousand) as follows:

For the year ended March 31 ($ in thousands)		2017	2016
BPC	50%	11,706	11,100
ALPC	50%	15,585	3,561
BEPC	50%	11,813	10,962
WEPC*	58%	2,303	12,887
		41,407	38,510

* Included in WEPC's profit for fiscal 2016 is the Contingent Purchase Price accrual described in note 5.

In 2017, Columbia Power received $31,700 thousand in dividends from its investments in equity accounted joint arrangements (2016: $28,148 thousand) as follows:

For the year ended March 31 ($ in thousands)	2017	2016
BPC	5,250	6,790
ALPC	13,250	8,237
BEPC	13,200	13,121
	31,700	28,148

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

6. Summary financial information for equity accounted joint arrangements (continued):

The following information has not been adjusted for the percentage ownership held by Columbia Power.

($ in thousands)	Ownership	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Net Assets	Total Income	Expenses	Profit (loss) and OCI
March 31, 2016											
BPC	50%	14,753	324,858	339,611	14,158	102,841	116,999	222,612	44,049	(21,849)	22,200
ALPC	50%	28,661	225,420	254,081	13,924	344,336	358,260	(104,179)	43,142	(36,022)	7,120
BEPC	50%	9,537	216,988	226,525	935	-	935	225,590	36,102	(14,179)	21,923
WEPC	58%	-	75,462	75,462	-	-	-	75,462	22,219	-	22,219
		52,951	842,728	895,679	29,017	447,177	476,194	419,485	145,512	(72,050)	73,462
March 31, 2017											
BPC	50%	16,276	327,750	344,026	13,261	95,242	108,503	235,523	44,328	(20,917)	23,411
ALPC	50%	34,615	220,901	255,516	17,517	337,509	355,026	(99,510)	66,908	(35,739)	31,169
BEPC	50%	11,845	212,161	224,006	1,190	-	1,190	222,816	37,011	(13,385)	23,626
WEPC	58%	-	79,432	79,432	-	-	-	79,432	3,970	-	3,970
		62,736	840,244	902,980	31,968	432,751	464,719	438,261	152,217	(70,041)	82,176

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2017

6. Summary financial information for equity accounted joint arrangements (continued):

The following information has not been adjusted for the percentage ownership held by Columbia Power:

($ in thousands)	Ownership	Cash and Cash Equivalents	Current Financial Liabilities	Non-current Financial Liabilities	Depreciation and Amortization	Interest Income	Interest Expense
March 31, 2016							
BPC	50%	11,921	1,825	102,841	(66)	30,540	(9,017)
ALPC	50%	25,864	-	344,336	(5,351)	181	(19,433)
BEPC	50%	6,107	-	-	(5,011)	112	(18)
WEPC	58%	-	-	-	-	3,003	-
		43,892	1,825	447,177	(10,428)	33,836	(28,468)
March 31, 2017							
BPC	50%	13,480	1,849	95,242	(67)	30,828	(8,460)
ALPC	50%	31,736	-	337,509	(5,361)	224	(19,333)
BEPC	50%	8,339	-	-	(5,021)	128	(16)
WEPC	58%	-	-	-	-	3,970	-
		53,555	1,849	432,751	(10,449)	35,150	(27,809)

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

6. Summary financial information for equity accounted joint arrangements (continued):

The following table shows a reconciliation from net assets of equity accounted joint arrangements to the investment in equity accounted joint arrangements.

($ in thousands)	BPC	ALPC	BEPC	WEPC	Total
Net assets of equity accounted joint arrangements at April1, 2015	213,992	(94,825)	229,909	53,243	402,319
Columbia Power's share	50%	50%	50%	58%	
	106,996	*(47,413)*	*114,954*	*30,881*	*205,419*
*Less: elimination entry**	-	*(46)*	-	-	*(46)*
Investment in equity accounted joint arrangements at April 1, 2015	**106,996**	**(47,459)**	**114,954**	**30,881**	**205,373**
Contributions	-	-	-	-	-
Dividends paid	(13,580)	(16,474)	(26,242)	-	(56,296)
Profit/(loss)	22,200	7,120	21,923	22,219	73,462
Net assets of equity accounted joint arrangements at March 31, 2016	222,612	(104,179)	225,590	75,462	419,485
Columbia Power's share	50%	50%	50%	58%	
	111,306	*(52,090)*	*112,795*	*43,768*	*215,779*
*Less: elimination entry**		*(45)*			*(45)*
Investment in equity accounted joint arrangements at March 31, 2016	**111,306**	**(52,135)**	**112,795**	**43,768**	**215,734**
Contributions	-	-	-	-	-
Dividends paid	(10,500)	(26,500)	(26,400)	-	(63,400)
Profit/loss	23,411	31,169	23,626	3,970	82,176
Net assets of equity accounted joint arrangements at March 31, 2017	235,523	(99,510)	222,816	79,432	438,261
Columbia Power's share	50%	50%	50%	58%	
	117,762	*(49,755)*	*111,408*	*46,071*	*225,485*
*Less: elimination entry**		*(44)*			*(44)*
Investment in equity accounted joint arrangements at March 31, 2017	**117,762**	**(49,799)**	**111,408**	**46,071**	**225,441**

* The elimination entry represents interest charged by Columbia Power to ALPC on funding provided by Columbia Power for the construction of the Arrow Lakes Generating Station and Transmission Line. The elimination of interest is being reversed at the average rate of depreciation on the Arrow Lakes Generating Station and Transmission Line assets.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

6. Summary financial information for equity accounted joint arrangements (continued):

ALPC negative equity

In fiscal 2012, ALPC issued $350 million principal amount Series B bonds, due in April 2041. The proceeds of the Series B bond issue were used to pay for the $45.6 million owing on ALPC's series A bond redemption, and the net proceeds of $285.6 million were distributed by dividend to the owners, Columbia Power and CBT Arrow Lakes, for investment in the Waneta Expansion and future project development. The dividend to the owners created a deficit in ALPC of $56.1 million. ALPC ended fiscal 2012 with a deficit of $60.3 million after incurring net losses of $4.2 that year. Total cumulative dividends of $76.6 million less cumulative net income of $37.4 million since fiscal 2012 have increased the deficit in ALPC to $99.5 million at the end of fiscal 2017.

