Columbia Power Corporation

# 2018/19
# ANNUAL SERVICE PLAN REPORT

**July 2019**

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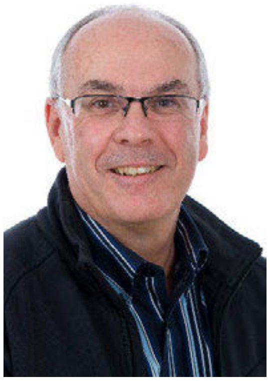
# Board Chair’s Accountability Statement



The *Columbia Power Corporation 2018/19 Annual Service Plan Report* compares the corporation’s actual results to the expected results identified in the *2018/19 - 2020/21 Service Plan* created in February 2018. I am accountable for those results as reported.

Tim Stanley
Board Chair

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# Chair/CEO Report Letter

The 2018/19 fiscal year was punctuated by three milestones for Columbia Power Corporation (Columbia Power).

In April 2018, the Waneta Expansion Project south of Trail reached Final Acceptance on time and on budget, closing out the last of the three regional hydroelectric development projects originally mandated by the Province in 1995. As Owner's Representative, Columbia Power managed the project since 2010.

In October 2018, an Owners' Asset Management Policy and Strategic Asset Management Plan (SAMP) were approved by the Columbia Power Board of Directors and Joint Venture boards. The SAMP and Asset Management Policy aligns with the strategic direction mandated by government in January 2018 to enhance Columbia Power's asset management process and management systems to ensure long-term profitability and reliability of the facilities.

In late January 2019, Columbia Power and Joint Venture partner Columbia Basin Trust (the Trust) announced they had entered into an agreement with Fortis Inc. to purchase their 51 per cent share of the Waneta Expansion Generating Station for $991 million, with Columbia Power's portion being $340 million.

Columbia Power continued to operate and maintain Arrow Lakes Generating Station, Brilliant Dam and Brilliant Expansion within all safety standards and exceeded a number of performance benchmarks set out in the 2018/19 – 2020/21 Service Plan.

Columbia Power participated in regular meetings with the Minister of Children and Family Development and held biweekly meetings with senior staff of the Ministry of Energy, Mines and Petroleum Resources (who support the Minister of Children and Family Development in her governance responsibilities for Columbia Power) to strengthen the accountability for strategic initiatives and key deliverables and foster a principled culture of efficiency and accountability.

Tim Stanley
Board Chair

Johnny Strilaeff
Acting President and CEO

## Purpose of the Annual Service Plan Report

The Annual Service Plan Report (ASPR) is designed to meet the requirements of the *Budget Transparency and Accountability Act* (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

## Purpose of the Organization

Columbia Power Corporation (Columbia Power), a commercial Crown corporation, operates under the *Business Corporations Act* and owns and oversees the operation of hydroelectric power generation assets in the Columbia Basin (Basin).

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

The Waneta Expansion Limited Partnership (WELP) holds the Waneta Expansion Project (WAX). In January 2019, Columbia Power and the Trust announced the purchase of Fortis Inc.'s 51 per cent interest in WAX, for a 50/50 ownership of the facility. Columbia Power's share of the purchase is $340 million.

Columbia Power uses 50 per cent of the income generated from these hydroelectric facilities to pay dividends to our shareholder, the Province of British Columbia as well as sponsor community and Indigenous groups and events, offer bursaries and scholarships to secondary schools and community colleges, and develop and deliver environmental stewardship programs. The Trust uses the other 50 per cent to support efforts by residents of the region to create social, economic and environmental well-being in the Basin.

## Strategic Direction

Each year, Columbia Power receives a Mandate Letter from the BC Government which sets out the corporate mandate.

The following table highlights the key goals, objectives or strategies that support the key priorities of Government identified in the 2018/19 Columbia Power Service Plan:

| Government Priorities | Columbia Power Aligns with These Priorities By: |
|---|---|
| Delivering the services people count on | • Ensuring efficient and reliable plant operations. (Goal 2) |

| | |
|---|---|
| A strong, sustainable economy | • Reaching Waneta Expansion Project Final Acceptance in April 2018 on budget and on time. (Objective 1.1). (Goal 1) |

# Operating Environment

Columbia Power's operating facilities provide energy to British Columbia's power market where BC Hydro is the dominant wholesale purchaser. Transmission opportunities to adjacent power markets in Alberta and the U.S. Pacific Northwest are constrained due to limited transmission capacity and limited demand for power in the near term. The operating environment is complex, and includes federal and provincial regulators, the Columbia River Treaty and multi-party operating agreements, as well as Indigenous, local, regional and American stakeholders.

In 2018/19, Columbia Power focused efforts around three activities:

- Successful close-out of its last mandated project – the Waneta Expansion Project.
- Development of a strategic asset management plan to support the long-term profitability and reliability of its plant operations.
- Securing a 50/50 ownership of the Waneta Expansion Generating Facility with the Trust.

Final Acceptance of the Waneta Expansion Project occurred on time and on budget in April 2018. The Waneta Expansion Project team was disbanded with staff taking on roles in Operations.

A framework to support asset performance and profitability while managing the risks inherent to owning and operating hydroelectric facilities had been a long-term goal for Columbia Power. In October 2018, the Columbia Power and Joint Venture boards adopted the Strategic Asset Management Plan and accompanying Asset Management Policy. The SAMP will be implemented over five years and will include the hiring of additional engineering and technical staff; resourcing efforts began in February 2019.

In the fall of 2018, Fortis Inc. notified Columbia Power and the Trust of their intent to sell its 51 per cent interest in the Waneta Expansion Generating Facility. The Joint Venture partners worked closely with the Province to secure approvals and financing to ensure local ownership of this asset. On January 28, 2019 Columbia Power and the Trust announced that they had entered into an agreement to purchase Fortis Inc.'s share for $991 million with Columbia Power's portion being $340 million.

In terms of strategic context, Columbia Power is a risk-focused organization that continually strives to identify and evaluate risks that could affect performance both positively and negatively. Columbia Power manages organizational risks which are captured in the Enterprise Risk Management program. Key risks that Columbia Power was exposed to in 2018/19, and strategies that were used to manage these risks are outlined in the Risk Matrix/Management Table.

# Report on Performance

***Goals, Objectives, Measures and Targets***

## Goal 1: Successful closeout of the Waneta Expansion Project as Owners Representative

Acted as Owner's Representative for the Waneta Expansion Project to ensure a positive revenue stream and continued operations in future years by successfully closing out the Design-Build Contract, including management of deficiencies, warranty items and all other responsibilities to Final Acceptance in April 2018.

## Objective 1.1: Reach Project Final Acceptance in April 2018 on budget and on time while completing transition to Waneta Expansion Limited Partnership Operating Committee.

## Key Highlights:

- Project Final Acceptance achieved on April 1, 2018.
- Met or exceeded all Environmental Assessment Certificate conditions.
- Completed the transition to the Waneta Expansion Limited Partnership Operating Committee and provided operational and financial oversight and ongoing representation on the Waneta Expansion General Partnership Board of Directors.

| Performance Measure(s) | | 2016/17 Actuals | 2017/18 Actuals | 2018/19 Target | 2018/19 Actuals | 2019/20 Target | 2020/21 Target |
|---|---|---|---|---|---|---|---|
| 1.1a | Waneta Expansion (WAX) construction completed early and Contract Closeout On Schedule to Final Acceptance[1] | Contract close-out on schedule to Final Acceptance | Contract close-out on schedule to Final Acceptance | Contract close-out on schedule to Final Acceptance | Final Acceptance Achieved on April 1, 2018 | n/a | n/a |
| 1.1b | Waneta Expansion (WAX) is On Budget[2] | On budget to Final Acceptance | On budget to Final Acceptance | On budget to Final Acceptance | Final Acceptance Achieved on April 1, 2018 | n/a | n/a |

Data Source: Internal assessment

[1] Final Acceptance was targeted for April 1, 2018. This Performance Measure target will no longer be valid after fiscal 2018/19.

[2] Final Acceptance was targeted for April 1, 2018. This Performance Measure target will no longer be valid after fiscal 2018/19.

## Discussion

Substantial completion was achieved on April 1, 2015, and operations of Waneta Expansion commenced. Final acceptance was achieved on April 1, 2018. This Performance Measure target has been achieved. Throughout the project construction remained on-schedule and final costs were on-budget.

## Goal 2: Efficient and reliable plant operations

Managed joint ventures effectively and efficiently and kept Operations, Maintenance and Administration (OMA) costs within industry norms by implementing an Asset Management System focused on improving availability of the generating units and financial performance. The priorities of the Asset Management System are:

- Improving work management through tracking of equipment condition and work history;
- Addressing potential for equipment failure by doing the right maintenance at the right time; and
- Improving project and maintenance planning.

## Objective 2.1: Maximize and improve availability of power generation facilities of Arrow Lakes Power Corporation (ALPC) and Brilliant Expansion Power Corporation (BEPC).

