COLUMBIA POWER CORPORATION

ANNUAL REPORT 2002/03

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Organization Overview

Columbia Power Corporation is a Crown corporation wholly owned and controlled by the Province of British Columbia. Its mission is to undertake commercially viable, safe and environmentally sound power project investments for the benefit of the Province and the residents of the Columbia Basin. In making power project investments, the corporation's goal is to support the employment, economic development and resource management objectives of the Province and the Columbia Basin Trust, within the constraints of a commercial enterprise.

The core projects of Columbia Power Corporation and the Columbia Basin Trust are the Arrow Lakes Generating Station, the Brilliant Expansion and the Waneta Expansion. The joint venturers may also undertake other power generation, transmission or distribution projects in the Columbia Basin. The purchase of the Brilliant dam in 1996 was the first investment by the joint venturers. Construction of the Arrow Lakes Generating Station began in 1999, and start-up was achieved in 2002. Construction of the Brilliant Expansion began in April 2003.

Columbia Power Corporation undertakes power projects through joint ventures with subsidiaries of the Columbia Basin Trust. The corporation is the manager of the joint ventures. Columbia Power Corporation is a small organization, focussing on asset management activities while engaging other firms to provide construction, plant operation and specialist consulting services. All of the power generated at the current operating projects is committed under long-term sales contracts to two utilities, Aquila Networks Canada and BC Hydro.

Arrow Lakes Generating Station

Message from the President

The past year was a significant one for Columbia Power Corporation, as the completion of one major construction project was followed by the beginning of another. Other smaller projects also came to fruition.

Early in 2002/03, start-up was achieved for the second of two generating units at the Arrow Lakes Generating Station. This milestone was attained on budget and ahead of schedule. The project received the Lieutenant-Governor's Award for Overall Excellence from the Consulting Engineers of British Columbia.

Arrangements were finalized during the year for the construction of the Brilliant Expansion. A fixed-price design-build contract was signed in February 2003, and construction of the access road to the site began in April 2003. Project completion is scheduled for the fall of 2006. Marketing work is underway to secure sales agreements for the project output.

Completion of the turbine upgrade program at the Brilliant powerplant was also achieved, with the third and fourth turbines being upgraded during the year. This program increased production capacity while extending the life of the powerplant.

As well, the year saw construction largely completed at the Brilliant Substation, adjacent to the Brilliant dam. This project will provide a connection to the transmission system of Aquila Networks Canada, resulting in improved transmission reliability in the Columbia Basin and greater market access for Columbia Power Corporation's projects. The new substation will be connected to the corporation's transmission line in 2003/04.

Planning for the Waneta Expansion continued to move forward. This project will see the construction of a new powerplant adjacent to the Waneta dam to make use of unutilized water resources. The primary objective of project work in 2003/04 is to obtain approval for the terms of reference for submissions in support of a Project Approval Certificate.

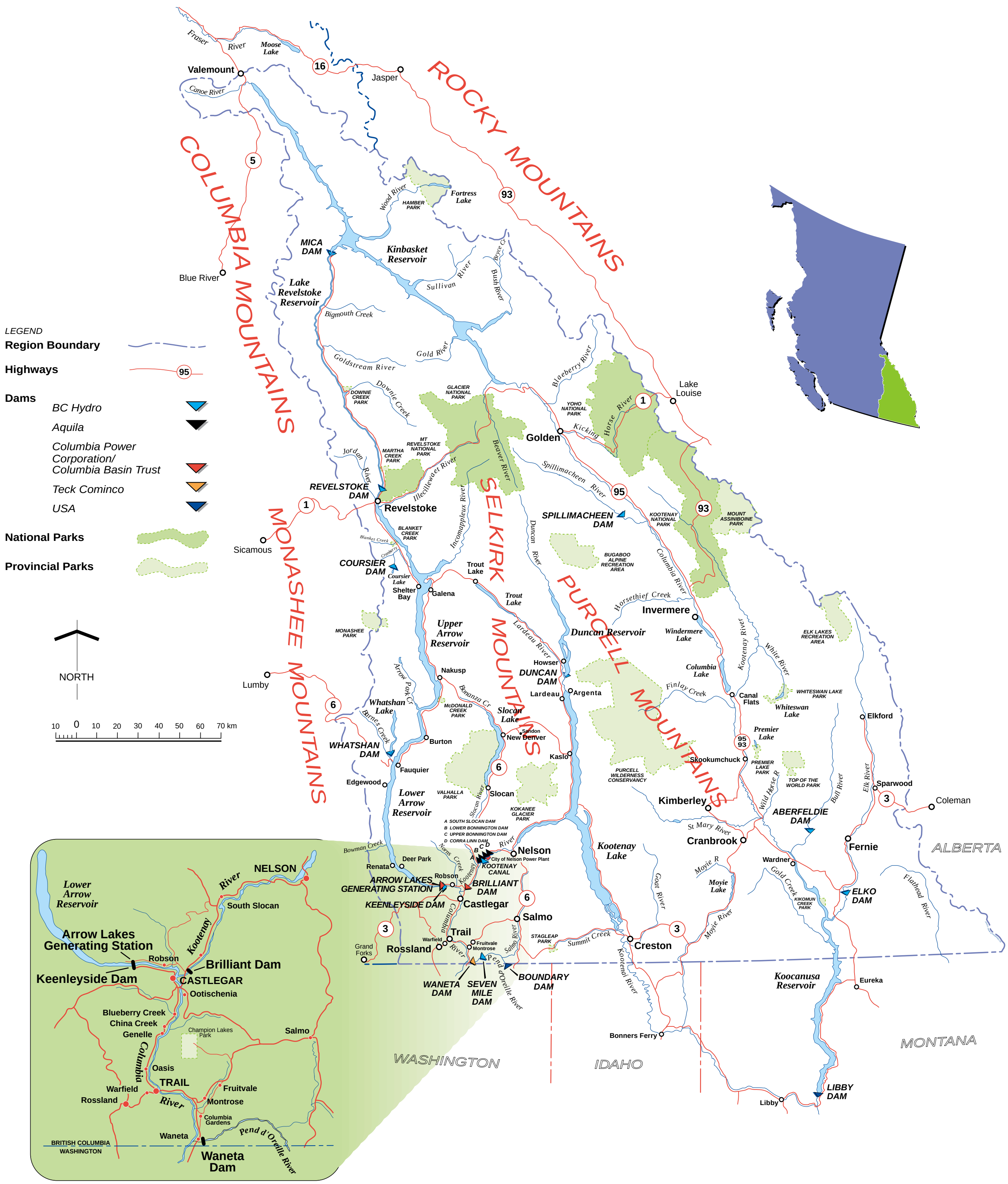
A key development in the British Columbia electricity sector during the year was the release of the Province's new energy plan. The objectives of the plan include improved access to BC Hydro's transmission system and the ability for non-utility generators to sell power directly to large customers, both of which are beneficial for the development of our projects. As a publicly-owned independent power producer, Columbia Power Corporation provides a low-cost, market-oriented alternative for the development of new hydroelectric generation projects.

Our goals in 2003/04 include: securing sales agreements for power from the Brilliant Expansion while completing the first year of construction for this project; connecting the Arrow Lakes transmission line to the Aquila Networks Canada system at the Brilliant Substation; commencing the process to obtain a Project Approval Certificate for the Waneta Expansion; and maintaining safe and efficient operations at the Brilliant powerplant and Arrow Lakes Generating Station.

In closing, I would like to acknowledge the skilled and dedicated people working on Columbia Power Corporation's projects, without whom our progress would not be possible.

Lorne Sivertson
President

Columbia Basin Power Projects



The Year in Review

1. Power Project Planning

Through an agreement with the Columbia Basin Trust, the Province has committed to providing $50 million a year for 10 years, starting in 1996, as equity funding for power projects in the Columbia Basin. These funds are shared by Columbia Power Corporation and the Columbia Basin Trust.

Columbia Power Corporation and the Columbia Basin Trust (through its subsidiary, CBT Power Corp.) have formed the Power Project Planning Joint Venture for the purpose of assessing and advancing power projects. The joint venture is owned equally by the two partners, who direct the company through a management committee. Columbia Power Corporation is the manager of this joint venture.

(i) Brilliant Expansion

The Brilliant Expansion consists of the construction of a new power generation facility adjacent to the existing Brilliant dam on the Kootenay River. The objective of the project is to more fully utilize the hydraulic potential created by the Brilliant dam by making use of the seasonal water flow that would otherwise be spilled.

