



COLUMBIA BASIN TRUST
a legacy for the people

SERVICE PLAN

2014/15 – 2016/17

CONTENTS

Letter From the Chair to the Minister of Energy and Mines and Responsible for Core Review.....	1
Introduction	4
Core Functions.....	6
Strategic Context.....	9
Goals, Strategies, Measures and Targets.....	13
Summary Financial Outlook.....	17
Governance.....	22
Appendix 1: Background on Investment Program Performance Measures	25
Appendix 2: Background on Delivery of Benefits Performance Measures	26
Appendix 3: Background on Corporate Operations Performance Measures	27

January 20, 2014

*The Honourable Bill Bennett
Minister of Energy and Mines and Responsible for Core Review
Province of British Columbia*

Minister:

On behalf of the Board of Directors and staff of Columbia Basin Trust (CBT), I am pleased to submit the 2014/15 – 2016/17 Service Plan. This plan was prepared in accordance with the *Budget Transparency and Accountability Act* and BC Reporting Principles. The Board is accountable for the contents of the plan, including what has been included and how it has been reported. All significant assumptions, policy decisions, events and identified risks, as of the January 20, 2014, date, have been considered in preparing the plan. The performance measures presented are consistent with CBT's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of CBT's operating environment, forecast conditions, risk assessment and past performance.

A key principle of CBT is engagement. This principle is identified in the 1997 *Columbia Basin Management Plan Charter* as a core value, and it is one CBT takes seriously. CBT is a creation of the residents of the Columbia Basin and CBT is committed to seeking their input to guide our priorities and inform our decisions. As part of that commitment to engagement, CBT is in the midst of consulting with Basin residents in a variety of ways to help us set priorities at an operational level and a strategic level.

In May and June 2013, an online tool called ThoughtStream was used to solicit Basin residents' input to help identify issues in our region and how CBT might assist in addressing them. As part of that process, residents reviewed the 10,000 ideas generated and helped prioritize them. This information provides an additional input for CBT as it sets its priorities for the future.

Currently, our three core sectors are all in the process of renewing their five-year strategic plans. Social, economic and environmental staff are reaching out to their respective sectors to receive direct feedback on what the issues are and how CBT can assist. These three strategic plans will be complete in 2014, and will provide CBT a focus for its sector activities through to 2019.

Until then, CBT continues to address priorities set in the previous strategic plans. Current efforts include the following:

- The Basin Business Advisors program received a three-year, nearly \$2-million commitment from CBT to continue to build economic capacity in Basin communities. Now delivered by Community Futures, the program has been expanded to support all business models, including social enterprises, plus offers additional services like pre-start-up entrepreneurial education.
- The Student Wage Subsidy programs commit \$1.46 million per year to workforce development by offering wage subsidies that encourage businesses to hire students over the summer, and businesses and other organizations to hire students during the school year.



The Ymir Community Youth Initiative is one of the projects that received funding through CBT's Youth Grants Program.



The East Kootenay-Koocanusa Fish and Wildlife Program is helping protect and enhance fish, wildlife and habitats.

- The Affordable Rental Housing initiative funds new affordable rental housing projects in Basin communities. The three-year program is a result of \$5 million combined from the governments of Canada and BC, and another \$5 million from CBT.
- The three-year, \$3-million Social Grants Program funds projects that support social well-being and address social issues in the Basin. A committee of Basin residents and social sector experts adjudicate the applications.
- The ongoing Columbia Basin Water Smart Initiative helps regional districts, municipalities and First Nations communities assess and address their water conservation needs and plan how to reduce local water consumption.

The Community Initiatives department, which works with our geographic communities and local governments, has just completed extensive engagement with Basin residents in developing its five-year strategic plan, which it will be implementing over the coming years. Much of the focus of the plan is on working with communities to foster collaboration, build capacity and provide financial support through programs such as:

- Community Directed Funds, which supplies significant CBT resources to regions to fund projects and initiatives brought forward through a regional planning and prioritizing process;
- the \$3.75-million-per-year Community Development Program, which can accommodate a broad range of community priorities, including large and multi-year projects; and
- the \$3.6-million-per-year Community Initiatives and Affected Areas Programs, which support projects identified as priorities within individual communities and often provide ways for community members to make their own funding decisions.

CBT not only meets its priorities through ongoing programs like these, but is also flexible enough to fund large, significant and unique opportunities. Recently, this included a one-time, \$3-million commitment to create the East Kootenay-Koocanusa Fish and Wildlife Program, which will help protect and enhance fish, wildlife and habitats in and around Koocanusa Reservoir and its tributaries in the Kootenay River system, and the \$560,000 in support to the College of the Rockies toward the purchase of haul truck simulators to enable the college to train a labour force that is in high demand by the local mining sector.

In addition, the Board recently approved a \$6.5-million, five-year commitment to Columbia Basin Broadband Corporation (CBBC), a wholly owned CBT subsidiary. This is in addition to a previous commitment of \$1.4 million to CBBC. These commitments will allow CBBC to work with communities to improve connectivity in the Basin.

CBT is also beginning higher-level public engagement around its future concurrent with our other planning activities. CBT's revenues increase over the next three years and CBT is engaging Basin residents to determine how those increased revenues should be used to best meet our mandate of delivering benefits to the Basin. This extensive process began at the Columbia Basin Symposium in October 2013, and will continue for a year or more.

CBT's ability to support Basin communities through Delivery of Benefits is dependent on a predictable income stream from its investment of the original endowments provided by the Province of BC. Construction of the Waneta Expansion Project is on time and on budget, with completion scheduled for spring 2015. Our investments in private placements and market securities should also meet long-term expectations.

CBT recognizes that its investment activities generate financial returns, plus broader benefits for the region. CBT has engaged a consultant to better understand these benefits. Once CBT better understands these ancillary benefits, they can inform the consultations with Basin residents on how our forecasted increased revenues should be used to best meet our mandate of delivering benefits to the Basin.

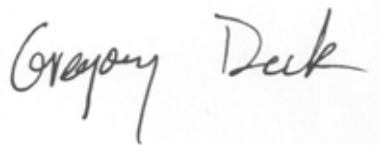
As mentioned, we forecast a significant growth in revenues from all our investments over the next three years. To accommodate this growth, CBT has implemented measures to enhance our corporate processes. We have reviewed our information technology services to ensure they are ready to accommodate present and future activities, and a new information management system will become operational in 2014/15 to better support improved financial, administrative, reporting and forecasting processes.

CBT will continue to engage internal auditors to provide assurance that internal controls are adequate to mitigate risks, governance processes are effective and efficient, and organizational goals and objectives are met. CBT will also continue to have auditors perform external audits on Delivery of Benefits activities to ensure that funding recipients have complied with their obligations. Finally, CBT has completed an enterprise-wide risk register, which will be maintained into the future.

In the early 1990s, the people of the Basin came together to find a way to return a portion of the financial benefits

created by the Columbia River Treaty to the region most affected by the treaty. This resulted in the creation of CBT in 1995, with the mandate to invest, spend and manage the endowments provided by the Province for the ongoing social, economic and environmental benefit of the region. In creating CBT with this purpose, the Province recognized that CBT would be accountable not only to the Province as its shareholder, but to the people of the Basin.

On behalf of the Board of Directors, I thank you for your commitment to CBT and to the people of the Basin.



Greg Deck
Chair, Board of Directors



The Grassland and Rangeland Enhancement Fund focuses on helping improve Crown range.

