COLUMBIA POWER CORPORATION

SERVICE PLAN
2008/09–2010/11

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Honourable Richard Neufeld
Minister of Energy, Mines and Petroleum Resources

Dear Minister Neufeld:

I am pleased to submit Columbia Power Corporation's 2008/09–2010/11 Service Plan.

Columbia Power Corporation is wholly owned and controlled by the Province of British Columbia. As an agent of the Province, the Corporation develops and operates power projects in the Columbia Basin, on a joint venture basis with the Columbia Basin Trust. Columbia Power Corporation is the joint venture manager

Columbia Power Corporation oversees the operations of the Brilliant dam, powerplant and terminal station, the Arrow Lakes Generating Station and the Brilliant Expansion. The Brilliant facility continues to perform at a high level, with earnings from these assets maintaining their upward trend. The 120-megawatt Brilliant Expansion began commercial operation on September 7, 2007. The design-build contractor for the Brilliant Expansion has submitted significant claims against the project. Columbia Power Corporation is conducting a review of these claims. The final impact of the claims cannot be reliably estimated at this time.

Development phase activities for the Waneta Expansion during 2007/08 have focused on the project's Environmental Assessment Certificate Application. The Waneta Expansion received its provincial Environmental Assessment Certificate on October 13, 2007 with the federal environmental permit expected shortly. A provincial water licence, delayed due to flow issues with regards to white sturgeon, was issued on January 22, 2008.

Columbia Power Corporation has received a *Shareholder's Letter of Expectations* from the Province, defining primary responsibilities and setting out the expectations of government and the Minister of Energy, Mines and Petroleum Resources. Further to the specific directions in the Letter, the search for a new President was completed, with Barry Chuddy being appointed in June 2007. In a move to further establish Columbia Power Corporation's position in the community, the Corporation's offices have been consolidated in Castlegar following the closure of its Victoria office on December 31, 2007.

During the year, Columbia Power Corporation also tracked the goals set out in last year's Service Plan. Due to delays in commercial operation of the Brilliant Expansion, and restructuring costs incurred to consolidate operations in Castlegar, the Corporation has not met its financial objectives. Net Income was $6.8 million below the projected target for the year, with approximately $3.3 million due to restructuring costs and $2.8 million due to Brilliant Expansion delays and associated revenue losses. Final settlement of the Arrow Lakes channel recovery cost has not yet been achieved.

The key risks to Columbia Power Corporation's development activities include the costs of construction, the availability of labour, the price of power and the cost of financing – all of which could affect the commercial viability of the Waneta Expansion. The Corporation's short-term goals include: attracting and retaining staff to ensure continued advancement of the Corporation's key objectives; further recovery of the Arrow Lakes channel repair costs; managing Brilliant Expansion claims and finalizing construction-related activities on the Brilliant Expansion project; and completing the project permitting process and advancing development of the Waneta Expansion sufficiently to allow a decision to be made on project construction.

Over the period 2008/09 to 2010/11, the Columbia Power Corporation/Columbia Basin Trust power projects are expected to generate $89 million in net income and pay an additional $39 million in grants-in-lieu of property taxes and water rentals. Beginning in September 2007 and November 2007, respectively, Columbia Power Corporation began paying grants-in-lieu of property taxes to local governments on behalf of the Arrow Lakes Generating Station and Brilliant Expansion, in accordance with direction from the Province.

Columbia Power Corporation's 2008/09–2010/11 Service Plan has been prepared under my direction and in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities. The Board is accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with the *Shareholder's Letter of Expectations* and the Province's Goals. All significant assumptions, policy decisions, and identified risks as of January 25, 2008 have been considered in preparing the plan. The performance measures are consistent with Columbia Power Corporation's mandate and goals, and focus on aspects critical to the organization's performance. The performance targets in this plan have been determined based upon an assessment of Columbia Power Corporation's operating environment, forecast conditions, risk assessment and past performance. I am accountable for ensuring that Columbia Power Corporation achieves the specific objectives identified in the plan and for measuring and reporting actual performance.

Yours truly,

Lee Doney
Board Chair

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1.0 Organizational Overview

1.1 Introduction

Columbia Power Corporation is a Crown corporation wholly owned and controlled by the Province of British Columbia, existing under the *Business Corporations Act* and reporting to the Minister of Energy, Mines and Petroleum Resources. Under the terms of its Agency Agreement with the Province, the Corporation is confirmed as an agent of the government while reserving for Treasury Board the ultimate decision-making authority for material financial decisions. Its mission is to efficiently develop and operate commercially viable, environmentally sound and safe power project investments for the benefit of the Province and the residents of the Columbia Basin. In making power project investments, Columbia Power Corporation's goal is to support the employment, economic development and resource management objectives of the Province and the Columbia Basin Trust, within the constraints of a commercial enterprise.

Columbia Power Corporation undertakes power projects through joint ventures with subsidiaries of the Columbia Basin Trust and manages the joint ventures. Columbia Power Corporation is a small organization, with fewer than 50 full-time equivalent positions, mostly located in Castlegar. Columbia Power Corporation focuses on asset management activities while engaging private-sector firms to provide construction, plant operation and specialist consulting services. Through its joint ventures, Columbia Power Corporation is one of the largest producers of electricity in British Columbia.

Columbia Power Corporation oversees the operations of the Brilliant dam, powerplant and terminal station, the Arrow Lakes Generating Station and the recently completed Brilliant Expansion. The Waneta Expansion Project received its provincial Environmental Assessment Certificate on October 13, 2007 with the federal environmental permit expected shortly. A provincial water licence, delayed by flow issues with regards to white sturgeon, was issued on January 22, 2008.

Most of the power generated at the current operating projects (Brilliant, Arrow Lakes Generating Station and Brilliant Expansion) is committed under long-term sales contracts to two utilities, FortisBC Inc. and BC Hydro.

Returns from Columbia Power Corporation's 50 percent equity share of the power projects are available to be distributed to the Province. Returns from the Columbia Basin Trust's 50 percent equity share of the power projects are available to be used by the Columbia Basin Trust to provide benefits to the people of the region, in accordance with the *Columbia Basin Trust Act.*

1.2 Historic Context

In 1964, Canada and the United States ratified the *Columbia River Treaty* (the "Treaty"). Under the Treaty, Canada, through the Province of British Columbia, agreed to build three new storage dams in the Canadian section of the Columbia River: Duncan (1968), Keenleyside (1969) and Mica (1973). The purpose of the new dams was to create 15.5 million acre-feet of water storage that would control flooding in Washington and Oregon and allow hydroelectric facilities in these states to produce about 2,000 megawatts of additional electricity capacity (BC Hydro has about 11,500 megawatts of capacity). This additional power is referred to as the downstream benefits. In exchange, the Province received $64.4 million for the flood control benefits created plus one-half the downstream benefits, which it sold to a consortium of United States utilities for a period of 30 years from the completion dates of the three Canadian dams.

The construction of the three Treaty dams brought current and future financial benefits to the Province, but also significant economic, environmental and social costs to the residents of the Columbia Basin, both at the time and on an ongoing basis. Approximately 2,300 residents were displaced, communities were lost, lands were expropriated and properties were flooded. There continue to be negative environmental effects from reservoir and river-flow fluctuations.

In 1995, the Province, through legislation and contractual arrangements, created a unique model in recognition of the costs borne by the Columbia Basin as a result of the Treaty dams. Through the Columbia Basin Initiative, the Province agreed to allocate a share of the value of future downstream benefits sales to the region. The mechanisms of the Columbia Basin Initiative were the *Columbia Basin Trust Act*, which created the Columbia Basin Trust, and the 1995 Financial Agreement (the "Financial Agreement") between the Province and the Columbia Basin Trust, which set out the terms for the regional funding allocation.

Under the Financial Agreement, the Columbia Basin Trust and Columbia Power Corporation each received $250 million over 10 years to provide equity for qualifying power project developments in the region. Three core projects were designated: Keenleyside (subsequently renamed Arrow Lakes Generating Station); Brilliant Expansion; and Waneta Expansion. The Brilliant Expansion and Waneta Expansion make use of development rights purchased by Columbia Power Corporation in 1994 from Cominco Ltd. (now Teck Cominco Metals Ltd.). Other generation, distribution and transmission projects can be carried out by Columbia Power Corporation and the Columbia Basin Trust provided both parties agree and the projects meet the same commercial and other tests as the core projects.

In 1996, Columbia Power Corporation and the Columbia Basin Trust made their first investment with the purchase of the Brilliant dam and powerplant from Teck Cominco Metals Ltd. and subsequently carried out a substantial sustaining capital and upgrade program. Construction of the Arrow Lakes Generating Station began in 1999 and start-up was achieved in 2002. Construction of the Brilliant Expansion began in 2003, with commercial start-up achieved in September 2007.

1.3 Mandate, Vision and Values

The *Shareholder's Letter of Expectations* from the Province confirms the mandate of Columbia Power Corporation, as the manager of power project joint ventures with the Columbia Basin Trust, to efficiently plan, develop and operate commercially viable, environmentally sound and safe power project investments for the benefit of the Province and the residents of the Columbia Basin.

The mandate, vision and values of Columbia Power Corporation are presented below.