Given that ALPC's negative equity position has been caused by the payment of dividends in excess of earnings rather than by net losses, Columbia Power continues to record its investment in ALPC (2017 – (49.8) million, 2016 – (52.1) million) as a long term asset included in the line item "Investment in equity accounted joint arrangements" on the Consolidated Statement of Financial Position. Columbia Power's future share of ALPC's net income will reduce the negative equity balance and Columbia Power's future share of dividends from ALPC will increase the negative equity balance. Contracts entered into for the delivery of electricity over the next 30 years are expected to generate sufficient revenue and cash flow to fund ongoing operations for the foreseeable future.

7. Description of subsidiary and subsidiary's equity accounted investee:

Columbia Power wholly owns CPC Waneta which owns 32.5% of the Waneta Expansion Limited Partnership (WELP).

CPC Waneta was incorporated September 8, 2010 under the British Columbia Business Corporations Act, and started operations on October 1, 2010. Columbia Power is the sole shareholder of CPC Waneta. CPC Waneta's purpose is to be party to the investment in WELP through the Waneta Expansion General Partner Shareholder Agreement and the Waneta Expansion Amended and Restated Partnership Agreement. Ownership in WELP is as follows: Fortis Inc. (51%), CPC Waneta (32.5%) and The Trust (16.5%). Given its ownership interest in WELP and 29% (2 of 7) representation on the board of directors of the Waneta Expansion General Partnership, CPC Waneta has significant influence over WELP and accounts for its investment using the equity method.

WELP's purpose is to be the owner of the Waneta Expansion Project (the Project). The Project involves the development of a 335 MW generating station on the Pend d'Oreille river near Trail, British Columbia, and a 10 km transmission line from the new facility to the Selkirk substation owned by British Columbia Hydro and Power Authority (BC Hydro). The Waneta dam is owned by Teck Resources Ltd. (Teck) (formerly Teck Cominco Metals Ltd.) and BC Hydro. The power plant is being constructed under a $587 million design-build contract between WELP and SNC-Lavalin Inc. Including change orders and contract amendments the revised contract value is $602 million. A revenue sharing arrangement is in place from the substantial completion date to May 15, 2016.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

7. Description of subsidiary and subsidiary's equity accounted investee (continued):

The Project achieved substantial completion on April 1, 2015 and began commercial operations on April 2, 2015.

8. Investment prior to and in Waneta Expansion Limited Partnership (WELP):

Prior to the design-build contract being signed and the formation of WELP, Fortis Inc., CPC Waneta and The Trust signed a letter of intent with SNC-Lavalin Inc. to authorize certain activities of the design-build contractor necessary to preserve the construction schedule. These activities are part of the design-build contract cost. CPC Waneta's investment to cover its share of the cost of these activities was $1.325 million.

CPC Waneta invests in WELP in the form of cash contributions. WELP requests cash calls from the partners as required to meet its obligations to the design-build contractor and other suppliers to the project. WELP uses Canadian accounting standards for private enterprises (ASPE) to prepare its own financial statements and has capitalized all costs to date related to the Waneta Expansion project. Certain costs related to the project are considered ineligible for capitalization under IFRS, and must be expensed when adjusting WELP's accounting policies to conform to those adopted by Columbia Power and CPC Waneta. Given that the WAX project achieved substantial completion on April 1, 2015, no further costs have been capitalized as part of Property, Plant and Equipment in WELP in fiscals 2016 or 2017 that are required to be written off under IFRS. In addition, IFRS differs from ASPE with respect to categorizing costs for depreciation. Given that WELP started to depreciate the WAX facility and transmission line after substantial completion on April 1, 2015, management is required to adjust depreciation amounts to conform with IFRS.

Promissory Note payable from WELP to WEPC

As described in note 5 under WEPC, since October 2010 WEPC holds a $72 million non-interest bearing promissory note consistent with the terms of the Asset Purchase Agreement between WEPC and WELP. The Waneta Expansion Amended and Restated Limited Partnership Agreement stipulates that significant payments (i.e. in excess of $1 million) relating to the construction of the Waneta Expansion project require contributions from the WELP partners according to their ownership interest. CPC Waneta will be required to contribute its 32.5% share of $23.4 million at the time of payment. Management has recorded a provision for the present value of the $23.4 million at March 31, 2017 of $20.9 million (2016 - $20.1 million) using a discount rate of 3.8% which management has determined reflects the weighted average cost of capital for CPC Waneta. Also see note 4 – Prior period adjustment.

Contingent Purchase Price payable from WELP to WEPC

Also described in note 5 under WEPC, management of Columbia Power and WEPC have determined that it is virtually certain that the Contingent Purchase Price payable on Final Acceptance of the WAX project will be $20 million. CPC Waneta will be required to contribute its 32.5% share of $6.5 million at the time of payment. Management has recorded a provision for the present value of the $6.5 million at March 31, 2017 of $6.3 million (2016 - $6.0 million) using a discount rate of 3.8% which management has determined reflects the weighted average cost of capital for CPC Waneta.

While CPC Waneta's policy is to record provisions for the above amounts payable to WELP, WELP has not recorded a receivable from the owners to recognize their contributions required once the

COLUMBIA POWER CORPORATION
Notes to the Consolidated Financial Statements

Year ended March 31, 2017

8. Investment prior to and in Waneta Expansion Limited Partnership (WELP) (continued):

Promissory Note payable and Contingent Purchase Price payable become due. CPC Waneta management is required to adjust long term receivables in WELP to conform with CPC Waneta and CPC accounting policies.

The table below reflects the changes in CPC Waneta's investment in WELP for the years ended March 31, 2017 and March 31, 2016:

($ in thousands)	Note	2017	2016
Opening balance at April 1	4	241,790	223,930
Dividends received		(20,150)	(11,213)
CPC Waneta share of WELP profit	4	20,758	20,293
Cash contributions		-	2,698
Payable to WELP for Contingent purchase price	7, 16	-	6,025
Reversal of elimination entries*		56	57
Investment in WELP		664	17,860
Total cumulative investment in WELP		**242,454**	**241,790**

* elimination entries relating to WELP expenses incurred from the Columbia Power corporate group and capitalized as PP&E are being reversed at the weighted average rate of amortization on the power facility components.

