



**CONSOLIDATED
FINANCIAL STATEMENTS
2019/20**

Management Report

The consolidated financial statements of British Columbia Hydro and Power Authority (BC Hydro) are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available at June 4, 2020. The consolidated financial statements have also been reviewed by the Audit & Finance Committee and approved by the Board of Directors. Financial information presented elsewhere in this Annual Service Plan Report is consistent with that in the consolidated financial statements.


Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit & Finance Committee.

The consolidated financial statements have been examined by independent external auditors. The external auditors' responsibility is to express their opinion on whether the consolidated financial statements, in all material respects, fairly present BC Hydro's financial position, comprehensive income and cash flows in accordance with International Financial Reporting Standards. The Independent Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Audit & Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit & Finance Committee, comprised of directors who are not employees, meets regularly with the external auditors, the internal auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors. The internal and external auditors have full and open access to the Audit & Finance Committee, with and without the presence of management.



Chris O'Riley
President and Chief Executive Officer



David Wong
Executive Vice President, Finance, Technology,
Supply Chain and Chief Financial Officer

Vancouver, Canada
June 4, 2020



INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of the British Columbia Hydro and Power Authority, and
To the Minister of Energy, Mines and Petroleum Resources, Province of British Columbia*

Opinion

I have audited the accompanying consolidated financial statements of the British Columbia Hydro and Power Authority (“the group”), which comprise the consolidated statement of financial position at March 31, 2020, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the group as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

The consolidated financial statements of the British Columbia Hydro and Power Authority for the year ended March 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on June 12, 2019.

Other Accompanying Information

Management is responsible for the other information. The other information comprises the information included in the Annual Service Plan Report but does not include the consolidated financial statements and my auditor's report thereon.

My opinion on the consolidated financial statements does not cover the other information accompanying the financial statements and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information that I have obtained prior to the date of my auditor's report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained during the audit or otherwise appears to be materially misstated.

Prior to the date of my auditor's report, I obtained the draft 2019/20 Annual Service Plan Report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement therein, I am required to report that fact in this auditor's report. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements.

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

In preparing the consolidated financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the group will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the group's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

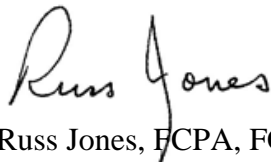
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Russ Jones, FCPA, FCA, ICD.D
Auditor General (Acting)

Victoria, British Columbia, Canada
June 4, 2020

Audited Financial Statements**Consolidated Statements of Comprehensive Income (Loss)**

	2020	2019
<i>for the years ended March 31 (CAD\$ in millions)</i>		(Note 27)
Revenues (Note 4)		
Domestic	\$ 5,393	\$ 5,432
Trade	876	1,144
	6,269	6,576
Expenses		
Operating expenses (Note 5)	4,984	4,688
Finance charges (Note 6)	1,645	1,196
Net Income (Loss) Before Movement in Regulatory Balances	(360)	692
Net movement in regulatory balances (Note 15)	1,065	(1,120)
Net Income (Loss)	705	(428)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items That Will Be Reclassified to Net Income (Loss)		
Effective portion of changes in fair value of derivatives designated as cash flow hedges (Note 23)	64	(24)
Reclassification to income (loss) of derivatives designated as cash flow hedges (Note 23)	(63)	8
Foreign currency translation gains	2	3
Items That Will Not Be Reclassified to Net Income (Loss)		
Actuarial gain (loss)	317	(173)
Other Comprehensive Income (Loss) before movement in regulatory balances	320	(186)
Net movements in regulatory balances (Note 15)	(317)	173
Other Comprehensive Income (Loss)	3	(13)
Total Comprehensive Income (Loss)	\$ 708	\$ (441)

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Financial Position

<i>(CAD\$ in millions)</i>	As at March 31 2020	As at March 31 2019 (Note 27)	As at April 1 2018 (Note 27)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 8)	\$ 115	\$ 84	\$ 42
Restricted cash (Note 8)	15	109	77
Accounts receivable and accrued revenue (Note 9)	770	912	728
Inventories (Note 10)	193	168	144
Prepaid expenses	140	148	149
Current portion of derivative financial instrument assets (Note 23)	106	79	174
	1,339	1,500	1,314
Non-Current Assets			
Property, plant and equipment (Note 11)	29,413	27,334	24,439
Right-of-use assets (Note 12)	1,405	1,466	1,526
Intangible assets (Note 13)	678	602	591
Derivative financial instrument assets (Note 23)	92	49	156
Other non-current assets (Note 14)	655	609	629
	32,243	30,060	27,341
Total Assets	33,582	31,560	28,655
Regulatory Balances (Note 15)	5,486	5,007	5,955
Total Assets and Regulatory Balances	\$ 39,068	\$ 36,567	\$ 34,610
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities (Note 16)	\$ 1,626	\$ 1,546	\$ 1,665
Current portion of long-term debt (Note 17)	3,843	3,121	3,344
Current portion of unearned revenues and contributions in aid (Note 20)	93	87	85
Current portion of derivative financial instrument liabilities (Note 23)	358	89	114
	5,920	4,843	5,208
Non-Current Liabilities			
Long-term debt (Note 17)	19,843	19,261	17,020
Lease liabilities (Note 19)	1,425	1,470	1,519
Derivative financial instrument liabilities (Note 23)	708	294	65
Unearned revenues and contributions in aid (Note 20)	2,095	1,905	1,758
Post-employment benefits (Note 22)	1,560	1,752	1,474
Other non-current liabilities (Note 24)	1,382	1,346	1,369
	27,013	26,028	23,205
Total Liabilities	32,933	30,871	28,413
Regulatory Balances (Note 15)	481	750	751
Total Liabilities and Regulatory Balances	33,414	31,621	29,164
Shareholder's Equity			
Contributed surplus	60	60	60
Retained earnings	5,638	4,933	5,420
Accumulated other comprehensive loss	(44)	(47)	(34)
	5,654	4,946	5,446
Total Liabilities, Regulatory Balances, and Shareholder's Equity	\$ 39,068	\$ 36,567	\$ 34,610

Commitments and Contingencies (Notes 11 and 25), and Subsequent Events (Note 28)

See accompanying Notes to the Consolidated Financial Statements.

Approved on behalf of the Board:



Ken Peterson
Board Chair



Len Boggio, FCPA, FCA, ICD.D
Chair, Audit & Finance Committee

Consolidated Statements of Changes in Equity

	Cumulative Translation Reserve	Unrealized Income (Loss) on Cash Flow Hedges	Total Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	Retained Earnings (Note 27)	Total
<i>(CAD\$ in millions)</i>						
Balance as at April 1, 2018	\$ (5)	\$ (29)	\$ (34)	\$ 60	\$ 5,420	\$ 5,446
Payment to the Province (Note 21)	-	-	-	-	(59)	(59)
Comprehensive Income (Loss)	3	(16)	(13)	-	(428)	(441)
Balance as at March 31, 2019	(2)	(45)	(47)	60	4,933	4,946
Comprehensive Income	2	1	3	-	705	708
Balance as at March 31, 2020	\$ -	\$ (44)	\$ (44)	\$ 60	\$ 5,638	\$ 5,654

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	2020	2019
<i>for the years ended March 31 (CAD\$ in millions)</i>		(Note 27)
Operating Activities		
Net income (Loss)	\$ 705	\$ (428)
Regulatory account transfers (Note 15)	(748)	947
Adjustments for non-cash items:		
Amortization and depreciation expense (Note 7)	988	949
Unrealized losses on derivative financial instruments	728	286
Post-employment benefits expense	131	106
Interest accrual	872	854
Other items	102	45
	2,778	2,759
Changes in working capital and other assets and liabilities (Note 18)	(50)	96
Interest paid	(945)	(920)
Cash provided by operating activities	1,783	1,935
Investing Activities		
Property, plant and equipment and intangible asset expenditures	(2,782)	(3,766)
Cash used in investing activities	(2,782)	(3,766)
Financing Activities		
Long-term debt issued (Note 17)	1,608	2,418
Long-term debt retired (Note 17)	(175)	(1,287)
Receipt of revolving borrowings	10,484	8,865
Repayment of revolving borrowings	(10,680)	(7,981)
Payment to the Province (Note 21)	(59)	(159)
Payment of principal portion of lease liability	(77)	(75)
Other items	(71)	92
Cash provided by financing activities	1,030	1,873
Increase in cash and cash equivalents	31	42
Cash and cash equivalents, beginning of year	84	42
Cash and cash equivalents, end of year	\$ 115	\$ 84

See Note 18 for Cash flow supplement - changes in liabilities arising from financing activities

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

Note 1: Reporting Entity

British Columbia Hydro and Power Authority (BC Hydro) was established in 1962 as a Crown Corporation of the Province of British Columbia (the Province) by enactment of the *Hydro and Power Authority Act*. As directed by the *Hydro and Power Authority Act*, BC Hydro's mandate is to generate, manufacture, conserve and supply power. BC Hydro owns and operates electric generation, transmission and distribution facilities in the province of British Columbia. The head office of the Company is 333 Dunsmuir Street, Vancouver, British Columbia.

The consolidated financial statements of BC Hydro include the accounts of BC Hydro and its principal wholly owned operating subsidiaries Powerex Corp. (Powerex), Powertech Labs Inc. (Powertech), and Columbia Hydro Constructors Ltd. (Columbia), (collectively with BC Hydro, the Company). All intercompany transactions and balances are eliminated on consolidation. On July 26, 2018, the Company completed the purchase of the remaining two-thirds interest of Waneta Dam and Generating Facility (Waneta), see Note 11. Prior to this transaction, the Company accounted for its one-third interest in Waneta as a joint operation.

Note 2: Basis of Presentation

(a) Basis of Accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies are set out in Note 3. Effective April 1, 2019, the Company adopted IFRS 16, *Leases* (IFRS 16). The comparative figures for the prior year were restated on the adoption of IFRS 16. An explanation of how the transition to IFRS 16 has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 27.

Certain amounts in the prior year's comparative figures have been reclassified to conform to the current year's presentation.

These consolidated financial statements were approved by the Board of Directors on June 4, 2020.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for natural gas inventories in Note 3(j), financial instruments that are accounted for at fair value through profit and loss according to the financial instrument categories as defined in Note 3(k) and the post-employment benefits obligation as described in Note 3(o).

(c) Functional and Presentation Currency

The functional currency of BC Hydro and all of its subsidiaries, except for Powerex, is the Canadian dollar. Powerex's functional currency is the United States (U.S.) dollar. These consolidated financial statements are presented in Canadian dollars and financial information has been rounded to the nearest million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(d) Key Assumptions and Significant Judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about significant areas of judgment, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is as follows:

(i) Retirement Benefit Obligation

BC Hydro operates a defined benefit statutory pension plan for its employees, which is accounted for in accordance with IAS 19, *Employee Benefits*. Actuarial valuations are based on key assumptions which include employee turnover, mortality rates, discount rates, earnings increases and expected rate of return on retirement plan assets. Judgment is exercised in determining these assumptions. The assumptions adopted are based on prior experience, market conditions and advice of plan actuaries. Future results are impacted by these assumptions including the accrued benefit obligation and current service cost. See Note 22 for significant benefit plan assumptions.

(ii) Provisions and Contingencies

Management is required to make judgments to assess if the criteria for recognition of provisions and contingencies are met, in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IAS 37 requires that a provision be recognized where there is a present obligation as a result of a past event, it is probable that transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Key judgments are whether a present obligation exists and the probability of an outflow being required to settle that obligation. Key assumptions in measuring recorded provisions include the timing and amount of future payments and the discount rate applied in valuing the provision.

The Company is currently defending certain lawsuits where management must make judgments, estimates and assumptions about the final outcome, timing of trial activities and future costs as at the period end date. Management has obtained the advice of its external counsel in determining the likely outcome and estimating the expected costs associated with these lawsuits; however, the ultimate outcome or settlement costs may differ from management's estimates.

(iii) Financial Instruments

The Company enters into financial instrument arrangements which require management to make judgments to determine if such arrangements are derivative instruments in their entirety or contain embedded derivatives, including whether those embedded derivatives meet the criteria to be separated from their host contract, in accordance with IFRS 9, *Financial Instruments*. Key judgments are whether certain non-financial items are readily convertible to cash, whether similar contracts are routinely settled net in cash or delivery of the underlying commodity taken and then resold within a short period, whether the value of a contract changes in response to a change in an

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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underlying rate, price, index or other variable, and for embedded derivatives, whether the economic risks and characteristics are not closely related to the host contract and a separate instrument with the same terms would meet the definition of a derivative on a standalone basis.

Valuation techniques are used in measuring the fair value of financial instruments when active market quotes are not available. Valuation of the Company's financial instruments is based in part on forward prices which are volatile and therefore the actual realized value may differ from management's estimates.

(iv) Right-of-Use Leases

The Company enters into long-term energy purchase agreements that may be considered to be, or contain a lease. In making this determination, judgment is required to determine whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In the situation where the implicit interest rate in the lease is not readily determined, the Company uses judgment to estimate the incremental borrowing rate for discounting the lease payment. The Company's incremental borrowing rate generally reflects the interest rate that the Company would have to pay to borrow a similar amount at a similar term and with similar security. The Company estimates the lease term by considering the facts and circumstances that create an economic incentive to exercise an extension or termination option. Certain qualitative and quantitative assumptions are used when evaluating these options.

(v) Rate Regulation

When a regulatory account has been or will be applied for, and, in management's estimate, acceptance of deferral treatment by the British Columbia Utilities Commission (BCUC) and recovery in future rates is considered probable, BC Hydro defers such costs in advance of a final decision of the BCUC. In assessing whether deferral approval and collection in future rates is probable management considers factors such as past precedents, magnitude of the costs, impact on rates, legal enquiries, regulatory framework for cost recovery, and political environment. If the BCUC subsequently denies the application for regulatory treatment, the deferred amount is recognized immediately in comprehensive income.

(vi) Revenues

For contributions in aid of construction revenue, management must make judgments when determining the period over which revenue is recognized when the associated contracts do not specify a finite period over which service is provided.

For revenue contracts where a significant financing component is present, management must make judgments when determining the appropriate discount rate to use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

Note 3: Significant Accounting Policies

(a) Rate Regulation

BC Hydro is regulated by the BCUC and both entities are subject to directives and directions issued by the Province. BC Hydro's rates are set on a cost of service basis. Calculation of its revenue requirements and rates charged to customers are established through applications filed with and approved by the BCUC.

In January 2014, the IASB issued an interim standard, IFRS 14, *Regulatory Deferral Accounts*, which provides guidance on accounting for the effects of rate regulation under IFRS. This guidance allows entities that conduct rate-regulated activities to continue to recognize regulatory deferral accounts. BC Hydro has elected to adopt IFRS 14 in its consolidated financial statements. The interim standard is only intended to provide temporary guidance until the IASB completes its comprehensive project on rate-regulated activities. IFRS 14 remains in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB.

Under rate-regulated accounting, the timing and recognition of certain expenses and revenues may differ from those otherwise expected under other IFRS in order to appropriately reflect the economic impact of regulatory decisions regarding the Company's regulated revenues and expenditures. These amounts arising from timing differences are recorded as regulatory debit and credit balances on the Company's consolidated statements of financial position, and represent existing rights and obligations regarding cash flows expected to be recovered from or refunded to customers, based on decisions and approvals by the BCUC. In the absence of rate-regulation, these amounts would be included in comprehensive income.

BC Hydro capitalizes as a regulatory asset, all or part of an incurred cost that would otherwise be charged to net income or other comprehensive income (OCI) if it is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes and the future rates and revenue approved by the BCUC will permit recovery of that incurred cost. Regulatory liabilities are recognized for certain gains or other reductions of net allowable costs for adjustment of future rates as determined by the BCUC. In the event that the recovery of these balances are assessed to no longer be probable based on management's judgment, the balances are recorded in the Company's consolidated statements of comprehensive income (loss) in the period when the assessment is made.

Regulatory balances that do not meet the definition of an asset or liability under any other IFRS are segregated on the consolidated statement of financial position, and are separately disclosed on the consolidated statement of comprehensive income (loss) as net movements in regulatory balances related to net income (loss) or net movements in regulatory balances related to other comprehensive income (loss). The netting of regulatory debit and credit balances is not permitted. The measurement of regulatory balances is subject to certain estimates and assumptions, including assumptions made in the interpretation of the BCUC's regulations and decisions.

