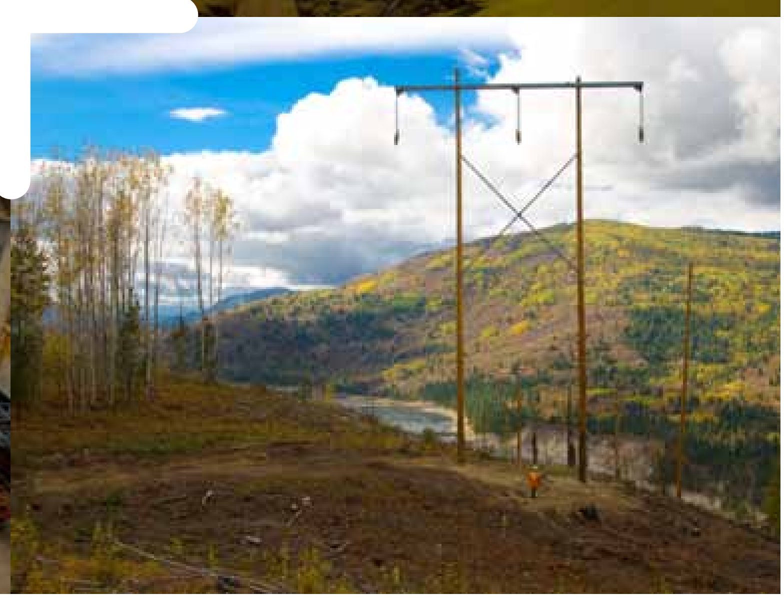
POSITIVE ENERGY

COLUMBIA POWER

2013/14 Annual Report



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MESSAGE FROM THE BOARD CHAIR

Lee Doney, Board Chair

I am pleased to submit Columbia Power Corporation's 2013/14 Annual Report.

2013/14 was a year of significant accomplishments for Columbia Power Corporation (Columbia Power) with the progress of Waneta Expansion construction, the Final Acceptance of the Brilliant Expansion Project, the achievement of high levels of reliability for all operating facilities, and the collaboration with BC Hydro on joint project development activities.

The Waneta Expansion Project is the construction of a new 335MW hydroelectric facility immediately downstream of the Waneta Dam near Trail, directly above the confluence of the Pend d'Oreille and Columbia Rivers. There are three partners on the project: Columbia Power, Columbia Basin Trust—our joint venture partner on our other assets—and the Canadian company, Fortis Inc. Columbia Power is acting as the Owner's Representative for the construction on behalf of the partnership. Construction has been underway since October 2010 and is progressing well. We are especially proud of the safety and environmental records to date. We recently reached over 2.3 million hours of work without a major safety or environmental incident. On a forecast basis, the project is on-schedule for commercial operation in spring 2015 and is on-budget.

During the four-and-a-half year construction period, the project will have provided the equivalent of more than 400 jobs. The local hire rate is 69 per cent, in line with the target. In addition to direct employment, Trail and the surrounding communities are enjoying significant economic benefits—as of March 31, 2014, regional spending on goods and services exceeded $185 million. Benefits agreements are in place with both the Ktunaxa Nation Council and the Okanagan Nation Alliance.

The success of the Waneta Expansion is due in no small way to the on-going support of the provincial and local governments, as well as local community stakeholders. In particular, I would like to thank the members of the Community Impact Management Committee, who tour the project and meet monthly, for their continued commitment. Their input and support is invaluable to the success of the project.

In addition to its 32.5 per cent ownership interest in the Waneta Expansion, Columbia Power—in joint venture with Columbia Basin Trust—owns the Brilliant Dam and Generating Station, the Brilliant Expansion Generating Station and Brilliant Terminal Station, and the Arrow Lakes Generating Station. Columbia Power manages these facilities on behalf of the joint venture.

In 2013/14, Final Acceptance of the Brilliant Expansion was achieved as a result of settlement of all outstanding post-construction deficiencies with the receipt of $1.2 million from the contractor.

The reliability of the operating facilities is a key priority and a very high level of reliability was achieved this year. The reliability, in terms of percentage of available entitlement in megawatt hours (MWh) were: Arrow Lakes – 98.8% and Brilliant Expansion – 97.8%.

As a result of the Brilliant Expansion settlement and high operating reliability, the financial results for the year were very positive. Consolidated net income for 2013/14 was $20.2 million compared to 2012/13 net income of $17.8 million and budgeted net income of $18.4 million. Operating revenue in 2013/14 was $24.6 million compared to 2012/13 operating revenue of $21.7 million and $23.0 million budgeted. Operating expenses in 2013/14 were $3.7 million compared to 2012/13 operating expenses of $3.6 million and $3.7 million budgeted. Net financing expense in 2013/14 was $583 thousand compared to 2012/13 net financing expense of $324 thousand and expense of $821 thousand budgeted.

In 2013, the success of Columbia Power's investments in the Columbia Basin meant that the corporation was able to return the Shareholder's original cash investment. Columbia Power participated in a joint review with staff from the Ministry of Finance and Ministry of Energy and Mines to ensure the Corporation has the appropriate capital structure to support its new joint development mandate. Recommendations were made to adjust Columbia Power's capital structure to reflect its long-term capacity to carry commercial debt. In April 2014, Columbia Power returned this investment to the Province.

Columbia Power continued working closely with BC Hydro on the exploration of joint development (or redevelopment of smaller BC Hydro owned facilities) opportunities in the Columbia Basin. A joint development committee, with members from both Columbia Power and BC Hydro, met regularly to discuss early stage feasibility of future project concepts, focusing on the Elko dam in the East Kootenay. New projects, in partnership with BC Hydro, are a way of adding to Columbia Power's future energy generating capacity.

The 2013/14 Columbia Power Corporation Annual Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. I am accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented reflects the actual performance of Columbia Power for the twelve months ended March 31, 2014 in relation to the Revised Service Plan published in June 2013.

I am responsible for ensuring internal controls are in place to ensure information is measured and reported accurately and in a timely fashion. All significant assumptions, policy decisions, events and identified risks—as of May 21, 2014—have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgement of management. Any changes in mandate direction, goals, strategies, measures or targets made since the 2013/14 – 2015/16 Revised Service Plan was released and any significant limitations in the reliability of data are identified in the report.

As always, thank you to my colleagues on the Board of Directors of Columbia Power and our partners and employees. Together we will continue to contribute to the strong legacy of hydroelectric power development in the Columbia Basin.

ORGANIZATIONAL OVERVIEW

Columbia Power staff at the corporate office in Castlegar

COLUMBIA POWER 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 and Mines and Minister Responsible for Core Review.

The company is located in Castlegar, in the heart of the Columbia River system, in the mountains and valleys that characterize the Columbia Basin, where hydroelectric generation has existed since the late 1800s. The company develops, owns and operates hydropower projects in the Basin.

Mandate

Columbia Power's mandate, as directed by the Province in Government's Letter of Expectations, is to:

- Efficiently develop and operate commercially viable, environmentally sound and safe power project investments for the benefit of the Province and residents of the Columbia Basin;
- Act as the manager of power project joint ventures with Columbia Basin Trust;
- Act as the Owner's Representative and manager for construction of the Waneta Expansion Project; and
- Implement the approved Strategic Plan.

Vision

Columbia Power's vision is to be:

- A respected, continually improving company that maximizes shareholder value by developing and operating power projects in a socially and environmentally responsible manner, while achieving the development objectives of the Province and the Columbia Basin.
- An acknowledged partner of choice in sustainable, smart solutions—powering our communities.

Values

Our thinking and actions guide how Columbia Power works with its staff and external stakeholders. The company is driven by our values of:

- Integrity
- Respect
- Versatility
- Teamwork
- Sense of community
- Promotion of work/life balance
- Sustainability

Arrow Lakes Generating Station

Brilliant Dam & Generating Station

Brilliant Expansion

Waneta Expansion

JOINT VENTURES WITH COLUMBIA BASIN TRUST

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:

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

Arrow Lakes Power Corporation (ALPC): owns the Arrow Lakes Generating Station 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.

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 (page 8). 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.

Joint Venture Boards (BPC, ALPC, BEPC)

FROM COLUMBIA BASIN TRUST-
Greg Deck (Chair)
Richard (Kim) Deane
Neil Muth

FROM COLUMBIA POWER-
Lee Doney
Lillian White
Frank Wszelaki

WANETA EXPANSION LIMITED PARTNERSHIP

In addition to its joint ventures with the Trust, Columbia Power has an interest in the Waneta Expansion Project. The project involves the development of a 335MW Generating Station on the Pend d'Oreille River near Trail, BC. It 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 Columbia Basin Trust (16.5 per cent). WELP is managed by a general partner, Waneta Expansion General Partner Ltd. (WEGPL), which is also owned by Fortis Inc., Columbia Power and the Trust. WEGPL 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 acts as the Owner's Representative, managing the construction of the project on behalf of the partners. Fortis Pacific Holdings Inc. will be responsible for the operation of the facility.

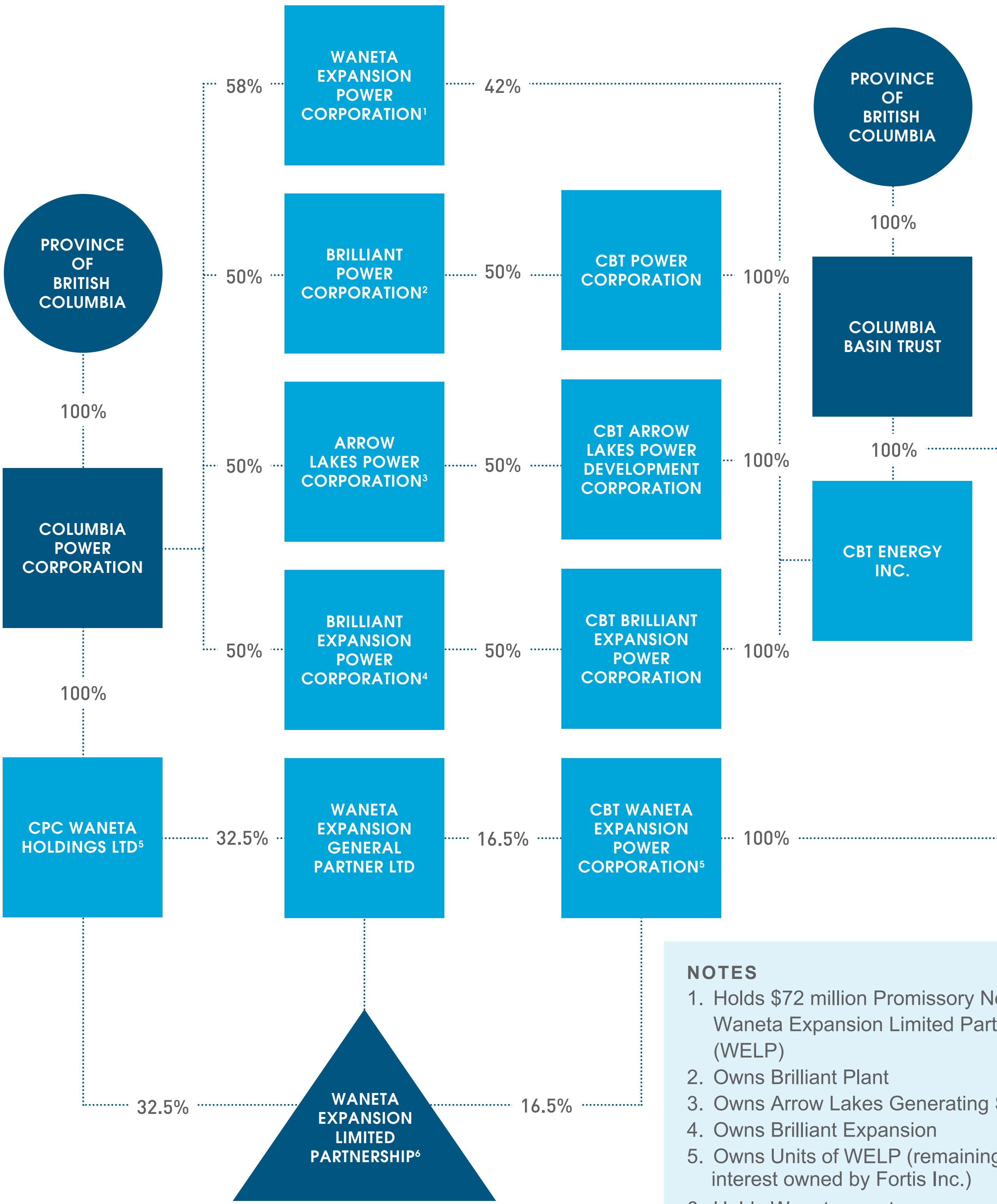
The energy and capacity generated from this power plant will be sold under long-term contracts with BC Hydro and FortisBC, respectively.

In addition to its partners in WELP, Columbia Power's key stakeholders on the Waneta Project include BC Hydro, FortisBC, Teck, First Nations, local and regional governments, local communities, labour and environmental and other special interest groups.

Figure 1, page 6, illustrates the corporate structures of Columbia Power's joint venture partnerships.

COLUMBIA POWER PROJECT LOCATIONS IN THE COLUMBIA BASIN

CORPORATE STRUCTURE OF COLUMBIA POWER CORPORATION



NOTES

1. Holds $72 million Promissory Note from Waneta Expansion Limited Partnership (WELP)
2. Owns Brilliant Plant
3. Owns Arrow Lakes Generating Station
4. Owns Brilliant Expansion
5. Owns Units of WELP (remaining 51% interest owned by Fortis Inc.)
6. Holds Waneta assets

Figure 1

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Back (left to right):
Tim Newton
Lee Doney, Chair
Greg Deck

Front (left to right):
Richard (Kim) Deane
Lillian White
Tim Stanley, Vice Chair

GOVERNANCE PRINCIPLES

The authorized number of Directors of the Corporation is six, all appointed by the Province of British Columbia and independent of management. As stewards of the Corporation, the Directors are committed to overseeing the conduct of the Corporation's business, applying the following governance principles:

PRINCIPLE	DESCRIPTION
Integrity: ***Best Interests of the Corporation***	The Directors will act with honesty and integrity, with a view to the best interests of the Corporation, recognizing their role in setting the ethical tone for the entire organization.
Direction with Oversight: ***Support Management***	The Directors will provide oversight and support to management to enable management to carry out their role without undue encroachment from the Board.
Commitment: ***Well-Informed Decision Making***	Each Director will be committed to developing a strong understanding of the Corporation, its business, principal risks and strategic direction.
Skill Development: ***Continuous Improvement***	The Board will strive to identify and attract the combination of skills and characteristics among its Directors that are essential to providing high quality oversight to management. This will involve orientation of new Directors and measures designed to continuously improve the skills and competencies of all Directors.
Communication	The Directors, having regard for the need to maintain confidentiality where appropriate, will communicate decisions and policies promptly and clearly within the organization and to others whose interests are affected.
Respect	The Directors will conduct themselves in a manner that is respectful of each other and of the interests of the Corporation's stakeholders.

