COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

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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.

Gerry Duffy	David de Git, CMA
Special Advisor, CPC Board	Director, Finance

May 19, 2010

Report 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, 2010, 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, 2010, 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
June 16, 2010

John Doyle, MBA, CA
Auditor General

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31
(in thousands)

		2010		2009
ASSETS				
Current assets				
Cash and temporary investments (Note 4)	$	44,008	$	30,879
Accounts receivable and unbilled revenue (Note 5)		8,446		10,590
Prepaid expenses and deposits		2,251		2,132
		54,705		43,601
Capital assets (Note 6)		343,660		349,349
Intangibles				
Expansion rights (Note 7)		25,082		25,408
Power sales right (Note 8)		5,028		5,984
		30,110		31,392
Other assets				
Due from joint venture partner (Note 9)		16,252		15,268
Deferred costs (Note 10)		19,084		14,782
Restricted cash (Note 4)		6,559		6,560
		41,895		36,610
	$	470,370	$	460,952

The accompanying notes are an integral part of the financial statements

APPROVED ON BEHALF OF THE BOARD:

Lillian White

Director

Director

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

(in thousands)

	2010	2009
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,303	$ 4,285
Dividend payable	-	2,000
Interest payable on long term bonds	2,467	2,610
Current portion of long term bonds (Note 11)	6,781	6,387
Due to related parties (Note 21)	165	219
	11,716	15,501
Deferred revenue	471	595
Long term bonds (Note 11)		
Project bonds	93,180	99,961
Financing costs	(2,017)	(2,339)
	91,163	97,622
Equity		
Share capital (Note 13)		
Contributed surplus (Note 14)	276,065	276,065
Retained earnings	90,955	71,169
	367,020	347,234
	$ 470,370	$ 460,952

Commitments (Note 16)
Contingencies (Note 17)

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)

	2010	2009
REVENUES		
Sale of power	$ 45,984	$ 42,174
EcoEnergy grant	2,110	2,416
Transmission facility revenue	1,565	1,537
Interest and US$ exchange gain	264	2,096
Management fee	1,643	1,295
	51,566	49,518
EXPENSES		
Water rentals	5,545	4,592
Amortization of capital assets in service	8,287	7,933
Amortization of rights	1,280	1,288
Property tax	1,074	1,042
Operations and maintenance	2,531	2,820
Administration and management	4,208	4,019
Insurance	603	587
Community sponsorship	82	85
Grants-in-Lieu (Note 18)	461	474
US$ exchange loss	174	-
Expensed development costs (Note 10)	37	10
Restructuring costs	-	251
	24,282	23,101
INCOME FROM OPERATIONS	27,284	26,417
FINANCE CHARGES		
Interest expense	7,177	7,659
Financing expense	321	331
	7,498	7,990
NET INCOME BEFORE CHANNEL REPAIR COSTS	19,786	18,427
CHANNEL REPAIR COSTS	-	(92)
NET INCOME FOR THE YEAR	$ 19,786	$ 18,335

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)

			2010		2009
RETAINED EARNINGS - beginning of year		$	71,169	$	54,834
Add:	Net income		19,786		18,335
Deduct:	Dividends		-		(2,000)
RETAINED EARNINGS - end of year		$	90,955	$	71,169

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)

	2010	2009
OPERATING ACTIVITIES:		
Net income for the year	$ 19,786	$ 18,335
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	8,287	7,933
Amortization of rights	1,280	1,288
Amortization of financing costs	322	328
Recoverable channel repair costs and losses	-	6,450
Net change in non-cash working capital balances (Note 19)	(276)	(10,200)
	29,399	24,134
FINANCING ACTIVITIES:		
Dividends paid	(2,000)	(2,000)
Principal repayment of Project Bonds	(6,387)	(6,015)
	(8,387)	(8,015)
INVESTING ACTIVITIES:		
Advance to joint venture partner	(984)	(9,164)
Deferred costs	(4,302)	(3,894)
Additions to Brilliant power facility and terminal station	(1,434)	(1,459)
Additions to ALGS power facility	(165)	(37)
Additions to Brilliant Expansion	(568)	(8,667)
Purchase of furniture, equipment and vehicles	(431)	(2,133)
	(7,884)	(25,354)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	13,128	(9,235)
CASH AND EQUIVALENTS - beginning of year	37,439	46,674
CASH AND EQUIVALENTS - end of year	$ 50,567	$ 37,439
CASH AND EQUIVALENTS CONSIST OF:		
Restricted cash and temporary investments	6,559	6,560
Cash and temporary investments available for operations	44,008	30,879
	$ 50,567	$ 37,439
Supplemental disclosure of cash flow information		
Interest paid	$ 7,314	$ 7,556

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, the Brilliant Expansion and ALGS, and receives all of the resulting electrical power. In return, BC Hydro provides BPC, BEPC 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.