## Key Highlights:

- Approval of Strategic Asset Management System by Columbia Power and Joint Venture Boards in October 2018.
- Equivalent Availability Rate of megawatt hours at Brilliant Expansion improved to 99.4%, coming close to the high standard of Arrow Lakes Generating Station at 99.6%.

| Performance Measure | 2016/17 Actuals | 2017/18 Actuals | 2018/19 Target | 2018/19 Actuals | 2019/20 Target | 2020/21 Target |
|---|---|---|---|---|---|---|
| 2.1a Equivalent Availability Rate – Hours[6] | ALH[1]: 92.7%<br>BRX[2]: 95.6% | ALH: 95.0%<br>BRX: 94.8% | ALH: 93.6<br>BRX: 89.5[5] | ALH: 92.4<br>BRX: 91.4 | ALH: 93.7%<br>BRX: 92.2% | ALH: 93.7%<br>BRX: 92.2% |
| 2.1b Equivalent Availability Rate – MWh[7] | ALH: 98.8%<br>BRX: 99.7% | ALH: 99.6%<br>BRX: 98.5% | ALH: 98.4%<br>BRX: 97.4% | ALH: 99.4<br>BRX: 99.1 | ALH: 98.4%[3]<br>BRX: 97.6%[3] | ALH: 98.4%<br>BRX: 98.6% |
| 2.1c OMA Costs - $ per MWh[8] | ALH: 6.6[4]<br>BRX: 8.7[4] | ALH: 7.1<br>BRX: 10.3 | ALH: 9.3<br>BRX: 12.9 | ALH: 6.8<br>BRX: 11.5 | ALH: 8.7<br>BRX: 12.1 | ALH: 8.7<br>BRX: 12.1 |

[1] ALPC holds Arrow Lakes Generating Station (ALH).
[2] BEPC holds Brilliant Expansion Generating Station (BRX).
[3] The unplanned outage rate target was reduced to 1.33% annually. This is an improvement of 0.33% from fiscal year 2018/19 (1.66%).
[4] Columbia Power participates in a Navigant GSK Hydro Benchmarking Study periodically to gauge plant performance relative to industry. The most recent study was completed in 2016 (Columbia Power GSK Hydro Benchmarking Study- March 2016) with the next benchmarking planned for 2019. GSK Hydro Benchmarking Study advancements have resulted in benchmark sample sizing changes whereby ALH and BRX now have separate benchmarks based on a sample of similar sized facilities. Benchmarks were established based on a sample of 16 facilities for ALH and 13 facilities for BRX. The study has a sufficiently large sample population base to normalize regional differences such as labour rates and CANADIAN/US dollar conversions.

[5] In 2018/19, the target availability rate of BRX was lower due to a planned outage for a 10-year major equipment overhaul.
[6] **Equivalent Availability - Hours** is an industry standard measure used in Navigant benchmarking to gauge the percentage of time that the plant is available to provide energy to the grid. It also measures the efficiency of operator response to unplanned outages and in carrying out planned outages.
[7] **Equivalent Availability - MWh** helps gauge revenue generation. The greater the percentage of entitlement MWh available to each facility annually relative to the total entitlement MWh available, the greater the plant's revenue from the sale of the entitlement.
[8] **OMA Costs - $ per MWh** is an industry standard measure used in Navigant benchmarking regarding plant efficiency and helps gauge Columbia Power performance relative to other hydropower producers. Keeping Operations, Maintenance and Administration (OMA) costs low helps keeps the cost of generating power low.

## Discussion

Plant availability benchmarks are measures for Columbia Power to assess asset reliability performance relative to industry benchmarks as well as internal criteria. Performance Measure 2.1a compares the percentage of time the generating unit is available in hours to the benchmark. The 2018/19 targets for ALH and BRX were derived from planned outage schedules while allowing for an expected unplanned outage rate throughout the year.

The unplanned outage rate assumption was adjusted down from two per cent to 1.66 per cent for the 2018/19 budget year resulting in a higher availability rate target (Hours). The target was adjusted to encourage Columbia Power to strive for better performance. This target was exceeded at the Brilliant Expansion facility due to lower than expected impact from forced – unplanned – outages. It was not met at the Arrow Lakes Generating Station due to a longer than anticipated planned annual outage.

Columbia Power has used its own historic and forecasted production level data to develop an internal benchmark for Performance Measure 2.1b. The benchmark reflects an optimal scenario of reliable plant operations while efficiently completing maintenance outages. This metric allows a comparison of Columbia Power's revenue generating performance to the internal benchmark. The long-term target is to meet or exceed the benchmark. The fluctuation of targets is due to the variability in the duration of the planned outages. Fewer unplanned/forced outages occurred in 2018/19 allowing both ALH and BRX to exceed the target.

Performance Measure 2.1c is a measure of plant operational cost efficiency which consists of the Operations, Maintenance and Administration costs for each facility (net of allowance for outages) divided by entitlement energy for that facility, in dollars per MWh. OMA is a standard measure used by Navigant to assess cost effective operations. In 2018/19 both ALH and BRX demonstrated a significant reduction in OMA costs compared to the internal target, due to increased plant reliability and availability.

## Goal 3: Optimize Shareholder value

Annual revisions to Columbia Power's financial projections include all known and anticipated events that may affect revenues and expenditures. Targets in Goal 3 are adjusted annually to reflect the most recent forecasts for each Joint Venture entity and Columbia Power's consolidated financial position.

## Objective 3.1: Deliver effective financial planning

## Key Highlights:

- Maximized revenue generated through controlling facility operating costs and achieving reliable operations.
- Managed working capital to meet Columbia Power's mandate while returning free cash-flow to the shareholder through a dividend of $70 million.
- Invested in the Strategic Asset Management System, necessary to carry out enhancements to the asset management process, including improvements to the financial, asset assessment and performance data required for review, analysis and optimization.

| Performance Measures ($000) | | 2016/17 Actual | 2017/18 Actual | 2018/19 Target | 2018/19 Actual | 2019/20 Target | 20201/21 Target |
|---|---|---|---|---|---|---|---|
| 3.1a | Net Income | $42,246[1] | $50,120 | $47,381 | $55,475 | $45,376 | $47,055 |
| 3.1b | Earnings Before Interest Taxes Depreciation and Amortization[2] | $53,597[3] | $61,565 | $57,505 | $66,784 | $64,554 | $66,185 |

[1] Net Income was lower in 2016/17 as it includes significant one-time costs incurred for organizational restructuring and expensing the ELKO Redevelopment Project development costs after a decision to not proceed with the project.
[2] Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) is a measure of operating income which focuses on items of importance to ongoing operations and excludes items that do not impact ongoing operations, such as financing decisions and accounting policies. EBITDA approximates cash flow from operations before payment of financing costs and necessary capital investment. After financing costs are paid and capital investment is made, the surplus is free cash flow available to be paid to the Shareholder. EBITDA is a standard measure to gauge long term profitability.
[3] EBITDA was lower in 2016/17 compared to other years for the reasons identified in Performance Measure 3.1a - Net Income.

## Discussion

Columbia Power's net income is the most appropriate measure to gauge the company's financial performance. Net income is closely monitored throughout the reporting period and audited annually. All components are rigorously reviewed for reliability and consistency with government reporting standards.

Variances from monthly net income targets are reported monthly to the Finance and Audit Committee and on a quarterly basis to the full Board of Directors and the Province. Corrective measures are taken to achieve forecast net income if variances are identified.

Net income and EBITDA were higher than the target largely due to higher interest income reported in WEPC on the promissory note receivable from WELP, and increased investment earnings due to higher reliability and reduced operating expenses.

# Financial Report

## Discussion of Results

The Financial Report provides an overview of the financial performance of Columbia Power for the fiscal year ended March 31, 2019. The details of these results are contained in the corporation's audited financial statements. Financial results are presented in accordance with International Financial Reporting Standards.

Columbia Power reported net income of $55.5 million, an increase of $5.4 million over the previous fiscal year. This increase is due to higher investment earnings from annual price increases based on the CPI index, increased reliability, reduced amortization expenses and higher interest income. Net income exceeded the budget of $47.2 million due to increased Service Agreement & Management Fees and higher Investment Income. The policy and regulatory environment for the corporation did not change in 2018/19. Gradually increasing interest rates provide higher returns on surplus cash and have no impact on interest expense as all debt is at long-term fixed rates

## Highlights

- Brilliant Power Corporation continued to see increasing lease revenues while maintaining modest expense increases.
- Brilliant Expansion Power Corporation exceeded budgeted net income by $3.2 million. This was largely due to a change in accounting estimates resulting in reduced amortization expenses. In addition, unplanned outages were higher than expected due to low flows in the Kootenay River, partially offset by reduced operating expenses.
- Arrow Lakes Power Corporation reported net income $1 million over budget due to higher reliability, decreased operating expenses and higher interest income.
- Waneta Expansion Power Corporation reported net earnings over budget of $2.5 million. This increase resulted from fully recognizing a long-term receivable from WELP (promissory note) as part of the Waneta Expansion acquisition. The full value of the Promissory Note, held in WEPC was accrued at March 31, 2019.
- Waneta Expansion Limited Partnership reported net income $1.9 million higher than budget due to higher reliability and lower operating expenses.
- Columbia Power declared dividends payable for $70 million based on available cash flow and working capital requirements.