(b) Revenue

The Company recognizes revenue when it transfers control over a promised good or service, which constitutes a performance obligation under the contract, to a customer and where the Company is

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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entitled to consideration as a result of completion of the performance obligation. Depending on the terms of the contract with the customer, revenue recognition can occur at a point in time or over time. When a performance obligation is satisfied, revenue is measured at the transaction price that is allocated to that performance obligation.

Domestic revenues comprise sales to customers within the province of British Columbia, and sales of energy outside the province that are either under long-term contracts or are surplus to domestic load requirements. Other sales outside the province are classified as trade.

A significant portion of the Company's revenue is generated from providing electricity goods and services. Revenue is recognized over time generally using output measure or progress (i.e. kilowatt hours delivered) as the Company's customers simultaneously receive and consume the electricity goods and services as it is provided. Revenue is determined on the basis of billing cycles and includes accruals for electricity deliveries not yet billed.

The Company recognizes a financing component where the timing of payment from the customer differs from the Company's performance under the contract and where that difference is the result of the Company financing the transfer of goods and services.

Energy trading contracts that meet the definition of a financial or non-financial derivative are accounted for at fair value whereby any realized gains and losses and unrealized changes in the fair value are recognized in trade revenues in the period of change. Realized and unrealized changes in the fair value of these contracts are accounted for under IFRS 9, *Financial Instruments* (Note 3(k)).

Energy trading and other contracts which do not meet the definition of a derivative are accounted for on an accrual basis whereby the realized gains and losses are recognized as revenue as the contracts are settled. Such contracts are considered to be settled when control of products and services are transferred to the buyer and performance obligation is satisfied.

(c) Finance Costs and Recoveries

Finance costs comprise of interest expense on borrowings, accretion expense on provisions and other long-term liabilities, net interest on net defined benefit obligations, interest on lease liabilities, foreign exchange losses and realized hedging instrument losses that are recognized in the statement of comprehensive income. All borrowing costs are recognized using the effective interest rate method. Finance costs exclude borrowing costs attributable to the construction of qualifying assets, which are assets that take six months or more to prepare for their intended use.

Finance recoveries comprises of income earned on sinking fund investments held for the redemption of long-term debt, foreign exchange gains and realized hedging instrument gains that are recognized in the statement of comprehensive income (loss), excluding energy trading contracts.

(d) Foreign Currency

Foreign currency transactions are translated into the respective functional currencies of BC Hydro and its subsidiaries, using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate in effect at that date. The foreign currency gains or losses on monetary

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items is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in the foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For purposes of consolidation, the assets and liabilities of Powerex, whose functional currency is the U.S. dollar, are translated to Canadian dollars using the rate of exchange in effect at the reporting date. Revenue and expenses of Powerex are translated to Canadian dollars at exchange rates at the date of the transactions. Foreign currency differences resulting from translation of the accounts of Powerex are recognized directly in other comprehensive income and are accumulated in the cumulative translation reserve. Foreign exchange gains or losses arising from a monetary item receivable from or payable to Powerex, the settlement of which is neither planned nor likely in the foreseeable future and which in substance is considered to form part of a net investment in Powerex by BC Hydro, are recognized directly in other comprehensive income in the cumulative translation reserve.

(e) Property, Plant and Equipment

(i) Recognition and Measurement

Property, plant and equipment in service are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset into service. The cost of dismantling and removing an item of property, plant and equipment and restoring the site on which it is located is estimated and capitalized only when, and to the extent that, the Company has a legal or constructive obligation to dismantle and remove such asset. Property, plant and equipment in service include the cost of plant and equipment financed by contributions in aid of construction. Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of the qualifying asset. Upon retirement or disposal, any gain or loss is recognized in the statement of comprehensive income (loss).

The Company recognizes government grants when there is reasonable assurance that any conditions attached to the grant will be met and the grant will be received. Government grants related to assets are deducted from the carrying amount of the related asset and recognized in profit or loss over the life of the related asset.

Unfinished construction consists of the cost of property, plant and equipment that is under construction or not ready for service. Costs are transferred to property, plant and equipment in service when the constructed asset is capable of operation in a manner intended by management.

(ii) Subsequent Costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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of the replaced component is derecognized. The costs of property, plant and equipment maintenance are recognized in the statement of comprehensive income (loss) as incurred.

(iii) Depreciation

Property, plant and equipment in service are depreciated over the expected useful lives of the assets, using the straight-line method. When major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The expected useful lives, in years, of the Company's main classes of property, plant and equipment are:

Generation	15 – 100
Transmission	20 – 65
Distribution	20 – 60
Buildings	5 – 60
Equipment & Other	3 – 35

The expected useful lives and residual values of items of property, plant and equipment are reviewed annually.

Depreciation of an item of property, plant and equipment commences when the asset is available for use and ceases at the earlier of the date the asset is classified as held for sale and the date the asset is derecognized.

(f) Intangible Assets

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Land rights associated with statutory rights of way acquired from the Province that have indefinite useful lives and are not subject to amortization. Other intangible assets include California carbon allowances which are not amortized because they are used to settle obligations arising from carbon emissions regulations. Intangible assets with finite useful lives are amortized over their expected useful lives on a straight line basis. These assets are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset value may not be fully recoverable.

The expected useful life for software is 2 to 10 years. Amortization of intangible assets commences when the asset is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

(g) Asset Impairment

(i) Financial Assets

Financial assets, other than those measured at fair value (note 3(k)), are assessed at each reporting date to determine whether there is impairment. The Company accounts for impairment of financial assets based on a forward-looking expected credit loss model under IFRS 9, *Financial Instruments*. The expected-loss impairment model requires an entity to recognize the expected credit losses

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(ECL) when financial instruments are initially recognized and to update the amount of ECL recognized at each reporting date to reflect changes in the credit risk of the financial instruments. ECL's are measured as the difference in the present value of the contractual cash flows due to the Company under the contract and the cash flows that Company expects to receive.

For accounts receivable without a significant financing component, the Company applies the simplified approach for determining expected credit losses, which requires the Company to determine the lifetime expected losses for all accounts receivable and accrued revenue. For a non-current receivable with a significant financing component, the Company measures the expected credit loss at an amount equal to the 12-month expected credit loss at initial recognition. If the credit risk has increased significantly since initial recognition, the Company measures the expected credit loss at an amount equal to the lifetime expected credit loss. The expected lifetime credit loss provision and 12-month expected credit loss is based on historical counterparty default rates, third party default probabilities and credit ratings, and is adjusted for relevant forward looking information specific to the counterparty, when required. Impairment of cash and cash equivalent and restricted cash is evaluated by reference to the credit quality of the underlying financial institution.

(ii) Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of identifiable assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. All of BC Hydro's assets form one CGU for the purposes of testing for impairment.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of a CGU are allocated to reduce the carrying amounts of the assets in the CGU on a pro-rata basis.

Impairment losses recognized in prior periods are assessed at the reporting date for any indications that the loss has decreased or no longer exists. Impairment reversals are recognized immediately in net income when the recoverable amount of an asset increases above the impaired net book value, not to exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

(h) Cash and Cash Equivalents

Cash and cash equivalents include unrestricted cash and units of a money market fund (short-term

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investments) that are redeemable on demand and are carried at amortized cost and fair value, respectively.

(i) Restricted Cash

Restricted cash includes cash balances which the Company does not have immediate access to as they have been pledged to counterparties as security for investments or trade obligations. These balances are available to the Company only upon settlement of the underlying trade obligations.

(j) Inventories

Inventories are comprised primarily of natural gas, materials and supplies and environmental products. Natural gas inventory is valued at fair value less costs to sell and is included in Level 2 of the fair value hierarchy (refer to Note 10). Materials and supplies and environmental product inventories are valued at the lower of cost determined on a weighted average basis and net realizable value. The cost of materials and supplies comprises all costs of purchase, costs of conversion and other directly attributable costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

(k) Financial Instruments

(i) Financial Instruments – Recognition and Measurement

All financial instruments are measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on which of the following categories the financial instrument has been classified as: fair value through profit or loss (FVTPL), and those measured at amortized cost. The Company may designate financial instruments as held at FVTPL when such financial instruments have a reliably determinable fair value and where doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognizing gains and losses on them on a different basis. All derivative instruments are categorized as FVTPL unless they are designated as accounting hedges.

Transaction costs are expensed as incurred for financial instruments classified or designated as fair value through profit or loss. For other financial instruments, transaction costs are included in the carrying amount. All regular-way purchases or sales of financial assets are accounted for on a settlement date basis.

Financial assets and financial liabilities classified as FVTPL are subsequently measured at fair value with changes in those fair values recognized in net income in the period of change. Financial assets and liabilities are measured at amortized cost if the business model is to hold the instrument for collection or payment of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the instruments, it is classified as FVTPL. After initial recognition they are measured at amortized cost using the effective interest method less any impairment losses in the impairment of financial assets.

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(ii) Classification and Measurement of Financial Instruments

Short-term investments	FVTPL
Derivatives not in a hedging relationship	FVTPL
Cash	Amortized cost
Restricted cash	Amortized cost
Accounts receivable and other receivable	Amortized cost
US dollar sinking funds	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Revolving borrowings	Amortized cost
Long-term debt	Amortized cost
Lease liabilities	Amortized cost
First Nation liabilities and Other liabilities presented in Other long-term liabilities	Amortized cost

(iii) Fair Value

The fair value of financial instruments reflects changes in the level of commodity market prices, interest rates, foreign exchange rates and credit risk. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act.

Fair value amounts reflect management's best estimates considering various factors including closing exchange or over-the-counter quotations, estimates of future prices and foreign exchange rates, time value of money, counterparty and own credit risk, and volatility. The assumptions used in establishing fair value amounts could differ from actual prices and the impact of such variations could be material. In certain circumstances, valuation inputs are used that are not based on observable market data and internally developed valuation models which are based on models and techniques generally recognized as standard within the energy industry.

(iv) Inception Gains and Losses

In some instances, a difference may arise between the fair value of a financial instrument at initial recognition, as defined by its transaction price, and the fair value calculated by a valuation technique or model (inception gain or loss). In addition, the Company's inception gain or loss on a contract may arise as a result of embedded derivatives which are recorded at fair value, with the remainder of the contract recorded on an accrual basis. In these circumstances, the unrealized inception gain or loss is deferred and amortized into income over the full term of the underlying financial instrument. Additional information on deferred inception gains and losses is disclosed in Note 23.

(v) Derivative Financial Instruments

The Company may use derivative financial instruments to manage interest rate and foreign exchange risks related to debt and to manage risks related to electricity and natural gas commodity transactions.

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Interest rate and foreign exchange related derivative instruments that are not designated as hedges, are classified as FVTPL whereby instruments are recorded at fair value as either an asset or liability with changes in fair value recognized in net income in the period of change. For debt management activities, the related gains or losses are included in finance charges. For foreign currency exchange risk associated with electricity and natural gas commodity transactions, the related gains or losses are included in domestic revenues. The Company's policy is to not utilize interest rate and foreign exchange related derivative financial instruments for speculative purposes.

Commodity derivative financial instruments are used to manage economic exposure to market risks relating to commodity prices. Commodity derivatives that are not designated as hedges are classified as FVTPL whereby instruments are recorded at fair value as either an asset or liability with changes in fair value recognized in net income. Gains or losses are included in trade revenues.

(vi) Hedges

In a fair value hedging relationship, the carrying value of the hedged item is adjusted for unrealized gains or losses attributable to the hedged risk and recognized in net income. Changes in the fair value of the hedged item attributed to the hedged risk, to the extent that the hedging relationship is effective, are offset by changes in the fair value of the hedging derivative, which is also recorded in net income. When hedge accounting is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to net income over the remaining term of the original hedging relationship, using the effective interest method of amortization.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income. The ineffective portion is recognized in net income. The amounts recognized in accumulated other comprehensive income are reclassified to net income in the periods in which net income is affected by the variability in the cash flows of the hedged item. When hedge accounting is discontinued the cumulative gain or loss previously recognized in accumulated other comprehensive income remains there until the forecasted transaction occurs. When the hedged item is a non-financial asset or liability, the amount recognized in accumulated other comprehensive income is transferred to the carrying amount of the asset or liability when it is recognized. In other cases the amount recognized in accumulated other comprehensive income is transferred to net income in the same period that the hedged item affects net income.

Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an effective hedge, the hedging relationship is discontinued, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item.

(l) Investments Held in Sinking Funds

Investments held in sinking funds are held as individual portfolios and are classified as amortized cost. Securities included in an individual portfolio are recorded at cost, adjusted by amortization of any discounts or premiums arising on purchase, on a yield basis over the estimated term to settlement of the security. Realized gains and losses are included in finance charges.

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(m) Unearned Revenue

Unearned revenue consists principally of amounts received under the agreement relating to the Skagit River, Ross Lake and the Seven Mile Reservoir on the Pend d'Oreille River (collectively the Skagit River Agreement) and other amounts received from customers for performance obligations which have not been performed.

Under the Skagit River Agreement, the Company has committed to deliver a predetermined amount of electricity each year to the City of Seattle for an 80 year period ending in fiscal 2066 in return for annual payments of approximately US\$22 million for a 35 year period ending in 2021 and US\$100,000 (adjusted for inflation) for the remaining 45 year period ending in 2066. The amounts received under the agreement are deferred and included in income on an annuity basis over the electricity delivery period ending in fiscal 2066. As a result of the upfront consideration received under the Skagit River Agreement, in determining the transaction price, the promised amount of consideration is adjusted for the effects of the time value of money (i.e. significant financing component). The application of the significant financing component requirement results in the recognition of interest expense over the financing period and a higher amount of revenue.

(n) Contributions in Aid of Construction

Contributions in aid of construction are amounts paid by certain customers toward the cost of property, plant and equipment required for the extension of services to supply electricity. These amounts are recognized into revenue over the term of the agreement with the customer, or over the expected useful life of the related assets when the associated contracts do not have a finite period over which service is provided.

(o) Post-Employment Benefits

The cost of pensions and other post-employment benefits earned by employees is actuarially determined using the projected accrued benefit method prorated on service and management's best estimate of mortality, salary escalation, retirement ages of employees and expected health care costs. The net interest for the period is determined by applying the same market discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset or liability at the beginning of the annual period, taking into account any changes in the net defined benefit asset or liability during the period as a result of current service costs, contributions and benefit payments. The market discount rate is determined based on the market interest rate at the end of the year on high-quality corporate debt instruments that match the timing and amount of expected benefit payments.

Past service costs arising from plan amendments and curtailments are recognized in net income immediately. A plan curtailment will result if the Company has demonstrably committed to a significant reduction in the expected future service of active employees or a significant element of future service by active employees no longer qualifies for benefits. A curtailment is recognized when the event giving rise to the curtailment occurs.

The net interest costs on the net defined benefit plan liabilities arising from the passage of time are included in finance charges. The Company recognizes actuarial gains and losses immediately in other comprehensive income.

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(p) Provisions

A provision is recognized if the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be determined. For obligations of a long-term nature, provisions are measured at their present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability except in cases where future cash flows have been adjusted for risk.

Decommissioning Obligations

Decommissioning obligations are legal and constructive obligations associated with the retirement of long-lived assets. A liability is recorded at the present value of the estimated future costs based on management's best estimate. When a liability is initially recorded, the Company capitalizes the costs by increasing the carrying value of the asset. The increase in net present value of the provision for the expected cost is included in finance costs as accretion (interest) expense. Adjustments to the provision made for changes in timing, amount of cash flow and discount rates are capitalized and amortized over the useful life of the associated asset. Actual costs incurred upon settlement of a decommissioning obligation are charged against the related liability. Any difference between the actual costs incurred upon settlement of the decommissioning obligation and the recorded liability is recognized in net income at that time.

Environmental Expenditures and Liabilities

Environmental expenditures are expensed as part of operating activities, unless they constitute an asset improvement or act to mitigate or prevent possible future contamination, in which case the expenditures are capitalized and amortized to income. Environmental liabilities arising from a past event are accrued when it is probable that a present legal or constructive obligation will require the Company to incur environmental expenditures.