BOARD/ COMMITTEE	MEMBERS	BOARD/COMMITTEE ROLE
Board of Directors	**CHAIR** Lee Doney **VICE CHAIR** Tim Stanley **DIRECTORS** Greg Deck Lillian White Richard (Kim) Deane Tim Newton	The Board has a primary responsibility to foster the Corporation's short- and long-term success; consistent with the Board's responsibility to the Corporation's shareholder, the Province of British Columbia, while giving consideration to the legitimate interests held by other stakeholders including employees, customers, suppliers, communities and the public. The Directors are stewards of the Corporation. The Board has the responsibility to oversee the conduct of the Corporation's business and management, which is responsible for the day-to-day operation. In overseeing the conduct of the business, the Board, through the President and Chief Executive Officer, will set the standards of conduct for the Corporation.
Finance and Audit Committee	**CHAIR** Lillian White **MEMBERS** Tim Stanley Richard (Kim) Deane	The Finance and Audit Committee is responsible for financial and compliance oversight.
Human Resources and Governance Committee	**CHAIR** Greg Deck **MEMBERS** Lee Doney Lillian White	The Human Resources and Governance Committee assists the Board in matters of human resources and compensation, including establishing a plan for continuity and development of senior management. This Committee is also responsible for providing a focus on governance that will enhance Columbia Power's performance.
Major Capital Project Committee	**CHAIR** Tim Stanley **MEMBERS** Richard (Kim) Deane Tim Newton	The Major Capital Projects Committee assists the Board in its oversight responsibilities with respect to the operations of the Corporation's existing facilities and major capital projects.

COMPLIANCE

The Corporation is in compliance with the Board Resourcing and Development Office's board disclosure requirements for Crown corporations.

Click on the link below to learn more about Columbia Power's Corporate Governance and about our Board of Directors:

http://columbiapower.org/about/company/corporate-governance/

Click the link below to learn more about the Province of British Columbia's Board Resourcing and Development Office:

http://www.fin.gov.bc.ca/BRDO/

OFFICERS OF THE COMPANY

Jane Bird, President & Chief Executive Officer (served as Officer to July 31, 2013)
Frank Wszelaki, Chief Operating Officer/President and Chief Executive Officer
Giulio Ambrosone, Vice President, Capital Projects
Debbie Martin, Vice President, Human Resources & Corporate Services (served as Officer to August 31, 2013)
Karim Hirji, Vice President, Project Development
Susan Dyer, Vice President, Operations
David de Git, Director, Finance
Sheana Orr, Corporate Secretary

SENIOR MANAGEMENT

Gene Anderson, Director, Operations
Frank Marino, Director, Human Resources & Corporate Services
Llewellyn Matthews, Director, Environment
Audrey Repin, Director, Stakeholder and External Relations

OUR POWER PLANTS

Arrow Lakes Generating Station with BC Hydro's Keenleyside dam in the background

COLUMBIA POWER USES THE INCOME FROM OUR FACILITIES TO:

- pay dividends to our shareholder, the Province of BC;
- reinvest in project development, including Waneta Expansion, currently under construction;
- sponsor community groups and events;
- offer bursaries and scholarships to secondary schools and community colleges; and
- develop and deliver environmental stewardship programs

Columbia Power is a managing Owner in a joint venture with Columbia Basin Trust of three operating hydro power facilities which together generate 450MW. The facilities are operated and maintained under agreements with FortisBC (a subsidiary of Fortis Inc.) or its related company, FortisBC Pacific Holdings Inc., under the oversight of Columbia Power.

This fiscal year has been dedicated to improving long-term reliability of the operating assets while maintaining our commitment to safety and the environment.

Arrow Lakes Generating Station

The Arrow Lakes Generating Station is a two-unit Kaplan turbine hydroelectric facility with a combined capacity of 185MW. It is located 400 metres downstream of BC Hydro's Hugh Keenleyside Dam, impounding the Arrow Reservoir and discharging into the upper Columbia River.

Columbia Power constructed the Arrow Lakes Generating Station between 1999 and 2002 to realize power benefits by utilizing water releases from Hugh Keenleyside Dam for generation that would otherwise be spilled through the dam's discharge facilities. The reduction of spill by utilizing water for power generation also improved water conditions for fish by reducing the accumulated dissolved gas pressure levels downstream. The Arrow Lakes Project was awarded the Blue Planet Award by the International Hydro Power Association.

The generation is connected to the Bulk Electric System through the Brilliant Terminal Station, located approximately 15 km away via a 230kV transmission line.

Arrow Lakes Power Corporation's earnings before interest, taxes, depreciation and amortization (EBITDA) for the fiscal year ending March 31, 2014 was $26.5 million—refer to the Management Discussion & Analysis, starting on page 29, for additional financial information on this facility.

Brilliant Dam and Generating Station

The Brilliant Dam and Generating Station is a four-unit Francis turbine facility with a combined capacity of 145MW. It is located on the Kootenay River, three kilometres upstream of the confluence with the Columbia River.

The original 125MW facility was purchased from Cominco Ltd. (now Teck) in 1996. Between 2000 and 2003, a significant upgrade and life extension program was conducted on the four units, resulting in an additional 20MW of facility capacity, 125 gigawatt hours (GWh) per year of additional energy and a modernization of all equipment for long-term reliability. Work is progressing on a major refurbishment of the eight spillway gates to ensure reliable operation through high water periods.

The generation is connected to the Bulk Electric System through the Brilliant Terminal Station located approximately 0.5 km away via two 60kV transmission lines.

All of the energy from the Brilliant Generating Station is sold to FortisBC under the terms of the 60-year Brilliant Power Purchase Agreement, except for approximately 60GWh of Brilliant Upgrade energy. The Upgrade energy is sold to Brilliant Expansion Power Corporation (BEPC), which in turn sells the Upgrade energy, combined with BEPC's residual energy and capacity, as described below.

Brilliant Power Corporation (BPC)'s EBITDA for the fiscal year ending March 31, 2014 was $30.5 million—refer to the Management Discussion & Analysis, starting on page 29, for additional financial information on this facility.

Brilliant Expansion Generating Station

The Brilliant Expansion Generating Station (Brilliant Expansion)—an EcoLogo certified facility—is a single unit, 120MW Kaplan turbine facility located on the Kootenay River, 160 metres downstream from the Brilliant Dam. The Brilliant Expansion was commissioned in 2007.

The generation is connected to the Bulk Electric System through the Brilliant Terminal Station located approximately 0.5 km away via a 230kV transmission line.

Brilliant Dam and Generating Station

Brilliant Expansion

Approximately 90 per cent of Brilliant Expansion energy and capacity is sold under two long-term agreements to BC Hydro. Effective January 2013, Brilliant Expansion Power Corporation entered into a five-year sales agreement with FortisBC, under which FortisBC purchases all residual entitlement energy and capacity from the Brilliant Expansion, as well as upgrade energy purchased by BEPC from BPC. BEPC's EBITDA for the fiscal year ending March 31, 2014 was $27.4 million. Refer to the Management Discussion & Analysis, starting on page 29, for additional financial information on this facility.

Brilliant Terminal Station

The Brilliant Terminal Station (BTS) is a 230kV switchyard which interconnects the Arrow Lakes Generating Station, Brilliant Expansion and Brilliant Generating Station to the Bulk Electrical System through BC Hydro's Selkirk Substation, BC Hydro's Kootenay Canal, and FortisBC's Warfield Substation via 230 kV transmission lines.

BTS is the electrical hub of the existing power plants. It is owned by the Brilliant Power Corporation and earns revenue under the same terms as the Brilliant Power Purchase Agreement. It is operated and maintained by FortisBC under a separate agreement.

Under Construction—Waneta Expansion

The $900 million Waneta Expansion Project is the construction of a second powerhouse immediately downstream of the existing Waneta Dam on the Pend d'Oreille River, south of Trail, BC. Construction began in 2010 and commercial operation is scheduled for the spring of 2015.

On a forecast basis, the project is on-schedule and on-budget. The Waneta Expansion Project is committed to a high standard of safety, quality and environmental protection. As of March 31, 2014, the project had achieved more than 2.3 million person-hours without a major safety or environmental incident.

Brilliant Terminal Station

The new facility will share the existing dam's hydraulic head and make use of water flows that would otherwise be spilled. The rights to use this hydraulic head, as well as the land necessary to build the project, were acquired by the Province from Cominco Ltd. (now Teck) in 1994 and subsequently transferred to the Waneta Expansion Limited Partnership. The Waneta Expansion Project has been structured to avoid potential environmental impacts on white sturgeon habitat in the Columbia and Pend d'Oreille River confluence area. Water will be conveyed through two large 10 metre diameter tunnels from the Waneta forebay into a two-unit powerhouse being built "in the dry" on the right bank of the Pend d'Oreille River, between the Waneta Dam and Highway 22A.

Output from the units will be stepped up to 230kV and connected through powerhouse switching equipment to a new 10 km transmission line that will connect the project to BC Hydro's Selkirk Substation.

The addition of 335MW of capacity at Waneta will achieve balance with upstream generation at the Seven Mile Dam (BC Hydro) and the Boundary Dam in the U.S. (Seattle City Light). This hydraulic balance will allow flows released from the Boundary Dam to travel the Canadian section of the Pend d'Oreille River without the need for reservoir re-regulation to avoid spill. Minimizing re-regulation

Aerial view of the Waneta Expansion Project

DURING 2013/14, CONSTRUCTION AT THE WANETA EXPANSION FOCUSED ON:

- excavation of the intake and tailrace channels;
- substantially completing concrete placement in the powerhouse and intakes;
- disposal to off site licensed facilities of materials excavated from the head pond in the area of the intake channel;
- delivery to site of major equipment components;
- installation of turbine and generator components and related facilities; and
- installation of the main power transformers and related facilities.

will increase the productivity of reservoir aquatic habitat. In addition, diverting otherwise unavoidable spill through the Waneta Expansion Project will reduce dissolved gas pressure—which is harmful to fish—in waters below the Waneta Dam and down the Columbia River into the United States.

Construction of the 10 km, 230kV transmission line progressed well and the connection to the powerhouse was completed in early 2014. All work was completed without a major safety or environmental incident.

Over the four-and-a-half year construction period, the project is expected to provide the equivalent of more than 400 jobs. On March 31, 2014, regional spending to-date exceeded $185 million and 375 people were working directly on the project. Local qualified workers are given preference in hiring and equity provisions are in place for women, visible minorities, disabled persons and First Nations. In 2013/14, the project boasted a local hire rate of more than 69 per cent and an equity hire rate of 10 per cent.

In June 2013, Columbia Power and our partners in the Waneta Expansion project welcomed over 1,500 community members to a celebration at the project. Tours of the construction site occurred throughout the day. Participants were transported from the site of the festivities to the construction site by bus, with stops at the intake and powerhouse areas, where project representatives were waiting to share the project's progress. The celebration also included all-day entertainment, First Nations cultural presentations, live music, children's activities, a complimentary barbecue and informational displays.

When the project achieves commercial operation, BC Hydro will purchase the energy; FortisBC will purchase the residual capacity.

SNC-Lavalin Inc. is the Design-Build contractor for the project.

Visitors touring the powerhouse during Community Day at the Waneta Expansion Project

ALIGNMENT WITH GOVERNMENT'S LETTER OF EXPECTATIONS

Each year, Columbia Power receives Government's Letter of Expectations (the "Letter") which sets out the corporate mandate, including high-level performance expectations, public policy issues and strategic priorities. The Letter directs the Corporation to conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by government. In addition, the Letter directs Columbia Power to conduct its affairs to achieve the objectives of the Shareholder in a manner consistent with the Shareholder's general and specific directions.

The Letter is an agreement between the Minister of Energy and Mines and the Minister Responsible for Core Review and the Board Chair and outlines their respective roles and responsibilities. The Letter is the basis for the development of the Corporation's Service Plan and Annual Report. Pursuant to the Letter, the Board Chair communicates regularly with the Minister of Energy and Mines and the Minister Responsible for Core Review or with representatives of the Ministry, to report on implementation of the Letter. As required by the Letter and the *Financial Administration Act*, the Corporation posts on its website its Annual Report, annual *Financial Information Act* report, and interim financial reports on a quarterly basis. The Auditor General of British Columbia is the external auditor for the Corporation.

In December 2012, the Honourable Rich Coleman, then Minister of Energy and Mines, signed Government's Letter of Expectations, which outlined the expectations of Columbia Power and the primary responsibilities of the Corporation for 2013/14. The specific corporate accountabilities presented in the letter and Columbia Power's alignment are summarized in Figure 2.

Columbia Power has already implemented all practical measures to reduce Greenhouse Gas Emissions (GHG). GHG emissions as calculated by Shared Services BC SMART-Tool were reduced by 6 tCO2e (tonnes of CO2 equivalent) in 2013/14. Carbon offsets for emissions were purchased from the Climate Action Secretariat that now manages the Province's Carbon Offset Program. Columbia Power's most important contribution to GHG reduction will be realized once the Waneta Expansion Project is complete. It is expected to add 627 GWh of emission free energy to the British Columbia grid.

Click here to read a copy of Government's Letter of Expectations for 2014/15.

Construction of the two turbine/generator units at the Waneta Expansion Project

To learn more about Columbia Power visit: www.columbiapower.org

GOVERNMENT'S LETTER OF EXPECTATIONS	COLUMBIA POWER'S ALIGNMENT
WANETA EXPANSION PROJECT	
Manage the construction of the Waneta Expansion to completion in 2015—safely, on-schedule and on-budget, while meeting Columbia Power's community, First Nations and environmental commitments.	As of March 31, 2014, the project has achieved more than two million person-hours without a major safety or environmental incident. The project is, on a forecast basis, on-schedule and on-budget. Long-term sales agreements for energy and capacity have been negotiated with BC Hydro and FortisBC. A Community Impact Management Committee meets monthly and Benefits Agreements are in place with both First Nations.
FACILITIES MANAGEMENT	
Manage the operation of existing facilities to meet financial and other performance targets.	Columbia Power pro actively manages the operations of its existing facilities to meet or exceed its targets.
STRATEGIC PLAN AND ENTERPRISE RISK MANAGEMENT	
Seek approval and implement the Columbia Power Strategic Plan and continue to implement the Enterprise Risk Management Plan, and to report to Government on the progress of both initiatives.	Columbia Power is implementing its Strategic Plan and is proceeding with initial investigation of potential future projects consistent with that Plan. An Enterprise Risk Management Plan has been developed and will be integrated into Columbia Power's strategic planning and reporting processes.
POLICY DEVELOPMENT	
Work with the Government to identify current or upcoming issues that could require provincial policy development and assist with implementation of any such policies.	Columbia Power has on-going communication and coordination with the Ministry of Energy and Mines on substantive issues as they arise.

Figure 2

Carpenters constructing forms at the Waneta Expansion Project

SUSTAINABILITY REPORT

Columbia Power is committed to sustainable development, which has been defined by the Canadian Electricity Association (CEA) as "pursuing innovative business strategies and activities that meet the needs of members, stakeholders and the communities in which we operate today, while protecting and enhancing the human and natural resources that will be needed in the future." Sustainable development has been a key aspect of Columbia Power's project development and continues with the construction of the Waneta Expansion Project.

Columbia Power's sustainability actions arise from commitments made during project approval processes, risk management activities and commitments made to other stakeholders such as First Nations and landowners. Columbia Power's commitment to sustainability principles during 2013/14 resulted in the following accomplishments:

Management

- The Environmental, Health & Safety Management System is considered mature with on-going changes to effect continual improvement.
- An audit found the system was consistent with ISO 14001 and OHSAS 18001 international standards and did not find any major non-conformances.
- While EHS compliance audits have been conducted for years on our project contractors, the first compliance audit of corporate activities and Columbia Power managed project activities was conducted in 2013.

