COLUMBIA POWER CORPORATION

SERVICE PLAN
2007/08–2009/10

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Honourable Richard Neufeld
Minister of Energy, Mines and Petroleum Resources

Dear Minister Neufeld:

I am pleased to submit Columbia Power Corporation's 2007/08–2009/10 Service Plan.

Columbia Power Corporation is wholly owned and controlled by the Province of British Columbia. As an agent of the Province, Columbia Power Corporation develops and operates power projects in the Columbia Basin, on a joint venture basis with the Columbia Basin Trust. Columbia Power Corporation is the joint venture manager. Returns from Columbia Power Corporation's 50% share of power projects are available to be distributed to the Province of British Columbia. Returns from the Columbia Basin Trust's 50% share of power projects are available to provide benefits to the people of the Columbia Basin in accordance with the *Columbia Basin Trust Act*.

Columbia Power Corporation oversees the operations of the Brilliant powerplant and Arrow Lakes Generating Station and the construction of the Brilliant Expansion. Project planning environmental permitting is underway for the Waneta Expansion. Most of the power generated at the current operating projects is committed under long-term sales contracts to two utilities, FortisBC Inc. and BC Hydro. Two long-term contracts with BC Hydro are also in place for the sale of 90% of the output of the Brilliant Expansion.

In 2005 and 2006, Columbia Power Corporation engaged the services of Haddon Jackson Associates, Inc., a leading management consulting firm specializing in hydro performance improvement, to provide benchmarking services that would compare the power project operating and maintenance performance of Columbia Power Corporation against that of similar facilities across North America. In all major areas, Columbia Power Corporation/Columbia Basin Trust powerplants performed well compared with their peers, and the Brilliant dam and powerhouse was awarded "leading performer" status in the plant maintenance category in 2005 and 2006.

The Brilliant dam, powerhouse and terminal station continue to perform at a high level, with earnings from these assets maintaining their upward trend. Profits of the Brilliant powerplant have been enhanced through a new short-term power sales agreement with Powerex Corp.

On May 3, 2004, Columbia Power Corporation discovered damage to the concrete lining of the Arrow Lakes Generating Station approach channel following unstable hydraulic conditions. Power generation was suspended while emergency repairs were performed to ensure the structural integrity of the channel and the adjoining structures. Interim repairs were then made to allow power generation to resume safely in August 2004. Permanent channel repairs began in late 2005 and commercial operation resumed in May 2006. Forecasts and targets reflect recoveries of Arrow Lakes Generating Station channel repair costs as agreed to with the project's insurer, but do not include recoveries from other parties, given uncertainties regarding their amount and timing.

The $205 million Brilliant Expansion is now more than three years into construction. As a result of construction delays, achievement of commercial operation (originally scheduled for August, 2006) is now scheduled for June 2007. A portion of the capital spending of the $205 million Brilliant Expansion budget will be deferred to 2007/08 due to the delay in completing construction.

Development phase activities for the Waneta Expansion during 2006/07 focused on the review of the project's Environmental Assessment Certificate Application and on inviting Expressions of Interest from qualified engineer/constructor teams.

Columbia Power Corporation develops and operates Columbia Power Corporation/Columbia Basin Trust power projects (the "power projects") on a commercial basis, as an independent power producer. The power projects raise financing using limited-recourse project debt and without a provincial debt guarantee. The power projects utilize existing dams and harness water that would otherwise be spilled creating significant net environmental benefits. Being on international rivers, the power projects are permitted, built and operated in a very difficult environmental regulatory system, which includes federal and provincial regulators, an international treaty and local, regional, aboriginal and United States stakeholders. The power projects operate in a domestic power market where there is a single dominant wholesale purchaser and constrained long-term firm transmission capacity to adjacent power markets in Alberta and the U.S. Pacific Northwest. Accordingly, Columbia Power Corporation must be efficient and innovative to achieve its goals and objectives.

The key risks to Columbia Power Corporation's development activities include the escalating costs of construction, the availability of labour, the price of future power sales and the cost of financing, which could all have an impact on the commercial viability of the Waneta Expansion.

The design-build contractor of the Brilliant Expansion has submitted a significant claim against the project. Columbia Power Corporation believes the claim is unfounded, but the outcome cannot be forecast with certainty.

Agreement has been reached with the insurer regarding coverage for the 2004 channel damage. The final financial impact of the channel damage will be determined in the course of recovery action against the design-build contractor.

Over the period 2007/08 to 2009/10, the Columbia Power Corporation/Columbia Basin Trust power projects are expected to generate $103 million in net income and pay an additional $41 million in taxes and water rentals.

The short-term goals of Columbia Power Corporation include: pursuing the recovery of the Arrow Lakes channel repair costs; completing construction and managing claims of the Brilliant Expansion; and advancing development of the Waneta Expansion sufficiently to allow a decision to be made on project construction.

Columbia Power Corporation's 2007/08–2009/10 Service Plan was prepared under my direction and in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with the *Shareholder's Letter of Expectations* and the Province's Goals. All significant assumptions, policy decisions and identified risks, as of January 26, 2007, have been considered in preparing the plan. I am accountable for ensuring that Columbia Power Corporation achieves the specific objectives identified in the plan and for measuring and reporting actual performance.

Yours truly,

Lee Doney
Board Chair

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SERVICE PLAN
2007/08–2009/10

1.0 Organizational Overview

1.1 Introduction

Columbia Power Corporation is a Crown corporation wholly owned and controlled by the Province of British Columbia, existing under the *Business Corporations Act* and reporting to the Minister of Energy, Mines and Petroleum Resources. Under the terms of its agency agreement with the Province, Columbia Power Corporation must obtain the approval of the Province's Treasury Board for all budgets and material decisions. Its mission is to efficiently develop and operate commercially viable, environmentally sound and safe power project investments for the benefit of the Province and the residents of the Columbia Basin. In making power project investments, Columbia Power Corporation's goal is to support the employment, economic development and resource management objectives of the Province and the Columbia Basin Trust, within the constraints of a commercial enterprise.

Columbia Power Corporation undertakes power projects through joint ventures with subsidiaries of the Columbia Basin Trust and manages the joint ventures. Columbia Power Corporation is a small organization, with fewer than 45 full-time equivalent positions, located in Castlegar and Victoria. The Corporation focuses on asset management activities while engaging private-sector firms to provide construction, plant operation and specialist consulting services. Through its joint ventures, Columbia Power Corporation is one of the largest producers of electricity in British Columbia.

Columbia Power Corporation oversees the operations of the Brilliant powerplant and Arrow Lakes Generating Station, and the construction of the Brilliant Expansion. Environmental permitting is being pursued for the Waneta Expansion and the design-evaluate-build process (see Section 1.4) is underway. Most of the power generated at the current operating projects is committed under long-term sales contracts to two utilities, FortisBC Inc. and BC Hydro. Two long-term contracts with BC Hydro are also in place for the sale of 90% of the output of the Brilliant Expansion. Returns from Columbia Power Corporation's 50% share of the power projects are available to be distributed to the Province. Returns from the Columbia Basin Trust's 50% share of the power projects are available to be used by the Columbia Basin Trust to provide benefits to the people of the region, in accordance with the *Columbia Basin Trust Act*.

1.2 Historic Context

In 1964, Canada and the United States ratified the *Columbia River Treaty* (the "Treaty") Under the Treaty, Canada, through the Province of British Columbia, agreed to build three new storage dams in the Canadian section of the Columbia River: Duncan (1968), Keenleyside (1969) and Mica (1973). The purpose of the new dams was to create 15.5 million acre-feet of water storage that would control flooding in Washington and Oregon and allow hydroelectric facilities in these states to produce about 2,000 megawatts of additional electricity capacity (BC Hydro has about 11,000 megawatts of capacity). This additional power is referred to as the downstream benefits. In exchange, the Province received $64.4 million plus one-half the downstream benefits, which it sold to a consortium of United States utilities for a period of 30 years from the completion dates of the three Canadian dams.

The construction of the three Treaty dams brought current and future financial benefits to the Province, but also significant economic, environmental and social costs to the residents of the Columbia Basin, both at the time and on an ongoing basis. Approximately 2,300 residents were displaced, communities were lost, lands were expropriated and properties were flooded. There continue to be negative environmental effects from reservoir and river-flow fluctuations.

In 1995, the Province, through legislation and contractual arrangements, created a unique model in recognition of the costs borne by the Columbia Basin as a result of the Treaty dams. Through the Columbia Basin Initiative, the Province agreed to allocate a share (about 8%) of the value of future downstream benefits sales to the region. The mechanisms of the Columbia Basin Initiative were the *Columbia Basin Trust Act*, which created the Columbia Basin Trust, and the 1995 Financial Agreement between the Province and the Columbia Basin Trust, which set out the terms for the regional funding allocation.

Under the *1995 Financial Agreement* (the "Financial Agreement"), the Columbia Basin Trust and Columbia Power Corporation each received $250 million over 10 years to provide equity for qualifying power project developments in the region. Three core projects were designated: Keenleyside (subsequently renamed Arrow Lakes Generating Station); Brilliant Expansion; and Waneta Expansion. The Brilliant Expansion and Waneta Expansion make use of development rights purchased by Columbia Power Corporation in 1994 from Cominco Ltd. (now Teck Cominco Metals Ltd.). Other generation, distribution and transmission projects can be carried out by Columbia Power Corporation and the Columbia Basin Trust provided both parties agree and the projects meet the same commercial and other tests as the core projects.