INTRODUCTION

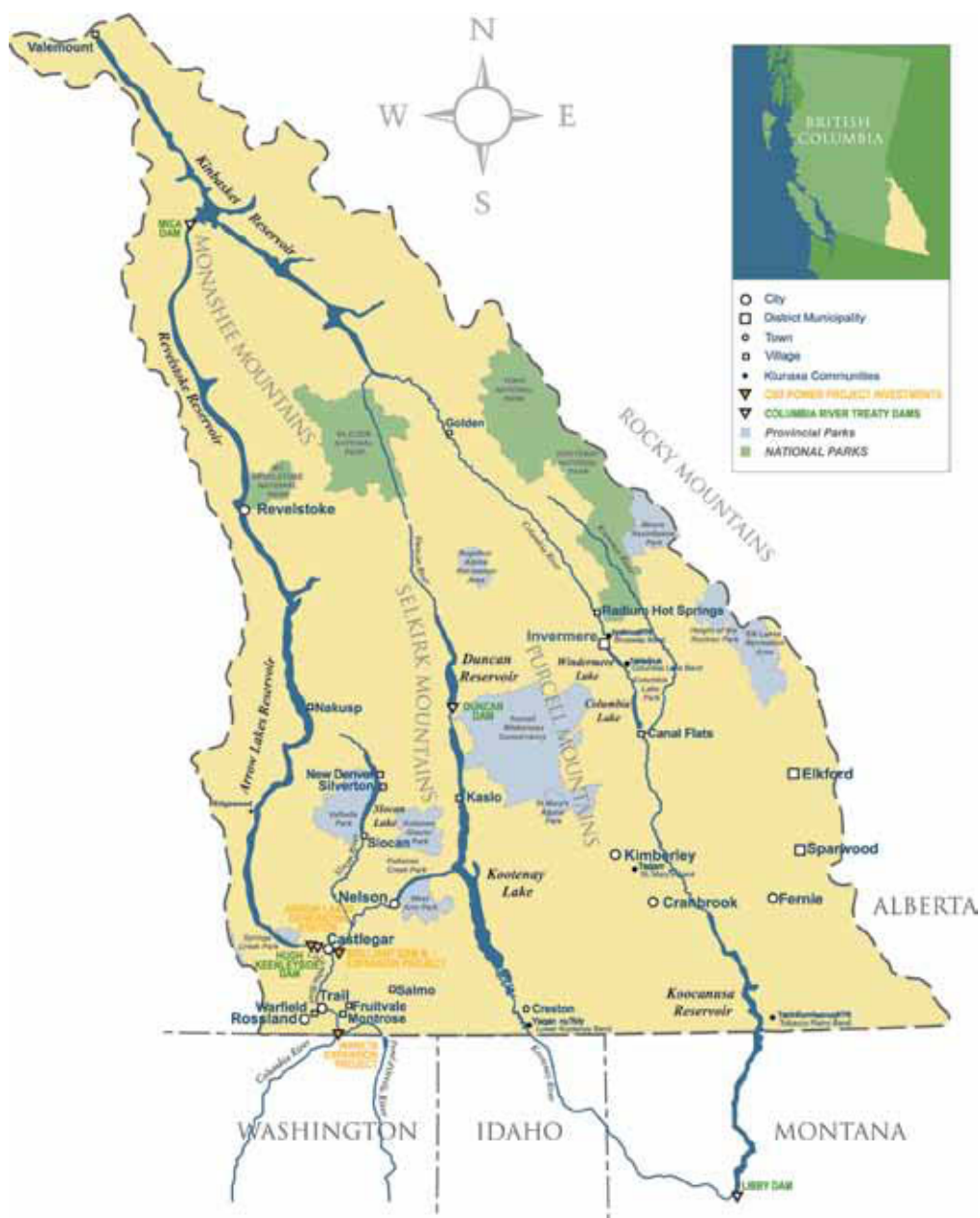
Mandate

Columbia Basin Trust was formally established by the *Columbia Basin Trust Act* in 1995 with the mandate:

- to manage Columbia Basin Trust’s assets for the ongoing economic, environmental and social benefit of the region, without relieving governments of any obligations in the region.

Mission

Columbia Basin Trust supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.



Vision

Columbia Basin Trust will work toward a long-term vision for the future of the Columbia Basin, where:

- the Basin is a place where social, environmental and economic well-being is fostered;
- collaborative relationships and partnerships are established across the Basin, communities work together in a spirit of mutual support and respect for each other's differences, residents identify with a Basin culture and feel a sense of belonging to a Basin community and residents are involved in community decision-making;
- a healthy environment is the basis for social and economic activities, and residents are committed to long-term and enduring stewardship of the Basin's natural resources; and
- the economy of the Basin is diverse, resilient and energized, communities are responsive to both the needs of the present and the future, community enhancement initiatives are widely supported and residents share responsibility for their implementation and practical and innovative investments in the Basin serve to increase the range of options for present and future generations.

Columbia Basin Trust will also be guided by a long-term vision of itself as a regional corporation, having:

- a successful portfolio of investments in the Basin that help stimulate the regional economy and provide a reliable stream of income for use in CBT's Delivery of Benefits activities;
- a proven track record in delivering social, economic and environmental benefits to the Basin and its residents;
- well-established and productive working relationships with others in the Basin whose activities relate to CBT's mandate; and
- consistent and widespread public support for CBT's activities based on meaningful public input and CBT's responsiveness to the needs of the Basin and its people.

Values

The following values guide how CBT works in the Basin, and how Board and staff at CBT work with one another:

1. Respect

CBT treats people with respect, welcoming varied perspectives and viewpoints and honouring the history of the Basin and the origins of the organization.

2. Accountability

CBT is responsible for all of its actions and the results of those actions.

3. Transparency

CBT maintains a high level of openness, sharing meaningful and accurate information about its actions.

4. Engagement

CBT recognizes that active involvement in communities is critical to its overall success.

5. Empowerment

CBT helps others make their own choices on issues that affect their futures, and see those choices result in positive outcomes.

6. Stewardship

CBT manages all of its assets responsibly to ensure that both present and future generations of Basin residents benefit from those assets.

CORE FUNCTIONS

Created by the efforts of Basin residents and formally established by the *Columbia Basin Trust Act* in 1995, CBT serves the people who live in the Basin and assists communities in addressing their needs by:

- providing resources and funding;
- focusing on local priorities and issues;
- bringing people together around key issues;
- providing useful, credible, accessible information and expertise;
- encouraging collaboration and partnerships;
- seeking ongoing input from Basin residents; and
- investing prudently in Basin power projects, businesses and real estate.

CBT has two core functions:

1. Invest capital and manage the assets of CBT; and
2. Spend the income earned from CBT's investments to deliver benefits to the Basin.

Upon creation, CBT received endowments from the Province that represented a portion of the financial benefits resulting from the Columbia River Treaty. CBT manages these endowments through its Investment Program, which provides funding for its Delivery of Benefits activities.

CBT operates out of four offices in the Basin: Castlegar, Cranbrook, Golden and Nakusp.

Delivery of Benefits

Using the income from its Investment Program, CBT develops, implements and manages programs and initiatives that respond to community and regional needs, working closely with Basin organizations and residents throughout the process. This work is referred to as Delivery of Benefits.

CBT's strategic planning framework for Delivery of Benefits guides the development and implementation of activities in this area and resource allocations (both in terms of staff time and funds for programs and

initiatives). The *Columbia Basin Management Plan* strategic priorities provide a high-level road map to focus CBT's work in the Basin. Greater direction related to the Delivery of Benefits strategic priorities is captured in specific five-year sector plans. All plans are developed in consultation with Basin communities and residents.

Advisory committees also help establish CBT's strategic direction within Delivery of Benefits, and provide ongoing feedback on CBT's work in the Basin. CBT has three advisory committees in its core mandated areas of social, economic and environment, plus a youth advisory committee for our youth initiatives. Each of these volunteer committees plays an important role in providing community perspectives, sectoral expertise and strategic advice on CBT's activities and priorities.

Delivery of Benefits funds are generally spent in the following ways:

- Direct funding grants to a wide range of community projects, which are administered internally by CBT.
- Funding grants made and administered by community partners on CBT's behalf.
- Programs that are targeted at addressing a specific need. Programs are linked to CBT strategic objectives and involve the delivery of a service or support. Third-party delivery agents are contracted to provide the service or support.
- Partnerships with organizations that have complementary objectives and expertise in a particular issue or sector. CBT provides funds to partners to work toward attaining common goals.
- Facilitation and support of community or regional discussions on issues of importance. CBT often brings together Basin residents to provide information on an issue or to facilitate dialogue on how to address that issue.
- CBT also provides non-monetary support to communities in the form of CBT staff time and expertise.

The majority of Delivery of Benefits funds are committed and disbursed through legal agreements with partners, delivery agents and grant recipients. Agreements include specific duties and deliverables that are monitored by CBT.

When appropriate, CBT may make multi-year funding commitments to particular programs or initiatives. These commitments provide assurance to communities around continuity of service, and aid partners in recruiting and retaining qualified staff. Multi-year commitments are often linked to longer-term objectives.

