COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

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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 judgements 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.

Ed Pietraszek
Acting President

David de Git, CMA
Corporate Controller

May 18, 2007

Report of the
Office of the Auditor General
of British Columbia

To the Board of Directors of
Columbia Power Corporation and

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

I have audited the consolidated balance sheet of *Columbia Power Corporation* as at March 31, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
May 18, 2007

Errol S. Price, CA
Acting Auditor General

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

(in thousands)

	2007	2006
ASSETS		
Current assets		
Cash and temporary investments (Note 3)	$ 50,377	$ 56,588
Accounts receivable and unbilled revenue	6,112	6,534
Prepaid expenses and deposits	1,695	1,761
Recoverable channel repair costs and losses (Note 4)	-	1,379
	58,184	66,262
Capital assets (Note 5)	237,643	240,507
Other assets		
Hydroelectric power expansion rights (Note 6)	25,925	25,925
Deferred costs (Note 7)	109,777	102,016
Power sales right (Note 8)	7,934	8,863
Recoverable channel repair costs and losses (Note 4)	2,159	-
Deferred debt issue costs (Note 9)	3,360	3,648
	149,155	140,452
	$ 444,982	$ 447,221

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)

		2007		2006
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	3,844	$	12,881
Dividend payable		2,000		2,000
Interest payable on long term bonds		2,890		3,014
Current portion of long term bonds (Note 11)		5,668		5,342
Due to related parties (Note 17)		90		606
		14,492		23,843
Deferred revenue		777		791
Long term bonds (Note 11)		112,363		118,031
Equity				
Share capital (Note 13)				
Contributed surplus (Note 14)		276,065		276,065
Retained earnings		41,285		28,491
		317,350		304,556
	$	444,982	$	447,221

Commitments (Note 16)

Contingencies (Note 19)

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)

	2007	2006
REVENUES		
Sale of power	$ 31,312	$ 28,438
Transmission facility revenue	1,526	1,502
Interest	1,433	1,074
Management fee	773	671
	35,044	31,685
EXPENSES		
Water rentals	4,225	4,005
Amortization of capital assets in service	5,529	5,482
Amortization of power sales right	930	772
Property tax	1,035	1,061
Operations and maintenance	1,474	1,140
Administration and management	2,166	1,989
Insurance	482	553
Community sponsorship	82	84
Restructuring and development costs	-	225
	15,923	15,311
INCOME FROM OPERATIONS	19,121	16,374
FINANCE CHARGES		
Interest expense	8,236	8,551
Amortization of deferred debt issue costs	288	288
	8,524	8,839
NET INCOME BEFORE CHANNEL REPAIR COSTS	10,597	7,535
CHANNEL REPAIR COSTS	(3,015)	(7,361)
RECOVERY OF REPAIR COSTS AND LOSSES (Note 4)	7,212	2,964
NET INCOME FOR THE YEAR	$ 14,794	$ 3,138

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)

			2007		2006
RETAINED EARNINGS - beginning of year		$	28,491	$	27,353
Add:	Net income		14,794		3,138
Deduct:	Dividends declared		(2,000)		(2,000)
RETAINED EARNINGS - end of year		$	41,285	$	28,491

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)

	2007	2006
OPERATING ACTIVITIES:		
Net income for the year	$ 14,794	$ 3,138
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	5,529	5,482
Amortization of deferred debt issue costs	288	288
Amortization of power sales right	930	772
Recoverable channel repair costs and losses (Note 4)	(780)	1,010
Net change in non-cash working capital balances	(9,204)	2,242
	11,557	12,932
FINANCING ACTIVITIES:		
Dividends paid	(2,000)	(2,000)
Principal repayment of Project Bonds	(5,342)	(5,033)
	(7,342)	(7,033)
INVESTING ACTIVITIES:		
Repayment from joint venture partner	-	25,000
Deferred costs	(7,761)	(13,031)
Additions to Brilliant power facility and terminal station	(551)	(926)
Additions to ALGS power facility	(1,992)	(3,241)
Purchase of furniture, equipment, vehicles and land	(122)	(145)
	(10,426)	7,657
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(6,211)	13,556
CASH AND EQUIVALENTS - beginning of year	56,588	43,032
CASH AND EQUIVALENTS - end of year	$ 50,377	$ 56,588
CASH AND EQUIVALENTS CONSIST OF:		
Restricted cash and temporary investments	9,966	10,814
Cash and temporary investments available for operations	40,411	45,774
	$ 50,377	$ 56,588
Supplemental disclosure of cash flow information		
Interest paid	$ 8,342	$ 8,668

The accompanying notes are an integral part of the financial statements

1. Columbia Power Corporation

(a) Structure and Financing

Columbia Power Corporation (CPC) 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), also wholly owned by the Province.