In 1996, the joint venturers made their first investment with the purchase of the Brilliant dam and powerplant from Teck Cominco Metals Ltd. and subsequently carried out a substantial sustaining capital and upgrade program. Construction of the Arrow Lakes Generating Station began in 1999 and start-up was achieved in 2002. Construction of the Brilliant Expansion began in 2003, with start-up scheduled for 2007.

1.3 Mandate, Vision and Values

In January 2005, the Province confirmed the mandate of Columbia Power Corporation to continue, as manager of the joint ventures with the Columbia Basin Trust, to plan, develop and operate power projects.

The mandate, vision and values of Columbia Power Corporation are presented below.

Mandate

- Develop core hydroelectric projects and other qualifying generation, transmission and distribution projects in the Columbia Basin.
- Earn an acceptable rate of return given the risks.
- Finance power projects using the government's equity contributions, retained earnings and limited-recourse project debt, without government debt guarantees.
- Promote employment, economic development and new industry through environmentally sound, cost-competitive power project investment.

Vision

To be a respected, continually improving company that maximizes shareholder value by developing and operating power projects in a socially and environmentally responsible manner, achieving the development objectives of the Province and the Columbia Basin.

Values

- Efficiency in the use of scarce resources.
- Good value for money for the Province and the Columbia Basin.
- Socially responsible decision-making, to the extent possible, guided by the market.
- Proactive and economically responsible environmental management.
- Respectful employment practices.

1.4 Business Model

The business of Columbia Power Corporation is to plan, develop and operate commercially viable, environmentally sound and safe power projects in the Columbia Basin. In carrying out its business, Columbia Power Corporation relies, to a great extent, on the private sector. Project planning, design, financing, construction, operation and power sales involve private-sector firms wholly or in part. As a Crown corporation, Columbia Power Corporation follows a public-private partnership model for the design, procurement and operation of the joint venture power projects. This allows Columbia Power Corporation to properly allocate and manage risks and realize innovation and efficiency through competition. The model has five distinct components: design, evaluate, build, operate and manage.

Design

The design component involves the assessment of overall engineering, financial, economic and environmental feasibility. This includes the base engineering design, capital cost estimates, market price forecasts, stakeholder consultations, regulatory submissions and solicitation of contractor interest. It concludes with an initial go/no-go feasibility decision followed by a design-build competition. This component is largely carried out by Columbia Power Corporation with its consultants.

Evaluate

In this component, all of the design-build bids are assessed, along with power sales agreements and environmental permits, to determine if a project can proceed and if a design-build contract can and should be executed. Columbia Power Corporation, on behalf of the joint venture, is responsible for this evaluation and due diligence.

Build

With the signing of a design-build contract, many responsibilities are transferred to the design-build contractor. Columbia Power Corporation, however, engages an “Owner’s Consultant” to ensure compliance with contract terms, including monitoring of quality control and environmental permit requirements.

Operate

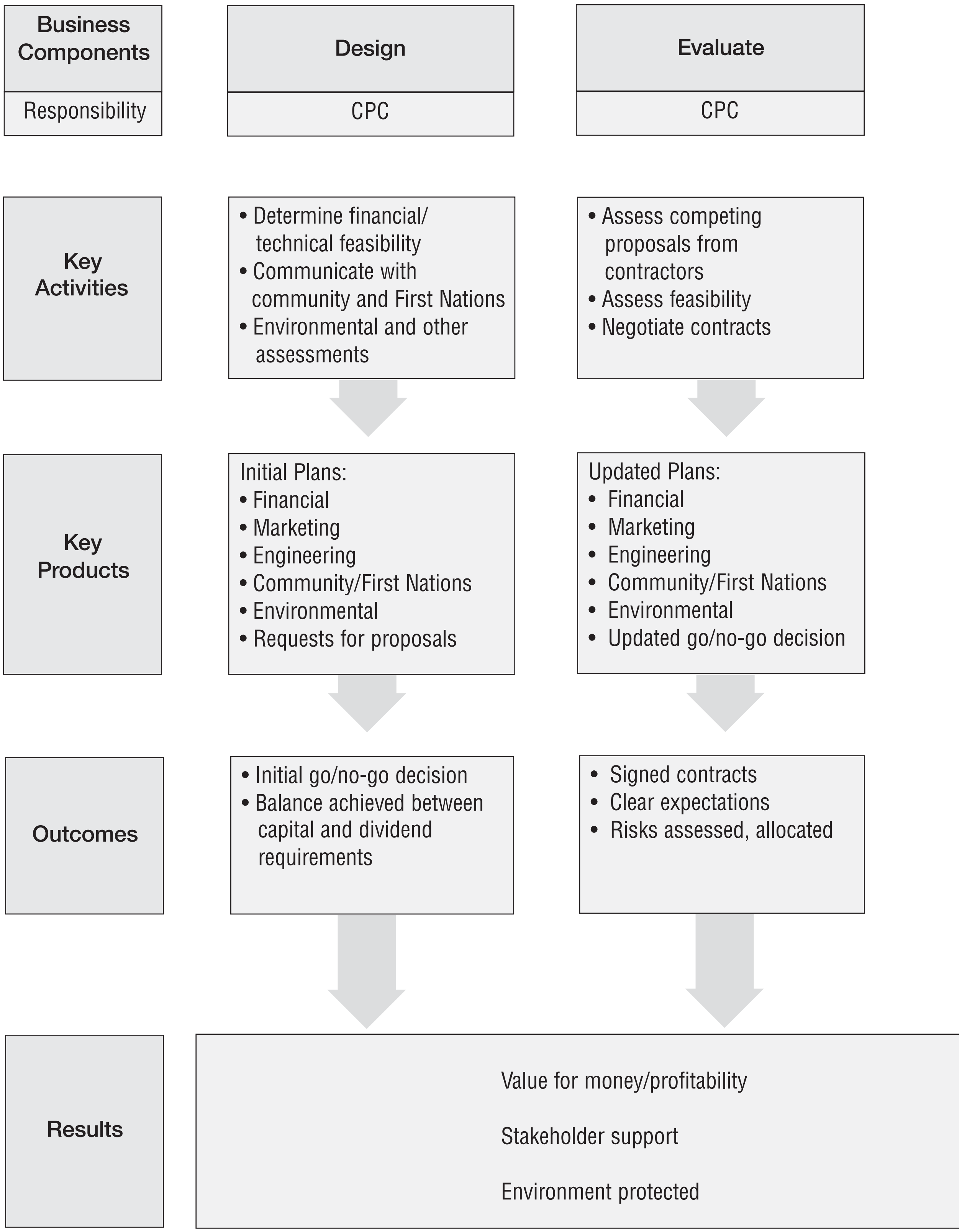
Once a project has been completed and commissioned, operations and power sales begin and further due diligence is undertaken to ensure all deficiencies are resolved and the facility is “fit for purpose.” Columbia Power Corporation has in-house engineers knowledgeable in plant operations and maintenance, but has chosen (for cost and efficiency purposes) to engage a contractor to operate and maintain the joint venture’s plants, with oversight by Columbia Power Corporation. The contractor is responsible for a number of activities, including compliance with dam safety and environmental requirements.