Investment Program

The purpose of CBT's Investment Program is to prudently invest the endowments received from the Province, enabling delivery of long-term benefits to the Basin. CBT's *Statement of Investment Policies and Procedures* provides the necessary guidance to generate a predictable, sustainable and appreciating income stream. These financial returns are then available to fund CBT's current and future Delivery of Benefits obligations, cover corporate operating expenses and make further investments.

The 1995 *Financing Agreement* with the Province of BC committed CBT to investigating three hydroelectric projects in the Basin region and—if investigations indicated commercial viability—to developing and operating these projects.

Two of these projects were developed in partnership with Columbia Power, and the risks and returns are shared on a 50/50 basis. The third project, the Waneta Expansion Project, commenced construction in fall 2010 and a new ownership model was developed, in which CBT holds a 16.5 per cent interest in a partnership with Columbia Power (32.5 per cent) and Fortis Inc. (51 per cent). Given the overall size of the Waneta Expansion Project, there was a need to sell the surplus capacity in order to make the project financially viable. By entering into the partnership with Fortis Inc., the project benefited from Fortis' additional capital, as

well as a long-term capacity purchase agreement with Fortis BC. CBT and Columbia Power are also partners in another hydroelectric project, Brilliant Dam, which they purchased together on a 50/50 basis.

Brilliant Dam

In 1996, CBT and Columbia Power purchased Brilliant Dam, located eight kilometres from Castlegar on the Kootenay River. The facility was purchased from Teck for \$130 million, and the partners invested a further \$100 million to extend the life of the facility and increase generating capacity. Brilliant Dam generates enough power to supply 100,000 homes. The majority of the energy is sold to Fortis BC under the terms of a 60-year contract.

Arrow Lakes Generating Station

In 2002, construction was completed on Arrow Lakes Generating Station, a two-turbine facility 400 metres downstream from the existing Hugh Keenleyside Dam on Arrow Lakes Reservoir near Castlegar. The \$300-million project makes use of water that would otherwise be spilled at Hugh Keenleyside Dam. Arrow Lakes Generating Station produces enough electricity to supply 75,000 homes. All power is sold to BC Hydro under the terms of a 12-year agreement.

Brilliant Expansion

In September 2007, construction was completed on Brilliant Expansion, located on the east bank of the Kootenay River downstream from Brilliant Dam near Castlegar. The \$245-million project makes use of water that would otherwise be spilled at Brilliant Dam and generates enough power to supply 55,000 homes. Approximately 95 per cent of the power is sold to BC Hydro under a long-term agreement.

Waneta Expansion Project

CBT and Columbia Power entered into a new partnership with Fortis Inc. to develop the Waneta Expansion Project a short distance from Trail near the U.S. border. Construction of the 335-megawatt facility commenced October 2010, and is expected to be

completed in spring 2015. All power from the project will be sold to BC Hydro, with surplus capacity sold to Fortis BC.

Private Placements

The Private Placements portfolio includes investments made in Basin-based commercial businesses. CBT may invest by way of direct ownership (equity) or business lending (loans). Private placements are generally split into two categories:

Business Loans

CBT invests directly in Basin-based businesses by way of loans and equity that are made in accordance with accepted market standards and that generate financial returns consistent with the levels of risk assumed.

Real Estate

CBT has an ownership interest in several real estate projects in the Basin, including properties rented as seniors housing facilities and properties leased for general commercial purposes.

Market Securities

This category includes a range of investments, such as short-term deposits, bonds and equities. The portfolio is managed by the British Columbia Investment Management Corporation on behalf of CBT.



Construction of the Waneta Expansion Project is scheduled to be completed in spring 2015.

STRATEGIC CONTEXT

Given the different goals of the Investment Program and Delivery of Benefits, a review of the strategic context of each area is provided in this Plan.

Investment Program

CBT's Investment Program is governed by the *Statement of Investment Policies and Procedures*, adopted by the Board of Directors in July 2007 and reviewed on a biannual basis. This statement governs the entire investment process and provides the policy framework required for prudent investment management.

The investment priority for CBT is opportunities located in the Basin. Given this is a relatively small market with significant economic reliance on traditional resource sectors, there are challenges in constructing a diversified investment portfolio. CBT therefore attempts to pursue investment opportunities in a range of industries and locations to partially mitigate this exposure.

In order to make quality investments, most often in a competitive environment, efforts are made to form relationships with key financial partners who understand CBT's investment goals and objectives. Establishing these relationships may take several years and can be a challenge for investment staff given limited resources.

As CBT faces resource limitations, the organization makes efforts to partner with like-minded investors that have the size and resources to cost-effectively administer the investment. This partnership model has been applied to CBT's Power Projects investment structure. In the case of Arrow Lakes Generating Station, Brilliant Dam and Brilliant Expansion, Columbia Power acts as both investment partner and power project manager. In the case of the Waneta Expansion Project, CBT's partners provide operational and management support to the project. This model reduces the operational responsibilities of CBT, but also results in significant dependency on its power project partners. CBT

participates on the Columbia Power Board of Directors and on the partnership board that oversees the Waneta Expansion Project.

CBT has also successfully applied this partnership model to the investment structure for its seniors housing facilities, in which CBT's partner acts as both part-owner and manager, resulting in shared oversight responsibility.

The following guidelines are used by CBT in managing its Investment Program:

- CBT believes future generations should benefit from the same level of support as current residents. To preserve this legacy, investment policies and grant/spending policies should be aligned to result in the retention of sufficient funds to offset the effects of inflation in the long term.



CBT helped Valemount's Yellowhead Helicopters purchase five new helicopters to expand its business.

- CBT’s priority is investment opportunities in the Basin, as defined by the *Columbia Basin Trust Act*. However, given the limitations of investing in a relatively small region, it is expected a portion of CBT’s assets will be maintained in market securities.
- CBT believes the best-performing and most profitable investments are those that maintain high ethical and environmental standards and commit to the principles of strong corporate governance.
- CBT believes in the principles of a prudent investor and requires a rate of investment return commensurate with the level of risk assumed.
- CBT recognizes that managing investment risk is just as important as generating returns.
- CBT recognizes the benefits of asset diversification and adopts the objective in principle, while further

recognizing the benefits may be constrained by the large investment in power projects.

- CBT values financial partnerships and, when possible, will undertake investments in co-operation with other organizations.

Delivery of Benefits

Delivery of Benefits has a broad mandate to return social, economic and environmental benefits to the Basin. Given that CBT’s programs and initiatives have different objectives and purposes, each one is impacted by different factors. This strategic context reviews the factors that apply to all of CBT’s Delivery of Benefits activities.

CBT RESOURCES

This illustration shows the range of resources and services that CBT provides to Basin communities.



After a period of relatively stable Delivery of Benefits funding, CBT is now at a point where there could be a significant growth in Delivery of Benefits funding over the next three years. The forecast revenues grow from \$27 million in 2014/15 to \$35 million in 2015/16 and \$55 million in 2016/17. This forecasted growth has prompted CBT to begin a major consultation with Basin residents which will provide input on how Delivery of Benefits should grow over the coming years to best meet our mandate and whether some of these increased revenues should be reinvested.

A continuing external factor that will continue to impact CBT in 2014/15 is the relative scarcity of other funding sources for community development activities. This scarcity can create a challenging situation for Basin communities and organizations, and increase requests for CBT funds. However, CBT will continue to pursue opportunities to partner with other funders that have an interest in finding matching support.

Key Risks and Opportunities

The table on the following page describes key risks and opportunities facing CBT that could have enterprise-wide impacts on operations. The members of CBT's Board of Directors and Executive Management Committee periodically discuss key risks and opportunities, their impacts and ways to address them.

Organizational Capacity

While CBT is a relatively small organization it has developed a number of ways to increase its ability to deliver benefits to Basin residents. A key strategy is to use strategic partnerships with Basin organizations that have complementary mandates to CBT to assist in meeting our goals.

As mentioned elsewhere in this plan, CBT's revenues are expected to grow over the next few years which could place additional demands on the organization. CBT has initiated consultations with Basin residents around these increased revenues.



CBT funds helped the Fairmont Lions Club open the Lions Den, a multipurpose meeting place for groups of all kinds.

CBT is also increasing the capacity of our corporate support mechanisms to meet the demands of increased revenue. Most significant of these is the development of a new Information Management System which will be implemented in 2014/15.