The project includes a short open channel leading to an intake structure, a power tunnel and a surface powerhouse. Tailrace improvements will be undertaken to provide additional power benefits. The construction and operation of the project will be undertaken in the name of Brilliant Expansion Power Corporation, a corporation jointly owned by Columbia Power Corporation and the Columbia Basin Trust, through its subsidiary, CBT Brilliant Expansion Power Corp. Columbia Power Corporation is the manager of the jointly owned corporation.

The Brilliant Expansion will have a capacity of 120 megawatts, generating approximately 500 gigawatt-hours of energy annually. The construction budget has been set at $204 million. Employment during construction is expected to be approximately 400 person years plus indirect jobs.

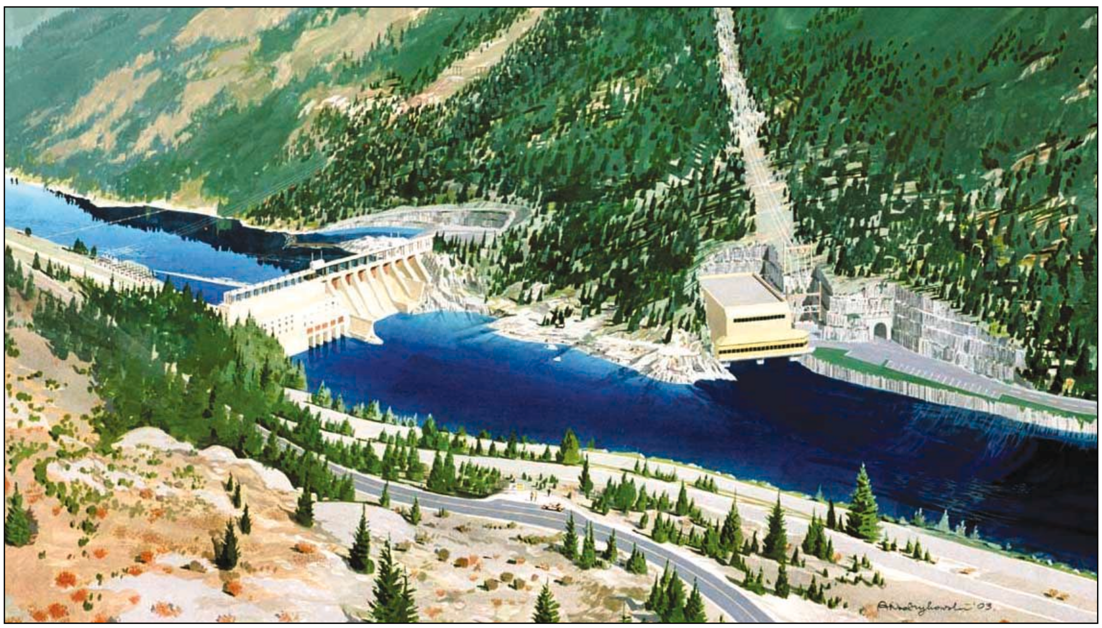
The project will be connected to the transmission grid by a 410-metre line to the Brilliant Substation, located uphill from the Brilliant dam. The project will be connected to BC Hydro’s Selkirk substation through the Arrow Lakes transmission line, and to the Aquila Networks Canada transmission system.

The Brilliant Expansion is being developed using Columbia Power Corporation’s Design-Evaluate-Build strategy, as successfully applied in the development of the Arrow Lakes Generating Station. This approach was chosen to ensure the most cost-effective construction methods are used for the project, while transferring most of the construction risk to the contractor.

Under this process, expressions of interest were received from three international teams of construction, engineering and turbine supply firms, two of which submitted proposals in July 2002. These were reviewed and scored by an expert technical evaluation panel, and then ranked on the basis of that score and the proposal price. This resulted in the selection of the Brilliant Expansion Consortium, formed by SNC-Lavalin Inc. and a joint venture of Skanska International Civil Engineering AB and Chant Construction Limited, with Alstom Canada as the turbine/generator supplier. A design-build contract was signed in February 2003.

The powerplant will be designed and built by the Brilliant Expansion Consortium on a turnkey basis for a fixed price. Construction of the project access road began in April 2003. Substantial completion of the project is scheduled for September 2006.

In addition to the economic benefits of the project, the Brilliant Expansion will create significant environmental benefits. It will improve fish habitat by reducing the amount of total gas pressure downstream of the dam, and displace 400,000 tons annually of greenhouse gas that would otherwise be produced by fossil-fueled electricity projects. The project has been endorsed by nine US agencies including the Environmental Protection Agency.



Artist's rendition of Brilliant dam and proposed Brilliant Expansion

(ii) Waneta Expansion

The Waneta Expansion is a proposal to install an additional powerplant at the Waneta dam, located on the Pend d'Oreille River just before its confluence with the Columbia River. This project is similar to the Arrow Lakes Generating Station and Brilliant Expansion in that it will use water being spilled at an existing facility and will not require construction of a new dam. The resulting passage of water through turbines instead of spillways will reduce the level of dissolved gas pressure downstream, thereby improving fish habitat. The Waneta Expansion will also result in greater hydraulic balance with the larger Seven Mile and Boundary hydroelectric facilities upstream. The project is proposed to include a 10-kilometre transmission line to connect the new powerplant to the BC Hydro network at the Selkirk substation, running alongside BC Hydro's Nicola-to-Selkirk 500-kilovolt transmission line.

The Waneta dam is owned by Teck Cominco Limited. The rights to undertake the expansion project were purchased by Columbia Power Corporation in 1994 and are now jointly owned with the Columbia Basin Trust. The capacity of the Waneta Expansion could be as high as 380 megawatts, to be determined on the basis of economic and power optimization studies, environmental considerations and water availability.

During 2002/03, numerical hydraulic modeling studies were the focus of work on the Waneta Expansion. Other activities included transmission line planning and consultation with stakeholders and reviewing agencies. Feasibility studies to date indicate that the project is economic and can obtain environmental permits. The primary objective of project work in 2003/04 is to obtain approval for the terms of reference for the submissions to be made to the Environmental Assessment Office in support of a Project Approval Certificate. The preliminary project schedule calls for construction to begin in 2006/07 and commercial power production to commence in 2010/11. Columbia Power Corporation will use the Design-Evaluate-Build process to develop the Waneta Expansion, as was the case for the Arrow Lakes Generating Station and the Brilliant Expansion.

(iii) Waneta Upgrades

The Waneta Upgrades project is a proposal to acquire the incremental power entitlements attributable to refurbishment of the power generation facilities at the Waneta dam. The total capacity associated with the Waneta Upgrades is expected to be as high as 100 megawatts.

Teck Cominco Limited, the owner of the Waneta dam, has completed the first two of the four generating unit upgrades. Columbia Power Corporation and the Columbia Basin Trust had intended to enter into an agreement to provide funding to Teck Cominco for the upgrade investments in return for receiving the benefit of the increased output. However, the parties no longer expect to enter into such an agreement. Accordingly, deferred costs associated with this project have been expensed.

(iv) Brilliant Substation

Under an agreement with Aquila Networks Canada, Columbia Power Corporation and the Columbia Basin Trust, through their subsidiaries, will finance and own a new substation near the Brilliant dam. Aquila will manage the construction and operation of the substation.

This facility will connect the 230-kilovolt Arrow Lakes transmission line to Aquila's transmission system. It will also connect to the Brilliant powerplant, transforming its output from 63 kilovolts to 230 kilovolts, and to the Brilliant Expansion. The new substation will improve electric power reliability in the region as part of an upgrade of the high voltage transmission system, and will give Columbia Power Corporation and the Columbia Basin Trust greater access to power markets for their projects.

The project, expected to have a construction cost of $25 million, is scheduled for completion in 2003. Capital and operating costs will be recovered through charges to Aquila for the use of the substation.

2. Arrow Lakes Generating Station

The Arrow Lakes Generating Station project consists of the construction and operation of a power generation facility with a capacity of 185 megawatts at the Keenleyside dam on the Columbia River, and a 48-kilometre, 230-kilovolt transmission line connecting the project to the BC Hydro power grid at the Selkirk substation. The powerplant is situated 400 metres downstream of the Keenleyside dam and is connected to the Arrow Lakes reservoir by a 1,500-metre intake channel that bypasses the dam.

Columbia Power Corporation and the Columbia Basin Trust (through its subsidiary CBT Arrow Lakes Power Development Corp.) formed a joint venture, Arrow Lakes Power Company, for the purpose of constructing and operating the project. Subsequent to the 2002/03 year end, the assets of Arrow Lakes Power Company were transferred to Arrow Lakes Power Corporation, a corporation owned equally by Columbia Power Corporation and CBT Arrow Lakes Power Development Corp. and managed by Columbia Power Corporation.