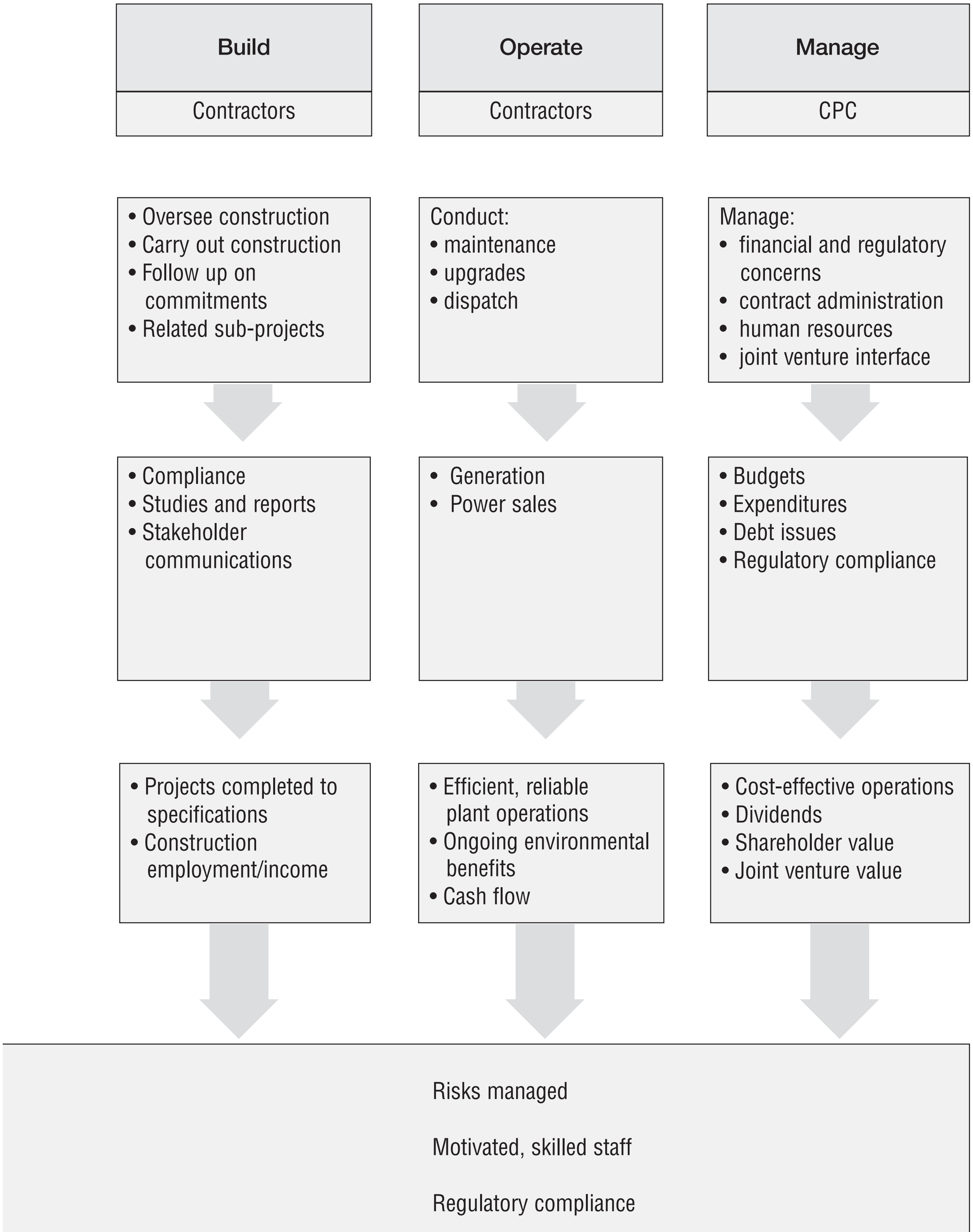
Manage

Columbia Power Corporation, the manager for the joint ventures, is responsible for all activities in the business model components: negotiating and administering agreements; raising financing; paying lenders; paying taxes; complying with approvals; employing qualified staff and advisors; and, above all, serving the public interest.

The Columbia Power Corporation business model is shown in Figure 1.

Figure 1: CPC Business Model




Build
Contractors
Operate
Contractors
Manage
CPC
• Oversee construction
• Carry out construction
• Follow up on commitments
• Related sub-projects
Conduct:
• maintenance
• upgrades
• dispatch
Manage:
• financial and regulatory concerns
• contract administration
• human resources
• joint venture interface
• Compliance
• Studies and reports
• Stakeholder communications
• Generation
• Power sales
• Budgets
• Expenditures
• Debt issues
• Regulatory compliance
• Projects completed to specifications
• Construction employment/income
• Efficient, reliable plant operations
• Ongoing environmental benefits
• Cash flow
• Cost-effective operations
• Dividends
• Shareholder value
• Joint venture value
Risks managed
Motivated, skilled staff
Regulatory compliance

In carrying out its business model, Columbia Power Corporation has two roles:

- It is an owner with a 50% interest, along with the Columbia Basin Trust, in joint venture power projects. Power projects are established as separate corporations for the purpose of securing limited-recourse commercial project financing without provincial debt guarantees.

- It is the manager for the joint ventures. The corporate structure of the joint ventures is shown in Figure 2.

1.5 Key Relationships

The joint venture power project companies owned by Columbia Power Corporation and the Columbia Basin Trust are wholesalers of power, primarily under long-term purchase agreements with regulated utilities. A 12 year power purchase agreement (expiring in 2015) is in place with BC Hydro for the output of the Arrow Lakes Generating Station; a 60 year power purchase agreement (expiring in 2056) is in place with FortisBC Inc. for most of the output of the Brilliant dam; and two 20 year purchase agreements (expiring in 2027 and 2030) are in place with BC Hydro for 90% of the output of the Brilliant Expansion.

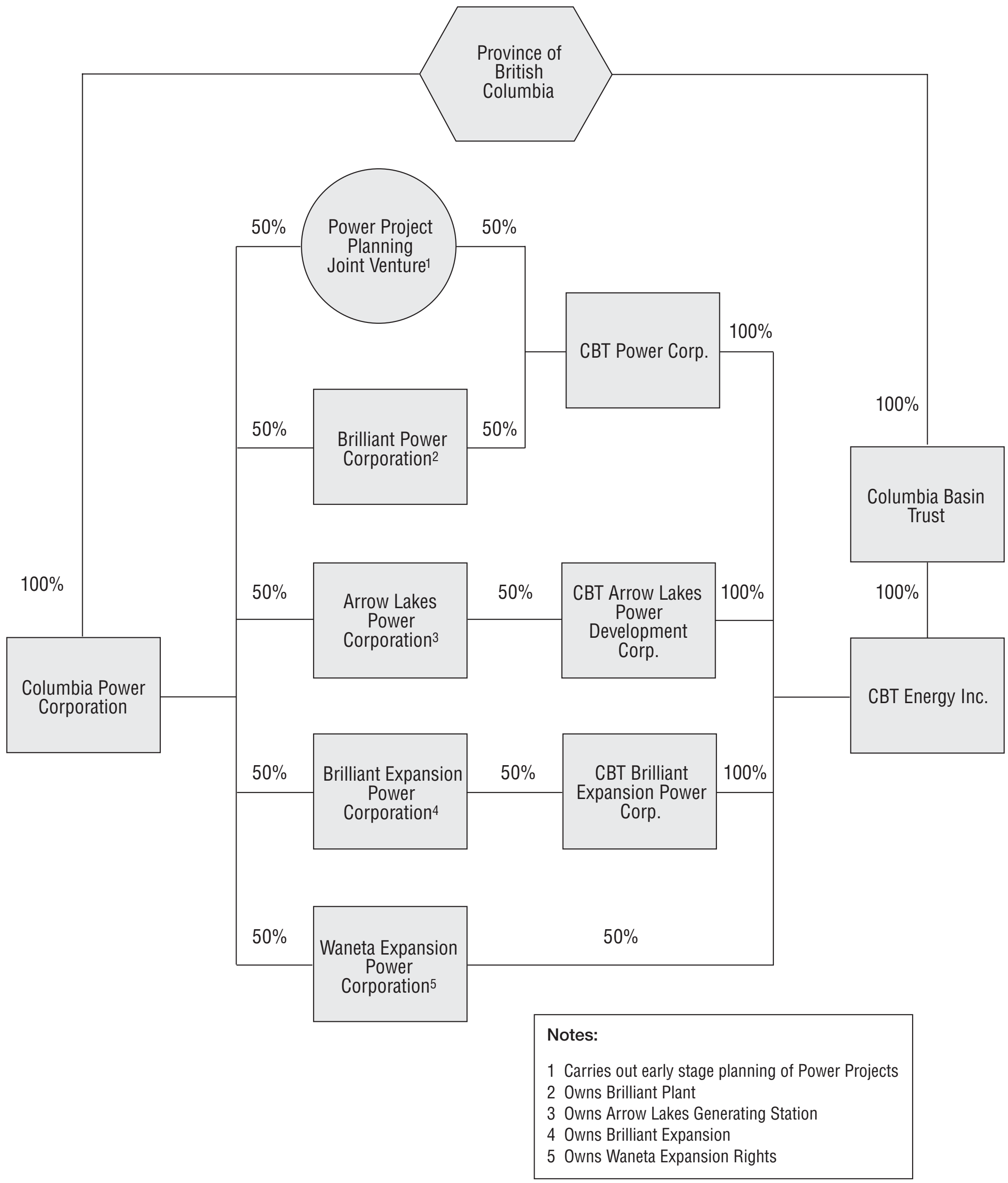
The joint venture hydroelectric projects have, or will have, power "entitlement agreements" with BC Hydro. These agreements provide the power projects with predetermined monthly energy and capacity quantities based on historic stream flows and the flow-versus-output characteristics of each plant. The entitlement agreements remove hydrology risk, making the projects more attractive to power purchasers and lenders. BC Hydro controls the overall hydroelectric system in the Columbia-Kootenay region, allowing it to optimize power production for the system as a whole. BC Hydro is also compensated for the assumption of hydrology risk by being entitled to keep a small share of the average annual energy produced. BC Hydro has similar arrangements with FortisBC Inc. and Teck Cominco Metals Ltd.

The Arrow Lakes Generating Station was constructed by Peter Kiewit Sons Co. under a fixed-price design-build contract. Final acceptance has not been achieved. Peter Kiewit Sons Co. was also contracted to perform the channel permanent repair work.

The Brilliant Expansion is being constructed by the Brilliant Expansion Consortium, composed of Skanska-Chant and SNC-Lavalin Inc., under a fixed-price design-build contract.

The Brilliant dam, the related Brilliant terminal substation and the Arrow Lakes Generating Station are operated and maintained by FortisBC Inc. or a related entity under contract. A similar operation and maintenance contract is contemplated for the Brilliant Expansion. FortisBC Inc. also operates and maintains Teck Cominco Metals Ltd.'s Waneta powerplant and its related transmission facilities.

Figure 2: Corporate Structure of the CPC/CBT Joint Ventures



1.6 Planning Context and Key Strategic Issues

Columbia Power Corporation has a mandate to develop and operate powerplants at existing dams on the Columbia, Kootenay and Pend d'Oreille Rivers using water that would otherwise be spilled. The three "core" new power projects (the Arrow Lakes Generating Station; Brilliant Expansion, and Waneta Expansion) have relatively low capacity utilization factors and rely primarily on spring run-off water and upstream flow regulation. While these new power projects create significant net environmental benefits in the form of increased greenhouse gas offsets and reduced dissolved gases harmful to fish, it can be difficult to translate these benefits (particularly benefits to fish) into higher power prices. The joint venture power projects operate in a domestic power market where there is a single dominant wholesale purchaser and constrained long-term firm transmission capacity to adjacent power markets in Alberta and the U.S. Pacific Northwest. Accordingly, Columbia Power Corporation, as joint venture manager, must be efficient and innovative to achieve its goals and objectives.

