Columbia Power Corporation

2014/15
ANNUAL SERVICE PLAN REPORT

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Board Chair's Message and Accountability Statement

The 2014/15 Columbia Power Corporation Annual Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. I am accountable for the contents of the report, including what has been included in the report and how it has been reported.

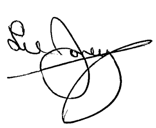
The information presented reflects the actual performance of Columbia Power for the twelve months ended March 31, 2015 in relation to the Service Plan published in February 2014.

I am responsible for ensuring internal controls are in place to ensure information is measured and reported accurately and in a timely fashion. All significant assumptions, policy decisions, events and identified risks—as of May 30, 2015—have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgement of management. Any changes in mandate direction, goals, strategies, measures or targets made since the 2014/15 – 2016/17 Service Plan was released and any significant limitations in the reliability of data are identified in the report. Taxpayer Accountability Principles (TAP) are being implemented to enhance public sector governance, increase accountability, promote cost control and ensure provincial public service organizations operate in the best interest of the taxpayers. TAP were communicated to the Board in an Addendum to the Government's Letter of Expectations. An implementation progress report and action plans related to TAP are included in the Report on Performance Annual Service Plan Report.

Columbia Power was successful in meeting its targets for managing the construction of the 335 MW Waneta Expansion Project on-schedule and on-budget, achieving reliable plant operations, effective financial planning, and advancing the Elko Dam & Generating Station redevelopment project with BC Hydro.

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

The Columbia Power Corporation 2014/15 Annual Service Plan Report compares the corporation's actual results to the expected results identified in the 2014/15 - 2016/17 Service Plan. I am accountable for those results as reported.



Signature Lee Doney, Board Chair

Table of Contents

Purpose of the Organization

Columbia Power Corporation (Columbia Power) is a Crown corporation wholly owned and controlled by the Province of British Columbia, existing under the *Business Corporations Act* and reporting to the Minister of Energy and Mines. Pursuant to the Columbia Basin Accord signed in 1995, the original mandate of Columbia Power was to undertake power project investments as the agent of the Province on a joint venture basis with Columbia Basin Trust (the Trust).

The Trust and Columbia Power own the Brilliant Dam, Arrow Lakes Generating Station and Brilliant Expansion Generating Station on a 50/50 basis. The Waneta Expansion Project is owned 51% by Fortis Inc., 32.5% by Columbia Power and 16.5% by the Trust.

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

Strategic Direction and Context

Strategic Direction

Columbia Power prepares an annual service plan that describes the continued safe and reliable operation of these facilities and the generation of clean hydropower.

Columbia Power's 2014/15 Government's Letter of Expectations (the Letter) sets out the corporate mandate, including high-level performance expectations and strategic priorities. The Letter directs Columbia Power to conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by government. The Minister of Energy and Mines sent an Addendum to the Letter requiring the Board and the Executive to ensure that decisions reflect the priorities and values of government and the shareholders - the citizens of British Columbia with the Taxpayer Accountability Principles (TAP) and provides strategic direction to Columbia Power.

Columbia Power's 2014/15 Government's Letter of Expectations outlined three priorities for the past year:

1. **Manage the construction of the Waneta Expansion to completion in 2015 ─ safely, on-schedule and on-budget, while meeting Columbia Power Corporation's community, First Nations and environmental commitments.** The project is on-schedule and on-budget. The project recently reached over 2.8 million person hours without a major safety or environmental incident. Columbia Power will continue to meet community, First Nations and environmental commitments.

2. **Manage the operation of existing facilities to meet financial and other performance targets.** Columbia Power proactively manages the operations of its existing facilities in order to meet its performance targets and achieve net income as planned.

3. **Report to Government on the progress of the Columbia Power/BC Hydro Joint Development Committee including providing timetables and a budget of proposed activities.** Columbia Power actively engaged with the Ministry of Energy and Mines to provide updates on the progress of the Joint Development Committee.

For more information visit www.columbiapower.org.

Strategic Context

Columbia Power's power facilities operate in a domestic power market where there is a single dominant wholesale purchaser as well as independent power producers. Long-term firm transmission capacity to adjacent power markets in Alberta and the US Pacific Northwest is constrained due to transmission capacity limitations. The operating environment is complex and includes federal and provincial regulators, an international treaty, as well as local, regional, United States, and First Nations stakeholders. There are no anticipated changes to Columbia Power's operating environment that would significantly affect the results from operations.

Columbia Power scans its operating environment on a continuous basis to ensure risks that could impact performance are addressed. For this planning period, risks include: not completing the Waneta Expansion Project on-time or on-budget; maintaining operating facilities reliability; progress of the Joint Development Committee not meeting expectations; attracting and retaining key staff; maintaining positive relationships with First Nations and the community; and meeting regulatory, environmental and contractual commitments. Columbia Power manages these risks using a variety of strategies outlined in its risk matrix/management table.

Report on Performance

Columbia Power's performance measures framework follows the *Budget Transparency and Accountability Act* requirements for performance measures, benchmarks and targets linked to specific goals, objectives and strategies. The report on performance is also in alignment with BC Reporting Principles. The framework also reflects Columbia Power's role as a developer of power projects and a manager of our joint venture facilities. Benchmarks for assessing performance in comparison to Independent Power Producers (IPPs) are being developed and will be included in future Service Plans.

The following is a report on the status of the implementation of the actions outlined in the TAP Addendum to the Letter.

Item	Status	Upcoming Activities
Adopt TAP for the Board and throughout the organization.	Complete	Not required
Complete and make public Columbia Power's Code of Conduct.	Complete	Not required
Develop a strategic engagement plan with the Deputy Minister.	Complete	Not required
Demonstrate the undertaking of comprehensive communication, orientation and training of TAP.	In-progress	Upcoming sessions for Board, Executive, management and non-management staff

Participate in regular meetings with Minister and with Deputy Minister to focus on performance against TAP.	Complete	Continued meetings
TAP implementation progress report.	Complete	In Service Plan and Annual Reports
Develop evaluation plan with specific efficiency and performance measures as determinates of the organization's health and performance against TAP.	In-progress	Action plan and schedules under development

Source of Data and Reliability

Columbia Power believes its performance measures are appropriate for its activities and present a fair picture of the company's performance against its mandate. Where possible, performance targets are verified by external benchmarks. The data underlying the company's performance is—in almost all cases—independently audited or verified by a third party or parties. Refer to the Columbia Power Performance Measures: Data Source and Verification Matrix.

Goals, Strategies, Measures and Targets

This section summarizes the performance measures for the Waneta Expansion Project, our existing facilities, and Columbia Power's financial performance and describes, for each performance measure, the primary metric, data source, verification or audit process for the data, and the level of reliability. In some cases, Columbia Power's performance against targets is based on forecasts of future events estimated using assumptions that reflect Columbia Power's planned courses of action and judgments as to the most probable set of economic conditions. Actual results may vary.

Goals:

1. Success of the Waneta Expansion Project
2. Efficient and reliable plant operations
3. Effective financial planning
4. Advance the progress of the Columbia Power/BC Hydro joint development initiative in identifying and pursuing future potential power projects.

For each of the four goals there are specific targets. The targets are measurable, providing accountability for performance. The targets from years 2014/15 - 2016/17 Service Plan and the actual performance for 2012/13 to 2014/15 are summarized in the sections below.

Goal 1: Success of the Waneta Expansion Project

Manage the construction of the Waneta Expansion Project (WAX) to completion in 2015 – safely, on-schedule and on-budget, while meeting Columbia Power's First Nations and environmental commitments.

Strategies

- Design-Build contract specifies commercial start-up date and on-schedule incentives.
- Design-Build contract has a fixed-price and includes penalties and incentives. Monthly forecast and risk registry reviews provide early detection.
- Appointment of Design-Build contractor as prime contractor, routine safety meetings, audits, and incentive program.
- Environmental programs and processes. For example, regular review of Environmental Management Plan (EMP), workplans, audits and independent environmental monitor.

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

Performance Measure	Benchmark	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Waneta Expansion is On-schedule	Early or on schedule (no negative variance)	WAX On-schedule	WAX On-schedule	WAX On-schedule	WAX On-schedule	WAX On-schedule	WAX Construction complete[1]

Discussion: The benchmark is for WAX to be completed on or before the Substantial Completion Milestone date (May 15, 2015) specified in the Design-Build contract. The target is to achieve a variance of less than or equal to zero, indicating the project is tracking toward Substantial Completion early or on-schedule[2]. Schedule delays will increase the cost of the Design-Build and other contracts and delay the project's ability to achieve commercial operation and commence revenue generation. This would have a financial impact; increased cost results in increased investment costs for each of the partners and has the potential to negatively affect forecast return on investment.

[1] The 2016/17 target indicates the construction completion timeframe, construction completion differs from Substantial Completion as there are outstanding items (deficiencies and testing) for the contractor to complete prior to the end of construction.
[2] The Waneta Expansion Project achieved Substantial Completion on April 1, 2015 and Commercial Operation commenced April 2, 2015. Substantial Completion is a critical milestone that was met prior to the commencement of commercial operations.

Performance Measure 1.2: **Waneta Expansion is On Budget**

Performance Measure	Benchmark	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Waneta Expansion is On-budget	On or under-budget (no negative variance)	WAX on-budget	WAX on-budget	WAX on-budget	WAX on-budget	WAX on-budget	N/A

Discussion: The benchmark is for WAX to be completed on-budget. The budget is the project capital budget as approved by the Owner. The target is to achieve a variance of less than or equal to zero, indicating the Project is tracking toward commercial operation either on or under-budget. Although the fixed-price contract provides as much construction price certainty as possible, project cost overruns can impair project economics.