The Keenleyside dam was constructed in the 1960’s by BC Hydro under the terms of the Columbia River Treaty between Canada and the United States. The dam was built to regulate water flows for the purpose of providing downstream flood control and power generation benefits in the United States. Construction of the Arrow Lakes Generating Station allows power generation benefits to be realized in British Columbia by taking advantage of otherwise unutilized waterflows at the dam. As well, generation of power at the dam will improve fish habitat by reducing dissolved gas pressure levels downstream.

In selecting a contractor for the construction of the powerplant, Columbia Power Corporation established the Design-Evaluate-Build process to ensure the most cost-effective and innovative construction methods were used. Proposals were received from three teams of construction, engineering and equipment supply firms. Peter Kiewit Sons Co. Ltd. was selected to design and construct the powerplant under a fixed-price contract. The proposal included Harza Engineering Ltd. as the principal design engineer and GE Hydro as the turbine and generator supplier.

Construction of the project began in March 1999. The transmission line was ready for use in October 2001. The first generating unit achieved start-up status in February 2002, followed by the second unit in May 2002. These milestones were reached on budget and ahead of schedule. Arrow Lakes Power Company assumed responsibility for operation of the generating station on January 1, 2003. Operation and maintenance of the generating station is performed on behalf of the owners by staff of Aquila Networks Canada.

Columbia Power Corporation and the Columbia Basin Trust have entered into an agreement to sell power from the Arrow Lakes Generating Station to BC Hydro for 12 years beginning January 1, 2003. Power generated before January 1, 2003 was sold to Powerex Corp. The revenues from those power sales were shared with the contractor under the provisions of the design-build contract for early completion.

Net income for Arrow Lakes Power Company for 2002/03 was $22.8 million, compared to $0.4 million in the previous year. The increase in income reflects the start-up of the second generating unit in May 2002, whereas earnings in 2001/02 were from operation of only the first unit and only during the last two months of the fiscal year.

The amount of power sold by Arrow Lakes Power Company during 2002/03, as determined by the energy entitlement received under the Keenleyside Entitlement Agreement, was 663,746 megawatt-hours, compared to 9,651 megawatt-hours in the previous year.

Construction expenditures for the Arrow Lakes Generating Station were $267 million as of March 31, 2003, compared to the budget of $270 million for such expenditures. Construction to date has been financed by equity of Columbia Power Corporation and CBT Arrow Lakes and by interest-bearing advances by Columbia Power Corporation. The company plans to issue long-term project bonds in 2003/04.

During 2002/03, the Arrow Lakes Generating Station received the Lieutenant-Governor's Award for Overall Excellence from the Consulting Engineers of British Columbia, as well as the Award of Excellence in the category of resource, energy, industrial and environmental engineering. In June 2001, the Auditor General of British Columbia issued a report titled *Arrow Lakes Generating Station: Capital Management Process*. The purpose of the report was to determine whether Columbia Power Corporation and the Columbia Basin Trust took appropriate steps to ensure that the Arrow Lakes Generating Station will provide good value for money. In his findings, the Auditor General stated that "overall. . .the project was generally well managed" and that "overall . . .the capital management process used for the Arrow Lakes Generating Station was appropriate and will provide good value for money."

Arrow Lakes Generating Station Operations Summary Information

($ in thousands unless otherwise stated)

	2002/03	2001/02
Total Sales (megawatt-hours)	663,746	9,651
Average Price ($/megawatt-hour)	93.39	104.13
Sales Revenue	$ 61,990	$ 1,005
Power Sales Revenue Sharing	$ 29,779	$ 336
Operating Expenses	$ 2,555	$ 51
Taxes and Water Rentals	$ 812	$ 45
Interest Expense	$ 474	$ 108
Amortization	$ 5,547	$ 77
Net Income	$ 22,823	$ 388
Joint Venturers' Equity	$ 276,176	$ 232,338
Annual Return on Equity	8.3%	0.2%
Capital Expenditures	$ 20,686	$ 93,592
Advance from Columbia Power Corporation	$ 31,834	$ 61,199

3. Brilliant Dam and Powerplant

The Brilliant dam and powerplant were purchased from Cominco Ltd. (now known as Teck Cominco Limited) in 1996. Ownership and operation of the facility is undertaken through Columbia Basin Power Company, an unincorporated joint venture between Columbia Power Corporation and CBT Power Corp., a subsidiary of the Columbia Basin Trust. The joint venture is owned equally by the two partners, who direct the company through a management committee, with Columbia Power Corporation as the manager. The company's operations are guided by its obligations under the 60-year power sales agreement with Aquila Networks Canada (formerly known as West Kootenay Power Ltd.) and agreements with the company's bondholders. The facility is operated by Aquila on behalf of the company. The company has largely completed a multi-year capital program, including upgrades and life extension work for each of the four generating units.

Net income for Columbia Basin Power Company for the year ended March 31, 2003 was $5.5 million, compared to $4.1 million in the previous year. The increase in income was due to escalation of power sales revenues and the sale of additional generation from upgraded turbines. The increased sales revenues offset higher interest and amortization expenses incurred during the period.

The amount of power sold by Columbia Basin Power Company during 2002/03, as determined by the Brilliant energy entitlement received under the Canal Plant Agreement, was 822,739 megawatt-hours, compared to 854,492 megawatt-hours in the previous year. The amount of power sold was reduced by the temporary withdrawal from service of two generating units for turbine upgrade and life extension work. All sales were made to Aquila under the terms of the Brilliant Power Purchase Agreement.

Generating unit #4 was withdrawn from service on March 18, 2002 to allow installation of a new turbine runner for the third stage of the Brilliant upgrade project, as well as life extension work. The life extension program includes: refurbishment of generator rotors; rewinding of generator stators; and replacement of generator transformers, exciters, generator cables, turbine governors, bushings, unit instrumentation and protection and control equipment. The unit was returned to service on July 10, 2002. Generating unit #3 was withdrawn from service on July 29, 2002 to allow the fourth and final upgrade to be carried out. This unit was returned to service on November 28, 2002. The cost of the upgrade and life extension work will be recovered through the Brilliant Power Purchase Agreement. Other capital projects in 2002/03 included intake gate rehabilitation and demolition of the old switchyard.

With all four upgrades completed, the output of the powerplant has been increased by 20 megawatts of capacity and 125 gigawatt-hours of annual energy. The increased power provided by the upgrades is being sold to Aquila Networks Canada.

Capital expenditures during the year were $18.7 million. This amount does not include the cost of the Brilliant substation, approximately $25 million, which will be paid in 2003/04. Capital expenditures for the power facility are expected to total $6.7 million over the next three years, reflecting the reduced need for such work following the completion of the upgrade and life extension program.

Current capital expenditures are being funded by equity from Columbia Power Corporation and CBT Power Corp. and by repayable interest-bearing advances from Columbia Power Corporation. A credit facility with the Canadian Imperial Bank of Commerce is also available to provide funding. Brilliant Series B bonds were issued in September 2001 and the company plans to issue Series C bonds after the upgrade and life extension program and other major capital projects are complete. The credit rating for Brilliant bonds was upgraded to A(high) by Dominion Bond Rating Services and A1 by Moody's Investors Service in August 2001.

Brilliant Dam Operations Summary Information

(Thousands of Dollars Unless Otherwise Stated)

	2002/03	2001/02	2000/01	1999/00	1998/99
Total Sales (megawatt-hours)	822,739	854,492	793,270	845,323	847,997
Average Price ($/megawatt-hour)	33.19	28.72	27.89	25.23	23.83
Sales Revenue	$ 27,310	$ 24,554	$ 22,123	$ 21,329	$ 20,210
Interest Revenue	$ 300	$ 386	$ 860	$ 410	$ 380
Operating Expenses	$ 2,089	$ 1,868	$ 1,549	$ 1,790	$ 1,492
Taxes and Water Rentals	$ 5,798	$ 5,885	$ 6,018	$ 6,290	$ 5,992
Interest Expense	$ 10,368	$ 9,765	$ 9,143	$ 8,716	$ 8,601
Amortization	$ 3,821	$ 3,279	$ 2,593	$ 2,450	$ 2,350
Net Income	$ 5,534	$ 4,143	$ 3,680	$ 2,492	$ 2,155
Joint Venturers' Equity	$ 58,836	$ 53,642	$ 50,821	$ 45,405	$ 45,730
Annual Return on Equity	9.8%	7.9%	7.2%	5.5%	4.7%
Distribution to Joint Venturers	$ 6,250	$ 4,950	$ 3,500	$ 3,450	$ 2,850
Capital Expenditures	$ 18,681	$ 17,954	$ 21,915	$ 4,116	$ 4,728
Long-term Debt (Brilliant Bonds)	$ 116,384	$ 118,096	$ 91,556	$ 92,577	$ 93,512
Current Portion of Long-term Debt (Brilliant Bonds)	$ 1,712	$ 1,580	$ 1,021	$ 935	$ 857
Advance from Columbia Power Corporation	$ 23,921	$ 9,674	$ 26,556	$ 11,977	$ 7,190
Debt Service Coverage Ratio	1.63	1.55	1.51	1.41	1 .39

Community Sponsorship

In keeping with its commitment to translate power project investments into benefits for Columbia Basin residents, Columbia Power Corporation provides sponsorship funding for community services, regional events and scholarships and bursaries in the Columbia Basin.