The expertise of Columbia Power Corporation staff and their relationships with private-sector engineering, environmental, financial and legal advisors are critical to the success of the Corporation.

The Brilliant powerplant, Brilliant terminal station and the Arrow Lakes Generating Station are operated and maintained by FortisBC Inc. or its related company under long-term service agreements. Negotiations are underway for FortisBC Inc. to provide operating and maintenance for the Brilliant Expansion once completed. FortisBC Inc. is an integrated electric utility with approximately 500 employees that generates, transmits and distributes electricity throughout South Central British Columbia and serves approximately 150,000 customers. FortisBC Inc.'s operating and maintenance experience and capacity are key to future plant operations.

Columbia Power Corporation develops and operates the joint venture power projects using limited-recourse project debt without a provincial debt guarantee. Like independent power producers, the power project joint venture companies sell into the wholesale power market, primarily under long-term purchase agreements with regulated utilities. Most of the power from the Brilliant dam is sold to FortisBC Inc. under a 60 year purchase agreement that expires in 2056. This agreement provides for approved capital and operating costs, including reasonable increases in those costs over the term of the agreement, to be passed through to FortisBC Inc. with approved capital expenditures earning a pre-determined rate of return on equity. There is also a provision for market-based price adjustments beginning in the 30th year of the agreement. Power from the Arrow Lakes Generating Station is sold to BC Hydro under a 12 year purchase agreement that expires in 2015, and about 90% of the power from the Brilliant Expansion is sold to BC Hydro under two 20 year purchase agreements that expire in 2027 and 2030. These agreements have provisions for the contract price to escalate, but otherwise are fixed-priced.

The key strategic issues facing Columbia Power Corporation include:

- Obtaining federal and provincial approvals, permits and licences to develop and operate power projects on international rivers within a complex environmental regulatory system, which includes federal and provincial regulators, an international treaty and local, regional, United States and First Nations stakeholders.

- Developing regional support for the joint venture power projects through consultation with local and regional community stakeholders, negotiating land issues with owners and addressing First Nations issues related to the power projects.

- Securing power sales contracts in a domestic market where the joint venture power projects represent a relatively low-cost source of new power supply, where there is one dominant wholesale buyer; and where retail access to large ("transmission voltage") customers is being developed but not yet a practical reality.

- Accessing a promising market in the United States for green power in the face of ongoing constraints on the availability of long-term firm transmission capacity on both the British Columbia and United States sides of the border.

- Adjusting to a higher Canadian dollar, which has lowered the value of power exports to the United States market; and to higher construction, machinery and equipment costs, which have increased in response to escalating labour rates and global prices for commodities such as concrete, steel, copper and fuel.

- Developing a plan to finance the construction of Waneta Expansion utilizing the substantial borrowing capacity of the existing projects, managing the uncertainty of future interest rates (thus the cost of debt financing), and determining the appropriate capital structure for the joint ventures.

- Implementing a human resource strategy to ensure appropriate succession planning, recruitment and staff retention for Columbia Power Corporation with an aging population and in a labour market that is expected to become increasingly competitive.

- Determining the appropriate long-term strategic direction for Columbia Power Corporation beyond the development of the Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion.

- Pursuing recoveries related to Arrow Lakes Generating Station channel repairs and managing contractor claims related to the Brilliant Expansion.

2.0 Performance Measures

2.1 Goals/Objectives, Strategies, Measures and Targets

Performance Measures Framework

Columbia Power Corporation's performance measures 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 Corporation's dual functions as a development company and an operating company. The framework provides broad goals and underlying objectives, aligns specific corporate strategies to each objective, incorporates ongoing research regarding suitable benchmarks and targets, and comments on the significance of results.

Given Columbia Power Corporation's role as joint venture manager and the extent to which it contracts out, finding suitable industry benchmarks remains a challenge, as the industry is still largely dominated by vertically integrated regulated utilities. These challenges are described more fully in Appendix A.

Columbia Power Corporation believes the performance measures used highlight the most crucial aspects of its performance, but are also subject to refinement and evolution as the organization matures. In the future, Columbia Power Corporation plans to provide additional, more precise, measures by disaggregating the current measure for "operations, maintenance and administration" (currently a corporate measure) into its key functional components of plant operations, plant maintenance, renovations/major improvements, and on-site and off-site support functions (see Appendix B).

Source of Data and Reliability

Columbia Power Corporation believes its performance measures are reliable and valid. Current and historical performance measures are not audited; however, they are largely based on audited information, information is subject to third-party verification or information independently provided.

A number of Columbia Power Corporation's performance targets are based on forecasts of future events. They were estimated using assumptions that reflect Columbia Power Corporation's planned courses of action, and judgments as to the most probable set of economic conditions. Due to the nature of forecasting future events, users of this information are cautioned that actual results will vary from the information presented.

Significant Changes

Columbia Power Corporation's Service Plan 2007/08 will now be supported by two appendices:

1. Performance Measures Framework
2. Benchmarking, Operating, Maintenance and Administration

Forecasts and targets for 2006/07 to 2009/10 reflect the following:

- Arrow Lakes Generating Station permanent channel repairs are completed.

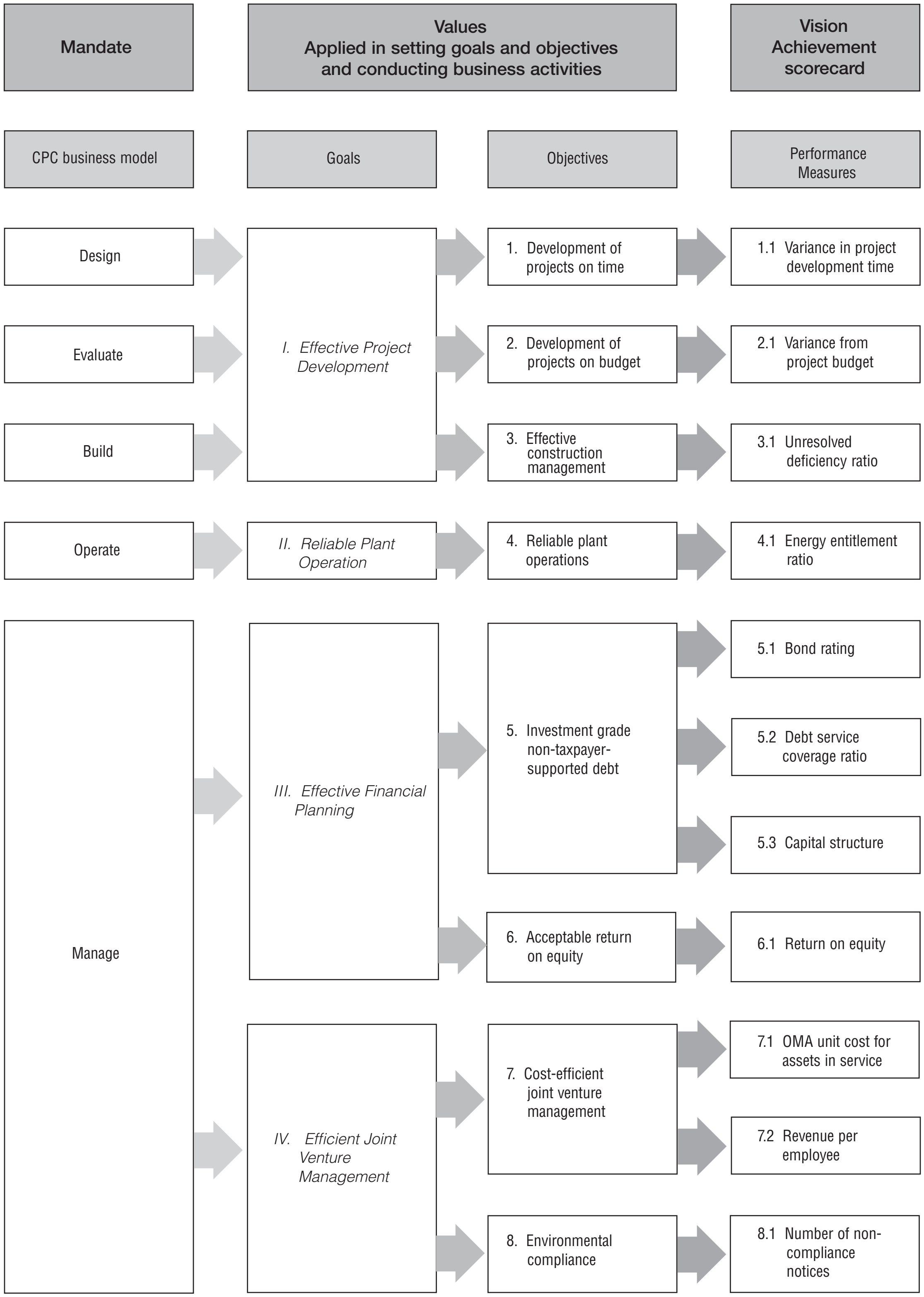
- Brilliant Expansion forecasts are based on the commercial operation date of June 2007 (originally August 2006).

- Waneta Expansion construction deferred one year. Power from the project is expected in fiscal 2012. Capital costs have been updated.