## *Resource Summary*

| $ millions | 2017/18 Actual | 2018/19 Budget | 2018/19 Actual | 2018/19 Variance |
|---|---|---|---|---|
| **Operating Revenue** | | | | |
| Service Agreement | $1,105 | $200 | $683 | $483 |
| Recoveries | 3,030 | 3,000 | 3,030 | 30 |
| Income from Equity Accounted Investees | | | | |
| Brilliant Power Corporation | 12,116 | 12,639 | 12,778 | 140 |
| Brilliant Expansion Power Corporation | 10,775 | 8,981 | 12,197 | 3,216 |
| Arrow Lakes Power Corporation | 16,533 | 16,051 | 17,005 | 954 |
| Waneta Expansion Power Corporation | 2,439 | 2,350 | 4,850 | 2,500 |
| Waneta Expansion Limited Partnership[1] | 20,875 | 19,473 | 21,334 | 1,861 |
| **Total Revenue** | $66,873 | $62,694 | $71,877 | $9,184 |
| **Operating Expenses** | | | | |
| Salaries and General Administrative | $3,087 | $4,417 | $3,621 | $796 |
| Development Costs | 1,264 | 0 | 483 | (483) |
| Sponsorship and Bursaries | 120 | 145 | 124 | 21 |
| Zebra Quagga Mussel – Provincial Defense Contribution | 250 | 250 | 250 | - |
| Grants in Lieu of Property Taxes | 587 | 609 | 613 | (4) |
| Interest Expense | 12,565 | 11,474 | 13,275 | (1,801) |
| Amortization of Property, Plants and Equipment | 221 | 229 | 191 | 38 |
| Less: Interest Revenue | 1,342 | 1,667 | 2,156 | 489 |
| **Total Expenses** | $16,752 | $15,457 | $16,401 | $(944) |
| **Net Income from Operations** | $50,121 | $47,237 | $55,475 | $8,239 |
| **Capital Expenditures** | $1,759 | - | - | - |
| **Total Liabilities** | $385,351 | $322,182 | $398,869 | $(76,687) |
| **Accumulated Surplus/ Retained Earnings** | $198,767 | $172,757 | $184,242 | $(11,485) |
| **Dividends** | $52,847 | $82,100 | $70,000 | $12,100 |

[1]Columbia Power and Columbia Basin Trust announced in January 2019 that they had entered into an agreement with Fortis Inc. to purchase their 51 per cent interest in the facility for $991 million. The transaction was finalized in April 2019. Columbia Power's portion is $340 million

## Variance and Trend Analysis

Power project investments provided increasing returns to Columbia Power with net income growing by $5.3 million from 2017/18 to 2018/19 due to the inflation-linked escalation of power sales prices, high equipment reliability and additional interest revenue. Operating expenses were slightly higher than budget due to interest expenses to record Columbia Power's share of the promissory note, the full value of which, held in WEPC, was accrued at March 31, 2019; these costs were partially offset by salary savings from vacant positions that were hired later in the year.

Development costs of $483,000 were incurred to support the acquisition of Waneta Expansion. Costs include consulting and legal fees.

## Risks and Uncertainties

Columbia Power's assets provide stable streams of revenue. Hydrology risk related to annual and seasonal variability of water flows is mitigated by agreements with BC Hydro. Pricing and currency risks are mitigated by long-term power sales agreements with BC Hydro and FortisBC in Canadian dollars. Interest rate risk is mitigated with long-term project financing. Factors that could affect commercial operations include capital and operating requirements of the assets under management, and regulatory and/or legislative changes imposed on existing assets. Operations and maintenance services for ALPC, BEPC, WEPC are provided by FortisBC Pacific Holdings Inc. under management agreements. Operations and maintenance services for BPC are provided by FortisBC Inc. under a management agreement. Operational risks experienced by the service provider may impact the provision of services.

Future dividends to the Province will be determined based on annual earnings, working capital requirements, contingency reserves and reserves for future sustaining capital requirements. A dividend policy has been approved by the Province.

Columbia Power has evaluated its risks and how to manage these risks using a variety of strategies, as outlined in its Risk Matrix/Management Table.

## *Major Capital Projects*

| Major Capital Projects (over $50 million) | Year of Completion | Project Cost to March 31, 2019 ($ millions) | Estimated Cost to Complete ($ millions) | Anticipated Total Cost ($ millions) |
|---|---|---|---|---|
| **Waneta Expansion Project** | April 1, 2018 | $219.7 | n/a | n/a |

The Waneta Expansion Project successfully achieved operational status in April 2015. Columbia Power continued to act as Owner's Representative on behalf of the Waneta Expansion Project until Final Acceptance which was reached on April 1, 2018.

The project was owned by the Waneta Expansion Limited Partnership (WELP), a limited partnership owned by Fortis Inc. (51 per cent), CPC Waneta Holdings Ltd. (a subsidiary owned 100 per cent by Columbia Power) (32.5 per cent) and Columbia Basin Trust (the Trust) (16.5 per cent).

WELP was managed by a general partner, Waneta Expansion General Partner Ltd. (WEGP), which was also owned by Fortis Inc., Columbia Power and the Trust. WEGP had a seven-member Board of Directors comprised of four nominees of Fortis Inc., two nominees of Columbia Power and one nominee of the Trust.

In January 2019, Columbia Power and the Trust announced they had entered into an agreement with Fortis Inc. to purchase their 51 per cent interest in the facility for a combined $991 million, with Columbia Power's portion being $340 million.

***Consolidated Financial Statements***

# COLUMBIA POWER CORPORATION

# CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED MARCH 31, 2019

# COLUMBIA POWER CORPORATION

# CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED MARCH 31, 2019

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# COLUMBIA POWER CORPORATION

# CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE YEAR ENDED MARCH 31, 2019

## Statement of Management Responsibility

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

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

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

| | |
|---|---|
| Johnny Strilaeff<br>Acting President and CEO | Myla Jillings, CPA, CMA<br>Controller |

May 23, 2019

OFFICE OF THE
Auditor General
of British Columbia

**INDEPENDENT AUDITOR'S REPORT**

*To the Board of Directors of Columbia Power Corporation, and*
*To the Minister of Children and Family Development, Province of British Columbia*

***Opinion***

I have audited the accompanying consolidated financial statements of Columbia Power Corporation ("the group"), which comprise the consolidated statement of financial position at March 31, 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the group as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

***Basis for Opinion***

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

***Other Accompanying Information***

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and my auditor's report thereon.

My opinion on the consolidated financial statements does not cover the other information accompanying the financial statements and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information that I have obtained prior to the date of my auditor's report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained during the audit or otherwise appears to be materially misstated.

Prior to the date of my auditor's report, I obtained the draft 2018/19 Annual Service Plan Report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement therein, I am required to report that fact in this auditor's report. I have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements.***

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

In preparing the consolidated financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the group will continue its operations for the foreseeable future.

***Auditor's Responsibilities for the Audit of Financial Statements***

My objectives are to obtain reasonable assurance about whether the group's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Russ Jones

Russ Jones, FCPA, FCA
Deputy Auditor General

Victoria, British Columbia, Canada
June 3, 2019

OFFICE OF THE Auditor General of British Columbia

# COLUMBIA POWER CORPORATION

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at March 31*

*(in thousands)*

| | Notes | | 2019 | | 2018 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 8 | $ | 38,128 | $ | 94,804 |
| Accounts receivable | 9 | | 3,109 | | 353 |
| Prepaid expense | | | 3 | | 4 |
| Short-term investments | 10 | | 45,000 | | - |
| **Total current assets** | | | 86,240 | | 95,161 |
| **Non-current assets** | | | | | |
| Restricted cash | 8 | | 585 | | 617 |
| Investment in equity accounted joint arrangements | 4, 5 | | 236,435 | | 232,055 |
| Investment prior to limited partnership | 6, 7 | | 1,325 | | 1,325 |
| Investment in Waneta Expansion Limited Partnership | 6, 7 | | 236,726 | | 238,630 |
| Other investments | 11 | | 21,635 | | 15,976 |
| Property, plant & equipment | 12 | | 165 | | 354 |
| **Total non-current assets** | | | 496,871 | | 488,957 |
| **TOTAL ASSETS** | | $ | 583,111 | | 584,118 |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | 13 | $ | 27,793 | $ | 10,532 |
| Dividends payable | 24 | | 70,000 | | 52,847 |
| **Total current liabilities** | | | 97,793 | | 63,379 |
| **Non-current Liabilities** | | | | | |
| Loans and borrowings | 14 | | 301,076 | | 300,288 |
| Provisions | 15 | | - | | 21,684 |
| **Total non-current liabilities** | | | 301,076 | | 321,972 |
| **Equity** | | | | | |
| Share capital | 16 | | | | |
| Contributed surplus | 17 | | 26,065 | | 26,065 |
| Retained earnings | | | 158,177 | | 172,702 |
| **Total Equity** | | | 184,242 | | 198,767 |
| **TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY** | | $ | 583,111 | $ | 584,118 |

| | |
|---|---|
| Commitments | 27 |
| Contingencies | 28 |

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

APPROVED ON BEHALF OF THE BOARD:

A Stanley — Director

Lillian White — Director

# COLUMBIA POWER CORPORATION

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended March 31*

*(in thousands)*

| | Notes | | 2019 | | 2018 |
|---|---|---|---|---|---|
| Revenue | 18 | $ | 3,713 | $ | 4,134 |
| Other income | 19 | | 68,164 | | 62,740 |
| Depreciation expense | 12 | | (191) | | (221) |
| Other expenses | 22 | | (5,092) | | (5,309) |
| **Results from operating activities** | | | 66,594 | | 61,344 |
| Finance income | 20 | | 2,156 | | 1,342 |
| Finance costs | 21 | | (13,275) | | (12,565) |
| **Net finance costs** | | | (11,119) | | (11,223) |
| **Net comprehensive income for the year** | | $ | 55,475 | $ | 50,121 |

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

# COLUMBIA POWER CORPORATION

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the year ended March 31*

*(in thousands)*

| | Notes | | Contributed Surplus | | Retained Earnings | | Total Equity |
|---|---|---|---|---|---|---|---|
| **Balance at April 1, 2017** | | $ | 26,065 | $ | 175,428 | $ | 201,493 |
| Net comprehensive income for the year | | | - | | 50,121 | | 50,121 |
| Dividend to equity holders | 24 | | - | | (52,847) | | (52,847) |
| **Balance at March 31, 2018** | | | 26,065 | | 172,702 | | 198,767 |
| **Balance at April 1, 2018** | | $ | 26,065 | $ | 172,702 | $ | 198,767 |
| Net comprehensive income for the year | | | - | | 55,475 | | 55,475 |
| Dividend to equity holders | 24 | | - | | (70,000) | | (70,000) |
| **Balance at March 31, 2019** | | $ | 26,065 | $ | 158,177 | $ | 184,242 |

