

# **COLUMBIA POWER CORPORATION**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2016**

# **COLUMBIA POWER CORPORATION**

## **CONSOLIDATED FINANCIAL STATEMENTS**

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**COLUMBIA POWER CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED MARCH 31, 2016

**Statement of Management Responsibility**

The consolidated financial statements of Columbia Power Corporation have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and fairly present Columbia Power Corporation's consolidated financial position, financial performance, and cashflows. The integrity of the information presented in the consolidated financial statements, including estimates and judgments relating to matters not concluded by fiscal year end, is the responsibility of management.

Management is responsible for establishing and maintaining appropriate systems of internal control (which include policies and procedures) to provide reasonable assurance that Columbia Power Corporation's assets are safeguarded and that reliable financial records are maintained.

The Auditor General of British Columbia has been appointed by the Board of Directors to audit the consolidated financial statements. The report of the Auditor General of British Columbia is attached, outlining the scope of his examination and providing his opinion on the consolidated financial statements.



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Frank Wszelaki  
President and CEO



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David de Git, CPA CMA  
Director, Finance

May 30, 2016

**COLUMBIA POWER CORPORATION**  
**Statement of Income to Budget (Unaudited)**  
**For the year ended March 31, 2016**  
**(Expressed in thousands of dollars)**

	Budget to Actual			Current Year to Prior Year	
	Actual	Budget	Variance	Prior Year	Variance
<b>REVENUES</b>					
Services Agreement & Management Fees	\$ 1,743	1,783	\$ (40)	\$ 1,393	\$ 350
Recoveries	4,052	3,376	676	3,743	309
	<u>5,795</u>	<u>5,159</u>	<u>636</u>	<u>5,136</u>	<u>659</u>
Investment Income:					
ALPC (50%)	3,561	884	2,677	(45)	3,606
BEPC (50%)	10,962	10,588	374	10,361	601
BPC (50%)	11,100	11,230	(130)	10,750	350
WEPC (58%)	12,887	1,176	11,711	1,113	11,774
WELP (32.5%)	19,270	8,172	11,098	-	19,270
	<u>57,780</u>	<u>32,050</u>	<u>25,730</u>	<u>22,179</u>	<u>35,601</u>
<b>OPERATING EXPENSES</b>					
Other expenses	8,507	7,764	(743)	7,571	(936)
	<u>8,507</u>	<u>7,764</u>	<u>(743)</u>	<u>7,571</u>	<u>(936)</u>
<b>EBITDA</b>	55,068	29,445	25,623	19,744	35,324
<b>AMORTIZATION &amp; FINANCING EXPENSES</b>					
Amortization expense	228	207	(21)	211	(17)
Financing expense	11,488	11,393	(95)	11,382	(106)
Less: gain on sale of property, plant and equipment	19	-	19	-	19
Less: interest revenue	814	750	64	941	(127)
	<u>10,883</u>	<u>10,850</u>	<u>(33)</u>	<u>10,652</u>	<u>(231)</u>
<b>CONSOLIDATED NET INCOME</b>	\$ <u>44,185</u>	\$ <u>18,595</u>	\$ <u>25,590</u>	\$ <u>9,092</u>	\$ <u>35,093</u>



## **INDEPENDENT AUDITOR'S REPORT**

*To the Board of Directors of Columbia Power Corporation, and  
To the Minister of Energy and Mines and Minister Responsible for Core Review, Province of  
British Columbia*

I have audited the accompanying consolidated financial statements of Columbia Power Corporation, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Columbia Power Corporation as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Victoria, British Columbia*  
May 30, 2016



Russ Jones, FCPA, FCA  
Deputy Auditor General



**COLUMBIA POWER CORPORATION**  
**Consolidated Statement of Financial Position**  
(Expressed in thousands of Canadian dollars)