Performance Measure 1.3.1 and 1.3.2: **Waneta Expansion Regulatory Compliance (Safety & Environmental)**

Performance Measure	Benchmark	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Regulatory Compliance – Safety	< or = 3 (Injury Rate)	0.34	0.19	< or = 3	0.13	< or = 3	N/A
Regulatory Compliance – Environmental	One major environmental incident per year	0	0	< or =1	0	< or = 1	N/A

Safety

Discussion: Columbia Power has exeeded its target and obligation to meet WorkSafeBC (WSBC) regulations. In addition, there is a corporate commitment to safety on Columbia Power projects that goes beyond strict regulatory compliance. The goal is to ensure every Columbia Power employee and worker at Columbia Power facilities and projects returns home from work safely. The measure used is the frequency of lost-time injuries benchmark used is one measure of overall performance.

Benchmark: Columbia Power uses the WSBC lost-time injury (LTI) rate for the heavy construction industry as a benchmark. This is defined as the number of claims (those receiving short-term disability, long-term disability or survivor benefits in the year of injury or first quarter of the following year) per 100 person-years of employment. The WSBC LTI rate for 2013 was 4.0. The Waneta Expansion Project will proactively target to have an injury rate 1.0 lower than the 2013 average for the BC heavy construction industry and therefore being less than or equal to 3.0. The target for subsequent years will be evaluated on an annual basis using the WSBC year-end results. The safety risks, and therefore the number of injuries associated with the project will vary with the type of construction activity and the associated safety hazards at various phases of the project. Rates will be highest during the initial stages of the project when the major civil construction activity is taking place and are expected to fall as the project moves to the electrical/mechanical installation phase and finally commissioning.

Environmental

Discussion: This target was achieved in 2014/15. The Waneta Expansion Environmental Assessment Certificate (EAC) provides for a series of Owner's commitments and a set of environmental performance standards for construction (the Owner's Environmental Requirements for Construction or OERC). Columbia Power acts as the Owner's Representative for Project construction and therefore has the responsibility to fulfill the Owner's commitments and ensure the OERC are met.

Benchmark: Fulfilling the EAC commitments is a requirement of the EAC and Columbia Power is required to report on the status of the Owner's commitments at regular intervals. The number of environmental incidents is one measure of environmental performance. However, apart from reportable spills, there is no standard definition of an incident or collection of industry statistics against which to benchmark. Columbia Power's Environment, Health and Safety Management System defines a major incident (environmental aspect) as one that involves corrective action requiring off-site or third-party resources or a breach of regulatory requirements. Targets are set to: fulfillment of Owner's commitments and no more than one major environmental incident per year. Under the EAC, the Owner must submit three reports on compliance with the Owner's commitments prior to construction, one month after the start of operations and one year after the start of operations.

Goal 2: Efficient and Reliable Plant Operations

Manage the operation of existing facilities to meet financial and other performance targets; Columbia Power proactively manages the operations of its existing facilities in order to meet its performance targets and achieve net income as planned.

Strategies

- Agreements with BC Hydro provide Arrow Lakes Hydro (ALH) and Brilliant Expansion (BRX) with an "entitlement" based only on availability of the operating units. Columbia Power's strategy is to maximize availability. There is an external benchmark for performance comparisons.
- Manage joint ventures effectively and efficiently and to achieve Operations, Maintenance and Administration (OMA) costs within industry norms. There is an external benchmark for performance comparisons.
- Corporate commitment to health and safety. Established health and safety policies and an Environmental Health and Safety Management System in place.
- Corporate commitment to environmental stewardship. Established environmental policies and an Environmental Health and Safety Management System in place. Columbia Power is active in industry associations on the national, provincial and local levels; these associations play a role in

policy development and regulatory compliance.

- BC Reg. 32/2009 mandates Columbia Power to be a registered entity and comply with the British Columbia Mandatory Reliability Standards.

Performance Measure 2.1: **Reliabile Plant Operations.**

Plant availability benchmarks are a measure for Columbia Power to assess asset relability performance relative to industry peers and the Corporation's own performance based on internal criteria. Targets reflect Columbia Power's annual performance forecasts based on outage durations required for planned maintenance, periods of major maintenance and capital projects. Asset reliability metrics have been reviewed by Columbia Power to ensure a meaningful measure of availability is used by the Corporation. Columbia Power has engaged the service of Navigant Consulting Inc. to provide benchmarking services, including the provision of a report detailing the compilation of industry benchmarks.

Columbia Power has identified two metrics for Plant Availability: Equivalent Availability Rate (Hours) and Equivalent Availability Rate (MWh). The Equivalent Availability Rate (Hours) references the 2013 Navigant Study as the benchmark. The Equivalent Availability Rate (MWh) references an internal benchmark. Further information about these measures is noted in the discussion below.

Performance Measure 2.1.1: **Equivalent Availability Rate (Hours)**

Performance Measure	Benchmark	2012/2013 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Equivalent Availability Rate (Hours)	ALH >90.1% BRX >90.1%	ALH: 91.5% BRX: 85.5%	ALH: 87.0% BRX: 89.4%	ALH >83.1% BRX >89.0%	ALH >88.3% BRX >88.7%	ALH >88.7% BRX >89.5%	ALH >88.7% BRX >89.5%

Discussion: This measure accounts for the number of hours each generating unit is available annually, including both planned and forced outages, relative to the total number of generating hours available. This metric compares per cent of time the generating unit is available in hours to the benchmark. Over the forecast period, ALH and BRX will be undertaking maintenance work in months with low and no entitlement energy. Long maintenance duration times are intended to focus on long-term reliability improvements. This performance measure is currently under review.

Benchmark: The benchmark is the average equivalent rate for medium-sized hydro plants in operation for less than 45 years, as provided by the Navigant Study. The benchmark is 90.1% and the long-term goal is to meet or exceed the benchmark. Annual targets reflect extended periods of major planned maintenance for 2014/2015. Equivalent Availability Rate (hours) can be compared to other hydro operators with similar assets. The targets for this metric are based on forecast planned maintenance and forced outages. Major maintenance periods can vary in duration from the typical annual planned outages. Forced outages may increase during major equipment warranty periods, early plant lifecycle abnormalities, and after major maintenance activities.

Performance Measure 2.1.2: **Equivalent Availability Rate (MWh)**

Performance Measure	Benchmark	2012/2013 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Equivalent Availability Rate (MWh)	ALH >96.3% BRX >96.4%	ALH: 99.3% BRX: 92.4%	ALH: 98.8% BRX: 97.8%	ALH: 97.1% BRX: 93.7%	ALH >98.5% BRX >96.1%	ALH >97.9% BRX >96.0%	ALH >97.9% BRX >96.0%

Discussion: Due to minimal unplanned outages, the 2014/15 actual results exceeded target. This metric is the number of entitlement megawatt hours (MWh) available to each facility annually accounting for both planned and forced (unplanned) outages, relative to the total entitlement MWh available to each facility. This metric allows a comparison of Columbia Power's revenue performance relative to an internal benchmark. The Equivalent Availability Rate (MWh) is the entitlement consequence of the Equivalent Availability Rate (hours) and reflects the timing of the planned and forced (unplanned) outages during the year. This metric relates directly to revenue and is the primary target Columbia Power focuses on achieving or exceeding.

Benchmark: Columbia Power uses historic and forecast production levels based on internal data. The benchmark reflects an optimal scenario of reliable plant operation and efficiently completing maintenance outages. The long-term target is to meet or exceed the benchmark. As the metric is entitlement-based, it is not comparable to external industry metrics, but is useful for Columbia Power's purposes. As with the Equivalent Availability Rate (hours) metric, major maintenance periods can vary in duration. Forced outages may increase during major equipment warranty periods, early plant lifecycle abnormalities, and major maintenance activities.

Performance Measure 2.2: **Operations, Maintenance and Administration Costs ($ Per MWh)**

Performance Measure	Benchmark	2012/2013 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Operations, Maintenance and Administration (OMA) Costs ($ per MWh)	7.1 (2nd Quartile)	ALH: 7.6 BRX: 13.2	ALH: 7.3 BRX: 11.8	ALH: 8.4 BRX:12.7	ALH: 7.7 BRX: 11.0	ALH: 7.0 BRX: 10.0	ALH: 6.2 BRX: 10.8

Discussion: Due to minimal unplanned outages and lower than target operations and maintenance expenses, the facilities performed better than target. This metric is the Operations, Maintenance and Administration (OMA) costs for each plant divided (net of allowance for outages) by entitlement energy for that plant, in dollars per megawatt hour (MWh). This metric is a measure of plant operational cost efficiency. Columbia Power endeavours to manage its joint ventures effectively and efficiently and to achieve OMA costs within industry norms. Under the terms of long-term, fixed-price power sales agreements, Columbia Power has limited ability to adjust the contract price to flow through cost increases. The Brilliant Dam and Generating Station is the exception. In that case, OMA costs flow through to FortisBC so Columbia Power/Columbia Basin Trust joint venture revenues are not impacted. Actual results are better than target for both ALH and BRX and long range targets for

ALH are to be on or lower than benchmark. For BRX the industry benchmark is unattainable as the comparators for the benchmark are from multi-unit facilities and average costs for a one unit facility such as BRX will always be higher due to lack of economies of scale.

Benchmark: Columbia Power participates in a Navigant Study annually to gauge plant performance relative to industry. A normalized version of the Partial Function Cost benchmark from the Navigant Study is used. Columbia Power adjusted the Partial Function Cost benchmark to allow for different input variables including physical generation versus entitlement and cost categorization differences. In addition, the adjusted benchmark normalized regional labour rates and $CAD/$US conversions incorporated in the Navigant Study.