Mandate

- Develop core hydroelectric projects and other qualifying generation, transmission and distribution projects in the Columbia Basin.
- Earn an acceptable rate of return given the risks.
- Finance power projects using the government's equity contributions, retained earnings and limited-recourse project debt, without government debt guarantees.
- Promote employment, economic development and new industry through environmentally sound, cost-competitive power project investment.

Vision

To be a respected, continually improving company that maximizes shareholder value by developing and operating power projects in a socially and environmentally responsible manner, achieving the development objectives of the Province and the Columbia Basin.

Values

- Efficiency in the use of scarce resources.
- Good value for money for the Province and the Columbia Basin.
- Socially responsible decision-making, to the extent possible, guided by the market.
- Proactive and economically responsible environmental management.
- Respectful employment practices.

1.4 Alignment with Government Priorities

Among other things the *Shareholder's Letter of Expectations* directs Columbia Power Corporation to conduct its affairs to achieve the objectives of the Shareholder in a manner consistent with the Shareholder's general and specific directions. The Shareholder's general directions include that Columbia Power Corporation achieve its mandate consistent with the principles of efficiency, effectiveness and accountability, and conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by government.

The *Shareholder's Letter of Expectations* also directs the Corporation to take the following specific actions: undertake recruitment of a President for Columbia Power Corporation; continue to work with the Columbia Basin Trust to increase efficiency and reduce costs of power development and management activities; and develop and bring forward an interim plan for development of the Waneta Expansion. Columbia Power Corporation has responded as follows:

- After an extensive search process, Barry Chuddy was appointed as the new President and Chief Executive Officer on June 1, 2007. Mr. Chuddy is a seasoned utility executive with almost two decades of electricity industry experience.

- In a move to increase efficiency and reduce cost, the Corporation's offices have been consolidated in Castlegar following the closure of its Victoria office on December 31, 2007. While this restructuring has resulted in a short-term cost increase, this restructuring is expected to increase efficiency and reduce cost over the longer term.

- Columbia Power Corporation continues to pursue its development plan for Waneta Expansion and expects to be in a position to make a decision on whether to enter into a design-build contract in 2008.

In 2005, the Government established five Great Goals for the next decade. These goals include: having the best educated, healthiest, most fit population with the best social support system; having sustainable environmental management and the best fisheries management; and leading Canada in job creation per capita.

The Columbia Power Corporation and the Columbia Basin Trust joint venture power projects make significant direct and indirect contributions to these goals.

Best educated, healthiest, most fit population with the best social support system

Through the payment of dividends to the Province and the Columbia Basin Trust, taxes to the Province and local governments, and water rentals to the Province, the joint venture power projects help fund: education, healthcare and other provincial social support programs and services; Columbia Basin Trust social programs in the Columbia Basin; and local government services in the City of Castlegar and Regional District of Central Kootenay. Over the period 2008/09 to 2010/11, the joint venture power projects are expected to generate $89 million of net income for their shareholders, the Province and the Columbia Basin Trust. The projects will also contribute $39 million in taxes and water rentals.

In keeping with its commitment to Columbia Basin residents, Columbia Power Corporation also provides direct sponsorship funding for community services, regional events, and scholarships and bursaries in the Columbia Basin. Columbia Power Corporation also works closely with First Nations communities both in project development and construction: ethnological and archeological studies are performed as part of pre-construction work with First Nations consultants employed as part of this; First Nations are consulted as part of the overall review of community impacts; First Nations trades people are employed on projects; and Columbia Power Corporation funds an on-going First Nations Community Benefit and Sponsorship Program.

Sustainable environmental management and the best fisheries management

Columbia Power Corporation completed the implementation of its environmental management system in 2006/07 with an internal audit completed in 2007. The focus for 2008/09 will be to continuously improve the overall system.

The Brilliant Upgrades, Arrow Lakes Generating Station and Brilliant Expansion displace over 1.75 million tonnes per year of carbon dioxide compared to the same amount of electricity being generated from a combination of natural gas and coal fired sources. Waneta Expansion would displace up to an additional 0.5 million tonnes of carbon dioxide per year compared to the same amount of electricity being generated from a combination of natural gas and coal fired sources.

Another environmental benefit of the power projects is the reduction of supersaturated dissolved gas levels in the Columbia River. Water can become supersaturated when it flows over a waterfall or the spillway of a dam. By passing water through a turbine instead of spilling it, the joint venture projects result in a significant improvement to this important water quality parameter.

Leading Canada in job creation per capita

Subject to the requisite reviews and approvals, construction of the Waneta Expansion is scheduled to begin in early 2009/10 and take four years to complete. The Waneta Expansion construction is estimated to create 680 person-years of direct employment (with 75 percent local hires), $65 million in direct and indirect income and greater than $50 million in local procurement.

Supply of competitively priced and reliable power to BC Hydro and FortisBC Inc. helps maintain British Columbia's low energy costs and support economic development and job creation. The joint venture power projects also help fund Columbia Basin Trust economic programs and related job creation in the Columbia Basin.

The BC Energy Plan: A Vision for Clean Energy Leadership

In February 2007, the provincial government released *The BC Energy Plan: A Vision for Clean Energy Leadership,* British Columbia’s plan to make the province energy self-sufficient while taking responsibility for our natural environment and climate. Consistent with the BC Energy Plan, Columbia Power Corporation’s projects contribute to the Provincial electricity self sufficiency objective and produce clean, green, renewable energy and capacity. Waneta Expansion is recognized as an attractive project with “Resource Smart” characteristics. The British Columbia Utilities Commission has directed BC Hydro to include Waneta Expansion in its assessment of resource options following on from BC Hydro’s Revelstoke Unit 5.

1.5 Business Model

The business of Columbia Power Corporation is to plan, develop and operate commercially viable, environmentally sound and safe power projects in the Columbia Basin. In carrying out its business, Columbia Power Corporation relies, to a great extent, on the private sector. Project planning, design, financing, construction, operation and power sales involve private-sector firms, either wholly or in part. As a Crown corporation, Columbia Power Corporation follows a public-private partnership model for the design, procurement and operation of the joint venture power projects. This allows Columbia Power Corporation to properly allocate and manage risks and realize innovation and efficiency through competition. The model has five distinct components: design, evaluate, build, operate and manage.

Design
The design component involves the assessment of overall engineering, financial, economic and environmental feasibility. This includes the base engineering design, capital cost estimates, market price forecasts, stakeholder consultations, regulatory submissions and solicitation of contractor interest. It concludes with an initial go/no-go feasibility decision followed by a design-build competition. This component is largely carried out by Columbia Power Corporation with its consultants.

Evaluate
In this component, all of the design-build bids are assessed, along with power sales agreements and environmental permits, to determine if a project can proceed and if a design-build contract can and should be executed. Columbia Power Corporation, on behalf of the joint venture, is responsible for this evaluation and due diligence.

Build
With the signing of a design-build contract, many responsibilities are transferred to the design-build contractor. Columbia Power Corporation, however, engages an "Owner's Consultant" to ensure compliance with contract terms, including monitoring of quality control and environmental permit requirements.