Legal

The Company recognizes legal claims as a provision when it is probable that the claim will be settled against the Company and the amount of the settlement can be reasonably measured. Management obtains the advice of its external counsel in determining the likely outcome and estimating the expected costs associated with lawsuits. Further information regarding lawsuits in progress is disclosed in Note 25.

(q) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, consideration is allocated to each lease component within the contract on the basis of its relative stand-alone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the lease

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commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are comprised of:

- i) Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- ii) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii) Amounts expected to be payable under a residual value guarantee;
- iv) Exercise prices of purchase options if reasonably certain the option will be exercised; and
- v) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in our estimate or assessment of the amount expected to be payable under a residual value guarantee, purchase, extension or termination option.

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments not included in the initial measurement of the lease liability are charged directly to the consolidated statement of comprehensive income (loss) as an expense.

The Company elected to use the following practical expedients under IFRS 16:

- (i) The Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component for leases pertaining to generating assets (including long-term energy purchase agreements).
- (ii) The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

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(r) Taxes

The Company is a Crown corporation and therefore no Canadian provincial or federal income tax is payable. However, the Company pays provincial and local government taxes and grants in lieu of property taxes to municipalities, regional districts, and rural area jurisdictions. In addition, Powerex, a subsidiary of BC Hydro, pays taxes relating to trading activity in the United States.

(s) Jointly Controlled Operations

Prior to the purchase of the remaining 2/3 interest in Waneta Dam and Generating Facility on July 26, 2018, the Company had joint ownership and control over certain assets with third parties. A jointly controlled operation exists when there is a joint ownership and control of one or more assets to obtain benefits for the joint operators. The parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, related to the arrangement. Each joint operator takes a share of the output from the assets for its own exclusive use. These consolidated financial statements include the Company's share of the jointly controlled assets. The Company also records its share of any liabilities and expenses incurred jointly with third parties and any revenue from the sale or use of its share of the output in relation to the assets.

(t) New Standards and Amendments Not Yet Adopted

A number of amendments to standards and interpretations, are not yet effective for the year ended March 31, 2020, and have not been applied in preparing these consolidated financial statements. In particular, the following new and amended standards become effective for the Company's annual periods beginning on or after the dates noted below:

- Amendments to IAS 1, *Presentation of Financial Statements* (effective April 1, 2020)
- Amendments to IFRS 3, *Business Combinations* (effective April 1, 2020)
- Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (effective April 1, 2020)
- Amendments to IFRS 7, *Financial Instruments: Disclosures* (effective April 1, 2020)
- Amendments to IFRS 9, *Financial Instruments* (effective April 1, 2020)
- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement* (effective April 1, 2020)
- IFRS 17, *Insurance Contracts* (effective April 1, 2021)

The Company does not expect the adoption of the new or amended standards to have a material impact on the consolidated financial statements.

Note 4: Revenues

Disaggregated Revenue

The Company disaggregates revenue by revenue types and customer class, which are considered to be the most relevant revenue information for management to consider in allocating resources and evaluating performance.

British Columbia Hydro and Power Authority

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<i>(CAD\$ in millions)</i>	2020	2019
Domestic		
Residential	\$ 2,169	\$ 2,127
Light industrial and commercial	1,942	1,925
Large industrial	850	873
Surplus sales	1	115
Other sales	431	392
Total Domestic	5,393	5,432
Total Trade¹	876	1,144
Total Revenue	\$ 6,269	\$ 6,576

¹ Includes non-IFRS 15 revenues (2020 - \$340M ; 2019 - \$305M).

Contract Balances

The Company does not have any contract assets which constitute consideration receivable from a customer that is conditional on the Company's future performance. The current and non-current receivable balances from customers as at March 31, 2020 was \$704 million (2019 - \$867 million, April 1, 2018 - \$741 million).

Contract liabilities represent payments received for performance obligations which have not been fulfilled.

The following table reconciles the items included in the contract liabilities balance:

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Unearned revenues	\$ 296	\$ 230	\$ 210
Contributions in aid (Note 20)	1,892	1,762	1,633
Customer deposits	9	13	15
	\$ 2,197	\$ 2,005	\$ 1,858

British Columbia Hydro and Power Authority

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The following table reconciles the changes in the contract liabilities balances during the years ended March 31, 2020 and 2019:

<i>(CAD\$ in millions)</i>	Contract Liabilities
Balance at April 1, 2018	\$ 1,858
Revenue recognized that was included in the contract liability balance at the beginning of the period	(107)
Increases due to cash received, excluding amounts recognized as revenue during the period	230
Other ¹	24
Balance at March 31, 2019	2,005
Revenue recognized that was included in the contract liability balance at the beginning of the period	(117)
Increases due to cash received, excluding amounts recognized as revenue during the period	280
Other ¹	29
Balance at March 31, 2020	\$ 2,197

¹ Other includes finance charges and foreign exchange adjustments

Remaining Performance Obligations

The following table includes revenue expected to be recognized in the future related to the performance obligations that are unsatisfied (or partially unsatisfied) as at March 31, 2020.

<i>(CAD\$ in millions)</i>	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Energy sales	\$ 46	\$ 21	\$ 16	\$ 83
Contributions in aid	53	208	1,631	1,892
Skagit River Agreement	29	118	1,206	1,353
Other	57	86	44	187
	\$ 185	\$ 433	\$ 2,897	\$ 3,515

The Company elected to use the performance obligation practical expedients whereby the performance obligation is not disclosed for the following:

- (i) Where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance to date, revenue is recognized in the amount to which the Company has a right to invoice, or
- (ii) Where the remaining performance obligations have an original expected duration of one year or less.

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Note 5: Operating Expenses

<i>(CAD\$ in millions)</i>	2020	2019
Electricity and gas purchases	\$ 1,880	\$ 1,645
Water rentals	293	331
Transmission charges	197	205
Personnel expenses	685	630
Materials and external services	613	648
Amortization and depreciation (Note 7)	988	949
Grants and taxes	254	266
Other costs, net of recoveries	146	84
Capitalized costs	(72)	(70)
	\$ 4,984	\$ 4,688

Note 6: Finance Charges

<i>(CAD\$ in millions)</i>	2020	2019
Interest on long-term debt	\$ 872	\$ 854
Interest on lease liabilities	51	52
Interest on defined benefit plan obligations (Note 22)	63	56
Mark-to-market losses on derivative financial instruments (Note 23)	774	318
Other	61	46
Capitalized interest	(176)	(130)
	\$ 1,645	\$ 1,196

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 3.8 per cent (2019 - 4.0 per cent).

Note 7: Amortization and Depreciation

<i>(CAD\$ in millions)</i>	2020	2019
Depreciation of property, plant and equipment (Note 11)	\$ 814	\$ 774
Depreciation of right-of-use assets (Note 12)	94	92
Amortization of intangible assets (Note 13)	80	83
	\$ 988	\$ 949

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Note 8: Cash and Cash Equivalents, and Restricted Cash

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Cash	\$ 37	\$ 34	\$ 11
Short-term investments	78	50	31
	\$ 115	\$ 84	\$ 42

Restricted cash represents cash balances which the Company does not have immediate access to as they have been pledged to counterparties as security for investments or trade obligations. These balances are only available to the Company upon liquidation of the investments or settlements of the trade obligations for which they have been pledged as security.

Note 9: Accounts Receivable and Accrued Revenue

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Accounts receivable	\$ 412	\$ 640	\$ 492
Accrued revenue	245	192	170
Other	113	80	66
	\$ 770	\$ 912	\$ 728

Accrued revenue represents revenue for electricity delivered and not yet billed.

Note 10: Inventories

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Materials and supplies	\$ 171	\$ 161	\$ 142
Natural gas trading inventories	22	7	2
	\$ 193	\$ 168	\$ 144

There were no materials and supplies inventory impairments during the years ended March 31, 2020 and 2019. Natural gas inventory held in storage is measured at fair value less costs to sell and therefore, not subject to impairment testing.

Inventories recognized as an expense during the year amounted to \$46 million (2019 - \$77 million).

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Note 11: Property, Plant, and Equipment

<i>(CAD\$ in millions)</i>	Generation	Transmission	Distribution	Land & Buildings	Equipment & Other	Unfinished Construction	Total
Cost							
Balance at April 1, 2018	\$ 6,904	\$ 6,959	\$ 5,599	\$ 697	\$ 759	\$ 4,274	\$ 25,192
Net additions	2,397	516	442	30	105	241	3,731
Disposals and retirements	(10)	(10)	(31)	(1)	(10)	(17)	(79)
Balance at March 31, 2019	9,291	7,465	6,010	726	854	4,498	28,844
Net additions	390	188	461	45	86	1,786	2,956
Disposals and retirements	(10)	(11)	(32)	(1)	(23)	(15)	(92)
Balance at March 31, 2020	\$ 9,671	\$ 7,642	\$ 6,439	\$ 770	\$ 917	\$ 6,269	\$ 31,708
Accumulated Depreciation							
Balance at April 1, 2018	\$ (200)	\$ (232)	\$ (193)	\$ (32)	\$ (96)	\$ -	\$ (753)
Depreciation expense	(234)	(223)	(201)	(26)	(90)	-	(774)
Disposals and retirements	6	2	3	-	6	-	17
Balance at March 31, 2019	(428)	(453)	(391)	(58)	(180)	-	(1,510)
Depreciation expense	(263)	(229)	(207)	(27)	(88)	-	(814)
Disposals and retirements	3	4	5	1	16	-	29
Balance at March 31, 2020	\$ (688)	\$ (678)	\$ (593)	\$ (84)	\$ (252)	\$ -	\$ (2,295)
Net carrying amounts							
At April 1, 2018	\$ 6,704	\$ 6,727	\$ 5,406	\$ 665	\$ 663	\$ 4,274	\$ 24,439
At March 31, 2019	\$ 8,863	\$ 7,012	\$ 5,619	\$ 668	\$ 674	\$ 4,498	\$ 27,334
At March 31, 2020	\$ 8,983	\$ 6,964	\$ 5,846	\$ 686	\$ 665	\$ 6,269	\$ 29,413

- (i) Prior to the purchase of the remaining two-thirds interest in Waneta on July 26, 2018, the Company included its one-third interest in Waneta with a net book value of \$668 million (April 1, 2018 - \$674 million) in Generation assets.

On August 1, 2017, BC Hydro agreed to exercise its option to purchase the remaining two-thirds interest of Waneta from Teck Resources (Teck) for \$1.20 billion. Following receipt of BCUC approval in July 2018, BC Hydro completed the transaction on July 26, 2018. The transaction has been accounted for as an asset acquisition, with the purchase price being allocated to the applicable integrated components of the property, plant and equipment acquired.

Depreciation expense on the Waneta assets for the year ended March 31, 2020 was \$59 million (2019 - \$46 million).

- (ii) Included within Distribution assets are the Company's portion of utility poles with a net book value of \$1.16 billion (2019 - \$1.11 billion, April 1, 2018 - \$1.05 billion) that are jointly owned with a third party. Depreciation expense on jointly owned utility poles for the year ended March 31, 2020 was \$30 million (2019 - \$29 million).

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- (iii) The Company received government grants arising from the Columbia River Treaty related to three dams built by the Company in the mid-1960s to regulate the flow of the Columbia River. The grants were made to assist in financing the construction of the dams. The grants were deducted from the carrying amount of the related dams. In addition, the Company received, in the current year and prior years, government grants for the construction of transmission lines and has deducted the grants received from the cost of the asset. BC Hydro received government grants of \$23 million during the year ended March 31, 2020 (2019 - \$nil).
- (iv) The Company has contractual commitments to spend \$2.87 billion on major property, plant and equipment projects (on individual projects greater than \$50 million) as at March 31, 2020.
- (v) During the year ended March 31, 2020, the Company recorded losses of \$62 million (2019 - \$61 million) from asset retirement and asset/project write-offs.

Note 12: Right-of-Use Assets

<i>(CAD\$ in millions)</i>	Long-term energy purchase agreements		Property	Equipment/ Other		Total
Cost						
Balance at April 1, 2018	\$	1,940	\$ 37	\$	-	\$ 1,977
Net additions		12	17		3	32
Balance at March 31, 2019		1,952	54		3	2,009
Net additions		26	7		-	33
Balance at March 31, 2020	\$	1,978	\$ 61	\$	3	\$ 2,042
Accumulated Depreciation						
Balance at April 1, 2018	\$	(436)	\$ (15)	\$	-	\$ (451)
Depreciation expense		(88)	(3)		(1)	(92)
Balance at March 31, 2019		(524)	(18)		(1)	(543)
Depreciation expense		(89)	(4)		(1)	(94)
Balance at March 31, 2020	\$	(613)	\$ (22)	\$	(2)	\$ (637)
Net carrying amounts						
At April 1, 2018	\$	1,504	\$ 22	\$	-	\$ 1,526
At March 31, 2019	\$	1,428	\$ 36	\$	2	\$ 1,466
At March 31, 2020	\$	1,365	\$ 39	\$	1	\$ 1,405

Refer to Note 19 for additional information on right-of-use assets and lease liabilities.

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Note 13: Intangible Assets

<i>(CAD\$ in millions)</i>	Land Rights	Internally Developed Software	Purchased Software	Other	Work in Progress	Total
Cost						
Balance at April 1, 2018	\$ 247	\$ 109	\$ 263	\$ 33	\$ 36	\$ 688
Net additions	29	6	35	9	27	106
Disposals and retirements	-	-	-	(12)	-	(12)
Balance at March 31, 2019	276	115	298	30	63	782
Net additions	13	6	67	19	53	158
Disposals and retirements	-	-	(3)	-	-	(3)
Balance at March 31, 2020	\$ 289	\$ 121	\$ 362	\$ 49	\$ 116	\$ 937
Accumulated Amortization						
Balance at April 1, 2018	\$ -	\$ (31)	\$ (66)	\$ -	\$ -	\$ (97)
Amortization expense	-	(21)	(62)	-	-	(83)
Disposals and retirements	-	-	-	-	-	-
Balance at March 31, 2019	-	(52)	(128)	-	-	(180)
Amortization expense	(1)	(17)	(62)	-	-	(80)
Disposals and retirements	-	-	1	-	-	1
Balance at March 31, 2020	\$ (1)	\$ (69)	\$ (189)	\$ -	\$ -	\$ (259)
Net carrying amounts						
At April 1, 2018	\$ 247	\$ 78	\$ 197	\$ 33	\$ 36	\$ 591
At March 31, 2019	\$ 276	\$ 63	\$ 170	\$ 30	\$ 63	\$ 602
At March 31, 2020	\$ 288	\$ 52	\$ 173	\$ 49	\$ 116	\$ 678

Land rights consist primarily of statutory rights of way acquired from the Province in perpetuity. These land rights have indefinite useful lives and are not subject to amortization. These land rights are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset value may not be recoverable.

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Note 14: Other Non-Current Assets

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Non-current receivables	\$ 147	\$ 148	\$ 194
Sinking funds	217	197	182
Non-current Site C prepaid expenses	282	250	244
Other	9	14	9
	\$ 655	\$ 609	\$ 629

Non-Current Receivables

Included in the non-current receivables balance are \$129 million of receivables (2019 - \$135 million, April 1, 2018 - \$140 million) attributable to other contributions. The contributions are to be received in 16 annual payments of approximately \$11 million, adjusted for inflation. The fair value of the receivable was initially measured using an estimated inflation rate and a 4.6 per cent discount rate.

Sinking Funds

Investments held in sinking funds are held by the Trustee (the Minister of Finance for the Province) for the redemption of long-term debt. The sinking fund balances include the following investments:

<i>(CAD\$ in millions)</i>	March 31, 2020		March 31, 2019		April 1, 2018	
	Carrying Value	Weighted Average Effective Rate ¹	Carrying Value	Weighted Average Effective Rate ¹	Carrying Value	Weighted Average Effective Rate ¹
Province of BC bonds	\$ 137	1.3 %	\$ 126	2.9 %	\$ 114	3.2 %
Other provincial government and crown corporation bonds	80	1.0 %	71	2.9 %	68	3.4 %
	\$ 217		\$ 197		\$ 182	

¹Rate calculated on market yield to maturity.

Effective December 2005, all sinking fund payment requirements on all new and outstanding debt were removed. The existing sinking funds relate to debt that mature in fiscal 2026 and fiscal 2037.