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

# COLUMBIA POWER CORPORATION

**CONSOLIDATED STATEMENT OF CASH FLOWS**

*For the year ended March 31*

*(in thousands)*

| | Notes | | 2019 | | 2018 |
|---|---|---|---|---|---|
| **Cash flows from Operating Activities** | | | | | |
| Net Comprehensive income for the period | | $ | 55,475 | $ | 50,121 |
| **Adjustments to reconcile cash flow from operations** | | | | | |
| Depreciation of property, plant and equipment | 12 | | 191 | | 221 |
| Interest income | 20 | | (2,156) | | (1,342) |
| Interest expense | 21 | | 13,275 | | 12,565 |
| Income from equity accounted investees | | | (68,164) | | (62,740) |
| **Net change in non-cash working capital balances** | | | | | |
| Accounts receivable | 9 | | (2,112) | | (207) |
| Prepaid expense | | | 1 | | 14 |
| Accounts payable and accrued liabilities | 13 | | (6,103) | | (332) |
| **Net cash used in operating activities** | | | (9,593) | | (1,700) |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| Interest paid | | | (10,774) | | (10,771) |
| Dividends paid | 24 | | (52,847) | | (68,800) |
| **Net cash used in financing activities** | | | (63,621) | | (79,571) |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| Interest received | | | 860 | | 1,158 |
| Dividends received | | | 66,500 | | 59,950 |
| Investment in short-term investments | 10 | | (45,000) | | - |
| Sale of temporary investments | | | - | | 51,413 |
| Investment in limited partnership | | | (813) | | - |
| Investment in bond sinking fund | 11 | | (5,043) | | (5,043) |
| Acquisition of property, plant and equipment | 12 | | 2 | | 4 |
| **Net cash from investing activities** | | | 16,506 | | 107,482 |
| | | | | | |
| **Increase/(decrease) in cash and cash equivalents** | | | (56,708) | | 26,211 |
| | | | | | |
| **Cash and cash equivalents, beginning of year** | | | 95,421 | | 69,210 |
| | | | | | |
| **Cash and cash equivalents, end of year** | | $ | 38,713 | $ | 95,421 |
| | | | | | |
| **CASH CONSISTS OF:** | | | | | |
| Restricted cash | 8 | $ | 585 | $ | 617 |
| Cash available for operations | 8 | | 38,128 | | 94,804 |
| | | $ | 38,713 | $ | 95,421 |

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

**COLUMBIA POWER CORPORATION**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*Year Ended March 31, 2019*
*(Tabular amounts in thousands)*

**1. Reporting entity:**

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

The Agreement anticipated that several power projects would be undertaken through joint ventures between Columbia Power and subsidiaries of the Trust (the shareholders). The final power project under the Agreement, the Waneta Expansion Project, currently being undertaken through a partnership between CPC Waneta Holdings Ltd. (CPC Waneta - Columbia Power's 100% owned subsidiary), the Trust, and Fortis Inc. achieved substantial completion on April 1, 2015. Final acceptance of the Waneta Expansion Project occurred on April 1, 2018. Under the Agreement between the Province and the Trust, the Province committed to make $500 million in capital contributions for the purpose of funding the capital costs of the power projects, with the remaining capital costs to be financed through joint venture borrowings by Columbia Power and the Trust's subsidiaries. The entities holding legal title to the power projects and their governance structures are described in notes 4 and 6.

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

**2. Basis of preparation:**

**(a) Statement of compliance:**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which have been adopted by the Canadian Accounting Standards Board as Canadian generally accepted accounting principles for publicly 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, 2019, and the comparative information presented in these consolidated financial statements for the year ended March 31, 2018. The consolidated financial statements were authorized for issue by the board of directors on May 23, 2019.

**(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.

**(c) Functional and presentation currency:**

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

**(d) Use of estimates and judgments:**

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

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

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

- Note 2(e) – Determination of fair values
- Note 3(a)(ii) – Investments in joint arrangements and in associates (equity accounted investees)
- Note 3(c) – Designation of financial instruments
- Note 3(e) – 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(f) – Impairment
- Note 3(h) – Provisions
- Note 15 – Provisions
- Note 28 – Contingencies

**(e) Determination of fair values:**

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

## 3. Significant accounting policies:

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

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

**COLUMBIA POWER CORPORATION**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*Year Ended March 31, 2019*
*(Tabular amounts in thousands)*

**(a) Basis of consolidation:**

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

**(i) Investment in subsidiary:**

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

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

Joint ventures are those joint arrangements over whose activities Columbia Power has joint control, established by contractual agreement (see note 4 – Description of equity accounted investees).

Associates are those entities in which Columbia Power has significant influence, but not control (or joint control), over the financial and operating policies (see note 6 – Description of subsidiary and subsidiary's equity accounted investee). Significant influence is presumed to exist when Columbia Power holds between 20 and 50 percent of the voting power of another entity.

Joint ventures and investments in associates (equity accounted investees) are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include Columbia Power's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of Columbia Power, from the date that joint control or significant influence commences until the date that joint control or significant influence ceases.

**(iii) Elimination of transactions with equity accounted investees:**

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

**(b) Foreign currency transactions:**

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

**COLUMBIA POWER CORPORATION**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*Year Ended March 31, 2019*
*(Tabular amounts in thousands)*

**(c) Designation of financial instruments:**

IFRS requires financial instruments to be classified as one of the following: amortized cost, fair value through other comprehensive income or fair value through profit or loss. Columbia Power's instruments and their classifications are specified in note 3(m)(i).

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

Columbia Power initially recognizes financial assets (including assets designated at fair value through profit or loss) on the trade date at which Columbia Power becomes a party to the contractual provisions of the instrument.

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

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

**(ii) Non-derivative financial liabilities:**

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

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

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

**(iii) Fair value hierarchy:**

Financial assets and liabilities are classified using a fair value hierarchy. The hierarchy prioritizes inputs used in valuation techniques to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities. The three levels of the hierarchy are as follows:

- Level 1 - values are quoted prices in active markets for identical assets and liabilities.
- Level 2 - inputs (other than quoted prices included in level 1) that are observable for the asset or liability, either directly (as prices), or indirectly (as derived from prices).

**COLUMBIA POWER CORPORATION**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*Year Ended March 31, 2019*
*(Tabular amounts in thousands)*

- Level 3 - inputs are those that are not based on observable market data.

**(d) Property, plant and equipment:**

**(i) Recognition and measurement:**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income or other expenses in profit or loss.

**(ii) Subsequent costs:**

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

**(iii) Depreciation:**

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

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

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

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

**(e) Leased assets:**

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

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.

**(f) Impairment:**

**(i) Financial assets:**

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to Columbia Power on terms that Columbia Power would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. Management has determined that there is no evidence indicating that Columbia Power's financial assets are impaired as at March 31, 2019 and March 31, 2018.

**(ii) Non-financial assets:**

The carrying amounts of Columbia Power's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. Management has determined that there is no evidence indicating that Columbia Power's non-financial assets are impaired as at March 31, 2019 and March 31, 2018.

**(g) Employee benefits:**

**(i) Defined contribution plan benefits and employee benefits:**

Columbia Power's pension plan is described in note 23 – Employee benefits and is accounted for as a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

**(ii) Other long-term employee benefits:**

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

**(iii) Short-term employee benefits:**

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

**(h) Provisions:**

A provision is recognized if, as a result of a past event, Columbia Power has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. Legal or constructive obligations requiring a provision are described in note 15 – Provisions.

**(i) Government grants:**

The amounts recognized in contributed surplus, per note 17 – Contributed surplus, reflect contributions made by the Province in its capacity of shareholder to Columbia Power.

**(j) Finance income and finance costs:**

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

**(k) Share capital:**

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

**COLUMBIA POWER CORPORATION**
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*Year Ended March 31, 2019*
*(Tabular amounts in thousands)*

shares are recognized as a deduction from equity.

**(l) Income tax:**

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

**(m) New standards and interpretations adopted:**

The following new standards were adopted April 1, 2018.

**(i) IFRS 9, Financial Instruments:**

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard requires classification of financial instruments as amortized cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVTOCI). There has been no change in the carrying value or fair value of the Company's financial instruments or to previously reported figures as a result of changes to the classifications. The table below outlines our prior and current year classifications under the new standard.

| Financial Assets | Prior Classification IAS 39 | New Classification IRS 9 |
|---|---|---|
| Cash | Loans and receivables | FVTPL |
| Restricted cash | Loans and receivables | Amortized cost |
| Short-term investments | FVTPL | Amortized cost |
| Accounts receivable | Loans and receivables | Amortized cost |
| Sinking fund investment | Held to maturity | Amortized cost |

| Financial Liabilities | Prior Classification IAS 39 | New Classification IRS 9 |
|---|---|---|
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |
| Loans and borrowings | Other financial liabilities | Amortized cost |
| Long-term debt | Other financial liabilities | Amortized cost |

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

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There have been no material changes to revenue accounting policies as a result of adoption of IFRS 15.

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

A number of new standards, interpretations, amendments, and annual improvements to existing standards issued by the International Accounting Standards Board (IASB) are not yet effective for the year ended March 31, 2019, and have not been applied in preparing these consolidated financial statements. As of the reporting date, management has determined there will be no significant impact on Columbia Power's financial statement disclosures from the number of annual improvements. The following standard, which management has determined is more relevant to Columbia Power, has been published but is not effective until Columbia Power's accounting periods beginning after January 1, 2019.

**(i) IFRS 16, Leases:**

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

The main features of the new standard are as follows:

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

The new standard supersedes the requirements in Leases, Determining whether an Arrangement contains a Lease, Operating Leases – Incentives, and Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

**4. Description of equity accounted joint arrangements:**

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

- **Brilliant Power Corporation (BPC)**

The purpose of BPC is to act as lessor of the Brilliant Dam and Generating Station (Brilliant Power Facility) and Brilliant Terminal Station (BTS) assets. The Brilliant Power Facility and BTS are currently leased to FortisBC Inc., a regulated utility operating in British Columbia, according to the terms of finance leases. The Brilliant Power Facility is located on the Kootenay River, 3 kilometres 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 MW 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 MW Arrow Lakes Generating Station (ALGS) adjacent to the Hugh Keenleyside Dam at Castlegar, British Columbia and a 48 km transmission line from the power plant to British Columbia Hydro and Power Authority's (BC Hydro, a provincial Crown corporation) Selkirk substation, and to sell the power generated from ALGS.