	Notes	March 31, 2016	March 31, 2015
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	\$ 37,205	\$ 13,259
Accounts receivable	10	1,431	1,642
Prepaid expense		30	38
Other investments	11	51,009	61,611
<b>Total current assets</b>		<b>89,675</b>	<b>76,550</b>
<b>Non-current assets</b>			
Restricted cash	9	608	604
Investment in equity accounted joint arrangements	4, 5, 6	215,734	205,373
Investment prior to limited partnership	7, 8	1,325	1,325
Investment in Waneta Expansion Limited Partnership	7, 8	224,375	207,593
Property, plant & equipment	12	759	687
Other investments	11	5,258	-
Deferred development costs	13	4,349	1,461
<b>Total non-current assets</b>		<b>452,408</b>	<b>417,043</b>
<b>TOTAL ASSETS</b>		<b>\$ 542,083</b>	<b>\$ 493,593</b>
<b>Liabilities and Shareholder's Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	14	\$ 4,512	\$ 4,936
Dividends payable	25	2,000	2,000
<b>Total current liabilities</b>		<b>6,512</b>	<b>6,936</b>
<b>Non-current liabilities</b>			
Loans and borrowings	15	298,800	298,096
Provisions	16	6,025	-
<b>Total non-current liabilities</b>		<b>304,825</b>	<b>298,096</b>
<b>Equity</b>			
Share capital	17	-	-
Contributed surplus	18	26,065	26,065
Retained earnings	4	204,681	162,496
<b>Total Equity</b>		<b>230,746</b>	<b>188,561</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>\$ 542,083</b>	<b>\$ 493,593</b>
Commitments	28		
Contingencies	29		

*The accompanying notes are an integral part of the consolidated financial statements*

APPROVED ON BEHALF OF THE BOARD:

*Lillian White*

Director

*A Stanley*

Director

**COLUMBIA POWER CORPORATION**  
**Consolidated Statement of Comprehensive Income**  
**For the years ended March 31**  
**(Expressed in thousands of Canadian dollars)**

	Notes	2016	2015
Revenue	4, 19	\$ 5,795	\$ 5,136
Other income	4, 20	57,799	22,179
Depreciation expense	12	(228)	(211)
Other expenses	23	(8,507)	(7,571)
<b>Results from operating activities</b>		<u>54,859</u>	<u>19,533</u>
Finance income	21	814	941
Finance costs	22	(11,488)	(11,382)
<b>Net finance income</b>		<u>(10,674)</u>	<u>(10,441)</u>
<b>Net comprehensive income for the year</b>		<u>\$ 44,185</u>	<u>\$ 9,092</u>

*The accompanying notes are an integral part of the consolidated financial statements*



**COLUMBIA POWER CORPORATION**  
**Consolidated Statement of Changes in Equity**  
**For the years ended March 31**  
**(Expressed in thousands of Canadian dollars)**

	Notes	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
<b>Balance at April 1, 2014 as previously stated</b>			\$ 26,065	\$ 157,043	183,108
Correction of an error relating to previous years	4			(1,639)	- 1,639
Balance at April 1, 2014 restated			26,065	155,404	181,469
Net comprehensive income for the year	4		-	9,092	9,092
Dividend to equity holder	25		-	(2,000)	(2,000)
<b>Balance at March 31, 2015</b>		-	\$ 26,065	\$ 162,496	\$ 188,561
<b>Balance at April 1, 2015</b>			\$ 26,065	\$ 162,496	188,561
Net comprehensive income for the year			-	44,185	44,185
Dividends to equity holder	25		-	(2,000)	(2,000)
<b>Balance at March 31, 2016</b>		-	\$ 26,065	\$ 204,681	\$ 230,746

*The accompanying notes are an integral part of the consolidated financial statements*

**COLUMBIA POWER CORPORATION**  
**Consolidated Statement of Cash Flows**  
**For the years ended March 31**  
**(Expressed in thousands of Canadian dollars)**

	Notes	2016	2015
<b>Cash flows from operating activities</b>			
Net comprehensive income for the year		\$ 44,185	\$ 9,092
<b>Adjustments to reconcile cash flow from operations</b>			
Depreciation of property, plant and equipment	12	228	211
Ineligible costs capitalized in WELP	8	-	71
Interest income	21	(814)	(941)
Interest expense	22	11,488	11,382
Investment income	6	(57,780)	(22,179)
<b>Net change in non-cash working capital balances</b>			
Accounts receivable		211	(663)
Prepaid expense		8	11
Accounts payable and accrued liabilities		(437)	(964)
<b>Net cash from operating activities</b>		<b>(2,911)</b>	<b>(3,980)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(10,771)	(11,365)
Dividends paid	25	(2,000)	(32,000)
Repayment to equity holder		-	(250,000)
Borrowing	15	-	338,436
Discount on borrowing	15	-	(35,312)
Borrowing costs	15	-	(2,457)
Related party loan repaid		-	(20,000)
Provision for payable to WELP	16	6,025	-
<b>Net cash used in financing activities</b>		<b>(6,746)</b>	<b>(12,698)</b>
<b>Cash flows from investing activities</b>			
Interest received		201	112
Dividends received	6	39,361	25,215
(Purchase)/sale of temporary investments		11,000	13,775
Investment in limited partnership	8	(8,724)	(17,686)
Investment in Elko	13	(2,888)	(1,461)
Investment in bond sinking fund	11	(5,043)	-
(Acquisition)/disposal of property, plant and equipment	12	(300)	(105)
<b>Net cash used in investing activities</b>		<b>33,607</b>	<b>19,850</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>23,950</b>	<b>3,172</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>13,863</b>	<b>10,691</b>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 37,813</b>	<b>\$ 13,863</b>
<b>CASH CONSISTS OF:</b>			
Restricted cash	9	608	604
Cash available for operations	9	37,205	13,259
		<b>\$ 37,813</b>	<b>\$ 13,863</b>