KEY RISKS AND OPPORTUNITIES

Risk/Opportunity	Why Does It Matter?	What Is CBT Doing?
<p>Increased funding for Delivery of Benefits to the Basin.</p> <p>The increase is expected to occur which should result in significantly increased benefits to Basin residents.</p>	<p>The consistently strong performance of the Investment Program means CBT can return more benefits to the Basin. All funds for Delivery of Benefits must be used in the most effective and impactful ways possible and reflect local and regional priorities.</p>	<ul style="list-style-type: none"> • Began a major consultative process with Basin residents regarding increased revenues • Began to develop new scalable programs and initiatives in 2012/13 and will continue in 2013/14. • Is helping Basin communities identify their own priorities and allocating funds to achieve those priorities. • Identified several new program areas and opportunities for potential funding, such as sport and recreation. • Engaged in some large funding support for significant opportunities.
<p>Engagement with communities and residents.</p> <p>Robust engagement with Basin residents is a CBT priority and is expected to continue. Any disruption of CBT's ability to engage Basin residents would have serious negative consequences for the organization.</p>	<p>Input that results from robust community engagement provides CBT with its strategic direction and information on how to best use its resources to meet local and regional priorities. Feedback from Basin communities and residents also provides CBT with information on how to improve as an organization.</p>	<ul style="list-style-type: none"> • Is seeking feedback every two years from residents through a Basin-wide survey and from partners on its performance in returning benefits to the Basin. • Engages regularly with advisory committees made up of volunteers from the Basin, who provide strategic guidance and feedback. • Have staff based throughout the Basin, dedicated to engaging directly with communities and residents. • Have created a dedicated staff position to work with local government.
<p>Dual accountability to Basin residents and to the Province.</p> <p>Dual accountability could result in a conflict between regional and provincial priorities or requirements.</p>	<p>CBT has dual accountability. The Province is CBT's sole shareholder and it falls within the government reporting entity; however, under the act that created CBT it is also accountable to Basin residents. The organization functions as a relatively autonomous and regionally based entity within the provincial government, and must balance these accountabilities. By balancing these accountabilities, the original spirit and intent underlying CBT's creation—that CBT would be a unique and relatively autonomous Crown corporation—is preserved.</p>	<ul style="list-style-type: none"> • Is engaging in discussions with the Province to bring greater clarity to CBT's accountability structure. • Is reporting on its performance to the Province through its annual report. • Is reporting on its performance and activities to Basin residents, given its accountability to the region (e.g. public sessions at Board meetings, distribution of the annual <i>Report to Residents</i> to every Basin home and business, distribution of a monthly e-newsletter, etc.). • Submits a yearly three-year service plan to government.
<p>Construction of the Waneta Expansion Project.</p> <p>Waneta Expansion Project remains on budget and on time and issues are not expected to occur. Significant issues could negatively affect CBT's revenues but could be managed.</p>	<p>Any significant issue with the construction of the project could increase project cost or delay its completion and the generation of revenues. Early completion could result in financial benefit to CBT.</p>	<ul style="list-style-type: none"> • Is working with project partners during the construction of the project to address risk by ensuring the project adheres to the overall budget and construction schedule. • Robust construction contingency account to fund unanticipated expenses if required.
<p>Significant portion of revenues dependent on power investments.</p> <p>Dependency on power investment is a present and future reality for CBT. Disruption to this stream of revenues could be serious for CBT.</p>	<p>Eighty per cent of CBT's revenues are derived from power investments and this percentage will increase in 2015/16 and 2016/17.</p>	<ul style="list-style-type: none"> • Diversified its power holdings over four different power investments. • Continues to build its non-power portfolio in order to diversify its revenue base.
<p>An extended outage at one of CBT's power holdings could mean revenue targets are not met.</p> <p>This risk is not likely to occur but if an extended outage occurred it could affect CBT's ability to deliver benefits to Basin residents.</p>	<p>A significant proportion of CBT's Delivery of Benefits budget is committed through formal and informal multi-year agreements. A large Delivery of Benefits funding shortfall could have serious negative effects on Basin residents and CBT partners and cause reputational damage to CBT. Given that CBT has entered into multi-year spending commitments lost revenue may mean CBT is unable to meet net income (surplus/deficit) targets.</p>	<ul style="list-style-type: none"> • Prudently manages cash resources to ensure funds are available for DOB activities and corporate operating expenses in the event of short-term disruptions to revenue. Although these funds continue to be available, it is possible that utilizing them for this purpose could result in CBT incurring a deficit in that fiscal year. • Actively monitors revenue and expenditures forecasts with the objective of trying to ensure its net income targets are met.
<p>Board composition.</p> <p>Board composition is expected to remain balanced as to skills and attributes needed. If CBT was unable to recruit Board members with necessary skills it could negatively affect the governance of the organization.</p>	<p>The Board needs a balance of particular skills and attributes, including expertise in certain areas (e.g., accounting, community development). Board membership also needs a balance of new and experienced members.</p>	<ul style="list-style-type: none"> • Regularly reviews Board succession planning. • Initiated discussions with Basin local governments and the Ktunaxa Nation Council regarding the governance relationship between local governments and CBT.
<p>Key person dependency in staff.</p> <p>CBT has a number of staff whose unexpected departure could have a disruptive effect on the organization in the short-term.</p>	<p>CBT is dependent on a small number of staff. If a key staff member departed, operations could be affected in the short to medium term.</p>	<ul style="list-style-type: none"> • Developing staff succession plans for a number of key positions.

GOALS, STRATEGIES, MEASURES AND TARGETS

This section outlines goals, strategies, performance measures and targets for the next three fiscal years.

Investment Program

The *Statement of Investment Policies and Procedures* has identified three categories of investment for CBT: Power Projects, Private Placements and Market Securities. Each of these categories of investment has unique characteristics and, to appropriately measure performance, three different targets have been established. CBT's investment targets are set as long-term goals. The return from Power Projects is anticipated to start growing significantly in the 2015/16 fiscal year and the current long term objective of 8 percent will require review.

Power Projects includes all operating hydroelectric projects as well as those under development. Private Placements includes all direct investments in Basin-

based enterprise, including real estate, business loans and any other form of direct Basin investment. Market Securities includes publicly traded financial instruments that form part of a diversified securities portfolio.

CBT chose to use a cash-based return on investment methodology for calculating financial returns from Power Projects and Private Placements. This clearly linked the returns from these investments to cash that would be available for Delivery of Benefits and corporate operations.

The forecast 2013/14 return on Private Placements is expected to be significantly higher than the prior fiscal year. In 2012/13 a loan loss provision of \$1.4 million had a negative impact on calculated returns and no impairments of this magnitude are expected in the current fiscal year.

Investment Program Goal

Generate a predictable, sustainable and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses.

Strategies

1. Communicate directly with financial partners throughout the Basin in order to originate high-quality investment opportunities.
2. Develop strong working relationships with the management of companies in which CBT has invested in order to fully appreciate risk, as well as uncover future opportunity.
3. Identify and develop investment opportunities that target areas of quality risk not otherwise addressed by conventional lenders.
4. Remain fully engaged with Columbia Power and Fortis Inc. during the development of the Waneta Expansion Project. Continue to work closely with partners during the operating phases of all power projects.

Measures	Actual	Forecast		Targets	
	2012/13	2013/14	2014/15	2015/16	2016/17
Return on Power Projects (calculated as a cash-based return on investment)	10.07%	9.5%	8%	8%	8%
Return on Private Placements (calculated as a cash-based return on investment)	2.5%	6.5%	8%	8%	8%
Return on Market Securities	7.8%	7.0%	6%	6%	6%

Forecast returns from Market Securities are expected to be slightly higher than the long term objective of six percent. However, it is important to acknowledge that the financial markets are volatile and inherently difficult to predict in the short term. Notwithstanding this short-term uncertainty, management continues to believe the six percent long-term objective is appropriate.

While Private Placements are forecast to not meet their long-term targets in 2013/14, there is no significant impact on the budget as these returns make up a relatively small percentage of CBT's revenues.

For further information on CBT's Investment Program performance measures, see Appendix 1.

Delivery of Benefits

Measuring CBT's performance in the area of Delivery of Benefits is a challenge, given that the organization has a broad mission and mandate, that CBT plays a variety of roles (funder, facilitator, information resource, etc.) and that its activities often have qualitative as opposed to quantitative outcomes. The work CBT does and the variety of roles it plays are based on its strategic priorities, which are set in consultation with Basin residents.