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 to manage the day-to-day activities of the joint ventures, subject to the direction of their Management Committees and annual capital and operating budgets approved by the committees. 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 transferred to a separate joint venture.

(c) Brilliant Power Facility and Brilliant Terminal Station

Brilliant Power Corporation (BPC) is jointly owned, on a 50/50 basis, by CPC and CBT Power. The Shareholders direct BPC's activities through a Management Committee, with an equal number of members appointed by each Shareholder. All decisions of the Management Committee require the unanimous approval of the members. The purpose of the corporation is to operate the Brilliant Power Facility and Brilliant Terminal Station.

(d) Arrow Lakes Generating Station

Arrow Lakes Power Corporation (ALPC) is jointly owned, on a 50/50 basis, by CPC and CBT Arrow Lakes Power Development Corp., (CBT Arrow Lakes), a subsidiary of CBT Energy. The purpose of the corporation is to construct and operate the 185 megawatt (MW) Arrow Lakes Generating Station (ALGS) adjacent to the Hugh Keenleyside Dam at Castlegar, British Columbia and a 48 kilometre transmission line from the powerplant to BC Hydro's Selkirk substation.

(e) Brilliant Expansion

Brilliant Expansion Power Corporation (BEPC) is jointly owned, on a 50/50 basis, by CPC and CBT Brilliant Expansion Power Corporation, a subsidiary of CBT Energy. The purpose of the corporation is to construct and operate the Brilliant Expansion Project, a 120 MW power generation development adjacent to the Brilliant Dam at Castlegar, British Columbia.

(f) 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 BPC 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, FortisBC Inc. (FortisBC), a regulated utility operating in British Columbia, will purchase the power under the Brilliant Entitlement, excluding the portion attributable to the regulated flows through the upgraded turbines. 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 FortisBC composed of an operation and maintenance cost charge and a return on capital charge. In the second 30 years of the contract with FortisBC, there will be an annual market-related price adjustment.

(ii) Brilliant Power Purchase Agreement (continued)

Prior to November 2005, FortisBC purchased the Brilliant Power Facility upgrades regulated entitlement at a price equal to the greater of $26 per megawatt-hour and Fortis's cost of purchasing power from BC Hydro.

An agreement was signed with Powerex Corp. (Powerex), a subsidiary of BC Hydro, effective November 1, 2005 to purchase this output under a short-term contract. The price used to determine this revenue is based on market prices.

(iii) Facilities Interconnection and Investment Agreement (FIIA)

FortisBC operates and manages the Brilliant Terminal Station on behalf of BPC. A Management Committee with an equal number of members from BPC and FortisBC must unanimously approve all expenditures. Brilliant Terminal Station operating and capital costs are recovered from FortisBC through operations and maintenance and return on capital charges as described in Note 1(f)(ii). The term of the Agreement is coincident with the term of the Brilliant Power Purchase Agreement.

(iv) Powerex Backstop Agreement

This agreement provides for Powerex to purchase the Brilliant entitlement, excluding the portion attributable to the regulated flows through the upgraded turbines, if BPC terminates the Brilliant Power Purchase Agreement by reason of default by FortisBC.

(v) Management Agreements

BPC

FortisBC operates and manages the Brilliant Power Facility on behalf of BPC. The management fee and other amounts payable under the Agreement form part of the operation and maintenance cost component described under Note 1(f)(ii).

The Brilliant Management Agreement provides for a Management Committee with an equal number of members from BPC and FortisBC who must unanimously approve all expenditures. The term of the Agreement is coincident with the term of the Brilliant Power Purchase Agreement.

ALPC

Under a Management Agreement, Fortis Pacific Holdings Inc. (Fortis Pacific - the unregulated parent company of FortisBC) operates and manages ALGS on behalf of ALPC.

(vi) 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. Final Acceptance of the powerplant awaits the resolution of a number of outstanding contractual issues. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees.

(vii) Design-Build Contract - Brilliant Expansion

In 2003, BEPC entered into a turn-key, design-build contract for approximately $167 million with Brilliant Expansion Consortium for the construction of the Brilliant Expansion. Under the contract, commercial operations were scheduled to begin in August 2006. As a result of construction delays, commercial operation is now expected to begin in June 2007. 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.

(viii) Power Sales Right

In 1997, the Venturers acquired the right and obligation to provide up to 86 average megawatts to BC Hydro during the period January 2003 to December 2014. ALPC uses the Arrow Lakes entitlement to meet its obligations under the contract.