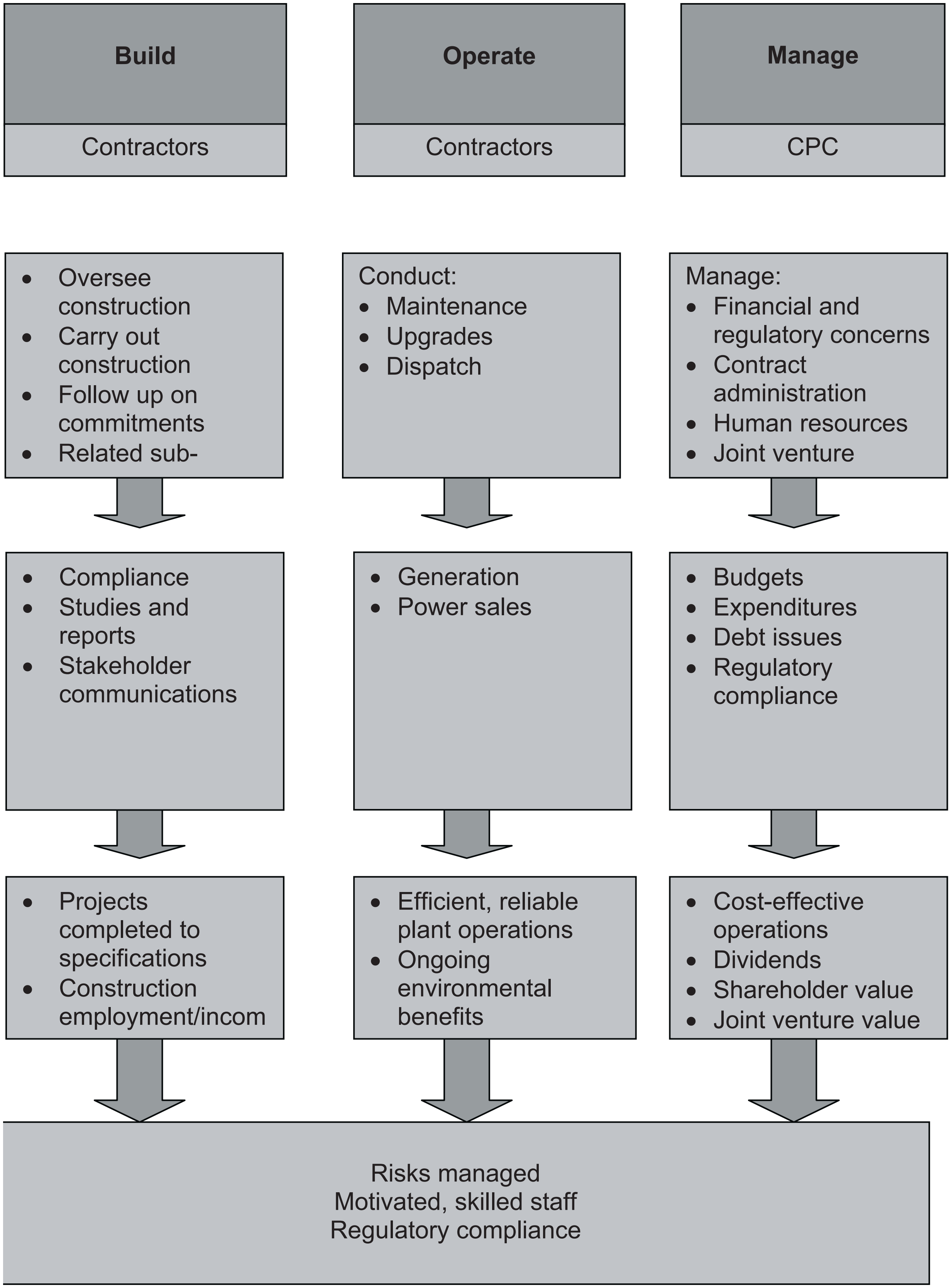
Operate
Once a project has been completed and commissioned, operations and power sales begin and further due diligence is undertaken to ensure all deficiencies are resolved and the facility is "fit for purpose." Columbia Power Corporation has in-house engineers knowledgeable in plant operations and maintenance, but has chosen (for cost and efficiency purposes) to engage a contractor to operate and maintain the joint venture's plants, with oversight by Columbia Power Corporation. The contractor is responsible for a number of activities, including compliance with dam safety and environmental requirements.

Manage
Columbia Power Corporation, the manager for the joint ventures, is responsible for all activities in the business model components: negotiating and administering agreements; raising financing; paying lenders; paying taxes; complying with approvals; employing qualified staff and advisors; and, above all, serving the public interest.

The Columbia Power Corporation business model is shown in Figure 1.

Figure 1: Columbia Power Corporation Business Model

Business Components	Design	Evaluate
Responsibility	CPC	CPC
Key Activities	• Determine financial/ technical feasibility • Communicate with community and First Nations • Environmental and other assessments	• Assess competing proposals from contractors • Assess feasibility • Negotiate contracts
Key Products	Initial Plans: • Financial • Marketing • Engineering • Community/First Nations • Environmental • Requests for proposals	Updated Plans: • Financial • Marketing • Engineering • Community/First Nations • Environmental • Updated go/no-go
Outcomes	• Initial go/no-go decision • Balance achieved between capital and dividend requirements	• Signed contracts • Clear expectations • Risks assessed, allocated
Results	Value for money/profitability Stakeholder support Environment protected	


Build
Contractors
Operate
Contractors
Manage
CPC
• Oversee construction
• Carry out construction
• Follow up on commitments
• Related sub-
Conduct:
• Maintenance
• Upgrades
• Dispatch
Manage:
• Financial and regulatory concerns
• Contract administration
• Human resources
• Joint venture
• Compliance
• Studies and reports
• Stakeholder communications
• Generation
• Power sales
• Budgets
• Expenditures
• Debt issues
• Regulatory compliance
• Projects completed to specifications
• Construction employment/incom
• Efficient, reliable plant operations
• Ongoing environmental benefits
• Cost-effective operations
• Dividends
• Shareholder value
• Joint venture value
Risks managed
Motivated, skilled staff
Regulatory compliance

In carrying out its business model, Columbia Power Corporation has two roles:

- It is an owner with a 50 percent equity interest, along with the Columbia Basin Trust, in joint venture power projects. Power projects are established as separate corporations for the purpose of securing limited-recourse commercial project financing without provincial debt guarantees.
- It is the manager for the joint ventures. The corporate structure of the joint ventures is shown in Figure 2.

1.6 Key Relationships

The joint venture power project companies owned by Columbia Power Corporation and the Columbia Basin Trust are wholesalers of power, primarily under long-term purchase agreements with regulated utilities. A 12 year power purchase agreement (expiring in 2015) is in place with BC Hydro for the output of the Arrow Lakes Generating Station; a 60 year power purchase agreement (expiring in 2056) is in place with FortisBC Inc. for most of the output of the Brilliant powerplant; and two 20 year purchase agreements (expiring in 2027 and 2030) are in place with BC Hydro for 90 percent of the output of the Brilliant Expansion.

The joint venture hydroelectric projects have, or will have, power "entitlement agreements" with BC Hydro. These agreements provide the power projects with predetermined monthly energy and capacity quantities based on historic stream flows and the flow-versus-output characteristics of each plant. The entitlement agreements remove hydrology risk, making the projects more attractive to power purchasers and lenders. BC Hydro controls the overall hydroelectric system in the Columbia-Kootenay region, allowing it to optimize power production for the system as a whole. BC Hydro is also compensated for the assumption of hydrology risk by being entitled to keep a small share of the average annual energy produced. BC Hydro has similar arrangements with FortisBC Inc. and Teck Cominco Metals Ltd.

The Arrow Lakes Generating Station was constructed by Peter Kiewit Sons Co. under a fixed-price design-build contract. Peter Kiewit Sons Co. was also contracted to perform permanent repair work to the approach channel.

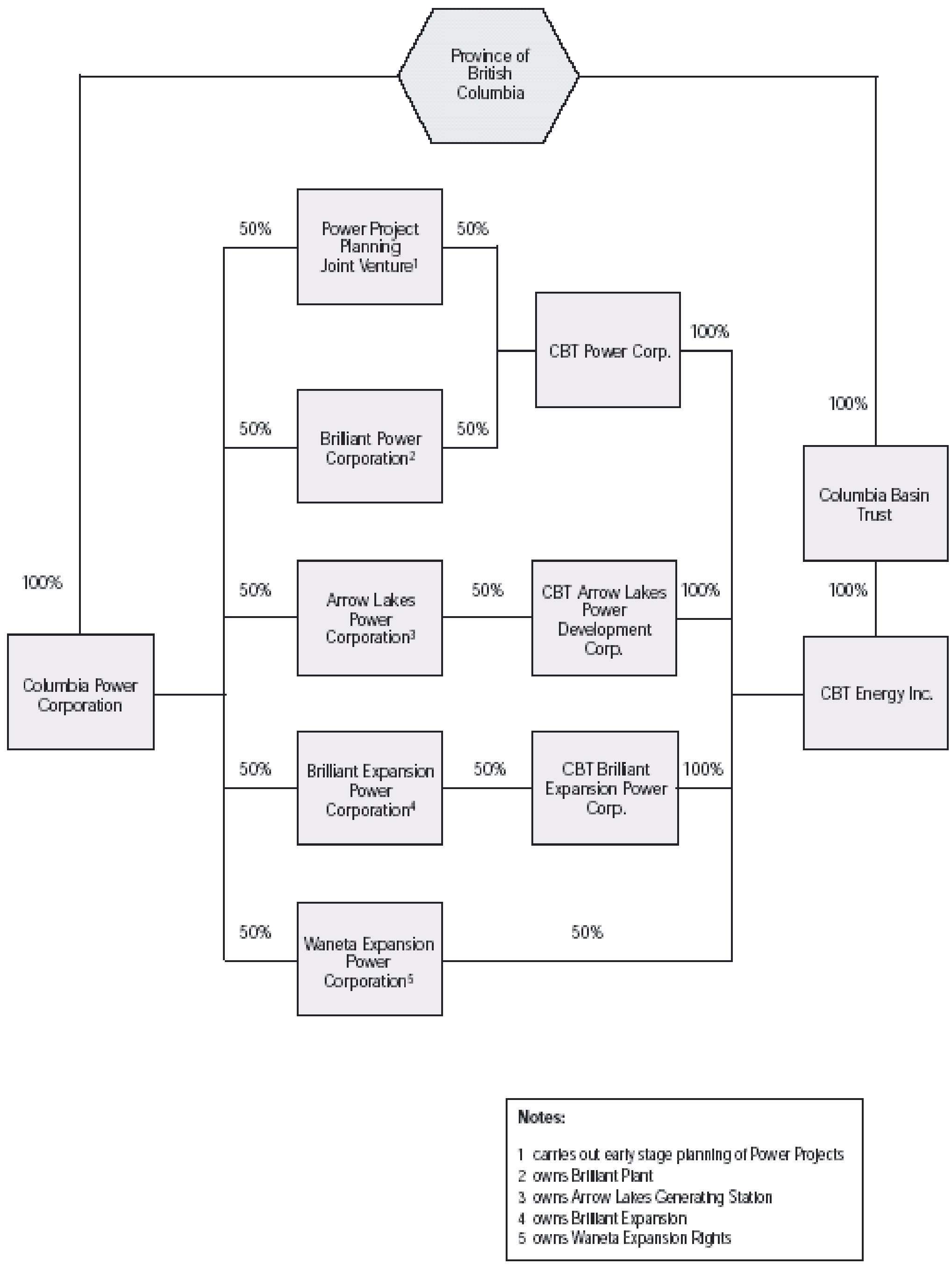
The Brilliant Expansion was constructed by the Brilliant Expansion Consortium, composed of Skanska-Chant and SNC-Lavalin Inc., under a fixed-price design-build contract. Commercial operation was achieved in September 2007 and Columbia Power Corporation has 3 years from that date to ensure the plant is operating to the criteria specified in the design-build contract before final acceptance.