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

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

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

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

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

Prior to October 2010, WEPC held legal title to all assets related to the Waneta Expansion project. In October 2010 title of all property, plant and equipment (development costs) and intangibles (expansion rights) was transferred from WEPC to the Waneta Expansion Limited Partnership (WELP) in exchange for a $72 million non-interest bearing promissory note consistent with the terms of the Asset Purchase Agreement between WEPC and WELP (see note 30 – Events after the reporting period).

According to the Asset Purchase Price Agreement between WELP and WEPC, if the aggregate amount of the design-build costs to the Final Acceptance Date is less than $635,120,000, WELP will pay WEPC an amount equal to the lesser of a) the amount by which the design-build costs are less than $635,120,000 and b) $20,000,000. This amount is payable 90 days after the Final Acceptance Date at April 1, 2018. Final acceptance was achieved on April 1, 2018 and the contingent purchase price payment of $20 million was received in June 2018.

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## 5. Summary financial information for equity accounted joint arrangements:

Columbia Power's share of profit in its equity accounted joint arrangements for the year was $46,829 thousand (2018 - $41,862 thousand) as follows:

| | Ownership | 2019 | 2018 |
|---|---|---|---|
| BPC | 50% | 12,779 | 12,116 |
| ALPC | 50% | 17,004 | 16,532 |
| BEPC * | 50% | 12,196 | 10,775 |
| WEPC | 58% | 4,850 | 2,439 |
| | | 46,829 | 41,862 |

*Includes a consolidation adjustment at March 31, 2019 for $2,639 thousand (2018 - nil).

In 2019, Columbia Power received $42,450 thousand in dividends from its investments in equity accounted joint arrangements (2018 - $35,250 thousand) as follows:

| | Ownership | 2019 | 2018 |
|---|---|---|---|
| BPC | 50% | 4,800 | 5,000 |
| ALPC | 50% | 16,000 | 15,900 |
| BEPC | 50% | 10,050 | 14,350 |
| WEPC | 58% | 11,600 | - |
| | | 42,450 | 35,250 |

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

| | Ownership | Current Assets | Non-current Assets | Total Assets | Current Liabilities | Non-Current Liabilities | Total Liabilities | Net Assets | Total Revenue | Total Expenses | Profit and OCI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ***March 31, 2019*** | | | | | | | | | | | |
| BPC | 50% | 23,575 | 334,918 | 358,493 | 14,629 | 78,153 | 92,782 | 265,711 | 45,207 | (19,651) | 25,556 |
| ALPC | 50% | 32,673 | 212,223 | 244,896 | 18,463 | 322,670 | 341,133 | (96,237) | 69,013 | (35,004) | 34,009 |
| BEPC | 50% | 13,330 | 208,930 | 222,260 | 2,299 | - | 2,299 | 219,961 | 32,572 | (13,457) | 19,115 |
| WEPC | 58% | 72,000 | - | 72,000 | - | - | - | 72,000 | 8,362 | - | 8,362 |
| | | 141,578 | 756,071 | 897,649 | 35,391 | 400,823 | 436,214 | 461,435 | 155,154 | (68,112) | 87,042 |

| | Ownership | Current Assets | Non-current Assets | Total Assets | Current Liabilities | Non-Current Liabilities | Total Liabilities | Net Assets | Total Revenue | Total Expenses | Profit and OCI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ***March 31, 2018*** | | | | | | | | | | | |
| BPC | 50% | 19,462 | 331,165 | 350,627 | 13,534 | 87,338 | 100,872 | 249,755 | 44,695 | (20,463) | 24,232 |
| ALPC | 50% | 33,766 | 216,257 | 250,023 | 17,975 | 330,294 | 348,269 | (98,246) | 68,260 | (35,196) | 33,064 |
| BEPC | 50% | 9,171 | 207,550 | 216,721 | 1,054 | - | 1,054 | 215,667 | 35,476 | (13,925) | 21,551 |
| WEPC | 58% | 20,000 | 63,638 | 83,638 | - | - | - | 83,638 | 4,206 | - | 4,206 |
| | | 82,399 | 818,610 | 901,009 | 32,563 | 417,632 | 450,195 | 450,814 | 152,637 | (69,584) | 83,053 |

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

| | Ownership | Cash and Cash Equivalents | Deferred Revenue | Non-current Loans and Borrowings | Depreciation and Amortization | Interest Income | Interest Expense |
|---|---|---|---|---|---|---|---|
| ***March 31, 2019*** | | | | | | | |
| BPC | 50% | 20,771 | 1,010 | 78,153 | (66) | 31,775 | (7,259) |
| ALPC | 50% | 28,977 | - | 322,670 | (5,383) | 439 | (18,561) |
| BEPC | 50% | 10,516 | - | - | (4,355) | 274 | (15) |
| WEPC | 58% | - | - | - | - | 8,362 | - |
| | | 60,264 | 1,010 | 400,823 | (9,804) | 40,850 | (25,835) |

| | Ownership | Cash and Cash Equivalents | Deferred Revenue | Non-current Loans and Borrowings | Depreciation and Amortization | Interest Income | Interest Expense |
|---|---|---|---|---|---|---|---|
| ***March 31, 2018*** | | | | | | | |
| BPC | 50% | 16,764 | 1,808 | 87,338 | (66) | 31,227 | (7,885) |
| ALPC | 50% | 30,985 | - | 330,294 | (5,245) | 306 | (18,901) |
| BEPC | 50% | 6,481 | - | - | (4,400) | 191 | (16) |
| WEPC | 58% | - | - | - | - | 4,206 | - |
| | | 54,230 | 1,808 | 417,632 | (9,711) | 35,930 | (26,802) |

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

| | BPC | ALPC | BEPC | WEPC | Total |
|---|---|---|---|---|---|
| Net assets of equity accounted joint arrangements at March 31, 2017 | 235,523 | (99,510) | 222,816 | 79,432 | 438,261 |
| *Columbia Power's share* | 50% | 50% | 50% | 58% | |
| | 117,762 | (49,755) | 111,408 | 46,071 | 225,486 |
| *Less: elimination entry** | - | (44) | - | - | (44) |
| Investment in equity accounted joint arrangements at March 31, 2017 | 117,762 | (49,799) | 111,408 | 46,071 | 225,442 |
| Contributions | - | - | - | - | - |
| Dividends paid | (10,000) | (31,800) | (28,700) | - | (70,500) |
| Profit/loss | 24,232 | 33,064 | 21,551 | 4,206 | 83,053 |
| Net assets of equity accounted joint arrangements at March 31, 2018 | 249,755 | (98,246) | 215,667 | 83,638 | 450,814 |
| *Columbia Power's share* | 50% | 50% | 50% | 58% | |
| | 124,877 | (49,123) | 107,834 | 48,510 | 232,098 |
| *Less: elimination entry** | - | (43) | - | - | (43) |
| Investment in equity accounted joint arrangements at March 31, 2018 | 124,877 | (49,166) | 107,834 | 48,510 | 232,055 |
| Contributions | - | - | - | - | - |
| Dividends paid | (9,600) | (32,000) | (20,100) | (20,000) | (81,700) |
| Profit/loss | 25,556 | 34,009 | 19,115 | 8,362 | 87,042 |
| Net assets of equity accounted joint arrangements at March 31, 2019 | 265,711 | (96,237) | 219,961 | 72,000 | 461,435 |
| *Columbia Power's share* | 50% | 50% | 50% | 58% | |
| | 132,855 | (48,119) | 109,981 | 41,760 | 236,477 |
| *Less: elimination entry** | - | (42) | - | - | (42) |
| Investment in equity accounted joint arrangements at March 31, 2019 | 132,855 | (48,161) | 109,981 | 41,760 | 236,435 |

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

***ALPC negative equity***

In fiscal 2012, ALPC issued $350 million principal amount Series B bonds, due in April 2041. The proceeds of the Series B bond issue were used to pay for the $45.6 million owing on ALPC's series A bond redemption, and the net proceeds of $285.6 million were distributed by dividend to the owners, Columbia Power and CBT Arrow Lakes, for investment in the Waneta Expansion and future project development. The dividend to the owners created a deficit in ALPC of $56.1 million. ALPC ended fiscal 2012 with a deficit of $60.3 million after incurring net losses of $4.2 that year. Total cumulative dividends of $140.4 million less cumulative net income of $104.5 million since fiscal 2012 have increased the deficit in ALPC to $96.2 million at the end of fiscal 2019.

Given that ALPC's negative equity position has been caused by the payment of dividends in excess of earnings rather than by net losses, Columbia Power continues to record its investment in ALPC (2019 – ($48.1) million), (2018 – ($49.1) million) as a long term asset included in the line item "Investment in equity accounted joint arrangements" on the Consolidated Statement of Financial Position. Columbia Power's future share of ALPC's net income will reduce the negative equity balance and Columbia Power's future share of dividends from ALPC will increase the negative equity balance. Contracts entered into for the delivery of electricity over the next 26 years are expected to generate sufficient revenue and cash flow to fund ongoing operations for the foreseeable future.

**6. Description of subsidiary and subsidiary's equity accounted investee:**

Columbia Power wholly owns CPC Waneta which owns 32.5% of the Waneta Expansion Limited Partnership (WELP) (see note 30 – Events after the reporting period). CPC Waneta was incorporated September 8, 2010 under the British Columbia Business Corporations Act, and started operations on October 1, 2010. Columbia Power is the sole shareholder of CPC Waneta. CPC Waneta's purpose is to be party to the investment in WELP through the Waneta Expansion General Partner Shareholder Agreement and the Waneta Expansion Amended and Restated Partnership Agreement. Ownership in WELP is as follows: Fortis Inc. (51%), CPC Waneta (32.5%) and The Trust (16.5%). Given its ownership interest in WELP and 29% (2 of 7) representation on the board of directors of the Waneta Expansion General Partnership, CPC Waneta has significant influence over WELP and accounts for its investment using the equity method.