Summarized financial information of WELP at March 31, 2017 and March 31, 2016 is included in the following table. Summary financial information has been adjusted to conform to accounting policies adopted by Columbia Power and CPC Waneta. The fair value of the investment in WELP is not available.

($ in thousands)	2017	2016
Current assets	33,786	23,174
Non-current assets*	814,585	821,823
Total assets	**848,371**	**844,997**
Current liabilities	4,146	8,295
Non-current liabilities	81,058	75,407
Partner equity*	763,167	761,295
Total liabilities and partner equity	**848,371**	**844,997**

*2016 figures have been revised to include the long term receivable from the owners relating to payment of the Promissory note to WEPC in 2020. See note 4 - Prior period adjustment and above description of Promissory Note payable from WELP to WEPC.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

9. Cash and cash equivalents and restricted cash:

Cash and cash equivalents include cash balances and call deposits with a Canadian bank and have original maturities of three months or less. Restricted cash includes a letter of credit issued by CPC Waneta to BC Hydro for development security under the 2010 Waneta Expansion Limited Partnership Electricity Purchase Agreement.

10. Accounts receivable:

($ in thousands)	Notes	2017	2016
Accounts receivable from related parties	30	14	654
Advance to BPC	30	-	700
		14	1,354
Other accounts receivable		132	77
		146	1,431

Columbia Power's exposure to credit risks and impairment losses related to accounts receivable is disclosed in note 26 – Financial instruments.

11. Other investments:

($ in thousands)	2017	2016
Current assets		
bcIMC investments	51,413	51,009
Non-current assets		
Bond sinking fund	10,748	5,258
Total other investments	62,161	56,267

Other investments comprise Canadian short term dollar money market instruments. Columbia Power invests funds with the British Columbia Investment Management Corporation (bcIMC) and has funds in the ST2 pooled investment portfolio that holds Canadian money market investments maturing within 15 months.

Other investments also comprise of a bond sinking fund held with the province to provide for debt retirement in June, 2044 (also see note 15 – Loans and borrowings). Columbia Power began to make annual payments of $5,042,517 to the sinking fund beginning on June 18, 2015 and accrues interest based on a 30 year amortization rate and an expected average rate of return of 5% (also see note 28 – Commitments).

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

12. Property, plant and equipment:

($ in thousands)	Leasehold improvements	Furniture and equipment	Vehicles	Computers and Software	Total
Cost					
Balance, April 1, 2015	1,267	806	157	1,223	3,453
Additions	39	10	167	103	319
Disposals			(157)	(944)	(1,101)
Balance, March 31, 2016	1,306	816	167	382	2,671
Balance, April 1, 2016	1,306	816	167	382	2,671
Additions	1	4	-	53	58
Disposals	-	-	-	-	-
Balance, March 31, 2017	1,307	820	167	435	2,729
Depreciation					
Balance, April 1, 2015	728	796	137	1,105	2,766
Depreciation for the year	129	11	12	76	228
Disposals	-		(138)	(944)	(1,082)
Balance, March 31, 2016	857	807	11	237	1,912
Balance, April 1, 2016	857	807	11	237	1,912
Depreciation for the year	131	2	21	84	238
Disposals	-		-	-	-
Balance, March 31, 2017	988	809	32	321	2,150
Carrying amounts					
March 31, 2016	449	9	156	145	759
March 31, 2017	319	11	135	114	579

Management has estimated that the fair values of property, plant and equipment are not materially different from the carrying values.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

13. Write down of Work in progress - development costs:

One of Columbia Power's primary objectives was to develop generation assets in collaboration with BC Hydro. Columbia Power and BC Hydro signed a Memorandum of Understanding (MOU) in 2012 to work collaboratively on project development and established a joint development committee (JDC) with representatives from both organizations. During fiscal 2015, Columbia Power conducted a study of the options for the Elko Dam & Generating Station (Elko Project), which is owned by BC Hydro and located on the Elk River in the southeast corner of British Columbia. During fiscal 2016, BC Hydro and Columbia Power analyzed the results of the study to determine the future of the facility.

In fiscal 2015, costs of $1.461 million incurred by Columbia Power to advance the Elko Project were capitalized as Work in progress – development costs. Management had determined that these costs would be fully recoverable based on discussions with the JDC and according to the terms of the Memorandum of Understanding between Columbia Power and BC Hydro. In fiscal 2016, a further $2.888 million was incurred bringing the balance to $4.349 million at March 31, 2016.

On April 15, 2016, BC Hydro notified Columbia Power that the Elko Project was being deferred indefinitely. In fiscal 2017, management determined that none of the Elko project development costs could be recovered in the future and it was therefore appropriate to write down the full $4.349 million which has been included in Other expenses on the Consolidated Statement of Comprehensive Income (also see note 23 – Other expenses).

14. Accounts payable and accrued liabilities:

($ in thousands)	Notes	2017	2016
Accounts payable to related parties		357	316
Accrued interest owing to related party		3,033	3,046
Sub-total	30	3,390	3,362
Executive holdback		60	58
Other accounts payable		914	1,092
Total accounts payable and accrued liabilities		4,364	4,512

Columbia Power's exposure to liquidity risk related to trade and other payables is disclosed in note 26 – Financial instruments.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

15. Loans and borrowings:

This note provides information about the contractual terms of Columbia Power's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about Columbia Power's exposure to interest rate and liquidity risk, see note 26 – Financial instruments.

($ in thousands)	2017	2016
		-
Non-current liabilities		
Series A debenture	301,836	301,154
Less: financing costs	(2,307)	(2,354)
Total loans and borrowings	299,529	298,800

On April 14, 2014, Columbia Power issued a $335 million Columbia Power Series A debenture to the Province that bears a coupon rate of 3.2% and matures June 18, 2044. Columbia Power received net proceeds of $300,667,095 after discount of $35,312,350, accrued interest of $3,436,000 and fees of $2,456,555. Columbia Power is required to make semi-annual coupon payments of $5,360,000.

To provide for debt retirement in June, 2044, Columbia Power also makes annual payments of $5,042,517 to a sinking fund which began on June 18, 2015, based on a 30 year amortization rate (also see note 28 – Commitments).