- Price forecasts have been adjusted to reflect BC Hydro’s 2006 Call for Tenders.

Overall financial and efficiency measures have improved from the 2006/07 Service Plan.

2.2 Performance Plan Summary



2.3 Performance Measures at a Glance

	BENCHMARK	05/06 Actual	06/07 Target	07/08 Target	08/09 Target	09/10 Target
1.1 Variance in project development time	ALGS: 7 Months Early BTS: On Time	BRX: Delayed	BRX: June 2007	Monitor WAX Schedule	Monitor WAX Schedule	Monitor WAX Schedule
2.1 Variance from project budgets	ALGS: On Budget BTS: On Budget	BRX: On Budget	Managing claims from BRX contractor	Managing claims from BRX contractor	WAX: On Budget	WAX: On Budget
3.1 Unresolved deficiency ratio	Baseline to be Developed	ALPC and BRX: Deficiencies Actively Monitored	BRX: Less Than or Equal to 1	BRX: Less Than or Equal to 1	WAX: Document Deficiencies & Monitor Resolution	WAX: Document Deficiencies & Monitor Resolution
4.1 Energy entitlement ratio	1st Quartile: See Benchmarking Appendix	ALGS: 79% BRD: 99%	ALGS: >95% BRD: >95%	ALGS: >95% BRD: >95% BRX: >90%	ALGS: >95% BRD: >95% BRX: >92%	ALGS: >95% BRD: >95% BRX: >95%
5.1 Bond rating	Investment Grade Bond Ratings	Maintained All Bond Ratings	Maintain or Improve Ratings for All Bonds	Maintain or Improve Ratings for All Bonds	Maintain or Improve Ratings for All Bonds	Maintain or Improve Ratings for All Bonds
5.2 Debt service coverage ratio	Greater Than or Equal to 1.3	ALGS: 0.9 BRD: 1.7	ALGS: 2.3 BRD: 1.7	ALGS: 2.0 BRD: 1.8 BRX: 2.3	ALGS: 1.5 BRD: 1.8 BRX: 1.8	ALGS: 1.6 BRD: 1.8 BRX: 1.8
5.3 Capital structure	CEA Composite Performance Measure for 2004 = 74:26	28:72	27:73	37:63	37:63	34:66
6.1 Return on equity	Over the Life of a Project, Comparable to Regulated Utilities	1.0%	3.8%	4.0%	4.6%	4.8%
7.1 OMA unit cost for assets in service	1st Quartile: See Benchmarking Appendix B	ALGS: $3.73 BRD: $2.03	ALGS: $3.71 BRD: $2.25	ALGS: $3.54 BRD: $2.48 BRX: $10.21	ALGS: $3.57 BRD: $2.21 BRX: $5.58	ALGS: $3.58 BRD: $2.21 BRX: $5.01
7.2 Revenue per employee	CEA Composite Average for 2004: $546,000	$788,000	$799,000	$897,000	$991,000	$993,000
8.1 Environmental compliance	Baseline Information to be Developed	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices

[1] ALGS - Arrow Lakes Generating Station; BRD - Brilliant Dam; BRX - Brilliant Expansion; BTS - Brilliant Terminal Station; CEA - Canadian Electgricity Association; OMA - operations, maintenance and administration

3.0 Alignment with Government's Strategic Plan

The government's 2007/08–2009/10 Strategic Plan has five Great Goals for the next decade, which were originally enumerated in the Throne Speech of February 2005:

Goal 1: To make British Columbia the best educated, most literate jurisdiction on the continent.

Goal 2: To lead the way in North America in healthy living and physical fitness.

Goal 3: To build the best system of support in Canada for persons with disabilities, special needs, children at risk and seniors.

Goal 4: To lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.

Goal 5: To create more jobs per capita than anywhere else in Canada.

The joint venture power projects owned by Columbia Power Corporation and the Columbia Basin Trust make significant contributions directly to Goals 4 and 5 and indirectly to Goals 1, 2 and 3.

Goals 1, 2 and 3 – Best educated, healthiest, most fit population with the best social support system

Through the payment of dividends to the Province and the Columbia Basin Trust, taxes to the Province and local governments, and water rentals to the Province, the joint venture power projects help fund: education, healthcare and other provincial social support programs and services; Columbia Basin Trust social programs in the Columbia Basin; and local government services in the City of Castlegar and Regional District of Central Kootenay. Over the period 2007/08 to 2009/10, the joint venture power projects are expected to generate $90 million of net income for their shareholders, the Province and the Columbia Basin Trust. The projects will also contribute $41 million in taxes and water rentals.

In keeping with its commitment to Columbia Basin residents, Columbia Power Corporation also provides direct sponsorship funding for community services, regional events, and scholarships and bursaries in the Columbia Basin. Examples of sponsorship include hiking trail improvements, community festivals, hospital foundations, sporting and cultural events, and wildlife groups. Columbia Power Corporation provides scholarships to graduating classes of all 23 secondary schools in the Columbia Basin, and makes bursaries available to students enrolled at the three post-secondary institutions in the Columbia Basin: the College of the Rockies, the Kootenay School of the Arts, and Selkirk College.

Goal 4 – Sustainable environmental management and the best fisheries management

Columbia Power Corporation completed the implementation of its environmental management system in 2006/07 with an internal audit planned for 2007. The focus for 2007/08 will be to correct deficiencies identified by the internal audit.

Jointly, Brilliant Upgrades, Arrow Lakes Generating Station and Brilliant Expansion (current operating projects) will displace over 1,140,000 tonnes per year of carbon dioxide, compared with generating an equivalent amount of electricity in a coal-fired generating plant in Alberta. The Waneta Expansion, if it goes ahead, will displace an additional 550,000 tonnes. The joint venture partners have maintained ownership of any greenhouse gas credits for the Arrow Lakes Generating Station, which could potentially be sold in the future.

One major environmental benefit of the power projects is the reduction of supersaturated dissolved gas levels in the Columbia River. High supersaturated levels can cause gas bubble trauma in fish. Water can become supersaturated when it flows over a waterfall or the spillway of a dam. By passing water though a turbine instead of spilling it, the joint venture projects have resulted in a significant improvement to this water quality parameter of importance to fish. The frequency that the provincial water quality guidelines of 110% are exceeded will be reduced by 54% at Birchbank. The Waneta Expansion will result in a further improvement at the United States/Canada border, which is of benefit to the United States who spend millions of dollars to reduce total gas pressure. For this reason, nine United States federal and state agencies, including the Environmental Protection Agency, the Fish and Wildlife Service, and the Colville Confederated Tribes have endorsed the power projects. Columbia Power Corporation also participates in the Columbia River Integrated Environmental Monitoring Program and the Transboundary Gas Group to discuss and coordinate measures to address dissolved gas issues on the Columbia River.

The power projects are involved in two major fish compensation projects. Annual contributions, currently about $200,000 or a quarter of the cost, are made to the Arrow Lakes Reservoir Fertilization. The fertilization program involves adding a mixture of liquid nitrogen and phosphorus to the water to increase fish productivity through the food chain. A five year review of the program has just been completed which concluded that the bottom-up approach to restoring kokanee has been successful, and that the objectives of the fertilization experiment have been met. The second program is the Slocan River Rainbow Trout Habitat Enhancement Program. The riparian restoration component of this program addresses long-term habitat requirements by providing grants ($20,000 annually) to landowners and community groups conducting riparian restoration work along the Slocan River. A second component to the program providing short-term habitat benefits consists of constructing in-stream fish habitat structures. Five structures were constructed in 2005 as a demonstration phase and have been evaluated. Plans to construct 11 more structures in 2007 have been developed for discussion with the fisheries agencies.

Columbia Power Corporation participates in ongoing discussions on fisheries issues associated with the operation of the power projects. One major forum for these discussions is participation in the Columbia Operations Fisheries Advisory Committee, which consists of the hydro facility owners and operators, fisheries agencies and First Nations. Issues such as fish stranding on the lower Columbia River are addressed through this forum. Recovery of white sturgeon and salmon are other issues that Columbia Power Corporation will participate in.

Goal 5 – Job creation

Over the period 1999/00 through 2002/03, with the construction and commissioning of the $270 million Arrow Lakes Generating Station, Columbia Power Corporation had the third largest hydro project under construction in North America and the largest industrial project in British Columbia. During the three year construction period, the project created 750 person-years of direct employment (with 85% local hires), $60 million in direct and indirect income, and $20 million in regional procurement.

Construction of the $205 million Brilliant Expansion, which began in the first quarter of

2003/04 (now expected to be completed in June 2007), will create over 450 person-years of direct employment (with 85% local hires), $30 million in direct and indirect income, and $15 million in local procurement.

Subject to the requisite reviews and approvals, construction of the Waneta Expansion is scheduled to begin in 2008 and take three and one-half years to complete. The Waneta Expansion construction is estimated to create 680 person-years of direct employment (with 75% local hires), $65 million in direct and indirect income and $25 million in local procurement.

Supply of competitively priced and reliable power to BC Hydro and FortisBC Inc. helps maintain British Columbia's low energy costs and support economic development and job creation. The joint venture power projects also help fund Columbia Basin Trust economic programs and related job creation in the Columbia Basin.