*The accompanying notes are an integral part of the consolidated financial statements*

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

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## 1. Reporting entity:

Columbia Power Corporation (CPC) is a company incorporated in British Columbia and domiciled in Canada. The address of Columbia Power's registered office is Suite #200, 445 – 13th Avenue, Castlegar, British Columbia. Columbia Power is wholly owned by the Province of British Columbia (the Province). As an agent for the Province, Columbia Power committed to entering into joint ventures to develop and operate hydroelectric power projects as set out in the Agreement signed in 1995 (the Agreement) between the Province and the Columbia Basin Trust (The Trust), also wholly owned by the Province.

The Agreement anticipated that several power projects would be undertaken through joint ventures between Columbia Power and subsidiaries of The Trust (the shareholders). The final power project under the Agreement, the Waneta Expansion Project, currently being undertaken through a partnership between CPC Waneta Holdings Ltd. (CPC Waneta - Columbia Power's 100% owned subsidiary), The Trust, and Fortis Inc. achieved substantial completion on April 1, 2015. Final acceptance of the Waneta Expansion Project is expected to occur in April 2018. The cost of all projects is expected to exceed \$1 billion. Under the Agreement between the Province and The Trust, the Province committed to make \$500 million in capital contributions for the purpose of funding the capital costs of the power projects, with the remaining capital costs to be financed through joint venture borrowings by Columbia Power and The Trust's subsidiaries. The entities holding legal title to the power projects and their governance structures are described in notes 5 and 7.

Columbia Power is appointed the manager of the joint ventures with the authority to manage the day-to-day activities of the joint ventures, subject to the direction of their boards and annual capital and operating budgets approved by their boards. Columbia Power's material transactions and agreements require the approval of the Province's Treasury Board.

## 2. Basis of preparation:

### (a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which have been adopted by the Canadian Accounting Standards Board as Canadian generally accepted accounting principles for publically accountable enterprises.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended March 31, 2016, and the comparative information presented in these consolidated financial statements for the year ended March 31, 2015.

The consolidated financial statements were authorized for issue by the board of directors on May 30, 2016.

### (b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

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## 2. Basis of preparation (continued):

### (c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is Columbia Power's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand except as otherwise noted.

### (d) Use of estimates and judgments:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 2(e) - Determination of fair values;

Note 3(a) (ii) - Investments in joint arrangements and in associates (equity accounted investees);

Note 3(c) - Designation of financial instruments; and

Note 3(f) - Leased assets.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 3(g) - Impairment; and

Notes 3(i) and 29 – Provisions, and Contingencies.

### (e) Determination of fair values:

Certain of Columbia Power's accounting policies and disclosures require the determination of fair value, for financial assets and liabilities. The fair value of accounts receivable, other investments (non-current), accounts payable and accrued liabilities, loans and borrowings, and provisions are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value for other investments (current) is determined as the quoted market prices of those investments. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

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### 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

The accounting policies have been applied consistently by Columbia Power entities.

#### (a) Basis of consolidation:

These consolidated financial statements and notes include Columbia Power's operations, account balances and operations of Columbia Power's wholly owned subsidiary, and interests in jointly controlled operations and investments in associates accounted for under the equity method.

#### (i) Investment in subsidiary:

These consolidated financial statements show the overall financial results and the overall financial position for Columbia Power and its wholly owned subsidiary, CPC Waneta. Columbia Power has control when it has direct or indirect ownership of the majority of voting capital. Control is normally achieved through ownership of 50 percent or more of voting capital. Intercompany sales, account balances, and gains and losses on intercompany transactions have been eliminated on consolidation.