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Note 15: Rate Regulation

Regulatory Accounts

The Company has established various regulatory accounts through rate regulation and with the approval of the BCUC. In the absence of rate regulation, these amounts would be reflected in total comprehensive income (loss). The net movement in regulatory balances related to total comprehensive income is as follows:

<i>(CAD\$ in millions)</i>	2020	2019
Net increase (decrease) in regulatory balances related to net income	\$ 1,065	\$ (1,120)
Net increase (decrease) in regulatory balances related to OCI	(317)	173
	\$ 748	\$ (947)

For each regulatory account, the amount reflected in the Net Change column in the following regulatory tables represents the impact on comprehensive income for the applicable year. Under rate regulated accounting, a net decrease in a regulatory asset or a net increase in a regulatory liability results in a decrease to comprehensive income.

<i>(CAD\$ in millions)</i>	<i>As at April 1 2019</i>	<i>Addition / (Reduction)</i>	<i>Interest^A</i>	<i>Amortization</i>	<i>Net Change^B</i>	<i>As at March 31 2020</i>	<i>Remaining recovery/ reversal period (years)</i>
Regulatory Assets							
Non-Heritage Deferral Account	\$ 141	\$ 99	\$ 6	\$ (41)	\$ 64	\$ 205	Note D
Demand-Side Management	915	95	-	(103)	(8)	907	1-15
Debt Management	163	778	-	12	790	953	8-34
First Nations Provisions & Costs	505	21	3	(34)	(10)	495	4-9 Note G
Non-Current Pension Costs	486	(219)	-	(57)	(276)	210	7-14
Site C	491	(2)	19	-	17	508	Note E
CIA Amortization	83	(5)	-	-	(5)	78	20
Environmental Provisions & Costs	227	56	(2)	(21)	33	260	Note F, G
Smart Metering & Infrastructure	217	-	8	(30)	(22)	195	9
IFRS Pension	497	-	-	(38)	(38)	459	12
IFRS Property, Plant & Equipment	1,064	45	-	(30)	15	1,079	32-41
Storm Restoration Costs	58	(8)	1	(30)	(37)	21	Note F
Total Finance Charges	20	1	-	(10)	(9)	11	Note F
Real Property Sales	49	5	2	-	7	56	Note H
Other Regulatory Accounts	91	(3)	2	(41)	(42)	49	1-9
Total Regulatory Assets	5,007	863	39	(423)	479	5,486	
Regulatory Liabilities							
Heritage Deferral Account	485	82	13	(280)	(185)	300	Note D
Trade Income Deferral Account	261	69	9	(165)	(87)	174	Note D
Other Regulatory Accounts	4	4	-	(1)	3	7	2-5
Total Regulatory Liabilities	750	155	22	(446)	(269)	481	
Net Regulatory Asset	\$ 4,257	\$ 708	\$ 17	\$ 23	\$ 748	\$ 5,005	

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<i>(CAD\$ in millions)</i>	<i>As at April 1 2018</i>	<i>Addition / (Reduction)</i>	<i>Interest^A</i>	<i>Amortization</i>	<i>Net Change^B</i>	<i>As at March 31 2019</i>	<i>Remaining recovery/ reversal period (years)</i>
Regulatory Assets							
Non-Heritage Deferral Account	\$ 525	\$ (168)	\$ 13	\$ (229)	\$ (384)	\$ 141	Note D
Trade Income Deferral Account	128	(110)	1	(19)	(128)	-	Note D
Demand-Side Management	903	111	-	(99)	12	915	1-15
Debt Management	-	163	-	-	163	163	9-35
First Nations Provisions & Costs	518	22	4	(39)	(13)	505	5-9 Note G
Non-Current Pension Costs	304	240	-	(58)	182	486	8-13
Site C	472	-	19	-	19	491	Note E
CIA Amortization	88	(5)	-	-	(5)	83	21
Environmental Provisions & Costs	261	(1)	(2)	(31)	(34)	227	Note F, G
Smart Metering & Infrastructure	239	-	9	(31)	(22)	217	10
IFRS Pension	535	-	-	(38)	(38)	497	13
IFRS Property, Plant & Equipment	1,025	67	-	(28)	39	1,064	33-42
Rate Smoothing ^C	815	(815)	-	-	(815)	-	-
Storm Restoration Costs	47	19	2	(10)	11	58	Note F
Total Finance Charges	-	3	-	17	20	20	Note F
Real Property Sales	38	10	1	-	11	49	Note H
Other Regulatory Accounts	57	25	3	6	34	91	1-10
Total Regulatory Assets	5,955	(439)	50	(559)	(948)	5,007	
Regulatory Liabilities							
Heritage Deferral Account	423	95	19	(52)	62	485	Note D
Trade Income Deferral Account	-	214	3	44	261	261	Note D
Debt Management	158	(158)	-	-	(158)	-	9-35
Total Finance Charges	134	(50)	-	(84)	(134)	-	Note F
Other Regulatory Accounts	36	(7)	-	(25)	(32)	4	3-4
Total Regulatory Liabilities	751	94	22	(117)	(1)	750	
Net Regulatory Asset	\$ 5,204	\$ (533)	\$ 28	\$ (442)	\$ (947)	\$ 4,257	

^A As permitted, interest charges were accrued to certain regulatory balances at a rate of 3.8% for the year ended March 31, 2020 (2019 – 4.0%).

^B Net Change includes a net increase to net income of \$1.07 billion (2019 – a net increase to net loss of \$1.12 billion) and net decrease to other comprehensive income of \$320 million (2019 – a net decrease to other comprehensive loss of \$173 million).

^C As at December 31, 2018, the entire balance of the Rate Smoothing Regulatory Account (RSRA) was expensed as BC Hydro determined that collection of the RSRA was no longer probable based on information received from the Province. This resulted in an operating expense of \$1.04 billion during the year ended March 31, 2019. The operating expense was comprised of the \$815 million balance in the account as at April 1, 2018 and \$229 million deferred in the account from April 1, 2018 to December 31, 2018.

^D The balances in these regulatory accounts are recovered in rates through the Deferral Account Rate Rider (DARR), which was an additional charge on customer bills. The DARR was 5 per cent for fiscal 2018 and fiscal 2019. In the Fiscal 2020 to Fiscal 2021 Revenue Requirements Application, BC Hydro proposed to reduce the DARR from 5 per cent to 0 per cent effective April 1, 2019 and to refund the forecast net credit balance in these accounts over the fiscal 2020 to fiscal 2021 test period.

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^E The recovery period for this account will be determined by the BCUC as part of a future regulatory proceeding once the Site C Project is placed into service.

^F The balances in these accounts at the end of a test period are recovered over the next test period. A test period refers to the period covered by a revenue requirements application filing. The balance at the end of fiscal 2019 will be recovered over the fiscal 2020 to fiscal 2021 test period.

^G The First Nations Provisions & Costs and Environmental Provisions & Costs regulatory accounts include both expenditures and provisions (costs to be incurred in future years). Actual expenditures are recovered over the term identified. The provision balance becomes recoverable at such time as actual expenditures are incurred and transferred to the respective regulatory cost account.

^H The balance in this account is expected to self-clear based on forecast net gains from real property sales experienced over fiscal 2020 to fiscal 2024, resulting in a forecast zero balance by the end of fiscal 2024, subject to potential interest charges.

Rate Regulation

In February 2019, BC Hydro filed an Application with the BCUC to approve its revenue requirements for a two year test period covering fiscal 2020 and fiscal 2021. Subsequently, BC Hydro submitted an Evidentiary Update in August 2019. The financial impact of the Evidentiary Update has been incorporated in these financial statements in accordance with the Company's rate regulation accounting policy, whereby BC Hydro defers amounts in advance of a final decision on the application by the BCUC based on management's estimate on the probability of acceptance and recovery in future rates.

Heritage Deferral Account

This account is intended to mitigate the impact of certain cost and revenue variances between the forecast costs and revenues in a revenue requirements application and actual costs and revenues associated with the Company's hydroelectric and thermal generating facilities. Prior to fiscal 2020, these deferred variances were recovered in rates through the Deferral Account Rate Rider (DARR), which was an additional charge on customer bills. The DARR was set at 5 per cent for fiscal 2019. BC Hydro proposed to reduce the DARR from 5 per cent to 0 per cent effective April 1, 2019 and to refund the forecast net credit balance in the Fiscal 2020 to Fiscal 2021 Revenue Requirements Application in this account over the fiscal 2020 to fiscal 2021 test period.

Non-Heritage Deferral Account

This account is intended to mitigate the impact of certain cost and revenue variances between the forecast costs and revenues in a revenue requirements application and actual costs and revenues related to items including all non-heritage energy costs (e.g., costs related to power acquisitions from Independent Power Producers) and load (i.e., customer demand). Prior to fiscal 2020, these deferred variances were recovered in rates through the DARR. BC Hydro proposed to reduce the DARR from 5 per cent to 0 per cent effective April 1, 2019 and to refund the forecast balance in the Fiscal 2020 to Fiscal 2021 Revenue Requirements Application in this account over the fiscal 2020 to fiscal 2021 test period.

Trade Income Deferral Account

This account is intended to mitigate the uncertainty associated with forecasting the net income of the Company's trade activities. The impact is to defer the difference between the Trade Income forecast in a revenue requirements application and actual Trade Income. Prior to fiscal 2020, these deferred variances

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were recovered in rates through the DARR. BC Hydro proposed to reduce the DARR from 5 per cent to 0 per cent effective April 1, 2019 and to refund the forecast net credit balance in the Fiscal 2020 to Fiscal 2021 Revenue Requirements Application in this account over the fiscal 2020 to fiscal 2021 test period.

Demand-Side Management

Demand-Side Management expenditures are deferred and amortized on a straight-line basis over the anticipated 15 year period of benefit of the expenditures. Demand-Side Management expenditures include materials, direct labour and applicable portions of support costs, equipment costs, and incentives, which are not eligible for capitalization. Costs relating to identifiable tangible assets that meet the capitalization criteria are recorded as property, plant and equipment. In March 2017, the Province issued Orders in Council No. 100 and No. 101, which enable BC Hydro to pursue cost-effective electrification and allows for costs related to undertakings pursuant to Order in Council No. 101 to be deferred to the Demand-Side Management Regulatory Account.

First Nations Provisions & Costs

The First Nations Provisions Regulatory Account includes the present value of future payments and the First Nations Costs Regulatory Account includes the payments related to agreements reached with various First Nations groups. These agreements address settlements related to the construction and operation of the Company's existing facilities and provide compensation for associated impacts. Actual lump sum and annual settlement costs paid pursuant to these settlements are transferred from the First Nations Provisions Regulatory Account to the First Nations Costs Regulatory Account. In addition, annual negotiation costs are deferred to the First Nations Costs Regulatory Account.

Forecast lump sum settlement payments are amortized over 10 years starting in the year of payment, forecast annual settlement payments are amortized in the year of payment, and actual annual negotiation costs are recovered from the First Nations Costs Regulatory Account in the year incurred. Variances between forecast and actual lump sum and annual settlement payments in the current test period are recovered over the following test period.

Non-Current Pension Costs

The Non-Current Pension Costs Regulatory Account captures variances between forecast and actual non-current service costs, such as net interest income or expense related to pension and other post-employment benefit plans. In addition, all re-measurements of the net defined benefit liability are deferred to this account. Amounts deferred during the current test period are amortized at the start of the following test period over the expected average remaining service life of the employee group (currently 13 years).

Site C

Site C Project expenditures incurred in fiscal 2007 through the third quarter of fiscal 2015 were deferred. In December 2014, the Province approved a final investment decision for the Site C Project, resulting in expenditures being capitalized in property, plant and equipment starting in the fourth quarter of fiscal 2015. BC Hydro plans to seek BCUC approval to begin amortizing the balance of the Site C Regulatory Account once the assets are in service.

Contributions in Aid (CIA) of Construction Amortization

This account captures the difference in revenue requirement impacts of the 45 year amortization period the

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Company uses as per a depreciation study and the 25 year amortization period determined by the BCUC.

Environmental Provisions & Costs

A liability provision and offsetting regulatory asset has been established for environmental compliance and remediation arising from the costs that will likely be incurred to comply with the Federal Polychlorinated Biphenyl (PCB) Regulations enacted under the *Canadian Environmental Protection Act*, the Asbestos requirements of the Occupational Health and Safety Regulations under the jurisdiction of WorkSafe BC and the remediation of environmental contamination at a property occupied by a predecessor company.

Actual expenditures related to environmental regulatory provisions are transferred to the environmental cost regulatory accounts. Forecast environmental and remediation costs are amortized from the accounts each year. Variances between forecast and actual environmental and remediation expenditures in the current test period are recovered over the following test period.

Smart Metering & Infrastructure

Net operating costs incurred with respect to the Smart Metering & Infrastructure program were deferred through the end of fiscal 2016 when the project was completed. Costs relating to identifiable tangible and intangible assets that meet the capitalization criteria were recorded as property, plant and equipment or intangible assets respectively. The balance in the regulatory account at the end of fiscal 2016 is being amortized over a period of 13 years, reflecting the remaining period of the overall amortization period of 15 years, which is based on the average life of Smart Metering & Infrastructure assets.

IFRS Pension

Unamortized experience gains and losses on the pension and other post-employment benefit plans recognized at the time of transition to IFRS as part of the Prescribed Standards (the previous accounting standards applicable to BC Hydro that were effective April 1, 2012 to March 31, 2019) were deferred to this regulatory account to allow for recovery in future rates. The account balance is amortized/recovered over 20 years on a straight-line basis beginning in fiscal 2013.

IFRS Property, Plant & Equipment

This account includes the fiscal 2012 incremental costs impacts due to the application of the accounting principles of IFRS to Property, Plant & Equipment to the comparative fiscal year for the adoption of IFRS as part of the Prescribed Standards (the previous accounting standards applicable to BC Hydro that were effective April 1, 2012 to March 31, 2019). In addition, the account includes an annual deferral of overhead costs, ineligible for capitalization under the accounting principles of IFRS. The annual deferred amounts are amortized over 40 years beginning the year following the deferral of the expenditures.

Rate Smoothing

As part of the 10 Year Rates Plan, the Rate Smoothing Regulatory Account was established with the objective of smoothing rate increases over the 10 Year Rates Plan period so that there is less volatility from year to year. As part of the Province's Comprehensive Review Phase One, BC Hydro ceased using the Rate Smoothing Regulatory Account at the end of the third quarter of fiscal 2019. The balance of the Rate Smoothing Regulatory Account was written-off in December 2018 in the amount of \$1.04 billion, resulting in a net loss for BC Hydro in fiscal 2019. BC Hydro is seeking BCUC approval to close this regulatory account in fiscal 2020.

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Storm Restoration Costs

This account captures the difference between certain forecast storm restoration costs included in a revenue requirements application and actual storm restoration costs. Variances deferred during the current test period are recovered over the following test period.

Debt Management

This account captures mark-to-market gains and losses on financial contracts that economically hedge future long-term debt. The realized gains or losses are amortized over the remaining term of the associated long-term debt issuances, commencing in the test period following the test period in which the long-term debt associated with a particular hedge is issued.

Total Finance Charges

This account is intended to mitigate the impact of certain variances that arise between the forecast finance costs in a revenue requirements application and actual finance charges incurred. Variances deferred during the current test period are recovered over the following test period.

Real Property Sales

This account captures variances between forecast and actual real property gains or losses from real estate sales. The balance in this account is expected to self-clear based on forecast net gains from real property sales experienced over fiscal 2020 to fiscal 2024, resulting in a forecast zero balance by the end of fiscal 2024, subject to potential interest charges.

Other Regulatory Accounts

Other regulatory asset and liability accounts with individual balances less than \$50 million include the following: Capital Project Investigation Costs, Arrow Water Systems Provisions, Arrow Water Systems (Costs), Dismantling Cost, Mining Customer Payment Plan, Foreign Exchange Gains and Losses, Post-Employment Benefit Current Pension Costs, Customer Crisis Fund and Amortization of Capital Additions.