(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 Ltd. (Powerex), (a subsidiary of BC Hydro) 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 and Services 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.

BEPC

Under a Services Agreement, Fortis Pacific operates and maintains the Brilliant Expansion on behalf of BEPC.

(vi) 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. The scheduled Final Acceptance Date for the Brilliant Expansion is September 2010 subject to the satisfactory resolution of all project deficiencies.

(vii) 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.

(viii) 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.

(ix) 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. Power sales under the agreement commenced in August 2009.

(x) Confirmation of Sale of Unit Commitment Service (Confirm)

Upon commencement of commercial operation of the Brilliant Expansion under the Confirm, regulated upgrade energy is sold from Brilliant Power Corporation to Brilliant Expansion Power Corporation, on a market basis.

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 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.

(i) Brilliant Expansion

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

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 term of lease
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) Financing Costs

Expenditures incurred in issuing the Series A, B and C Brilliant Project Bonds and Series A Arrow Lakes Project Bonds are recorded with the Bonds and amortized using the effective interest method.

(f) EcoEnergy Grants

The ecoEnergy for Renewable Power is a program operated by the Government of Canada to invest in Canada's supply of clean energy. The ecoEnergy Program provides Brilliant Expansion Power Corporation a grant of $10.00 per megawatthour of eligible production. The ecoEnergy grant earned through eligible production in 2008/09 and 2009/10 is recorded as revenue.

(g) 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, revenues from the Brilliant Expansion and ALGS revenues are recognized when entitlements are delivered. Deferred revenue arises in BPC when prepaid expenses cannot be recognized as revenue under the Brilliant Power Purchase Agreement until expensed.

(h) Financial instruments

Canadian generally accepted accounting principles require financial instruments be classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available for sale or other financial liabilities. CPC designated its financial instruments as follows:

Cash and temporary investments include deposits in banks and short-term money market instruments. They are classified as held-for-trading and measured at fair value and all gains and losses are included in the Statement of Income in the period in which they occur. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties under no compulsion to act. CPC invests funds with the British Columbia Investment Management Corporation and has funds in the ST2 pooled investment portfolio that holds Canadian money market investments maturing within 15 months.

Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities and project bonds are classified as other financial liabilities and are also measured at amortized cost.

CPC's financial instruments and their carrying values compared to their fair values are as follows:

The fair values of cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short term maturity of these instruments.

Since CPC has classified Long term bonds as "Other Financial Liabilities", CPC has measured these at amortized cost using the effective interest method as required under CICA Handbook Section 3855.

(i) 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.

(j) Taxes

CPC is exempt from corporate income taxes.

(k) 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. Foreign exchange gains and losses are included in the determination of net income.

(l) 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. Items requiring the use of significant estimates include amortization of capital assets and rights. Actual results could differ from these estimates.

(m) Changes in accounting policies

Effective April 1, 2009, CPC adopted a new accounting standard for goodwill and intangible assets. This standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets. The adoption of this new section resulted in the reclassification of the power sales right and expansion rights from Other Assets to Intangibles and had no impact on earnings.

(n) Future accounting pronouncements

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed the decision and timeline to adopt globally accepted accounting standards by converging Canadian GAAP with IFRS for publicly accountable enterprises. In December 2009, the Public Sector Accounting Board (PSAB) amended the introduction to the Public Sector Accounting Handbook confirming that government business enterprises are directed to adhere to standards for publicly accountable enterprises in the private sector as determined by the AcSB. The AcSB confirmed that the date for the first full set of IFRS financial statements will be for fiscal years beginning on or after January 1, 2011, with comparative figures for the prior year.

CPC has engaged an external advisor and assembled a core project team to assess and evaluate IFRS. Regular reporting is provided to the Audit Committee and Board of Directors. Identification of potential differences between IFRS and existing GAAP, as well as detailed assessment of those expected differences has been reviewed. CPC will continue with the processes necessary to be prepared to comply with PSAB directions.