Community Services:

Examples of sponsorship in the past year:

- Enhancement projects on the Slocan River
- Community festivals
- Local sporting events
- Hospital foundations
- Youth events
- Arrow Lakes Fish Fertilization Program
- Recreational facilities

Regional Events:

Examples of regional events sponsored by Columbia Power Corporation:

- Selkirk College Foundation fundraiser
- Nelson Streetfest

Scholarships and Bursaries:

Columbia Power Corporation provides scholarships to graduating classes of all 23 secondary schools in the Columbia Basin. It also makes bursaries available to students enrolled at the three post-secondary institutions in the Columbia Basin: the College of the Rockies, the Kootenay School of the Arts and Selkirk College.

Report on Performance Measures

Columbia Power Corporation prepares a Service Plan annually containing performance measures for the corporation. Performance measures for 2002/03 are reported using the performance measures established in the Service Plan for 2003/04–2005/06. These performance measures, compared to the broader measures in the previous Service Plan, are more specific and closely defined, with clear benchmarks and targets where it was possible and appropriate to identify them.

Performance Measure	Definition	Benchmark	2002/03 Target[1]	2002/03 Result
1. Development of Projects on Time				
1.1 Variance in project development time to start-up	Variance between expected and actual start-up dates	ALGS: 7 months early	Commercial start-up for ALGS and fourth BUG on or ahead of schedule	ALGS: 7 months early BUG: 4 months late[2]
2. Development of Projects on Budget				
2.1 Variance from project budgets	Variance between project development costs incurred and approved budget	ALGS: On budget	Commercial start-up for ALGS and fourth BUG on or under budget	ALGS: On budget BUG: Under budget by $3 million (15%)
3. Effective Construction Management				
3.1 Unresolved deficiency ratio	Ratio of value of unresolved material deficiencies to liquidated damages at Final Acceptance Date	–	–	ALGS: Expected to be less than 1 BUG: Less than 1
4. Reliable Plant Operations				
4.1 Energy entitlement ratio	Ratio of energy entitlement received to maximum energy entitlement	CEA Hydraulic Weighted Capability Factor: 90.6%	–	ALGS: 86%[3] BUG: 86%[4]
5. Acceptable Return on Equity				
5.1 Return on equity	Income divided by equity (contributed surplus plus retained earnings)	Regulated utility returns, over life of project	–	4.7%
5.2 Return on assets in service	Consolidated net income divided by assets In service	Regulated utility returns, over life of project	–	5.7%

Notes:
1. Targets for 2002/03 provided where established
2. Completion of Brilliant Upgrades delayed by labour strike and contractor unavailability
3. Outages at Arrow Lakes Generating Station higher than normal due to plant start-up
4. Outages required to allow upgrade/life extension work

Performance Measure	Definition	Benchmark	2002/03 Target	2002/03 Result
6. Project Cost Competitiveness				
6.1 Equilibrating natural gas price	Price of natural gas at which levelized cost of energy for CPC/CBT project is equivalent to new CCGT project	Forecast long-term price of natural gas (greater than or equal to C$6.25 per GJ)	–	ALGS: C$3.50 per GJ BUG: C$4.00 per GJ
7. Investment Grade, Non-Tax Supported, Credit Ratings				
7.1 Bond rating	Project bond ratings by DBRS and/or Moody's Investor Service	DBRS: A (high) Moody's: A1 for Brilliant bonds, up from A(mid) and A2, respectively	Maintain or improve current bond ratings for CPC/CBT project debt	Brilliant Series A and B Bonds: DBRS A (high) Moody's A1
7.2 Debt service coverage ratio	Net income plus interest & amortization divided by debt service payments	Industry benchmark for Investment grade bond rating: Greater than or equal to 1.3	–	3.0
7.3 Capital Structure	Debt to equity ratio	CEA Composite for 2001: 74:26	–	27:73
8. Cost Efficient Joint Venture Management				
8.1 OMA unit cost for assets in-service	OMA divided by net electricity entitlement	Suitable industry benchmark not available	–	ALGS: $2.98 per MWh BUG: $2.02 per MWh
8.2 Manager's employee cost per unit	Manager's salary and benefit costs divided by net electricity entitlements	Suitable industry benchmark not publicly available	–	$1.88 per MWh
9. Employee Productivity				
9.1 Revenue per employee	Consolidated revenue divided by FTEs	CEA average: $588,000	–	$1,038,000 per FTE
9.2 Employee training	Total training hours divided by FTEs	Suitable industry benchmark not publicly available	–	27 hours per FTE

Performance Measure	Definition	Benchmark	2002/03 Target	2002/03 Result
10. Environmental Compliance				
10.1 Compliance with environmental requirements	Number of notices from regulatory agencies of environmental non-compliance	Further research required on suitable benchmark	Zero material non-compliance notices	Zero material non-compliance notices received
11. Economic Contributions				
11.1 Net income	Revenues less expenses	–	$4.2 million	$13.4 million
11.2 Employment creation	Cumulative direct employment creation	–	–	1,121 person years

Definitions: ALGS – Arrow Lakes Generating Station
BUG – Brilliant Upgrades
CEA – Canadian Electricity Association
CCGT – Combined Cycle Gas Turbine
GJ – Giga joule
DBRS – Dominion Bond Rating Service
OMA - Operations, maintenance and administration
MWh - Megawatt hour
FTE - Full-time equivalent

Management Discussion and Analysis

Results of Operations

Net income earned by Columbia Power Corporation in 2002/03 was $13.4 million, compared to $0.6 million the previous year. The increase in income is attributable to early power sales from the Arrow Lakes Generating Station, higher earnings from the sale of power from the Brilliant powerplant and a reduction in the amount of development costs expensed. Net income includes 50% of the income of the power project joint ventures.

Columbia Power Corporation's revenue in 2002/03 was $45.4 million, compared to $13.5 million the previous year. This large increase reflected the contribution of almost a full year of operations from the two units at the Arrow Lakes Generating Station, whereas only a brief period of production occurred in the prior year. All sales from the Arrow Lakes Generating Station prior to January 1, 2003 were in advance of the planned completion date for the project, and were at attractive prices that were locked in during a period of strong market conditions. Although these early power sales revenues were, to a large extent, offset by incentive bonuses paid to the design-build contractor for early completion, the owners still realized a substantial profit. A portion of the bonus paid to the contractor was capitalized.

The corporation's income during the year also reflected the steady increase in earnings from the Brilliant operations. This source of income has grown since inception as a result of several factors: the fixed escalator applied to a portion of the revenues; the investment in sustaining capital and upgrade expenditures, which trigger a stream of revenues based on the cost of this capital program; and revenues tied to the volume of increased energy attributable to the upgrade program.

Low short-term borrowing rates during the year also enhanced Columbia Power Corporation's income. Earnings were not impacted by fluctuations in electricity markets during the past year, as prices for the company's output were set by contracts put in place previously.

During 2002/03, Columbia Power Corporation's return on equity increased to 4.7% from 0.2% the previous year, primarily reflecting earnings from the newly completed Arrow Lakes Generating Station. The corporation's return on equity will increase when projects now under development enter the operating phase and begin to earn income following intensive capital spending during construction.

The return on equity for projects in service rose to 9.1% in 2002/03 from 7.7% the previous year. Profits from Arrow Lakes Generating Station early power sales and steadily increasing income from the Brilliant powerplant account for the growth.

Columbia Power Corporation used its undistributed cash earned from power projects to partially finance power project capital costs and pay for corporate asset additions. The corporation declared a dividend of $2 million for 2002/03. Future dividends will be determined based on annual cash earnings, working capital requirements, reserves for future capital replacement and new power project investment opportunities.

Capital spending during the year was $26.6 million, compared to $59.0 million in the prior year. Almost all of this expenditure was invested in power projects undertaken jointly with the Columbia Basin Trust, and represents Columbia Power Corporation's 50% portion of joint venture capital spending. The major area of expenditure was construction of the Arrow Lakes Generating Station, followed by additions to the Brilliant power facility and Brilliant Expansion project development costs. These investments were funded by contributions from the Province, short-term borrowing and cash from operations. Columbia Power Corporation provided interest-free advances to the Columbia Basin Trust for its share of joint venture equity investments.