Note 16: Accounts Payable and Accrued Liabilities

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Accounts payable	\$ 323	\$ 359	\$ 259
Accrued liabilities	1,074	908	995
Current portion of lease liabilities (Note 19)	79	80	75
Current portion of other long-term liabilities (Note 24)	109	88	123
Dividend payable (Note 21)	-	59	159
Other	41	52	54
	\$ 1,626	\$ 1,546	\$ 1,665

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Note 17: Long-Term Debt and Debt Management

The Company's long-term debt comprises bonds and revolving borrowings obtained under an agreement with the Province.

The Company has a commercial paper borrowing program with the Province which is limited to \$4.50 billion and is included in revolving borrowings. At March 31, 2020, the outstanding amount under the borrowing program was \$2.74 billion (2019 - \$2.95 billion, April 1, 2018 - \$2.05 billion).

For the year ended March 31, 2020, the Company issued bonds for net proceeds of \$1.61 billion (2019 - \$2.42 billion) and a par value of \$1.50 billion (2019 - \$2.45 billion), a weighted average effective interest rate of 2.3 per cent (2019 - 3.0 per cent) and a weighted average term to maturity of 20.5 years (2019 - 19.8 years).

For the year ended March 31, 2020, the Company redeemed bonds with par value of \$175 million (2019 - \$1.29 billion).

Long-term debt, expressed in Canadian dollars, is summarized in the following table by year of maturity:

	March 31, 2020					March 31, 2019					April 1, 2018				
	Canadian	US	Euro	Total	Weighted Average Interest Rate ¹	Canadian	US	Euro	Total	Weighted Average Interest Rate ¹	Canadian	US	Euro	Total	Weighted Average Interest Rate ¹
Maturing in fiscal:															
2019	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	-	\$ 1,030	\$ 258	\$ -	\$ 1,288	4.4
2020	-	-	-	-	-	175	-	-	175	5.3	175	-	-	175	5.3
2021	1,100	-	-	1,100	7.5	1,100	-	-	1,100	7.5	1,100	-	-	1,100	7.5
2022	526	-	-	526	7.8	526	-	-	526	7.8	526	-	-	526	7.8
2023	500	-	-	500	6.8	500	-	-	500	6.8	500	-	-	500	6.8
2024	200	-	-	200	5.9	200	-	-	200	5.9	-	-	-	-	-
2025	10	-	-	10	5.5	-	-	-	-	-	-	-	-	-	-
1-5 years	2,336	-	-	2,336	7.3	2,501	-	-	2,501	7.2	3,331	258	-	3,589	6.2
6-10 years	4,750	703	409	5,862	3.2	3,960	668	395	5,023	3.1	2,860	644	418	3,922	3.2
11-15 years	1,535	-	215	1,750	3.8	1,610	-	207	1,817	4.5	1,610	-	219	1,829	4.5
16-20 years	-	422	-	422	7.4	-	400	-	400	7.4	-	387	-	387	7.4
21-25 years	5,838	-	-	5,838	4.1	3,273	-	-	3,273	4.3	3,273	-	-	3,273	4.3
26-30 years	3,695	-	-	3,695	3.2	5,985	-	-	5,985	3.5	2,565	-	-	2,565	3.7
Over 30 years	1,060	-	-	1,060	2.7	560	-	-	560	3.1	2,830	-	-	2,830	3.3
Bonds	19,214	1,125	624	20,963	4.0	17,889	1,068	602	19,559	4.1	16,469	1,289	637	18,395	4.3
Revolving borrowings	1,686	1,057	-	2,743	1.5	2,743	202	-	2,945	1.8	1,817	236	-	2,053	1.3
	20,900	2,182	624	23,706		20,632	1,270	602	22,504		18,286	1,525	637	20,448	
Adjustments to carrying value resulting from discontinued hedging activities	10	22	-	32		13	22	-	35		17	22	-	39	
Unamortized premium, discount, and issue costs	(39)	(10)	(3)	(52)		(143)	(10)	(4)	(157)		(107)	(11)	(5)	(123)	
	\$ 20,871	\$ 2,194	\$ 621	\$ 23,686		\$ 20,502	\$ 1,282	\$ 598	\$ 22,382		\$ 18,196	\$ 1,536	\$ 632	\$ 20,364	
Less: Current portion	(2,786)	(1,057)	-	(3,843)		(2,919)	(202)	-	(3,121)		(2,850)	(494)	-	(3,344)	
Non-current long-term debt	\$ 18,085	\$ 1,137	\$ 621	\$ 19,843		\$ 17,583	\$ 1,080	\$ 598	\$ 19,261		\$ 15,346	\$ 1,042	\$ 632	\$ 17,020	

¹The weighted average interest rate represents the effective rate of interest on fixed-rate bonds.

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The following foreign currency contracts were in place at March 31, 2020 in a net asset position of \$143 million (2019 - \$24 million, April 1, 2018 - \$105 million). Such contracts are primarily used to hedge foreign currency long-term debt principal and U.S. commercial paper borrowings.

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Cross-Currency Swaps			
Euro dollar (€) to Canadian dollar - notional amount ¹	€ 402	€ 402	€ 402
Euro dollar to Canadian dollar - weighted average contract rate	1.47	1.47	1.47
Weighted remaining term	8 years	9 years	10 years
Foreign Currency Forwards			
United States dollar (US\$) to Canadian dollar - notional amount ¹	US\$ 1,329	US\$ 741	US\$ 1,012
United States dollar to Canadian dollar - weighted average contract rate	1.30	1.27	1.22
Weighted remaining term	4 years	8 years	7 years

¹Notional amount for a derivative instrument is defined as the contractual amount on which payments are calculated.

The following bond locks and forward swap contracts were in place at March 31, 2020 with a net liability position of \$1.01 billion (2019 – net liability of \$285 million, April 1, 2018 – net asset of \$83 million). Such contracts are used to lock in interest rates on future Canadian denominated debt issues. The contracts outstanding relate to \$5.03 billion of planned 10 and 30 year debt to be issued on dates ranging from June 2020 to June 2024.

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Bond Locks			
Canadian dollar - notional amount ¹	\$ 325	\$ 600	\$ 1,250
Weighted forecast borrowing yields	3.54%	3.06%	3.17%
Weighted remaining term	< 1 year	< 1 year	< 1 year
Forward Swaps			
Canadian dollar - notional amount ¹	\$ 4,700	\$ 5,450	\$ 3,625
Weighted forecast borrowing yields	3.17%	3.11%	2.76%
Weighted remaining term	2 years	2 years	2 years

¹Notional amount for a derivative instrument is defined as the contractual amount on which payments are calculated.

For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see Note 23.

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Note 18: Supplemental Disclosure of Cash Flow Information

Change in Working Capital and Other Assets and Liabilities:

<i>(CAD\$ in millions)</i>	2020	2019
Restricted Cash	\$ 94	\$ (32)
Accounts receivable and accrued revenue	163	(131)
Inventories	(24)	(23)
Prepaid expenses	8	(34)
Other non-current assets	(35)	18
Accounts payable and accrued liabilities	(148)	(10)
Unearned revenues and contributions in aid	194	160
Post-employment benefits	(322)	172
Other non-current liabilities	20	(24)
	\$ (50)	\$ 96

Non-Cash Investing Transactions:

<i>(CAD\$ in millions)</i>	2020	2019
Contributions in kind received for property, plant and equipment	\$ 49	\$ 42

Reconciliation for liabilities arising from financing activities:

<i>(CAD\$ in millions)</i>	Balance, March 31, 2019	Issued	Redemptions	Foreign exchange movement	Other¹	Payment	Balance March 31, 2020
Long-term debt and revolving borrowings:							
Long-term debt	\$ 19,437	\$ 1,608	\$ (175)	\$ 79	\$ (6)	\$ -	\$ 20,943
Revolving borrowings	2,945	10,484	(10,680)	-	(6)	-	2,743
Total long-term debt and revolving borrowings	22,382	12,092	(10,855)	79	(12)	-	23,686
Lease liability (Note 19)	1,550	-	-	-	82	(128)	1,504
Vendor financing liability	338	-	-	-	51	(41)	348
Debt-related derivative liability	263	-	-	-	712	(52)	923
	\$ 24,533	\$ 12,092	\$ (10,855)	\$ 79	\$ 833	\$ (221)	\$ 26,461

¹ Other includes new lease liability, fair value adjustments to the debt-related derivative liability, interest, and other non-cash items.

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<i>(CAD\$ in millions)</i>	Balance, April 1, 2018	Issued	Redemptions	Foreign exchange movement	Other ¹	Proceeds (Payments)	Balance March 31, 2019
Long-term debt and revolving borrowings:							
Long-term debt	\$ 18,311	\$ 2,418	\$ (1,287)	\$ 2	\$ (7)	\$ -	\$ 19,437
Revolving borrowings	2,053	8,865	(7,981)	-	8	-	2,945
Total long-term debt and revolving borrowings	20,364	11,283	(9,268)	2	1	-	22,382
Lease liability (Note 19)	1,594	-	-	-	83	(127)	1,550
Vendor financing liability	320	-	-	-	44	(26)	338
Debt-related derivative liability	(182)	-	-	-	345	100	263
	\$ 22,096	\$ 11,283	\$ (9,268)	\$ 2	\$ 473	\$ (53)	\$ 24,533

¹ Other includes new lease liability, fair value adjustments to the debt-related derivative liability, interest, and other non-cash items.

Note 19: Lease Liabilities

Amounts recognized in profit or loss

<i>(CAD\$ in millions)</i>	2020	2019
Interest on lease liabilities	\$ 51	\$ 52
Variable lease payments not included in the measurement of lease liabilities	14	12
Expenses relating to short-term leases and leases of low-value assets	13	14
	\$ 78	\$ 78

Amounts recognized in the statement of cash flows

<i>(CAD\$ in millions)</i>	2020	2019
Total cash outflow for leases	\$ 155	\$ 153

Maturity analysis

<i>(\$CAD in millions)</i>	March 31, 2020	March 31, 2019
Maturity analysis - contractual undiscounted cash flows		
Less than 1 year	\$ 128	\$ 110
1 to 5 years	403	360
More than 5 years	1,636	1,602
Total Undiscounted Lease Liabilities	\$ 2,167	\$ 2,072

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<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Current	79	80	75
Non-current	1,425	1,470	1,519
Total Lease Liabilities	\$ 1,504	\$ 1,550	\$ 1,594

Long-term energy purchase agreements

The Company has entered into some long-term energy purchase agreements that are considered to be a lease. The long-term energy purchase agreements have terms ranging from of 13 years to 30 years with no option to renew. The lease payments are adjusted annually for changes in the consumer price index, and these amounts are included in the measurement of the lease liability. The variable lease payments for these long-term energy purchase agreement leases for the year ended March 31, 2020 was \$12 million (2019 - \$10 million). See note 26 for long-term energy purchase agreements with related parties.

Property leases

The Company leases land and building for its office space and operation use. The property leases typically run for a period of 2 years to 99 years. Some leases include an option to renew the leases for an additional period ranging from 1 year to 10 years.

Some leases require the Company to make payments that relate to the property taxes, insurance payments and operating costs; these amounts are generally determined annually. These variable lease payments for the year ended March 31, 2020 was \$2 million (2019 - \$2 million).

Other leases

The Company leases generating equipment. The generating equipment lease has a term of 3 years and an option to renew for an additional period of 2 years.

The Company also leases vehicles, office equipment and other equipment. These leases are short-term and/or leases of low value items. The Company has elected not to recognize right-of-use assets and lease liabilities as a result of the practical expedients used as noted in note 3(q).

Note 20: Unearned Revenues and Contributions in Aid

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Unearned revenues	296	\$ 230	\$ 210
Contributions in aid	1,892	1,762	1,633
	2,188	1,992	1,843
Less: Current portion, unearned revenues	(40)	(40)	(38)
Less: Current portion, contributions in aid	(53)	(47)	(47)
	\$ 2,095	\$ 1,905	\$ 1,758

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Note 21: Capital Management

Orders in Council from the Province establish the basis for determining the Company's equity for regulatory purposes, as well as the annual payment to the Province (see below). Capital requirements are consequently managed through the retention of equity subsequent to the Payment to the Province. For this purpose, the applicable Order in Council defines debt as revolving borrowings and interest-bearing borrowings less investments held in sinking funds and cash and cash equivalents. Equity comprises retained earnings, accumulated other comprehensive loss, and contributed surplus. The Company monitors its capital structure on the basis of its debt to equity ratio.

During the year, there were no changes in the approach to capital management.

The debt to equity ratio at March 31, 2020, March 31, 2019 and April 1, 2018 was as follows:

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Total debt, net of sinking funds	\$ 23,469	\$ 22,185	\$ 20,182
Less: Cash and cash equivalents	(115)	(84)	(42)
Net Debt	\$ 23,354	\$ 22,101	\$ 20,140
Retained earnings	\$ 5,638	\$ 4,933	\$ 5,420
Contributed surplus	60	60	60
Accumulated other comprehensive loss	(44)	(47)	(34)
Total Equity	\$ 5,654	\$ 4,946	\$ 5,446
Net Debt to Equity Ratio	81 : 19	82 : 18	79 : 21

Dividend Payment to the Province

In accordance with Order in Council No. 095/2014 from the Province, for the year ended March 31, 2018 and subsequent years, the payment to the Province was reduced by \$100 million per year based on the payment in the immediate preceding fiscal year until it reaches zero and will thereafter remain at zero until BC Hydro achieves a 60:40 debt to equity ratio.

The payment for the year ended March 31, 2019 to the Province was \$59 million and was paid in June 2019. The payment for the year ended March 31, 2020 was \$nil.

Note 22: Post-Employment Benefits

The Company provides a defined benefit statutory (registered under the British Columbia Pension Benefits Standards Act) pension plan to substantially all employees, as well as supplemental arrangements which provide pension benefits in excess of statutory limits. Pension benefits are based on years of membership service and highest five-year average pensionable earnings. The plan also provides pensioners a conditional indexing fund. Employees make equal basic and indexing contributions to the plan funds based on a percentage of current pensionable earnings as prescribed by the independent actuary. The Company may contribute additional amounts as prescribed by the independent actuary. The Company is responsible for ensuring that the statutory pension plan has sufficient assets to pay the pension benefits. The supplemental arrangements are not funded. The defined benefit pension plans are administered under a

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defined governance structure. The pension arrangements including investment, plan benefits and funding decisions are administered by the Company's Pension Management Committee with the oversight resting with the Board of Directors. Significant changes to the plans, investment policies, and funding policies require the approval of the Board of Directors. The most recent actuarial funding valuation for the statutory pension plan was performed at December 31, 2018. The next valuation for funding purposes will be prepared as at December 31, 2021, and the results will be available in September 2022.

The Company also provides post-employment benefits other than pensions including limited medical, extended health, dental and life insurance coverage for retirees who have at least 10 years of service and qualify to receive pension benefits. Certain benefits, including the short-term continuation of health care and life insurance, are provided to terminated employees or to survivors on the death of an employee. These post-employment benefits other than pensions are not funded. Post-employment benefits include the pay out of benefits that vest or accumulate, such as banked vacation.

By their design, defined benefit pension and other post-employment benefit plans expose the Company to various risks such as investment performance, reductions in discount rates used to value the obligations, increased longevity of plan members, future inflation levels impacting future salary increases as well as future increases in healthcare costs.

Information about the pension benefit plans and post-employment benefits other than pensions is as follows:

- (a) The expense for the Company's benefit plans for the years ended March 31, 2020 and 2019 is recognized in the following line items in the statement of comprehensive income (loss) prior to any capitalization of employment costs attributable to property, plant and equipment and intangible asset additions:

<i>(CAD\$ in millions)</i>	Pension Benefit Plans		Other Benefit Plans		Total	
	2020	2019	2020	2019	2020	2019
Current service costs charged to personnel expenses - operating expenses	\$ 120	\$ 100	\$ 8	\$ 8	\$ 128	\$ 108
Net interest costs charged to finance costs	53	46	10	10	63	56
Total post-employment benefit plan expense	\$ 173	\$ 146	\$ 18	\$ 18	\$ 191	\$ 164

Actuarial gain recognized in other comprehensive income (loss) was \$317 million (2019 – loss of \$173 million).