Performance Measure 2.3.1: **Regulatory Compliance (Safety)**

Performance Measure	Benchmark	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Regulatory Compliance (Safety)	CEA AIF for CPC employees: 1.4	0	0	< or = to CEA benchmark	0	< or = to CEA benchmark	< or = to CEA benchmark
	WSBC AIF for Contractors: 1.7	0	0.96	< or = to WSBC benchmark	2.76[3]	< or = to WSBC benchmark	< or = to WSBC benchmark

Discussion: The target was not met due to the All Injury Frequency (AIF) rate for contractors exceeding the benchmark. It is the contractor's responsibility to comply with regulatory and industry safety standards. Health and safety are core values of Columbia Power. The goal is to ensure every employee returns home from work safely. Columbia Power has developed an Environmental, Health and Safety Management System that is consistent with OHSAS (Occupation Health and Safety Assessment Series) 18001 to achieve this goal.

Benchmark(s): 1) The Canadian Electricity Association (CEA) All Injury Frequency defined under CEA's Group III having < 300 employees as the number of lost-time injuries and medical aids in the last 12 months per 200,000 hours worked; 2) References the database of WorkSafeBC (WSBC) around lost-time injuries and medical aids, referenced as an All Injury Frequency.

[3] The WSBC All-in Frequency for contractors is monitored by Columbia Power. The company communicates with contractor on safety expectations, however, the company does not have control over this measure. This measure will not be included in future service plans commencing in the 2015/16 fiscal year.

Performance Measure 2.3.2: **Regulatory Compliance (Environment)**

Performance Measure	Benchmark	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Regulatory Compliance (Environmental)	1.3 Major enviromental incidents per year	0	0	< or = to 1 major incident	1	< or = to 1 major incident	< or = to 1 major incident

Discussion: The target was met. There was only one major third-party environmental incident, failure of the debris boom at ALGS, which resulted in fish stranding. Environmental stewardship is a core value of Columbia Power. The Corporation has an Environmental Policy and has developed an Environmental, Health and Safety Management System that is consistent with ISO 14001 to implement the policy. Columbia Power also complies with the Government's directive to be carbon neutral under the *Greenhouse Gas Emissions Target Act*. The Corporation's Carbon Neutral Plan is ongoing and includes monitoring its fuel, paper and electrical usage. Monitoring results are reported annually in the Corporation's "Carbon Neutral Report." Carbon neutrality is achieved through Pacific Carbon Trust. All regulatory compliance activities were met or achieved.

Benchmark: The number of environmental incidents is one measure of environmental performance. However, apart from reportable spills, there is no standard definition of an "incident" or collection of industry statistics against which to benchmark.

Performance Measure 2.3.3: **Mandatory Reliability Standards**

Performance Measure	Benchmark	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Mandatory Reliability Standards (MRS)	No sanctionable events attributed to joint ventures	0	0	0	0	0	0

Discussion: The target was met. In 2009, BC Reg. 32/2009 was issued, mandating Columbia Power and other generation and transmission entities to register with the British Columbia Utilities Commission (BCUC) and to file a mitigation plan confirming compliance with Mandatory Reliability Standards (MRS). Failure to comply with these standards could result in financial penalties and/or sanctions.

Benchmark: No sanctionable events attributable to Columbia Power/Columbia Basin Trust joint ventures. Pursuant to agreements between FortisBC and the joint ventures and as approved by the BCUC, FortisBC has assumed the role of managing MRS for the joint venture assets. In that capacity, FortisBC is in the process of filing mitigation plans. However, a residual exposure remains for the Columbia Power/Columbia Basin Trust joint venture assets.

Goal 3: Effective Financial Planning

Effective financial planning is vital to the success of Columbia Power. The company continually develops and maintains sophisticated financial modeling tools that forecast over the service plan period, providing five year forecasts to the government. Columbia Power utilizes a 30-year enterprise model to conduct sensitivity analysis and identify long-range volatility and opportunities.

Strategies

- Arrow Lakes Power Corporation (ALPC) employs a series of liquidity reserves through 2016 to provide security to bond holders. Stringent budgeting and routine forecasting ensures Debt Service Coverage Ratio (DSCR) target is met.
- Maximize revenues generated through power purchase agreements and control costs associated with plant operations.
- Close monitoring of Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is particularly effective comparing the performance of the joint ventures year-over-year.
- Maximizing free cash flow provides returns to investors in the form of dividends. Future capital investments can be funded through availability of long-term free cash flow.

Performance Measure 3.1: **Debt Service Coverage Ratio (DSCR)**

Performance Measure	Benchmark	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Debt Service Coverage Ratio (DSCR)	DSCR 1.3 or greater	Maintained Investment Grade rating for all bonds	Maintained Investment Grade rating for all bonds	Maintain Investment Grade rating for all bonds	Rating Achieved A(high) DSCR ALPC:1.49 BPC:1.98	Maintain Investment Grade rating for all bonds	Maintain Investment Grade rating for all bonds

Discussion: The Debt-Service Coverage Ratio (DSCR) target was achieved. The DSCR is a measure of creditworthiness used to determine an organization's ability to service current debt, measured as net income before interest and amortization of assets, divided by interest plus debt principal repayment. High debt service coverage ratios reflect an ability to raise additional limited-recourse project debt on favourable terms and also provide comfort on current debt service obligations. The strategy is to maintain DSCR that is favourably regarded by stakeholders and bondholders.

Benchmark: The benchmark generally used by rating agencies to establish an investment grade bond rating is a debt service coverage ratio of 1.3 or greater. For Columbia Power/Columbia Basin Trust joint ventures that have issued bonds, the target is to achieve an investment grade bond rating. Rating agencies review the ratings on existing bonds periodically.

Performance Measure 3.2: **Return on Equity**[4]

Performance Measure	Benchmark	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Return on Equity	Over the life of a project, compared to a regulated utility	4.0%	11.1%	4.6%	5.2%	7.4%	16.4%

Discussion: The actual return on equity exceeded target. For 2014/15 the Corporation focused on achieving a return on equity that was broadly consistent with projects in regulated environments. With the corporate restructuring occuring in 2014/15 and new project development, the Corporation will be shifting its focus to achieving a return on equity similar to that of an IPP. The strategy is to maximize revenues generated through existing power purchase agreements with FortisBC and BC Hydro, to control operating expenses associated with joint venture plant operations and to generate incremental returns on new project development.

Benchmark: Previously suitable industry benchmarks were not readily available. This measure reports return on equity, calculated as consolidated net income divided by consolidated equity (contributed surplus and retained earnings). The annual return on equity will be lower in years when the Corporation invests in power projects and will rise over time, particularly once debt associated to project development is retired. Columbia Power also has a significant amount of equity invested in the Waneta Expansion, which will not generate revenue and thus earn a return until 2015/16. As the organization shifts towards new project development the performance measure and thus the benchmark will be revised to compare Columbia Power's return on equity to that of comparable IPPs.

Performance Measure 3.3: **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) ($ in thousands)**

Performance Measure	Benchmark	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
EBITDA ($ in thousands)	EBITDA growth	18,075	20,825	19,789	20,650	29,832	54,242

Discussion: The target was exceeded due to better results from the Columbia Power/Columbia Basin Trust joint ventures. EBITDA is a measure of operating cash flow. EBITDA focuses on returns more directly influenced by management and excludes those factors over which management has limited or no influence. EBITDA is particularly effective as a means to compare the performance of the Corporation year-over-year. The strategy is to effectively manage and grow EBITDA.

[4] The Return on Equity performance measure was dropped as a measure in the 2015/16 – 2017/18 Service plan. In future service plans commencing with 2016/17 the performance measure may be reintroduced to show the average return on equity of comparable independent power production companies.

Benchmark: External benchmarks are difficult to identify because Columbia Power, as a small, unregulated commercial Crown working within a large, regulated environment, is unique. As an entity, in terms of financial benchmarks, Columbia Power's corporate characteristics are somewhere between an independent power producer and a regulated utility. Growth targets above are based on Columbia Power's historic and forecast performance. Columbia Power targets growth in EBITDA in each fiscal year.

Performance Measure 3.4: **Free Cash Flow ($ in thousands)**

Performance Measure	Benchmark	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Free Cash Flow (in thousands)	Consistent with target.	(33,864)	3,794	(4,735)	3,172	4,523	15,783

Discussion: The target was exceeded primarily due to a shift in the timing of Waneta Expansion Project capital expenditures. Free cash flow is the amount of cash a company has left over after it has satisfied its obligations, including sustaining capital investments and debt service. Free cash flow is an important measure in determining availability of dividend payments. On a long-term basis, free cash flow is also a measure of funds available for future capital planning investments. The strategy is to maximize free cash flow to meet the organization's strategic objective to develop commercially viable power projects.

Benchmark: External benchmarks are difficult to identify because Columbia Power, as a small, unregulated commercial Crown working within a large, regulated environment, is unique. As an entity, in terms of financial benchmarks, Columbia Power's corporate characteristics are somewhere between an independent power producer and a regulated utility. The cash flow targets above are therefore based on Columbia Power's historic and forecast performance. The material negative cash flow during the years 2012/13-2013/14 reflects the significant cash outlay to fund Columbia Power's 32.5 per cent contribution to the construction of the Waneta Expansion Project. These will be offset by significant positive cash flow in the years following commissioning in 2015/16.

Goal 4: Advance the Progress of the Columbia Power/BC Hydro Joint Development Initiative

Report to Government on options identified by the Columbia Power Corporation/ BC Hydro Joint Development Committee.