The Brilliant dam, powerplant and terminal station, the Arrow Lakes Generating Station, and the Brilliant Expansion are operated and maintained by FortisBC Inc. or a related entity under contract. FortisBC Inc. also operates and maintains Teck Cominco Metals Ltd.'s Waneta powerplant and its related transmission facilities. FortisBC Inc. is an integrated electric utility with approximately 570 employees. It generates, transmits and distributes electricity throughout south-central British Columbia, serving approximately 150,000 customers.

The British Columbia Utilities Commission is a regulatory agency of the provincial government, operating under and administering the *Utilities Commission Act*. The Commission regulates public utilities. While Columbia Power Corporation/Columbia Basin Trust power project joint venture companies meet the definition of public utilities under the Act, they are exempt from

Commission regulation pursuant to a Minister's Order. This Minister's Order also exempts purchasers of joint venture power service in respect of the energy supply contracts for the purchase of that service. Columbia Power Corporation interacts with a number of public utilities regulated by the Commission (including BC Hydro, British Columbia Transmission Corporation and FortisBC Inc.) and intervenes in Commission proceedings as needed to ensure joint venture interests are appropriately addressed.

Figure 2: Corporate Structure of the Joint Ventures



1.7 Planning Context and Key Strategic Issues

Columbia Power Corporation has a mandate to develop and operate powerplants at existing dams on the Columbia, Kootenay and Pend d'Oreille Rivers using water that would otherwise be spilled. The three "core" power projects (the Arrow Lakes Generating Station; Brilliant Expansion, and Waneta Expansion) rely on upstream flow regulation. While these core power projects create significant net environmental benefits in the form of increased greenhouse gas offsets and reduced dissolved gases harmful to fish, it can be difficult to translate these benefits (particularly benefits to fish) into higher power prices. The joint venture power projects operate in a domestic power market where there is a single dominant wholesale purchaser and constrained long-term firm transmission capacity to adjacent power markets in Alberta and the U.S. Pacific Northwest. Accordingly, Columbia Power Corporation, as joint venture manager, must be efficient and innovative to achieve its goals and objectives and direct its power sales activities so as to limit this risk.

The expertise of Columbia Power Corporation staff and their relationships with private-sector engineering, environmental, financial and legal advisors are critical to the success of the Corporation. Maintaining these relationships with the consolidation of operations in Castlegar will be vital for the success of future projects.

The Brilliant dam, powerplant and terminal station, the Arrow Lakes Generating Station and Brilliant Expansion are operated and maintained by FortisBC Inc. or its related company under long-term service agreements, under the direction of Columbia Power Corporation staff.

Columbia Power Corporation develops and operates the joint venture power projects using limited-recourse project debt without a provincial debt guarantee. Like independent power producers, the power project joint venture companies sell into the wholesale power market, primarily under long-term purchase agreements with regulated utilities. Most of the power from the Brilliant facility is sold to FortisBC Inc. under a 60 year purchase agreement that expires in 2056. This agreement provides for approved capital and operating costs, including reasonable increases in those costs over the term of the agreement, to be passed through to FortisBC Inc. with approved capital expenditures earning a pre-determined rate of return on equity. There is also a provision for market-based price adjustments beginning in the 30th year of the agreement. Power from the Arrow Lakes Generating Station is sold to BC Hydro under a 12 year purchase agreement that expires in 2015, and about 90 percent of the power from the Brilliant Expansion is sold to BC Hydro under two 20 year purchase agreements that expire in 2027 and 2030 with the balance being sold under a short-term agreement to Powerex. These agreements have provisions for the contract price to escalate, but otherwise are fixed-priced.

The key strategic issues facing Columbia Power Corporation include:

- Obtaining federal and provincial approvals, permits and licences to develop and operate power projects on international rivers within a complex environmental regulatory system, which includes federal and provincial regulators, an international treaty and local, regional, United States and First Nations stakeholders.

- Developing regional support for the joint venture power projects through consultation with local and regional community stakeholders, negotiating land issues with owners and addressing First Nations issues related to the power projects.
- Securing power sales contracts in a domestic market where the joint venture power projects represent a relatively low-cost source of new power supply, where there is one dominant wholesale buyer and where retail access to large ("transmission voltage") customers is being developed but not yet a practical reality.
- Accessing a promising market in the United States for green power in the face of ongoing constraints on the availability of long-term firm transmission capacity on both the British Columbia and United States sides of the border.
- Adjusting to a higher Canadian dollar, which has lowered the value of power exports to the United States market; and to higher construction, machinery and equipment costs, which have increased in response to escalating labour rates and global prices for commodities such as concrete, steel, copper and fuel.
- Developing a plan to finance the construction of Waneta Expansion utilizing the substantial borrowing capacity of the existing projects, managing the uncertainty of future interest rates (thus the cost of debt financing), and determining the appropriate capital structure for the joint ventures.
- Implementing a human resource strategy to ensure appropriate compensation, succession planning, recruitment and staff retention for Columbia Power Corporation with an aging population and in a labour market that is expected to become increasingly competitive.
- Determining the appropriate long-term strategic direction for Columbia Power Corporation beyond the development of the Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion.
- Pursuing final recoveries and settlement related to Arrow Lakes Generating Station channel repairs and managing contractor claims related to the Brilliant Expansion.
- Supporting the provincial government's climate change objective of making public sector operations carbon neutral by 2010.
- Developing and managing power assets in support of the BC Energy Plan policy to achieve electricity self-sufficiency by 2016.

2.0 Performance Measures

2.1 Goals/Objectives, Strategies, Measures and Targets

Performance Measures Framework

Columbia Power Corporation's performance measures framework follows the *Budget Transparency and Accountability Act* requirements for performance measures, benchmarks and targets linked to specific goals, objectives and strategies. The framework also reflects Columbia Power Corporation's dual functions as a development company and an operating company. The framework provides broad goals and underlying objectives, aligns specific corporate strategies to each objective, incorporates ongoing research regarding suitable benchmarks and targets, and comments on the significance of results.

Given Columbia Power Corporation's role as joint venture manager and the extent to which it contracts out, finding suitable industry benchmarks remains a challenge, as the industry is still largely dominated by vertically integrated regulated utilities. These challenges are described more fully in Appendix A.

Columbia Power Corporation believes the performance measures used highlight the most crucial aspects of its performance, but are also subject to refinement and evolution as the organization matures. In the future, Columbia Power Corporation plans to provide additional, more precise, measures by disaggregating the current measure for "operations, maintenance and administration" (currently a corporate measure) into its key functional components of plant operations, plant maintenance, renovations/major improvements, and on-site and off-site support functions (see Appendix B).

Source of Data and Reliability

Columbia Power Corporation believes its performance measures are reliable and valid. Current and historical performance measures are not audited; however, they are largely based on audited information, information is subject to third-party verification or information independently provided.

A number of Columbia Power Corporation's performance targets are based on forecasts of future events. They were estimated using assumptions that reflect Columbia Power Corporation's planned courses of action, and judgments as to the most probable set of economic conditions. Due to the nature of forecasting future events, users of this information are cautioned that actual results will vary from the information presented.