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(b) Information about the Company's defined benefit plans, in aggregate, is as follows:

(CAD\$ in millions)	Pension Benefits Plans			Other Benefits Plans			Total		
	March 31, 2020	March 31, 2019	April 1, 2018	March 31, 2020	March 31, 2019	April 1, 2018	March 31, 2020	March 31, 2019	April 1, 2018
Defined benefit obligation of funded plan	\$ (4,908)	\$ (5,035)	\$ (4,654)	\$ -	\$ -	\$ -	\$ (4,908)	\$ (5,035)	\$ (4,654)
Defined benefit obligation of unfunded plans	(167)	(186)	(164)	(199)	(278)	(272)	(366)	(464)	(436)
Fair value of plan assets	3,714	3,747	3,616	-	-	-	3,714	3,747	3,616
Plan deficit	\$ (1,361)	\$ (1,474)	\$ (1,202)	\$ (199)	\$ (278)	\$ (272)	\$ (1,560)	\$ (1,752)	\$ (1,474)
Represented by:									
Accrued benefit plan liability	\$ (1,361)	\$ (1,474)	\$ (1,202)	\$ (199)	\$ (278)	\$ (272)	\$ (1,560)	\$ (1,752)	\$ (1,474)

The Company determined that there was no minimum funding requirement adjustment required in fiscal 2020 and fiscal 2019 in accordance with IFRIC 14, *The Limit on Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*.

(c) Movement of defined benefit obligations and defined benefit plan assets during the year:

(CAD\$ in millions)	Pension Benefit Plans		Other Benefit Plans	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Defined benefit obligation				
Opening defined benefit obligation	\$ 5,221	\$ 4,818	\$ 278	\$ 272
Current service cost	120	100	8	8
Interest cost on benefit obligations	174	191	10	10
Benefits paid ¹	(193)	(183)	(10)	(8)
Employee contributions	43	41	-	-
Actuarial losses (gains) ²	(290)	254	(87)	(4)
Defined benefit obligation, end of year	5,075	5,221	199	278
Fair value of plan assets				
Opening fair value	3,747	3,616	n/a	n/a
Interest income on plan assets ³	121	145	n/a	n/a
Employer contributions	48	44	n/a	n/a
Employee contributions	43	41	n/a	n/a
Benefits paid ¹	(185)	(176)	n/a	n/a
Actuarial gains (losses) ^{2,3}	(60)	77	n/a	n/a
Fair value of plan assets, end of year	3,714	3,747	-	-
Accrued benefit liability	\$ (1,361)	\$ (1,474)	\$ (199)	\$ (278)

¹ Benefits paid under Pension Benefit Plans include \$18 million (2019 - \$13 million) of settlement payments.

² Actuarial gains/losses are included in the Non-Current Pension Costs regulatory account and for fiscal 2020 are comprised of \$60 million of experience losses on return on plan assets (2019 - \$77 million) and \$377 million of net actuarial gains (2019 - \$250 million) on the benefit obligations due to discount rate decreases, medical services plan premium elimination, and actuarial experience losses.

³ Actual income on defined benefit plan assets for the year ended March 31, 2020 was \$61 million (2019 - \$222 million).

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(d) The significant assumptions adopted in measuring the Company's accrued benefit obligations as at each March 31 year end and April 1 are as follows:

	Pension Benefit Plans			Other Benefit Plans		
	March 31, 2020	March 31, 2019	April 1, 2018	March 31, 2020	March 31, 2019	April 1, 2018
Discount rate						
Benefit cost	3.33%	3.56%	3.68%	3.24%	3.54%	3.92%
Accrued benefit obligation	3.83%	3.33%	3.56%	3.73%	3.24%	3.54%
Rate of return on plan assets	3.33%	3.56%	3.68%	n/a	n/a	n/a
Rate of compensation increase						
Benefit cost	3.50%	3.00%	3.00%	3.50%	3.00%	3.00%
Accrued benefit obligation	3.50%	3.50%	3.00%	3.50%	3.50%	3.00%
Health care cost trend rates						
Weighted average health care cost trend rate	n/a	n/a	n/a	4.87%	3.58%	4.57%
Weighted average ultimate health care cost trend rate	n/a	n/a	n/a	3.82%	2.81%	3.47%
Year ultimate health care cost trend rate will be achieved	n/a	n/a	n/a	2040	2040	2026

The valuation cost method for the accrued benefit obligation is the projected unit credit method prorated on service.

(e) Defined benefit pension plan assets are invested prudently in order to meet our pension obligations. The pension plans' investment strategy is to hold a diversified mix of investments by asset class and geographic location in order to reduce investment-specific risk to the funded status while maximizing the expected returns to meet pension obligations. Investment of the plan's assets follows an asset/liability framework as investment is conducted with consideration of the pension obligation's sensitivity to interest rates which is a key risk factor impacting the obligation's value.

In developing the pension plan's asset mix, the Company includes, but is not limited to the following factors:

- the nature of the underlying benefit obligations, including the duration and term profile of the liabilities;
- the member demographics, including expectations for normal retirements, terminations, and deaths;
- the financial position of the pension plan;
- the diversification benefits obtained by the inclusion of multiple asset classes; and
- expected asset returns, including asset and liability correlations, along with liquidity requirements of the plan.

To implement the asset mix policy, the Company may invest in fixed interest investments (such as debt instruments), equity securities, and alternative investments. The Company's defined benefit pension plan assets are primarily comprised of debt and equity securities and alternative investments.

The publicly traded equity securities are unadjusted quoted market prices in an active market (Level 1) and the publicly traded fixed interest investments generally have quoted market prices or observable market inputs for similar assets in an active market (Level 2). Alternative investments include private fund investments including infrastructure, renewable resources, real estate, mortgages and private equity and debt, all of which usually do not have quoted market prices available (Level 3). These fund assets are either valued by an independent valuator or priced using observable market inputs.

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(f) Asset allocation of the defined benefit statutory pension plan as at the measurement date:

	Long Term Strategic Target Allocation	Target Range		March 31, 2020	March 31, 2019	April 1, 2018
		Min	Max			
Fixed interest investments	20%	15%	35%	27%	26%	29%
Public equities	40%	30%	55%	43%	49%	50%
Real estate	15%	5%	20%	12%	10%	9%
Private equities	15%	5%	20%	10%	8%	6%
Infrastructure and renewable resources	10%	5%	15%	8%	7%	6%

Plan assets are re-balanced within ranges around target applications. The Company's expected return on plan assets is determined by considering long-term historical returns, future estimates of long-term investment returns, and asset allocations.

(g) Other information about the Company's benefit plans is as follows:

The Company's contribution to be paid to its funded defined benefit statutory pension plan in fiscal 2021 is expected to amount to \$49 million. The expected benefit payments to be paid in fiscal 2021 in respect to the unfunded defined benefit plans are \$15 million.

The following table presents the maturity profile of our defined benefit pension plan obligation:

(CAD\$ in millions, except weighted average duration and plan participants)

Number of plan participants as at March 31, 2020	14,992
Actual benefit payments 2020	\$ 185
Benefits expected to be paid 2021	\$ 181
Benefits expected to be paid 2022	\$ 182
Benefits expected to be paid 2023	\$ 184
Benefits expected to be paid 2024	\$ 186
Benefits expected to be paid 2025	\$ 188
Benefits expected to be paid 2026-2029	\$ 768
Weighted average duration of defined benefits payments	15.1 years

Assumptions adopted can have a significant effect on the value of the obligations for defined benefit pension and other post-employment benefit plans and are based on historical experience and market inputs. The increase (decrease) in obligation in the following table has been determined for key assumptions assuming all other assumptions are held constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated. The two tables below present the sensitivity analysis of key assumptions for 2020.

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Assumed healthcare cost trend rates have a significant effect on the amounts recognized in net income. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

<i>(CAD\$ in millions)</i>	One percentage point increase 2020	One percentage point decrease 2020
Effect on current service costs	\$ -	\$ -
Effect on defined benefit obligation	4	(5)

The impact on the defined benefit obligation for the Pension Benefit Plans of changing certain of the major assumptions is as follows:

<i>(CAD\$ in millions)</i>	2020 Increase/ decrease in assumption	Effect on accrued benefit obligation	Effect on current service costs
Discount rate	1% increase	-553	-32
Discount rate	1% decrease	+ 710	+45
Longevity	1 year increase	+ 115	+ 3
Longevity	1 year decrease	- 119	- 3
Compensation	1% increase	+ 192	+ 20
Compensation	1% decrease	- 164	- 17

Note 23: Financial Instruments

Financial Risk Management Overview

The Company is exposed to a number of financial risks in the normal course of its business operations, including market risks resulting from fluctuations in commodity prices, interest rates and foreign currency exchange rates, as well as credit risks and liquidity risks. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior year. Risk management strategies and policies are employed to ensure that any exposures to these risks are in compliance with the Company's business objectives and risk tolerance levels set out in the Company's Treasury Risk Management Policy and Liability Risk Management Annual Strategic Plan. Responsibility for the oversight of risk management is held by the Company's Board of Directors and is implemented and monitored by senior management within the Company.

The following discussion is limited to the nature and extent of risks arising from financial instruments, as defined under IFRS 7, *Financial Instruments: Disclosures*. However, for a complete understanding of the nature and extent of financial risks the Company is exposed to, this note should be read in conjunction with the Company's discussion of Risk Management found in the Management's Discussion and Analysis section of the 2019/20 Annual Service Plan Report.

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(a) Credit Risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for a counterparty by failing to discharge an obligation. The Company is exposed to credit risk related to cash and cash equivalents, restricted cash, accounts receivable, non-current receivables, sinking fund investments, and derivative instruments.

The Company manages financial institution credit risk through a Board-approved treasury risk management policy. Exposures to credit risks are monitored on a regular basis. Large customers are assessed for credit quality by taking into account external credit ratings, where available, an analysis of financial position and liquidity, past experience and other factors. The Company assigns credit limits for counterparties based on evaluations of their financial condition, net worth, credit ratings, and other credit criteria. For some customers, security over accounts receivable may be obtained in the form of a security deposit.

Maximum credit risk with respect to financial assets is limited to the carrying amount presented on the statement of financial position with the exception of U.S. dollar sinking funds and non-current receivables which are classified as amortized cost and carried on the statement of financial position at \$217 million and \$147 million respectively. The maximum credit risk exposure for the U.S. dollar sinking funds and non-current receivables as at March 31, 2020 is their fair value of \$262 million and \$159 million, respectively.

(b) Liquidity Risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by forecasting cash flows to identify financing requirements and by maintaining a commercial paper borrowing program under an agreement with the Province (see Note 17). The Company's long-term debt comprises bonds and revolving borrowings obtained under an agreement with the Province. Cash from operations reduces the Company's liquidity risk. The Company 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: currency risk, interest rate risk, and other price risk, such as changes in commodity prices. The Company monitors its exposure to market fluctuations and may use derivative contracts to manage these risks, as it considers appropriate.

(i) Currency Risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's currency risk is primarily with the U.S. dollar.

The majority of the Company's currency risk arises from long-term debt in the form of U.S. dollar denominated bonds. Energy commodity prices are also subject to currency risk as they are primarily denominated in U.S. dollars. As a result, the Company's trade revenues and purchases of energy commodities, such as electricity and natural gas, and associated accounts receivable and accounts

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payable, are affected by the Canadian/U.S. dollar exchange rate. In addition, all commodity derivatives and contracts priced in U.S. dollars are also affected by the Canadian/U.S. dollar exchange rate.

The Company actively manages its currency risk through its Treasury Risk Management Policy. The Company uses cross-currency swaps and forward foreign exchange purchase contracts to achieve and maintain foreign currency exposure targets.

(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. The Company is exposed to changes in interest rates primarily through its variable rate debt and the active management of its debt portfolio including its related sinking fund assets and temporary investments. The Company actively manages its interest rate risk through its Treasury Risk Management Policy. The Company uses interest rate swaps and bond locks to lock in interest rates on future debt issues to protect against rising interest rates.

(iii) Commodity Price Risk

Commodity 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 Company has exposure to movements in prices for commodities including electricity, natural gas and other associated products. Prices for electricity and natural gas fluctuate in response to changes in supply and demand, market uncertainty, and other factors beyond the Company's control.

The management of commodity price risk is governed by risk management policies with oversight from either the BC Hydro or subsidiary Board of Directors. Risk management strategies, policies and limits are designed to ensure the Company's risks and related exposures are aligned with the Company's business objectives and risk tolerance. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Company's activities.

Categories of Financial Instruments

The following table provides a comparison of carrying values and fair values for non-derivative financial instruments as at March 31, 2020 and 2019 and April 1, 2018.

<i>(CAD\$ in millions)</i>	March 31, 2020		March 31, 2019		April 1, 2018		2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Interest Income (Expense) recognized in Finance Charges	Interest Income (Expense) recognized in Finance Charges	Interest Income (Expense) recognized in Finance Charges	Interest Income (Expense) recognized in Finance Charges
Fair Value Through Profit or Loss (FVPTL):										
Cash equivalents - short-term investments	\$ 78	\$ 78	\$ 50	\$ 50	\$ 31	\$ 31	\$ 3	\$ 3		
Amortized Cost:										
Cash	37	37	34	34	11	11	-	-		
Restricted cash	15	15	109	109	77	77	-	-		
Accounts receivable and accrued revenue	770	770	912	912	728	728	-	-		
Non-current receivables	147	159	148	159	194	195	7	9		
Sinking funds	217	262	197	220	182	201	9	9		
Accounts payable and accrued liabilities	(1,626)	(1,626)	(1,546)	(1,546)	(1,665)	(1,665)	-	-		
Revolving borrowings	(2,743)	(2,743)	(2,945)	(2,945)	(2,053)	(2,053)	(47)	(39)		
Long-term debt (including current portion due in one year)	(20,943)	(24,318)	(19,437)	(22,480)	(18,311)	(20,814)	(825)	(815)		
First Nations liabilities (non-current portion)	(398)	(542)	(391)	(640)	(399)	(652)	(18)	(17)		
Lease liabilities (non-current portion)	(1,425)	(1,425)	(1,470)	(1,470)	(1,519)	(1,519)	(51)	(52)		
Other liabilities	(430)	(448)	(419)	(434)	(409)	(416)	(23)	(18)		

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When the carrying value differs from fair value, the fair values of non-derivative financial instruments would be classified as Level 2 of the fair value hierarchy. The carrying value of cash equivalents, restricted cash, accounts receivable and accrued revenue, accounts payable and accrued liabilities, and revolving borrowings approximates fair value due to the short duration of these financial instruments.

Hedges

As permitted by the transitional provision for hedge accounting under IFRS 9, the Company has elected to continue with the hedging requirements of IAS 39, Financial Instruments: Recognition and Measurement (IAS 39) and not adopt the hedging requirements of IFRS 9.

The following foreign currency contracts under hedge accounting were in place at March 31, 2020 in a net asset position of \$88 million (2019 – net asset \$22 million, April 1, 2018 – net asset \$99 million). Such contracts are used to hedge the principal on \$US denominated long-term debt and the principal and coupon payments on Euro denominated long-term debt for which hedge accounting has been applied. The hedging instruments are effective in offsetting changes in the cash flows of the hedged item attributed to the hedged risk. The main source of hedge ineffectiveness in these hedges is credit risk.

<i>(\$ amounts in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Cross- Currency Hedging Swaps			
Euro dollar to Canadian dollar - notional amount ¹	€ 402	€ 402	€ 402
Euro dollar to Canadian dollar - weighted average contract rate	1.47	1.47	1.47
Weighted remaining term	8 years	9 years	10 years
Foreign Currency Hedging Forwards			
United States dollar to Canadian dollar - notional amount ¹	US\$ 573	US\$ 573	US\$ 773
United States dollar to Canadian dollar - weighted average contract rate	1.25	1.25	1.19
Weighted remaining term	10 years	11 years	9 years

¹Notional amount for a derivative instrument is defined as the contractual amount on which payments are calculated.

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The fair value of derivative instruments designated and not designated as hedges, was as follows:

<i>(CAD\$ in millions)</i>	March 31, 2020 Fair Value	March 31, 2019 Fair Value	April 1, 2018 Fair Value
Designated Derivative Instruments Used to Hedge Risk			
Associated with Long-term Debt:			
Foreign currency contract assets (cash flow hedges for \$US denominated long-term debt)	\$ 74	\$ 10	\$ 59
Foreign currency contract liabilities (cash flow hedges for \$US denominated long-term debt)	-	-	(8)
Foreign currency contract assets (cash flow hedges for €EURO denominated long-term debt)	14	12	48
	88	22	99
Non-Designated Derivative Instruments:			
Interest rate contract assets	-	25	180
Interest rate contract liabilities	(1,011)	(310)	(97)
Foreign currency contract assets	55	2	6
Commodity derivative assets	54	78	36
Commodity derivative liabilities	(54)	(72)	(73)
	(956)	(277)	52
Net (liability) asset	\$ (868)	\$ (255)	\$ 151

The carrying value of derivative instruments designated and not designated as hedges was the same as the fair value.