Outlook and Risks

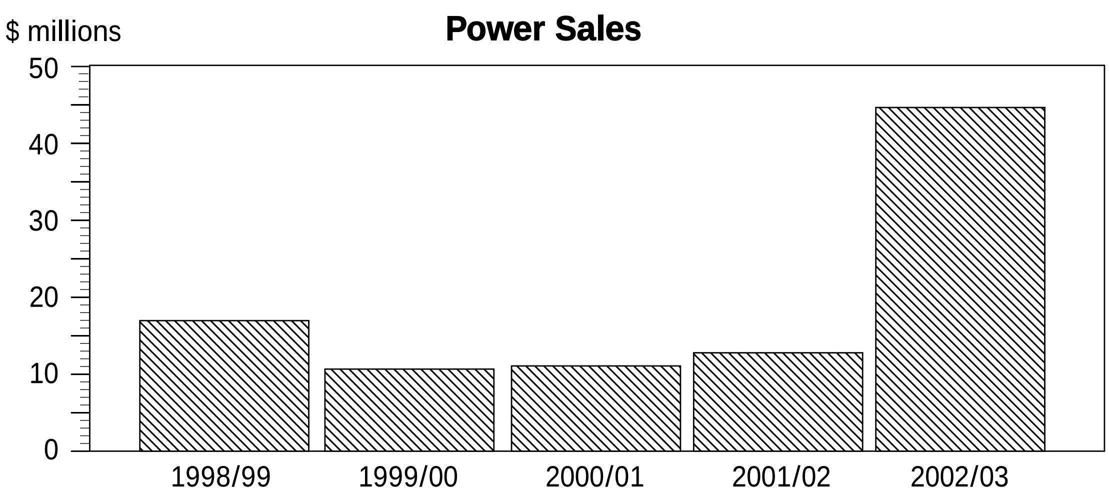
Columbia Power Corporation's outlook for the future is for stable earnings growth from its existing operations. At both the Brilliant powerplant and the Arrow Lakes Generating Station, revenues are fixed by long-term contracts and are not impacted by changes in power markets. Entitlement agreements with BC Hydro provide firm amounts of power regardless of actual water flows, thereby removing hydrology risk. Interest costs for projects in operation are fixed through the issue of long-term bonds. At Brilliant, earnings stability is further enhanced by the cost-of-service nature of the power sales agreement. The sales contract for the Arrow Lakes Generating Station does not have this feature, however, operating costs at Arrow Lakes are low relative to revenues, as is typical in a hydroelectric generating plant. At the same time, the risks of equipment failures or poor plant performance are managed through guarantees provided by the Arrow Lakes design-build contractor. Insurance coverage is also in place to protect the corporation against losses.

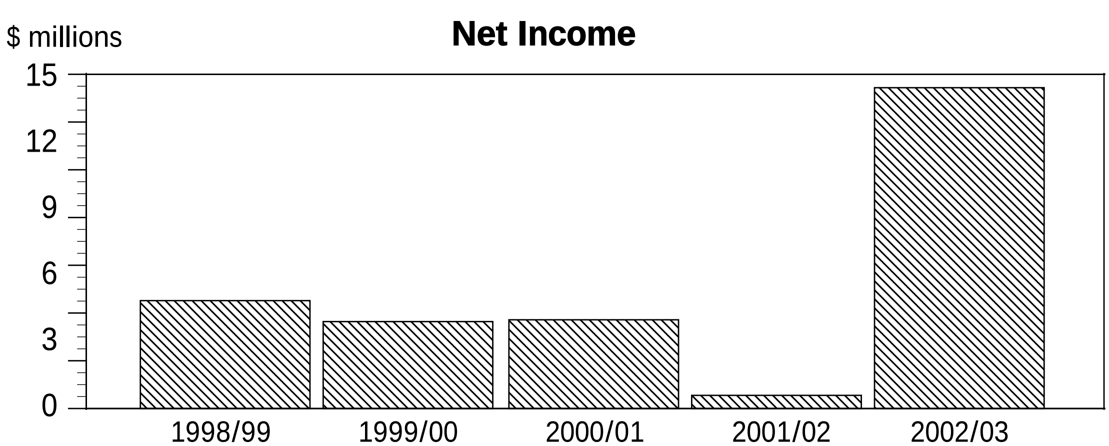
The construction program for the Brilliant Expansion will run for the next three years. The fixed-price nature of the contract and built-in performance guarantees have the effect of transferring most of the risk to the contractor. It is expected that an entitlement agreement will be in place for the Brilliant Expansion, which will remove hydrology risk. While markets for the project output are not yet in place, Columbia Power Corporation is pursuing opportunities to enter into sales agreements prior to completion of construction. The nature of the sales arrangements put in place for the Brilliant Expansion will affect the ability to raise financing at project completion, which in turn will affect the availability of funds for the construction of the Waneta Expansion. Factors that could affect the rate of return on the Brilliant Expansion include power market developments, exchange rate movements, payments to government and access to transmission systems. The Province's recently announced energy plan will support the development of Columbia Power Corporation's projects by providing greater access to the transmission system and improving the ability of non-utility generators to sell power directly to large customers.

Key Financial Comparatives

($ in thousands)

		2002/03	2001/02	2000/01	1999/00	1998/99
Power Sales	$	44,650	12,781	11,071	10,665	16,962
Interest and Other Earnings	$	700	711	2,811	3,730	3,455
Net Income	$	13,438	550	3,716	3,641	4,518
Dividend Payments	$	2,000	2,000	3,000	-	-
Capital Assets and Deferred Costs	$	287,296	266,148	210,005	174,402	150,006
Short-Term Debt	$	47,254	63,491	20,343	-	-
Long-Term Debt	$	59,049	59,839	46,288	46,756	47,185
Equity	$	293,411	287,011	288,461	225,796	168,437
Capital and Deferred Spending	$	26,601	58,999	63,095	26,225	12,677
Debt to Equity Ratio		27:73	30:70	19:81	17:83	22:78





COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

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COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2003

Statement of Management Responsibility

The consolidated financial statements of Columbia Power Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles and fairly present Columbia Power Corporation's consolidated financial position and results of operations. 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, policies and procedures which are designed 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 management 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.

Lorne Sivertson	Randall G. Smith
President	Comptroller

May 16, 2003

Report of the Auditor General of British Columbia

To the Shareholder of Columbia Power Corporation, and

To the Minister of Energy and Mines,
Province of British Columbia:

I have audited the consolidated balance sheet of *Columbia Power Corporation* as at March 31, 2003 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Power Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Wayne Strelioff

Victoria, British Columbia
May 16, 2003

Wayne Strelioff, CA
Auditor General

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

($ in thousands)

	2003	2002
ASSETS		
Current assets		
Cash	$ 12,570	$ 1,923
Accounts receivable and unbilled revenue	5,322	4,031
Inventories (Note 4)	1,103	1,197
Prepaid expenses and deposits	1,259	749
	20,254	7,900
Capital assets (Note 5)	235,336	220,475
Other assets		
Due from joint venture partner (Note 6)	102,876	135,437
Hydroelectric power expansion rights (Note 7)	25,925	25,925
Deferred costs (Note 8)	14,767	8,372
Power sales right (Note 9)	11,268	11,376
Short term investments (Note 10)	3,923	3,923
Deferred debt issue costs (Note 11)	605	595
	159,364	185,628
	$ 414,954	$ 414,003

The accompanying notes are an integral part of the financial statements

APPROVED ON BEHALF OF THE BOARD:

Director

Director

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

($ in thousands)

		2003		2002
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	10,591	$	4,262
Short term loan (Note 14)		47,254		63,491
Dividend payable		2,000		2,000
Interest payable on long term bonds		1,656		1,678
Current portion of long-term bonds (Note 15)		857		790
Due to related parties		344		135
		62,702		72,356
Deferred revenue		649		625
Long term bonds (Note 15)		58,192		59,049
Equity				
Contributed surplus (Note 18)		276,065		276,065
Retained earnings (Note 19)		17,346		5,908
		293,411		281,973
	$	414,954	$	414,003

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31
($ in thousands)