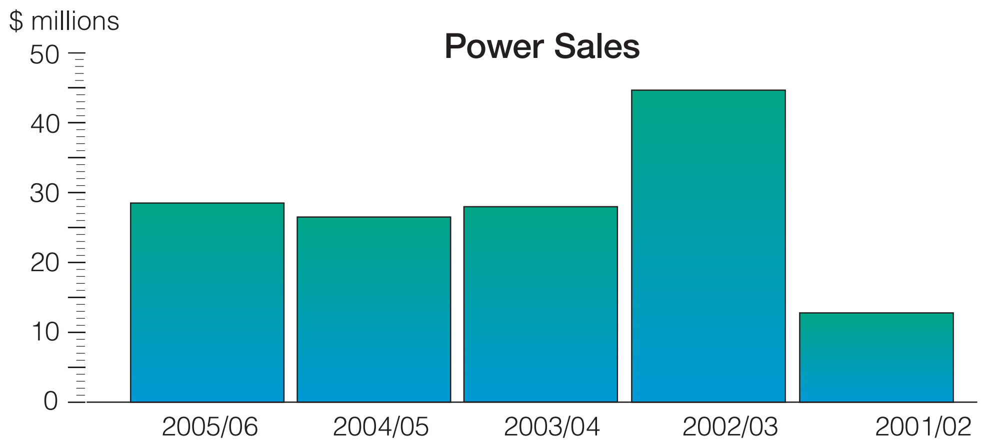
4.0 Historical Five Year Comparative

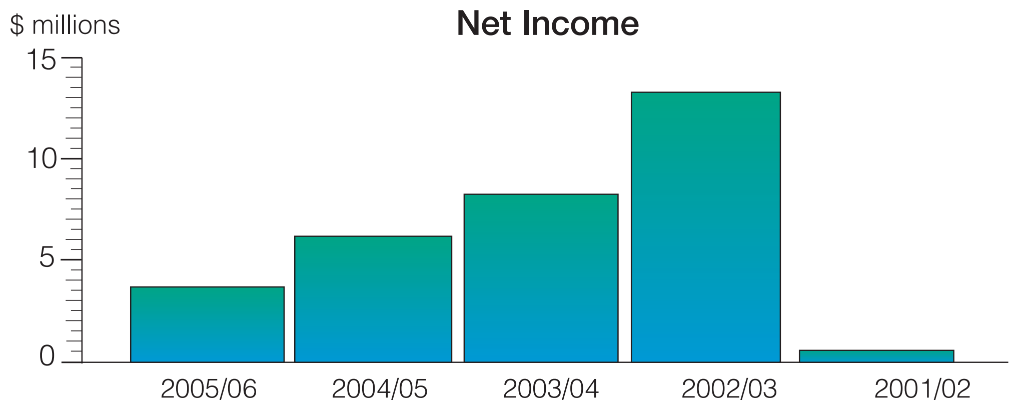
Five Year Comparative Data

($ in thousands unless otherwise stated)

	2005/06	**2004/05**	**2003/04**	**2002/03**	**2001/02**
Power Sales	$ 28,438	$ 26,480	$ 28,081	$ 44,650	$ 12,781
Interest and Other Earnings	3,247	2,721	1,892	700	711
Net Income	3,138	5,744	8,262	13,438	550
Dividend Payments	2,000	2,000	2,000	2,000	2,000
Capital Assets and Deferred Costs	376,322	365,234	330,852	287,296	266,148
Short-Term Debt	-	-	-	47,254	63,491
Long-Term Debt	123,374	128,407	107,664	59,049	59,839
Equity	304,557	303,417	299,673	293,411	287,011
Capital and Deferred Spending	$ 17,343	$ 41,865	$ 50,460	$ 26,601	$ 58,999
Debt-to-Equity Ratio	29:71	30:70	26:74	27:73	30:70

Figure 3: Five Year Comparative Power Sales and Net





5.0 Summary Financial Outlook

5.1 CPC Consolidated Statement of Income Forecast

$ in thousands

		2005/06	2006/07	2007/08	2008/09	2009/10
		Actual				
REVENUES						
Sale of power and transmission revenue	$	29,940	33,241	44,650	50,250	51,246
Interest		1,074	464	367	503	528
Management fee		671	644	708	779	857
		31,685	34,349	45,725	51,533	52,631
EXPENSES						
Water rentals		4,005	4,146	4,766	5,867	5,984
Amortization of capital assets in service		5,482	5,772	8,154	8,721	8,827
Amortization of rights		772	934	1,243	1,243	1,243
Property tax		1,061	1,055	1,238	1,262	1,288
Operations and maintenance		1,140	1,368	2,251	2,166	2,168
Administration and management		1,989	1,854	2,581	2,472	2,429
Insurance		553	573	778	793	809
Community sponsorship		84	85	85	85	85
Other		225	-	875	-	-
		15,311	15,786	21,969	22,608	22,832
INCOME FROM OPERATIONS		16,374	18,562	23,756	28,925	29,799
FINANCE CHARGES						
Interest expense		8,551	8,314	10,433	13,344	12,803
Amortization of deferred debt issue costs		288	195	220	238	238
		8,839	8,509	10,652	13,581	13,040
NET INCOME BEFORE CHANNEL REPAIR COSTS		7,535	10,054	13,104	15,343	16,759
CHANNEL REPAIR COSTS		(7,361)	(3,369)	(343)	-	-
RECOVERY OF REPAIR COSTS AND LOSSES		2,964	5,009	-	-	-
NET INCOME	$	3,138	11,694	12,762	15,343	16,759

Full Time Equivalent	40	43	51	52	53

Notes:

1. All dollar amounts represent CPC’s 50 per cent share of joint venture amounts.

5.2 Key Assumptions

Key assumptions affecting the forecasts performance measures targets are as follows:

- The Brilliant Expansion achieves delayed commercial operation in June 2007 within the approved development and construction budget of $205 million.
- Operating cost inflation, including water rental increases, is 2% per year.
- Construction of a 435-megawatt Waneta Expansion commences in 2008/09. Based on securing an economic design-build bid; financing, energy entitlement and power purchase agreements.
- Grants in lieu of property tax paid by Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion are based on the tax policy recently announced by government.
- For future merchant sales, transmission to liquid markets is available.
- Borrowing capacity from Waneta Expansion and existing projects is sufficient to fund the construction of the Waneta Expansion.
- The market price for electricity is C$68 per megawatt-hour at March 31, 2007, escalating in nominal terms at 2% per year.
- Long-term investment grade interest rate 6% or use of interest rate hedging.
- Exchange rate C$.85 per US$.
- Columbia Power Corporation's dividends to the Province remain at current levels until after the completion of Waneta Expansion.
- Employee retention and succession plans are developed to protect Columbia Power Corporation relationships with private sector and other stakeholders.

5.3 Risk Factors and Sensitivities

Columbia Power Corporation's net income and return on equity will increase over time as projects now under development enter the operating phase and begin to generate power and revenue following years of intensive capital spending during construction. Factors that could affect the future rate of return include: power market developments, interest and exchange rate movements, payments to government, and access to transmission systems. The Province's energy policies and the 2002 Energy Plan supported the development of Columbia Power Corporation's projects by providing greater access to the transmission system and improving the ability of independent power producers to sell to BC Hydro.

Future dividends will be determined based on annual cash earnings, recovery of Arrow Lakes Generating Station approach channel repairs, claims from the Brilliant Expansion contractor, working capital requirements, reserves for future capital replacement, and new power project investment opportunities.

The major source of recent operational uncertainty for Columbia Power Corporation has been the damage to the approach channel at the Arrow Lakes Generating Station. With resolution of the Arrow Lakes Generating Station channel problem, Columbia Power Corporation's outlook for the future is for stable earnings growth. At the Brilliant powerplant and terminal station and the Arrow Lakes Generating Station, prices are fixed by long-term contracts and are not affected by changes in power markets. Entitlement agreements with BC Hydro provide firm amounts of power regardless of actual water flows, thereby removing annual hydrology risk. Interest costs for projects in operation are fixed through the issuance of long-term bonds. At Brilliant dam, earnings stability is further enhanced by the cost-of-service nature of the power sales agreement with FortisBC Inc. Although the power sales agreement with BC Hydro for the Arrow Lakes Generating Station does not have this feature, the plant is relatively new and operating costs are low relative to revenues, as is typical in a hydroelectric generating plant.

The construction of the Brilliant Expansion is scheduled to be completed in June 2007. The fixed-price nature of the design-build contract, along with the built-in performance guarantees, has the effect of transferring most of the construction risk to the contractor. However, Brilliant Expansion Power Corporation has received a significant claim from the contractor. Columbia Power Corporation has taken legal counsel advice on responding to this claim and the contractor has been asked to clarify its position given the fixed-price nature of the contract. The design-build contract provides for binding arbitration for resolution of disputes of this magnitude. With the extension of the Canal Plant Agreement to include Brilliant Expansion Power Corporation, an entitlement agreement is now in place for the Brilliant Expansion, which will remove annual hydrology risk.

With approximately 90% of the Brilliant Expansion plant output sold under two long-term contracts with BC Hydro, Brilliant Expansion Power Corporation is negotiating with a buyer and market services provider for the remaining output. Columbia Power Corporation is undertaking preliminary discussions with a number of potential purchasers for sale of power from the Waneta Expansion.

The following table presents an analysis of the primary risks that Columbia Power Corporation faces and the strategies being undertaking to address these risks.