3. Risk Management and Financial Instruments

CPC is exposed to a number of financial risks in the normal course of its operations, including market risks resulting from fluctuations in commodity prices, interest rates and foreign currency exchange rate risks, as well as credit risks and liquidity risks. The nature of the risks and CPC's strategy for managing these risks has not changed significantly from the prior period.

The following discussion is limited to the nature and extent of risks arising from financial instruments, as defined under section 3862 of the CICA Handbook.

During 2009, section 3862 was amended to require disclosures about the inputs to fair value measurements, including classification within a hierarchy that prioritizes inputs to fair value measurement. The three levels of the fair value hierarchy are:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).
CPC considers its fair valued assets, cash and temporary investments, to meet the Level 1 criteria.

(a) Credit risk

Credit risks refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. CPC does not consider itself to be significantly exposed to credit risk since its power sales are mainly to BC Hydro and Powerex, both Provincial Crown Corporations. Other power sales are with FortisBC, a regulated utility. CPC's loan receivable is due from BEPC, a related company jointly owned with CBT, also a Provincial Crown Corporation.

(b) Liquidity risk

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

(c) Market Risks

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

i) Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. CPC realizes most revenues and all significant expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations. Some of the power sales in Brilliant Expansion Power Corporation joint venture are transacted at short-term market prices in US dollars. Consolidated revenue from these short-term market sales equaled $2.2 million for 2009/10 (2008/09 - $4.6 million) and is included in the “Sale of power” line item in the Consolidated Statement of Income. A one cent change in the Canadian dollar relative to the US dollar represents an impact of approximately $22,000 in revenue.

ii) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. CPC’s debt is at a fixed interest rate and is therefore not exposed to interest rate risk.

iii) Price risk

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The majority of CPC’s power sales agreements are at long-term fixed rates and are therefore not exposed to price risk. Some of the power sales in Brilliant Expansion Power Corporation joint venture are transacted at short-term market prices and are therefore subject to price risk. Consolidated revenue from these short-term market sales equaled $4.6 million for 2009/10 (2008/09 - $4.6 million) and is included in the “Sale of power” line item in the Consolidated Statement of Income. A one dollar per megawatt-hour change in the short-term market price of power represents approximately $40,000 in revenue.

4. 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.

BEPC cash includes a US dollar account and a letter of credit account. The US dollar account is for collection of US dollar sales to Powerex. The letter of credit account secures letters of credit issued to BC Hydro for development security under the GPG EPA and 2006 EPA (notes 1(f)(viii) and 1(f)(ix)).

4. Cash and Temporary Investments (continued)

($ in thousands)	2010	2009
Restricted		
Debt service reserve fund		
Canadian dollar bank account	$ 3,926	$ 3,934
Operating reserve account		
Canadian dollar bank account	1,348	1,341
Letter of credit		
Canadian dollar bank accounts	1,285	1,285
	6,559	6,560
Available for operations		
Canadian dollar money market fund	39,920	27,945
Canadian dollar bank accounts	4,082	2,815
US dollar bank accounts	6	119
	44,008	30,879
	$50,567	$37,439

5. Accounts receivable and unbilled revenue

($ in thousands)	2010	2009
Accounts receivable	$ 3,249	$ 5,473
Unbilled revenue	5,196	5,117
	$ 8,445	$ 10,590

Accounts receivable consists of CPC's share of the sale of power revenue receivable in Arrow Lakes Power Corporation and Brilliant Expansion Power Corporation, ecoENERGY grant receivable in Brilliant Expansion Power Corporation, Management fees receivable and recovery of operating expenses from the Trust's share of the joint ventures.

Unbilled revenue consists of CPC's share of earned revenue in Brilliant Power Corporation that has not yet been billed to FortisBC as of year-end. The billing occurs semi-annually in May and November of each year.

6. Capital Assets

($ in thousands)	Cost	Accumulated Amortization	NBV 2010	NBV 2009
Brilliant power facility	$107,815	$23,254	$ 84,561	$ 85,180
Brilliant terminal station	13,525	2,813	10,712	11,073
Brilliant lands	2,509	-	2,509	2,509
ALPC power facility	137,546	22,053	115,493	118,038
ALPC transmission	10,745	2,639	8,106	8,477
ALPC lands	3,679	-	3,679	3,679
Brilliant Expansion	121,663	5,505	116,158	117,798
Computer systems	1,171	558	613	497
Furniture and equipment	1,064	386	678	715
Leasehold improvements	1,798	702	1,096	1,326
Vehicles	210	155	55	57
	$401,724	$58,065	$343,660	$349,349

7. Expansion Rights

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.