(ix) Green Power Generation Electricity Purchase Agreement (GPG EPA)

In 2003, BEPC entered into the GPG EPA with BC Hydro obtaining the right and obligation to provide 23.12 average annual megawatts from the Brilliant Expansion to BC Hydro for a 20 year period starting with commercial operation of the Brilliant Expansion.

(x) Electricity Purchase Agreement 2006 (EPA 2006)

In 2006, BEPC entered into the EPA 2006 with BC Hydro obtaining the right and obligation to provide 25.75 average annual megawatts from the Brilliant Expansion to BC Hydro for a 20 year period starting not later than February 1, 2010.

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 and notes include CPC's operations and interests in PPPJV, BPC, BEPC 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) Temporary Investments

Temporary investments are recorded at the lower of cost and market value.

(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. The corporation includes, as part of the costs of its fixed assets, interest charges incurred during construction.

(i) Brilliant Power Facility and Brilliant Terminal Station

Capital assets are recorded at cost and depreciated on a straight line basis over their expected useful lives. The expected useful lives of capital assets, in years, are:

Power facility	40 - 80
Terminal station	30 - 60

The estimates for asset life-spans are consistent with industry norms.

(ii) Arrow Lakes Generating Station

Capital assets are recorded at cost and depreciated on a straight line basis over their expected useful lives. The expected useful lives, in years, are:

Field and office equipment	5
Power facility	40 - 80
Transmission	30 - 50

The estimates for asset life-spans are consistent with industry norms.

(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 and construction expenditures 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, B and C Brilliant Project Bonds and Series A Arrow Lakes Project Bonds are deferred and amortized on a straight-line basis over the term of the bonds.

(f) Revenue Recognition

FortisBC is the purchaser of all power received under the Brilliant Entitlement, except for the regulated upgrades, and has the right to the shared use of the Brilliant terminal station. 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(f)(ii)) and FIIA (Note 1(f)(iii)). Regulated upgrade revenues and ALGS revenues are recognized when entitlements are delivered.

(g) Asset Retirement Obligations

Canadian generally accepted accounting principles require CPC to determine the fair value of the future expenditures required to settle legal obligations to remove capital assets on retirement. If a reasonable estimate can be determined, a liability is recognized equal to the present value of the estimated future removal costs, and an equivalent amount is capitalized as an inherent cost of the associated capital asset.

Some of CPC's assets may have asset retirement obligations. As CPC expects to use the majority of its assets for an indefinite period, no removal date can be determined and, consequently, an estimate of the fair value of any asset retirement obligation has not been made at this time.

(h) Taxes

CPC is exempt from corporate income taxes.

(i) 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.

(j) 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. Cash and Temporary Investments

BPC and ALPC must apply the payments they receive from the sales of power as set out under agreements with the Project Bondholders.

Under its agreements with Bondholders, BPC 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, B and C Brilliant Project Bonds. BPC also maintains an operating reserve account in an amount equal to one-quarter of annual operating expenses.

A Canadian dollar bank account is held for future payment of ALPC's commitment for fish entrainment compensation as per Note 16(b).

BEPC cash includes construction trust and letter of credit accounts. The construction trust account is a holding account for scheduled payments to the design-build contractor. The letter of credit account secures letters of credit issued to BC Hydro for development security under the GPG EPA and 2006 EPA.

($ in thousands)	2007	2006
Restricted		
Debt service reserve fund		
Canadian dollar bank account	$ 3,964	$ 3,955
Operating reserve account		
Canadian dollar bank account	1,251	1,200
Project construction commitments		
US dollar money market fund	-	4,665
Canadian dollar bank accounts	4,751	994
	9,966	10,814
Available for operations		
Canadian dollar money market fund	37,073	29,657
Canadian dollar bank accounts	3,070	16,117
US dollar bank account	268	-
	40,411	45,774
	$50,377	$56,588

4. Recoverable Channel Repair Costs and Losses

On May 3, 2004, ALPC discovered damage caused by unstable hydraulic conditions to the concrete lining of the approach channel. Power generation was suspended while investigations took place and repairs were made to the channel. Repairs were undertaken in three stages, namely:

(i) immediate temporary repair to stop the ingress of water into the channel underdrainage system;

(ii) intermediate repairs to enable the safe resumption of power generation until long-term repairs required to ensure the integrity of the approach channel were undertaken, all subject to the approval of the Comptroller of Water Rights and BC Hydro; and

(iii) permanent repairs to ensure the integrity of the approach channel and prevent reoccurrence of the incident, which required a further suspension of generation.