#### (ii) Investments in joint arrangements and associates (equity accounted investees):

Joint ventures are those joint arrangements over whose activities Columbia Power has joint control, established by contractual agreement (see note 5).

Associates are those entities in which Columbia Power has significant influence, but not control (or joint control), over the financial and operating policies (see note 7). Significant influence is presumed to exist when Columbia Power holds between 20 and 50 percent of the voting power of another entity.

Joint ventures and investments in associates (equity accounted investees) are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include Columbia Power's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of Columbia Power, from the date that joint control or significant influence commences until the date that joint control or significant influence ceases. When Columbia Power's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that Columbia Power has an obligation or has made payments on behalf of the investee.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

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### 3. Significant accounting policies (continued):

#### (a) Basis of consolidation:

##### (iii) Elimination of transactions with equity accounted investees:

Unrealized income and expenses arising from intra-company transactions with equity accounted investees are eliminated in preparing the consolidated financial statements to the extent that one of the parties has capitalized the unrealized income or expenses. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of Columbia Power's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Transactions that do not involve the assets of the equity accounted investee are not eliminated.

#### (b) Foreign currency transactions:

Transactions in foreign currencies are translated to the functional currency of Columbia Power at exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated into the functional currency at the rate of exchange prevailing at the reporting date.

#### (c) Designation of financial instruments:

##### (i) Non-derivative financial assets:

Columbia Power initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which Columbia Power becomes a party to the contractual provisions of the instrument.

Columbia Power derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Columbia Power is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, Columbia Power has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

IFRS requires financial assets to be classified as one of the following: fair value through profit or loss, available for sale, held to maturity, and loans and receivables.

Columbia Power has the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables, and held to maturity investments.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

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### 3. Significant accounting policies (continued):

#### (c) Designation of financial instruments (continued):

##### (i) Non-derivative financial assets (continued):

###### ***Financial assets at fair value through profit or loss:***

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss given that Columbia Power manages such investments and makes purchase and sale decisions based on their fair value in accordance with Columbia Power's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Assets in this category are classified as current assets and are included in other investments on the Consolidated Statement of Financial Position.

###### ***Loans and receivables:***

Loans and receivables comprise cash and cash equivalents, restricted cash, and accounts receivable.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

###### ***Held to maturity investments:***

Held to maturity investments comprise bond sinking fund investments.

Held to maturity investments are long term investments with fixed and determinable payments and fixed maturity dates that Columbia Power has the intent and ability to hold to maturity. Held to maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

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## 3. Significant accounting policies (continued):

### (c) Designation of financial instruments (continued):

#### (ii) Non-derivative financial liabilities:

Columbia Power has the following non-derivative financial liabilities: accounts payable and accrued liabilities, dividends payable, loans and borrowings, and provisions.

Columbia Power initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which Columbia Power becomes a party to the contractual provisions of the instrument.

Columbia Power derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method. Transaction costs are amortized at the same rate as the repayment on the loans and borrowings.

#### (d) Inventories

Inventories in Columbia Power include Work in progress – development costs. Inventories are stated at the lower of cost and net realizable value. Costs include expenditures that are directly attributable and necessary for the acquisition and development of the asset, and that will be recoverable under the terms of the contract upon sale of the asset. Where applicable, interest during construction will form part of the cost of the work in progress.

#### (e) Property, plant and equipment:

##### (i) Recognition and measurement:

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income or other expenses in profit or loss.



# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

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## 3. Significant accounting policies (continued):

### e) Property, plant and equipment (continued):

#### (ii) Subsequent costs:

The cost of replacing a part 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 part will flow to Columbia Power, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

#### (iii) Depreciation:

Items of property, plant and equipment are recorded at cost and are depreciated annually at rates calculated to expense the cost of assets over their estimated useful lives. Depreciation begins when assets are available for use.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Computers and software	3 years
Furniture and equipment	5 years
Leasehold improvements	Term of lease
Vehicles	8 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if applicable.

### (f) Leased assets:

Leases for which Columbia Power assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases. Under an operating lease, the leased assets are not recognized in the Consolidated Statement of Financial Position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

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### 3. Significant accounting policies (continued):

#### (g) Impairment:

##### (i) Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to Columbia Power on terms that Columbia Power would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

Management has determined that there is no evidence indicating that Columbia Power's financial assets are impaired as at March 31, 2016 and March 31, 2015.