Risk	**Issue/Impact**	**How Managed**
Waneta Expansion Construction Decision	Construction of Waneta Expansion is subject to permitting approvals and receipt of satisfactory design-build bids. Could affect project timing, cost, scale and viability.	The Waneta Expansion is awaiting federal and provincial environmental permitting approval which is expected in early 2007. The Waneta Expansion expression of interest stage started in November 2006. Completion of the design-build competition and final bid evaluation is planned for the fall of 2007. CPC has achieved a transfer of the Waneta Water Reserve to CPC/CBT, and has also signed a Waneta Co-operation Agreement and a Transmission Rights Agreement with Teck Cominco Metals Ltd.

[1.] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

Risk	Issue/Impact	How Managed
Waneta Expansion Entitlement / Canal Plant Agreement Renegotiations	The original Canal Plant Agreement included Brilliant entitlements. Key parts of the agreement were to expire in September 2005. BC Hydro, CPC, FortisBC Inc. and Teck Cominco Metals Ltd. have negotiated a renewed and extended Canal Plant Agreement that includes the Brilliant Expansion and Waneta Expansion and runs until at least December 31, 2035.	The renewed and extended Canal Plant Agreement came into effect in April 2006. Negotiations are continuing with BC Hydro for an entitlement agreement for the Waneta Expansion.
Availability of Funds	Debt funding is required for completion of current and future projects.	The final $50 million power project equity contribution from the Province was received by CBT on April 1, 2005. Key Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion agreements are structured to achieve financeable projects with a high credit rating. CPC/CBT may retain cash from operations to lessen the borrowing burden for Waneta Expansion, which may allow more flexible Waneta Expansion power marketing. CPC is also reviewing other borrowing alternatives. CIBC World Markets has been retained through a RFQ as Financial Advisor to develop a financing plan for Waneta Expansion and provide a recommendation on the optimum capital structure for the CPC/CBT power projects.
Brilliant Expansion and Waneta Expansion Power Marketing	90% of the Brilliant Expansion output has been marketed to BC Hydro under two 20 year contracts. The nature and term of future power sales arrangements could affect availability of funds for Waneta Expansion.	CPC is finalizing negotiations to sell Brilliant Expansion uncontracted output, power available prior to contract dates with BC Hydro, and Brilliant Dam upgrade regulated energy. CPC is also pursuing other sales contracts with utilities and marketers for this energy and potentially the output from Waneta Expansion.

1. CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

Risk	Issue/Impact	How Managed
Brilliant Expansion Commercial Operation Date	The scheduled commercial operation date has been delayed until June 2007. Missing that date would have a direct negative impact on project revenues. Estimated forgone net income from September 2006 to June 2007 is $12.8 million.	CPC actively monitors the progress of construction. The design-build contract specifies a project completion date, with penalties for late completion exceeding one month.
Plant Reliability	If the Arrow Lakes Generating Station plant outage factor were to increase by 1 percentage point, revenues and net income would decline by $770,000 in 2007/08.	Plant outage risk for the Brilliant dam is transferred to FortisBC Inc. as the power purchaser/plant operator. Design-build contracts are secured by: performance, labour and materials bonds; either cash holdbacks or letters of credit; and parent company guarantees. Machinery and equipment have manufacturer warranties. All power projects also carry business interruption, property and liability insurance.
Transmission and Market Access	CPC/CBT power projects are located in a region with limited long-term firm transmission capacity to access adjacent markets in Alberta and the U.S.	CPC has signed a long-term Transmission Rights Agreement with Teck Cominco Metals Ltd. CPC intervenes in BC Transmission Corporation tariff and capital plan hearings and it also pursues sales contracts with delivery at CPC/CBT points of interconnection.
Regulatory Risk	CPC/CBT power projects come under the *Utilities Commission Act* definition of public utilities.	CPC has obtained a Ministerial Order exempting CPC/CBT power projects from regulation. Where appropriate, CPC also intervenes in the regulatory proceedings of BC Hydro and FortisBC Inc. The renewed and extended Canal Plant Agreement has been exempted from the provisions of the *Utilities Commission Act.*

[1.] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

Risk	Issue/Impact	How Managed
Property Taxation	Taxing Arrow Lakes Generating Station and the Brilliant Expansion at current mill rates would reduce annual project net income by about $6 million and $3 million, respectively. The Waneta Expansion could be similarly affected. This would affect the economic viability of the power projects and the ability to raise debt to fund the Waneta Expansion.	CPC has previously obtained Orders in Council exempting Arrow Lakes Generating Station and the Brilliant Expansion from property tax. CPC will seek a similar tax exemption for the Waneta Expansion. The Province recently announced a tax policy confirming that Arrow Lakes Generating Station, the Brilliant Expansion and (once approved for exemption) the Waneta Expansion will pay grants in lieu on a similar basis to the existing practice for BC Hydro Columbia River Treaty facilities and generation plants on the Peace, Columbia and Pend d'Oreille Rivers.
Water Use Planning and Columbia River Treaty Operations Risk	Constraints imposed as a result of BC Hydro water use planning and changes in upstream flow regulation associated with the Columbia River Treaty could adversely affect powerplant operations and project revenues, unless CPC/CBT are saved harmless.	CPC has obtained an indemnity from BC Hydro saving harmless CPC/CBT power projects from the effects of Water Use Planning. CPC is also monitoring changes to U.S. regulation of the Libby dam and has registered CPC/CBT interests with the U.S. Army Corp of Engineers and BC Hydro (respectively, the designated U.S. and Canadian Entities under the Columbia River Treaty).
Foreign Exchange Risk	A 1¢ change in the Canadian dollar relative to the U.S. dollar represents about $40,000 per year for the 10% of Brilliant Expansion power entitlement not currently under contract.	Sales to BC Hydro and FortisBC Inc. are in Canadian dollars. Approximately $3 million of Brilliant dam Upgrades power is exposed to foreign exchange risk. 10% of Brilliant Expansion and all of Waneta Expansion power are potentially subject to this risk. Hedging instruments are being considered for this sales contract and potential future export sales into the U.S.
Counter-party Credit Risks	Bond ratings and interest costs for CPC/CBT project debt are affected by the creditworthiness of the buyer. Power purchasers may also require CPC to post security.	CPC's marketing efforts are directed at selling power to purchasers with high credit ratings and entering backstop arrangements as appropriate. CPC will negotiate with purchasers to minimize or, if possible, eliminate this requirement.

[1.] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

Risk	Issue/Impact	How Managed
Interest Rate Risk	Higher interest rates could negatively affect the cost of new project debt, project net income and the economics of and ability to finance the Waneta Expansion. Depending on the size of the Waneta Expansion, a 1 percentage point interest rate rise could reduce annual net income by up to $5 million.	CPC continues to pursue debt management strategies and use interest rate hedges to manage risk to acceptable levels, as appropriate.

1. CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

6.0 Capital Plan

The Brilliant Expansion is the only approved Columbia Power Corporation/Columbia Basin Trust Major Capital Project in the period 2007/08 to 2009/10. Treasury Board and the Columbia Basin Trust Board approval to proceed with this 120-megawatt, $205 million project was obtained in February 2003. A fixed-price design-build contract was signed in February 2003 and construction commenced in April 2003. The contractual commercial operation date for the Brilliant Expansion was September 7, 2006; however, a delay is expected until June 2007. Forecast Brilliant Expansion capital spending over the period of the Service Plan totals $22 million ($183 million having been advanced from 2002/03 to 2005/06). In accordance with the *Budget Transparency and Accountability Act*, a Major Capital Project Plan was submitted for the Brilliant Expansion to the Clerk of the British Columbia Legislative Assembly on March 18, 2003, which is available on Columbia Power Corporation's website: www.columbiapower.org/content/projects.html under Brilliant Expansion. While the Waneta Expansion is not yet an approved project, the following capital spending table includes estimated Waneta Expansion capital spending to the end of 2009/10 on the assumption that Columbia Power Corporation receives the requisite approval to enter into a design-build contract in early 2007/08. In November 2006, Columbia Power Corporation submitted an Interim Plan to the Minister of Energy Mines and Petroleum Resources for the development of the Waneta Expansion.

6.1 CPC Consolidated Capital Spending Forecast

$ in thousands

		2005/06	2006/07	2007/08	2008/09	2009/10
		Actual				
BRILLIANT POWER CORPORATION		926	1,840	2,294	2,220	1,746
ARROW LAKES POWER CORPORATION		3,241	2,242	428	280	324
BRILLIANT EXPANSION POWER CORPORATION		11,218	5,521	7,160	570	578
POWER PROJECT PLANNING						
Waneta Expansion		1,813	2,560	4,313	70,459	96,339
General Power Project Planning			265	400	265	265
		1,813	2,825	4,713	70,724	96,604
CPC CORPORATE		145	300	330	363	399
TOTAL	$	17,343	12,728	14,925	74,157	99,651

Note:

1. With the exception of CPC Corporate (primarily furniture, office equipment and vehicles), capital spending represents CPC's 50 per cent share of joint venture amounts.

6.2 Liquidity and Sources of Capital

Columbia Power Corporation has set aside cash and temporary investment reserves to complete the Brilliant Expansion, finish the Brilliant life extension program, and partially fund the development of the Waneta Expansion.

Future operational cash is earmarked to fund sustaining capital for operating plants and, subject to the dividend requirements of the Province and the Columbia Basin Trust, provide equity for the Waneta Expansion. This operational equity would lower future long-term borrowing requirements and allow increased power marketing flexibility.