($ in thousands)	Coupon rate	Effective rate	Year of maturity	2017 Carrying amount	2016 Carrying amount
Series A debenture	3.20%	3.83%	2044	299,529	298,800

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

16. Provisions:

As described in note 7 – Description of subsidiary and subsidiary's equity accounted investee, the Waneta Expansion Amended and Restated Limited Partnership Agreement stipulates that significant payments (i.e. in excess of $1 million) relating to the construction of the Waneta Expansion project require contributions from the WELP partners according to their ownership interest. As such, management has accrued CPC Waneta's share for the following large obligations in WELP relating to construction that will require contributions from CPC Waneta:

- Promissory note for $72 million payable to WEPC on April 1, 2020: CPC Waneta's share of the promissory note of $23.4 million is being recorded in CPC Waneta on a discounted basis using a discount rate of 3.8% which management has determined reflects the weighted average cost of capital for CPC Waneta.
- Contingent Purchase Price of $20 million payable to WEPC on April 1, 2018 on Final Acceptance of the WAX project: CPC Waneta's share of the contingent purchase price payable of $6,500 being recorded in CPC Waneta on a discounted basis using a discount rate of 3.8% which management has determined reflects the weighted average cost of capital for CPC Waneta.

($ in thousands)	Contingent Purchase Price	Promissory Note	Total
Balances at April 1, 2015	-	19,368	19,368
Additional provisions recognized	6,025	-	6,025
Unwinding of discount	-	747	747
Balances at March 31, 2016	**6,025**	**20,115**	**26,140**
Balances at April 1, 2016	6,025	20,115	26,140
Additional provisions recognized	-	-	-
Unwinding of discount	233	775	1,008
Balances at March 31, 2017	**6,258**	**26,140**	**27,148**

17. Capital:

At March 31, 2017 and March 31, 2016, Columbia Power has 6 common shares authorized with no par value and issued for $6 dollars.

18. Contributed surplus:

Contributed surplus represents the contributions made by the Province to permit Columbia Power to purchase hydroelectric power expansion rights and to fund power project costs.

($ in thousands)	2017	2016
Contributed surplus	26,065	26,065

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

19. Revenue:

For the year ended March 31 ($ in thousands)	2017	2016
Management fees	192	358
Recovery of costs incurred on behalf of WELP	775	1,385
	967	1,743
Recovery of costs	3,057	4,052
	4,024	5,795

Cost recoveries include $27 thousand (2016 – $80 thousand) for staff compensation relating to project management and stakeholder relations on the Boat Launch project, and $3,030 thousand (2016 - $3,972 thousand) for staff compensation, office space, and project overhead incurred on behalf of the joint ventures (also see note 30 – Related party transactions).

20. Other income:

For the year ended March 31 ($ in thousands)	Note	2017	2016
Gain on disposal of property, plant and equipment		-	19
Share of profit in equity accounted joint arrangements	6	41,407	38,510
Share of profit from investment in WELP*	4,8	20,814	20,350
		62,221	58,879

*Profit includes reversal of elimination entries of $56 thousand (2016 - $57 thousand).

21. Finance income:

For the year ended March 31 ($ in thousands)	2017	2016
Interest on bank accounts	522	201
Interest on other investments	851	613
	1,373	814

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

22. Finance costs:

For the year ended March 31 ($ in thousands)	Note	2017	2016
Bank fees		8	9
Financing costs		80	88
Unwinding of discount on provisions	4,16	1,008	747
Interest on loans and borrowings		11,390	11,390
		12,486	12,234

23. Other expenses:

For the year ended March 31 ($ in thousands)	Notes	2017	2016
Residual interest cost*		-	868
Insurance		4	7
Administration and management		5,767	6,997
Loss on write down of Elko Project costs	13	4,720	-
Restructuring costs**		1,254	-
Community sponsorship		342	97
Grants-in-lieu of property taxes		561	539
		12,648	8,508

* The residual interest cost represents a settlement payment made by Columbia Power to the Trust in fiscal 2016 to compensate the Trust for its share of WAX expansion rights extinguished under the February 2010 Waneta Expansion Sizing Agreement. Under this agreement, WEPC negotiated with Teck (formerly Tech Cominco Metals Ltd.) to terminate residual interest obligations of Columbia Power to Teck under the 1995 Financial Agreement, and to not build WAX with a capacity greater than 335MW (down from 435MW). No reliable estimate of this settlement could be made prior to fiscal 2016 given the numerous discussions and decisions required by both Columbia Power and the Trust that led up to the determination in fiscal 2016 of an amount acceptable to both parties for the WAX residual interest payment. Columbia Power management therefore recorded the transaction in the fiscal 2016 as an expense.

**Restructuring costs relate to layoffs within the organization due to winding down on the WAX project as it approaches Final Acceptance, and completion of Columbia Power's project development mandate (also see note 13 – Write down of work in progress – development costs).

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

24. Employee benefits:

Columbia Power and its employees contribute to the Public Service Pension Plan (PSPP) in accordance with the Public Sector Pension Plan Act. The British Columbia Pension Corporation administers PSPP, including payment of pension benefits to employees to whom the act applies. PSPP is a multi-employer defined benefit pension plan. PSPP is accounted for as a defined contribution plan by Columbia Power as sufficient information is not available to use defined benefit accounting.

Under joint trusteeship, the risk and reward associated with PSPP's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions. Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is any amortization of any funding deficit.

The latest actuarial valuation as at March 31, 2014, indicated a funding surplus of $194 million for basic pension benefits on a going concern basis. As such, the PSPP was currently fully funded so that no contributions were required for fiscals 2015 to 2017. The next valuation will be as at March 31, 2017, with results available in early 2018.

Employees of Columbia Power are eligible for the same post-retirement healthcare benefits as other members of the PSPP. No provision, other than Columbia Power's required employer pension contributions, has been made in the accounts of Columbia Power for this liability.

Columbia Power maintains an executive pension benefit plan (EPBP). Pension payments from the EPBP commenced in January 2006 upon retirement of Columbia Power's former President. Columbia Power valued the pension liability at March 31, 2017 as $138 thousand (2016 - $148 thousand) on a discounted cash flow basis at a 5.5% discount rate.