($ in thousands)	2010	2009
Expansion right	$25,925	$25,925
Less: Accumulated amortization	(843)	(517)
	$25,082	$25,408

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.

($ in thousands)	2010	2009
Power sales right	$11,376	$11,376
Accumulated amortization	(6,348)	(5,392)
	$ 5,028	$ 5,984

9. Due from Joint Venture Partner

During the year, CPC advanced $11.0 million (2009 - $17.8 million) in cash reserves to BEPC to allow the venturers' equity invested in BEPC to be transferred to PPPJV for development purposes. BEPC repaid $9.2 million of the loan during the year. The loan also includes $751,000 (2009 - $554,000) of accrued interest recorded during the year. 50% of this related party loan relates to the Trust's share of BEPC and is considered due from CPC's joint venture partner. The loan will be repaid upon BEPC issuing debt or from future cashflows earned by BEPC.

10. Deferred Costs

Deferred costs consist of CPC's share of project development costs related to the Waneta Expansion project. These are mainly costs related to design engineering, environmental assessment, legal, financing, management and overhead items and 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 whether the costs should continue to be deferred or instead be expensed. In 2009/10 $37,000 of development costs were considered not recoverable and were expensed (2008/09 - $10,000).

(a) Deferred Costs Comprise the Following:

($ in thousands)	Deferred Costs at March 31, 2009	2009/10 Changes	Deferred Costs at March 31, 2010
Development costs Waneta Expansion (WAX)	$ 14,782	$ 4,302	$ 19,082

(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, 2010
WAX	$ 6,602	$ 2,514	$ 238	$ 1,782	$ 7,946	$ 19,082

(c) Waneta Expansion Project Status

The Waneta Expansion project is a proposal to install an additional power generation facility with a capacity of 335 megawatts at the existing Waneta dam. The Waneta dam is owned by Teck Resources Ltd. (Teck) (formerly Teck Cominco Metals Ltd.) and BC Hydro. In 1994, CPC purchased from Teck the rights to undertake an expansion. One half of the rights were transferred to CBT in 2000.

It is projected that construction of the Waneta Expansion project will take place over a four year period. The project is expected to be financed with a combination of long term debt and equity.

(c) Waneta Expansion Project Status (continued)

In November 2009, CBT and CPC announced that the Waneta Expansion project would not be proceeding as originally planned, and that both organizations would be exploring alternatives with a goal of developing a feasible business model. The final approval of any proposal is required from the Boards of both CBT and CPC, as well as the Province of BC.

(d) Subsequent Event

During the year, CPC and an unrelated third party were in discussions for the joint investment in the Waneta Expansion with CBT. On May 25th, 2010, the Province instructed that CPC suspend discussions with the unrelated third party to give the Province time to review the proposed joint investment arrangement. This review is anticipated to be completed by June 30, 2010, and, at that time, direction will be provided to CPC on how the Province wishes to proceed. The outcome of this review and its impact on deferred costs is uncertain at this time.

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	**Coupon rate**	**Effective rate**	**Maturity date**	**2010**	**2009**
BPC A	8.93%	9.06%	May 31, 2026	$ 39,606	$ 40,633
BPC B	6.86%	7.00%	May 31, 2026	11,675	12,049
BPC C	5.67%	6.39%	May 31, 2026	21,455	22,224
ALPC A	5.39%	6.27%	March 31, 2015	27,224	31,442
				99,961	106,348
	Current portion			(6,781)	(6,387)
				93,180	99,961
	Less: financing costs			(2,017)	(2,339)
				$91,163	$ 97,622

Principal repayments next five years:

2011	$ 6,781
2012	7,202
2013	7,649
2014	8,125
2015	11,048
Subsequent years	59,156
	$99,961

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. Capital Disclosures

CPC's capital management objectives are to:

- Target a long-term capital structure with sufficient debt to finance the proposed Waneta Expansion project;
- Finance the debt portion of the capital structure with fixed rate, longer term debt approximately matching the term of relevant power sales agreements;
- Maintain investment grade credit ratings to support continued access to cost effective capital.

CPC's capital consists of shareholder's equity plus debt.