Forecasts and targets for 2007/08 to 2010/11 reflect the following:

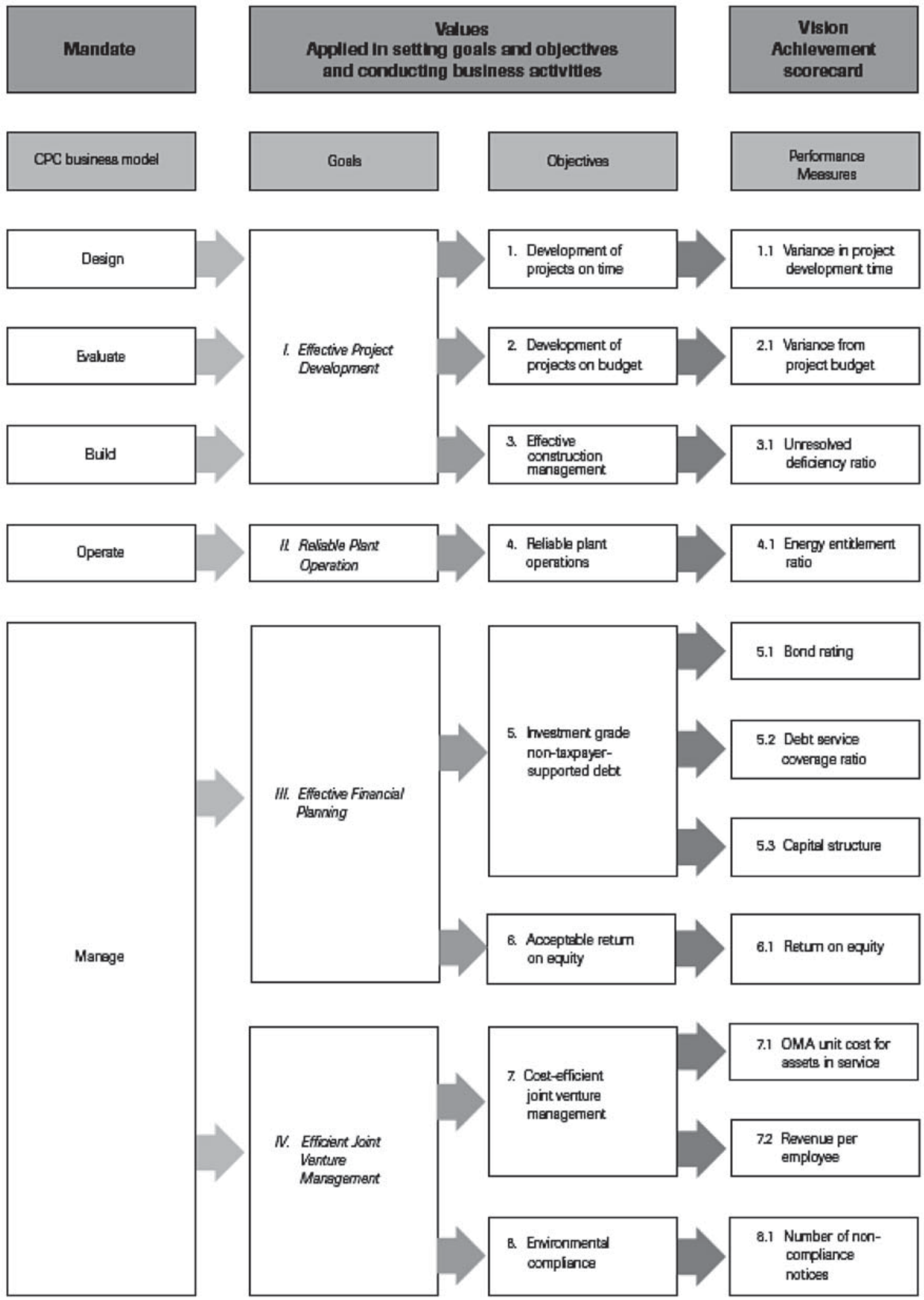
- Brilliant Expansion forecasts are based on the actual commercial operation date of September 7, 2007.

- Waneta Expansion construction commences in early 2009/10 and takes four years to complete. Capital costs have been updated.

- Price forecasts have been adjusted to reflect BC Hydro's 2006 Call for Tenders.

Overall financial and efficiency measures have improved from the previous Service Plan.

2.2 Performance Plan Summary



2.3 Performance Measures at a Glance

	BENCHMARK	06/07 Actual	07/08 Target	08/09 Target	09/10 Target	10/11 Target
1.1 Variance in project development time	ALGS: 7 Months Early BTS: On Time	BRX: Delayed until after end of year	BRX: September 2007	Monitor WAX Schedule	Monitor WAX Schedule	Monitor WAX Schedule
2.1 Variance from project budgets	ALGS: On Budget BTS: On Budget	BRX: On Budget	Managing claims from BRX contractor	Managing claims from BRX contractor	WAX: On Budget	WAX: On Budget
3.1 Unresolved deficiency ratio	Baseline to be Developed	ALGS & BRX: Documenting Deficiencies & Monitor Resolution	ALGS & BRX: Documenting Deficiencies & Monitor Resolution	ALGS & BRX: Documenting Deficiencies & Monitor Resolution	ALGS, BRX & WAX: Document Deficiencies & Monitor Resolution	ALGS, BRX & WAX: Document Deficiencies & Monitor Resolution
4.1 Energy entitlement ratio	1st Quartile: See Benchmarking Appendix	ALGS: 96% BRD: 99%	ALGS: >95% BRD: >95%	ALGS: >95% BRD: >95% BRX: >90%	ALGS: >95% BRD: >95% BRX: >92%	ALGS: >95% BRD: >95% BRX: >95%
5.1 Bond rating	Investment Grade Bond Ratings	Maintained All Bond Ratings	Maintain or Improve Ratings for All Bonds	Maintain or Improve Ratings for All Bonds	Maintain or Improve Ratings for All Bonds	Maintain or Improve Ratings for All Bonds
5.2 Debt service coverage ratio	Greater Than or Equal to 1.3	ALGS: 2.7 BRD: 1.8	ALGS: 2.0 BRD: 1.8	ALGS: 2.1 BRD: 1.7	ALGS: 1.5 BRD: 1.8 BRX: 1.8	ALGS: 1.5 BRD: 1.8 BRX: 1.8
5.3 Capital structure	CEA Composite Performance Measure for 2006 = 77:23	27:73	26:74	24:76	36:64	33:67
6.1 Return on equity	0	4.7%	1.9%	4.1%	4.1%	4.9%
7.1 OMA unit cost for assets in service	1st Quartile: See Benchmarking Appendix B	ALGS: $3.77 BRD: $2.10	ALGS: $3.54 BRD: $2.48 BRX: $9.71	ALGS: $4.03 BRD: $2.34 BRX: $7.41	ALGS: $3.70 BRD: $2.22 BRX: $6.44	ALGS: $3.78 BRD: $2.98 BRX: $5.21
7.2 Revenue per employee	CEA Composite Average for 2006: $432,760	$847,000	$752,000	$859,000	$935,000	$983,000
8.1 Environmental compliance	Baseline Information to be Developed	Deceased sturgeon found at Brilliant Expansion	Zero Material Non-Compliance Notices	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices	Zero Material Non-compliance Notices

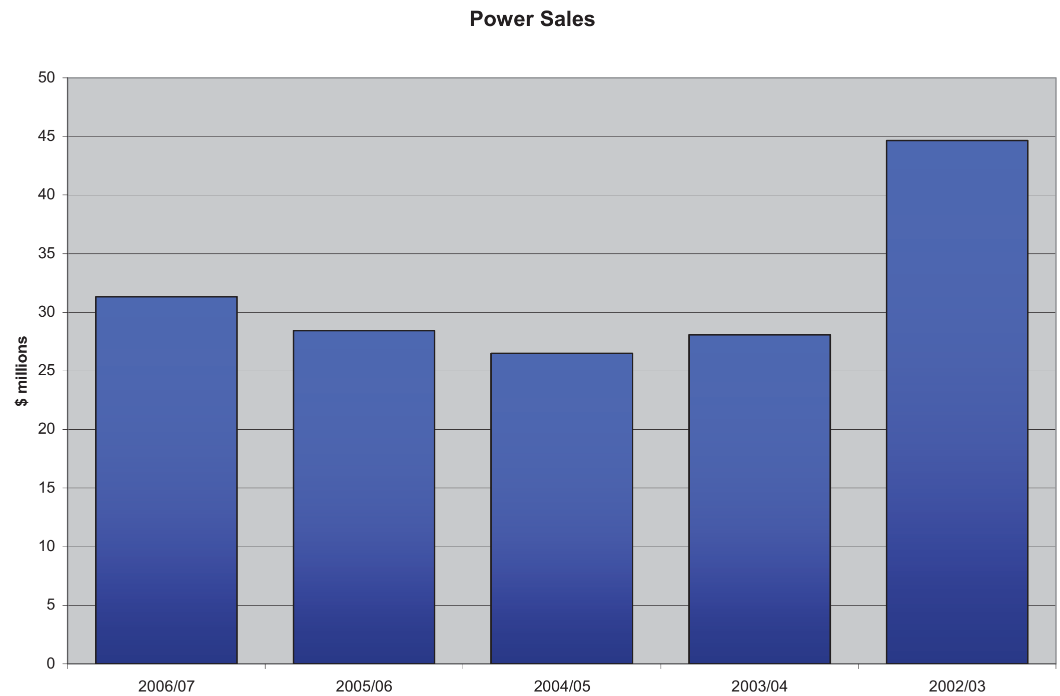
[1] ALGS - Arrow Lakes Generating Station; BRD - Brilliant Dam; BRX - Brilliant Expansion; BTS - Brilliant Terminal Station; CEA - Canadian Electricity Association; OMA - operations, maintenance and administration