Environmental Protection

- There were no major environmental incidents at Columbia Power projects in 2013/14.
- The Waneta Expansion intake excavation successfully removed contaminated sediments from the headpond without exceeding any downstream water quality parameters.
- Monitoring indicates that the slow ramp start-up procedure is effective at mitigating the risk to sturgeon during Brilliant Expansion unit starts.
- Corporate greenhouse gas emissions decreased by 6 tCO_2e in 2013.

A diver enters the water to take sediment samples during the Waneta Expansion headpond excavation

Stewardship and biodiversity

- A study showed that there was suitable habitat for early life stages of endangered white sturgeon below the recently identified spawning site in the tailrace of the Arrow Lakes Generating Station.
- The Waneta Expansion Terrestrial Compensation Program provided $50,000 in funding to the following projects:
  - a life history study into a blue-listed butterfly species in the Pend d'Oreille valley;
  - a study to identify hibernacula for listed snake species to assist in conservation planning;
  - conservation planning for a local population of Lewis' Woodpecker (threatened);
  - habitat enhancement planning for the endangered Yellow-Breasted Chat;
  - reclamation work at the Fort Shepherd Conservancy Area; and
  - year two of a six-year study into predation on endangered white sturgeon eggs at the Waneta Eddy (on the Columbia River) was completed.
- Monitoring associated with the Arrow Lakes Nutrient Restoration Program shows that kokanee size increased in 2013, although overall populations are still down.

Health and Safety

- Columbia Power received the 2013 Canadian Electricity Association (CEA) Gold President's Award for excellence in employee safety.
- Columbia Power received the 2013 CEA Silver Vice President's Award for excellence in generation.

Frank Wszelaki (right), Columbia Power's President & CEO and Andre Noel (left), Health & Safety Manager, accepted two prestigious safety awards in 2013 from the Canadian Electricity Association

STAKEHOLDER RELATIONS

Waneta Expansion Project Community Impact Management Committee

To support the development of new relationships and enhance our historical connections with the communities in which we do business, Columbia Power works with a wide range of stakeholders to build strong, positive relations. From community groups and First Nations to municipal governments, Columbia Power focuses on building relationships that support our work and the efforts of our stakeholders.

In 2013/14, Columbia Power focused efforts in the following areas: supporting the construction of the Waneta Expansion Project, maintaining good relationships and communicating effectively about our operating facilities, and liaising with key stakeholders, local government representatives, First Nations, industry and the general public to support the future growth of the organization.

Waneta Expansion Project Community Impact Management Committee

2013/14 marked the third full year of engagement by the Waneta Expansion Project Community Impact Management Committee (CIMC). Comprised of 26 individuals that include members of local and regional government, First Nations, business, community stakeholders and special interest groups, the CIMC meets monthly to support and encourage positive community impacts and benefits and relay community concerns resulting from construction of the project. Each meeting includes a tour of the construction site followed by presentations from the contractors, independent socio-economic monitor and Columbia Power staff. Each CIMC member is given an opportunity to update the committee on areas of interest in their respective community. Members receive weekly updates to ensure they can effectively communicate with their respective communities and groups about the project.

The CIMC works with an independent socio-economic monitor who attends each CIMC meeting and monitors and reports on the social and economic impacts of the project in the greater Trail area. The socio-economic monitoring program focuses on indicators such as employment, wage income, expenditures, economic development, traffic, health and safety, housing, population, recreation and community services. Quarterly and annual reports are available on Columbia Power's website at: www.columbiapower.org.

Community and First Nations Sponsorship Programs

In an effort to support and grow positive relationships with communities, and keeping with our commitment to translate power project investments into benefits for residents of the Columbia Basin, Columbia Power provides funding to local and regional projects and initiatives through our Community and First Nations Sponsorship programs. Columbia Power's funding supports a wide range of activities including arts and cultural programming and events, educational and youth-centered projects, activities that support recreation and leisure in our region, as well as health and wellness, heritage and environmental and conservation efforts.

In 2013/14, Columbia Power sponsored 13 First Nations activities and 64 community activities for a total of 77 supported activities and $93,350 in funding. The 2013/14 Community and First Nations sponsorship programs covered a range of community interests. Environmental and conservation efforts, health initiatives, arts and cultural programming and events, recreation, heritage, youth and special community events were all included in this year's funding.

Columbia Power's support of First Nations initiatives included a trades training bursary for Ktunaxa Nation students and the Okanagan Nation's annual Syilx Salmon Festival.

Through Columbia Power's Scholarship and Bursary program, an additional $17,000 is awarded each year to provide bursaries to deserving students at 19 secondary schools across the Columbia Basin, as well as scholarships for the College of the Rockies, Selkirk College and the Kootenay School of the Arts.

Local Government Partnerships—Kootenay Country Initiative

Columbia Power works closely with municipal and regional government to support the interests of the residents of the Columbia Basin. Columbia Power works with the Regional Districts of Central Kootenay, Kootenay Boundary and East Kootenay to showcase and promote the region where Columbia Power develops projects. The Kootenay Country initiative includes a display which exhibits lifestyle, commercial and service amenities, as well as economic and tourism opportunities. In 2013/14, Columbia Power joined with the three regional districts to showcase the rural communities at the Union of British Columbia Municipalities Conference in Vancouver.

Municipal and regional government representatives at the Kootenay Country booth at the 2013 UBCM Conference

Members of the Ktunaxa Nation dance troupe participated in Community Day at the Waneta Expansion in June 2013

First Nations

Columbia Power values the relationships it has with its First Nations partners. Keeping First Nations groups informed and involved in the planning of projects is a priority for Columbia Power. Different First Nations groups are involved in many aspects of project activities.

For construction of the Waneta Expansion Project, Benefits Agreements are in place with both the Ktunaxa Nation Council and the Okanagan Nation Alliance which provide economic, employment and project involvement opportunities.

Columbia Power facilitated a Community Day at Waneta Expansion on June 23, 2013. A key focus of the event was the participation of First Nations project partners, the Ktunaxa Nation Council and the Okanagan Nation Alliance, in the day's activities. Elders and Chiefs from both Nations were part of the opening ceremony and both Nations provided cultural presentations through dancing, drumming and song.

Columbia Power also supported the participation of First Nations' community members by chartering a bus to transport community members to the event. First Nations also participated in an informational display area including a special display by the Ktunaxa Nation Council's Traditional Knowledge and Language Sector.

In 2013/14, First Nations' workers and apprentices were part of the work force on the Waneta Expansion Project. A First Nations' worker liaison is also employed by the contractor, SNC-Lavalin Inc. Cross-cultural training was arranged by Columbia Power for staff, project partner Columbia Basin Trust, as well as for staff from Selkirk College and staff and management from the Waneta Expansion Project contractor and sub-contractor.

REPORT ON PERFORMANCE

Performance Measures Framework

Columbia Power'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's role both as a developer of power projects and a manager of our joint venture facilities. As a small, unregulated company, Columbia Power is unique in an industry which is dominated by large, vertically integrated and regulated utilities. As such, finding suitable industry benchmarks is a challenge.

Figure 3 describes each performance measure, the relevant benchmark, the strategy to achieve performance, and the overall importance of each measure to the company as a whole.

Source of Data and Reliability

Columbia Power believes its performance measures are appropriate for its activities and present a fair picture of the company's performance against its mandate. Where possible, performance targets are verified by external benchmarks. The data underlying the company's performance is—in almost all cases—independently audited or verified by a third party or parties. Figure 4 summarizes the performance measures for the Waneta Expansion Project, our existing facilities and Columbia Power's financial performance and describes, for each performance measure, the primary metric, data source, verification or audit process for the data, and the level of reliability. In some cases, Columbia Power's performance against targets is based on forecasts of future events. They are estimated using assumptions that reflect Columbia Power's planned courses of action and judgments as to the most probable set of economic conditions. Because of the nature of forecasting future events, actual results may vary from the information presented.

Columbia Power's Board of Directors and senior executives toured the Waneta Expansion Project in June 2013

PERFORMANCE MEASURES: FRAMEWORK

PERFORMANCE MEASURES	BENCHMARK	STRATEGY	IMPORTANCE
GOAL 1: SUCCESS OF THE WANETA EXPANSION PROJECT			
1.1 Waneta Expansion is on-schedule	Early or on-schedule (no negative variance from schedule)	Design-build contract specifies commercial operation date and on-schedule incentives. Columbia Power is active on-site monitoring construction progress.	Schedule delays will increase the cost of the design/build and other contracts and delay the project's ability to achieve commercial operation and commence revenue generation. This would have an adverse financial impact.
1.2 Waneta Expansion is on-budget	On- or under-budget (no negative variance from budget)	Design-build contract has a fixed price and includes penalties and incentives. Monthly forecast and risk registry reviews provide early detection.	Increased construction costs results in increased investment costs for each of the partners and has the potential to negatively affect forecast return on investment.
1.3.1 Waneta Expansion Regulatory Compliance (Safety)	< or = 3 (Injury Rate)	Appointment of design-build contractor as prime contractor, routine safety meetings, audits, and incentive program. Columbia Power monitors workplace safety in conjunction with prime contractor.	Columbia Power has an obligation to meet WorkSafeBC regulations. In addition, we have a corporate commitment to safety on our projects that goes beyond strict regulatory compliance. Our goal is to ensure every Columbia Power employee and worker at Columbia Power facilities and projects returns home from work safely. The measure is the frequency of injuries; this is one measure of overall safety performance.
1.3.2 Waneta Expansion Regulatory Compliance (Environmental)	One major environmental incident per year	Mitigate occurrences with the use of environmental programs and processes. Regular review of Environmental Management Plan (EMP), work plans, audits, and independent environmental monitor.	Columbia Power has an obligation to comply with the Waneta Environmental Assessment Certificate and with applicable legislation. In addition, we have a commitment to environmental stewardship that goes beyond regulatory compliance. Failure to comply could result in financial penalties and/or sanctions. The measure is the number of environmental incidents; this is one measure of overall environmental performance.
GOAL 2: EFFICIENT AND RELIABLE PLANT OPERATIONS			
2.1.1 Equivalent Reliability Rate (Hours)	ALH >90.1% BRX >90.1%	Agreements with BC Hydro provide both ALH and BRX with an "entitlement" to produce energy based only on availability of the operating units. Columbia Power's strategy is to maximize availability. External benchmark for performance comparisons.	Reliability rate accounts for the number of hours each generating unit is available annually, including both planned and forced outages, as a percentage of total number of generating hours available. The equivalent availability rate is a five-year moving average based on the Navigant Consulting industry benchmarking results for medium capacity stations.
2.1.2 Equivalent Reliability Rate (MWh)	ALH >96.3% BRX >96.4%	Agreements with BC Hydro provide both ALH and BRX with an entitlement which, if achieved, generates a defined amount of revenue. Columbia Power's strategy is to maximize revenue from these entitlements.	This metric recognizes performance in terms of entitlement energy for the year, the sale of which results in revenue. This metric is important as it measures plant availability during periods of high entitlement. The higher the outcome, the more revenue generated.
2.2 Operations, Maintenance and Administration (OMA) Costs ($ per MWh)	7.1 (2nd Quartile)	Manage joint ventures effectively and efficiently and to achieve OMA costs within industry norms. External benchmark for performance comparisons.	Metric for OMA costs for each facility is divided (net of allowance for outages) by entitlement energy for that facility, in dollars per megawatt hour (MWh). It is a key measure of facility operating cost efficiency relative to industry-wide performance.
2.3.1 Regulatory Compliance (Safety)	CEA All Injury Frequency for CPC employees: 1.4 WSBC All Injury Frequency for Contractors: 1.7	Corporate commitment to health and safety. Established health and safety policies and an Environmental Health and Safety Management System in place.	Columbia Power has a corporate commitment to health and safety. It must also comply with applicable safety legislation and standards. Failure to comply with these standards could result in financial penalties and/or sanctions. Our goal goes beyond regulatory compliance—it is to ensure every Columbia Power employee and worker at Columbia Power facilities and projects returns home from work safely. The frequency of injuries is one measure of overall safety performance.
2.3.2 Regulatory Compliance (Environmental)	1.3 major environmental incidents per year	Corporate commitment to environmental stewardship. Established environmental policies and an Environmental Health and Safety Management System in place. Active in industry associations on the international, national, provincial and local levels; these associations play an active role in policy development and regulatory compliance.	Columbia Power has a corporate commitment to environmental stewardship. It must also comply with environmental legislation and standards. Failure to comply with these standards could result in financial penalties and/or sanctions. The number of environmental incidents is one measure of overall environmental performance.
2.3.3 Mandatory Reliability Standards (MRS)	No sanctionable events attributed to CPC/the Trust joint ventures	BC Reg. 32/2009 mandates Columbia Power to be a registered entity and comply with the British Columbia Mandatory Reliability Standards.	Columbia Power has a commitment to reliability. In addition, it must comply with Mandatory Reliability Standards. Failure to comply with these standards could result in financial penalties and/or sanctions.
GOAL 3: EFFECTIVE FINANCIAL PLANNING			
3.1 Debt service coverage ratio (DSCR)	DSCR 1.3 or greater	ALH employs a series of liquidity reserves through 2016 to provide security to bond holders. Stringent budgeting and routine forecasting ensures DSCR is met.	Debt Service Coverage Ratio is a measure of creditworthiness used to determine an organization's ability to service current debt. Bond trust deeds require a minimum specified level for compliance and to maintain investment grade ratings.
3.2 Return on Equity	Over the life of a project, compared to a regulated utility	Maximize revenues generated through power purchase agreements and control costs associated with plant operation.	Demonstrates earnings from a project relative to amounts invested. Columbia Power attempts to achieve a return on equity that is broadly consistent with similar projects in similarly regulated environments.
3.3 Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) ($ in thousands)	EBITDA growth	EBITDA is particularly effective comparing the performance of the joint ventures year-over-year.	EBITDA is a measure of operating cash flow and focuses on returns more directly influenced by management and excludes those factors over which management has limited or no influence.
3.4 Free Cash Flow ($ in thousands)	Consistent with target	Maximizing free cash flow provides returns to investors in the form of dividends. Future capital investments can be funded through availability of long-term free cash flow.	Free cash flow is the amount of cash a company has left over after it has satisfied its obligations, including sustaining capital investments and debt service. Free cash flow is an important measure in determining availability of dividends and over the long-term is a measure of funds available for future capital investments.
GOAL 4: APPROVAL AND IMPLEMENTATION OF THE STRATEGIC PLAN			
4.1 Development of New Projects	Power Projects defined and approved by Board and Shareholder for development	Implement plans to identify and develop growth opportunities that have the potential to provide future revenue.	A well-constructed process to identify potential projects and follow a defined development plan is critical to minimizing development risk and to identify the requisite organizational resourcing.