##### (ii) Non-financial assets:

The carrying amounts of Columbia Power'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 in order to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Management has determined that there is no evidence indicating that Columbia Power's non-financial assets are impaired as at March 31, 2016 and March 31, 2015.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

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### 3. Significant accounting policies (continued):

#### (h) Employee benefits:

##### (i) Defined contribution plan benefits and employee benefits:

Columbia Power's pension plan is detailed in note 24 and is accounted for as a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

##### (ii) Other long-term employee benefits:

Columbia Power's net obligation in respect of long-term employee benefits other than the pension plan is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the net present value method of discounting estimated future cash flows. The discount rate used is 5.5%. Any gains and losses in net present value are recognized in profit or loss in the period in which they arise.

##### (iii) Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term bonus or profit-sharing plans if Columbia Power has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

##### (i) Provisions:

A provision is recognized if, as a result of a past event, Columbia Power has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Legal or constructive obligations requiring a provision are described in note 16.

##### (j) Government grants:

The amounts recognized in contributed surplus, per note 18, reflect contributions made by the Province in its capacity of shareholder to Columbia Power.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

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### 3. Significant accounting policies (continued):

#### (k) Finance income and finance costs:

Finance income comprises interest income on cash and cash equivalents, and changes in the fair value of financial assets at fair value through profit or loss.

Finance costs comprise interest expense on borrowings, and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in profit or loss.

#### (l) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

#### (m) Income tax:

As a Crown corporation, Columbia Power is exempt from corporate income taxes.

#### (n) New standards and interpretations not yet adopted:

A number of new standards, interpretations, amendments, and annual improvements to existing standards issued by the International Accounting Standards Board (IASB) are not yet effective for the year ended March 31, 2016, and have not been applied in preparing these consolidated financial statements. As of the reporting date, management has determined there will be no significant impact on Columbia Power's financial statement disclosures from the number of annual improvements. The following standards, which management has determined are more relevant to Columbia Power, have been published but are not effective until Columbia Power's accounting periods beginning after January 1, 2017.

##### (i) IFRS 9, Financial Instruments:

IFRS 9, Financial Instruments was originally issued in October 2010 and replaced the multiple classification and measurement models in IAS 39, Financial Instruments: Recognition and Measurement, with a single model that has only two classification categories: amortized cost and fair value. The final version of this new standard, issued by the IASB in July 2014, supersedes earlier versions and also replaces IFRIC 9 Reassessment of Embedded Derivatives. This standard largely retains the classification and measurement requirements and new hedge accounting model included in earlier versions, while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. As of the reporting date, management is assessing the impact of the standard on Columbia Power's financial statement disclosures.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

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## 3. Significant accounting policies (continued):

### (n) New standards and interpretations not yet adopted (continued):

#### (ii) IFRS 15, Revenue and Contracts with Customers:

This new standard, issued by the IASB in May 2014, establishes a comprehensive framework for the recognition, measurement and disclosure of revenue. The core principle in that framework is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The main features of the new standard are as follows:

- An entity identifies the contract(s) with a customer and the performance obligations in the contract, determines the transaction price and allocates it to the performance obligations, and recognizes revenue when (or as) the entity satisfies the performance obligations.
- Performance obligations are satisfied when promised goods or services are transferred to a customer (i.e., when the customer obtains control of those goods or services).
- An entity recognizes assets for some costs incurred to obtain a contract, or to fulfil a contract provided the costs are not within the scope of another standard.
- An entity discloses information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The new standard supersedes the requirements in IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC 31 Revenue — Barter Transactions Involving Advertising Services. The new standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. As of the reporting date, management is assessing the impact of the standard on Columbia Power's financial statement disclosures.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

## 4. Prior period adjustments:

### a) Correction to elimination of management fees

In fiscal 2016, management determined that there was an error in the annual calculation for the elimination of management fees charged by Columbia Power to WELP. Given that CPC is related to WELP through its subsidiary, CPC Waneta Holdings Ltd., CPC is required to eliminate 32.5% of its management fees charged to WELP which are capitalized in WELP as property, plant and equipment. Consequently, the investment in Waneta Expansion Limited Partnership account and retained earnings were overstated by \$1,941 thousand.

For fiscal 2015, an adjustment has been made to reduce the investment in Waneta Expansion Limited Partnership on the Consolidated Statement of Financial Position by \$1,941 thousand and to reduce the revenue account on the Consolidated Statement of Comprehensive Income by \$302 thousand and to reduce opening retained earnings on the Consolidated Statement of Changes in Equity by \$1,639 thousand.