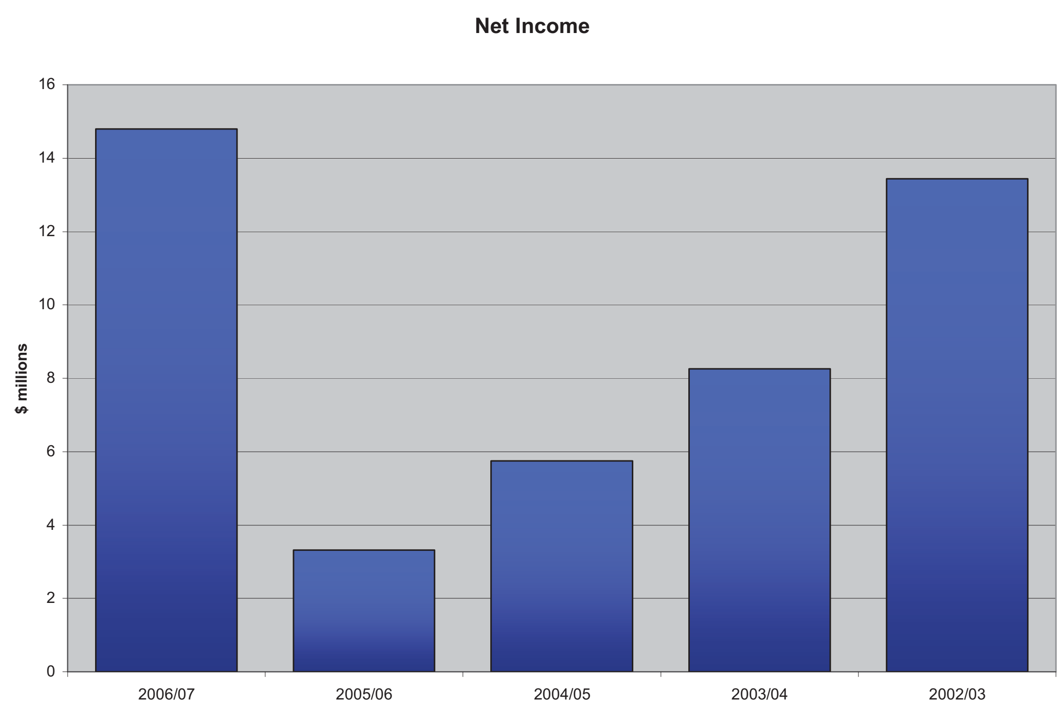
3.0 Historical Five Year Comparative

Five Year Comparative Data
($ in thousands unless otherwise stated)

	2006/07	2005/06	2004/05	2003/04	2002/03
Power Sales	$31,313	$ 28,438	$ 26,480	$ 28,081	$ 44,650
Interest and Other Earnings	3,732	3,247	2,721	1,892	700
Net Income	14,794	3,138	5,744	8,262	13,438
Dividend Payments	2,000	2,000	2,000	2,000	2,000
Capital Assets and Deferred Costs	381,279	377,311	365,234	330,852	287,296
Short-Term Debt	-	-	-	-	47,254
Long-Term Debt	118,304	123,374	128,407	107,664	59,049
Equity	317,350	304,557	303,417	299,673	293,411
Capital and Deferred Spending	$10,426	$ 17,343	$ 41,865	$ 50,460	$ 26,601
Debt-to-Equity Ratio	27:73	29:71	30:70	26:74	27:73

Figure 3: Five Year Comparative Power Sales and Net Income





4.0 Summary Financial Outlook

4.1 Consolidated Statement of Income Forecast

$ in thousands

		2006/07	2007/08	2008/09	2009/10	2010/11
		Actual				
REVENUES						
Sale of power and transmission revenue	$	33,375	37,361	43,622	48,307	51,636
Interest		895	280	280	381	492
Management fee		773	708	779	857	943
		35,043	38,349	44,681	49,546	53,071
EXPENSES						
Water rentals		4,146	4,598	5,178	5,730	6,041
Amortization of capital assets in service		5,772	7,088	8,574	8,556	8,572
Amortization of rights		934	1,096	1,207	1,207	1,207
Property tax		1,055	1,238	1,262	1,288	1,314
Operations and maintenance		1,368	2,035	2,454	2,256	2,581
Administration and management		1,854	2,581	2,700	2,627	2,572
Insurance		573	778	821	837	853
Community sponsorship		85	85	85	85	85
Other		-	4,175	-	-	-
		15,786	23,672	22,280	22,585	23,224
INCOME FROM OPERATIONS		19,257	14,677	22,401	26,960	29,848
FINANCE CHARGES						
Interest expense		8,314	8,040	8,641	12,873	12,277
Amortization of deferred debt issue costs		195	289	289	336	336
		8,509	8,328	8,929	13,209	12,613
NET INCOME BEFORE CHANNEL REPAIR COSTS		10,748	6,349	13,472	13,752	17,235
CHANNEL REPAIR COSTS		(3,369)	(343)	-	-	-
RECOVERY OF REPAIR COSTS AND LOSSES		5,009	-	-	-	-
NET INCOME	$	12,388	6,006	13,472	13,752	17,235
Full Time Equivalents		43	51	52	53	54

Notes:

1. Revenues and expenses in the consolidated statement of income represent Columbia Power Corporation's 50 percent share of joint venture revenues and expenses.

4.2 Key Assumptions

Key assumptions affecting the forecasts performance measures targets are as follows:

- Operating cost inflation, including water rental increases, is 2 percent per year.
- Brilliant Expansion tailrace cleanup takes place in the fall of 2008 and involves associated outage revenue losses.
- Construction of the Waneta Expansion Project commences in early 2009/10 based on securing an economic design-build bid, acceptable financing arrangements, and energy entitlement and power purchase agreements.
- Waneta Expansion will be exempt from property tax and pay grants-in-lieu consistent with government policy for the Arrow Lakes Generating Station and Brilliant Expansion.
- Borrowing capacity from Waneta Expansion and existing projects is sufficient to fund the construction of the Waneta Expansion.
- The long-term investment grade interest rate is 6 percent or interest rate hedging is used.
- The exchange rate is $1.00 Canadian equals $0.95 U.S.
- Columbia Power Corporation's dividends to the Province remain at current levels until after the completion of Waneta Expansion.
- Employee retention and succession plans are developed to maintain Columbia Power Corporation compensation in relation to private sector and other stakeholders.
- The recruitment process begun in 2008 results in critical project positions being filled.

4.3 Risk Factors and Sensitivities

Columbia Power Corporation's net income and return on equity will increase over time as projects under development achieve commercial operation and begin to generate stable streams of power and revenue. Factors that could affect the future rate of return include: power market developments, interest and exchange rate movements, payments to government, and access to transmission systems.

The BC Energy Plan includes the following key policy actions: ensure self-sufficiency to meet electricity needs by 2016; all new electricity generation projects will have zero net greenhouse gas emissions; ensure clean or renewable electricity generation continues to account for at least 90 percent of total generation; and ensure adequate transmission system capacity. These key policy actions increase the attractiveness and viability of Columbia Power Corporation's projects, including the development of Waneta Expansion.

Future dividends will be determined based on annual cash earnings, recovery of Arrow Lakes Generating Station approach channel repair costs, resolution of Brilliant Expansion contractor claims, working capital requirements, reserves for future sustaining capital requirements, and new power project investment opportunities.

The major source of recent operational uncertainty for Columbia Power Corporation has been achieving commercial operation of the Brilliant Expansion, achieved in September 2007. The fixed-price nature of the design-build contract and its built-in performance guarantees were intended to transfer most of the construction risk to the contractor. With the extension of the Canal Plant Agreement to include Brilliant Expansion Power Corporation, an entitlement agreement is now in place for the Brilliant Expansion, which removes annual hydrology risk.

While approximately 90 percent of the Brilliant Expansion plant output is sold under two long-term contracts with BC Hydro, Brilliant Expansion Power Corporation has negotiated a short term sales agreement with Powerex for the remaining output. Columbia Power Corporation has recently finalized a Memorandum of Intent ("MOI") with a credit worthy purchaser for all of the power and related products from the Waneta Expansion.

Columbia Power Corporation is finalizing the details of an insurance claim with its insurer, related to the Arrow Lakes Generating Station channel costs, as well as potential recoveries. These recoveries are being led by counsel for the insurance company, and Columbia Power Corporation is working with counsel and the contractor, Peter Kiewit and Sons Co., to finalize the matter.

The following table presents an analysis of the primary risks that Columbia Power Corporation faces and the strategies being undertaken to address these risks.

Risk	Issue/Impact	How Managed
Waneta Expansion Construction Decision	Construction of Waneta Expansion is subject to: federal environmental permitting, design-build bids, entitlement negotiations, power marketing and long-term borrowing costs. Each could affect project timing, cost, scale and viability.	The Waneta Expansion is awaiting federal environmental permitting approval, which is anticipated shortly. A decision to proceed with the design-build competition is expected in February 2008. Completion of the design-build competition and final bid evaluation is planned for the fall of 2008. CPC has signed a *Waneta Co-operation Agreement* and a *Transmission Rights Agreement* with Teck Cominco Metals Ltd. CPC is discussing an entitlement agreement with BC Hydro. *The Canal Plant Agreement* has provisions for the Waneta Expansion Project. When an entitlement amount has been finalized, CPC will pursue power sales agreements pursuant to its MOI.