Figure 3

PERFORMANCE MEASURES: DATA SOURCE + VERIFICATION

PERFORMANCE MEASURES: Waneta Expansion	PRIMARY PERFORMANCE METRIC	DATA SOURCE	VERIFICATION	RELIABILITY
Safety	Frequency of injuries	• Columbia Power's internal Environmental Health and Safety Management System (EHSMS) procedures, the Design-Build Contract and Contractor's Health and Safety Plan all contain obligations to file incident notices for any safety incidents • Statistics provided monthly to owner • Incidents discussed at monthly safety meeting with contractor	• Owner's representatives on site • Design-Build contractor's independent audits • Owner's independent audits of contractor and of EHSMS • WorkSafeBC oversight	Very high
Environment	Frequency of incidents	• EHSMS and the Design-Build Contract contain obligations to file an incident notice for any incidents • Statistics provided monthly to owner • Incidents discussed at monthly environment meeting with contractor	• Contractor's environmental monitor (weekly report) • Water Comptroller's independent monitor (weekly report) • Owner's representatives on site	Very high
Budget	On-budget	• Control budget in place • Project accounting records/monthly reports and forecast • Well-developed design review and change order procedures • Quantified risk registry • Monthly budget review	• Owner's management team oversight • Owner's engineer design/change order review • Project audited annually by independent auditor • Owner's capital contributions audited annually by independent auditor	Very high
Schedule	On-schedule	• Design-Build Contract contains obligations to file monthly schedule	• Monthly schedule review by owner's engineer • Owner's representatives on site	Very high
PERFORMANCE MEASURES: Existing Facilities	**PRIMARY PERFORMANCE METRIC**	**DATA SOURCE**	**VERIFICATION**	**RELIABILITY**
Safety/Environment	Frequency of incidents	• EHSMS procedures require Columbia Power employees or contractors who become aware of EHS incidents to document and report them to Columbia Power; all incidents and their status are recorded in the EHS Incident and Non-Conformance Log • Incidents included in the monthly EHS reports for all contractors at Columbia Power workplaces • Incidents discussed in monthly meetings with contractors	• Owner's representatives monitor frequently on site • Contractors' representatives on site • Independent annual audits of EHSMS • WorkSafeBC oversight	Very high
Operations	Unit Reliability (MWh)	• Unit operation monitored by local unit control system or Remote System Control Centre administered by BC Hydro (BCH)/FortisBC (FBC) • BCH energy meter at each location • FBC provides monthly outages and derates report for each facility	• FBC reports • BCH metering • Owner's representatives monitor frequently on site	Very high
Operations	OMA costs/net entitlement	• External costs calculated monthly at each facility/internal costs assigned monthly—total costs aggregated quarterly • Net entitlement is contracted entitlement minus outage adjustments (see unit reliability above)	• Costs audited annually by independent auditor • Entitlement verified by BCH	Very high
Financial	EBITDA/free cash flow	• Internal financial procedures/processes	• Periodic internal audits • Audited annually by independent auditor as part of audited financial statements	Very high

Figure 4

Report On Performance

Columbia Power's 2013/14 – 2015/16 Revised Service Plan has four goals:

1. Success of the Waneta Expansion Project;
2. Efficient and reliable plant operations;
3. Effective financial planning; and
4. Advance the progress of the Columbia Power/BC Hydro joint development committee.

For each of the first three goals, there are specific targets related to the operations of Columbia Power. The targets are measurable, providing accountability for performance. The targets from years 2013/14 to 2016/17 and the actual performance for the years 2011/12 to 2013/14 are summarized in Figure 5 (below), Performance Results and Targets. The financial performance of Columbia Power and its joint venture and partner corporations in 2013/14 was strong. Total income and net income exceeded target even in the face of some operational challenges due to labour interruption. See Management Discussion and Analysis on page 29 for further detail. Changes in performance targets and specific variances are noted on page 27.

PERFORMANCE RESULTS + TARGET

PERFORMANCE RESULTS + TARGETS	BENCHMARK	2011/12 (ACTUAL)	2012/13 (ACTUAL)	2013/14 (ACTUAL)	2013/14 (TARGET)	2014/15	2015/16	2016/17
Goal 1 - Success of the Waneta Expansion Project								
1.1 Waneta Expansion is on-schedule	Early or on-schedule (no negative variance from schedule)	WAX on-schedule	WAX on-schedule	WAX on-schedule	WAX on-schedule	WAX on-schedule	WAX on-schedule	WAX construction completed
1.2 Waneta Expansion is on-budget	On- or under-budget (no negative variance from budget)	WAX on-budget	WAX on-budget	WAX on-budget	WAX on-budget	WAX on-budget	WAX on-budget	N/A
1.3.1 Waneta Expansion Regulatory Compliance (Safety)	< or = 3 (Injury Rate)	0.32	0.34	0.19	< or = 3	< or = 3	< or = 3	N/A
1.3.2 Waneta Expansion Regulatory Compliance (Environmental)	One major environmental incident per year	0	0	0	< or = 1	< or = 1	< or = 1	N

Figure 5
(continued on next page)

PERFORMANCE RESULTS + TARGET								
PERFORMANCE RESULTS + TARGETS	BENCHMARK	2011/12 (ACTUAL)	2012/13 (ACTUAL)	2013/14 (ACTUAL)	2013/14 (TARGET)	2014/15	2015/16	2016/17
Goal 2 - Efficient and Reliable Plant Operations: Arrow Lakes (ALH) and Brilliant Expansion (BRX)								
2.1.1 Equivalent Availability Rate (Hours)	ALH > 90.1% BRX > 90.1%	ALH: 90.4% BRX: 85.1%	ALH: 91.5% BRX: 85.5%	ALH: 87.0% BRX: 89.4%	ALH > 88.0% BRX > 88.0%	ALH > 83.1% BRX > 89.0%	ALH > 88.7% BRX > 89.5%	ALH > 88.7% BRX > 89.5%
2.1.2 Equivalent Availability Rate (MWh)	ALH > 96.3% BRX > 96.4%	ALH: 99.4% BRX: 84.3%	ALH: 99.3% BRX: 92.4%	ALH: 98.8% BRX: 97.8%	ALH > 96.0% BRX > 93.5%	ALH > 97.1% BRX > 93.7%	ALH > 97.9% BRX > 96.0%	ALH > 97.9% BRX > 96.0%
2.2 Operations, Maintenance and Administration Costs ($ per MWh)	7.1 (2nd Quartile)	ALH: 6.0 BRX: 11.9	ALH: 7.6 BRX: 13.2	ALH: 7.3 BRX: 11.8	ALH: 7.4 BRX: 13.3	ALH: 8.4 BRX: 12.7	ALH: 7.0 BRX: 10.0	ALH: 6.2 BRX: 10.8
2.3.1 Regulatory Compliance (Safety)	CEA AIF for CPC employees: 1.4 WorkSafeBC (WSBC) AIF for Contractors: 1.7	0 0	0 0.72	0 0.96	< or = to CEA benchmark < or = to WSBC benchmark	< or = to CEA benchmark < or = to WSBC benchmark	< or = to CEA benchmark < or = to WSBC benchmark	< or = to CEA benchmark < or = to WSBC benchmark
2.3.2 Regulatory Compliance (Environmental)	1.3 major environmental incidents per year	1	0	0	< or = to 1 major environmental incident	< or = to 1 major environmental incident	< or = to 1 major environmental incident	< or = to 1 major environmental incident
2.3.3 Mandatory Reliability Standards	No sanctionable events attributed to CPC/the Trust joint ventures	0	0	0	0	0	0	0

Figure 5

(continued on next page)

PERFORMANCE RESULTS + TARGET								
PERFORMANCE RESULTS + TARGETS	**BENCHMARK**	**2011/12 (ACTUAL)**	**2012/13 (ACTUAL)**	**2013/14 (ACTUAL)**	**2013/14 (TARGET)**	**2014/15**	**2015/16**	**2016/17**
Goal 3 - Effective Financial Planning								
3.1 Debt service coverage ratio	DSCR 1.3 or greater	Maintained Investment Grade Rating for all bonds	Maintained Investment Grade Rating for all bonds	Maintained Investment Grade Rating for all bonds	Maintain Investment Grade Rating for all bonds	Maintain Investment Grade Rating for all bonds	Maintain Investment Grade Rating for all bonds	Maintain Investment Grade Rating for all bonds
3.2 Return on Equity	Over the life of a project, compared to a regulated utility	3.3%	4.0%	11.1%	4.0%	4.6%	7.4%	16.4%
3.3 EBITDA ($ in thousands)	EBITDA growth	14,100	18,075	20,825	19,227	19,789	29,832	54,242
3.4 Free Cash Flow ($ in thousands)	Consistent with target	125,500	(33,864)	3,794	(24,084)	(4,735)	4,523	15,783
Goal 4 - Advance the Progress of the Columbia Power / BC Hydro Joint Development Committee (JDC)								
4.1 Development of New Projects	Power Projects defined and approved by Board and Shareholder for development	N/A	Continued activity of proposed projects on-going	Continued activity of proposed projects on-going JDC formulated and working toward project identification	Continue activities for new project(s)	Continue activities for new project(s) Definition phase for Project 1 Identification phase for Project(s) 2 (3)	Continue activities for new project(s) Definition phase for Project(s) 2 (3) Construction phase for Project 1	Continue activities for new project(s) Identification, Definition and Construction activities continues

Figure 5
(continued from previous page)

Changes in Targets

Figure 5 reflects changes in targets from those in the 2013/14 – 2015/16 Revised Service Plan, specifically:

Measure 1.3.1: Waneta Expansion Regulatory Compliance (Safety) target
Columbia Power targets 1 point less than the WorkSafeBC heavy industry injury rate benchmark. The WorkSafeBC heavy industry injury rate benchmark changed; therefore, Columbia Power changed its target from "< or = 4" to "< or = 3".

Measure 2.1.1 and 2.1.2: Equivalent Availability Rate (Hours) and Equivalent Availability Rate (MWh) target
The targets shown in Figure 5 have been revised to reflect anticipated changes in plant reliability as reflected in Columbia Power's most current Service Plan. In 2014/15 and 2015/16, there have been downward revisions in both availability hours and MWhs. Measure 2.1.1 includes a benchmark based on annual benchmarking study conducted by Navigant Consulting which is indicative of generation assets that are not under an entitlement energy purchase agreement. The benchmark for availability hours is much more relevant in facilities that are under non-entitlement commercial agreements. Comparable benchmarks for entitlement based entities are not available. The more relevant benchmark is the availability in MWhs as this measure is more indicative of the commercial viability of Columbia Power's generation assets.

For Arrow Lakes Generation Station the anticipated outages are due to the 10-year plant overhauls scheduled for this time period. The 2014/15 planned outages are estimated at 2,616 hours due to trash rack cleaning for both generation units and the planned dual outages during the 10-year overhaul of each unit. The provision for unplanned outages remains constant throughout the three years and the planned outage hours decreases to 1,632 hours in 2015/16 and 2016/17. For Brilliant Expansion, there are additional planned outages in 2015/16 for the needle beam installation.

Columbia Power staff handed out tree seedlings to elementary school children in Castlegar on Earth Day 2014

Measure 2.2: Operations, Maintenance and Administration Costs (OMA) ($ per MWh) target
Columbia Power OMA targets were developed internally with reference to an annual benchmarking study conducted by Navigant Consulting, providing an independent validation of benchmarks. The targets for OMA have been changed to reflect anticipated expenditures and net realized entitlement energy as reflected in the most current Service Plan.

Measure 4.1: Development of New Projects
Columbia Power has removed the previous goal "Implementation of the Strategic Plan" previously shown under Measure 4.1. This change aligns Goal 4 with the direction given by Government in its Letter of Expectations.

Performance Target Variances

Figure 5 reflects variances between actual 2013/14 results and 2013/14 targets reflected in the 2013/14 – 2015/16 Revised Service Plan.

Significant variances are as follows:

Measure 2.1.1: Equivalent Availability Rate (Hours):

This measure came in below the benchmark and target due to longer periods of planned outages for both Arrow Lakes Generating Station and Brilliant Expansion. The longer duration of planned outages was primarily due to the labour dispute between the operating and maintenance service provider and their labour force. Additional time was needed to catch up on preventative maintenance. Although this measure was not met, there are periods of time where outages can be taken with little impact on revenue due to the scheduling of entitlement. The more significant measure. 2.1.2. exceeded target as the generation assets came back on-line for the higher entitlement months.

Measure 2.2: Operations, Maintenance and Administration Costs (OMA) ($ per MWh) target

Columbia Power OMA target for Brilliant Expansion was exceeded significantly due to lower expenditures for operations and maintenance and administration and management and significantly higher entitlement received. Operating expenses were lower due to the labour dispute, while at the same time the provision for unplanned outages was seldom utilized as Brilliant Expansion experienced high reliability.

Measure 3.2: Return on Equity:

Columbia Power calculated the target return on equity based on its Service Plan projections. As of the date of the 2014/15 to 2016/17 Service Plan, the capital restructuring was anticipated to take place in June 2014. In conjunction with Ministry of Finance staff, Columbia Power identified a favourable market for the debt issuance and completed the restructuring in April 2014. The repayment of equity and dividend to the Province was recorded as a current liability as of March 31, 2014 lowering the equity position of the company as of March 31, 2014 and escalating the return on equity from the resultant lower denominator.

Measure 3.3: Free Cash Flow:

Free cash flow is the increase or decrease in working capital in any particular year. For 2013/14 Columbia Power had a positive free cash flow primarily from the lower than forecast spending in the equity accounted investees. The most significant difference was a $16.3 million lower capital expenditure for Waneta Expansion (see Figure 8).

One of the two turbine runners being installed at the Waneta Expansion Project

MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion & Analysis reviews the financial conditions and results of operations of Columbia Power for the fiscal year ended March 31, 2014 and should be read in conjunction with the Corporation's audited financial statements. Results in the 2013/14 Annual Report and financial statements are presented in accordance with International Financial Reporting Standards (IFRS).

Statements made in this Management Discussion & Analysis that describe Columbia Power's budgets, estimates, expectations, forecasts, objectives, predictions or projections of the future may be forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties, and actual actions and/or results could differ materially from those expressed or implied in such forward-looking statements.

The financial performance of Columbia Power and its joint venture and partner corporations in 2013/14 is summarized as follows:

- Total Consolidated net income exceeded budget by $1.8 million even in the face of some significant operational challenges due to the labour dispute that affected all the joint venture assets (excluding Waneta).
- BEPC's net income exceeded budget by $2.8 million. The increase in net income compared to budget is due primarily to $1.3 million in recovered costs associated with the resolution of deficiencies with the construction contractor in October 2013. In addition, net income is greater than forecast due to higher power sales as a result of minimal outages and lower operations and maintenance costs as a result of a labour dispute between BEPC's operations and maintenance service provider and its labour force. Net income was greater than the prior year due primarily to higher power sales (see Figure 11).
- ALPC experienced strong operating performance as a result of minimal unplanned outages and lower than budgeted operations and maintenance costs (see Figure 9).
- The results for WEPC were as expected.
- Capital spending on the Waneta Expansion Project was $16.3 million below forecast for 2013/14 as scheduled payments within the design-build contract did not materialize as forecasted (see Figure 8).

The financial outlook over the forecast period anticipates that Columbia Power will see a decrease in consolidated net income in 2014/15 due to the restructuring of Columbia Power's capital. In 2013, Columbia Power participated in a joint review with staff from the Ministry of Finance and Ministry of Energy and Mines to ensure the company has the appropriate capital structure to support its new joint development mandate. Recommendations were made to adjust Columbia Power's capital structure to reflect its long-term capacity to carry commercial debt. To achieve the restructuring, Columbia Power will borrow sufficient proceeds to repay the Province's initial investment, provide a return and retire an intercompany loan between Columbia Power and CBT Energy. The forecast reduction in net income for 2014/15 and the interest cost in subsequent years is a result of an anticipated annual interest expense of 5% or $15 million. The debt issuance was originally planned for June 2014; however, Columbia Power worked with the Ministry of Finance to secure financing earlier than that date to take advantage of favourable interest rates and assuring a lower long-term cost of debt. In April 2014, Columbia Power issued a $335 million debenture to the Province with a coupon rate of 3.2% and a yield to maturity of 3.831%. The capital restructuring takes into account the availability of funds for Columbia Power to continue operations and allows for adequate cash for working capital and new development projects.