Strategies

- Columbia Power and BC Hydro have established a Joint Development Committee (JDC) comprised of two representatives from each company.
- The JDC will be responsible for identifying the principles, approach and timelines for projects identified as having development potential.
- The JDC will be responsible for reviewing and approving project development and execution of scope of work, timelines and budgets.

Performance Measure 4.1: **Development of New Projects**

Performance Measure	Benchmark	2012/13 Actual	2013/14 Actual	2014/15 Target	2014/15 Actual	2015/16 Target	2016/17 Target
Development of New Projects	Power Projects defined and approved for development	Continued activity of proposed projects ongoing	Continued activity of proposed projects ongoing. JDC formulated and working toward project Identification.	Continue activities for new project(s) Definition phase for Project 1. Identification Phase for Project(s) 2 (3).	Completed Identification Phase for Elko Project Commenced with Early definition work on Elko Project	Continue activities for new project(s) Definition phase for Project(s) 2 (3) Construction Phase for Project 1	Continue activities for new project(s) Identification, Definition and Construction activities continue

Discussion: Project development activities focused on advancing Project 1 (Elko) to the Definition phase and the development of a commercial deal structure with BC Hydro. Columbia Power and BC Hydro continue to work together to explore development opportunities at BC Hydro-owned facilities in the Province.

Financial Report

Management Discussion and Analysis

The Management Discussion & Analysis reviews the financial conditions and results of operations of Columbia Power for the fiscal year ended March 31, 2015 and should be read in conjunction with the Corporation's audited financial statements. Results in the 2014/15 Annual Service Plan Report and financial statements are presented in accordance with International Financial Reporting Standards (IFRS). Statements made in this Management Discussion & Analysis that describe Columbia Power's budgets, estimates, expectations, forecasts, objectives, predictions or projections of the future may be forward-looking statements. By nature, forward-looking statements involve risks and uncertainties, and actual actions and/or results could differ materially from those expressed or implied. The financial performance of Columbia Power and its joint ventures and partner corporations in 2014/15 is summarized as follows:

- Total Consolidated net income exceeded budget by $771 thousand primarily attributed to the better than forecast operating performance of ALH and BRX. Higher revenue from the joint venture assets, lower operating expenses and higher interest revenue all contributed to exceeding target. Revenue from the (Waneta Expansion Project Limited Partnership) WELP Services agreement was less than forecast as management fees charged by Columbia Power to the project were lower than projected due to a change in fees applied to third party contracts.
- BEPC's net income exceeded budget by $961 thousand. The increase in net income compared to budget is primarily due to $600 thousand in lower administration and management fees and higher revenues from the sale of power as BEPC earned a higher entitlement due to lower unplanned

(forced) outages. Net income, year over year, was lower by $1.8 million as 2013/14 revenues included $1.3 million from a legal settlement on the recovery of operating costs.

- ALPC experienced strong operating performance and resulting higher sales of power as a result of minimal unplanned outages and lower than budgeted operations and maintenance and administration costs.
- The results for WEPC were as expected and are based on the incremental value of the future recovery of the initial investment for the development of Waneta.
- Capital spending on the Waneta Expansion Project was $18.3 million ($1.75 million less than forecast) for 2014/15. Scheduled payments within the design-build contract were close to forecast. The project achieved Substantial Completion on April 1, 2015.

The financial outlook over the forecast period anticipates that Columbia Power will see an increase in consolidated net income in 2015/16 due to the commencement of commercial operations of the Waneta Expansion generating station on April 2, 2015.

Columbia Power is projecting modest growth in net income in 2015/16 and more significant income growth for 2016/17. Revenues for each of the equity accounted operating companies will increase in accordance with the terms of their power sales agreements. Operating expenses are anticipated to be stable except for increases in project development costs related to the Joint Development Committee (JDC) and other potential ventures. Project development costs related to the initiation phase work on new projects is anticipated to grow from $300 thousand in 2014/15 to $500 thousand in 2016/17. These costs are related to initial investigation work to explore projects that may or may not be viable for consideration.

In April 2015, the JDC approved the Elko Project proceeding to the definition phase, subject to approval of both Columbia Power and BC Hydro Board of Directors. The definition phase development costs for the Elko project are included in the capital plan for Columbia Power. The pre-construction capital expenditures approved are $15.4 million from 2015/16 to 2016/17. The $15.4 million is an initial estimate of development phase costs and will be refined during the definition phase as well as the construction costs. Actual deferred development costs incurred for the Elko project to date are $1.5 million.

Growth in net income for years subsequent to 2016/17 is expected to be strong. Waneta Expansion Project is expected to begin generating income in 2015/16. Commencing January 1, 2016, ALPC will receive a higher price for power sales under the terms of the Electricity Purchase Agreement between ALPC and BC Hydro. Forward looking projections presented in this financial overview do not include revenues from joint development projects nor the capital costs of potential projects. Columbia Power is projecting moderate spending on capital-related work for the Waneta Expansion project as the project has reached substantial completion. Columbia Power is acting as owner’s representative and will continue as such to final completion. Costs related to development of new projects that are not viable will be expensed in the year the decision is made to not proceed with the new project. This treatment of development costs may have an impact on net income in years development costs are expensed.

Financial Resource Summary Table

$ IN THOUSANDS	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Budget	2014/15 Actual	2014/15 Variance	2013/14 – 14/15 Variance	2015/16 Budget	2016/17 Budget
OPERATING REVENUE											
Services Agreement	1,643	2,919	1,833	1,816	1,832	2,170	1,278	(892)	(554)	1,415	649
Management Fee	-	-	-	-	-	350	417	67	417	368	386
Brilliant Power Corporation	9,019	9,366	9,495	9,997	10,334	10,793	10,750	(43)	416	11,230	11,661
Brilliant Expansion Power Corporation [5]	8,590	10,131	7,786	9,329	11,292	9,719	10,361	642	(931)	10,588	10,802
Arrow Lakes Power Corporation[6]	6,853	7,877	(2,077)	(468)	67	(364)	210	574	143	884	15,602
Waneta Expansion Power Corporation	(7,705)	(8,997)	944	997	1,054	1,113	1,113	-	59	1,176	1,242
Waneta Expansion Limited Partnership	-	-	-	-	-	-	-	-	-	8,172	17,725
TOTAL OPERATING REVENUE	**18,400**	**21,296**	**17,981**	**21,671**	**24,579**	**23,781**	**24,129**	**348**	**(450)**	**33,833**	**58,067**
OTHER EXPENSES											
Staff & office costs (Net of Recoveries)	2,724	3,462	3,083	3,067	2,983	3,086	3,136	(50)	(153)	3,255	3,274
Project Development Cost	-	-	-	-	182	300	73	227	109	500	500
Community Sponsorship	82	82	84	88	85	95	95	-	(10)	110	107
Grants-in-Lieu	407	407	460	441	504	511	524	(13)	(20)	523	535
TOTAL OPERATING EXPENSES	**3,213**	**3,951**	**3,627**	**3,596**	**3,754**	**3,992**	**3,828**	**164**	**(74)**	**4,388**	**4,416**
EBITDA	***15,187***	***17,345***	***14,354***	***18,075***	***20,825***	***19,789***	***20,301***	***513***	***(524)***	***29,445***	***53,651***
Amortization and Financing											
Interest Expense	-	2	1,130	1,140	1,143	11,250	11,382	(132)	(10,239)	11,393	11,419
Amortization of Property, Plant & Equipment	584	585	603	483	433	228	211	17	222	207	230
Less: Interest revenue	282	520	1,982	1,299	993	568	941	373	(52)	750	1,172
Total Amortization & Financial Expenses	**302**	**67**	**(249)**	**324**	**583**	**10,910**	**10,652**	**258**	**(10,069)**	**10,850**	**10,477**
NET INCOME	14,885	17,278	14,603	17,751	20,242	8,879	9,649	771	(10,593)	18,595	43,174

[5] The decrease in revenue from BEPC in 2017/18 is due to the end of the federal government EcoEnergy grant after September 2017.
[6] ALPC increase in revenue in 2016/17 is due to the commencement of a new energy purchase agreement with BC Hydro at a higher price of energy.

COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

Table of Contents

COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

Statement of Management Responsibility

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

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

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

Frank Wszelaki
President and CEO

Anastasios Tsalamandris, CPA CMA
Director, Finance

May 20, 2015

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying consolidated financial statements of Columbia Power Corporation, its subsidiary and its joint ventures, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Columbia Power Corporation as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Russ Jones

Victoria, British Columbia
May 20, 2015

Russ Jones, CPA, FCA
Deputy Auditor General

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

	Notes	March 31, 2015	March 31, 2014
Assets			
Current assets			
Cash and cash equivalents	8	$ 13,259	$ 10,094
Accounts receivable	9	1,642	979
Prepaid expense		38	49
Other investments	10	61,611	74,557
Total current assets		76,550	85,679
Non-current assets			
Restricted cash		604	597
Investment in equity accounted joint arrangements	4, 6	205,628	207,874
Investment prior to limited partnership	7	1,325	1,325
Investment in Waneta Expansion Limited Partnership	4, 7	209,534	192,153
Property, plant & equipment	11	687	793
Deferred development costs	12	1,461	-
Total non-current assets		419,239	402,742
TOTAL ASSETS		$ 495,789	$ 488,421
Liabilities and Shareholder's Equity			
Current liabilities			
Accounts payable and accrued liabilities	13	$ 4,936	$ 3,419
Payable to equity holder	16	-	250,000
Dividends payable	22	2,000	32,000
Loans and borrowings	14	-	19,894
Total current liabilities		6,936	305,313
Non-current liabilities			
Loans and borrowings	14	298,096	-
Total non-current liabilities		298,096	-
Equity			
Share capital	15	-	-
Contributed surplus	16	26,065	26,065
Retained earnings		164,692	157,043
Total Equity		190,757	183,108
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		$ 495,789	$ 488,421
Commitments	25		
Contingencies	26		

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

APPROVED ON BEHALF OF THE BOARD:

Lillian White

Director

Director

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

	Notes	2015	2014
Revenue	17	$ 1,695	$ 1,832
Other income	5	22,434	22,747
Depreciation expense	11	(211)	(433)
Other expenses	20	(3,828)	(3,754)
		20,090	20,392
Finance income	18	941	993
Finance costs	19	(11,382)	(1,143)
Net finance income		(10,441)	(150)
Net comprehensive income for the year		$ 9,649	$ 20,242

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

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

	Notes	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at April 1, 2013			$ 276,065	$ 168,801	444,866
Net comprehensive income for the year			-	20,242	20,242
Return of capital to equity holder	16		(250,000)	-	(250,000)
Dividend to equity holder	22		-	(32,000)	(32,000)
Balance at March 31, 2014		-	$ 26,065	$ 157,043	$ 183,108
Balance at April 1, 2014			$ 26,065	$ 157,043	183,108
Net comprehensive income for the year			-	9,649	9,649
Dividends to equity holder	22		-	(2,000)	(2,000)
Balance at March 31, 2015		-	$ 26,065	$ 164,692	$ 190,757

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

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

	Notes	2015	2014
Cash flows from operating activities			
Net comprehensive income for the year		$ 9,649	$ 20,242
Adjustments to reconcile cash flow from operations			
Amortization of property, plant and equipment	11	211	433
Ineligible costs capitalized in WELP	7	71	67
Interest income	18	(941)	(993)
Interest expense	19	11,382	1,143
Other income	5	(22,434)	(22,747)
Net change in non-cash working capital balances			
Accounts receivable		(663)	163
Prepaid expense		11	(41)
Accounts payable and accrued liabilities		(964)	(961)
Net cash from operating activities		(3,678)	(2,694)
Cash flows from financing activities			
Interest paid		(11,365)	(1,140)
Dividends paid	22	(32,000)	(2,000)
Repayment to equity holder	16	(250,000)	-
Borrowing	14	338,436	-
Discount on borrowing	14	(35,312)	-
Borrowing costs	14	(2,457)	-
Related party loan repaid	14	(20,000)	-
Net cash used in financing activities		(12,698)	(3,140)
Cash flows from investing activities			
Interest received	18	941	993
Dividends received	5	25,215	26,000
(Purchase)/sale of temporary investments		12,946	16,070
Investment in limited partnership	7	(17,988)	(33,374)
Investment in Elko	12	(1,461)	-
(Acquisition)/disposal of property, plant and equipment	11	(105)	(61)
Net cash used in investing activities		19,548	9,628
Increase (decrease) in cash and cash equivalents		3,172	3,794
Cash and cash equivalents, beginning of year		10,691	6,897
Cash and cash equivalents, end of year		$ 13,863	$ 10,691
CASH CONSISTS OF:			
Restricted cash	8	604	597
Cash available for operations	8	13,259	10,094
		$ 13,863	$ 10,691

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

1. Reporting entity:

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

The Agreement anticipated that several power projects would be undertaken through joint ventures between CPC and subsidiaries of CBT (the shareholders). The final power project under the Agreement, the Waneta Expansion Project, is currently being undertaken through a partnership between CPC Waneta Holdings Ltd. (CPC Waneta - CPC's 100% owned subsidiary), CBT, and Fortis Inc. The cost of all projects is expected to exceed $1 billion. Under the Agreement between the Province and CBT, the Province committed to make $500 million in capital contributions for the purpose of funding capital costs of the power projects, with the remaining capital costs to be financed through joint venture borrowings by CPC and CBT's subsidiaries. The entities holding legal title to the power projects and their governance structures are described in notes 4 and 6.

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

2. Basis of preparation:

(a) Statement of compliance:

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

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended March 31, 2015, and the comparative information presented in these consolidated financial statements for the year ended March 31, 2014.

The consolidated financial statements were authorized for issue by the board of directors on May 20, 2015.

(b) Basis of measurement:

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

2. Basis of preparation (continued):

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

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

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

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

Note 2(e) - Determination of fair values;

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

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

Note 3(f) - Leased assets.

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

Note 3(g) - Impairment; and

Notes 3(i) and 26 – Provisions, and Contingencies.

(e) Determination of fair values:

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

3. Significant accounting policies:

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

The accounting policies have been applied consistently by CPC entities.

(a) Basis of consolidation:

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

(i) Investment in subsidiary:

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

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

Joint ventures are those joint arrangements over whose activities CPC has joint control, established by contractual agreement (see note 4).

Associates are those entities in which CPC has significant influence, but not control (or joint control), over the financial and operating policies (see note 6). Significant influence is presumed to exist when CPC holds between 20 and 50 percent of the voting power of another entity.

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

(iii) Elimination of transactions with equity accounted investees:

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

3. Significant accounting policies (continued):

(b) Foreign currency transactions:

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

(c) Designation of financial instruments:

(i) Non-derivative financial assets:

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

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

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

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

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

Financial assets at fair value through profit or loss:

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

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

3. **Significant accounting policies (continued):**

(c) Designation of financial instruments (continued):

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

Loans and receivables:

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

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

(ii) Non-derivative financial liabilities:

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

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

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

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

(d) Inventories

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

3. Significant accounting policies (continued):

(e) Property, plant and equipment:

(i) Recognition and measurement:

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

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

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

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

(ii) Subsequent costs:

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

(iii) Depreciation:

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

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

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

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

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

3. Significant accounting policies (continued):

(f) Leased assets:

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

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

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

(g) Impairment:

(i) Financial assets:

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

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

Management has determined that there is no evidence indicating that CPC's financial assets are impaired as at March 31, 2015 and March 31, 2014.

(ii) Non-financial assets:

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

Management has determined that there is no evidence indicating that CPC's non-financial assets are impaired as at March 31, 2015 and March 31, 2014.

3. Significant accounting policies (continued):

(h) Employee benefits:

(i) Defined contribution plan benefits and employee benefits:

Pension plans are detailed in note 21 and are accounted for as a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Other long-term employee benefits:

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

(iii) Short-term employee benefits:

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

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

(i) Provisions:

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

At March 31, 2015 and March 31, 2014, management determined that CPC does not have any legal or constructive obligations requiring a provision.

(j) Government grants:

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

3. Significant accounting policies (continued):

(k) Finance income and finance costs:

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

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

(l) Share capital:

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

(m) Income tax:

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

(n) New standards and interpretations not yet adopted:

A number of new standards, interpretations, amendments, and annual improvements to existing standards issued by the International Accounting Standards Board (IASB) are not yet effective for the year ended March 31, 2015, and have not been applied in preparing these consolidated financial statements. As of the reporting date, management has determined there will be no significant impact on CPC's financial statement disclosures from the number of annual improvements. The following standards, which management has determined are more relevant to CPC, have been published but are not effective until CPC's accounting periods beginning after January 1, 2015.

(i) IFRS 9, Financial Instruments:

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

3. Significant accounting policies (continued):

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

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

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

The main features of the new standard are as follows:

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

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

4. Description of equity accounted joint arrangements:

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

- **Brilliant Power Corporation (BPC)**

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

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

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

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

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

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

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

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

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

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

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

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

5. Summary financial information for equity accounted joint arrangements:

CPC's share of profit in its equity accounted joint arrangements for the year was $22,434 thousand (2014: $22,747 thousand) as follows:

For the year ended March 31 ($ in thousands)		**2015**	**2014**
BPC	50%	10,750	10,334
ALPC	50%	210	67
BEPC *	50%	10,361	11,292
WEPC	58%	1,113	1,054
		22,434	22,747

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

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

In 2015, CPC received $25,215 thousand in dividends from its investments in equity accounted joint arrangements (2014: $26,000 thousand) as follows:

For the year ended March 31 ($ in thousands)	**2015**	**2014**
BPC	5,600	5,300
ALPC	5,465	6,250
BEPC	14,150	14,450
	25,215	26,000

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

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

($ in thousands)	Ownership	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Net Assets	Total Income	Expenses	Profit (loss) and OCI
March 31, 2014											
BPC	50%	15,813	317,406	333,219	13,144	116,383	129,527	203,692	42,198	(21,530)	20,668
ALPC	50%	23,181	251,527	274,708	11,055	347,454	358,509	(83,801)	37,837	(37,704)	133
BEPC	50%	12,369	226,920	239,289	1,802	-	1,802	237,487	36,891	(14,306)	22,585
WEPC	58%	-	50,400	50,400	-	-	-	50,400	2,692	-	2,692
		51,363	846,253	897,616	26,001	463,837	489,838	407,778	119,618	(73,540)	46,078
March 31, 2015											
BPC	50%	15,095	321,235	336,330	12,464	109,874	122,338	213,992	43,424	(21,924)	21,500
ALPC	50%	21,528	241,973	263,501	10,268	347,547	357,815	(94,314)	38,839	(38,422)	417
BEPC	50%	9,584	221,955	231,539	1,630	-	1,630	229,909	35,337	(14,615)	20,722
WEPC	58%	-	53,243	53,243	-	-	-	53,243	2,843	-	2,843
		46,208	838,405	884,613	24,362	457,421	481,783	402,830	120,443	(74,961)	45,482