The derivatives are represented on the statement of financial position as follows:

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Current portion of derivative financial instrument assets	\$ 106	\$ 79	\$ 174
Current portion of derivative financial instrument liabilities	(358)	(89)	(114)
Derivative financial instrument assets, non-current	92	49	156
Derivative financial instrument liabilities, non-current	(708)	(294)	(65)
Net (liability) asset	\$ (868)	\$ (255)	\$ 151

For designated cash flow hedges for the year ended March 31, 2020, there was a gain of \$66 million (2019 – loss of \$24 million). The effective portion was recognized in other comprehensive income and the ineffective portion was recognized in finance charges. For the year ended March 31, 2020, \$63 million (2019 - \$8 million) was reclassified from other comprehensive income and reported in net income, offsetting net foreign exchange losses (2019 - gains) recorded in the period.

For outstanding interest rate contracts not designated as hedges with an aggregate notional principal of \$5.03 billion (2019 - \$6.05 billion, April 1, 2018 - \$4.90 billion), used to economically hedge the interest rates on future debt issuances, there was a \$743 million decrease (2019 - \$335 million decrease) in the fair value of these contracts for the year ended March 31, 2020. For interest rate contracts associated with debt issued, there was a \$35 million decrease (2019 - \$14 million increase) in the fair value of contracts that

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settled during the year ended March 31, 2020. The net decrease for the year ended March 31, 2020 of \$778 million (2019 - \$321 million) in the fair value of these interest rate contracts was transferred to the Debt Management Regulatory Account which had an asset balance of \$953 million as at March 31, 2020.

Foreign currency contracts for cash management purposes not designated as hedges, for the year ended March 31, 2020, had a loss of \$nil (2019 – gain of \$1 million) recognized in finance charges. Foreign currency contracts associated with U.S. revolving borrowings not designated as hedges, for the year ended March 31, 2020, had a gain of \$65 million (2019 - gain of \$3 million) recognized in finance charges. These economic hedges offset \$63 million of foreign exchange revaluation losses (2019 – losses of \$1 million) recorded in finance charges with respect to U.S. revolving borrowings for the year ended March 31, 2020.

For commodity derivatives not designated as hedges, a net gain of \$344 million (2019 - gain of \$287 million) was recorded in trade revenue for the year ended March 31, 2020.

Inception Gains and Losses

Changes in deferred inception gains and losses are as follows:

<i>(CAD\$ in millions)</i>	2020	2019
Deferred inception gain, beginning of the year	\$ 15	\$ 23
New transactions	21	43
Amortization	(29)	(52)
Foreign currency translation (gain) loss	-	1
Deferred inception gain, end of the year	\$ 7	\$ 15

CREDIT RISK

Domestic Electricity Receivables

A customer application and a credit check are required prior to initiation of services. For customers with no BC Hydro credit history, the Company ensures accounts are secured either by a credit bureau check, a cash security deposit, or a credit reference letter.

The value of the current domestic and trade accounts receivable, by age and the related provision for doubtful accounts are presented in the following table:

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Current Domestic and Trade Accounts Receivable Net of Allowance for Doubtful Accounts

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Current	\$ 368	\$ 592	\$ 448
Past due (30-59 days)	35	31	32
Past due (60-89 days)	11	7	7
Past due (More than 90 days)	4	16	12
	418	646	499
Less: Allowance for doubtful accounts	(6)	(6)	(7)
	\$ 412	\$ 640	\$ 492

At the end of each period, a review of the provision for doubtful accounts is performed. An assessment is performed based on the expected lifetime credit losses of domestic and trade accounts receivable at the statement of financial position date. The assessment is made by reference to age, status and risk of each receivable, current economic conditions including consideration of the impacts of COVID-19, and historical information. At March 31, 2020 there was a high degree of uncertainty and judgement regarding the impact that COVID-19 would have on credit risk and expected lifetime credit losses.

Financial Assets Arising from the Company's Trading Activities

The Company's management of credit risk generally includes evaluation of counterparty's credit quality, establishment of credit limits, and measurement, monitoring and mitigation of exposures. The Company assesses the creditworthiness of counterparties before entering into contractual obligations, and then reassesses changes on an ongoing basis. Credit risk is managed through securing, where appropriate, corporate guarantees, cash collateral, letters of credit, or third party credit insurance, and through the use of master netting agreements and margining provisions in contracts. Counterparty exposures are monitored on a daily basis against established credit limits. The Company's counterparties span a variety of industries. There is no significant industry concentration of credit risk.

The following table sets out the carrying amounts of recognized financial instruments presented in the statement of financial position on a gross basis that are subject to derivative master netting agreements or similar agreements:

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<i>(CAD\$ in millions)</i>	Gross Derivative Instruments	Related Instruments Not Offset	Net Amount
As at March 31, 2020			
Derivative commodity assets	\$ 54	\$ 3	\$ 51
Derivative commodity liabilities	54	3	51
As at March 31, 2019			
Derivative commodity assets	\$ 78	\$ 1	\$ 77
Derivative commodity liabilities	72	1	71
As at April 1, 2018			
Derivative commodity assets	\$ 36	\$ 2	\$ 34
Derivative commodity liabilities	73	2	71

LIQUIDITY RISK

The following table details the remaining contractual maturities at March 31, 2020 of the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows. Interest payments have been computed using contractual rates or, if floating, based on rates current at March 31, 2020. In respect of the cash flows in foreign currencies, the exchange rate as at March 31, 2020 has been used.

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	Carrying Value	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026 and thereafter
<i>(CAD\$ in millions)</i>							
Non-Derivative Financial Liabilities							
Total accounts payable and other payables (excluding interest accruals and current portion of lease obligations and First Nations liabilities)	\$ 1,294	\$ (1,294)	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt (including interest payments)	23,906	(4,658)	(1,263)	(1,203)	(880)	(682)	(27,451)
Lease obligations	1,504	(128)	(125)	(93)	(93)	(93)	(1,636)
Other long-term liabilities	842	(96)	(94)	(66)	(62)	(60)	(1,807)
Total Non-Derivative Financial Liabilities	27,546	(6,176)	(1,482)	(1,362)	(1,035)	(835)	(30,894)
Derivative Financial Liabilities							
Other forward foreign exchange contracts designated at fair value	1						
Cash outflow		(66)	-	-	-	-	-
Cash inflow		65	-	-	-	-	-
Interest rate swaps used for hedging	1,011	(314)	(309)	(242)	(137)	(9)	-
Total Derivative Financial Liabilities	1,012	(315)	(309)	(242)	(137)	(9)	-
Total Financial Liabilities	28,558	(6,491)	(1,791)	(1,604)	(1,172)	(844)	(30,894)
Derivative Financial Assets							
Cross currency swaps used for hedging	(14)						
Cash outflow		(14)	(14)	(14)	(14)	(14)	(636)
Cash inflow		5	5	5	5	5	640
Forward foreign exchange contracts used for hedging	(74)						
Cash outflow		-	-	-	-	-	(719)
Cash inflow		-	-	-	-	-	806
Other forward foreign exchange contracts designated at fair value	(56)						
Cash outflow		(942)	-	-	-	-	-
Cash inflow		998	-	-	-	-	-
Net commodity derivatives	-	14	2	(2)	(3)	(3)	-
Total Derivative Financial Assets	(144)	61	(7)	(11)	(12)	(12)	91
Net Financial Liabilities	\$ 28,414	\$ (6,430)	\$ (1,798)	\$ (1,615)	\$ (1,184)	\$ (856)	\$ (30,803)

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MARKET RISKS

(a) Currency Risk

Sensitivity Analysis

A \$0.01 strengthening (weakening) of the U.S. dollar against the Canadian dollar at March 31, 2020 would otherwise have a negative (positive) impact of \$2 million on net income before movement in regulatory balances but as a result of regulatory accounting would have no impact on net income or other comprehensive income. The Total Finance Charges Regulatory Account that captures all variances from forecasted finance charges (as described in Note 15) eliminates any impact on net income. This analysis assumes that all other variables, in particular interest rates, remain constant.

This sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at March 31, 2020 and been applied to each of the Company's exposures to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables remain constant. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next statement of financial position date.

(b) Interest Rate Risk

Sensitivity analysis for variable rate non-derivative instruments

An increase (decrease) of 100-basis points in interest rates at March 31, 2020 would otherwise have a negative (positive) impact on net income before movement in regulatory balance of \$30 million, but as a result of regulatory accounting, it would have no impact on net income or other comprehensive income. The Total Finance Charges Regulatory Account that captures all variances from forecasted finance charges (as described in Note 15) eliminates any impact on net income. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

For the interest rate contracts, an increase of 100-basis points in interest rates at March 31, 2020 would otherwise have a positive impact on net income of \$820 million and a decrease of 100 basis points in interest rates at March 31, 2020 would otherwise have a negative impact on net income before movement in regulatory balances of \$1.02 billion but as a result of regulatory accounting would have no impact on net income or other comprehensive income as all gains and losses will be captured in the Debt Management Regulatory Account.

This sensitivity analysis has been determined assuming that the change in interest rates had occurred at March 31, 2020 and been applied to each of the Company's exposure to interest rate risk for non-derivative financial instruments in existence at that date, and that all other variables remain constant. The stated change represents management's assessment of reasonably possible changes in interest rates over the period until the next statement of financial position date.

(c) Commodity Price Risk

Sensitivity Analysis

Commodity price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in commodity prices.

The Company has exposure to movements in prices for commodities including electricity, natural gas

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and associated derivative products. Prices for electricity and natural gas commodities fluctuate in response to changes in supply and demand, market uncertainty, and other factors beyond the Company's control.

The Company manages these exposures through its risk management policies, which limit components of and overall market risk exposures, pre-defined approved products and mandate regular reporting of exposures.

The Company's risk management policies for trading activities defines various limits and controls, including Value at Risk (VaR) limits, Mark-to-Market limits, and various transaction specific limits which are monitored on a daily basis. VaR estimates the pre-tax forward trading loss that could result from changes in commodity prices, with a specific level of confidence, over a specific time period. The Company uses an industry standard Monte Carlo VaR model to determine the potential change in value of the Company's forward trading portfolio over a 10-day holding period, within a 95% confidence level, resulting from normal market fluctuations.

VaR as an estimate of price risk has several limitations. The VaR model uses historical information to determine potential future volatility and correlation, assuming that price movements in the recent past are indicative of near-term future price movements. It cannot forecast unusual events which can lead to extreme price movements. In addition, it is sometimes difficult to appropriately estimate VaR associated with illiquid or non-standard products. As a result, the Company uses additional measures to supplement the use of VaR to estimate price risk. These include the use of a Historic VaR methodology, stress tests and notional limits for illiquid or emerging products.

The VaR for commodity derivatives, calculated under this methodology, was approximately \$7 million at March 31, 2020 (2019 - \$10 million, April 1, 2018 - \$6 million).

Fair Value Hierarchy

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped based on the lowest level of input that is significant to that fair value measurement.

The inputs used in determining fair value are characterized by using a hierarchy that prioritizes inputs based on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1 - values are quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 - inputs are those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, as of the reporting date.

The Company determines Level 2 fair values for debt securities and derivatives using discounted cash flow techniques, which use contractual cash flows and market-related discount rates.

Level 2 fair values for commodity derivatives are determined using inputs other than unadjusted quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices). Level 2 includes bilateral and over-the-counter contracts valued using

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interpolation from observable forward curves or broker quotes from active markets for similar instruments and other publicly available data, and options valued using industry-standard and accepted models incorporating only observable data inputs.

- Level 3 - inputs are those that are not based on observable market data. Level 3 fair values for commodity derivatives are determined using inputs that are based on significant unobservable inputs.

Level 3 includes instruments valued using observable prices adjusted for unobservable basis differentials such as delivery location and product quality, instruments which are valued by extrapolation of observable market information into periods for which observable market information is not yet available, and instruments valued using internally developed or non-standard valuation models.

The following tables present the financial instruments measured at fair value for each hierarchy level as at March 31, 2020 and 2019, and April 1, 2018:

<i>As at March 31, 2020 (CAD\$ in millions)</i>	Level 1	Level 2	Level 3	Total
Total financial assets carried at fair value:				
Short-term investments	\$ 78	\$ -	\$ -	\$ 78
Derivatives designated as hedges	-	88	-	88
Derivatives not designated as hedges	45	60	5	110
	\$ 123	\$ 148	\$ 5	\$ 276

<i>As at March 31, 2020 (CAD\$ in millions)</i>	Level 1	Level 2	Level 3	Total
Total financial liabilities carried at fair value:				
Derivatives designated as hedges	\$ -	\$ -	\$ -	\$ -
Derivatives not designated as hedges	(33)	(1,016)	(17)	(1,066)
	\$ (33)	\$ (1,016)	\$ (17)	\$ (1,066)

<i>As at March 31, 2019 (CAD\$ in millions)</i>	Level 1	Level 2	Level 3	Total
Total financial assets carried at fair value:				
Short-term investments	\$ 50	\$ -	\$ -	\$ 50
Derivatives designated as hedges	-	22	-	22
Derivatives not designated as hedges	64	38	4	106
	\$ 114	\$ 60	\$ 4	\$ 178

<i>As at March 31, 2019 (CAD\$ in millions)</i>	Level 1	Level 2	Level 3	Total
Total financial liabilities carried at fair value:				
Derivatives designated as hedges	\$ -	\$ -	\$ -	\$ -
Derivatives not designated as hedges	(47)	(325)	(11)	(383)
	\$ (47)	\$ (325)	\$ (11)	\$ (383)

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As at April 1, 2018 (CAD\$ in millions)	Level 1	Level 2	Level 3	Total
Total financial assets carried at fair value:				
Short-term investments	\$ 31	\$ -	\$ -	\$ 31
Derivatives designated as hedges	-	107	-	107
Derivatives not designated as hedges	17	201	5	223
	\$ 48	\$ 308	\$ 5	\$ 361

As at April 1, 2018 (CAD\$ in millions)	Level 1	Level 2	Level 3	Total
Total financial liabilities carried at fair value:				
Derivatives designated as hedges	\$ -	\$ (8)	\$ -	\$ (8)
Derivatives not designated as hedges	(62)	(106)	(3)	(171)
	\$ (62)	\$ (114)	\$ (3)	\$ (179)

The Company's policy is to recognize level transfers at the end of each period during which the change occurred. There were no transfers between Level 1 and 2 during the year (2019 - \$1 million).

The following table reconciles the changes in the balance of financial instruments carried at fair value on the statement of financial position, classified as Level 3, for the years ended March 31, 2020 and 2019:

(CAD\$ in millions)

Balance as at April 1, 2019	\$ (7)
Net gain recognized	31
New transactions	(15)
Transfer from Level 3 to Level 2	-
Existing transactions settled	(21)
Balance as at March 31, 2020	\$ (12)

(CAD\$ in millions)

Balance as at April 1, 2018	\$ 2
Net loss recognized	(31)
New transactions	8
Transfer from Level 3 to Level 2	-
Existing transactions settled	14
Balance as at March 31, 2019	\$ (7)

There were no transfers between Level 3 and 2 during the year (2019 – no transfers).

During the year ended March 31, 2020, unrealized gains of \$18 million (2019 – losses of \$12 million) were recognized on Level 3 derivative commodity financial instruments still on hand. These gains and losses were recognized in trade revenues.

Methodologies and procedures regarding commodity trading Level 3 fair value measurements are determined by the Company's risk management group. Level 3 fair values are calculated within the Company's risk management policies for trading activities based on underlying contractual data as well as

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observable and non-observable inputs. To ensure reasonability, Level 3 fair value measurements are reviewed and validated by risk management and finance departments on a regular basis.