As CBT is accountable to Basin residents, and as the organization ultimately supports efforts of residents and the well-being of the region, the organization is measuring how Basin residents' perceptions of CBT change over time and, in particular, assessing whether residents feel that CBT is making a positive difference in their lives and communities. This approach gives CBT meaningful feedback on whether its key stakeholders feel that the organization is fulfilling its mission. In addition,

Delivery of Benefits Goal

Deliver benefits that serve to strengthen the social, economic and environmental well-being of the Basin and its residents and communities.

Strategies

1. Encourage long-term stewardship of the Basin's natural assets and help build the ability to take action to meet environmental challenges.
2. Actively foster and support local and regional economic resiliency and well-being.
3. Help communities respond to social issues and make social considerations part of strengthening community well-being.
4. Work with communities and youth to enhance youth opportunities and engagement.
5. Support Basin residents to increase their awareness and understanding of water issues, and take steps to address issues.
6. Support local communities and regions in identifying and meeting their priorities.

Measures	Baseline	Results			Targets	
	2010/11	2012/13	2013/14	2014/15	2015/16	2016/17
Assessment by Basin residents of CBT's effectiveness	74%	74%	N/A	Over 70%	N/A	Over 70%
Assessment by CBT partners of CBT's effectiveness	96%	94%	N/A	Over 90%	N/A	Over 90%

Note: Assessment of these targets takes place every two years.

CBT is exploring how residents feel that CBT is making a difference, in order to understand the impacts of CBT's range of roles and its overall effectiveness.

CBT is also measuring its performance by assessing the perceptions of its partners, and whether its partners feel that CBT is making a positive difference in their communities. CBT has a wide range of partners, including local governments, regional non-profit bodies and organizations that have social, economic, environmental and/or youth mandates. CBT engages with its partners regularly to explore opportunities for collaboration, and CBT's partners are the conduits through which numerous programs and initiatives are delivered to residents.

CBT first measured Basin residents' and partners' perceptions in late 2010 and repeats that exercise every two years. CBT has completed the survey process twice, the first time in 2010/11 which established our baseline and again in 2012/13. Originally we had set specific target percentages, however it became apparent that

targets that vary two or four per cent from the previous measure are not meaningful given the statistical margin of error. As a consequence, CBT has adjusted its targets to provide a benchmark which we will expect to surpass for future assessments of our perception over time.

CBT is planning to assess these perceptions again in the fall of 2014.

For further information on CBT's Delivery of Benefits performance measures, see Appendix 2.

Corporate Operations

Corporate operations includes communications, accounting, administration, information technology and human resources. The effective and efficient operation of each of these functions ensures CBT is able to support its Investment Program and Delivery of Benefits. Note that these measures apply to CBT's organization-wide practices rather than just its corporate operations.

Corporate Operations Goal

Support and enable the effective management of the Investment Program and Delivery of Benefits programs and initiatives.

Strategies

1. Maintain risk management registers.
2. Review and implement improvements to the various business processes that support CBT's activities, including processes related to contract management, records management and information management systems.
3. Ensure CBT is viewed as an employer of choice, including by developing human resources strategies and supports, such as an individualized employee performance framework and appropriate benefits.
4. Implement appropriate sustainability principles and practices in CBT's everyday activities, including through the execution of a corporate carbon neutral plan.

Measures	Results		Forecast		Targets	
	2012/13	2013/14	2014/15	2015/16	2016/17	
Maturity of planning practices	3	3	3.5	4	4	
Maturity of risk management practices	2.5	3	3.5	4	4	
Budget variance for corporate operations	(5.3%)	(5.5%)	Under 5%	Under 5%	Under 5%	

Maturity of Planning Practices

By annually assessing the maturity of its planning practices, CBT ensures that planning—including prioritization, business and operational planning and the allocation of resources—is fully indoctrinated within the organization. Practices are assessed on a scale of 1 to 4, with 4 reflecting a fully mature state where all benchmarks identified in Appendix 3 have been met. CBT does expect to reach its target of 3 for 2013/14. However, in spite of making some significant progress in planning this year, CBT does not anticipate reaching its previously identified target of 4 for 2014/15. Given the current planning activities for the social, environment and economic sectors, and the major consultation around CBT’s forecast increased revenues, it was felt that the required benchmark of having alignment in stated directions and priorities from the operational, to the corporate and strategic may not be fully realized. Consequently, CBT has adjusted its organizational target of 4 for 2014/15 to 3.5.

For more information on the rating scale, see Appendix 3.

Maturity of Risk Management Practices

By annually assessing the maturity of its risk management practices, CBT ensures that the organization makes progress toward developing and implementing an enterprise-wide risk management framework. Practices are assessed on a scale of 1 to 4, with 4 reflecting a fully mature state where all benchmarks identified in Appendix 3 have been met. CBT does expect to reach its target of 3 for 2013/14. However, CBT does not anticipate reaching its previously identified target of 4 for 2014/15. Although CBT has developed an enterprise-wide risk register, it is felt that the required benchmark that “the nature and level of risk that CBT is willing to accept at different levels in the organization is a well understood concept” will not be met. While many parts of the organization have met this benchmark it is felt that the concept might

not be fully integrated throughout the organization. Consequently, CBT has adjusted its organizational target of 4 for 2014/15 to 3.5.

For more information on the rating scale, see Appendix 3.

Budget Variance for Corporate Operations

By measuring budget variances, CBT assesses its ability to forecast appropriately and set realistic budgets, as well as manage its resources effectively over the course of a fiscal year. Budget variance is calculated as the difference between the budget, approved by CBT’s Board of Directors in January each year, and actual results, as reported in CBT’s consolidated financial statements at the fiscal year-end.

In the past the forecast was five per cent. However CBT has now adjusted the targets for 2014/15 to 2016/17 to “under five per cent” to better describe the intended target. The forecast of (5.5) per cent for 2013/14 reflects that CBT expects to be under budget in a number of corporate areas.

For further information on the budget variance measure, see Appendix 3.

SUMMARY FINANCIAL OUTLOOK

The summary financial outlook is prepared on a consolidated basis. Financial information for CBT's holding company subsidiaries (which retain power project investments and other types of investment) is not provided, as CBT revenues are reported by major category of investment (see Table 1). CBT's subsidiary,

Columbia Basin Broadband Corporation, has an active role and does not function exclusively as a holding company. In addition to financial information provided below for broadband operations, separate financial information is provided as well for this subsidiary.

TABLE 1 - CBT'S FINANCIAL OUTLOOK

	Actuals	Forecast	Forecast	Forecast	Forecast
	2012/13	2013/14	2014/15	2015/16	2016/17
Revenues					
Power Projects	\$19,734,000	\$22,299,000	\$21,308,000	\$28,804,000	\$48,732,000
Private Placements: Commercial Loans	925,000	1,110,000	1,350,000	1,480,000	1,630,000
Private Placements: Real Estate	870,000	1,024,000	1,110,000	1,166,000	1,225,000
Market Securities	611,000	700,000	1,250,000	1,430,000	1,520,000
Loan Income	1,130,000	1,134,000	284,000	-	-
Recoveries	367,000	340,000	340,000	340,000	340,000
Short-term Investments	1,613,000	900,000	900,000	900,000	1,000,000
Broadband Services	400,000	330,000	500,000	660,000	725,000
	25,650,000	27,837,000	27,042,000	34,780,000	55,172,000
Expenses					
Water and Environment Initiatives	7,518,000	3,813,000	3,485,000	3,695,000	4,019,000
Social Initiatives	5,841,000	2,144,000	1,610,000	2,915,000	3,178,000
Community Initiatives	5,508,000	6,913,000	7,740,000	11,320,000	12,334,000
Economic Initiatives	2,779,000	5,483,000	3,830,000	2,461,000	2,679,000
Youth Initiatives	1,867,000	1,981,000	2,057,000	1,938,000	2,086,000
Broadband Initiatives*	558,000	1,110,000	1,560,000	1,710,000	1,500,000
Investment Initiatives	531,000	470,000	520,000	540,000	570,000
Other Initiatives	401,000	5,656,000	5,643,000	6,265,000	6,109,000
Programs Under Development	-	-	-	2,256,000	22,655,000
	25,003,000	27,570,000	26,445,000	33,100,000	55,130,000
Private Placements: Impairment Loss	(1,400,000)	-	-	-	-
Surplus/(Deficit)	\$(753,000)	\$267,000	\$597,000	\$1,680,000	\$42,000
Total Debt	\$1,056,000	\$1,028,000	\$999,000	\$969,000	\$938,000
Accumulated Surplus	\$410,919,000	\$410,903,000	\$414,000,000	\$417,110,000	\$418,672,000

*Broadband Initiatives includes direct CBBC expenses as well as other broadband initiatives delivered directly through CBT.