The first two stages of repair, which involved placing a high-density polyethylene liner over the damaged area and then covering the liner with a layer of concrete, were completed, and production of power was resumed in August 2004. Permanent repairs commenced in November 2005 and commercial operation resumed on May 18, 2006.

ALPC's insurer provided a $6.4 million recovery of costs and losses to CPC in 2006/07, of which $1.4 million was recorded as a receivable in the prior fiscal year, in addition to the $7.0 million received in the prior fiscal year. CPC estimates it's 50% share of further proceeds is $3.9 million or more when recovery proceedings against the contractor are settled. CPC has recorded $2.2 million as a current recovery on a discounted cash flow basis to recognize that the timing of recovery is uncertain. CPC's 50% share of the cost of the channel repair damage to March 31, 2007 was $25.3 million, including lost revenues and capitalized costs.

CPC's 50% share of the total cost of the channel damage during the year included $4.9 million in repairs (2006 - $10.4 million) and $460,000 in lost revenue from power generation (2006 - $3.1 million). $1.9 million of this cost is recorded as a capital expenditure subject to future recovery (2006 - $3.0 million). CPC's 50% share of advances to date from its property insurer toward the settlement of its insurance claim totals $13.4 million (2006 - $7 million). The final financial impact of the channel damage cannot be determined with certainty at this time.

5. Capital Assets

($ in thousands)	Cost	Accumulated Amortization	NBV 2007	NBV 2006
Brilliant power facility	$104,240	$17,415	$ 86,825	$ 88,224
Brilliant terminal station	13,100	1,493	11,607	12,081
Brilliant lands	2,459	-	2,459	2,386
ALPC power facility	137,436	13,920	123,516	124,109
ALPC transmission	10,745	1,526	9,219	9,590
ALPC lands	3,679	-	3,679	3,773
Computer systems	527	356	171	144
Furniture and equipment	311	261	50	57
Leasehold improvements	459	446	13	15
Vehicles	188	84	104	128
	$273,144	$35,501	$237,643	$240,507

6. Hydroelectric Power Expansion Rights

Hydroelectric power expansion rights are recorded at cost and include 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.

7. Deferred Costs

Deferred costs are comprised of deferred development costs and construction-in-progress. Deferred costs are carried on the balance sheet based on management's judgment of anticipated future events. A number of significant estimates and qualitative factors are considered by management in determining the reported amounts of deferred project costs. Costs of the Brilliant Expansion construction contract are recorded according to the schedule of payments under the contract as this schedule is intended to reflect the progress of various activities of the work and the general values assigned to those activities.

(a) Deferred Costs Comprise the Following:

($ in thousands)	Deferred Costs at March 31, 2006	2006/07 Additions	Deferred Costs at March 31, 2007
Development costs Waneta Expansion (WAX)	$ 6,202	$ 2,423	$ 8,625
Development costs Brilliant Expansion (BRX)	6,376	-	6,376
Construction-in-progress BRX	89,438	5,338	94,776
	$102,016	$ 7,761	$109,777

(b) Deferred Costs by Expenditure Category

($ in thousands)

	Project Design & Construction	Environmental Assessment	Socio-economic Assessment	Finance/ Legal Analysis	CPC/CBT Management	Total March 31, 2007
WAX	$ 1,777	$2,145	$217	$ 761	$3,725	$ 8,625
BRX	91,139	1,868	516	1,654	5,975	101,152
	$92,916	$4,013	$733	$2,415	$9,700	$109,777

8. Power Sales Right

The power sales right is recorded at cost. Amortization is recorded on the basis of power sold to BC Hydro over the year compared to the total power sales under the agreement. 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.

9. Deferred Debt Issue Costs

Debt issue costs incurred by BPC and ALPC in issuing long term debt:

($ in thousands)	2007	2006
Deferred debt issue costs	$4,465	$4,465
Accumulated amortization	(1,105)	(817)
	$3,360	$3,648

10. 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 by 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). Pension payments from the EPBP commenced in January 2006 upon retirement of CPC's former President. CPC valued the pension liability at March 31, 2007 as $218,000 (2006 - $223,000) on a discounted cash flow basis.

11. Long Term Bonds

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

The Bonds are redeemable by BPC 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, and 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%.

The Series A Arrow Lakes Project Bonds issued on August 28, 2003 are secured on a limited recourse basis by charges against the ALGS Facility and Transmission assets including related material contracts, licences, permits, approvals, authorizations and insurance coverages.