WELP's purpose is to be the owner of the Waneta Expansion Project (the Project). The Project involves the development of a 335 MW generating station on the Pend d'Oreille river near Trail, British Columbia, and a 10 km transmission line from the new facility to the Selkirk substation owned by British Columbia Hydro and Power Authority (BC Hydro). The power plant was constructed under a $587 million design-build contract between WELP and SNC-Lavalin Inc. Including change orders and contract amendments the revised contract value is $635 million. The Project achieved substantial completion on April 1, 2015 and began commercial operations on April 2, 2015. Final acceptance was achieved on April 1, 2018.

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

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

CPC Waneta invests in WELP in the form of cash contributions. WELP requests cash calls from the partners as required to meet its obligations to the design-build contractor and other suppliers to the project. WELP uses Canadian accounting standards for private enterprises (ASPE) to prepare its own financial statements and has capitalized all costs to date related to the Waneta Expansion project. Certain costs related to the project are considered ineligible for capitalization under IFRS, and must be expensed when adjusting WELP's accounting policies to conform to those adopted by Columbia Power and CPC Waneta. The WAX project achieved substantial completion on April 1, 2015 and no further costs have been capitalized as part of Property, Plant and Equipment in WELP in fiscals 2018 or 2019 that are required to be written off under IFRS. IFRS differs from ASPE with respect to categorizing costs for depreciation. WELP started to depreciate the WAX facility and transmission line after substantial completion on April 1, 2015 and management is required to adjust depreciation amounts to conform with IFRS.

***Promissory Note payable from WELP to WEPC***

As described in note 4 under WEPC, since October 2010 WEPC holds a $72 million non-interest bearing promissory note consistent with the terms of the Asset Purchase Agreement between WEPC and WELP. The Waneta Expansion Amended and Restated Limited Partnership Agreement stipulates that significant payments (i.e. in excess of $1 million) relating to the construction of the Waneta Expansion project require contributions from the WELP partners according to their ownership interest. CPC Waneta will be required to contribute its 32.5% share of $23.4 million at the time of payment. Management has recorded a current accounts payable for $23.4 million at March 31, 2019 (2018 - $21.7 million - using a discount rate of 3.8% which management has determined reflects the weighted average cost of capital for CPC Waneta).

While CPC Waneta's policy is to record provisions for the above amount payable to WELP, WELP has not recorded a receivable from the owners to recognize their contributions required once the Promissory Note payable becomes due. CPC Waneta management is required to adjust long term receivables in WELP to conform with CPC Waneta and CPC accounting policies. See note 30 – Events after the reporting period.

***Contingent Purchase Price payable from WELP to WEPC***

Described in note 4 under WEPC, Final Acceptance of the WAX project was achieved on April 1, 2018, under

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the terms of the agreement, a Contingent Purchase Price is payable of $20 million. CPC Waneta contributed its 32.5% share of $6.5 million at the time of payment. The $6.5 million contribution payment was made in June 2018. The table below reflects the changes in CPC Waneta's investment in WELP for the years ended March 31, 2019 and March 31, 2018:

| | 2019 | 2018 |
|---|---|---|
| **Opening balance at April 1** | 238,630 | 242,454 |
| Dividends received | (24,050) | (24,700) |
| CPC Waneta share of WELP profit | 21,278 | 20,820 |
| Cash contributions | 813 | - |
| Reversal of elimination entries | 55 | 56 |
| Investments in WELP | (1,904) | (3,824) |
| **Total cumulative investment in WELP** | 236,726 | 238,630 |

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

Summarized financial information of WELP at March 31, 2019 and March 31, 2018 is included in the following table. Information has been adjusted to conform to accounting policies adopted by Columbia Power and CPC Waneta. The fair value of the investment in WELP is not available.

| | 2019 | 2018 |
|---|---|---|
| Current assets | 24,731 | 26,948 |
| Non-current assets* | 791,763 | 817,489 |
| **Total assets** | **816,494** | **844,437** |
| Current liabilities | 5,506 | 29,387 |
| Non-current liabilities* | 67,789 | 63,822 |
| Partner equity | 743,199 | 751,228 |
| **Total liabilities and partner equity** | **816,494** | **844,437** |

*Figures have been revised to include the long term receivable from the owners relating to payment of the Contingent Purchase Price to WEPC in 2018 and the Promissory note in 2019.

**8. Cash and cash equivalents and restricted cash:**

Cash and cash equivalents includes solely cash balances. 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.

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### 9. Accounts receivable:

| | Notes | 2019 | 2018 |
|---|---|---|---|
| Accounts receivable from related parties | 29 | 2,188 | 135 |
| Other receivables | | 921 | 218 |
| | | 3,109 | 353 |

Columbia Power's exposure to credit risks and impairment losses related to accounts receivable is disclosed in note 25 – Financial instruments.

### 10. Short-term investments:

Short-term investments include term deposits with a Canadian bank and have original maturities of less than one year.

### 11. Other investments:

Other investments comprise of a bond sinking fund held with the province to provide for debt retirement in June, 2044 (see note 14 – Loans and borrowings). Columbia Power began to make annual payments of $5,043 thousand to the sinking fund on June 18, 2015 (see note 27 – Commitments). The sinking fund is recorded at amortized cost.

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## 12. Property, plant and equipment

| | Leasehold improvements | Furniture and equipment | Vehicles | Computers and software | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at April 1, 2017 | 1,307 | 820 | 167 | 435 | 2,729 |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | (4) | (4) |
| Balance at March 31, 2018 | 1,307 | 820 | 167 | 431 | 2,725 |
| Balance at April 1, 2018 | 1,307 | 820 | 167 | 431 | 2,725 |
| Additions | - | - | - | 18 | 18 |
| Disposals | - | - | (16) | - | (16) |
| Balance at March 31, 2019 | 1,307 | 820 | 151 | 449 | 2,727 |
| **Depreciation** | | | | | |
| Balance at April 1, 2017 | 988 | 809 | 32 | 321 | 2,150 |
| Depreciation for the year | 131 | 3 | 21 | 66 | 221 |
| Disposals | - | - | - | - | - |
| Balance at March 31, 2018 | 1,119 | 812 | 53 | 387 | 2,371 |
| Balance at April 1, 2018 | 1,119 | 812 | 53 | 387 | 2,371 |
| Depreciation for the year | 131 | 3 | 21 | 36 | 191 |
| Disposals | - | - | - | - | - |
| Balance at March 31, 2019 | 1,250 | 815 | 74 | 423 | 2,562 |
| **Carrying amounts** | | | | | |
| At March 31, 2018 | 188 | 8 | 114 | 44 | 354 |
| At March 31, 2019 | 57 | 5 | 77 | 26 | 165 |

## 13. Accounts payable and accrued liabilities:

CPC's exposure to liquidity risk related to trade and other payables is disclosed in note 25 – Financial instruments.

| | Notes | 2019 | 2018 |
|---|---|---|---|
| Accounts payable to related parties | | - | 120 |
| Accrued interest owing to related party | 29 | 3,033 | 3,033 |
| Other accounts payable * | | 24,760 | 7,379 |
| Total accounts payable and accrued liabilities | | 27,793 | 10,532 |

* Other accounts payable includes the Promissory Note payable to WEPC of $23.4 million at March 31, 2019.

## 14. Loans and borrowings:

CPC's interest-bearing loans and borrowings are measured at amortized cost. CPC's exposure to interest rate

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and liquidity risk is disclosed in note 25 – Financial instruments.

| | 2019 | 2018 |
|---|---|---|
| **Non-current liabilities** | | |
| Series A debenture | 303,282 | 302,546 |
| Less: Financing costs | (2,206) | (2,258) |
| **Total loans and borrowings** | 301,076 | 300,288 |

On April 14, 2014, Columbia Power issued a $335 million Series A debenture to the Province that matures on June 18, 2044. Columbia Power is required to make semi-annual coupon payments of $5,360 thousand and annual payments of $5,043 thousand to a sinking fund for debt retirement (see note 27 – Commitments).

| | Discount | Interest and Fees | Net Proceeds | Coupon rate | Effective rate | 2019 Carrying Amount | 2018 Carrying Amount |
|---|---|---|---|---|---|---|---|
| Series A debenture | 35,312 | 5,892 | 300,667 | 3.2% | 3.83% | 301,076 | 300,288 |

## 15. Provisions:

As described in note 6 – Description of subsidiary and subsidiary's equity accounted investee, the Waneta Expansion Amended and Restated Limited Partnership Agreement stipulates that significant payments (i.e. in excess of $1 million) relating to the construction of the Waneta Expansion project require contributions from the WELP partners according to their ownership interest. Management has accrued CPC Waneta's share of the following large obligations in WELP relating to construction that will require contributions from CPC Waneta:

- Promissory note for $72 million payable to WEPC on April 16, 2019: CPC Waneta's share of the promissory note of $23.4 million is being recorded in CPC Waneta (see note 30 – Events after the reporting period).
- Contingent Purchase Price of $20 million payable to WEPC 90 days post Final Acceptance. On April 1, 2018 Final Acceptance of the WAX project was achieved and CPC Waneta's share of the contingent purchase price payable of $6.5 million was paid in June 2018.

| | Contingent Purchase Price | Promissory Note | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at April 1, 2017 | 6,258 | 20,890 | 27,148 |
| Unwinding of discount | 242 | 794 | 1,036 |
| Provision reclassify to current liability | (6,500) | - | (6,500) |
| Balance at March 31, 2018 | - | 21,684 | 21,684 |
| | | | |
| Balance at April 1, 2018 | - | 21,684 | 21,684 |
| Additional provisions recognized | - | 1,716 | 1,716 |
| Provision reclassify to current liability | - | (23,400) | (23,400) |
| Balance at March 31, 2019 | - | - | - |

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### 16. Capital:

At March 31, 2019 and March 31, 2018, Columbia Power has 6 common shares authorized with no par value and issued for $6 dollars.