Revenues

Earnings from all major revenue streams are expected to remain stable in 2014/15 with significant increases to Power Project revenues occurring in 2015/16 and 2016/17 due to the following factors:

- a new power sale agreement with BC Hydro at Arrow Lakes Generating Station which will come into effect partway through the 2015/16 fiscal year; and
- the Waneta Expansion Project, which is expected to become operational in the spring 2015.

CBT's investment in power projects continues to be the largest component of revenues. The following table provides revenues, expenses and net income from each of the power project joint ventures jointly owned with Columbia Power, as well as the partnership with Columbia Power and Fortis Inc. at the Waneta Expansion.

Revenues from Private Placements (commercial loans and real estate) are expected to continue to grow modestly over the next three years.

Loan Income consists of payments from Columbia Power on a \$20-million loan provided by CBT. The loan was provided to assist Columbia Power in meeting its financing obligations for the Waneta Expansion Project.

Market Securities revenues are generated by an externally managed, diversified securities portfolio. Forecasts for the 2014/15 to 2016/17 period are based on the assumption that markets will realize returns consistent with long-term averages.

Short-term investments consist of CBT's portfolio of short- and long-term deposits at financial institutions within the Basin. Fluctuations are anticipated in these revenues, as CBT will withdraw funds placed in short-term investments for construction costs at the Waneta Expansion Project.

Broadband services consist of revenues expected from broadband operations for internet connectivity from municipalities and government agencies, as well as leased fibre to large entities.

TABLE 2 - POWER PROJECT NET INCOME

	Actuals	Forecast	Forecast	Forecast	Forecast
	2012/13	2013/14	2014/15	2015/16	2016/17
Revenues					
Brilliant Power Corp.	\$20,692,000	\$21,332,000	\$21,732,000	\$21,737,000	\$22,054,000
Brilliant Expansion Power Corp.	16,649,000	18,494,000	17,251,000	17,688,000	17,848,000
Arrow Lakes Power Corp.	18,511,000	18,582,000	19,003,000	19,743,000	33,882,000
Waneta Expansion Limited Partnership	-	-	-	4,149,000	8,999,000
Waneta Expansion Power Corp.	1,069,000	1,130,000	1,194,000	1,261,000	1,333,000
	56,921,000	59,538,000	59,180,000	64,578,000	84,116,000
Expenses					
Brilliant Power Corp.	10,839,000	10,916,000	10,960,000	10,558,000	10,465,000
Brilliant Expansion Power Corp.	7,320,000	7,245,000	7,539,000	6,983,000	7,201,000
Arrow Lakes Power Corp.	19,028,000	19,078,000	19,373,000	18,233,000	17,718,000
	37,187,000	37,239,000	37,872,000	35,774,000	35,384,000
Net Income	\$19,734,000	\$22,299,000	\$21,308,000	\$28,804,000	\$48,732,000

Expenses

General operating expenses—which include Board and Board committee meeting expenses and remuneration, staff remuneration and development, communications and information technology costs, consultant fees, office expenses and amortization expenses—are expected to modestly increase over the next three years. This increase is mostly attributable to moderate increases in staffing.

Delivery of Benefits

Total funds available for distribution through Delivery of Benefits are forecast to be \$21.7 million in 2013/14 and \$20 million in 2014/15 and will rise to \$26.3 million in 2015/16. As revenues are expected to significantly increase in future years, the Delivery of Benefits funding potentially available has grown to \$48 million in 2016/17. This forecasted growth has prompted CBT to begin a major consultation with Basin residents which will provide input on how Delivery of Benefits should grow over the coming years to best meet our mandate and whether some of these increased revenues should be reinvested.

CBT is predicting a surplus in all three years covered by this Service Plan.

Table 4 reviews the key assumptions and sensitivities related to forecast revenues and expenses.

Table 5 provides information on CBT's forecast capital expenditures. Figures for Arrow Lakes Generating Station, Brilliant Expansion, and Brilliant Dam are provided by Columbia Power. Information related to capital expenditures for the Columbia Basin Broadband Corporation is provided separately.

The investment in the Waneta Expansion Project is the most significant capital expenditure for CBT (16.5 per cent interest in the partnership). The \$900 million project is being developed in partnership with Columbia Power (32.5 per cent interest) and Fortis Inc. (51 per cent interest). Columbia Power manages construction of the project on behalf of the partnership and the development is forecast to be complete by May 2015. In the event the project is not completed on time, or incurs costs in excess of budgeted amounts, it may negatively impact the financial performance of CBT in the future. CBT expects to advance approximately \$95 million towards the construction of the project by the end of 2013/14.

TABLE 3 - ADMINISTRATION EXPENSES

	Actuals	Forecast	Forecast	Forecast	Forecast
	2012/13	2013/14	2014/15	2015/16	2016/17
Expenses					
Board and Committee	\$200,000	\$175,000	\$180,000	\$180,000	\$200,000
Staff Remuneration and Development	3,968,000	3,910,000	4,200,000	4,400,000	4,600,000
Communications	130,000	190,000	190,000	190,000	200,000
Professional Fees	370,000	420,000	410,000	410,000	410,000
Corporate Travel and Meetings	218,000	180,000	200,000	200,000	200,000
Information Technology	105,000	100,000	200,000	200,000	200,000
Office and General	534,000	600,000	600,000	750,000	850,000
Amortization	391,000	345,000	465,000	470,000	470,000
	5,916,000	5,920,000	6,445,000	6,800,000	7,130,000
Delivery of Benefits	19,087,000	21,650,000	20,000,000	26,300,000	48,000,000
Private Placements: Impairment Loss	1,400,000	-	-	-	-
Total Expenses	\$26,403,000	\$27,570,000	\$26,445,000	\$33,100,000	\$55,130,000

TABLE 4 - KEY ASSUMPTIONS AND SENSITIVITIES

Financial Forecast Item	Key Assumptions and Sensitivities
Power Projects Revenue	<ul style="list-style-type: none"> In 2014/15, more than 80 per cent of CBT revenues will come from Power Projects. If the projects experience operational challenges and revenues are reduced, CBT's ability to deliver benefits may be impacted. 2015/16 revenues assume that the Waneta Expansion Project is completed on time and on budget.
Market Securities Revenue	<ul style="list-style-type: none"> Financial markets are volatile and returns may vary significantly when measured over the short term. A one per cent change in return would have an approximate impact of \$250,000 on revenue given the current level of investment. CBT's annual return expectation for Market Securities is six per cent.
Private Placements Revenue	<ul style="list-style-type: none"> Fluctuating interest rates have a direct effect on the income from business loans. Changes in the economic environment influence the performance of business loans. New investments continue to be made and the portfolio is growing. CBT's annual return expectation for Private Placements is eight per cent.
Short-term Investments Revenue	<ul style="list-style-type: none"> Fluctuating interest rates have a direct impact on returns from short-term investments. A one per cent change in interest rates would have an approximate impact of \$500,000 on revenue given the current level of investment. CBT assumes an annual interest rate of two per cent on income securities.
Staff Remuneration and Development, General Operating Expenses	<ul style="list-style-type: none"> These forecasts include the incremental additions of new staff. Depending on the timing of when positions are filled, expenses may be reduced: i.e., if staff members are hired later in the fiscal year. These forecasts do not include unanticipated staffing costs (e.g. coverage for unexpected leave).

TABLE 5 - CAPITAL EXPENDITURES

	Actuals	Forecast	Forecast	Forecast	Forecast
	2012/13	2013/14	2014/15	2015/16	2016/17
Arrow Lakes Power Corporation	\$229,000	\$10,000	\$185,000	\$138,000	\$142,000
Brilliant Expansion	156,000	178,000	128,000	300,000	725,000
Waneta Expansion Project	19,700,000	20,200,000	5,700,000	2,000,000	-
Brilliant Dam	1,571,000	895,000	185,000	138,000	142,000
Real Estate Investments	4,340,000	-	-	-	-
Columbia Basin Broadband Corporation	116,000	2,000,000	1,150,000	1,400,000	-
CBT Corporate Assets	277,000	622,000	550,000	500,000	400,000
	\$26,389,000	\$23,905,000	\$7,898,000	\$4,476,000	\$1,409,000

CBT has an ownership interest in several real estate projects in the Basin, including properties rented as seniors housing facilities and properties leased for general commercial purposes.