The Bonds are redeemable by ALPC in whole or in part at any time before March 31, 2015 at a price equal to the greater of the principal amount then outstanding, and a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.23%.

11. Long Term Bonds (continued)

($ in thousands)			CPC's Portion of Principal Outstanding	
Series	**Interest rate**	**Maturity date**	**2007**	**2006**
BPC A	8.93%	May 31, 2026	$ 42,435	$ 43,225
BPC B	6.86%	May 31, 2026	12,723	13,028
BPC C	5.67%	May 31, 2026	23,640	24,291
ALPC A	5.39%	March 31, 2015	39,233	42,829
			118,031	123,373
	Current portion		(5,668)	(5,342)
			$112,363	$118,031

Principal repayments next five years:	
2008	$ 5,668
2009	6,017
2010	6,386
2011	6,782
2012	7,202
Subsequent years	85,976
	$118,031

12. Credit Facility

In accordance with its agreements with Bondholders, BPC has secured a $10 million credit facility with the CIBC, which would rank equally with the Series A, B and C Bonds. The facility was deactivated on April 1, 2005. Subject to an annual credit review the facility continues to be available.

13. Share Capital

Authorized:

6 common shares, no par value

Issued:

6 common shares $6

14. 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.

15. Financial Instruments

CPC's financial instruments consist of cash and temporary investments, accounts receivable and unbilled revenue, accounts payable and long term debt. Unless otherwise noted, it is management's opinion that CPC is not exposed to significant interest, currency or credit risks arising from these financial instruments.

16. Commitments

(a) Plant Operations

Under its agreements with Bondholders, BPC and ALPC have committed to keep the Brilliant power facility, Brilliant terminal station and the ALGS in good operating condition and to effect all necessary repairs and replacements according 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. CPC's 50% inflation adjusted portion for 2007 was $100,000 (2006 - $99,000). This funding is being used for fertilizing fish stocks in the Upper and Lower Arrow reservoirs.

(c) BEPC Project Approval Certificate

The project approval certificate issued for the Brilliant Expansion by the BC Environmental Assessment Office contains a number of commitments during pre-construction, construction, post-construction and operations phases which are being actively managed by BEPC.

(d) Facilities Long Term Lease Commitment

CPC has entered into operating leases for office premises that provide for minimum annual lease payments totaling up to $252,000 per year for the next four years.

17. Related Party Transactions

These consolidated financial statements include amounts receivable from, amounts payable to and transactions with BC Hydro and its affiliates; the Trust and its affiliates; and the Province. Other than the Trust, which charges the joint ventures on a cost recovery basis, all related party transactions are at market rates.

(a) Due from and sales to related parties

($ in thousands)	2007 Due from Related Party	2007 Sales to Related Party	2006 Due from Related Party	2006 Sales to Related Party
BC Hydro	$ 35	$ 15,660	$ -	$12,697
Powerex	126	1,554	147	1,533
Province	-	-	145	160
CBT and affiliates	-	9	-	8
	$161	$17,223	$292	$14,398

(b) Due to and purchases from related parties

($ in thousands)	2007 Due to Related Party	2007 Purchases from Related Party	2006 Due to Related Party	2006 Purchases from Related Party
Province	$ 13	$5,305	$ 23	$4,515
BC Hydro	26	1,259	2	800
Powerex	-	47	-	48
BC Transmission Corp.	-	37	-	254
CBT and affiliates	51	588	581	926
	$ 90	$7,236	$606	$6,543

18. Subsequent Event

On May 1, 2007 CPC announced the appointment of Barry Chuddy as Chief Executive Officer effective June 1, 2007.

19. Contingencies

(a) Power Projects

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 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.

(b) Arrow Lakes Power Corporation

Under the design-build contract at Final Acceptance, all deficiencies of the ALGS must be completed by the construction contractor or liquidated damages will be owed by the contractor to ALPC.

(c) Recovery Proceeds

ALPC will receive additional proceeds in the future from its insurer and/or contractor arising from damage to the ALGS approach channel. Management used its best estimate to determine the proceeds to record. However if the proceeds are greater or less than the estimate, this difference will be recognized in future years.

(d) Brilliant Expansion Power Corporation

In the course of project construction, BEPC is subject to the potential for future claims from its contractor. The final impact, if any, of future claims cannot currently be estimated.

The design-build contractor of the Brilliant Expansion has submitted significant claims against the project. CPC is conducting a review of these claims. The final impact of the claims cannot be reliably estimated at this time.

20. Comparative Figures

Certain 2006 figures have been reclassified to conform with the current year's presentation.