The key unobservable inputs in the valuation of certain Level 3 financial instruments include components of forward commodity prices and delivery or receipt volumes. A sensitivity analysis was prepared using the Company's assessment of reasonably possible changes in various components of forward prices and volumes of 10 per cent. Forward commodity prices used in determining Level 3 fair value at March 31, 2020 are \$0-\$108 per MWh and a 10 per cent increase/decrease in certain components of these prices would decrease/increase fair value by \$1 million. A 10 per cent change in estimated volumes used in determining Level 3 fair value would increase/decrease fair value by \$13 million.

Note 24: Other Non-Current Liabilities

<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Provisions			
Environmental liabilities	\$ 309	\$ 284	\$ 317
Decommissioning obligations	77	53	53
Other	29	30	70
	415	367	440
First Nations liabilities	412	410	401
Other contributions	234	238	242
Other liabilities	430	419	409
	1,491	1,434	1,492
Less: Current portion, included in accounts payable and accrued liabilities	(109)	(88)	(123)
	\$ 1,382	\$ 1,346	\$ 1,369

Changes in each class of provision during the financial year are set out below:

<i>(CAD\$ in millions)</i>	Environmental	Decommissioning	Other	Total
Balance at April 1, 2018	\$ 317	\$ 53	\$ 70	\$ 440
Made during the period	-	-	26	26
Used during the period	(32)	(1)	(67)	(100)
Reversed during the period	(9)	-	(1)	(10)
Changes in estimate	2	-	2	4
Accretion	6	1	-	7
Balance at March 31, 2019	\$ 284	\$ 53	\$ 30	\$ 367
Made during the period	-	-	10	10
Used during the period	(32)	(2)	-	(34)
Changes in estimate	52	25	(12)	65
Changes due to currency translation	-	-	1	1
Accretion	5	1	-	6
Balance at March 31, 2020	\$ 309	\$ 77	\$ 29	\$ 415

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Environmental Liabilities

The Company has recorded a liability for the estimated future environmental expenditures related to present or past activities of the Company. The Company's recorded liability is based on management's best estimate of the present value of the future expenditures expected to be required to comply with existing regulations. There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations and advances in remediation technologies. All factors used in estimating the Company's environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. Estimated environmental liabilities are reviewed annually or more frequently if significant changes in regulation or other relevant factors occur. Estimate changes are accounted for prospectively.

At March 31, 2020, the undiscounted cash flow related to the Company's environmental liabilities, which will be incurred between fiscal 2021 and 2045, is approximately \$338 million and was determined based on current cost estimates. A range of discount rates between 0.4 per cent and 1.3 per cent were used to calculate the net present value of the obligations.

Decommissioning Obligations

The Company's decommissioning obligation provision consists of estimated removal and destruction costs associated with certain PCB and asbestos contaminated assets and certain submarine cables. The Company has determined its best estimate of the undiscounted amount of cash flows required to settle remediation obligations at \$95 million (2019 - \$77 million, April 1, 2018 - \$80 million), which will be settled between fiscal 2021 and 2054. The undiscounted cash flows are then discounted by a range of discount rates between 0.7 per cent and 1.3 per cent were used to calculate the net present value of the obligations. The obligations are re-measured at each period end to reflect changes in estimated cash flows and discount rates.

First Nations Liabilities

The First Nations liabilities consist primarily of settlement costs related to agreements reached with various First Nations groups. First Nations liabilities are recorded as financial liabilities and are measured at fair value on initial recognition with future contractual cash flows being discounted at rates ranging from 4.4 per cent to 5.0 per cent. These liabilities are measured at amortized cost and not re-measured for changes in discount rates. The First Nations liabilities are non-interest bearing.

Other Contributions

Other contributions consist of contribution from a vendor to aid in the construction of a transmission system. Contributions include payment received and also contributions to be received (refer to Note 14) and are being recognized as an offset to the applicable energy purchase costs over the life of the energy purchase agreement.

Other Liabilities

Other liabilities mainly include a contractual obligation associated with the construction of a capital project. This contractual obligation has an implicit interest rate of 7 per cent and a repayment term of 15 years commencing in fiscal 2019. This liability is measured at amortized cost and not re-measured for changes in discount rates. In addition, other liabilities also include long-term payables to other goods and service providers.

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Note 25: Commitments and Contingencies

Energy Commitments

BC Hydro (excluding Powerex) has long-term energy and capacity purchase contracts to meet a portion of its expected future domestic electricity requirements. The expected obligations to purchase energy under these contracts have a total value of approximately \$48.41 billion of which approximately \$86 million relates to the purchase of natural gas and natural gas transportation contracts. The remaining commitments are at predetermined prices. Included in the total value of the long-term energy purchase agreements is \$2.06 billion accounted for as a lease liability under Note 19. The total BC Hydro combined payments are estimated to be approximately \$1.52 billion for less than one year, \$6.26 billion between one and five years, and \$40.63 billion for more than five years.

Powerex has energy purchase commitments with an estimated minimum payment obligation of \$1.72 billion extending to 2034. The total Powerex energy purchase commitments are estimated to be approximately \$512 million for less than one year, \$1.19 billion between one and five years, and \$24 million for more than five years. Powerex has energy sales commitments of \$473 million extending to 2031 with estimated amounts of \$314 million for less than one year, \$147 million between one and five years, and \$12 million for more than five years.

Lease and Service Agreements

The Company has entered into various agreements to lease facilities or assets or service agreements supporting operations. The agreements cover periods of up to 99 years, and the aggregate minimum payments are approximately \$847 million. Included in the total value of the lease agreements is \$110 million accounted for as a lease liability under Note 19. Payments are \$57 million for less than one year, \$125 million between one and five years, and \$666 million for more than five years.

Refer to Note 11 for commitments pertaining to major property, plant and equipment projects.

Contingencies and Guarantees

- a) Facilities and Rights of Way: the Company is subject to existing and pending legal claims relating to alleged infringement and damages in the operation and use of facilities owned by the Company. These claims may be resolved unfavourably with respect to the Company and may have a significant adverse effect on the Company's financial position. For existing claims in respect of which settlement negotiations have advanced to the extent that potential settlement amounts can reasonably be predicted, management has recorded a liability for the potential costs of those settlements. For pending claims, management believes that there is a risk that any loss exposure that may ultimately be incurred may differ materially from management's current estimates. Management has not disclosed the ranges of expected outcomes due to the potentially adverse effect on the negotiation process for these claims.
- b) Due to the size, complexity and nature of the Company's operations, various other legal matters are pending. It is not possible at this time to predict with any certainty the outcome of such litigation. Management believes that any settlements related to these matters will not have a material effect on the Company's consolidated financial position or results of operations.

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- c) The Company and its subsidiaries have outstanding letters of credit totaling \$1.29 billion (2019 - \$1.27 billion, April 1, 2018 – 1.17 billion), including amounts to secure pension plan solvency deficiency payments related to the registered pension plan. The total outstanding letters of credit also includes US \$34 million (2019 - US \$25 million, April 1, 2018 – US \$12 million) in foreign denominated letters of credit.

Note 26: Related Party Transactions

Subsidiaries

The principal subsidiaries of BC Hydro are Powerex, Powertech, and Columbia.

All companies are wholly owned and incorporated in Canada and all ownership is in the form of common shares. Operating out of Vancouver, BC, Canada, Powerex is an energy marketer, whose activities include trading wholesale power, environmental products (renewable energy credits or other similar products), carbon products (allowances and other similar products), natural gas, ancillary services, and financial energy products in North America. Powertech offers services to solve technical problems with power equipment and systems in Canada and throughout the world. Columbia provides construction services in support of certain BC Hydro capital programs.

All intercompany transactions and balances are eliminated upon consolidation.

Related Parties

As a Crown Corporation, the Company and the Province, including all ministries, crown corporations and agencies under the Province's control are considered related parties. All transactions between the Company and its related parties are considered to possess commercial substance and are consequently recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The related party transactions are summarized below:

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<i>(CAD\$ in millions)</i>	March 31, 2020	March 31, 2019	April 1, 2018
Consolidated Statement of Financial Position			
Prepaid expenses	\$ 83	\$ 87	\$ 95
Right-of-use assets	1,299	1,330	1,376
Accounts payable and accrued liabilities	69	139	222
Lease liabilities	1,399	1,416	1,446
	2020	2019	
Amounts incurred/accrued during the year include:			
Water rental fees	293	331	
Cost of energy	168	225	
Grants and Taxes	146	141	
Interest	872	854	
Derivatives	41	(110)	
Dividend payments	-	59	
Lease payments	99	96	
Other	17	70	

The Company's debt is either held or guaranteed by the Province (see Note 17). Under an agreement with the Province, the Company indemnifies the Province for any credit losses incurred by the Province related to interest rate and foreign currency contracts entered into by the Province on the Company's behalf. As at March 31, 2020, the aggregate exposure under this indemnity totaled \$144 million (2019 - \$49 million, April 1, 2018 - \$293 million). The Company has not experienced any losses to date under this indemnity.

BC Hydro receives Low Carbon Fuel Credits from the Province and sells these through a public auction process.

All other transactions with the Province, including all ministries, crown corporations and agencies under the Province's control occurred in the normal course of operations, and are not considered to be individually or collectively significant.

Key Management Personnel and Board Compensation

Key management personnel and board compensation includes compensation to the Company's executive management team and board of directors.

<i>(CAD\$ in millions)</i>	2020	2019
Short-term employee benefits	\$ 4	\$ 4
Post-employment benefits	2	1

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

Note 27: Explanation of Adoption of IFRS 16

The Company previously recognized three long-term energy purchase agreements as finance leases. Under IFRS 16, these three long-term energy purchase agreements no longer meet the definition of a lease as the contract does not convey the right to control the use of the identified asset. In addition, the Company recognized certain long-term energy purchase agreements, office property agreements, and generating equipment agreements as a lease upon adoption of IFRS 16.

The following table summarizes the impact of the adjustments to the following periods:

Reconciliation of Consolidated Statement of Financial Position

	As at April 1, 2018			As at March 31, 2019		
<i>(CAD\$ in millions)</i>	Pre-policy change	IFRS 16 Adjustment	Post-policy change	Pre-policy change	IFRS 16 Adjustment	Post-policy change
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 42	\$ -	\$ 42	\$ 84	\$ -	\$ 84
Restricted cash	77	-	77	109	-	109
Accounts receivable and accrued revenue	728	-	728	912	-	912
Inventories	144	-	144	168	-	168
Prepaid expenses	152	(3)	149	153	(5)	148
Current portion of derivative financial instrument assets	174	-	174	79	-	79
	1,317	(3)	1,314	1,505	(5)	1,500
Non-Current Assets						
Property, plant and equipment	25,079	(640)	24,439	27,952	(618)	27,334
Right-of-use assets	-	1,526	1,526	-	1,466	1,466
Intangible assets	591	-	591	602	-	602
Derivative financial instrument assets	156	-	156	49	-	49
Other non-current assets	647	(18)	629	622	(13)	609
	26,473	868	27,341	29,225	835	30,060
Total Assets	27,790	865	28,655	30,730	830	31,560
Regulatory Balances						
	5,891	64	5,955	4,942	65	5,007
Total Assets and Regulatory Balances	\$ 33,681	\$ 929	\$ 34,610	\$ 35,672	\$ 895	\$ 36,567
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued liabilities	\$ 1,603	\$ 62	\$ 1,665	\$ 1,478	\$ 68	\$ 1,546
Current portion of long-term debt	3,344	-	3,344	3,121	-	3,121
Current portion of unearned revenues and contributions in aid	85	-	85	87	-	87
Current portion of derivative financial instrument liabilities	112	2	114	89	-	89
	5,144	64	5,208	4,775	68	4,843
Non-Current Liabilities						
Long-term debt	17,020	-	17,020	19,261	-	19,261
Lease liabilities	652	867	1,519	642	828	1,470
Derivative financial instrument liabilities	66	(1)	65	296	(2)	294
Unearned revenues and contributions in aid	1,758	-	1,758	1,905	-	1,905
Post-employment benefits	1,474	-	1,474	1,752	-	1,752
Other non-current liabilities	1,369	-	1,369	1,346	-	1,346
	22,339	866	23,205	25,202	826	26,028
Total Liabilities	27,483	930	28,413	29,977	894	30,871
Regulatory Balances						
	751	-	751	748	2	750
Total Liabilities and Regulatory Balances	28,234	930	29,164	30,725	896	31,621
Shareholder's Equity						
Contributed surplus	60	-	60	60	-	60
Retained earnings	5,421	(1)	5,420	4,934	(1)	4,933
Accumulated other comprehensive loss	(34)	-	(34)	(47)	-	(47)
	5,447	(1)	5,446	4,947	(1)	4,946
Total Liabilities, Regulatory Balances, and Shareholder's Equity	\$ 33,681	\$ 929	\$ 34,610	\$ 35,672	\$ 895	\$ 36,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

Reconciliation of Consolidated Statement of Comprehensive Income (Loss)

For the year ended March 31, 2019

<i>(CAD\$ in millions)</i>	Pre-policy change	IFRS 16 Adjustment	Post-policy change
Revenues			
Domestic	\$ 5,432	\$ -	\$ 5,432
Trade	1,141	3	1,144
	6,573	3	6,576
Expenses			
Operating expenses	4,696	(8)	4,688
Finance charges	1,186	10	1,196
Net Income Before Movement in Regulatory Balances	691	1	692
Net movement in regulatory balances	(1,119)	(1)	(1,120)
Net Loss	(428)	-	(428)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items That Will Be Reclassified to Net Loss			
Effective portion of changes in fair value of derivatives designated as cash flow hedges	(24)	-	(24)
Reclassification to income of derivatives designated as cash flow hedges	8	-	8
Foreign currency translation gains (losses)	3	-	3
Items That Will Not Be Reclassified to Net Loss			
Actuarial loss	(173)	-	(173)
Other Comprehensive Loss before movement in regulatory balances	(186)	-	(186)
Net movements in regulatory balances	173	-	173
Other Comprehensive Loss	(13)	-	(13)
Total Comprehensive Loss	\$ (441)	-	\$ (441)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

Reconciliation of Consolidated Statement of Cash Flows

For the year ended March 31, 2019

<i>(CAD\$ in millions)</i>	Pre-policy change	IFRS 16 Adjustment	Post-policy change
Operating Activities			
Net loss	\$ (428)	-	\$ (428)
Regulatory account transfers	946	1	947
Adjustments for non-cash items:			
Amortization and depreciation expense	880	69	949
Unrealized losses on derivative financial instruments	286	-	286
Post-employment benefits expense	106	-	106
Interest accrual	854	-	854
Other items	38	7	45
	2,682	77	2,759
Changes in working capital and other assets and liabilities	100	(4)	96
Interest paid	(868)	(52)	(920)
Cash provided by operating activities	1,914	21	1,935
Investing Activities			
Property, plant and equipment and intangible asset expenditures	(3,766)	-	(3,766)
Cash used in investing activities	(3,766)	-	(3,766)
Financing Activities			
Long-term debt issued	2,418	-	2,418
Long-term debt retired	(1,287)	-	(1,287)
Receipt of revolving borrowings	8,865	-	8,865
Repayment of revolving borrowings	(7,981)	-	(7,981)
Payment to the Province	(159)	-	(159)
Payment of principal portion of lease liability	(54)	(21)	(75)
Other items	92	-	92
Cash provided by financing activities	1,894	(21)	1,873
Increase in cash and cash equivalents	42	-	42
Cash and cash equivalents, beginning of year	42	-	42
Cash and cash equivalents, end of year	\$ 84	-	84

Note 28: Subsequent Events

Subsequent to March 31, 2020, the COVID-19 pandemic has continued to adversely impact global activity and has contributed to significant volatility and negative pressure in financial markets. The impact of COVID-19 has been rapidly evolving, and as cases of the virus have continued to be identified, many countries including Canada have reacted by instituting public health measures, including quarantines and restrictions on travel. Given the extent of the crisis, it is difficult to estimate the ultimate impact on BC Hydro.

On April 1, 2020 BC Hydro announced a series of customer relief measures related to COVID-19 and on April 2, 2020 the Province issued Order in Council No. 159 directing the BCUC to approve BC Hydro's

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019**

COVID-19 Customer Relief Program Application. The BCUC approved the COVID-19 Customer Relief Program Application on April 7, 2020.