The major component of CBT's corporate capital expenditures for 2014/15 includes information technology purchases for new desktops, laptops and software as well as the development of a new Content Management System. Other corporate capital expenditures include office furniture and equipment and leasehold improvements.

Columbia Basin Broadband Corporation

Columbia Basin Broadband Corporation (CBBC) is a wholly owned subsidiary of CBT formed in 2011 when CBT acquired the assets of the Columbia Mountain Open Network (CMON). Through CBBC, CBT is working to improve connectivity in the Basin. CBT's total commitment to this initiative is \$7.9 million, which includes a commitment made in 2013/14 of five year funding totaling \$6.5 million. CBBC will use this commitment to work toward bringing open access, high speed broadband throughout the Basin and to serve as a resource to areas in the Basin that desire better broadband.

Key activities for CBBC include:

- Completing technical work and agreements necessary to activate CBBC's regional network,
- Working to connect local governments to CBBC's network and helping them explore ways to use enhanced connectivity,
- Exploring ways to bring greater connectivity to rural areas in the Basin, and
- Providing educational and technical resources to communities and regional groups who would like assistance in enabling use of high speed broadband.

As CBT considers the activities of CBBC a delivered benefit to Basin residents, any losses incurred by CBBC will be addressed through the Delivery of Benefits budget. The forecasts shown for CBBC are based on a number of assumptions, particularly the timing of various technical and community-based projects related to connectivity. Forecasts of revenues, expenses and capital expenditures will vary depending on how these projects evolve.

TABLE 6 - COLUMBIA BASIN BROADBAND CORPORATION FORECASTS

	Actuals	Forecast	Forecast	Forecast	Forecast
	2012/13	2013/14	2014/15	2015/16	2016/17
Revenues	\$400,000	\$330,000	\$500,000	\$660,000	\$725,000
Expenses	558,000	910,000	1,360,000	1,510,000	1,500,000
Deficit	\$(158,000)	\$(580,000)	\$(860,000)	\$(850,000)	\$(775,000)
Capital Expenditures	\$116,000	\$2,000,000	\$1,150,000	\$1,400,000	\$ -

GOVERNANCE

Board of Directors

CBT's 12-member Board consists of one appointee from each regional district and the Ktunaxa Nation Council. Regional governments nominate these directors to the provincial government and the appointments are made by the Lieutenant-Governor through an order-in-council. The other six directors are appointed directly by the Province. All directors must be residents of the Basin.

For more information on CBT's Board of Directors or governance processes and policies, visit www.cbt.org. All Board-approved processes and policies are disclosed in accordance with the Board Resourcing and Development Office's disclosure requirements for Crown corporations. As new governance policies and processes are approved by the Board, these will also be appropriately disclosed.

Governance Principles

In governing CBT, the Board of Directors is committed to upholding the core values of CBT established in the *Columbia Basin Management Plan* and acting in accordance with the following principles:

Preparation

Directors will ensure they are fully prepared to address the business of CBT.

Transparency

To the greatest extent possible, the actions and decisions of CBT, including those of the Board of Directors, will be transparent and open to Basin residents.

Participation and Commitment

Directors will ensure they participate fully as Directors and are capable of meeting their commitments to CBT.

Service

The Board of Directors will act in the best interests of CBT, which serves the Basin region as a whole.

Directors

- Greg Deck, Chair
- Laurie Page, Vice-Chair
- Denise Birdstone
- Wendy Booth
- Kim Deane
- Gord DeRosa
- Cindy Gallinger
- Rick Jensen
- Am Naqvi
- Andru McCracken
- Paul Peterson
- David Raven

Executive Management Committee

- Neil Muth, President and CEO
- Johnny Strilaeff, Vice-President and COO
- Frances Maika, Acting Director, Communications
- Wayne Lundeberg, Acting Director, Community Initiatives
- Sabrina Curtis, Director, Sector Initiatives
- Kindy Gosal, Director, Special Initiatives

Boards of CBT Subsidiaries

Subsidiary Holding Companies

For commercial and legal reasons, CBT has a number of subsidiaries that hold its interests in investments. The boards of these subsidiaries do not address policy matters. Directors of these holding company subsidiaries consist of CBT senior management Neil Muth, President and CEO, and Johnny Strilaeff, Vice-President and COO.

- CBT Commercial Finance Corp. holds CBT interests in business loans and investments.
- CBT Real Estate Investment Corp. holds CBT interests in real estate.
- CBT Property Corp. is a subsidiary of CBT and holds interests in corporate real estate.
- CBT Energy Inc. (CBTE) is the main CBT subsidiary related to power projects.
- CBT Arrow Lakes Power Development Corp. is a subsidiary of CBTE and holds interests in the Arrow Lakes Generating Station joint venture with Columbia Power.
- CBT Brilliant Expansion Power Corp. is a subsidiary of CBTE and holds interests in the Brilliant Expansion joint venture with Columbia Power.

- CBT Power Corp. is a subsidiary of CBTE and holds interests in the Brilliant Dam joint venture with Columbia Power.
 - CBT Waneta Expansion Power Corp. is a subsidiary of CBT that holds interests in the limited partnership and in the general partnership formed to complete the Waneta Expansion Project.
- Arrow Lakes Power Development Corp., Brilliant Expansion Power Corp. and Brilliant Power Corp. are joint ventures with Columbia Power. All three have a Board of Directors composed of Kim Deane, Greg Deck and Neil Muth from CBT, and Frank Wszelaki, Lee Doney and Lillian White from Columbia Power.

<p>Board Committees</p> <p>CBT Board committees address issues on behalf of the Board of Directors and report back to the Board on a regular basis. Committees assess their performances against their terms of reference annually.</p> <p>The Chair of the Board is the Executive Committee Chair, and an ex-officio and voting member of all other Board committees.</p>	<p>The Executive Committee acts on behalf of the Board of Directors between Board meetings, ensures that appropriate governance policies and practices are developed and implemented, ensures that a human resources framework is developed and maintained and addresses any other matters referred to it by the Board.</p> <p>Members</p> <ul style="list-style-type: none"> • Greg Deck, Chair • Kim Deane • Am Naqvi • Laurie Page • David Raven 	<p>The Finance and Audit Committee assists the Board in fulfilling its financial accountability and oversight responsibilities by ensuring the accuracy and integrity of CBT’s financial information, monitoring systems of internal controls and overseeing the internal and external audit processes.</p> <p>Members</p> <ul style="list-style-type: none"> • Am Naqvi, Chair • Kim Deane • Gord DeRosa • Andru McCracken • Laurie Page
<p>The Investment Committee assists the Board in fulfilling its oversight responsibilities related to the governance and management of the CBT portfolio of investments.</p> <p>Members</p> <ul style="list-style-type: none"> • Rick Jensen, Chair • Denise Birdstone • Wendy Booth • Cindy Gallinger • Paul Peterson • David Raven 	<p>The Community Initiatives Committee assists the Board in fulfilling its oversight responsibilities related to the governance and management of geographically-based Delivery of Benefits programs, initiatives and activities.</p> <p>Members</p> <ul style="list-style-type: none"> • Denise Birdstone, Chair • Cindy Gallinger • Andru McCracken • Am Naqvi • Paul Peterson 	<p>The Sector Initiatives Committee assists the Board in fulfilling its oversight responsibilities related to the governance and management of sector-based Delivery of Benefits programs, initiatives and activities.</p> <p>Members</p> <ul style="list-style-type: none"> • Kim Deane, Chair • Wendy Booth • Gord DeRosa • Rick Jensen • Laurie Page • David Raven

Active Subsidiaries

Columbia Basin Broadband Corporation (CBBC) is mandated to support the enhancement of broadband connectivity in the Basin on a regional level. Its board consists of Ron Miles (Chair), Kim Deane, Greg Deck, and Garry Merkel.

The Province of BC and Columbia Basin Trust

The *Columbia Basin Trust Act* establishes the Province of BC as the shareholder of CBT.