($ in thousands)	2010	2009
Debt	$ 99,961	$ 106,348
Shareholder's equity	367,015	346,970
	$ 466,976	$ 453,318

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 to the Columbia Basin Fish and Wildlife Compensation Program to compensate for fish entrainment for as long as fish are entrained in the ALGS. In 2009/10 the contribution was $258,000 (2008/09 - $239,000). This funding will be 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) Letter of intent

Under a letter of intent with SNC Lavalin, PPPJV has committed to allow SNC Lavalin to perform certain preparation work, not to exceed $2.9 million, until August 15, 2010 in the event that the Waneta Expansion proceeds. The letter defines maximum amounts per month and can be terminated upon notice to SNC Lavalin.

(e) Office Long Term Lease Commitment

CPC has entered into operating leases for office premises that provide for minimum annual lease payments totaling up to $125,000 per year for the next nine years.

17. Contingencies

CPC's operating and development power project activities are affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, BPC and ALPC have agreed to comply or cause compliance in all material respects with such laws and regulations as well as to maintain all material franchises. Under current regulations, the 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.

18. Grants-in-Lieu of Property Taxes

ALPC and BEPC are exempt from property taxes but pay grants-in-lieu of property taxes to host and impacted local governments based on the 185 and 120 megawatt capacities of the ALGS and Brilliant Expansion. In 2009/10 the charge per megawatt was $1,327 (2008/09 - $1,232).

Columbia Power Corporation was directed by the Province to make payments of the grants-in-lieu of property taxes to the host and impacted local governments.

19. Changes in Non-cash Working Capital

($ in thousands)	2010	2009
Changes in non-cash working capital:		
Accounts receivable	$ 2,144	$ (1,120)
Prepaid expense	(119)	(353)
Accounts Payable and Accrued Liabilities	(1,982)	(8,278)
Accounts Payable to Related Parties	(54)	(288)
Accrued Interest	(143)	(152)
Deferred Revenue	(124)	(9)
Other	2	-
	$ (276)	$ (10,200)

20. Pension Plans

CPC and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plan Act.* The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer defined benefit pension plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions. The most recent actuarial valuation (March 31, 2008) determined the Plan had a surplus. Despite the surplus, the Public Service Pension Board of Trustees was required to implement a contribution rate increase of 0.15% each, for plan members and employers to meet the funding requirements of the Pension Benefits Standards Act. The increases went into effect April 1, 2009. Contributions to the Plan by CPC in 2009/10 were $346,000 (2008/09 - $336,000).

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, 2010 as $201,000 (2009 - $211,000) on a discounted cash flow basis.

21. Related Party Transactions

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

These consolidated financial statements include amounts receivable from, amounts payable to and transactions with BC Hydro 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)	2010 Due from Related Party	2010 Sales to Related Party	2009 Due from Related Party	2009 Sales to Related Party
BC Hydro	$ 114	$ 27,399	$ 81	$ 22,036
Powerex	1,354	2,132	518	5,448
BC Transmission Corp.	-	-	-	-
Province	-	-	-	-
Joint ventures	648	-	1,498	-
Trust and affiliates	-	-	-	-
	$2,116	$29,531	$2,097	$27,484

The Due from Related Party amount of $2,116,000 at March 31, 2010 (2009 - $2,097,000) is included in the "Accounts receivable" line item in the Consolidated Balance Sheet. The due from Joint ventures amount of $648,000 at March 31, 2010 (2009 - $1,498,000) relates to recoveries of administration and management costs and also to management fee revenues, and is not related to sales. The Sales to Related Party amounts from BC Hydro and Powerex of $27,399,000 and $2,132,000 for 2009/10 (2008/09 - $22,036,000 and $5,448,000) are included in the Sale of Power line item in the Consolidated Statement of Income.

(b) Due to and purchases from related parties

($ in thousands)	2010 Due to Related Party	2010 Purchases from Related Party	2009 Due to Related Party	2009 Purchases from Related Party
Province	$ 1	$6,770	$ 1	$5,931
Trust and affiliates	164	936	211	989
BC Hydro	-	132	7	139
Powerex	-	45	-	47
BC Transmission Corp.	-	69	-	59
	$ 165	$7,952	$ 219	$7,165

Purchases from the Province of $6,770,000 for 2009/10 (2008/09 - $5,931,000) are included in the "Water rental" expense line item in the Consolidated Statement of Income and "Prepaid expenses and deposits" line item in the Consolidated Balance Sheet. The purchases from CBT and affiliates of $936,000 for 2009/10 (2008/09 - $989,000) are included in the "Administration and management" line item in the Consolidated Statement of Income and the "Capital assets" line item in the Consolidated Balance Sheet.

22. Comparative Figures

Certain 2009 figures have been reclassified to conform with the current year's presentation.