After 2014/15, Columbia Power is projecting modest growth in net income in 2015/16 and more significant income growth for 2016/17. Revenues for each of the equity accounted operating companies will increase in accordance with the terms of their power sales agreements. Operating expenses are anticipated to be stable except for increases in project development costs related to the Joint Development Committee and other potential ventures. Project development costs related to initial identification phase work on new projects is anticipated to grow from $0.3 million in 2014/15 to $0.75 million in 2016/17. These costs are related to initial investigation work to explore projects that may or may not be viable for consideration under new project development.

Growth in net income for years subsequent to 2016/17 is expected to be strong as the Waneta Expansion Project is expected to commence operations and begin generating income in 2015/16. Commencing on January 1, 2016, ALPC will receive a higher price for power sales under the terms of the Electricity Purchase Agreement between ALPC and BC Hydro.

Forward looking projections presented in this financial overview do not include revenues from joint development projects nor the capital costs of potential projects. Columbia Power is projecting moderate spending on capital-related work for development projects as shown in the consolidated capital spending (Figure 8). Costs related to potential development projects that are not viable will be expensed in the year the decision is made to not proceed. This treatment of development costs may have an impact on net income in the years where development costs are expensed.

FINANCIAL OVERVIEW

The following financial overview presents the actual performance for prior years; the budget and actual performance for the current year 2013/14; and forecasts for 2014/15 to 2016/17. The financial overview includes:

For Columbia Power:
- Figure 6: Consolidated Statement of Income Forecast
- Figure 7: Proforma Consolidated Statement of Financial Position
- Figure 8: Consolidated Capital Spending

For the joint venture entities:
- Figures 9 through 11: Statement of Income Forecast (non-IFRS presentation)

CONSOLIDATED STATEMENT OF INCOME FORECAST

The actual performance for prior years and the budget and actual performance for 2013/14 are shown in Figure 6. The figure also includes forecasts for 2014/15 to 2016/17.

$ in thousands	2009/10 Actual (Note 1)	2010/11 Actual	2011/12 Actual (Note 2)	2012/13 Actual	2013/14 Actual	2013/14 Budget	Variance from Budget	Variance from Prior Year	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
OPERATING REVENUE											
Service Agreement	1,643	2,919	1,833	1,816	1,832	2,268	(436)	16	2,170	1,415	649
Management Fee	-	-	-	-	-	-	-	-	350	368	386
Income (Loss) from equity accounted investees:											
Arrow Lakes Power Corporation	6,853	7,877	(2,077)	(468)	67	(636)	703	535	(364)	1,516	16,170
Brilliant Power Corporation	9,019	9,366	9,495	9,997	10,334	10,408	(74)	338	10,793	11,202	11,614
Brilliant Expansion Power Corporation	8,590	10,131	7,786	9,329	11,292	9,880	1,412	1,963	9,719	10,713	10,654
Waneta Expansion Power Corporation	(7,705)	(8,997)	944	997	1,054	1,054	-	57	1,113	1,176	1,242
Waneta Expansion Limited Partnership	-	-	-	-	-	-	-	-	-	8,172	17,725
	16,757	18,377	16,148	19,855	22,747	20,706	2,041	2,893	21,261	32,779	57,405
Total Operating Revenue	18,400	21,296	17,981	21,671	24,579	22,974	1,605	2,909	23,781	34,562	58,440
OTHER EXPENSES											
Staff and Office Costs (Net of Recoveries):											
Salaries and Benefits	2,179	2,770	2,497	2,197	2,549	2,548	(1)	(352)	2,742	2,653	2,290
Office Costs	545	692	586	870	434	371	(63)	436	344	501	511
Project Development Costs	-	-	-	-	182	250	68	182	300	950	750
Community Sponsorship	82	82	84	88	85	85	-	3	95	95	95
Grants-In-Lieu	407	407	460	441	504	493	(11)	(63)	511	531	552
	3,213	3,951	3,627	3,596	3,754	3,747	(7)	(158)	3,992	4,730	4,198
EBITDA	15,187	17,345	14,354	18,075	20,825	19,227	(1,598)	2,751	19,789	29,832	54,242
AMORTIZATION AND FINANCING											
Interest Expense	-	2	1,130	1,140	1,143	1,133	10	(3)	11,250	15,000	15,000
Amortization of Property, Plant & Equipment	584	585	603	483	433	437	(4)	50	228	261	229
Less: Interest revenue	282	520	1,982	1,299	993	749	244	306	568	693	949
	302	67	(249)	324	583	821	238	(259)	10,910	14,568	14,280
Net Income	14,885	17,278	14,603	17,751	20,242	18,406	1,836	2,492	8,879	15,264	39,962

Figure 6

Notes:

1. The 2009/10 results have been estimated as those results were prepared under GAAP rather than IFRS.
2. As a result of minor prior period adjustments, the 2011/12 actual results presented in Figure 6 have been revised to correspond with the 2012/13 Audited Financial Statements. Refer to the Columbia Power 2012/13 Financial Statements, Note 4 - Prior period adjustments, for a summary of adjustments made to prior periods. Also, as a function of these adjustments, the results presented in Figure 6 differ marginally from the results shown in the 2013/14 - 2015/16 Revised Service Plan and the 2011/12 Annual Report.

PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figure 7 is the proforma consolidated statement of financial position of Columbia Power as at March 31 for prior years 2010-2013, the current year 2014, and forecast years 2015 to 2017.

$ in thousands	2010 (Note 1)	2011	2012	2013	2014	2015	2016	2017
ASSETS								
Current Assets	67,875	50,373	147,141	98,083	85,679	70,056	80,450	99,168
Non-current Assets:								
Restricted Cash	-	182	186	591	597	597	597	597
Sinking Fund (Note 2)	-	-	-	-	-	-	-	8,380
Investment in equity accounted investees	334,046	337,735	212,380	210,619	207,874	203,515	204,086	209,047
Investment in Waneta Expansion	-	34,994	94,790	159,353	192,153	220,750	224,809	224,809
Investment prior to limited partnership	-	-	1,325	1,325	1,325	1,325	1,325	1,325
Property, plant and equipment	2,442	2,195	1,586	1,165	793	815	574	410
Investment in new projects	-	-	-	-	-	3,500	6,287	16,647
	336,488	375,106	310,267	373,053	402,742	430,502	437,678	461,215
Total Assets	404,363	425,479	457,408	471,136	488,421	500,558	518,128	560,383
LIABILITIES AND SHAREHOLDER'S EQUITY (Note 3)								
Current Liabilities (Note 4)	1,139	8,977	8,406	6,379	305,313	7,125	6,426	5,700
Long-Term Debt (Note 5)	-	-	19,887	19,891	-	301,341	302,040	302,766
Equity								
Contributed surplus (Note 6)	276,065	276,065	276,065	276,065	26,065	26,065	26,065	26,065
Retained surplus	127,159	140,437	153,050	168,801	157,043	166,027	183,597	225,852
	403,224	416,502	429,115	444,866	183,108	192,092	209,662	251,917
Total Liabilities and Shareholder's Equity	404,363	425,479	457,408	471,136	488,421	500,558	518,128	560,383
Note: Debt issued by joint ventures								
ALPC	54,447	45,551	350,000	350,000	350,000	350,000	350,000	350,000
BPC	145,473	140,807	135,787	130,385	124,571	118,312	111,573	104,316
Total joint venture debt	199,920	186,358	485,787	480,385	474,571	468,312	461,573	461,573

Figure 7

Notes:

1. The 2009/10 results have been estimated as those results were prepared under GAAP rather than IFRS.
2. Within the 2014/15 - 2016/17 Service Plan, the Columbia Power capital restructuring included an annual sinking fund payment required to retire the anticipated $300 million issuance. In reviewing Columbia Power's cash flow and project development mandate, agreements were made to defer sinking fund payments for two years until the company's cash flow position had become more certain. Sinking fund balances do not begin to accumulate until fiscal 2016/17. Sinking fund payments are anticipated to be higher than 2014/15 - 2016/17 Service Plan due to anticipated lower reinvestment rate and larger amount borrowed.
3. Some numbers presented in Figure 7 vary from the 2014/15 - 2016/17 Service Plan due to minor adjustments for fiscal 2014 actual results from the forecasted 2013/14 results presented in the 2014/15 - 2016/17 Service Plan.
4. At March 31, 2014 there were $32 million in dividends payable (2013 - $2 million). Dividend payable of $30 million was declared by resolution of the Board of Directors on March 19, 2014 and paid on April 14, 2014. The resolution was made in response to the Corporation's capital restructuring.
5. In April 2014, Columbia Power issued a $335 million debenture to the Province. Long-term debt recorded on the Consolidated Statement of Financial Position is lower than the face value of the debt due to the deferred issuance costs and deferred discount.
6. On March 19, 2014, the Board of Directors resolved to repay $250 million in capital to the Shareholder in response to the Corporation's capital restructuring. This amount is shown as payable at March 31, 2014. Payment occurred on April 14, 2014. Refer to Note 16 of the Columbia Power Consolidated Financial Statements.

CONSOLIDATED CAPITAL SPENDING

Figure 8 is the consolidated capital spending for prior years 2009/10 to 2012/13, for current year 2013/14, and forecast years 2014/15 to 2016/17.

$ in thousands	2009/10 Actual (Note 1)	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Budget	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
Arrow Lakes Power Corporation	165	258	436	229	-	131	188	144	151
Brilliant Expansion Power Corporation	379	287	728	155	12	250	128	300	725
Brilliant Power Corporation	1,434	1,722	1,189	1,571	704	1,204	1,546	1,045	1,070
Waneta Expansion (Note 2)	5,253	36,370	61,320	65,496	33,475	49,722	28,650	4,059	-
Columbia Power Corporation	431	351	129	62	61	155	250	20	65
Other Development	-	-	-	-	-	3,650	3,500	2,787	10,360
Total	7,662	38,988	63,802	67,513	34,252	55,112	34,262	8,355	12,371

Figure 8

Notes:
1. The 2009/10 results have been estimated as those results were prepared under GAAP rather than IFRS.
2. Capital spending on Waneta Expansion was $16.3 million below forecast for 2013/14 as scheduled payments within the Design-Build contract did not materialize as forecast. The $16.3 million variance is forecast to be spent in 2014/15.

ARROW LAKES POWER CORPORATION
Statement of Income Forecast (non-IFRS presentation)

The statements of income from the joint venture entities ALPC, BPC and BEPC are shown in Figures 9 through 11. Budget to actual variances are explained where material.

$ in thousands	2009/10 Actual (Note 1)	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Budget	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
REVENUES									
Power Sales to BC Hydro	33,207	34,414	35,344	36,342	37,202	36,208	37,699	39,173	67,445
Grants-in-Lieu Recovery	250	267	279	294	313	300	306	312	319
Total Revenues	33,457	34,681	35,623	36,636	37,515	36,508	38,005	39,485	67,764
OPERATING EXPENSES									
Operations & Maintenance	1,919	1,878	2,811	3,957	3,693	3,777	4,597	3,459	2,822
Administration/Management	1,128	1,276	1,184	1,408	1,404	1,360	1,233	1,259	1,285
Insurance	440	443	430	484	515	475	485	495	505
Environmental	332	174	380	279	262	382	434	446	456
Grants-In-Lieu of Property Taxes	250	267	279	294	313	300	306	312	319
Water Rental	4,124	4,420	4,526	4,619	4,671	4,718	4,817	4,918	5,022
Other Professional Services	70	170	182	106	180	190	220	224	228
Operating Expenses	8,263	8,628	9,792	11,147	11,038	11,202	12,092	11,113	10,637
EBITDA	25,194	26,053	25,831	25,489	26,477	25,306	25,913	28,372	57,127
AMORTIZATION AND FINANCING EXPENSES									
Amortization of Power Sales Agreement	1,911	1,924	1,903	1,915	1,902	1,890	1,890	546	-
Amortization of Power Facility	6,160	5,494	5,532	5,459	5,347	5,522	5,523	5,532	5,539
Interest - Series A	3,086	2,600	-	-	-	-	-	-	-
Financing Expense - Series A	409	374	768	-	-	-	-	-	-
Bondholder Redemption Costs	-	-	2,837	-	-	-	-	-	-
Interest - Series B	-	-	19,316	19,306	19,322	19,306	19,306	19,306	19,306
Financing Expense - Series B	-	-	163	96	95	121	121	121	121
Less: Interest revenue	77	92	534	351	322	261	198	164	180
Amortization & Financing Expenses	11,489	10,300	29,985	26,425	26,344	26,578	26,642	25,341	24,786
Net Income (Loss)	13,705	15,753	(4,154)	(936)	133	(1,272)	(729)	3,031	32,341

Figure 9

Budget vs Actual Variances
EBITDA for ALPC shows a positive variance of $1.2 million as a result of significantly higher availability resulting in revenue of $1.0 million higher than anticipated and lower operating expenses as compared to budget of $0.2 million.

Notes:
1. The 2009/10 results have been estimated as those results were prepared under GAAP rather than IFRS.

BRILLIANT POWER CORPORATION
Statement of Income Forecast (non-IFRS presentation)

$ in thousands	2009/10 Actual (Note 1)	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Budget	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
REVENUES									
Lease Revenue:									
Brilliant Plant Capital Charges	25,717	26,222	26,711	27,092	27,530	27,494	27,874	28,248	28,595
Brilliant Terminal Station Capital Charges	2,253	2,259	2,234	2,200	2,168	2,171	2,120	2,078	2,028
Market Sales (Reg U/G)	2,075	1,322	1,278	1,422	1,478	1,439	1,439	1,439	1,439
Operating Revenue	9,721	10,605	10,391	10,708	10,835	12,348	12,030	11,698	12,024
Total Revenues	39,766	40,408	40,614	41,422	42,011	43,452	43,463	43,463	44,086
OPERATING EXPENSES									
Operations & Maintenance	1,525	1,869	1,821	1,851	1,997	2,931	2,492	1,971	2,104
Administration/Management	654	415	816	915	960	955	921	937	953
Insurance	402	398	405	441	496	433	470	478	486
Property Taxes	2,147	2,164	2,018	2,122	2,122	2,349	2,398	2,440	2,483
Water Rentals	5,234	5,597	5,639	5,737	5,781	5,869	5,993	6,119	6,247
Other Professional Services	197	201	275	166	143	287	188	191	194
Operating Expenses	10,159	10,644	10,974	11,232	11,499	12,824	12,462	12,136	12,467
EBITDA	29,607	29,764	29,640	30,190	30,512	30,628	31,001	31,327	31,619
AMORTIZATION AND FINANCING EXPENSES									
Interest on Bonds	11,267	10,908	10,556	10,145	9,732	9,671	9,274	8,781	8,248
Amortization of Rights	127	66	67	66	66	60	60	60	60
Amortization of Debt Issue Costs	235	236	259	235	233	207	207	207	207
Less: Interest revenue	59	177	232	249	187	125	125	125	125
Amortization & Financing Expenses	11,570	11,033	10,650	10,197	9,844	9,813	9,416	8,923	8,390
Net Income	18,037	18,731	18,990	19,993	20,668	20,815	21,585	22,404	23,229

Figure 10

Budget vs Actual Variances
Net income was lower than forecast mainly due to an adjustment to the current year accrual to lease receivable as a result of changes to interest calculations on year 10 to year 18 sustaining capital leases as per agreement with FortisBC.

Notes:
1. The 2009/10 results have been estimated as those results were prepared under GAAP rather than IFRS.