25. Dividends payable:

The following dividends were declared by Columbia Power's board of directors:

($ in thousands)	2017	2016
$11,467 thousand per qualifying common share (2016: $333 thousand)	68,800	2,000

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

26. Financial instruments:

(a) Financial risk management:

Columbia Power is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about Columbia Power's exposure to each of the above risks, Columbia Power's objectives, policies, and processes for measuring and managing risk, and Columbia Power's management of capital.

(b) Credit risk:

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets are neither overdue nor impaired, and Columbia Power does not consider itself to be significantly exposed to credit risk.

The percentage of accounts receivable balance older than 90 days is 0% (2016: 0%).

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

($ in thousands)	2017	2016
	Carrying amounts	
Cash and cash equivalents	68,598	37,205
Restricted cash	612	608
Accounts receivable	146	1,431
Other investments - Current	51,413	51,009
Other investments – Non-current	10,748	5,258
	131,517	95,511

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

26. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk refers to the risk that Columbia Power will encounter difficulty in meeting obligations associated with financial liabilities. Columbia Power regularly monitors its cash flows and balances and maintains a cash surplus which can be utilized by the joint ventures of Columbia Power/The Trust for short–term financing. Columbia Power management does not believe that it will encounter difficulty in meeting its obligations associated with financial liabilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

($ in thousands)	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
March 31, 2017							
Accounts payable and accrued liabilities	4,364	4,364	4,364	-	-	-	-
Loans and borrowings*	299,529	291,767	2,327	5,360	10,720	32,160	241,200
Provisions	27,148	29,900	-	-	6,500	23,400	-
	331,041	326,031	6,691	5,360	17,220	55,560	241,200
March 31, 2016							
Accounts payable and accrued liabilities	4,512	4,512	4,512	-	-	-	-
Loans and borrowings*	298,800	302,474	2,314	5,360	10,720	32,160	251,920
Provisions	26,140	29,900	-	-	6,500	23,400	-
	329,452	336,886	6,826	5,360	17,220	55,560	251,920

*Note that cash flows do not reflect contributions to the sinking fund set up to extinguish the remaining debt in 2044. See note 28 – Commitments.

(d) Market risks:

Market risk refers to 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: exchange rate risk, interest rate risk and price risk. Columbia Power does not use derivative products to manage these risks.

(i) Exchange rate risk:

Exchange rate risk refers to the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Columbia Power realizes all significant revenues and expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

26. Financial instruments (continued):

(d) Market risks (continued):

(ii) Interest rate risk:

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Columbia Power's debt is composed of the Series A debenture. While the coupon rate of this debenture is fixed, the price of the debenture is affected by the interest rate. Therefore, Columbia Power is exposed to interest rate risk. Columbia Power manages interest rate risk by issuing long term fixed rate debt, as required to fulfill its capital objectives, at favorable terms obtained through its investment grade credit rating.

Sensitivity analysis:

An increase of 100 basis points in the fair value interest rate will incite a $26.6 million decrease in the debenture price and a decrease of 100 basis points will incite a $31.4 increase in debenture price.

(iii) Price risk:

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. None of Columbia Power's financial instruments values will change according to changes in market prices and therefore Columbia Power is not exposed to price risk.

(e) Capital management:

Columbia Power's capital consists of shareholder's equity plus loans and borrowings.

Columbia Power's capital management objectives are to:

- maintain a debt to equity ratio that is not lower than 70/30;
- finance the debt portion of future power project investments with fiscal agency loans through the Province; and
- target a long term capital structure with sufficient equity and working capital reserves to maintain commercial viability of Columbia Power and it's equity accounted joint ventures.

Columbia Power is in close communication with its shareholder to determine appropriate capital reserves and dividend payments in order to achieve management's objectives. Neither Columbia Power, nor any of its equity accounted investments, are subject to externally imposed capital requirements.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

26. Financial instruments (continued):

(f) Fair values:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

($ in thousands)	2017		2016	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets carried at amortized cost				
Accounts receivable	146	146	1,431	1,431
Other investments – bond sinking fund	10,748	10,134	5,258	5,344
	10,894	10,280	6,689	6,775
Liabilities carried at amortized cost				
Accounts payable and accruals	4,364	4,364	4,512	4,512
Loans and borrowings	299,529	262,961	298,800	272,140
Provision – Contingent Purchase Price	6,258	6,357	6,025	6,245
Provision – Promissory Note	20,890	21,495	20,115	20,987
	331,041	295,177	329,452	303,884

Given the short term nature of the accounts, management estimates that the carrying amounts for accounts receivable and accounts payable approximate their fair values.

Columbia Power accrues interest on the bond sinking fund at a rate of 5% which the province's Debt Management Branch (DMB) has calculated as the average rate of return for the fund up to its maturity in 2044. The amortized book value of the sinking fund at March 31, 2017 is $10,491 thousand (2016 - $5,168) which takes into account actual returns to the fund to date. DMB also provided the sinking fund market value of $10,134 (2016 - $5,344). Based on DBM reports and Columbia Power's intention to hold the sinking fund investment to maturity in 27 years, management does not believe there has been any permanent impairment in value of the sinking fund at March 31, 2017.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

26. Financial instruments (continued):

(f) Fair values (continued):

Management has made the following assumptions in determining the fair value of the 2017 loans and borrowings:

- the discounted cashflow methodology is appropriate given that the amounts and timing of the cashflows are reasonably determinable; and
- basing the interest rate used to discount estimated cash flows outstanding on the Series A debenture on the government yield curve at the reporting date plus an adequate credit spread is appropriate. At March 31, 2017, management selected an interest rate of 4.1% (2016 - 3.8%).
- basing the interest rate used to discount estimated cash flows outstanding on the provision for the Contingent Purchase Price payable on the government average yield curve for 1 to 3 year bonds at the reporting date plus an adequate credit spread for non-recourse debt. At March 31, 2017, management selected an interest rate of 2.2% (2016 – 2.0%).
- basing the interest rate used to discount estimated cash flows outstanding on the provision for the Promissory Note payable on the government average yield curve for 3 to 5 year bonds at the reporting date plus an adequate credit spread for non-recourse debt. At March 31, 2017, management selected an interest rate of 2.8% (2016 – 2.7%).