### 17. Contributed surplus:

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

| | 2019 | 2018 |
|---|---|---|
| Contributed surplus | 26,065 | 26,065 |

### 18. Revenue:

| | 2019 | 2018 |
|---|---|---|
| Management fees | 117 | 231 |
| Recovery of costs incurred on behalf of WELP | 566 | 873 |
| | 683 | 1,104 |
| Recovery of costs | 3,030 | 3,030 |
| | 3,713 | 4,134 |

Cost recoveries include $3,030 thousand (2018 - $3,030 thousand) for staff compensation, office space, and project overhead incurred on behalf of the joint ventures (also see note 29 – Related party transactions).

### 19. Other income:

| | Note | 2019 | 2018 |
|---|---|---|---|
| Share of profit in equity accounted joint arrangements | 5 | 46,829 | 41,862 |
| Share of profit from investment in WELP* | 7 | 21,335 | 20,878 |
| | | 68,164 | 62,740 |

*Profit includes elimination entries totaling $55 thousand (2018 - $56 thousand).

### 20. Finance income:

| | 2019 | 2018 |
|---|---|---|
| Interest on bank accounts | 860 | 1,085 |
| Interest on other investments | 1,296 | 257 |
| | 2,156 | 1,342 |

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## 21. Finance costs:

| | Note | 2019 | 2018 |
|---|---|---|---|
| Bank fees | | 2 | 7 |
| Financing costs | | 98 | 92 |
| Unwinding of discount on provisions | 15 | 1,716 | 1,036 |
| Interest on loans and borrowings | | 11,459 | 11,430 |
| | | 13,275 | 12,565 |

## 22. Other expenses:

| | Note | 2019 | 2018 |
|---|---|---|---|
| Insurance | | 5 | 4 |
| Administration and management | | 3,609 | 4,348 |
| Community sponsorship | | 372 | 370 |
| Grants in-lieu of property taxes | | 613 | 587 |
| Development costs - Waneta Expansion | 30 | 493 | - |
| | | 5,092 | 5,309 |

## 23. Employee benefits:

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

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

The latest actuarial valuation as at March 31, 2017, indicated a funding surplus of $1.9 billion for basic pension benefits on a going concern basis. As such, the PSPP was currently fully funded so that no increased contributions were required for fiscal 2019. The next valuation will be as at March 31, 2020, with results available in early 2021.

Employees of Columbia Power are eligible for the same post-retirement healthcare benefits as other members

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of the PSPP. No provision, other than Columbia Power's required employer pension contributions, has been made in the accounts of Columbia Power for this liability.

Columbia Power maintains an executive pension benefit plan (EPBP). Pension payments from the EPBP commenced in January 2006 upon retirement of Columbia Power's former President. Columbia Power valued the pension liability at March 31, 2019 as $116 thousand (2018 - $127 thousand) on a discounted cash flow basis at a 5.5% discount rate.

**24. Dividends payable:**

| | 2019 | 2018 |
|---|---|---|
| $11,667 thousand per qualifying common share (2018 - $8,808 thousand) | 70,000 | 52,847 |

**25. Financial instruments:**

**(a) Financial risk management:**

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

- Credit risk
- Liquidity risk
- Market risk

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

**(b) Credit risk:**

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

The percentage of accounts receivable balance older than 90 days is 0% (2018: 0%).

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

| | 2019 | 2018 |
|---|---|---|
| | Carrying amounts | |
| Cash and cash equivalents | 38,128 | 94,804 |
| Restricted cash | 585 | 617 |
| Accounts receivable | 3,109 | 353 |
| Short-term investments | 45,000 | - |
| Other investments | 21,635 | 15,975 |
| | 108,457 | 111,749 |

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**(c) Liquidity risk:**

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

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

| | Carrying amount | Contractual cash flows | Less than 6 months | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| ***March 31, 2018*** | | | | | | | |
| Accounts payable and accrued liabilities | 10,532 | 10,532 | 10,532 | - | - | - | - |
| Loans and borrowings* | 300,288 | 281,046 | 2,326 | 5,360 | 10,720 | 32,160 | 230,480 |
| Provisions | 21,684 | 23,400 | - | - | - | 23,400 | - |
| | 332,504 | 314,978 | 12,858 | 5,360 | 10,720 | 55,560 | 230,480 |

| | Carrying amount | Contractual cash flows | Less than 6 months | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| ***March 31, 2019*** | | | | | | | |
| Accounts payable and accrued liabilities | 27,793 | 27,793 | 27,793 | - | - | - | - |
| Loans and borrowings* | 301,076 | 270,327 | 2,326 | 5,360 | 10,720 | 32,160 | 219,760 |
| | 328,869 | 298,120 | 30,119 | 5,360 | 10,720 | 32,160 | 219,760 |

*Note that cash flows do not reflect contributions to the sinking fund set up to extinguish the remaining debt in 2044. See note 27 – Commitments.

**(d) Market risks:**

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: exchange rate risk, interest rate risk and price risk. Columbia Power does not use derivative products to manage these risks.

**(i) Exchange rate risk:**

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

**(ii) Interest rate risk:**

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

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objectives, at favourable terms obtained through its investment grade credit rating.

***Sensitivity analysis***

An increase of 100 basis points in the fair value interest rate will incite a $25.5 million (2018 - $24.9 million) decrease in the debenture price and a decrease of 100 basis points will incite a $29.9 million (2018 - $29.3 million) increase in debenture price.

**(iii) Price risk:**

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

**(e) Capital management:**

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

Columbia Power's capital management objectives are to:

- Maintain a debt to equity ratio that is not lower than 70/30
- Finance the debt portion of future power project investments with fiscal agency loans through the Province
- Target a long term capital structure with sufficient equity and working capital reserves to maintain commercial viability of Columbia Power and its equity accounted joint ventures

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

**(f) Fair values:**

The carrying values of financial instruments approximate fair value as at March 31, 2019 and March 31, 2018 except for other investments, loans and borrowings and provisions. The fair value of other investments is provided by the Province's Debt Management Branch at March 31, 2019 and 2018. The fair value of loans and borrowings and provisions is calculated by discounting the future cashflows for the same or similar issues at the date of the statement of financial position, or by using available quoted market prices. The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Carrying amount | Fair Value | Carrying amount | Fair value |
| **Assets carried at amortized cost** | - | - | - | - |
| Accounts receivable (Level 1) | 3,109 | 3,109 | 353 | 353 |
| Other investments - bond sinking fund (Level 1) | 21,635 | 23,227 | 15,975 | 16,470 |

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| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Carrying amount | Fair Value | Carrying amount | Fair value |
| | 24,744 | 26,336 | 16,328 | 16,823 |
| **Liabilities carried at amortized cost** | | | | |
| Accounts payable and accrued liabilities (Level 1) | 27,793 | 27,793 | 10,532 | 10,532 |
| Loans and borrowings (Level 2) | 301,076 | 262,229 | 300,288 | 254,979 |
| Provision - Promissory Note (Level 2) | - | - | 21,684 | 21,695 |
| | 328,869 | 290,022 | 332,504 | 287,206 |

Columbia Power holds a bond sinking fund with the province's Debt Management Branch (DMB) to its maturity in 2044. The amortized book value of the sinking fund at March 31, 2019 is $21,635 thousand (2018 - $15,975) which takes into account actual returns to the fund to date. DMB provided the sinking fund market value of $23,227 (2018 - $16,470).

Management has made the following assumptions in determining the fair value of the 2019 loans and borrowings:

- The discounted cashflow methodology is appropriate given that the amounts and timing of the cashflows are reasonably determinable
- Basing the interest rate used to discount estimated cash flows outstanding on the Series A debenture on the government yield curve at the reporting date plus an adequate credit spread is appropriate. At March 31, 2019, management selected an interest rate of 3.7% (2018 - 4.2%).
- Basing the interest rate used to discount estimated cash flows outstanding on the provision for the Promissory Note payable on the government average yield curve for 2 year bonds at the reporting date plus an adequate credit spread for non-recourse debt. At March 31, 2019, management selected an interest rate of 3.8% (2018 - 3.8%).

**26. Operating leases:**

Columbia Power has entered into an operating lease for office premises that provides for minimum annual lease payments totaling up to a maximum of $167,000 per year. The 10 year lease term ended on March 31, 2019. Columbia Power is in the process of renewing the lease with a smaller space requirement. At this time a long-term lease agreement has not been finalized.

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

During the year ended March 31, 2019, an amount of $205 thousand (2018 - $247 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 29.

*(Tabular amounts in thousands)*

| | 2019 | 2018 |
|---|---|---|
| Less than 1 year | - | 167 |
| | - | 167 |

**27. Commitments:**

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

| | Sinking fund payments |
|---|---|
| 2020 | 5,043 |
| 2021 | 5,043 |
| 2022 | 5,043 |
| 2023 | 5,043 |
| 2024 | 5,043 |
| Thereafter | 105,903 |
| | 131,118 |

**28. Contingencies:**

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

**29. Related parties and related party transactions:**

**(a) Parent company:**

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

These consolidated financial statements include amounts receivable from, amounts payable to and transactions with BC Hydro; the Trust and its affiliates; the Province; the joint ventures and WELP. All

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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 4, 5, 6 and 7 are related parties to Columbia Power. All intercompany balances and transactions between Columbia Power and its subsidiary have been eliminated on consolidation and not shown in this note. Intercompany transactions between Columbia Power and equity accounted investees are eliminated only to the extent that one of the parties includes the amount in assets. Details of transactions between Columbia Power and related parties which have not been eliminated are summarized in the following tables.