		2003		2002
REVENUES				
Sale of power	$	44,650	$	12,781
Interest		271		349
Management fee		429		362
		45,350		13,492
EXPENSES				
Water rentals		2,395		1,880
Amortization of capital assets in service		4,887		1,873
Amortization of power sales right		108		-
Property tax		855		882
Operations and maintenance		1,128		466
Provision for BC corporation capital tax		49		214
Administration and management		1,224		718
Insurance		394		192
Community sponsorship		75		72
Development costs expensed		548		1,537
Loss on disposal of fixed assets		-		33
Power sales revenue sharing (Note 20)		14,890		168
		26,553		8,035
INCOME FROM OPERATIONS		18,797		5,457
FINANCE CHARGES				
Interest on Brilliant project bonds		5,015		4,596
Bank charges and interest		318		289
Amortization of deferred debt issue costs		26		22
		5,359		4,907
NET INCOME FOR THE YEAR	$	13,438	$	550

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31
($ in thousands)

		2003		2002
RETAINED EARNINGS - beginning of year	$	5,908	$	12,396
Retained earnings adjustment (Note19)		-		(5,038)
Add: Net income		13,438		550
Deduct: Dividend declared		(2,000)		(2,000)
RETAINED EARNINGS - end of year	$	17,346	$	5,908

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31
($ in thousands)

	2003	2002
OPERATING ACTIVITIES:		
Net income for the year	$ 13,438	$ 550
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	4,887	1,873
Amortization of deferred debt issue costs	26	22
Amortization of power sales right	108	-
Development costs expensed	458	950
Loss on disposal of fixed assets	-	33
Net change in non-cash working capital balances	4,833	(536)
	23,750	2,892
FINANCING ACTIVITIES:		
Issue of Series B Brilliant project bonds	-	14,100
Proceeds of short term loans	33,763	71,347
Repayment of short term loans	(50,000)	(28,200)
Dividends paid	(2,000)	(3,000)
Deferred debt issue costs	(36)	(161)
Principal repayment of Brilliant project bonds	(790)	(551)
	(19,063)	53,535
INVESTING ACTIVITIES:		
Repayment from joint venture partner	32,561	3,488
Deferred costs	(6,853)	(3,283)
Short term investments	-	(595)
Additions to Brilliant power facility	(9,325)	(8,940)
Additions to ALGS power facility	(10,240)	(46,572)
Purchase of furniture, equipment, vehicles and land	(183)	(204)
	5,960	(56,106)
INCREASE IN CASH	10,647	321
CASH - BEGINNING OF YEAR	1,923	1,602
CASH - END OF YEAR	$ 12,570	$ 1,923
CASH CONSISTS OF:		
Restricted cash	134	93
Restricted temporary investments	5,519	-
Cash available for operations	6,917	1,830
	$ 12,570	$ 1,923

The accompanying notes are an integral part of the financial statements

1. Columbia Power Corporation

(a) Structure and financing

Columbia Power Corporation (CPC) was incorporated in 1994 under the Company Act of British Columbia and is wholly owned by the Province of British Columbia. As an agent for the Province, CPC is committed to entering into joint ventures to develop hydroelectric power projects as set out in the Agreement signed in 1995 (the Agreement) between the Province and the Columbia Basin Trust (the Trust).

The Agreement anticipates that several power projects will be undertaken through joint ventures between CPC and subsidiaries of the Trust (the Venturers). The cost of all projects under consideration is expected to exceed $1 billion. Under the Agreement between the Province and the Trust, the Province committed to make $500 million in capital contributions for the purpose of funding capital costs of power projects, with the remaining capital costs to be financed through joint venture borrowings by CPC and the Trust's subsidiaries.

The Venturers each hold a 50% interest in the joint ventures and direct their activities through Management Committees with an equal number of members appointed by each Venturer. All decisions of the Management Committees require the unanimous approval of their members.

CPC is appointed the Manager of the joint ventures with the authority, subject to the direction of the Joint Venture Management Committees, as well as annual capital and operating budgets approved by the Committees, to manage the day-to-day activities. CPC's material transactions and agreements require the approval of the Province's Treasury Board.

(b) Power Project Planning

In 1996, CPC and CBT Power Corp. (CBT Power), a subsidiary of CBT Energy Inc. (CBT Energy), a subsidiary of the Trust, entered into the Power Project Planning Joint Venture (PPPJV) Agreement. Under this Agreement, the parties formed an unincorporated joint venture, primarily for the purpose of assessing and determining the feasibility of power projects pursuant to the Agreement between the Province and the Trust.

The Agreement provides for the Venturers to conduct work on specific power projects up to the date that an existing project is acquired, construction has commenced on a new project, or a project is no longer feasible or is abandoned. Prior to a project's acquisition or commencement of construction, approval must be received from the Directors of both CPC and the Trust. The project must also meet financial viability tests consistent with those of a commercial lender. When a project is acquired, or project construction is commenced, the project is to be transferred to a separate joint venture.

(c) Brilliant Power Facility

In 1996, CPC and CBT Power entered into the Columbia Basin Power Company (CBPC) Joint Venture Agreement. Under this Agreement, the parties formed an unincorporated joint venture for the purpose of operating the Brilliant power facility.

Brilliant Power Funding Corporation (BPFC) was incorporated in 1996 under the Company Act of British Columbia and was established to hold legal title to the Brilliant power facility as well as to issue Brilliant Project Bonds as agent and nominee for CPC and CBT Power. The rights to the use and enjoyment of the Brilliant power facility have been assigned to CBPC.

Under the Agreement, the Venturers specify that, unless otherwise agreed by them, their liabilities and obligations under CBPC's agreements are to be several and equal to their participating interest in CBPC. The Venturers cannot use their CBPC participating interest as security for indebtedness.

(d) Arrow Lakes Generating Station Project

In 1998, CPC and CBT Arrow Lakes Power Development Corp. (CBT Arrow Lakes) a subsidiary of CBT Energy, entered into the Arrow Lakes Power Company (ALPC) Joint Venture Agreement. Under this Agreement, the parties formed an unincorporated joint venture, primarily for the construction of a powerplant (the Arrow Lakes Generating Station (ALGS)) at the Hugh Keenleyside Dam and a transmission line from the power plant to the Selkirk substation.

Arrow Lakes Power Development Corporation (ALPDC) was incorporated in 1998, under the Company Act of British Columbia. ALPDC was established to hold legal title to the real and tangible personal property comprising ALGS and transmission lines, as agent and nominee for the Venturers. The rights to the use and enjoyment of ALGS and transmission line assets have been dedicated to ALPC.

(e) Significant Agreements

(i) Entitlement Agreements

Under Entitlement Agreements, British Columbia Hydro and Power Authority (BC Hydro), a Crown Corporation of the Province, coordinates the operations of the Brilliant power facility and ALGS, and receives all of the resulting electrical power. In return, BC Hydro provides CBPC and ALPC with a fixed amount of capacity and energy from the BC Hydro system.

(ii) Brilliant Power Purchase Agreement

Under the Brilliant Power Purchase Agreement, Aquila Networks Canada (British Columbia) (ANC), a regulated utility operating in British Columbia, will purchase the power under the Brilliant Entitlement. The term of the Agreement is 60 years.

In the first 30 years, the power will be sold on a "take or pay" basis with the price payable by ANC composed of an operation and maintenance cost charge and a return on capital charge. In the second 30 years of the contract with ANC, there will be an annual market-related price adjustment. Additional revenues are received for power entitlement attributable to the effect of turbine upgrades together with regulated water flows. ANC purchases the Brilliant power facility upgrades regulated entitlement power at a price equal to the greater of $26 per megawatt-hour and ANC's cost of purchasing power from BC Hydro.

(iii) Powerex Backstop Agreement

This agreement with Powerex Corp. (Powerex, a subsidiary of BC Hydro) provides for Powerex to purchase the Brilliant Entitlement if CBPC terminates the Brilliant Power Purchase Agreement by reason of default by ANC, ensuring that operational and maintenance costs can be paid and a return on capital is earned.

(iv) Management Agreements

CBPC

Under the Brilliant Management Agreement, ANC operates and manages the Brilliant power facility on behalf of CBPC. The management fee and other amounts payable under the Agreement form part of operational and maintenance costs recovered under the Brilliant Power Purchase Agreement (Note 1(e)(ii)).

The Brilliant Management Agreement provides for a Management Committee with an equal number of members from CBPC and ANC who must unanimously approve all expenditures relating to the Brilliant power facility. The term of the Agreement is coincident with the term of the Brilliant Power Purchase Agreement.

ALPC

Under the Operation and Maintenance Agreement, Aquila Networks British Columbia (ANBC - the unregulated parent company of ANC) operates and manages ALGS on behalf of ALPC.

(v) Design-Build Contract - ALGS

In 1998, ALPC entered into a turn-key, design-build contract for approximately $210 million with Peter Kiewit Sons Co. Ltd. (PKS) for the construction of ALGS powerplant. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees; a contractor bonus for early completion; a milestone schedule and a schedule of payments to the contractor.