Columbia Power's financial instruments carried at fair value, by valuation method are classified into different levels which are defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

($ in thousands)	Level 1	Level 2	Level 3	Total
March 31, 2017				
Financial assets held for trading	51,413			51,413
March 31, 2016				
Financial assets held for trading	51,009			51,009

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

27. Operating leases:

Columbia Power has entered into an operating lease for office premises that provides for minimum annual lease payments totaling up to a maximum of $167,000 per year. The initial lease term was for 10 years (2 years remaining as at March 31, 2017). The lease has a renewal period of 10 years at fair market rents at the option of Columbia Power.

The office premise lease was entered into as a combined lease of land and building. It was determined that substantially all the risks and rewards of the building reside with the landlord. As such, Columbia Power determined that the lease is an operating lease.

During the year ended March 31, 2017, an amount of $204 thousand (2016 - $195 thousand) was recognized as an expense in profit or loss in respect of operating leases. These expenditures are considered related party transactions and included in "Purchases from related party" in note 30.

Non-cancellable minimum operating lease rentals are payable as follows:

($ in thousands)	2017	2016
Less than 1 year	164	160
Between 1 and 5 years	167	331
More than 5 years	-	-
	331	491

Note: the difference between the annual operating lease expense and the minimum operating lease payments is due to maintenance costs charged by the lessor as per terms of the operating lease agreement.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

28. Commitments:

Columbia Power has provided a payment guarantee to the Waneta Expansion design-build contractor, SNC-Lavalin Inc.

Under the Limited Partnership Agreement, CPC Waneta has committed to fund its 32.5% share of the Partnership's obligation to carry out the Waneta Expansion project. Although the project reached substantial completion on April 1, 2015, CPC Waneta's final share will not be known until final acceptance scheduled to be April 1, 2018.

Under the terms of debt issuance with the Province, Columbia Power has committed to make annual sinking fund payments which started June 18, 2015. Payments required over the next 5 years and thereafter are as follows:

Fiscal year	Sinking fund payments ($ in thousands)
2018	5,043
2019	5,043
2020	5,043
2021	5,043
2022	5,043
Thereafter	115,989
Total	141,204

29. Contingencies:

Columbia Power's operating and development power project activities are affected by federal, provincial, and local government laws and regulations. Under its agreements with its bondholders, BPC and ALPC have agreed to comply or cause compliance in all material respects with such laws and regulations as well as to maintain all material franchises. Under current regulations, the shareholders are required to meet performance standards to minimize or mitigate negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

30. Related parties and related party transactions:

(a) Parent company:

Columbia Power is related through common ownership to its joint ventures with The Trust. Columbia Power is also related through indirect common ownership to all Province of British Columbia ministries, agencies, Crown Corporations and public sector organizations that are included in the provincial government reporting entity.

These consolidated financial statements include amounts receivable from, amounts payable to and transactions with BC Hydro; The Trust and its affiliates; the Province; the joint ventures; and WELP. All related party transactions are at market rates, except for certain transactions with the joint ventures and WELP which are determined on a cost recovery basis. The subsidiary and joint ventures stated in notes 5, 6, 7 and 8 are related parties to Columbia Power. All intercompany balances and transactions between Columbia Power and its subsidiary have been eliminated on consolidation and not shown in this note. Intercompany transactions between Columbia Power and equity accounted investees are eliminated only to the extent that one of the parties includes the amount in assets. Details of transactions between Columbia Power and related parties which have not been eliminated are summarized in the following tables:

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

30. Related parties and related party transactions (continued):

(b) Due from and sales to related parties:

($ in thousands)	2017		2016	
	Due from related party	Sales to related party	Due from related party	Sales to related party
BC Hydro	-	71	-	1,189
BEPC	-	1,180	131	1,381
ALPC	-	1,180	268	1,600
BPC	-	670	804	991
WELP*	14	998	151	1,775
	14	4,099	1,354	6,936

*Prior year figures have been restated to comply with current year presentation.

The Due from Related Party of $14 thousand at March 31, 2017 (2016 - $1,354 thousand) is included in the "Accounts receivable" line item in the Consolidated Statement of Financial Position.

Included in the 2016 amount due from BPC is a $700 thousand cash advance made by Columbia Power to BPC to assist with working capital requirements. The advance was repaid in May 2016.

The Sales to WELP of $998 thousand for the year ended March 31, 2017 (March 31, 2016 - $1,775 thousand) are included in the "Revenue" line item on the Consolidated Statement of Comprehensive Income.

In fiscal 2016, Columbia Power, as the project manager for BC Hydro of the Arrow Lakes Boat Launch project, charged BC Hydro on a cost recovery basis for payment of 3rd party invoices relating to the construction of the Arrow Lakes boat launches, the WAX Sturgeon Monitoring and the Wetlands projects. Given these projects ended in fiscal 2016 or are winding down in fiscal 2017, Columbia Power only charged BC Hydro in relation to the Arrow Lakes Boat Launch project in 2017. The total amount recovered for the year ended March 31, 2017 of $71 thousand (March 31, 2016 - $1,189 thousand) has been included in the "Administration and management" line item in note 23 – Other expenses.

During the year, Columbia Power as the manager charged its joint ventures amounts on a cost recovery basis for staff compensation, office space and project overhead. The total amount recovered for the year ended March 31, 2017 of $3,030 thousand (March 31, 2016 - $3,972 thousand) has been included in the "Revenue" line item on the Consolidated Statement of Comprehensive Income.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

30. Related parties and related party transactions (continued):

(c) Due to and purchases from related parties:

($ in thousands)	2017		2016	
	Due to related party	Purchases from related party	Due to related party	Purchases from related party
BC Hydro	-	-	-	94
The Trust and affiliates	63	480	66	580
Province	3,189	11,822	3,138	11,552
BC Pension Corp	138	331	148	405
WELP	-	-	10	-
	3,390	12,633	3,362	12,631

The Due to Related Party of $3,390 thousand at March 31, 2017 (2016 - $3,362 thousand) is included in the "Accounts payable" line item in the Consolidated Statement of Financial Position. Purchases from Related Party of $12,633 thousand for the year ended March 31 2017 (March 31, 2016 - $12,631 thousand) are included in the "Finance costs" line item on the Consolidated Statement of Comprehensive Income, the "Property, plant, & equipment" line item on the Consolidated Statement of Financial Position, and the "Administration and management" line item in Other expenses – note 23.