BRILLIANT EXPANSION POWER CORPORATION
Statement of Income Forecast (non-IFRS presentation)

$ in thousands	2009/10 Actual (Note 1)	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Budget	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
REVENUES									
Power Sales - BC Hydro	23,667	27,589	24,152	25,768	27,274	26,584	26,312	27,396	27,713
Power Sales - Market	2,615	1,888	2,085	3,055	3,567	3,636	3,570	3,355	3,355
EcoEnergy Grant	4,220	4,459	3,942	4,145	4,397	4,427	4,427	4,427	4,427
Grants-In-Lieu of Property Tax Recovery	159	176	181	191	203	189	193	197	201
Recovery of outage and repair costs (Note 2)		-	-	-	1,289	-	-	-	-
Total Revenues	30,661	34,112	30,360	33,159	36,730	34,836	34,502	35,375	35,696
EXPENSES									
Operations & Maintenance	1,618	2,632	3,022	3,573	3,186	3,478	3,604	2,503	2,834
Power Purchases	2,075	1,322	1,278	1,424	1,478	1,439	1,439	1,439	1,439
Administration/Management	2,080	1,462	1,850	1,512	1,379	1,527	1,354	1,382	1,411
Insurance	342	331	340	316	294	376	384	392	400
Environmental	224	250	100	222	191	452	466	352	348
Grants-In-Lieu of Property Taxes	159	176	181	191	203	189	193	197	201
Water Rentals	1,732	2,289	2,374	2,152	2,381	2,446	2,497	2,550	2,603
Other Professional Services	139	153	356	230	191	163	109	112	113
Operating Expenses	8,369	8,615	9,501	9,620	9,303	10,070	10,046	8,927	9,349
EBITDA	22,292	25,497	20,859	23,539	27,427	24,766	24,456	26,448	26,347
AMORTIZATION AND FINANCING EXPENSES									
Amortization of Expansion Rights	524	523	523	523	523	523	523	523	523
Amortization of Power Facility	4,416	4,453	4,477	4,496	4,480	4,532	4,544	4,550	4,565
Interest Expense	197	338	406	-	-	-	-	-	-
Less: Interest revenue	24	78	118	138	161	50	50	50	50
Amortization & Financing Expenses	5,113	5,236	5,288	4,881	4,842	5,005	5,017	5,023	5,038
Net Income	17,179	20,261	15,571	18,658	22,585	19,761	19,439	21,425	21,309

Figure 11

Budget vs Actual Variances

BEPC's net income of $22.6 million during fiscal year ended March 31, 2014, compared to forecast for the fiscal year at $19.8 million. The increase in net income compared to budget is due primarily to $1.3 million in recovered costs associated with the resolution of deficiencies with the construction contractor in October 2013. In addition, net income is greater than forecast due to higher power sales as a result of minimal outages and lower operations and maintenance costs as a result of a labour dispute between BEPC's operations and maintenance service provider and its labour force. Net income was greater than the prior year due primarily to higher power sales.

Notes:

1. The 2009/10 results have been estimated as those results were prepared under GAAP rather than IFRS.
2. Revenues for BEPC show a separate line item due to the receipt of a recovery of costs associated with the resolution of issues with the construction contractor. This item is shown as part of other income in the Consolidated Financial Statements and is not shown separately.

RISK MANAGEMENT

Columbia Power's power projects operate in a domestic power market where there is a single dominant wholesale purchaser (BC Hydro) as well as independent power producers. Long-term firm transmission capacity to adjacent power markets in Alberta and the US Pacific Northwest is limited. The operating environment is complex and includes federal and provincial regulators, an international treaty—as well as local, regional, American and First Nations stakeholders.

Columbia Power has successfully managed the construction to completion of two power projects: the Arrow Lakes Generating Station and the Brilliant Expansion, as well as a complete upgrade at its Brilliant Dam facility. It is currently managing the Waneta Expansion Project which is, on a forecast basis, on-budget and on-schedule. Columbia Power has expertise in all aspects of hydroelectric project development, including: feasibility assessment, community consultation, permitting, procurement, contract negotiations, risk allocation, construction oversight, commissioning, operations, and has the capacity to meet its goals and objectives.

Key Strategic Issues

The key strategic issues Columbia Power is facing include:

- Managing construction of the Waneta Expansion Project until commercial operation begins in 2015 and through to Final Acceptance (three years)—safely, on-schedule and on-budget, while meeting community, First Nations and environmental commitments. The expertise of staff in Design-Build construction projects, together with their relationships with public and private partners, provincial, regional and local governments, First Nations and private-sector utility, construction, engineering and allied firms, is vital to the success of the project.
- Continuing to effectively and efficiently manage the joint venture assets owned with Columbia Basin Trust, including major hydroelectric facility owner's risks of safety, equipment availability and the environment.
- Ensuring expected revenues are met through the reliable performance of generating assets.
- Ensuring on-going support for the power projects with local and regional community stakeholders and First Nations.
- Continuing work on identifying potential future projects in collaboration with the Ministry of Energy and Mines, BC Hydro and local stakeholders to take advantage of Columbia Power's expertise and experience.

See Figure 12 for a detailed list.

RISK MANAGEMENT		
RISK	**ISSUE/IMPACT**	**RESULTS DURING 2013/14**
Waneta Expansion On-Schedule	Failure to adhere to the construction schedule will impact on the timing of when future revenues are received and could result in claims.	• Construction of the Waneta Expansion Project is proceeding on-schedule with focus on construction of the powerhouse and construction of the transmission line. • Columbia Power actively monitors the progress of construction and works with the contractor to ensure the project will be completed on-schedule.
Waneta Expansion On-Budget	Failure to adhere to the construction schedule will impact project economics.	• Construction of the Waneta Expansion Project is proceeding on-budget, with an adequate contingency in place for risk items and unforeseen events. • Columbia Power actively monitors the progress of construction and works with the contractor to ensure the project will be completed on-budget. • Columbia Power, as Owner's Representative, holds monthly budget forecast meetings to review project costs, risks and forecast.
Waneta Expansion Entitlement/ Canal Plant Agreement Renegotiations	The renewed and extended Canal Plant Agreement between BC Hydro, Columbia Power, FortisBC Inc. and Teck, which came into effect in April 2006, provides for the Waneta Expansion. The Agreement runs until at least December 31, 2035.	Amended and restated Canal Plant Agreement was renegotiated in 2012/13 to include Waneta Expansion.
Waneta Expansion Impact on Communities	A positive relationship with local communities is maintained during construction. Impacts to the local area are independently monitored.	A Community Impact Management Committee was established at the beginning of the project to deal with any community issues with respect to the project that may arise. An independent Socio-Economic Monitor reports monthly, quarterly and annually on the project's social and economic impacts to the local area.
Regulatory Risk	• Columbia Power/the Trust facilities are subject to regulatory risk, evolving interpretation of existing regulations, and changes to industry standards. • The recovery strategy for white sturgeon was finalized in early 2014 and a critical habitat protection order is anticipated in September 2014. Critical habitat has been identified below all Columbia Power/the Trust facilities and WAX. The potential impact on facility operations is not yet fully understood.	• Significant changes were made to several pieces of Federal environmental legislation in 2012, including the *Fisheries Act,* and revised provisions came into effect in November 2013. Columbia Power worked through industry associations to provide input to the development of new regulations and policy. • Columbia Power provided comments on the draft recovery strategy for white sturgeon. Columbia Power is working with other hydro operators and with the Department of Fisheries and Oceans on a conservation agreement and possible permits to address compliance issues with Columbia Power/the Trust facilities and WAX. • Columbia Power continues to closely monitor legislative changes and to carry out studies related to the impacts of Columbia Power/the Trust facilities and WAX. • In 2014, Columbia Power engaged an independent auditor to perform a compliance audit on its environmental, health and safety performance which found no major non-conformances.

Figure 12
(continued on next page)

RISK	ISSUE/IMPACT	RESULTS DURING 2013/14
Plant Reliability	Plant outage risk for the Brilliant facility is transferred to FortisBC Inc. as the power purchaser/plant operator under terms of the Brilliant Power Purchase Agreement. ALPC and BEPC revenues are affected by reliability—under the power sales agreements when the plants are not available, the joint ventures do not receive payment based on their entitlements. For example: • If the Arrow Lakes plant outage factor were to increase by 1 percentage point, revenues and net income would have declined by $366,000 in 2013/14. • If the Brilliant Expansion outage factor were to increase by 1 percentage point, revenues and net income would have declined by $340,000 in 2013/14.	• All power projects carry business interruption, property and liability insurance. • Columbia Power oversees plant operations and maintenance, including the planning and execution of annual maintenance outages during low revenue periods, all with a view to maximizing reliability. • Both Arrow Lakes Generating Station and Brilliant Expansion met or exceeded reliability targets in 2013/14.
Interest Rate Risk	Higher interest rates could negatively impact the cost of new project debt, project net income and the economics and ability to finance the Waneta Expansion Project.	$350 million 5.516% Arrow Lakes Series B bonds were issued in April 2011. Columbia Power also borrowed $20 million from CBT Energy in 2011/12 at terms similar to the Arrow Lakes bonds. The borrowing from CBT Energy was repaid in April 2014. This financing fixes the interest cost to Columbia Power for the investment in the Waneta Expansion and new project development.
Availability of Funds	Leveraging of the Arrow Lakes joint venture asset was required for completion of the Waneta Expansion and future projects.	$350 million 5.516% 30-year Arrow Lakes Series B bonds were issued in April 2011. Columbia Power also borrowed $20 million from CBT Energy in 2011/12 at terms similar to the Arrow Lakes bonds. This borrowing from CBT Energy was repaid in April 2014. This financing is sufficient to fund Columbia Power's obligations to the Waneta Expansion Limited Partnership and to provide reserves for contingencies and new project development.
Social License	Public, government, First Nations and community perception of Columbia Power impacts Columbia Power's ability to obtain project permits and attract resources and partners for current and future projects.	• Columbia Power regularly engages with stakeholder groups to build and maintain effective relationships and awareness of stakeholder interests. • The Waneta Expansion Project has a Community Impact Management Committee which meets monthly to address community issues. An independent Socio-Economic Monitor reports monthly, quarterly and • annually on the project's social and economic impacts to the local area.
Attracting and Maintaining Key Staff	Columbia Power requires the capacity to effectively manage existing facilities, construction projects and new project development.	Columbia Power filled key vacancies in 2013/14 and, within Public Service Employer Council guidelines, continues to engage in employee development and other initiatives to retain critical staff.
Labour risk (new)	Columbia Power's ability to ensure reliable plant operations and effective construction project delivery depends on the availability of a qualified and experienced workforce.	Columbia Power has ongoing liaison with Allied Hydro Council (AHC), Columbia Hydro Constructors (CHC) and trade unions. For the construction labour agreement on the WAX project, there is a "no strike" clause, which significantly reduces the risk of a strike on this project. For the operations agreements with FortisBC, coverage was performed by management during a labour dispute which occurred from June to December 2013.

Figure 12
(continued from previous page)

Columbia Power Corporation

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2014

COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

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COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

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.

Frank Wszelaki
President and CEO

David de Git, CMA
Director, Finance

May 21, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Columbia Power Corporation, and
To the Minister of Energy and Mines and Minister Responsible for Core Review,
Province of British Columbia

I have audited the accompanying consolidated financial statements of Columbia Power Corporation, its subsidiary and its joint ventures (“the Entity”), which comprise the consolidated statement of financial position as at March 31, 2014, 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.

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, 2014, 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 21, 2014

Russ Jones, MBA, CPA, CA
Auditor General

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

	Notes	March 31, 2014	March 31, 2013	April 1, 2012
Assets				
Current assets				
Cash and cash equivalents	9	$ 10,094	$ 6,306	$ 40,575
Accounts receivable	10	979	1,142	6,505
Prepaid expense		49	8	10
Other investments	11	74,557	90,627	100,051
Total current assets		85,679	98,083	147,141
Non-current assets				
Restricted cash	9	597	591	186
Investment in equity accounted joint arrangements	4, 6	207,874	210,619	212,834
Investment prior to limited partnership	8	1,325	1,325	1,325
Investment in Waneta Expansion Limited Partnership	4, 8	192,153	159,353	94,336
Property, plant & equipment	12	793	1,165	1,586
Total non-current assets		402,742	373,053	310,267
TOTAL ASSETS		$ 488,421	$ 471,136	$ 457,408
Liabilities and Shareholder's Equity				
Current liabilities				
Accounts payable and accrued liabilities	13	$ 3,419	$ 4,379	$ 6,406
Payable to equity holder	16	250,000	-	-
Dividends payable	22	32,000	2,000	2,000
Loans and borrowings	14	19,894	-	-
Total current liabilities		305,313	6,379	8,406
Non-current liabilities				
Loans and borrowings	14	-	19,891	19,887
Total non-current liabilities		-	19,891	19,887
Equity				
Share capital	15	-	-	-
Contributed surplus	16	26,065	276,065	276,065
Retained earnings	4	157,043	168,801	153,050
Total Equity		183,108	444,866	429,115
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		$ 488,421	$ 471,136	$ 457,408
Commitments	25			
Contingencies	26			

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 years ended March 31
(Expressed in thousands of Canadian dollars)

	Notes	2014	2013
Revenue	17	$ 1,832	$ 1,816
Other income	6	22,747	19,855
Depreciation expense	12	(433)	(483)
Other expenses	20	(3,754)	(3,596)
Results from operating activities		20,392	17,592
Finance income	18	993	1,299
Finance costs	19	(1,143)	(1,140)
Net finance income		(150)	159
Net comprehensive income for the year		$ 20,242	$ 17,751

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

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

	Notes	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at April 1, 2012			$ 276,065	$ 153,050	429,115
Net comprehensive income for the year			-	17,751	17,751
Dividend to equity holder	22		-	(2,000)	(2,000)
Balance at March 31, 2013		-	$ 276,065	$ 168,801	$ 444,866
Balance at April 1, 2013			$ 276,065	$ 168,801	444,866
Net comprehensive income for the year			-	20,242	20,242
Return of capital to equity holder	16		(250,000)	-	(250,000)
Dividends to equity holder	22		-	(32,000)	(32,000)
Balance at March 31, 2014		-	$ 26,065	$ 157,043	$ 183,108

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	2014	2013
Cash flows from operating activities			
Net comprehensive income for the year		$ 20,242	$ 17,751
Adjustments to reconcile cash flow from operations			
Amortization of property, plant and equipment		433	483
Ineligible costs capitalized in WELP		67	-
Interest income		(993)	(1,299)
Interest expense		1,143	1,140
Other income		(22,747)	(19,855)
Net change in non-cash working capital balances			
Accounts receivable		163	5,363
Prepaid expense		(41)	2
Accounts payable and accrued liabilities		(961)	(2,026)
Net cash from operating activities		(2,694)	1,559
Cash flows from financing activities			
Interest paid		(1,140)	(1,137)
Dividends paid		(2,000)	(2,000)
Net cash used in financing activities		(3,140)	(3,137)
Cash flows from investing activities			
Interest received		993	1,299
Dividends received		26,000	22,550
(Purchase)/sale of temporary investments		16,070	9,424
Investment in limited partnership		(33,374)	(65,496)
(Acquisition)/disposal of property, plant and equipment		(61)	(63)
Net cash used in investing activities		9,628	(32,286)
Increase (decrease) in cash and cash equivalents		3,794	(33,864)
Cash and cash equivalents, beginning of year		6,897	40,761
Cash and cash equivalents, end of year		$ 10,691	$ 6,897
CASH CONSISTS OF:			
Restricted cash	9	597	591
Cash available for operations	9	10,094	6,306
		$ 10,691	$ 6,897

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

1. Reporting entity:

Columbia Power Corporation (CPC) is a company incorporated in British Columbia and domiciled in Canada. The address of CPC's registered office is Suite #200, 445 – 13th Avenue, Castlegar, British Columbia. CPC is wholly owned by the Province of British Columbia (the Province). As an agent for the Province, CPC is 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 (CBT), also wholly owned by the Province.