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

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

($ in thousands)	Ownership	Cash and Cash Equivalents	Current Financial Liabilities	Non-current Financial Liabilities	Depreciation and Amortization	Interest Income	Interest Expense
March 31, 2014							
BPC	50%	13,373	1,839	116,383	(66)	29,885	(9,965)
ALPC	50%	34,167	-	347,454	(7,249)	322	(19,417)
BEPC	50%	9,355	-	-	(5,003)	161	(20)
WEPC	58%	-	-	-	-	2,692	-
		56,895	1,839	463,837	(12,318)	33,060	(29,402)
March 31, 2015							
BPC	50%	12,624	1,790	109,874	(67)	30,236	(9,502)
ALPC	50%	29,918	-	347,547	(7,246)	268	(19,417)
BEPC	50%	7,004	-	-	(5,006)	180	(20)
WEPC	58%	-	-	-	-	2,843	-
		49,546	1,790	457,421	(12,319)	33,527	(28,939)

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

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

($ in thousands)	BPC	ALPC	BEPC	WEPC	Total
Net assets of equity accounted joint arrangements at April1, 2013	193,624	(71,434)	243,802	47,708	413,700
CPC's share	50%	50%	50%	58%	
	96,812	*(35,717)*	*121,901*	*27,671*	*210,667*
*Less: elimination entry**	-	*(48)*	-	-	*(48)*
Investment in equity accounted joint arrangements at April 1, 2013	**96,812**	**(35,765)**	**121,901**	**27,671**	**210,619**
Contributions	-	-	-	-	-
Dividends paid	(10,600)	(12,500)	(28,900)	-	(52,000)
Profit/loss	20,668	133	22,585	2,692	46,078
Net assets of equity accounted joint arrangements at March 31, 2014	203,692	(83,801)	237,487	50,400	407,778
CPC's share	50%	50%	50%	58%	
	101,846	*(41,901)*	*118,744*	*29,232*	*207,921*
*Less: elimination entry**	-	*(47)*	-	-	*(47)*
Investment in equity accounted joint arrangements at March 31, 2014	**101,846**	**(41,948)**	**118,744**	**29,232**	**207,874**
Contributions	-	-	-	-	-
Dividends paid	(11,200)	(10,930)	(28,300)	-	(50,430)
Profit/loss	21,500	417	20,722	2,843	45,482
Net assets of equity accounted joint arrangements at March 31, 2015	213,992	(94,314)	229,909	53,243	403,830
CPC's share	50%	50%	50%	58%	
	106,996	*(47,157)*	*114,954*	*30,881*	*205,674*
*Less: elimination entry**	-	*(46)*	-	-	*(46)*
Investment in equity accounted joint arrangements at March 31, 2015	**106,996**	**(47,203)**	**114,954**	**30,881**	**205,628**

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

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

ALPC negative equity

In fiscal 2012, ALPC issued $350 million principal amount Series B bonds, due in April 2041. The proceeds of the Series B bond issue were used to pay for the $45.6 million owing on ALPC's series A bond redemption, and the net proceeds of $285.6 million were distributed by dividend to the owners, CPC 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 $33.6 million and cumulative net losses of $386 thousand since fiscal 2012 have increased the deficit in ALPC to $94.3 million at the end of fiscal 2015.

Given that ALPC's negative equity position has been caused by the payment of dividends in excess of earnings rather than by net losses, CPC continues to record its investment in ALPC (2015 – (47.2) million, 2014 – (41.9) million) as a long term asset included in the line item "Investment in equity accounted joint arrangements" on the Consolidated Statement of Financial Position. CPC's future share of ALPC's net income will reduce the negative equity balance and CPC's future share of dividends from ALPC will increase the negative equity balance. Contracts entered into for the delivery of electricity over the next 30 years are expected to generate sufficient revenue and cash flow to fund ongoing operations for the foreseeable future.

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

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

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

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

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

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

Contingent Purchase Price

According to the Asset Purchase Agreement between WELP and WEPC (also see note 4 – Description of equity accounted joint arrangements), 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.

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

CPC Waneta invests in WELP in the form of cash contributions. WELP requests cash calls from the partners as required to meet its obligations to the design-build contractor and other suppliers to the project. WELP uses Canadian accounting standards for private enterprises to prepare its own financial statements and has capitalized all costs to date related to the Waneta Expansion project. Certain costs related to the project are considered ineligible for capitalization under IFRS, and must be expensed when adjusting WELP's accounting policies to conform to those adopted by CPC and CPC Waneta.

Cash contributions are as follows:

($ in thousands)	**2015**	**2014**
Opening balance at April 1	192,153	159,353
Cash contributions	18,265	33,475
Less: ineligible costs *	(71)	(67)
Less: elimination entries **	(813)	(608)
Investment in WELP	17,381	32,800
Total cumulative investment in WELP	**209,534**	**192,153**

* Costs ineligible for capitalization under IFRS.

** CPC's portion of management fees and cost recoveries charged by CPC to WELP (2014 - $101 thousand, 2015 - $277 thousand). Also, CPC's portion of interest from WEPC's promissory note capitalized as PP&E in WELP (2014 - $507 thousand, 2015 - $536).

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

Summarized financial information of WELP at March 31, 2015 is included in the following table. Summary financial information has been adjusted to conform to accounting policies adopted by CPC and CPC Waneta. The fair value of the investment in WELP is not available.

($ in thousands)	2015	2014
Current assets	9,846	29,313
Non-current assets	698,118	631,304
Total assets	**707,964**	**660,617**
Current liabilities	2,126	12,389
Non-current liabilities	53,243	50,400
Partner equity	652,595	597,828
Total liabilities and partner equity	**707,964**	**660,617**

8. Cash and cash equivalents and restricted cash:

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

9. Accounts receivable:

($ in thousands)	Notes	2015	2014
Accounts receivable from related parties	27	1,555	886
Other accounts receivable		87	93
		1,642	979

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

10. Other investments:

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

11. Property, plant and equipment:

($ in thousands)	Leasehold improvements	Furniture and equipment	Vehicles	Computers and Software	Total
Cost					
Balance, April 1, 2013	1,261	806	139	1,081	3,287
Additions	6	-	18	37	61
Disposals	-	-	-	-	-
Balance, March 31, 2014	1,267	806	157	1,118	3,348
Balance, April 1, 2014	1,267	806	157	1,118	3,348
Additions	-	-	-	105	105
Disposals	-	-	-	-	-
Balance, March 31, 2015	1,267	806	157	1,223	3,453
Depreciation					
Balance, April 1, 2013	474	630	127	891	2,122
Depreciation for the year	127	149	5	152	433
Disposals	-	-	-	-	-
Balance, March 31, 2014	601	779	132	1,043	2,555
Balance, April 1, 2014	601	779	132	1,043	2,555
Depreciation for the year	127	17	5	62	211
Disposals	-	-	-	-	-
Balance, March 31, 2015	728	796	137	1,105	2,766
Carrying amounts					
March 31, 2014	666	27	25	75	793
March 31, 2015	539	10	20	118	687

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

12. Work in progress - development costs

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

Costs of $1.461 million incurred in fiscal 2015 by CPC to advance the Elko Project have been capitalized as Work in progress – development costs. Management has determined that these costs will be fully recoverable based on discussions with the JDC and according to the terms of the Memorandum of Understanding between CPC and BC Hydro.

13. Accounts payable and accrued liabilities:

($ in thousands)	Notes	2015	2014
Accounts payable to related parties		461	1,142
Accrued interest owing to related party		3,033	551
Sub-total	27	3,494	1,693
Executive holdback		58	43
Other accounts payable		1,384	1,683
Total accounts payable and accrued liabilities		4,936	3,419

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

14. Loans and borrowings:

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

($ in thousands)	2015	2014
Current liabilities		
Promissory note	-	20,000
Less: borrowing costs	-	(106)
	-	19,894
Non-current liabilities		
Series A debenture	300,496	-
Less: financing costs	(2,400)	-
Total loans and borrowings	298,096	19,894

On April 5, 2011, CBT Energy Inc. advanced $20 million cash to CPC in the form of a promissory note to assist CPC with cashflow requirements. The promissory note was unsecured and could be repaid in whole or in part at any time without notice, penalty or bonus.

On April 14, 2014, CPC issued a $335 million CPC Series A debenture to the Province that bears a coupon rate of 3.2% and matures June 18, 2044. CPC received net proceeds of $300,667,095 after discount of $35,312,350, accrued interest of $3,436,000 and fees of $2,456,555. With these proceeds, CPC paid the Province $280 million, representing a $250 million reduction of capital of CPC and the payment of a $30 million dividend to the Province as sole shareholder (see note 16 – Contributed surplus and payable to equity holder, and note 22 - Dividends). CPC also repaid the $20 million promissory note from CBT Energy on that date. As such, the promissory note was reclassified as a current liability at March 31, 2014.

To provide for debt retirement in June, 2044, CPC will make annual payments of $5,042,517 to a sinking fund beginning on June 18, 2015 based on a 30 year amortization rate (also see note 25 – Commitments).

($ in thousands)	Coupon rate	Effective rate	Year of maturity	2015 Carrying amount	2014 Carrying amount
Promissory note	5.67%	5.72%	2041	-	19,894
Series A debenture	3.20%	3.83%	2044	298,096	-
				298,096	19,984

15. Capital:

At March 31, 2015 and March 31, 2014, CPC has 6 common shares authorized with no par value and issued for $6 dollars.