(vi) Design-Build Contract - Brilliant Expansion Project

The Brilliant expansion project is a 120 MW, $205 million power generation development near the existing Brilliant power facility. CPC's work program for the past fiscal year was centred on the completion of the Design-Evaluate-Build process for the Brilliant Expansion. Proposals were received from two competing teams in July 2002. The evaluation process resulted in the Brilliant Expansion Consortium (BEC) formed by Skanska/Chant/SNC Lavalin being chosen as the preferred bidder. Treasury Board approval for the project was received in February 2003. The Design-Build Contract with BEC was signed February 25, 2003. Construction of the project began in April 2003.

(vii) Power Sales Right

In 1997, the Venturers acquired the right and obligation to provide up to 86 average MW to BC Hydro during the period January 1, 2003 to December 31, 2014. ALPC intends to use the power under the Entitlement Agreement to meet its obligations under the contract.

(viii) Early Power Sales

In December 2000 and April 2001, agreements were reached with Powerex regarding the sale of ALGS commissioning and entitlement energy produced up to and including December 31, 2002.

(ix) Supplemental Agreement

In May 2001, ALPC and PKS entered into an agreement to share the benefits of completion of ALGS in advance of dates defined in the design-build contract.

(x) Option Agreement

In 2001, the Province signed an option agreement granting CBT Energy the right to acquire 100% of the outstanding shares of CPC at a price equal to the greater of CPC's equity book value and market value. The option expires in July 2005.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Consolidated Financial Statements

These consolidated financial statements include CPC's operations and interests in PPPJV, CBPC, and ALPC. The joint ventures are consolidated using the proportionate consolidation method, whereby CPC's accounts are combined on a line by line basis with its proportionate share (in this case 50%) of the joint ventures' assets, liabilities, revenues, expenses and cash flows. Intercompany balances and transactions between CPC and the joint ventures have been eliminated.

(b) Revenue Recognition

ANC is the purchaser of all power received under the Brilliant Entitlement. Revenues are recognized when operating and maintenance costs are incurred and as the return on capital is earned in accordance with the Brilliant Power Purchase Agreement (Note 1(e)(ii)) and as regulated upgrade entitlements are delivered.

Revenues for ALPC comprise sales of entitlement energy under sales agreements with Powerex and BC Hydro (Note 1(e)(vii) and (ix)). Revenues are recognized on the basis of energy as set out in the entitlement agreement with BC Hydro (Note 1(e)(i)).

(c) Capitalization and Amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to expense the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service.

(i) Brilliant Power Facility

The Brilliant power facility is recorded at cost and is amortized on a straight-line basis over 60 years, consistent with the 60 year term of the Brilliant Power Purchase Agreement and the revenues provided under that agreement. Capital additions to the Brilliant power facility are recorded at cost and are amortized on a straight-line basis over 30 years, consistent with the 30 year sustaining capital expenditure recovery provided by the Brilliant Power Purchase Agreement. Upgrades capital expenditures are amortized on a straight-line basis over the remainder of the 60 year Brilliant Power Purchase Agreement, which provides for recovery of upgrades capital expenditures over the same period.

(ii) Arrow Lakes Generating Station Project

Costs incurred in undertaking the development and construction of ALGS, including all costs attributable to the project as well as capitalized interest and taxes, were deferred. When ALGS was placed into commercial production, the related deferred costs formed part of the capital assets. Capital assets are recorded at cost and depreciated over their expected useful lives. The expected useful lives, in years, are:

Powerplant	11 - 77
Transmission	33 - 100

(iii) CPC Offices and Equipment

Computer systems	-	straight line over 3 years
Office furniture and equipment	-	straight line over 5 years
Leasehold improvements	-	straight line over 5 years
Vehicles	-	straight line over 8 years

(d) Deferral of Power Project Costs

Costs incurred in determining the feasibility of acquiring power projects or undertaking preliminary development work on power projects are deferred. Deferred power project costs include all costs attributable to a project as well as capitalized interest and taxes.

When a project is acquired or construction commences, the related deferred costs of that project form part of its capital cost. When a project is abandoned, the costs deferred for that project are expensed. When a project's costs exceed those likely to be recovered, the excess is expensed.

(e) Deferred Debt Issue Costs

Expenditures incurred in issuing the Series A and B Brilliant Project Bonds are deferred and amortized on a straight-line basis over the term of the bonds.

(f) Taxes

CPC is exempt from corporate income taxes and federal large corporations tax.

(g) Foreign Currency Translation

Foreign currency denominated revenues and expenses are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date.

(h) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

3. Restricted Cash

Cash includes Canadian dollar and US dollar bank accounts and a US$7.5 million temporary investment. The US dollar cash and temporary investments are held to offset a US dollar current liability in accordance with the terms of the ALPC Supplemental Agreement.

CBPC must apply the payments it receives from the sale of power under the Brilliant Entitlement as set out under agreements with the Series A and B Brilliant Project Bondholders.

4. Inventories

Land inventory was purchased as a result of transmission Right of Way (ROW) acquisition. Spare parts were acquired as specific items under the design-build contract with PKS.

The value of land held for resale is based on the lower of cost and net realizable value. Any gains or losses upon sale of land inventory will reduce or increase the net cost of the ROW. Spare parts are recorded at cost.

($ in thousands)	2003	2002
Land	$ 285	$ 285
Spare parts	818	912
	$ 1,103	$ 1,197

5. Capital Assets

($ in thousands)	Cost	Accumulated Amortization	NBV 2003	NBV 2002
Brilliant power facility	$ 100,947	$ 9,210	$ 91,737	$ 84,296
Brilliant lands	2,359	-	2,359	2,359
ALPC power facility	129,233	2,576	126,657	119,466
ALPC transmission	10,684	238	10,446	10,582
ALPC lands	3,512	-	3,512	3,101
Other lands	40	-	40	40
Computer systems	404	276	128	72
Furniture and equipment	366	217	149	191
Leasehold improvements	481	262	219	308
Vehicles	138	49	89	60
	$ 248,164	$ 12,828	$ 235,336	$ 220,475

6. Due from Joint Venture Partner

(a) Non-Interest Bearing Advance

Under the terms of the Joint Venture Agreements (Note 1), CPC has made interest free advances to fund the Trust's share of joint venture cash contributions. Such advances are secured by the Trust's commitment to use its future power project contributions from the Province to repay any advances owed to CPC from the Trust. Further, the Trust pledges its interest in joint venture assets to CPC while advances are owed by it to CPC.

(b) Interest Bearing Advance

During the year, CPC made interest bearing advances to the Trust for power project capital spending from its retained earnings and short term borrowing. Interest at an average rate of 2.7% (2002 - 3.7%) was charged, based on CPC's investment opportunity cost and short term borrowing interest incurred. The advance is expected to be substantially repaid during 2004 from equity received by the Trust from the Province and by issuance of long term bonds.

7. Hydroelectric Power Expansion Rights

This 50% interest in hydroelectric power expansion rights is recorded at cost and includes options to acquire lands near the Waneta and Brilliant dams at no additional cost and the right to develop and operate new hydroelectric facilities on these lands. The fair value of these rights may differ from cost. A fair value is not readily determinable due to the unique nature of the expansion rights.

8. Deferred Costs

Deferred power project costs are carried on the balance sheet of CPC based on management's judgment of anticipated future events. A number of significant estimates and qualitative factors are considered by management in determining the economic viability of each project. Changes in significant assumptions underlying future cash flow estimates may have a material effect on the economic viability of projects.

9. Power Sales Right

CPC's 50% share of the power sales right is recorded at cost. The fair value of the power sales right may differ from its cost. A fair value is not readily determinable due to the unique nature and the extended term of the power sales right.