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

CPC 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. CPC'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, 2014, and the comparative information presented in these consolidated financial statements for the year ended March 31, 2013.

The consolidated financial statements were authorized for issue by the board of directors on May 21, 2014.

(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.

2. Basis of preparation (continued):

(c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is CPC'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 26 – Provisions, and Contingencies.

(e) Determination of fair values:

Certain of CPC's accounting policies and disclosures require the determination of fair value, for financial assets and liabilities. The fair value of accounts receivable, due from joint venture investee, accounts payable and accrued liabilities, and loans and borrowings 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 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.

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 CPC entities.

(a) Basis of consolidation:

These consolidated financial statements and notes include CPC's operations, account balances and operations of CPC'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 CPC and its wholly owned subsidiary, CPC Waneta. CPC 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 CPC has joint control, established by contractual agreement (see note 5).

Associates are those entities in which CPC has significant influence, but not control (or joint control), over the financial and operating policies (see note 7). Significant influence is presumed to exist when CPC 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 CPC's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of CPC, from the date that joint control or significant influence commences until the date that joint control or significant influence ceases. When CPC'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 CPC has an obligation or has made payments on behalf of the investee.

(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 CPC'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.

3. Significant accounting policies (continued):

(b) Foreign currency transactions:

Transactions in foreign currencies are translated to the functional currency of CPC 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:

CPC 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 CPC becomes a party to the contractual provisions of the instrument.

CPC 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 CPC 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, CPC 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.

CPC has the following non-derivative financial assets: financial assets at fair value through profit or loss, and loans and receivables.

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 CPC manages such investments and makes purchase and sale decisions based on their fair value in accordance with CPC'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.

3. Significant accounting policies (continued):

(c) Designation of financial instruments (continued):

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

Loans and receivables:

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.

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

(ii) Non-derivative financial liabilities:

CPC 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 CPC becomes a party to the contractual provisions of the instrument.

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

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

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these 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) 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.

3. Significant accounting policies (continued):

(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 in profit or loss.

(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 CPC, 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. 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.

3. Significant accounting policies (continued):

(f) Leased assets:

Leases for which CPC 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.

(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 CPC on terms that CPC 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 CPC’s financial assets are impaired as at March 31, 2014 and March 31, 2013.

(ii) Non-financial assets:

The carrying amounts of CPC’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.

Management has determined that there is no evidence indicating that CPC’s non-financial assets are impaired as at March 31, 2014 and March 31, 2013.

3. Significant accounting policies (continued):

(h) Employee benefits:

(i) Defined contribution plan benefits and employee benefits:

Pension plans are detailed in note 21 and are 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:

CPC's net obligation in respect of long-term employee benefits other than pension plans 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 CPC 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, CPC 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.

At March 31, 2014 and March 31, 2013, management determined that CPC does not have any legal or constructive obligations requiring a provision.

(j) Government grants:

The amounts recognized in contributed surplus, per note 16, reflect contributions made by the Province in its capacity of shareholder to CPC.

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, 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) Income tax:

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

(m) 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, 2014, 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 CPC's financial statement disclosures from the number of annual improvements. The following standards, which management has determined are more relevant to CPC, have been published but are not effective until CPC's accounting periods beginning after January 1, 2014.

(i) Financial instruments:

IFRS 9, Financial Instruments was issued in October 2010 and replaces 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. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. As of the reporting date, management is assessing the impact of the standard on CPC's financial statement disclosures.

An amended version of IAS 32, Financial Instruments: Presentation - *Offsetting Financial Assets and Financial Liabilities* was issued In December 2011 and provides clarification to the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for periods beginning on or after January 1, 2014. As of the reporting date, management has determined there will be no significant impact of this revised standard on CPC's financial statements.

3. Significant accounting policies (continued):

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

(ii) Impairment of Assets:

IAS 36, Impairment of Assets has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in May 2013. The amendments more accurately reflect the IASB's previous decision to require the disclosure of the recoverable amount of impaired assets and additional disclosure about the measurement of the recoverable amount of the impaired assets. The amendments are effective for annual periods beginning on or after January 1, 2014. As of the reporting date, management has determined there will be no impact of this revised standard on CPC's financial statements.

4. Change in accounting policy:

As described in note 3, IFRS requires unrealized income and expenses arising from intra-Company transactions with equity accounted investees to be eliminated in preparing the consolidated financial statements to the extent that one of the parties has capitalized the unrealized income or expenses. As such, CPC's policy has been to eliminate its share of interest income on WEPC's promissory note to the extent it has been capitalized in WELP (see descriptions of WEPC and WELP in notes 5, 7 and 8). Since fiscal 2012, CPC has applied this elimination entry against its investment in WEPC. Under this policy, CPC would recognize a gain of $5.5 million, equivalent to the cumulative amount of interest eliminated on consolidation, at the time the promissory note matures in 2020. Management has determined that a preferable policy would be to apply the elimination entry against CPC's investment in WELP, where the promissory note interest has been capitalized as part of property, plant and equipment under construction. Once the property, plant and equipment in WELP are put into use and being depreciated, the cumulative eliminated interest income on the promissory note will be reversed at the same rate as these assets in WELP are being depreciated.

4. Change in accounting policy (continued):

On the statement of financial position, this change in accounting policy will cause the Investments in equity accounted investees account to increase and the Investment in WELP account to decrease by $453 thousand on April 1, 2012 and $933 thousand on March 31, 2013. There is no impact on comprehensive income or retained earnings in either of those years.

($ in thousands)	Investment in equity accounted joint arrangements	Investment in WELP	Retained earnings
Balances at April 1, 2012 as previously stated	212,380	94,789	153,050
Impact of change in accounting policy	453	(453)	-
Balances at April 1, 2012 as restated	**212,834**	**94,336**	**153,050**
Balances at March 31, 2013 as previously stated	209,686	160,286	168,801
Impact of change in accounting policy	933	(933)	-
Balances at March 31, 2013 as restated	**210,619**	**159,353**	**168,801**

5. Description of equity accounted joint arrangements:

CPC carries out its mandate to develop and operate hydro electric 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.

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

All three corporations are jointly owned on a 50/50 basis by CPC and one of CBT'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.

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, CPC'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 CPC (58%) and CBT Energy Inc. (42%) (a subsidiary of CBT). Given that CPC and CBT Energy Inc. share control over decision-making on a 50/50 basis, CPC 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. Since that date the sole purpose of WEPC is to hold the promissory note to the end of its term in 2020.

6. Summary financial information for equity accounted joint arrangements:

CPC's share of profit in its equity accounted joint arrangements for the year was $22,747 thousand (2013: $19,855 thousand) as follows:

For the year ended March 31 ($ in thousands)		**2014**	**2013**
BPC	50%	10,334	9,997
ALPC	50%	67	(468)
BEPC *	50%	11,292	9,329
WEPC	58%	1,054	997
		22,747	19,855

* Included in BEPC's profit in fiscal 2014 is a $1.2 million settlement from the design-build contractor to compensate for outages and repair costs incurred since commencement of operations at the Brilliant Expansion power facility due to equipment reliability issues. The settlement was accepted by BEPC's board of directors in July of 2013 and resulted in the final acceptance of the Brilliant Expansion power facility in October 2013. As part of the settlement, BEPC was also not required to pay an invoice of $89 thousand to one of the design-build contractor's suppliers. CPC's share of the total settlement is $694.5 thousand.

In 2014, CPC received $26,000 thousand in dividends from its investments in equity accounted joint arrangements (2013: $22,550 thousand) as follows:

For the year ended March 31 ($ in thousands)	**2014**	**2013**
BPC	5,300	5,200
ALPC	6,250	5,100
BEPC	14,450	12,250
	26,000	22,550

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

The following information has **not been adjusted** for the percentage ownership held by CPC:

($ 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, 2013											
BPC	50%	13,338	314,367	327,705	11,672	122,409	134,081	193,624	41,671	(21,678)	19,993
ALPC	50%	23,599	262,976	286,575	10,648	347,361	358,009	(71,434)	36,987	(37,923)	(936)
BEPC	50%	13,344	231,887	245,231	1,429	-	1,429	243,802	33,297	(14,639)	18,658
WEPC	58%	-	47,708	47,708	-	-	-	47,708	2,547	-	2,547
		50,281	856,938	907,219	23,749	469,770	493,519	413,700	114,502	(74,240)	40,262
March 31, 2014											
BPC	50%	15,813	317,406	333,219	13,144	116,383	129,527	203,692	42,198	(21,530)	20,668
ALPC	50%	23,181	251,527	274,708	11,055	347,454	358,509	(83,801)	37,837	(37,704)	133
BEPC	50%	12,369	226,920	239,289	1,802	-	1,802	237,487	36,891	(14,306)	22,585
WEPC	58%	-	50,400	50,400	-	-	-	50,400	2,692	-	2,692
		51,363	846,253	897,616	26,001	463,837	489,838	407,778	119,618	(73,540)	46,078

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

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

($ in thousands)	Ownership	Cash and Cash Equivalents	Current Financial Liabilities	Non-current Financial Liabilities	Depreciation and Amortization	Interest Income	Interest Expense
March 31, 2013							
BPC	50%	11,040	1,583	122,409	(66)	29,541	(10,380)
ALPC	50%	37,989	-	347,361	(7,374)	351	(19,402)
BEPC	50%	9,297	-	-	(5,019)	138	(28)
WEPC	58%	-	-	-	-	2,547	-
		58,326	1,583	469,770	(12,459)	32,577	(29,810)
March 31, 2014							
BPC	50%	13,373	1,839	116,383	(66)	29,885	(9,965)
ALPC	50%	34,167	-	347,454	(7,249)	322	(19,417)
BEPC	50%	9,355	-	-	(4,480)	161	(20)
WEPC	58%	-	-	-	-	2,692	-
		56,895	1,839	463,837	(11,795)	33,060	(29,402)

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 (See note 4)	Total
Net assets of equity accounted joint arrangements at April1, 2012	184,031	(60,298)	249,644	45,161	418,538
CPC's share	50%	50%	50%	58%	
	92,016	*(30,149)*	*124,822*	*26,193*	*212,882*
*Less: elimination entry**	-	*(48)*	-	-	*(48)*
Investment in equity accounted joint arrangements at April 1, 2012	**92,016**	**(30,197)**	**124,822**	**26,193**	**212,834**
Contributions	-	-	-	-	-
Dividends paid	(10,400)	(10,200)	(24,500)	-	(45,100)
Profit/loss	19,993	(936)	18,658	2,547	40,262
Net assets of equity accounted joint arrangements at March 31, 2013	193,624	(71,434)	243,802	47,708	413,700
CPC's share	50%	50%	50%	58%	
	96,812	*(35,717)*	*121,901*	*27,671*	*210,667*
*Less: elimination entry**	-	*(48)*	-	-	*(48)*
Investment in equity accounted joint arrangements at March 31, 2013	**96,812**	**(35,765)**	**121,901**	**27,671**	**210,619**
Contributions	-	-	-	-	-
Dividends paid	(10,600)	(12,500)	(28,900)	-	(52,000)
Profit/loss	20,668	133	22,585	2,692	46,078
Net assets of equity accounted joint arrangements at March 31, 2014	203,692	(83,801)	237,487	50,400	407,778
CPC's share	50%	50%	50%	58%	
	101,846	*(41,901)*	*118,744*	*29,232*	*207,921*
*Less: elimination entry**	-	*(47)*	-	-	*(47)*
Investment in equity accounted joint arrangements at March 31, 2014	**101,846**	**(41,948)**	**118,744**	**29,232**	**207,874**

***** The elimination entry represents interest charged by CPC to ALPC on funding provided by CPC 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.

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

CPC 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. CPC 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 CBT (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. Summarized financial information for WELP is included in note 8.

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 CBT 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 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 CPC and CPC Waneta.

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

Cash contributions are as follows:

($ in thousands)	2014	2013
Opening balance at April 1 (see note 4)	159,353	94,337
Cash contributions	33,475	65,702
Less: ineligible costs *	(67)	-
Less: elimination entries **	(608)	(686)
Investment in WELP	32,800	65,016
Total cumulative investment in WELP	**192,153**	**159,353**

* Costs ineligible for capitalization under IFRS.

** CPC's portion of management fees and cost recoveries charged by CPC to WELP (2013 - $206 thousand, 2014 - $101 thousand). Also, CPC's portion of interest from WEPC's promissory note capitalized as PP&E in WELP (2013 - $480 thousand, 2014 - $507).

Summarized financial information of WELP is included in the following table. Summary financial information has been adjusted to conform to accounting policies adopted by CPC and CPC Waneta. The fair value of the investment in WELP is not available.

($ in thousands)	2014	2013
Current assets	29,313	31,803
Non-current assets	631,304	517,677
Total assets	**660,617**	**549,480**
Current liabilities	12,389	6,944
Non-current liabilities	50,400	47,708
Partner equity	597,828	494,828
Total liabilities and partner equity	**660,617**	**549,480**

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	2014	2013
Accounts receivable from related parties	28	886	1,069
Other accounts receivable		93	73
		979	1,142

CPC's exposure to credit risks and impairment losses related to accounts receivable is disclosed in note 23.

11. Other investments:

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

12. Property, plant and equipment:

($ in thousands)	Leasehold improvements	Furniture and equipment	Vehicles	Computers and Software	Total
Cost					
Balance, April 1, 2012	1,261	806	185	1,019	3,271
Additions	-	-	-	62	62
Disposals	-	-	46	-	46
Balance, March 31, 2013	1,261	806	139	1,081	3,287
Balance, April 1, 2013	1,261	806	139	1,081	3,287
Additions	6	-	18	37	61
Disposals	-	-	-	-	-
Balance, March 31, 2014	1,267	806	157	1,118	3,348
Depreciation					
Balance, April 1, 2012	348	466	167	704	1,685
Depreciation for the year	126	164	6	187	483
Disposals	-	-	46	-	46
Balance, March 31, 2013	474	630	127	891	2,122
Balance, April 1, 2013	474	630	127	891	2,122
Depreciation for the year	127	149	5	152	433
Disposals	-	-	-	-	-
Balance, March 31, 2014	601	779	132	1,043	2,555
Carrying amounts					
March 31, 2013	787	176	12	190	1,165
March 31, 2014	666	27	25	75	793

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

13. Accounts payable and accrued liabilities:

($ in thousands)	Notes	2014	2013
Accounts payable to related parties		1,142	1,385
Accrued interest owing to related party		551	551
Sub-total	28	1,693	1,936
Management bonuses		-	175
Executive holdback		43	-
Other accounts payable		1,683	2,268
Total accounts payable and accrued liabilities		3,419	4,379

CPC's exposure to liquidity risk related to trade and other payables is disclosed in note 23.

14. Loans and borrowings:

This note provides information about the contractual terms of CPC's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about CPC's exposure to interest rate and liquidity risk, see note 23.