16. Contributed surplus and payable to equity holder:

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

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

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

For the year ended March 31 ($ in thousands)	**2015**	**2014**
Current Liabilities		
Payable to equity holder	-	250,000
Equity		
Contributed surplus	26,065	26,065

17. Revenue:

For the year ended March 31 ($ in thousands)	**2015**	**2014**
Management fees	417	90
Recovery of costs incurred on behalf of WELP	1,555	1,843
	1,972	1,933
Less: elimination entry*	(277)	(101)
	1,695	1,832

*CPC's portion of management fees and cost recoveries charged by CPC to WELP (also see note 7).

18. Finance income:

For the year ended March 31 ($ in thousands)	2015	2014
Interest on bank accounts	113	65
Interest on other investments	828	928
	941	993

19. Finance costs:

For the year ended March 31 ($ in thousands)	2015	2014
Bank fees	8	6
Financing costs	205	4
Interest on loans and borrowings	11,169	1,133
	11,382	1,143

20. Other expenses:

For the year ended March 31 ($ in thousands)	Notes	2015	2014
Development costs expensed		71	67
Insurance		9	10
Administration and management*		6’872	6,903
Community sponsorship		95	85
Grants-in-lieu of property taxes		524	504
		7,571	7,569
Less: recoveries		(3,743)	(3,815)
		3,828	3,754

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

Cost recoveries include $180 thousand (2014 – $226 thousand) for staff compensation relating to project management and stakeholder relations on the Boat Launch project, and $3,563 thousand (2014 - $3,589 thousand) for staff compensation, office space, and project overhead incurred on behalf of the joint ventures (also see note 27 – Related party transactions).

21. Employee benefits:

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

Under joint trusteeship, the risk and reward associated with PSPP's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions. 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 actuarial valuation, conducted in March 2011, determined that PSPP had assets of $17.8 billion as compared to liabilities of $18.0 billion. As a result, there was a relatively small contribution rate increase to the PSPP for both the employers and plan members starting in fiscal 2013. The PSPP Board of Trustees was required to implement a contribution rate increase of 0.40% of salary each, for plan members and employers to meet the funding requirements of the Pension Benefits Standards Act. The increases were effective as of April 1, 2012. Contributions to PSPP by CPC in fiscal 2015 were $388 thousand (2014 - 354 thousand).

The latest actuarial valuation as at March 31, 2014, indicated a funding surplus of $194 million for basic pension benefits on a going concern basis. As such, the PSPP is currently fully funded so that no contributions will be required for fiscal 2016. The next valuation will be as at March 31, 2017, with results available in early 2018.

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

CPC maintains an executive pension benefit plan (EPBP). Pension payments from the EPBP commenced in January 2006 upon retirement of CPC's former President. CPC valued the pension liability at March 31, 2015 as $158 thousand (2014 - $168 thousand) on a discounted cash flow basis at a 5.5% discount rate.

22. Dividends payable:

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

For the year ended March 31 ($ in thousands)	2015	2014
$333 thousand per qualifying common share (2014: $5.33 million)	2,000	32,000

Included in the balance at March 31, 2014 there are dividends payable of $2 million, declared in a resolution by the board of directors on March 19, 2014 and paid on June 30, 2014. On the same day, the board authorized payment of a $30 million dividend which was paid on April 14, 2014 as part of CPC's capital restructuring (see note 14 – Loans and borrowings and note 16 – Contributed surplus and payable to equity holder).

23. Financial instruments:

(a) Financial risk management:

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

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

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

(b) Credit risk:

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

The percentage of accounts receivable balance older than 90 days is 0% (2014: 0%).

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

($ in thousands)	2015	2014
	Carrying amounts	
Cash and cash equivalents	13,259	10,094
Restricted cash	604	597
Accounts receivable	1,642	979
Other investments	61,611	74,557
	77,116	86,227

23. Financial instruments (continued):

(c) Liquidity risk:

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

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

($ in thousands)	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
March 31, 2015							
Accounts payable and accrued liabilities	4,936	4,936	4,936	-	-	-	-
Loans and borrowings	298,096	313,207	2,327	5,360	10,720	32,160	262,640
	303,032	318,143	7,263	5,360	10,720	32,160	262,640
March 31, 2014							
Accounts payable and accrued liabilities	3,419	3,419	3,419	-	-	-	-
Loans and borrowings	19,894	20,044	20,044	-	-	-	-
	23,313	23,463	23,463	-	-	-	-

(d) Market risks:

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

(i) Exchange rate risk:

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

23. Financial instruments (continued):

(d) Market risks (continued):

(ii) Interest rate risk:

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. CPC'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, CPC is exposed to interest rate risk. CPC manages interest rate risk by issuing long term fixed rate debt, as required to fulfill its capital objectives, at favorable terms obtained through its investment grade credit rating.

Sensitivity analysis:

An increase of 100 basis points in the fair value interest rate will incite a $29.2 million decrease in the debenture price and a decrease of 100 basis points will incite a $34.8 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 CPC's financial instruments values will change according to changes in market prices and therefore CPC is not exposed to price risk.

(e) Capital management:

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

CPC's capital management objectives are to:

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

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

23. Financial instruments (continued):

(f) Fair values:

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

($ in thousands)	2015		2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets carried at amortized cost				
Accounts receivable	1,642	1,642	979	979
Liabilities carried at amortized cost				
Accounts payable and accruals	4,936	4,936	3,419	3,419
Loans and borrowings	298,096	277,589	19,894	20,000
	303,032	282,525	23,313	23,419

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

Management has made the following assumptions in determining the fair value of the 2015 loans and borrowings:

- the discounted cashflow methodology is appropriate given that the amounts and timing of the cashflows are reasonably determinable; and
- basing the interest rate used to discount estimated cash flows outstanding on the Series A debenture, on the government yield curve at the reporting date plus an adequate credit spread is appropriate. At March 31, 2015, management selected an interest rate of 3.9%.

23. Financial instruments (continued):

(f) Fair values (continued):

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

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

($ in thousands)	Level 1	Level 2	Level 3	Total
March 31, 2015				
Financial assets held for trading	61,611			61,611
March 31, 2014				
Financial assets held for trading	74,557			74,557

24. Operating leases:

CPC has entered into an operating lease for office premises that provides for minimum annual lease payments totaling up to a maximum of $167,000 per year. The initial lease term was for 10 years (4 years remaining as at March 31, 2015). The lease has a renewal period of 10 years at fair market rents at the option of CPC.

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

During the year ended March 31, 2015, an amount of $177 thousand (2014 - $188 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 27.

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

($ in thousands)	2015	2014
Less than 1 year	156	152
Between 1 and 5 years	491	646
More than 5 years	-	-
	647	798

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

25. Commitments:

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

Under the Limited Partnership Agreement, CPC Waneta has committed to fund its 32.5% share of the Partnership's obligation to carry out the Waneta Expansion project. Although the project reached substantial completion on April 2, 2015, CPC Waneta's final share will not be known until final completion.

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

Fiscal year	**Sinking fund payments ($ in thousands)**
2016	5,043
2017	5,043
2018	5,043
2019	5,043
2020	5,043
Thereafter	126,075
Total	151,290

26. Contingencies:

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

27. Related parties and related party transactions:

(a) Parent company:

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

These consolidated financial statements include amounts receivable from, amounts payable to and transactions with BC Hydro; CBT and its affiliates; the Province; the joint ventures; and WELP. All related party transactions are at market rates, except for certain transactions with the joint ventures and WELP which are determined on a cost recovery basis. The subsidiary and joint ventures stated in notes 4, 5, 6, and 7 are related parties to CPC. All intercompany balances and transactions between CPC and its subsidiary have been eliminated on consolidation and not shown in this note. Intercompany transactions between CPC and equity accounted investees are eliminated only to the extent that one of the parties includes the amount in assets. Details of transactions between CPC and related parties which have not been eliminated are summarized in the following tables:

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

(b) Due from and sales to related parties:

($ in thousands)	2015		2014	
	Due from related party	Sales to related party	Due from related party	Sales to related party
BC Hydro	1,161	1,513	-	3,692
BEPC	128	1,243	146	1,352
ALPC	139	1,364	199	1,376
BPC	98	956	125	861
WELP	29	1,972	416	1,832
	1,555	7,048	886	9,113

The Due from Related Party of $1,555 thousand at March 31, 2015 (2014 - $886 thousand) is included in the “Accounts receivable” line item in the Consolidated Statement of Financial Position. The Sales to WELP of $1,972 thousand for the year ended 2015 (year ended 2014 - $1,832 thousand) are included in the “Revenue” line item on the Consolidated Statement of Comprehensive Income.

In fiscal 2015, CPC as the project manager for BC Hydro of the Arrow Lakes Boat Launch project charged BC Hydro on a cost recovery basis for staff compensation relating to project management and stakeholder relations, and for payment of 3rd party invoices relating to the construction of the Arrow Lakes boat launches. The total amount recovered for fiscal 2015 of $1,513 thousand (2014 - $3,692 thousand) has been included in the “Administration and management” line item in note 20 – Other expenses.

During the year, CPC as the manager charged its joint ventures amounts on a cost recovery basis for staff compensation, office space and project overhead. The total amount recovered for fiscal 2015 of $3,563 thousand (2014 - $3,589 thousand) has been included in the “Administration and management” line item in note 20 – Other expenses.