**(b) Due from and sales to related parties:**

| | **2019** | | **2018** | |
|---|---|---|---|---|
| | Due from related party | Sales to related party | Due from related party | Sales to related party |
| The Trust and affiliates | 65 | - | - | - |
| BEPC | 570 | 1,180 | - | 1,180 |
| ALPC | 800 | 1,180 | - | 1,180 |
| BPC | 596 | 670 | - | 670 |
| WELP | 157 | 895 | 135 | 1,134 |
| | 2,188 | 3,925 | 135 | 4,164 |

The Due from Related Party of $2,188 at March 31, 2019 (2018 - $135 thousand) is included in the "Accounts receivable" line item in the Consolidated Statement of Financial Position.

The Sales to WELP of $895 thousand for the year ended March 31, 2019 (2018 - $1,134 thousand) are included in the "Revenue" line item on the Consolidated Statement of Comprehensive Income.

During the year, Columbia Power as the manager charged its joint ventures amounts on a cost recovery basis for staff compensation, office space and project overhead. The total amount recovered for the year ended March 31, 2019 of $3,030 thousand (2018 - $3,030 thousand) has been included in the "Revenue" line item on the Consolidated Statement of Comprehensive Income.

**(c) Due to and purchases from related parties:**

| | **2019** | | **2018** | |
|---|---|---|---|---|
| | Due to related party | Purchases from related party | Due to related party | Purchases from related party |
| The Trust and affiliates* | 454 | 1,642 | 31 | 1,185 |
| Province | 3,145 | 11,854 | 3,122 | 11,830 |
| BC Pension Corp | 116 | 100 | 127 | 192 |
| | 3,715 | 13,596 | 3,280 | 13,207 |

* the Trust and Columbia Power implemented an expanded Shared Services Agreement (Agreement) effective September 1, 2017, wherein the Trust will provide support in the areas of human resources, accounting, payroll, records management, and other support functions to Columbia Power. This Agreement expanded on the existing shared services arrangement for information technology services that the Trust provides to Columbia Power. Ten former Columbia Power staff are now employed directly by the Trust and continue to provide services under the

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Agreement to Columbia Power. The direct costs associated with these employees are billed back to Columbia Power. The President and CEO of the Trust is currently the Acting CEO of Columbia Power. Compensation for the President and CEO is split equally between the Trust and Columbia Power.

The Due to Related Party of $3,715 thousand at March 31, 2019 (2018 - $3,280 thousand) is included in the "Accounts payable" line item in the Consolidated Statement of Financial Position. Purchases from Related Party of $13,596 thousand for the year ended March 31, 2019 (2018 - $13,207 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 note 22 - Other expenses.

**(d) Pension plan:**

Columbia Power has a pension plan which is a related party by virtue of IAS 24, Related Party Disclosures. Refer to note 23 – Employee benefits for detailed information on the transactions with the pension plan.

**(e) Loans from related party:**

At March 31, 2019 and March 31, 2018, Columbia Power has a debenture outstanding payable to the Province. Details of these loans are provided in note 14 – Loans and borrowings.

**(f) Dividends:**

During the year, Columbia Power declared and accrued dividends payable of $70 million to the Province (2018 – $52.8 million) as per note 24 – Dividends payable.

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

**(i) Executive management compensation:**

At the beginning of the year, corporate management was comprised of the Acting President and Chief Executive Officer, the Director, Operations, the Vice President, Capital Projects and the Director, Finance Projects. In addition to their salaries, Columbia Power provides non-cash benefits to directors and executive officers, and contributes to the Public Service Pension Plan (PSPP) on behalf of executives (see note 23 – Employee benefits). Executive officers are entitled to receive a pension in accordance with the terms of the PSPP.

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

| | 2019 | 2018 |
|---|---|---|
| Public Service Superannuation Plan | 22 | 76 |
| Standard Benefits | 11 | 27 |
| | 33 | 103 |

There have been no loans or pledges granted to executive management or family members. The total salaries and other benefits paid to executive management for the year ended March 31, 2019 amounted

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to $383 thousand (2018 - $855 thousand) as follows:

| Executive management compensation | 2019 | 2018 |
|---|---|---|
| Salary | 308 | 784 |
| Holdback/Bonus | 30 | 29 |
| Other | 33 | 24 |
| Expenses | 12 | 18 |
| | 383 | 855 |

**(ii) Board compensation:**

The board has no remuneration agreements other than the director's fee and remuneration for participating in committee work, nor have any loans or pledges been granted to directors of the board or their family members. Total compensation to the board for the year ended March 31, 2019 was $58 thousand (March 31, 2018 - $85 thousand) as follows:

| | 2019 | 2018 |
|---|---|---|
| Retainers | 41 | 52 |
| Meeting fees | 8 | 15 |
| Expenses | 9 | 18 |
| | 58 | 85 |

**30. Events after the reporting period:**

On April 16, 2019 Columbia Power and the Trust finalized an agreement to purchase Fortis Inc.'s 51% interest in the Waneta Expansion Limited Partnership for $991 million. Columbia Power currently holds a 32.5% ownership in WELP and is purchasing an additional 17.5%, equal to $340 million of the purchase price. In addition to the purchase, the Promissory Note that was due to WEPC was also fully recognized by WELP. This purchase restored ownership to the originally mandated 50/50 partnership between Columbia Power and the Trust. A new Corporation was formed, Waneta Expansion Power Corporation, to hold the investment in the Waneta Expansion.

# Appendix A – Additional Information

## *Corporate Governance*

- Corporate Governance

## *Organizational Overview*

- Organizational Overview
- Risk Matrix/Management Table
- Mandate Letter

## *Contact Information*

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# Appendix B – Subsidiaries and Operating Segments

## *Active Subsidiaries*

### CPC Waneta Holdings Ltd. (CPC Waneta)

CPC Waneta started operations on October 1, 2010. Its purpose to be party to the Waneta Expansion Project through its 32.5 per cent ownership of the Waneta Expansion Limited Partnership (WELP) according to the Waneta Expansion General Partner Shareholder Agreement and the Waneta Expansion Amended and Restated Partnership Agreement. Columbia Power is the sole shareholder of CPC Waneta.

The WAX Project achieved commercial operations on April 2, 2015 and Project Final Acceptance was achieved on April 1, 2018.

In January 2019, Columbia Power and Columbia Basin Trust announced that they had entered into an agreement with Fortis Inc. to purchase their 51 per cent interest in the facility for a combined $991 million, with Columbia Power's portion being $340 million.  CPC Waneta will hold the 50% interest in the Waneta Expansion.

CPC Waneta's Board of Directors members are Tim Stanley and Lillian White. As the manager of CPC Waneta, Columbia Power ensures that the corporation's business activities are in alignment with Columbia Power's mandate, strategic priorities and fiscal plan. CPC Waneta invests in WELP in the form of cash contributions. WELP requests cash from the partners as required to meet its obligations to the design-build contractor and other suppliers to the project.

| ($000) | 2017/18 Actual | 2018/19 Budget | 2018/19 Actual |
|---|---|---|---|
| **Total Revenue** | $20,837 | $19,473 | $21,278 |
| **Total Expenses** | $1,043 | - | $1,682 |
| **Net Income/Excess of Revenue over Expenses/Annual Surplus (Deficit)** | $19,794 | $19,473 | $19,596 |

## *Operating Segments*

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

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

| ($000) | 2017/18 Actual | 2018/19 Budget | 2018/19 Actual |
|---|---|---|---|
| **Total Revenue** | $67,955 | $67,900 | $68,574 |
| **Total Expenses** | $34,891 | $35,798 | $34,565 |
| **Net Income/Excess of Revenue over Expenses/Annual Surplus (Deficit)** | $33,064 | $32,102 | $34,009 |

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

| ($000) | 2017/18 Actual | 2018/19 Budget | 2018/19 Actual |
|---|---|---|---|
| **Total Revenue** | $35,286 | $32,829 | $32,298 |
| **Total Expenses** | $13,460 | $14,867 | $13,183 |
| **Net Income/Excess of Revenue over Expenses/Annual Surplus (Deficit)** | $21,826 | $17,962 | $19,115 |

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

| ($000) | 2017/18 Actual | 2018/19 Budget | 2018/19 Actual |
|---|---|---|---|
| **Total Revenue** | $44,439 | $45,778 | $44,692 |
| **Total Expenses** | $20,207 | $20,449 | $19,135 |
| **Net Income/Excess of Revenue over Expenses/Annual Surplus (Deficit)** | $24,232 | $25,279 | $25,557 |

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

The Brilliant Dam and Generating Station, the Arrow Lakes Generating Station, the Brilliant Expansion Generating Station and Brilliant Terminal Station are operated and maintained by FortisBC (a subsidiary of Fortis Inc.) or its related company, FortisBC Pacific Holdings Inc., under the oversight of Columbia Power. Most of the power generated at these facilities is committed under long-term sales agreements to two utilities, FortisBC and BC Hydro. Short-term sales of capacity and energy maximize revenue.

***Non-Operating Segments***

Waneta Expansion Power Corporation (WEPC) owned 58% by Columbia Power and 42% by the Trust holds a $72 million non-interest-bearing promissory note consistent with the terms of the Asset Purchase Agreement between WEPC and WELP, maturing in April 2019 as part of the Waneta Expansion Acquisition.

**Waneta Expansion Power Corporation Financial Resource Summary Table**

| ($000) | 2017/18 Actual | 2018/19 Budget | 2018/19 Actual |
|---|---|---|---|
| **Total Revenue** | $4,206 | $2,500 | $4,850 |
| **Total Expenses** | - | - | - |
| **Net Income** | **$4,206** | **$2,500** | **$4,850** |