[1.] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

Risk	Issue/Impact	How Managed
Waneta Expansion Entitlement / Canal Plant Agreement Renegotiations	The renewed and extended *Canal Plant Agreement,* among BC Hydro, CPC, FortisBC Inc. and Teck Cominco Metals Ltd., which came into effect in April 2006, provides for the Waneta Expansion. The Agreement runs until at least December 31, 2035.	Negotiations are continuing with BC Hydro for an entitlement agreement for the Waneta Expansion, which may entail amendments to the *Canal Plant Agreement*.
Availability of Funds	Further leveraging of the joint venture power assets is required for completion of the Waneta Expansion and future projects.	Key project agreements are structured to achieve financeable projects with a high credit rating. CPC/CBT may retain cash from operations to lessen the borrowing burden for Waneta Expansion, which may allow more flexible Waneta Expansion power marketing. CPC is also reviewing other borrowing alternatives. CIBC World Markets has been retained through a RFQ as Financial Advisor to develop a financing plan for Waneta Expansion and provide a recommendation on the optimum capital structure for the CPC/CBT power projects.
Brilliant Expansion and Waneta Expansion Power Marketing	90 percent of the Brilliant Expansion output has been marketed to BC Hydro under two 20 year contracts. One of the contracts does not begin until 2009. A short-term sales agreement has been negotiated with Powerex that ends in 2009. The nature and term of future power sales arrangements could affect availability of funds for Waneta Expansion.	CPC has signed an MOI for the sale of all of the output from Waneta Expansion. Waneta Expansion is recognized as an attractive project with "Resource Smart" characteristics.
Brilliant Expansion Claims	Claims from the design-build contractor have the potential to significantly increase the project capital cost.	CPC is in active discussions with the contractor to achieve resolution of these claims. With commercial operation declared, CPC will be monitoring the plant's performance.

[1.] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

Risk	Issue/Impact	How Managed
Plant Reliability	If the Arrow Lakes Generating Station plant outage factor were to increase by 1 percentage point, revenues and net income would decline by $324,000 in 2008/09. If the Brilliant Expansion plant outage factor were to increase by 1 percentage point, revenues and net income would decline by $271,000 in 2008/09	Plant outage risk for the Brilliant facility is transferred to FortisBC Inc. as the power purchaser/plant operator. Design-build contracts are secured by: performance, labour and materials bonds; either cash holdbacks or letters of credit; and parent company guarantees. Machinery and equipment have manufacturer warranties. All power projects also carry business interruption, property and liability insurance.
Attracting and Maintaining Key Staff	CPC requires the organizational capacity to effectively manage all existing and new facilities, particularly as a result of the closure of the Victoria office and related corporate restructuring plans.	CPC is working at establishing HR strategies and compensation plans to keep and attract key staff to its consolidated head office in Castlegar. CPC will be evaluating its long-term plant operational philosophy as a part of its restructuring. The restructuring plans include the clear accountability of key staff.
Transmission and Market Access	CPC/CBT power projects are located in a region with limited long-term firm transmission capacity to access adjacent markets in Alberta and the U.S.	CPC has signed a long-term *Transmission Rights Agreement* with Teck Cominco Metals Ltd. CPC monitors British Columbia Utilities Commission hearings and intervenes in British Columbia Transmission Corporation tariff and capital plan hearings. CPC also pursues sales contract opportunities, with delivery at CPC/CBT points of interconnection. The majority of CPC's agreements shift the transmission access responsibility to the power purchaser.

[1.] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

Risk	Issue/Impact	How Managed
Regulatory Risk	CPC/CBT power projects come under the *Utilities Commission Act* definition of public utilities.	CPC has obtained a Minister's Order exempting CPC/CBT power project joint ventures from regulation, as well as purchasers of CPC/CBT power services in respect of the energy supply contracts for those services. The renewed and extended *Canal Plant Agreement* has also been exempted from the provisions of the *Utilities Commission Act.* CPC intervenes in the regulatory proceedings of BC Hydro, British Columbia Transmission Corporation and FortisBC Inc. as needed to ensure joint venture interests are appropriately addressed.
Property Taxation	CPC began paying grants-in-lieu of property taxation on behalf of the Arrow Lakes Generating Station and the Brilliant Expansion in the 2007/08 fiscal year. Grants-in-lieu are paid based on announced provincial government policy.	CPC has obtained Orders in Council exempting Arrow Lakes Generating Station and the Brilliant Expansion from property tax. CPC will seek a similar tax exemption for the Waneta Expansion. CPC will continue to pay grants-in-lieu on behalf of Arrow Lakes Generating Station and Brilliant Expansion in accordance with government policy.
Water Use Planning and Columbia River Treaty Operations Risk	Constraints imposed as a result of BC Hydro water use planning and changes in upstream flow regulation associated with the Columbia River Treaty could adversely affect powerplant operations and project revenues, unless CPC/CBT are saved harmless.	CPC has obtained an indemnity from BC Hydro saving harmless CPC/CBT power projects from the effects of BC Hydro water use planning. CPC is also monitoring potential changes to U.S. regulation of the Libby dam and has registered CPC/CBT interests with the U.S. Army Corp of Engineers and BC Hydro (respectively, the designated U.S. and Canadian Entities under the Columbia River Treaty).
First Nations	Potential treaty claims and settlements could impose additional costs or restrictions on joint venture power projects.	As with BC Hydro Water Use Planning, CPC will pursue measures to indemnify or otherwise save joint venture projects harmless. CPC works closely with First Nations in both project development and construction and maintains an active involvement with communities and First Nations.

[1.] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust

Risk	Issue/Impact	How Managed
Foreign Exchange Risk	A 1¢ change in the Canadian dollar relative to the U.S. dollar represents about $120,000 per year for the Brilliant Expansion power entitlement currently sold to Powerex.	Sales to BC Hydro and FortisBC Inc. are in Canadian dollars. 10 percent of Brilliant Expansion and all of Waneta Expansion power are potentially subject to this risk. The second contract with BC Hydro for BRX, beginning in 2009/10, reduces this risk as the contract is in Canadian dollars. Hedging instruments are being considered for potential U.S. dollar export sales. The risk for WAX may be mitigated if CPC secures a long-term power sales agreement with a domestic purchaser.
Counter-party Credit Risks	Bond ratings and interest costs for CPC/CBT project debt are affected by the credit-worthiness of the power purchasers. Power purchasers may also require CPC to post security.	CPC's marketing efforts are directed at selling power to purchasers with high credit ratings and entering backstop arrangements as appropriate. CPC will negotiate with purchasers to minimize or, if possible, eliminate the requirement to post security.
Interest Rate Risk	Higher interest rates could negatively affect the cost of new project debt, project net income and the economics of and ability to finance the Waneta Expansion. A percentage point interest rate rise could reduce annual net income by up to $7 million.	CPC continues to pursue debt management strategies and use interest rate hedges to manage risk to acceptable levels, as appropriate. CIBC World Markets has been retained as Financial Advisor to develop a financing plan for Waneta Expansion and provide a recommendation on the optimum capital structure for the CPC/CBT power projects.

[1.] CPC – Columbia Power Corporation; CBT – Columbia Basin Trust; BRX – Brilliant Expansion; WAX – Waneta Expansion

5.0 Capital Plan

The Brilliant Expansion is the only approved Columbia Power Corporation/Columbia Basin Trust Major Capital Project in the period 2007/08 to 2009/10. Treasury Board and the Columbia Basin Trust Board approval to proceed with this 120-megawatt, $205 million project was obtained in February 2003. A fixed-price design-build contract was signed in February 2003 and construction commenced in April 2003. The contractual commercial operation date for the Brilliant Expansion was September 7, 2006; however, delays resulted in actual commercial operation being achieved on September 7, 2007. In accordance with the *Budget Transparency and Accountability Act*, a Major Capital Project Plan was made public on March 18, 2003, which is available on Columbia Power Corporation's website: www.columbiapower.org/projects/brilliantexpansion.asp. While the Waneta Expansion is not yet an approved Major Capital Project, the following capital spending table includes estimated Waneta Expansion capital spending to the end of 2010/11 on the assumption that Columbia Power Corporation receives the requisite approvals to enter into a design-build contract in the fall of 2008 and begins construction in early 2009/10.

5.1 Consolidated Capital Spending Forecast

$ in thousands		2006/07	2007/08	2008/09	2009/10	2010/11
		Actual				
ARROW LAKES POWER CORPORATION		926	428	384	358	319
BRILLIANT POWER CORPORATION		3,241	1,892	1,533	2,085	1,982
BRILLIANT EXPANSION POWER CORPORATION		11,218	6,881	570	578	587
POWER PROJECT PLANNING						
Waneta Expansion		1,813	4,313	5,916	73,286	113,889
General Power Project Planning			400	265	265	265
		1,813	4,713	6,181	73,551	114,154
CPC CORPORATE		145	430	973	400	440
TOTAL	$	17,343	14,344	10,026	76,972	117,482

Note:

1. With the exception of CPC Corporate (primarily furniture, office equipment and vehicles), capital spending represents CPC's 50 per cent share of joint venture amounts.

5.2 Liquidity and Sources of Capital

Columbia Power Corporation has set aside cash and temporary investment reserves to complete the Brilliant Expansion, finish the Brilliant life extension program, and partially fund the development of the Waneta Expansion.

Future operational cash is earmarked to fund sustaining capital for operating plants and, subject to the dividend requirements of the Province and the Columbia Basin Trust, provide equity for the Waneta Expansion. Any equity provided for the Waneta Expansion would lower future long-term borrowing requirements and allow increased power marketing flexibility.