(d) Pension plan:

Columbia Power has a pension plan which is a related party by virtue of IAS 24, Related Party Disclosures. Refer to note 24 – Employee benefits for detailed information on the transactions with the pension plan.

(e) Loans from related party:

At March 31, 2017 and March 31, 2016, Columbia Power has a debenture outstanding payable to the Province. Details of these loans are provided in note 15 – Loans and borrowings.

(f) Dividends:

During the year, Columbia Power declared and accrued dividends payable of $68.8 million to the Province (2016 – accrued $2 million) as per note 25 – Dividends payable.

(g) Provision for contingent purchase price and promissory note payable

Management has accrued $27,148 thousand (2016 - $26,140 thousand) which is the present value of CPC Waneta's amount owing to WELP for its share of the Contingent Purchase Price and Promissory Note payables when they become due as per note 16 – Provisions.

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

30. Related parties and related party transactions (continued):

(h) Executive management compensation and board compensation:

(i) Executive management compensation:

Columbia Power is organized into business units and support functions. The managers of these units report to the corporate management. At the beginning of the year, corporate management was comprised of the President and Chief Executive Officer, the Vice President, Operations, the Vice President, Capital Projects, the Vice President, Business Development, the Director, Human Resources & Corporate Services, and the Director, Finance. After corporate restructuring which took place during fiscal 2017, the corporate management was revised to the Chief Operations Officer, the Vice President, Capital Projects, the Director, Human Resources & Corporate Services, and the Director, Finance. Subsequent to March 31, 2017, the corporate management is comprised of the Acting President and Chief Executive Officer, the Vice President, Operations, the Vice President, Capital Projects, the Director, Human Resources & Corporate Services, and the Director, Finance Projects,

Members of the corporate executive (including the President and Chief Executive Officer, the Vice President, Operations, the Vice President, Capital Projects, the Vice President, Business Development and the Chief Operations Officer) have a holdback scheme which can give them an annual non-pensionable holdback payment of up to 8% of base salary. The holdback is paid on the basis of achieving corporate and individually specified objectives. Holdbacks accrued in the fiscal year and paid in the subsequent year are shown in note 14 – Accounts payable and accrued liabilities.

In addition to their salaries, Columbia Power provides non-cash benefits to directors and executive officers, and contributes to the Public Service Pension Plan (PSPP) on behalf of executives (see note 24 – Employee benefits). Executive officers are entitled to receive a pension in accordance with the terms of the PSPP.

Upon resignation at Columbia Power's request, they are entitled to termination benefits up to 18 months' gross salary, depending on the number of years of service.

Pension and other benefits paid on behalf of executive management by Columbia Power are as follows:

For the year ended March 31 ($ in thousands)	2017	2016
Public Service Superannuation Plan	107,145	119,549
Standard Benefits	59,092	77,612
	166,237	197,161

COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017

30. Related parties and related party transactions (continued):

(h) Executive management compensation and board compensation (continued):

(i) Executive management compensation (continued):

There have been no loans or pledges granted to executive management or family members. The total salaries and other benefits paid to executive management for the year ended March 31, 2017 amounted to $1,214 thousand (March 31, 2016 - $1,542 thousand) as follows:

Executive management compensation	2017	2016
Salary	1,027,917	1,218,913
Holdback/Bonus	57,538	57,538
Other	54,134	86,749
Expenses	74,154	178,463
	1,213,743	1,541,663

(ii) Board compensation:

The board has no remuneration agreements other than the director's fee and remuneration for participating in committee work, nor have any loans or pledges been granted to directors of the board or their family members. Total compensation to the board for the year ended March 31, 2017 was $109 thousand (March 31, 2016 - $106 thousand) as follows:

Board Compensation	2017	2016
Retainers	57,625	59,500
Meeting fees	24,000	25,000
Expenses	27,512	21,918
	109,137	106,418

Major Capital Projects

Major Capital Projects	Targeted Completion Date (Year)	Approved Anticipated Total Cost of Project ($ thousands)	Project Cost to March 31, 2017 ($ thousands)
Waneta Expansion Project The $900 million, 335 Megawatt expansion adds a second powerhouse immediately downstream of the Waneta Dam on the Pend d'Oreille River south of Trail, B.C. Output is stepped up to 230 kV and delivered through a new 10km transmission line connecting to BC Hydro's Selkirk Substation. Columbia Power managed the construction of the project on behalf of the owners, Fortis Inc., Columbia Power, and the Trust.	**2018**	**228,783**	**218,274**

Waneta Expansion Project
The Waneta Expansion Project successfully achieved operational status in April 2015. One of the largest hydroelectric projects recently constructed in British Columbia, it is now generating 335 MW of clean, hydroelectric energy by sharing water from the Waneta Dam.

The project is owned by the Waneta Expansion Limited Partnership (WELP), a limited partnership owned by Fortis Inc. (51 per cent), Columbia Power (32.5 per cent), and the Trust (16.5 per cent). WELP is managed by a general partner, Waneta Expansion General Partner Ltd. (WEGP), which is also owned by Fortis Inc., Columbia Power and the Trust. WEGP has a seven-member Board of Directors comprised of four nominees of Fortis Inc., two nominees of Columbia Power, and one nominee of the Trust. Columbia Power will continue to act as the Owner's Representative on behalf of the Waneta Expansion Project until Final Acceptance in April 2018. Management of deficiencies and warranty items was the primary activity in 2016/17 and will remain a prime focus until Final Acceptance. FortisBC Pacific Holdings Inc. operates and maintains the facility.

The risks associated with the project are disclosed in the Risk Matrix/Management Table.

Appendix A - Subsidiaries and Operating Segments

Active Subsidiaries

Columbia Power owns three hydropower facilities in joint venture partnership with Columbia Basin Trust (the Trust). These facilities are owned by corporations jointly owned by Columbia Power and indirect subsidiaries of the Trust, as follows:

Arrow Lakes Power Corporation (ALPC): owns the Arrow Lakes Generating Station (ALH) and associated 48-kilometre transmission line from the power plant to BC Hydro's Selkirk Substation.