The respective roles and responsibilities of the provincial government and CBT are established in numerous agreements and legislation, including the 1995 *Financial Agreement* and the *Columbia Basin Trust Act*. The *Government's Letter of Expectations* further defines the roles and responsibilities of the Minister of Energy and Mines and CBT.

DIRECTION FROM GOVERNMENT'S LETTER

Requested Corporate Accountabilities	CBT Alignment
Support the efforts of Basin residents and communities to strengthen social, economic and environmental wellbeing in the region through Delivery of Benefits activities and effective stewardship of the Corporation's resources.	<ul style="list-style-type: none"> A range of social, economic, environmental, youth, water and community related initiatives have been supported over the past year and a number of new initiatives will be launched in 2014/15. CBT has stewarded its resources such that it is fully able to fund Delivery of Benefits activities in the Basin.
Manage its investments in a manner consistent with its Board-approved Statement of Investment Policies and Procedures such that the Corporation can fund current and future Delivery of Benefits activities and corporate operations.	<ul style="list-style-type: none"> CBT has managed its investments in a manner consistent with the <i>Statement of Investment Policies and Procedures</i>. It is able to fully fund current Delivery of Benefits activities and corporate operations, and anticipates being able to do the same in the future.
Report on performance measures that demonstrate levels of success achieved during the reporting year. This includes ensuring directors nominated by regional districts and the tribal council pursuant to the <i>Columbia Basin Trust Act</i> report on the Corporation's activities to their respective nominating bodies.	<ul style="list-style-type: none"> CBT reports on its performance measures in its annual report and offers to review its activities with the regional districts and Ktunaxa Nation Council.
Ensure that it does not purport to represent the Government in any statements or matters of an interprovincial, federal-provincial or international nature.	<ul style="list-style-type: none"> CBT has not purported to represent the Government in any matters.
Ensure that residents and stakeholders in the Columbia Basin have opportunities to consult, collaborate, engage and partner on projects that deliver economic, environmental and social benefits to residents and communities in the Columbia Basin.	<ul style="list-style-type: none"> Strategic plans for the Delivery of Benefits are developed in consultation with Basin residents and communities. CBT engages regularly with advisory committees made up of Basin residents who volunteer their time to provide advice to CBT on the Delivery of Benefits. CBT partners with a wide variety of community organizations.
Comply with requirements to be carbon neutral under the <i>Greenhouse Gas Reduction Targets Act</i> .	<ul style="list-style-type: none"> CBT developed a corporate carbon neutral plan in 2009/10 and implements and reports annually on its activities.

APPENDIX 1 – BACKGROUND ON INVESTMENT PROGRAM PERFORMANCE MEASURES

CBT was challenged to obtain market comparables as a basis for determining realistic performance objectives for Power Projects and Private Placements. In the case of Power Projects, the structure of investments, as defined by various agreements between the Province of BC, Columbia Power and CBT, is challenging to reconcile against those commonly observed in the private market. As such, it is difficult to compare the performance of Power Projects against other hydroelectric facilities.

In the case of Private Placements, CBT is limited to investing in a relatively small geographic region. With the exception of a few larger credit unions, there are no reasonable market comparables from which CBT can base a performance objective.

Despite these challenges, CBT arrived at performance objectives for both Power Projects and Private

Placements by evaluating historical performance and balancing those returns against those forecasts over the next five years.

With respect to Market Securities, there are a number of reasonable market comparables. In arriving at a six per cent performance objective, CBT considered forecasted returns of similarly constructed securities portfolios, as well as historical returns observed in the general marketplace. Information in support of this objective was provided by the BC Investment Management Corporation.

All values used in the calculation of investment returns are obtained from the audited financial statements. Returns are compiled by accounting staff and reviewed by investment staff.

APPENDIX 2 – BACKGROUND ON DELIVERY OF BENEFITS PERFORMANCE MEASURES

In late 2010, a statistically valid sample of Basin residents was surveyed by telephone by an independent market research firm to gauge residents' awareness levels and perceptions of CBT. CBT partners were also surveyed on their perceptions of CBT. The results from each of those surveys helped CBT establish baselines for future surveys.

To ensure that data would be collected from residents and partners independently from CBT and results would be valid, CBT engaged a professional market

research firm to conduct these surveys. CBT decided to conduct the surveys on a biannual basis in order to allow sufficient time to work with and engage residents and partners. The survey was repeated in fall 2012 with a sampling of 815 Basin residents and 50 CBT partners.

CBT continued to be viewed very positively by residents and partners in the Basin. As this survey is conducted every two years there is no new data to report for this service plan.

APPENDIX 3 – BACKGROUND ON CORPORATE OPERATIONS PERFORMANCE MEASURES

Maturity of Planning Practices

Using the following table, CBT annually assesses its existing planning practices against the descriptions provided in the table. CBT will continue to build its planning practices and reassess progress against the levels noted in the table. For 2013/14, CBT anticipates attaining a level of 3. The Executive Management

Committee initially assesses CBT’s current level of maturity and future targets, with both items ultimately approved by the CBT Board.

Level 1 Description	Level 2 Description	Level 3 Description	Level 4 Description
Higher-level plans have not been established for CBT.	Higher-level plans have been developed by CBT and CBT has set out directions along with priorities, but there is minimal reference to them by the Board, management and/or staff.	Higher-level plans have been developed and formally adopted by CBT, with stated directions, priorities and assigned accountabilities for implementation, but: <ul style="list-style-type: none"> • there is infrequent updating to reflect changes within, or that affect, CBT; and • regular monitoring and reporting of progress in implementation, along with results, does not occur. 	Higher-level plans have been developed and formally adopted by CBT, with: <ul style="list-style-type: none"> • the Board and senior management referring to the stated directions and priorities on a regular basis; • alignment in stated directions and priorities for CBT, from the operational to the corporate and strategic levels; • staff who are aware of the stated directions and priorities, and who are following through on responsibilities for implementation; • an established process for updating to reflect changes within, or that affect, CBT; and • regular monitoring and reporting of progress in implementation, along with results.

1

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Score: 

Maturity of Risk Management Practices

Using the following table, CBT annually assesses its existing risk management practices against the descriptions provided in the table. CBT will continue to build its risk management practices and reassess progress against the levels noted in the table. For 2013/14, CBT anticipates attaining a level of 3. The Executive Management Committee initially assesses CBT’s current

level of maturity and future targets, with both items ultimately approved by the CBT Board.

Level 1 Description	Level 2 Description	Level 3 Description	Level 4 Description
CBT has not identified the types of corporate risks that can undermine its ability to achieve its mandate and priorities.	<p>CBT has identified corporate risks that can undermine the achievement of its mandate and priorities, but not their relative likelihood of occurrence and severity of implications.</p> <p>There is an understanding among senior management of the corporate tolerances for risk.</p> <p>Strategies for mitigating risks have not been established.</p>	<p>CBT has identified and assessed in a judgmental manner the likelihood and impact of corporate and departmental risks that can undermine the achievement of its mandate and priorities, but this is not being kept current.</p> <p>There is an understanding among senior management and staff of the corporate tolerances for risk.</p> <p>Strategies for mitigating high- to medium-priority risks have been identified, but there is uncertainty over the degree to which these are being implemented and the results.</p>	<p>CBT has described in detail and assessed in a fairly robust way the likelihood and impact of corporate and departmental risks that can undermine the achievement of its mandate and priorities, including contributing factors, with there being evidence that this is updated on a regular basis.</p> <p>The nature and level of risk that CBT is willing to accept at different levels in the organization is a well understood concept.</p> <p>Strategies for mitigating high- to medium-priority risks are being identified, assigned lead accountabilities and monitored for results, all within a cycle that allows for periodic updates.</p>



Score:

Budget Variance

CBT anticipates that some factors beyond the organization's control will impact its actual financial results. However, the budget variance measure will provide CBT with a meaningful indication of how well its resources are managed, and those factors beyond CBT's control will be identified when CBT reports out against this measure in its Annual Report.

CBT established a target of under five per cent after reviewing historical performance and budget variances, and considered the degree of actual costs that could reasonably be expected to deviate from the budget.

This measure refers exclusively to CBT's budget for Corporate Operations, which comprises forecast expenditures in areas such as staff remuneration and development, professional fees, Board and Board committee costs, information technology and communications. CBT may decide to expand this measure in the future to include revenues and expenditures.



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