Columbia Power Corporation has access to the Province's fiscal agency loan program, which can potentially be used to finance part of the Waneta Expansion during construction. Subject to the creditworthiness of future power sales contracts, considerable long-term and short-term borrowing capacity is also available from the existing power projects to finance the Waneta Expansion, other projects and a future optimal capital structure. CIBC World Markets has been retained as Financial Advisor to develop a financing plan for Waneta Expansion and to provide a recommendation on the optimum capital structure for the Columbia Power Corporation/ Columbia Basin Trust power projects.

6.0 Power Sales Activities

The sale of generation from the Arrow Lakes Generating Station is fully subscribed under a long-term sales agreement with BC Hydro. Under a 60 year power purchase agreement, 94 percent of the power from the Brilliant powerplant is sold to FortisBC Inc.

The wholesale electricity market is expected to continue to be robust. Markets also reflect a willingness for long-term sales (10 to 30+ year) as evidenced by BC Hydro's F2006 Call for Tenders, and its pending F2008 Call for Tenders.

For Columbia Power Corporation, a high priority in 2008/09 is to finalize a power purchase agreement for Waneta Expansion, provided terms and conditions are acceptable, consistent with the MOI finalized with a credit worthy purchaser. Along with other opportunities, Columbia Power Corporation is negotiating an entitlement agreement with BC Hydro.

Since Brilliant Expansion achieved commercial operation in September 2007, Columbia Power Corporation has sold 40 percent of the power to BC Hydro under the F2002/03 Green Power Generation Electricity Purchase Agreement. Columbia Power Corporation has entered into a long-term sales agreement with BC Hydro for an additional 50 percent of the output of the plant under a F2006 Electricity Purchase Agreement, commencing in 2009/10. Until 2009/10, all of the Brilliant Expansion residual and the Brilliant Upgrade Regulated energy have been sold on a short-term, unit contingent basis to Powerex.

During this service plan period, Columbia Power Corporation will continue to monitor market energy prices and market developments. Columbia Power Corporation is also a WSPP (formerly Western System Power Pool) member.

7.0 Board of Directors and Officers

Board of Directors	**Officers**
Lee Doney Chair	Barry Chuddy President and Chief Executive Officer
Jane Fleming	Giulio Ambrosone Vice President, Engineering and Construction
Ron Miles	Bruce Duncan Vice President, Strategic Planning and Regulatory Affairs
Charles Reid	Don Rose Acting General Counsel and Corporate Secretary
Josh Smienk	Victor Jmaeff Vice President, Power Supply and Marketing
Art Willms	Randall Smith, Chief Financial Officer
	David de Git Corporate Controller

Board Committees

Finance and Audit Committee	Charles Reid (Chair) Ron Miles Art Willms
Human Resources and Governance Committee	Jane Fleming (Chair) Josh Smienk Lee Doney
Major Capital Projects Committee	Josh Smienk (Chair) Jane Fleming Ron Miles

8.0 Corporate Governance

Columbia Power Corporation is a Crown corporation existing under the *British Columbia Business Corporations Act*. It is owned and controlled by the Province and is an agent of the Province. Its directors are appointed annually by the Province. All employees are bound by Columbia Power Corporation's Standards of Conduct.

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

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

The power project investments of Columbia Power Corporation and the Columbia Basin Trust are guided by the principle, as stated in the *Financial Agreement* between the Province and the Columbia Basin Trust, that the joint venture management committee formed for a power project will authorize the start of the power project only if:

- such a start is approved by the respective boards of directors of Columbia Power Corporation and the Columbia Basin Trust; and
- such a power project would meet conditions as would be set by a reasonable lender for the financing of a similar power project, including conditions related to debt servicing, return on equity, permits, construction agreements, contracts for the sale or distribution of electricity, and similar matters.

In addition, under the terms of the Agency Agreement between Columbia Power Corporation and the Province, the Corporation must obtain the approval of the Province's Treasury Board for all budgets and material decisions.

Columbia Power Corporation's mandate and governance model continue to evolve. Consistent with best practices guidelines issued by the Province, the majority of the work is complete on board sub-committee structures and an overall board governance model. The Columbia Basin Trust and the region now have a greater role in the management of the power assets, via a one-third representation on the Columbia Power Corporation Board of Directors. A *Shareholder's Letter of Expectations*, signed in October 2006 confirmed Columbia Power Corporation as the manager of the power projects. The letter directs Columbia Power Corporation to: conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by government; continue to work with the Columbia Basin Trust to increase efficiency and reduce costs of power development and management activities; and develop and bring forward an interim plan for development of the Waneta Expansion.

Glossary

Benchmarking
A measured, "best-in-class" achievement that is used as a reference or measurement standard for comparison and is recognized as the standard of excellence for a specific business process.

Bond rating
A rating assigned to bonds based on the probability of the issuing firm's default. Those bonds with the lowest default probability have the highest rating and generally carry the lowest interest rates.

Canal Plant Agreement
An agreement between BC Hydro, FortisBC Inc., Teck Cominco Metals Ltd., Brilliant Power Corporation, Brilliant Expansion Power Corporation and Waneta Expansion Power Corporation that provides for the coordination of hydro facilities on the lower Kootenay and Pend d'Oreille Rivers.

Capacity
The maximum power that a generating station can supply, usually expressed in megawatts.

Columbia River Treaty
An agreement ratified by the United States and Canada in 1964, which led to the construction of three storage dams in the Columbia River Basin (Duncan, Keenleyside and Mica dams) and one in Montana (Libby dam). The purpose of these dams was flood control and power production in both countries.

Comptroller of Water Rights
The statutory decision-maker under the *Water Act*, responsible for water licences and the safety of water-retaining structures.

Debt service coverage ratio
Earnings before interest, depreciation and taxes, divided by debt service payments during the year (debt principal and interest payments).

Debt-to-equity ratio
Ratio of money borrowed to money invested in the capital structure of a firm.

Design-build contract
A contract between the owner and a contractor/consortium for the design, construction and commissioning of a power project, in accordance with the owner's technical specifications.

Downstream benefits
The extra power generated at United States powerplants on the Columbia River that results from the operation of Columbia River Treaty storage dams located in Canada. Under the Columbia River Treaty signed in 1964, the Province of British Columbia owns one-half of this incremental power, called "Canadian Entitlement to the Downstream Benefits." The Province sold the first 30 years of these benefits to a group of United States utilities for US $254 million. The money helped pay for the construction of the three Treaty dams in Canada.

Energy entitlement ratio
The ratio of a project's actual energy entitlements to maximum entitlements.

Entitlement agreement
An agreement to include a hydro project in the larger hydro system for the purposes of optimizing system power generation, whereby the project owner receives a fixed amount of power.

Environmental approval
Approval under the *British Columbia Environmental Assessment Act (BCEAA)* and the *Canadian Environmental Assessment Act (CEAA),* following environmental review and consultation with government agencies, First Nations and the general public. Once *BCEAA* and *CEAA* approval is obtained, further permits, licences and approvals must be acquired from federal, provincial and municipal authorities under applicable environmental legislation for the various aspects of the construction and/or operation of hydroelectric projects and associated transmission lines.

Environmental management system
The part of the overall management system that includes organizational structures, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the environmental policy.

Final acceptance
When a joint venture takes over responsibility for a project's commercial operation, there is a three year period within which the design-build contractor must resolve all material deficiencies and project performance issues documented before 'final acceptance'.

Final acceptance date
The date on which the owner's consultant certifies that everything required to be performed or done by the design-build contractor under the contract has been completed, subject only to warranties under the contract that continue past final acceptance.

First quartile
Measured performance within the top 25 percent of a study, group or class.

Green power
Power and associated green rights produced from generating facilities that meet specific low environmental impact and social responsibility criteria.

Investment grade credit rating
A credit (bond) rating sufficiently high to be considered worthy of low-risk institutional investors such as pension funds.

ISO 14001 standard
The international standard for environmental management, introduced by the International Standards Organization (ISO) in 1996 and updated in 2004.

Limited-recourse project debt
Debt that limits the security available to debt holders in the event of default to only those assets of the debt issuer. The debt is not guaranteed by another party.

Megawatt (MW)
1 million watts; 1,000 kilowatts. A unit commonly used to measure both the capacity of generating stations and the rate at which energy can be delivered.

Megawatt-hour (MWH)
1,000 kilowatt-hours. An average household in British Columbia uses about 10,000 KWH (10 MWH) of electricity per year.

Operation, maintenance and administration (OMA)
The cost of operating and maintaining powerplants and related administration costs. OMA does not include amortization, taxes, interest or insurance.

Public-private partnership
A cooperative venture for the provision of infrastructure or services, built on the expertise of each partner, and designed to best meet clearly defined public needs through the most appropriate allocation of resources, risks and rewards. In a public-private partnership, the public sector maintains an oversight and quality assessment role, while the private sector focuses on actual delivery of the service or project.

Return on investment
Income available to shareholders as a percentage of their investment.

Water rental
A royalty collected by the Province of British Columbia for use of water.

Appendix A Performance Measures Framework

Appendix B Benchmarking, Operating, Maintenance and Administration

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