Columbia Power Corporation has access to the Province's fiscal agency loan program, which can potentially be used to finance the Waneta Expansion during construction. Subject to the creditworthiness of future power sales contracts, considerable long-term and short-term borrowing capacity is also available from the existing power projects to finance the Waneta Expansion, other projects and a future optimal capital structure. CIBC World Markets has been retained as Financial Advisor to develop a financing plan for Waneta Expansion and provide a recommendation on the optimum capital structure for the Columbia Power Corporation/ Columbia Basin Trust power projects.

7.0 Power Sales Activities

The sale of generation from the Arrow Lakes Generating Station is fully subscribed under a long-term sales agreement with BC Hydro. Under a 60 year power purchase agreement, 94% of the power from the Brilliant dam is sold to FortisBC Inc.

For the remainder of 2006/07, the wholesale electricity market is expected to continue to be robust. Markets also reflect a willingness to contemplate long-term (10 – 20) year sales as evidenced by the BC Hydro F2006 Call for Tenders. BC Hydro also plans to have a F2007 Call for Tenders. For 2007/08, some indicators are predicting falling gas and electricity prices in the Pacific North West, possibly the beginning of a five year trend.

For Columbia Power Corporation, a high priority in 2007/08 is to secure markets for Waneta Expansion, provided terms and conditions are acceptable. Along with other opportunities, Columbia Power Corporation plans to bid all or part of the Waneta Expansion power into the BC Hydro F2007 Call for Tenders. Activities related to the Waneta Expansion also include the development included work on product definition and the undertaking of preliminary discussions with a number of potential buyers.

From Brilliant Expansion completion, Columbia Power Corporation will market 40% of the power to BC Hydro under the F2002/03 Green Power Generation Electricity Purchase Agreement. Columbia Power Corporation has entered into a long-term sales agreement with BC Hydro under a F2006 Electricity Purchase Agreement for most of the Brilliant Expansion residual power, commencing in 2009/10. The BC Hydro F2006 energy (approximately 50% of the output) prior to the contact start date in 2009/10, the 10% Brilliant Expansion residual, and Brilliant Upgrade Regulated energy will be marketed on a short-term basis. A third party who has the capability and knowledge to attract the highest value for the product, provide services to schedule transmission, arrange for counterparties, and address credit issues will assist with the marketing of this power. Columbia Power Corporation has selected the preferred proponent and has completed its negotiations, and anticipates signing a contract early in 2007.

During this service plan period, Columbia Power Corporation will continue to monitor market energy prices and market developments. Columbia Power Corporation subscribes to a number of news services and participates in a number of Pacific Northwest marketing and trading conferences. Columbia Power Corporation is also a Western System Power Pool member.

8.0 Board of Directors and Officers

Board of Directors	Officers
Lee Doney Chair	Ed Pietraszek Acting President
Jane Fleming	Giulio Ambrosone Vice President, Engineering and Construction
Ron Miles	Bruce Duncan Vice President, Strategic Planning and Regulatory Affairs
Charles Reid	Bill Freeman Vice President, Project Development
Josh Smienk	Victor Jmaeff Vice President, Power Supply and Marketing
Art Willms	Randall Smith, Corporate Secretary/Treasurer
	David de Git Corporate Controller

9.0 Corporate Governance

Columbia Power Corporation is a Crown corporation existing under the *British Columbia Business Corporations Act*. It is owned and controlled by the Province and is an agent of the Province. Under the terms of its agency agreement, Columbia Power Corporation must obtain the approval of the Province's Treasury Board for all budgets and material decisions. Its directors are appointed annually by the Province. All employees are bound by Columbia Power Corporation's Standards of Conduct.

As a government corporation under the *British Columbia Financial Administration Act*, Columbia Power Corporation is required to maintain its accounts in a manner acceptable to the Minister of Finance. The Auditor General of British Columbia is the auditor for Columbia Power Corporation.

All operating and capital budgets for a joint venture power project require the unanimous approval of the joint venture's management committee. Such committees consist of three members appointed by Columbia Power Corporation and three members appointed by the Columbia Basin Trust.

The power project investments of Columbia Power Corporation and the Columbia Basin Trust are guided by the principle, as stated in the Financial Agreement between the Province and the Columbia Basin Trust, that the joint venture management committee formed for a power project will only authorize the start of the power project if such a start is approved by the respective boards of directors of Columbia Power Corporation and the Columbia Basin Trust, and if such a power project would meet conditions as would be set by a reasonable lender for the financing of a similar power project, including conditions related to debt servicing, return on equity, permits, construction agreements, contracts for the sale or distribution of electricity, and similar matters.

Columbia Power Corporation's mandate and governance model continue to evolve. The Columbia Basin Trust and the region now have a greater role in the management of the power assets, via a one-third representation on the Columbia Power Corporation Board of Directors. A *Shareholder's Letter of Expectations* dated October 24, 2006 confirmed Columbia Power Corporation as the manager of the power projects. The letter directs Columbia Power Corporation to: conduct its operations and financial activities in a manner consistent with the legislative, regulatory, and policy framework established by government; undertake recruitment of a President for Columbia Power Corporation; continue to work with the Columbia Basin Trust to increase efficiency and reduce costs of power development and management activities; and develop and bring forward an interim plan for development of the Waneta Expansion. As directed, an interim plan for the Waneta Expansion was submitted to the Province for consideration in November 2006. The recruitment of a new President is in progress.

Glossary

Benchmarking
A measured, “best-in-class” achievement that is used as a reference or measurement standard for comparison and is recognized as the standard of excellence for a specific business process.

Bond rating
A rating assigned to bonds based on the probability of the issuing firm’s default. Those bonds with the lowest default probability have the highest rating and generally carry the lowest interest rates.

Canal Plant Agreement
An agreement between BC Hydro, FortisBC Inc., Teck Cominco Metals Ltd., Brilliant Power Corporation, Brilliant Expansion Power Corporation and Waneta Expansion Power Corporation that provides for the coordination of hydro facilities on the lower Kootenay and Pend d’Oreille Rivers.

Capacity
The maximum power that a generating station can supply, usually expressed in megawatts.

Columbia River Treaty
An agreement ratified by the United States and Canada in 1964, which led to the construction of three storage dams in the Columbia River Basin (Duncan, Keenleyside and Mica dams) and one in Montana (Libby dam). The purpose of these dams was flood control and power production in both countries.

Comptroller of Water Rights
The statutory decision-maker under the *Water Act*, responsible for water licences and the safety of water-retaining structures.

Debt service coverage ratio
Earnings before interest, depreciation and taxes, divided by debt service payments during the year (debt principal and interest payments).

Debt-to-equity ratio
Ratio of money borrowed to money invested in the capital structure of a firm.

Design-build contract
A contract between the owner and a contractor/consortium for the design, construction and commissioning of a power project, in accordance with the owner’s technical specifications.

Downstream benefits
The extra power generated at United States powerplants on the Columbia River that results from the operation of Columbia River Treaty storage dams located in Canada. Under the Columbia River Treaty signed in 1964, the Province of British Columbia owns one-half of this incremental power, called "Canadian Entitlement to the Downstream Benefits.” The Province sold the first 30 years of these benefits to a group of United States utilities for US $254 million. The money helped pay for the construction of the three Treaty dams in Canada.

Energy entitlement ratio
The ratio of a project’s actual energy entitlements to maximum entitlements.

Entitlement agreement
An agreement to include a hydro project in the larger hydro system for the purposes of optimizing system power generation, whereby the project owner receives a fixed amount of power.

Environmental approval
Approval under the *British Columbia Environmental Assessment Act (BCEAA)* and the *Canadian Environmental Assessment Act (CEAA)*, following environmental review and consultation with government agencies, First Nations and the general public. Once *BCEAA* and *CEAA* approval is obtained, further permits, licences and approvals must be acquired from federal, provincial and municipal authorities under applicable environmental legislation for the various aspects of the construction and/or operation of hydroelectric projects and associated transmission lines.

Environmental management system
The part of the overall management system that includes organizational structures, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the environmental policy.

Final acceptance date
The date on which the owner's consultant certifies that everything required to be performed or done by the design-build contractor under the contract has been completed, subject only to warranties under the contract that continue past final acceptance.

First quartile
Measured performance within the top 25% of a study, group or class.

Green power
Power and associated green rights produced from generating facilities that meet specific low environmental impact and social responsibility criteria.

Investment grade credit rating
A credit (bond) rating sufficiently high to be considered worthy of low-risk institutional investors such as pension funds.

ISO 14001 standard
The international standard for environmental management, introduced by the International Standards Organization (ISO) in 1996 and updated in 2004.

Limited-recourse project debt
Debt that limits the security available to debt holders in the event of default to only those assets of the debt issuer. The debt is not guaranteed by another party.

Megawatt (MW)
1 million watts; 1,000 kilowatts. A unit commonly used to measure both the capacity of generating stations and the rate at which energy can be delivered.

Megawatt-hour (MWH)
1,000 kilowatt-hours. An average household in British Columbia uses about 10,000 KWH (10 MWH) of electricity per year.

Operation, maintenance and administration (OMA)
The cost of operating and maintaining powerplants and related administration costs. OMA does not include amortization, taxes, interest or insurance.

Public-private partnership
A cooperative venture for the provision of infrastructure or services, built on the expertise of each partner, and designed to best meet clearly defined public needs through the most appropriate allocation of resources, risks and rewards. In a public-private partnership, the public sector maintains an oversight and quality assessment role, while the private sector focuses on actual delivery of the service or project.

Return on investment
Income available to shareholders as a percentage of their investment.

Water rental
A royalty collected by the Province of British Columbia for use of water.