10. Short Term Investments

Under its agreements with Bondholders, CBPC has established a debt service reserve fund in which it maintains cash or cash equivalents equal to one semi-annual payment on the Series A and B Brilliant Project Bonds. CBPC also maintains an operating reserve account in an amount equal to one-quarter of annual operating expenses. CPC's 50% share of short term investments held by CBPC:

($ in thousands)	2003	2002
Debt service reserve fund		
HSBC	$ 2,913	$ 2,913
Operating reserve account		
CIBC	1,010	1,010
	$ 3,923	$ 3,923

11. Deferred Debt Issue Costs

CPC's 50% share of debt issue costs incurred by CBPC in issuing long term debt:

($ in thousands)	2003	2002
Deferred debt issue costs	$ 704	$ 544
Accumulated amortization	(135)	(109)
	$ 605	$ 595

12. Proportionately Consolidated Joint Ventures

CPC participates in three active power project joint ventures with subsidiaries of the Trust. CPC has included in its consolidated financial statements and notes the following financial position, operating results, and cash flows which represent its 50% interest in PPPJV, ALPC and CBPC:

(i) Financial Position

($ in thousands)	2003	2002
Assets		
Plant and equipment	$ 240,864	$ 221,708
Accumulated amortization	(12,024)	(7,364)
	228,840	214,344
Land	5,871	5,460
Capital assets	234,711	219,804
Deferred costs	14,784	8,372
Expansion rights	25,925	25,925
Power sales right	11,268	11,376
Current assets	19,369	7,721
Other assets	4,513	4,518
	310,570	277,716
Liabilities		
Long-term debt	(86,070)	(94,486)
Current liabilities	(13,827)	(7,696)
	(99,897)	(102,182)
Equity in Joint Ventures	$ 210,673	$ 175,534

12. Proportionately Consolidated Joint Ventures (continued)

(ii) Operating Results

($ in thousands)	2003	2002
Revenues		
CBPC	$ 13,805	$ 12,470
ALPC	30,995	504
	44,800	12,974
Expenses		
CBPC	11,038	10,362
ALPC	19,584	258
PPPJV	576	1,537
	31,198	12,157
Net income	$ 13,602	$ 817

(iii) Cash Flows

($ in thousands)	2003	2002
Opening cash	$ 1,746	$ 1,216
Cash from operations	23,780	3,540
Cash applied to investments	(26,757)	(60,433)
Cash from financing	16,616	59,898
CBPC cash distribution	(3,125)	(2,475)
Closing Cash	$ 12,260	$ 1,746

13. Pension Plans

CPC and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plan Act. The plan is a multi-employer defined benefit pension plan and is reported separately to the Province.

Employees of CPC are eligible for the same post retirement healthcare benefits as other members of the public service pension plan. 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). Under the EPBP, CPC contributes each year to a trustee, in advance, an irrevocable and renewable letter of credit in an amount necessary to provide the EPBP benefits accruing and any unfunded liability. Employee contributions are not required under the EPBP.

An actuarial valuation of the EPBP was performed by McFarlane Amerlee Consulting Limited Actuaries & Pension and Benefit Consultants, at November 19, 2002. Based on this valuation, a pension liability estimated to be $153,000 at March 31, 2003 (2002 - $124,000) is included in accrued liabilities.

14. Short Term Loan

To fund project development costs in excess of cash available from capital contributions from the Province, CPC borrowed funds from Provincial Treasury throughout the year on a short term basis. The loans outstanding at year end totaled $47.3 million (2002 - $63.5 million) and had an average interest rate of 2.7% (2002 - 1.7%). The loans are expected to be substantially repaid during 2004 using equity received by the Trust from the Province and by issuance of long term debt.

15. Long Term Bonds

The Series A and B Brilliant Project Bonds are secured on a limited recourse basis by charges against the Brilliant power facility including related material contracts, licenses, permits, approvals, authorizations and insurance coverages.

The Bonds are redeemable by CBPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30%. CPC's 50% share of long term debt issued by CBPC:

($ in thousands)

Series	Semi-annual Coupon rate	Maturity date	2003	2002
A	8.93%	May 31, 2026	$ 45,222	$ 45,778
B	6.86%	May 31, 2026	13,827	14,061
			59,839	59,839
Current portion			(857)	(790)
			$ 58,192	$ 59,049

Principal repayments next five years:	
2004	$ 857
2005	930
2006	1,008
2007	1,095
2008	1,188
Subsequent years	53,971
	$ 59,049

On March 28, 2003, the Province entered into an Advance Rate Setting Agreement, on behalf of CPC, to hedge against a rise in long term borrowing rates in the first half of 2003/04. This agreement effectively locked in the current long term interest rate for anticipated future long term financing within the next 6 months. The hedging instrument is a Government of Canada 5.5 percent bond, maturing June 1, 2010 with a notional amount of $50 million.

16. Credit Facility

In accordance with the agreements with Bondholders, CBPC has secured a $10 million credit facility with the Canadian Imperial Bank of Commerce, which would rank equally with the Series A and B Bonds.

17. Share Capital

Authorized:
100,000,000 common shares, no par value

Issued:
6 common shares $6

18. Contributed Surplus

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

19. Retained Earnings Adjustment

During the years that CPC received funding payments from the Province, monies were held in a Segregated Trust Account (STA) for CPC with BC Investment Management Corporation as trustee until they were required for capital spending on power projects. Interest income from the STA was recorded as CPC income and added to the capital available for investment. When capital spending occurred on power projects, one-half of the capital spending became a non-interest bearing loan to CBT. This retroactive retained earnings adjustment acknowledges the intent of the Columbia Basin initiative, whereby both venturers share equally in capital funding and any interest earned on STA balances.

20. Power Sales Revenue Sharing

The ALGS design-build contract and supplemental agreement includes an incentive bonus for early completion. The contractor is entitled to receive a portion of the sales revenue for any marketable power produced up to and including December 31, 2002. The contractor's share of revenue is treated partially as a capital cost, with the portion that relates to higher than expected power prices in the incentive period being treated as an expense. The split of the contractor incentive bonus is based on forward price forecasts for power at the date the design-build contract was signed.

($ in thousands)	2003	2002
Power sales revenue sharing	$ 22,094	$ 252
Less: capital portion	(7,204)	(84)
Net power sales revenue sharing expense	$ 14,890	$ 168

21. Commitments

(a) Columbia Basin Power Company

Under its agreements with Bondholders, CBPC has committed to keep the Brilliant power facility in good operating condition and to effect all necessary repairs and replacements to the Brilliant power facility to maintain the Brilliant Entitlement, subject in each case to the requirements of good industry practice.

(b) ALPC Fish Entrainment Compensation

ALPC has made a commitment to contribute $175,000 annually, adjusted for inflation, to compensate for fish entrainment for as long as fish are entrained in ALGS. This funding will initially be used for fertilizing fish stocks in the Upper and Lower Arrow reservoirs.

22. Related Party Transactions

These consolidated financial statements include minor amounts due from, due to and transactions with related parties. Other than CBT, which charges the joint ventures on a cost recovery basis, all related party transactions are at market rates.

23. Subsequent Events

(a) CBT Non-Interest Bearing Advance Repayment

In April 2003, the Province transferred $50 million to the Trust's segregated trust account. In accordance with the Agreement between the Province and the Trust, the funds were transferred to CPC as partial repayment of the non-interest bearing advance. The funds were immediately used by CPC to fund joint venture power project capital spending.

(b) ALPC Advanced Rate Setting Agreement

On April 4, 2003, the Province entered into a second Advance Rate Setting Agreement, on behalf of CPC, to hedge against a rise in long term borrowing rates in the first half of 2003/04 on a further $50 million. The hedging instrument is a Government of Canada 5.5 percent bond, maturing June 1, 2010 with a notional amount of $50 million.

24. Contingencies

(a) Power Projects

CPC's power project investment activities are affected by federal, provincial and local government laws and regulations. Under current regulations, the Venturers 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.

The Joint Venturers' power project construction program is dependent on the funding arrangements detailed in the Agreement between the Province and the Trust. The Agreement states that all of the Province's payments to the Trust and CPC are subject to the appropriation of sufficient funds in that year's Provincial Budget.

(b) Columbia Basin Power Company

The operation of the Brilliant power facility is affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, CBPC has agreed to comply or cause compliance in all material respects with such laws and regulations as well as to maintain all material franchises. The financial impact, if any, of complying with future legislative or regulatory requirements cannot currently be estimated.

(c) Arrow Lakes Power Company

The ALGS construction contractor has made a claim for costs incurred to meet seismic construction standards. While the final outcome of this claim cannot be predicted with certainty, it is the opinion of management that the resolution of the claim will not have a significant effect on the Company's financial position.

The operation of ALGS is affected by federal, provincial and local government laws and regulations. The financial impact, if any, of complying with future legislative or regulatory requirements cannot currently be estimated.

25. Comparative Figures

Certain 2002 figures have been reclassified to conform with the current year's presentation.

Board of Directors

Lorne Sivertson
President
Columbia Power Corporation

Ed Pietraszek
Corporate Secretary/Treasurer
Columbia Power Corporation

Officers

Lorne Sivertson
President

Victor Jmaeff
Vice President, Power Supply and Marketing

Bill Freeman
Vice-President, Planning and Development

Giulio Ambrosone
President, Engineering and Construction

Bruce Duncan
Vice President, Strategic Planning

Ed Pietraszek
Corporate Secretary/Treasurer

Wally Penner
Director, Community and Regional Affairs

Randall Smith
Comptroller

Corporate Governance

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

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

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

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