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

(c) Due to and purchases from related parties:

($ in thousands)	2015		2014	
	Due to related party	Purchases from related party	Due to related party	Purchases from related party
BC Hydro	-	16	-	-
CBT and affiliates	135	584	667	1,554
Province	3,143	11,204	111	126
BC Pension Corp	158	388	168	364
WELP	58	-	747	-
	3,494	12,192	1,693	2,044

The Due to Related Party of $3,494 thousand at March 31, 2015 (2014 - $1,693 thousand) is included in the "Accounts payable" line item in the Consolidated Statement of Financial Position. Purchases from Related Party of $12,192 thousand for the year ended 2015 (year ended 2014 - $2,044 thousand) are included in the "Finance costs" line item on the Consolidated Statement of Comprehensive Income, the "Property, plant, & equipment" line item and the "Work in progress - development costs" line item on the Consolidated Statement of Financial Position, and the "Administration and management" line item in Other expenses – note 20.

(d) Pension plan:

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

(e) Loans from related party:

At March 31, 2015, CPC has a debenture outstanding payable to the Province and at March 31, 2014, CPC had a promissory note outstanding payable to CBT Energy Inc which was fully repaid in the current fiscal year. Details of these loans are provided in note 14 – Loans and borrowings.

(f) Dividends:

During the year, CPC declared dividends of $2 million to the Province (2014 - $32 million) as per note 22 - Dividends.

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

(g) Executive management compensation and board compensation:

(i) Executive management compensation:

CPC is organized into business units and support functions. The managers of these units report to the corporate management, which comprises of the President and Chief Executive Officer, the Vice President, Operations, the Vice President, Capital Projects, the Vice President, Business Development, the Director, Human Resources & Corporate Services, and the Director, Finance.

Members of the corporate executive have a holdback scheme which can give them an annual non-pensionable holdback payment of up to 8% of base salary. The holdback is paid on the basis of achieving corporate and individually specified objectives. Holdbacks accrued in the fiscal year and paid in the subsequent year are shown in note 13 – Accounts payable and accrued liabilities.

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

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

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

For the year ended March 31 ($ in thousands)	2015	2014
Public Service Superannuation Plan	117,707	86,134
Standard Benefits	78,432	53,499
	196,139	139,633

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

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

(i) Executive management compensation (continued):

There have been no loans or pledges granted to executive management or family members. The total salaries and other benefits paid to executive management for the year ending March 31, 2015 amounted to $1,354 thousand (March 31, 2014 - $1,191 thousand) as follows:

Executive management compensation	2015	2014
Salary	1,130,354	933,976
Holdback/Bonus	57,538	68,342
Other	64,140	78,520
Expenses	102,157	110,234
	1,354,189	1,191,072

(ii) Board compensation:

The board has no remuneration agreements other than the director's fee and remuneration for participating in committee work, nor have any loans or pledges been granted to directors of the board or their family members. Total compensation to the board for the year ending March 31, 2015 was $94 thousand (year ending March 31, 2014 - $92 thousand) as follows:

Board Compensation	2015	2014
Retainers	59,500	59,500
Meeting fees	20,500	20,250
Expenses	13,760	12,285
	93,760	92,035

Capital Plan and Major Projects

Capital Expenditure by Year and Type

($m)	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2014/15 Budget	2014/15 Variance	2015/16 Budget	2016/17 Budget
Capital Project #1 Waneta Expansion Project	**36,370**	**61,320**	**65,496**	**33,374**[7]	**18,265**	**20,015**	**1,750**	**5,500**	**1,000**

Capital Project #1 – Waneta Expansion Project

The $900 million Waneta Expansion Project involves the development of a 335MW Generating Station on the Pend d'Oreille River near Trail, BC. It is owned by the Waneta Expansion Limited Partnership (WELP), a limited partnership owned by Fortis Inc. (51 per cent), Columbia Power (32.5 per cent), and Columbia Basin Trust (16.5 per cent). WELP is managed by a general partner, Waneta Expansion General Partner Ltd. (WEGPL), which is also owned by Fortis Inc., Columbia Power and the Trust. WEGPL has a seven-member Board of Directors comprised of four nominees of Fortis Inc., two nominees of Columbia Power, and one nominee of the Trust. Columbia Power acts as the Owner's Representative, managing the construction of the project on behalf of the partners. Fortis Pacific Holdings Inc. will be responsible for the ongoing operations and maintenance of the facility.

The addition of 335MW of capacity at Waneta will achieve balance with upstream generation at the Seven Mile Dam (BC Hydro) and the Boundary Dam in the U.S. (Seattle City Light). This hydraulic balance will allow flows released from the Boundary Dam to travel the Canadian section of the Pend d'Oreille River without the need for reservoir re-regulation to avoid spill. Minimizing re-regulation will increase the productivity of reservoir aquatic habitat. In addition, diverting otherwise unavoidable spill through the Waneta Expansion Project will reduce dissolved gas pressure—which is harmful to fish—in waters below the Waneta Dam and down the Columbia River into the United States.

The energy/capacity generated from this power plant will be sold under long-term contracts with BC Hydro and Fortis Inc. helping to meet the Province of British Columbia's current and future demand for electricity.

[7] The amount show for 2013/14 has been revised from the previous annual service plan report to correspond with the Columbia Power Consolidated Statement of Cash Flows, Investment in limited partnership, shown in the 2013/14 audited financial statements.

Appendix A: Subsidiaries and Operating Segments

Arrow Lakes Power Corporation

Arrow Lakes Power Corporation (ALPC) is a joint venture partnership with Columbia Power and Columbia Basin Trust. Columbia Power is the managing owner. ALPC owns the Arrow Lakes Generating Station (ALGS). The $270 million, 185 MW Arrow Lakes Generating Station Project saw the addition of a powerhouse located immediately downstream of BC Hydro's water storage Hugh Keenleyside Dam on the Columbia River. The powerhouse takes advantage of the existing hydraulic head and generates power from water that would otherwise be spilled. Output from generating station is connected to the Brilliant Terminal Station by a 14km transmission line and later is delivered to BC Hydro's Selkirk Substation. The powerhouse produces clean, renewable, cost effective, energy for all British Columbians.

Summary Financial Outlook Table

$ IN THOUSANDS	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Budget	2014/15 Actual	2014/15 Variance	2013/14 – 14/15 Variance	2015/16 Budget	2016/17 Budget
REVENUES	**33,457**	**34,681**	**35,623**	**36,636**	**37,515**	**38,005**	**38,571**	**566**	**1,056**	**39,443**	**68,098**
EXPENSES	**19,752**	**18,928**	**39,777**	**37,572**	**37,382**	**38,734**	**38,154**	**580**	**772**	**37,685**	**36,893**
NET INCOME	**13,705**	**15,753**	**(4,154)**	**(936)**	**133**	**(729)**	**417**	**1,146**	**284**	**1,758**	**31,205**

Capital Expenditures

- There are no capital expenditures over $50 million.

Brilliant Power Corporation

Brilliant Power Corporation (BPC) is a joint venture partnership with Columbia Power and Columbia Basin Trust. Columbia Power is the managing owner. BPC owns the Brilliant Dam and Generating Station (BRD) and the Brilliant Terminal Station (BTS). The 140 MW Brilliant Dam and Generating Station were purchased for $130 million in 1996 from Cominco (now Teck). $100 million has been invested in capital upgrade projects and life extension work. The Brilliant Generating Station continues to produces clean, renewable, cost effective, power for all British Columbians and is considered to be one of Canada's most reliable facilities by Navigant Consulting.

Summary Financial Outlook Table

$ IN THOUSANDS	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Budget	2014/15 Actual	2014/15 Variance	2013/14 – 14/15 Variance	2015/16 Budget	2016/17 Budget
REVENUES	**39,766**	**40,408**	**40,614**	**41,422**	**42,011**	**43,463**	**43,199**	**(264)**	**1,188**	**44,474**	**44,765**
EXPENSES	**21,729**	**21,677**	**21,624**	**21,429**	**21,343**	**21,878**	**21,699**	**179**	**(356)**	**22,013**	**21,444**
NET INCOME	**18,037**	**18,731**	**18,990**	**19,993**	**20,668**	**21,585**	**21,500**	**(85)**	**832**	**22,461**	**23,321**

Capital Expenditures

- There are no capital expenditures over $50 million.

Brilliant Expansion Power Corporation

Brilliant Expansion Power Corporation (BEPC) is a joint venture partnership with Columbia Power and Columbia Basin Trust. Columbia Power is the managing owner. BEPC owns the Brilliant Expansion Generating Station (BRX). The $205 million, 120 MW Brilliant Expansion Project saw the addition second powerhouse located immediately downstream of the Brilliant Dam on the Kootenay River. The expansion shares the existing hydraulic head and generates power from water that would otherwise be spilled. Output from the expansion is linked to the Brilliant Terminal Station and later is delivered to BC Hydro's Selkirk Substation through a 34 km transmission line. The facility produces clean, renewable, cost effective, energy for all British Columbians.

Summary Financial Outlook Table

$ IN THOUSANDS	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Budget	2014/15 Actual	2014/15 Variance	2013/14 – 14/15 Variance	2015/16 Budget	2016/17 Budget
REVENUES	**30,661**	**34,112**	**30,360**	**33,159**	**36,730**	**34,838**	**35,157**	**319**	**(1,573)**	**35,911**	**36,236**
EXPENSES	**13,482**	**13,851**	**14,789**	**14,501**	**14,145**	**15,077**	**14,435**	**642**	**(290)**	**14,735**	**14,632**
NET INCOME	**17.179**	**20,261**	**15,571**	**18,658**	**22,585**	**19,761**	**20,722**	**961**	**(1,863)**	**21,176**	**21,604**

Capital Expenditures

- There are no capital expenditures over $50 million.

Appendix B: Additional Information

Organizational Overview

[columbiapower.org/about/company/]

Corporate Governance

[columbiapower.org/about/company/corporate-governance/]

Contact Information

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Employee Directory

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