Brilliant Expansion Power Corporation (BEPC): owns the Brilliant Expansion Generating Station (BRX).

Brilliant Power Corporation (BPC): owns the Brilliant Dam and Generating Station (BRD) and the Brilliant Terminal Station.

The Boards of Directors of these corporations are comprised of six Directors, three nominated by Columbia Power and three nominated by the Trust. Columbia Power manages these assets on behalf of the joint ventures. Senior Management for these corporations is consistent with that of Columbia Power Corporation.

The Brilliant Dam and Generating Station, the Arrow Lakes Generating Station, the Brilliant Expansion Generating Station, and Brilliant Terminal Station are operated and maintained by FortisBC (a subsidiary of Fortis Inc.) or its related company, FortisBC Pacific Holdings Inc., under the oversight of Columbia Power.

Most of the power generated at these facilities is committed under long-term sales agreements to two utilities, FortisBC and BC Hydro. Short-term sales of capacity and energy maximize revenue.

Financial Resource Summary Table
Arrow Lakes Generating Station

($ in thousands)	2015/16 Actual	2016/17 Budget	2016/17 Actual
Revenues	42,961	68,098	66,684
Expenses	11,238	12,124	11,045
Amortization & Financing Expenses	24,603	24,596	24,470
Net Income (Loss)	**7,120**	**31,378**	**31,169**
Capital Expenditures	**238**	**2,039**	**1,332**

ALPC's net income was less than budget by $209 thousand. The decrease in net income compared to budget is mainly due to lower than expected Revenues of $1.4 million. Budgeted revenues included a relatively low factor for planned and unplanned outages. This negative variance was offset by a positive variance in Expenses of $1 million mainly caused by lower than expected operations and maintenance expenses and a positive variance in Amortization and Financing Expenses of $126 thousand. Net income was higher than the prior year by $24 million primarily due to the increase in the EPA contract price to $87.50/MWh effective January 1, 2016.

Financial Resource Summary Table
Brilliant Expansion Power Corporation

($ in thousands)	2015/16 Actual	2016/17 Budget	2016/17 Actual
Revenues	35,990	36,220	36,883
Expenses	9,168	9,918	8,364
Amortization & Financing Expenses	4,899	4,968	4,893
Net Income (Loss)	**21,923**	**21,334**	**23,626**
Capital Expenditures	**311**	**175**	**182**

BEPC experienced strong operating performance throughout the year. Net income was higher than budget by $2.3 million due to no unplanned outages and lower than expected operating expenses. Higher reliability and lower expenses can be largely attributed to Columbia Power’s recent initiatives under the Asset Management Program to introduce controls that promote detailed planning at the field level and to validate the existing maintenance program effectiveness which resulted in changes to maintenance application. Net income was higher than the prior year by $1.7 million, primarily due to increased revenue and lower operating expenses as a result of a shortened annual planned outage for maintenance and Columbia Power’s recent initiatives mentioned above.

Financial Resource Summary Table
Brilliant Power Corporation

($ in thousands)	2015/16 Actual	2016/17 Budget	2016/17 Actual
Revenues	43,865	45,028	44,181
Expenses	12,766	13,545	12,390
Amortization & Financing Expenses	8,899	8,381	8,380
Net Income (Loss)	**22,200**	**23,102**	**23,411**
Capital Expenditures	**2,368**	**2,029**	**1,927**

BPC ended the year exceeding budgeted net income by $309 thousand. Operating revenue was lower than budget by $847 thousand due to a reduction in anticipated recoverable operating expenses, however this was offset by lower operating expenses of $1.2 million as expected. Net income for the year was $1.2 million higher than the prior year primarily due to interest on the Brilliant Project Bonds decreasing significantly as the principle portion of the debt is paid down, and the BRD lease revenue increasing which reflects a higher return on capital associated with the additional capital spending over prior year.

Appendix B - Additional Information

Corporate Governance

Columbia Power is governed by a board of directors that is appointed by the Minister of Energy and Mines. The board's direction is implemented by management, who carries out the day-to-day operations of the corporation under the supervision of the Acting Chief Executive Officer. For more information on Columbia Power's corporate governance, please refer to our web page at columbiapower.org/about/company/corporate-governance

Organizational Overview

http://columbiapower.org/about/company/

Contact Information

Suite 200 – 445 13th Avenue
Castlegar, British Columbia
V1N 1G1

T: 250.304.6060
F: 250.304.6083
E: cpc.info@columbiapower.org

Appendix C – Crown Corporations Mandate and Actions Summary

In the 2016/17 Mandate Letter from the Minister responsible, Columbia Power Corporation received direction on strategic priorities for the 2016/17 fiscal year. These priorities and the Crown Corporation's resulting actions are summarized below:

Mandate Letter Direction	Crown Corporation's Action
1. Enhance Columbia Power's asset management process and management systems to ensure long-term profitability and reliability of its facilities through effective and efficient plant operation and maintenance, including improved accountability of Columbia Power's staff and third party service providers.	• Columbia Power safely met and exceeded performance measures for existing operations as a result of: o the implementation of an improved planning process to support improved budgeting and project delivery; and o the issuance of an Asset Management Plan to improve maintenance planning and change management.
2. Through Columbia Power's role as Owner's Representative for the Waneta Expansion project, successfully close out the Design-Build construction contract, including management of deficiencies, warranty items and all other responsibilities of the Owner's Representative to Final Acceptance in 2018. Complete the transition to Owner operational oversight through the involvement in the Waneta Expansion Operating Committee.	• Columbia Power has been managing deficiencies and warranty items required to close out the Design-Build Contract on or before Final Acceptance, April 1, 2018.
3. Continue to work with BC Hydro to add incremental value to the Province by advancing the Elko project to an investment decision and explore other opportunities through the Joint Development Committee.	• In early 2016, BC Hydro's load forecasts indicated that there would not be sufficient energy demand when the ELKO project was expected to come into service, or for years afterwards. As a result, the Elko Redevelopment Project has been deferred. • The province provided further direction in August 2016 to remove new project development activities from Columbia Power's mandate.