($ in thousands)	2014	2013
Promissory note	20,000	20,000
Less: borrowing costs	(106)	(109)
	19,894	19,891

On April 5, 2011, CBT Energy Inc. advanced $20 million cash to CPC in the form of a promissory note to assist CPC with cashflow requirements. The promissory note bears interest at 5.67% and has a 30 year term, similar to terms of the ALPC Series B bonds with interest only payable until April 5, 2016. The promissory note is unsecured and may be prepaid in whole or in part at any time without notice, penalty or bonus.

($ in thousands)	Coupon rate	Effective rate	Year of maturity	2014	2013
Promissory note	5.67%	5.72%	2041	19,894	19,891

As described in notes 16 and 27, CPC repaid the promissory note on April 14, 2014. As such, the promissory note has been reclassified as a current liability at March 31, 2014.

15. Capital:

At March 31, 2014 and March 31, 2013, CPC has 6 common shares authorized with no par value and issued for $6 dollars.

16. Contributed surplus and Payable to equity holder:

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

In 2013, CPC participated in a joint review by staff from the Ministry of Finance and Ministry of Energy and Mines to ensure the company has the appropriate capital structure to support its joint development mandate. Recommendations were made to adjust CPC's capital structure to reflect its capacity to carry commercial debt.

On March 19, 2014, the board of directors approved repayment to the Province of $250 million of contributed capital, payment of a $30 million dividend (see note 22) and repayment of $20 million borrowed by CPC from CBT Energy (see note 14). These amounts are shown as current payables at March 31, 2014. Payment occurred on April 14, 2014 when CPC received $300,667,000 in net proceeds from borrowing from the Province (see note 27).

For the year ended March 31 ($ in thousands)	**2014**	**2013**
Current Liabilities		
Payable to equity holder	250,000	-
Equity		
Contributed surplus	26,065	276,065

17. Revenue:

For the year ended March 31 ($ in thousands)	**2014**	**2013**
Management fees	90	364
Recovery of costs incurred on behalf of WELP	1,843	1,658
	1,933	2,022
Less: elimination entry*	(101)	(206)
	1,832	1,816

*CPC's portion of management fees and cost recoveries charged by CPC to WELP (also see note 8).

18. Finance income:

For the year ended March 31 ($ in thousands)	2014	2013
Interest on bank accounts	65	99
Interest on other investments	928	1,200
	993	1,299

19. Finance costs:

For the year ended March 31 ($ in thousands)	2014	2013
Bank fees	6	2
Financing costs	4	4
Interest on loans and borrowings	1,133	1,134
	1,143	1,140

20. Other expenses:

For the year ended March 31 ($ in thousands)	Notes	2014	2013
Development costs expensed		67	-
Insurance		10	10
Administration and management		3,088	3,057
Community sponsorship		85	88
Grants-in-lieu of property taxes		504	441
		3,754	3,596

21. Employee benefits:

CPC 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 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. The latest actuarial valuation, conducted in March 2011, determined that PSPP has assets of $17.8 billion as compared to liabilities of $18.0 billion. As a result, there was a relatively small contribution rate increase to the PSPP for both the employers and plan members starting in fiscal 2013. The PSPP Board of Trustees was required to implement a contribution rate increase of 0.40% of salary each, for plan members and employers to meet the funding requirements of the Pension Benefits Standards Act. The increases were effective as of April 1, 2012. Contributions to PSPP by CPC in fiscal 2014 were $354 thousand (2013 - 363 thousand).

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

CPC maintains an executive pension benefit plan (EPBP). Pension payments from the EPBP commenced in January 2006 upon retirement of CPC's former President. CPC valued the pension liability at March 31, 2014 as $168 thousand (2013 - $179 thousand) on a discounted cash flow basis at a 5.5% discount rate.

22. Dividends:

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

For the year ended March 31 ($ in thousands)	**2014**	**2013**
$5.33 million per qualifying common share (2013: $333 thousand)	32,000	2,000

At March 31, 2014 there are $32 million in dividends payable (2013 - $2 million). Dividends payable of $2 million were declared in a resolution by the board of directors on March 19, 2014, to be paid no later than June 30, 2014. On the same day, the board authorized payment of a $30 million dividend which was paid on April 14, 2014 (see notes 16 and 27).

23. Financial instruments:

(a) Financial risk management:

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

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

This note presents information about CPC's exposure to each of the above risks, CPC's objectives, policies, and processes for measuring and managing risk, and CPC'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 CPC does not consider itself to be significantly exposed to credit risk.

The percentage of accounts receivable balance older than 90 days is 0% (2013: 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)	**2014**	**2013**
	Carrying amounts	
Cash and cash equivalents	10,094	6,306
Restricted cash	597	591
Accounts receivable	979	1,142
Other investments	74,557	90,627
	86,227	98,666

23. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk refers to the risk that CPC will encounter difficulty in meeting obligations associated with financial liabilities. CPC regularly monitors its cash flows and balances and maintains a cash surplus which can be utilized by the joint ventures of CPC/CBT for short–term financing. CPC 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, 2014							
Accounts payable and accrued liabilities	3,419	3,419	3,419	-	-	-	-
Loans and borrowings	19,894	20,044	20,044	-	-	-	-
	23,313	23,463	23,463	-	-	-	-
March 31, 2013							
Accounts payable and accrued liabilities	4,379	4,379	4,379	-	-	-	-
Loans and borrowings	19,891	41,058	16	567	1,133	5,464	33,878
	24,270	45,437	4,395	567	1,133	5,464	33,878

(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. CPC 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. CPC realizes all significant revenues and expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations.

(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. In prior years, the fair value CPC's loan from CBT was affected by interest rate changes. With the loan being paid out in April, 2014, CPC will no longer be exposed to interest rate risk.

23. Financial instruments (continued):

(d) Market risks (continued):

(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 CPC's financial instruments values will change according to changes in market prices and therefore CPC is not exposed to price risk.

(e) Capital management:

CPC's capital management objectives are to:

- target a long-term capital structure with sufficient debt to finance the Waneta Expansion project as well as prudent reserves for an operating and construction contingency and future project development;
- finance the debt portion of the capital structure with fixed rate, longer term debt approximately matching the term of relevant power sales agreements in its equity accounted investments; and
- maintain investment grade credit ratings to support continued access to cost effective capital.

These objectives were accomplished through the ALPC Series B $350 million project bond issue in April 2011.

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

Neither CPC, nor any of its equity accounted investments, are subject to externally imposed capital requirements.

23. 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)	2014		2013	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets carried at amortized cost				
Accounts receivable	979	979	1,142	1,142
Liabilities carried at amortized cost				
Accounts payable and accruals	3,419	3,419	4,379	4,379
Loans and borrowings	19,894	20,000	19,891	23,588
	23,313	23,419	24,270	27,967

Given the short term nature of the accounts, management estimates that the carrying amounts for accounts receivable, accounts payable and loans and borrowings (2014 only) approximate their fair values.

Management has made the following assumptions in determining the fair value of loans and borrowings (for 2013 only):

- 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 on the promissory note outstanding on the government yield curve at the reporting date plus an adequate credit spread is appropriate. At March 31, 2014, management selected an interest rate of 4.4%.

23. Financial instruments (continued):

(f) Fair values (continued):

CPC'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, 2014				
Financial assets held for trading	74,557			74,557
March 31, 2013				
Financial assets held for trading	90,627			90,627

24. Operating leases:

CPC 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 (5 years remaining as at March 31, 2014). The lease has a renewal period of 10 years at fair market rents at the option of CPC.

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, CPC determined that the lease is an operating lease.

During the year ended March 31, 2014, an amount of $188 thousand (2013 - $189 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 28.

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

($ in thousands)	**2014**	**2013**
Less than 1 year	152	148
Between 1 and 5 years	646	798
More than 5 years	-	-
	798	946

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.

25. Commitments:

CPC 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.

26. Contingencies:

CPC'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.

27. Subsequent events:

On April 14, 2014, CPC issued a $335 million CPC Series A debenture to the Province that bears a coupon rate of 3.2% and matures June 18, 2044. CPC received net proceeds of $300,667,000 after discount, accrued interest and fees. With these proceeds, CPC paid the Province $280 million, representing a $250 million reduction of capital of CPC and the payment of a $30 million dividend to the Province as sole shareholder (see notes 16 and 22). CPC also repaid a $20 million loan from CBT Energy (see note 14).

28. Related parties and related party transactions:

(a) Parent company:

CPC is related through common ownership to its joint ventures with CBT. CPC 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; CBT 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 CPC. All intercompany balances and transactions between CPC and its subsidiary have been eliminated on consolidation and not shown in this note. Intercompany transactions between CPC and equity accounted investees are eliminated only to the extent that one of the parties includes the amount in assets. Details of transactions between CPC and related parties which have not been eliminated are summarized in the following tables:

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

(b) Due from and sales to related parties:

($ in thousands)	2014		2013	
	Due from related party	Sales to related party	Due from related party	Sales to related party
BC Hydro	-	3,692	-	3,384
BEPC	146	1,352	145	1,455
ALPC	199	1,376	188	1,306
BPC	125	861	99	825
WELP	416	1,832	637	1,816
	886	9,113	1,069	8,786

The Due from Related Party of $886 thousand at March 31, 2014 (2013 - $1,069 thousand) is included in the “Accounts receivable” line item in the Consolidated Statement of Financial Position. The Sales to WELP of $1,832 thousand for the year ended 2014 (year ended 2013 - $1,816 thousand) are included in the “Revenue” line item on the Consolidated Statement of Comprehensive Income.

In fiscal 2014, CPC as the project manager for BC Hydro of the Arrow Lakes Boat Launch project charged BC Hydro on a cost recovery basis for staff compensation relating to project management and stakeholder relations, and for payment of 3rd party invoices relating to the construction of the Arrow Lakes boat launches. The total amount recovered for fiscal 2014 of $3,692 thousand (2013 - $3,384 thousand) has been included in the “Administration and management” line item in note 20 – Other expenses.

During the year, CPC 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 fiscal 2014 of $3,589 thousand (2013 - $3,586 thousand) has been included in the “Administration and management” line item in note 20 – Other expenses.

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

(c) Due to and purchases from related parties:

($ in thousands)	2014		2013	
	Due to related party	Purchases from related party	Due to related party	Purchases from related party
BC Hydro	-	-	986	-
CBT and affiliates	667	1,554	621	1,636
Province	111	126	150	332
BC Pension Corp	168	364	179	363
WELP	747	-	-	-
	1,693	2,044	1,936	2,331

The Due to Related Party of $1,693 thousand at March 31, 2014 (2013 - $1,936 thousand) is included in the “Accounts payable” line item in the Consolidated Statement of Financial Position. Purchases from Related Party of $2,044 thousand for the year ended 2014 (year ended 2013 - $2,331 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 20.

(d) Pension plan:

CPC has a pension plan which is a related party by virtue of IAS 24, Related Party Disclosures. Refer to note 21 for detailed information on the transactions with the pension plan.

(e) Loan from related party:

At March 31, 2013 and 2014, CPC has a promissory note outstanding payable to CBT Energy Inc. Details of this promissory note are provided in note 14.

(f) Dividends and equity payable to related party:

During the year, CPC declared dividends of $32 million to the Province (2013 - $2 million) as per note 22. In addition, CPC accrued $250 million payable to the Province as per note 16.

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

(g) Executive management compensation and board compensation:

(i) Executive management compensation:

CPC is organized into business units and support functions. The managers of these units report to the corporate management, which comprises 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.

In fiscal 2013, each of the members of the corporate management had a bonus scheme which could give them an annual payment of up to 10% of base salary. In fiscal 2014, the management bonuses were phased out as a result of the Province's new policy on executive compensation in Crown corporations. Instead, members of the corporate executive now 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 and management bonuses accrued in the fiscal year and paid in the subsequent year are shown in note 13.

In addition to their salaries, CPC provides non-cash benefits to directors and executive officers, and contributes to the PSPP on behalf of executives (see note 21). In accordance with the terms of the plan, executive officers are entitled to receive annual payments equivalent to 2 percent of their highest 5 year average salary times their number of years of service from the date of retirement until death.

Upon resignation at CPC'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 CPC are as follows:

For the year ended March 31 ($ in thousands)	2014	2013
Public Service Superannuation Plan	86,134	91,069
Standard Benefits	53,499	63,144
	139,633	154,213

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

(g) 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 ending March 31, 2014 amounted to $1,191 thousand (March 31, 2013 - $1,473 thousand) as follows:

Year ending March 31, 2014

Remuneration paid – Executive management

Name	Position	Salary	Bonus	Other	Expenses	Total
Wszelaki, Frank	Chief Operating Officer/Current President and CEO	186,767	15,976	16,790	32,238	251,771
Bird, Jane	Former President & CEO	83,332	-	4,487	30,856	118,675
Ambrosone, Giulio	VP, Capital Projects	182,333	16,871	14,883	1,823	215,910
Hirji, Karim	VP, Business Development	169,427	12,938	23,521	27,508	233,394
Sue Dyer	VP, Operations	30,620	5,000	1,254	7,151	44,025
de Git, David	Director, Finance	144,936	11,930	11,507	10,163	178,536
Marino, Frank	Director, Human Resources & Corporate Services	110,008	-	-	-	110,008
Martin, Debbie	Former VP, Human Resources & Corporate Services	26,553	5,627	6,078	495	38,753
		933,976	68,342	78,520	110,234	1,191,072

Year ending March 31, 2013

Remuneration paid – Executive management

Name	Position	Salary	Bonus	Other	Expenses	Total
Bird, Jane	President & CEO	249,996	-	30,000	47,560	327,556
Wszelaki, Frank	Chief Operating Officer	177,019	9,015	14,365	22,938	223,337
Ambrosone, Giulio	VP, Capital Projects	182,093	16,246	14,531	1,082	213,952
Hirji, Karim	VP, Business Development	143,355	-	34,614	29,828	207,797
Victor Jmaeff	Chief Technical Officer	179,402	15,240	4,721	14,632	213,995
de Git, David	Director, Finance	136,732	12,283	8,443	5,883	163,341
Martin, Debbie	VP, Human Resources & Corporate Services	69,038	10,554	8,529	2,195	90,316
Rose, Don	Corporate Secretary	32,768	-	-	431	33,199
		1,170,403	63,338	115,203	124,549	1,473,493

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

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

(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 ending March 31, 2014 was $92 thousand (year ending March 31, 2013 - $88 thousand) as follows:

Year ending March 31, 2014
Members of the Board of Directors

Name	Position	Retainers	Meeting Fees	Expenses	Total
Doney, Lee	Chair, Board	15,000	3,250	5,154	23,404
Deck, Gregory	Member, Board	9,500	3,750	2,626	15,876
White, Lillian	Member, Board	10,500	3,500	1126	15,126
Stanley, Tim	Member, Board	9,500	3,000	591	13,091
Deane, Kim	Member, Board	7,500	3,500	2,297	13,297
Newton, Tim	Member, Board	7,500	3,250	491	11,241
		59,500	20,250	12,285	92,035

Year ending March 31, 2013
Members of the Board of Directors

Name	Position	Retainers	Meeting Fees	Expenses	Total
Doney, Lee	Chair, Board	15,000	3,750	3,651	22,401
Deck, Gregory	Member, Board	9,500	4,000	2,945	16,445
White, Lillian	Member, Board	10,500	3,000	95	13,595
Stanley, Tim	Member, Board	9,500	2,000	557	12,057
Deane, Kim	Member, Board	5,625	3,250	2,396	11,271
Newton, Tim	Member, Board	5,625	3,000	524	9,149
Miles, Ron	Member, Board	1,875	500	251	2,626
		57,625	19,500	10,419	87,544

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