### b) Correction to amortization expense in ALPC

In fiscal 2016, management determined that the power sales agreement in ALPC should have been fully amortized in fiscal 2015 given that the agreement expired on December 31, 2014. Consequently, Columbia Power's investment in equity accounted joint arrangements account and other income account were both overstated by \$255 thousand.

For fiscal 2015, an adjustment has been made to decrease both other income on the Consolidated Statement of Comprehensive Income and the investment in equity accounted joint arrangements account on the Consolidated Statement of Financial Position by \$255 thousand.

The following table summarizes the changes made to the Consolidated Statement of Financial Position based on correction of the errors.

(\$ in thousands)	Investment in WELP	Investment in equity accounted joint arrangements	Retained earnings
Balances at April 1, 2014 as previously stated	192,153	207,874	157,043
Impact of error corrections from prior years	(1,639)	-	(1,639)
<b>Balances at April 1, 2014 as restated</b>	<b>190,514</b>	<b>207,874</b>	<b>155,404</b>
Balances at March 31, 2015 as previously stated	209,534	205,628	164,692
Impact of error corrections as at April 1, 2014	(1,639)	-	(1,639)
Impact of error corrections in fiscal 2015	(302)	(255)	(557)
<b>Balances at March 31, 2015 as restated</b>	<b>207,593</b>	<b>205,373</b>	<b>162,496</b>

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

## 4. Prior period adjustments (continued):

The effect on the Consolidated Statement of Comprehensive Income is as follows:

(\$ in thousands)	Revenue	Other income	Net Comprehensive income
Balances for the year ended March 31, 2015 as previously stated	1,695	22,434	9,649
Impact of error corrections	(302)	(255)	(557)
Balances for year ended March 31, 2015 as restated	1,393	22,179	9,092

## 5. Description of equity accounted joint arrangements:

Columbia Power carries out its mandate to develop and operate hydroelectric facilities through its interest in the following jointly controlled operations which were incorporated in British Columbia, Canada:

- **Brilliant Power Corporation (BPC)**

The purpose of BPC is to act as lessor of the Brilliant Dam and Generating Station (Brilliant Power Facility) and Brilliant Terminal Station (BTS) assets. The Brilliant Power Facility and BTS are currently leased to FortisBC Inc., a regulated utility operating in British Columbia, according to the terms of finance leases. The Brilliant Power Facility is located on the Kootenay River, 3 kilometers upstream of the confluence with the Columbia River.

- **Brilliant Expansion Power Corporation (BEPC)**

The purpose of BEPC is to operate the Brilliant Expansion Project (Brilliant Expansion), a 120 megaWatt power generation facility adjacent to the Brilliant Dam at Castlegar, British Columbia, and to sell the power generated from this facility.

- **Arrow Lakes Power Corporation (ALPC)**

The purpose of ALPC is to operate the 185 megaWatt Arrow Lakes Generating Station (ALGS) adjacent to the Hugh Keenleyside Dam at Castlegar, British Columbia and a 48-kilometre transmission line from the power plant to British Columbia Hydro and Power Authority's (BC Hydro, a provincial Crown corporation) Selkirk substation, and to sell the power generated from ALGS.

All three corporations are jointly owned on a 50/50 basis by Columbia Power and one of The Trust's wholly owned subsidiaries. The shareholders direct activities for each corporation through the corporation's board of directors with an equal number of directors appointed by each shareholder. All decisions of the boards of directors require the unanimous approval of the directors.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

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## 5. Description of equity accounted joint arrangements (continued):

Revenues in ALPC and BEPC and finance income in BPC are determined by terms specified in long-term power purchase agreements. As such, these corporations have no significant exposure to commercial risk.

For BPC and ALPC, which have issued project bonds, Columbia Power's access to its investment is secondary to the bondholders' claims on the assets of BPC and ALPC.

- **Waneta Expansion Power Corporation (WEPC)**

WEPC is jointly owned by Columbia Power (58%) and CBT Energy Inc. (42%) (a subsidiary of The Trust). Given that Columbia Power and CBT Energy Inc. share control over decision-making on a 50/50 basis, Columbia Power accounts for WEPC as an investment in an equity accounted joint arrangement.

Prior to October 2010, WEPC held legal title to all assets related to the Waneta Expansion project. In October 2010 title of all property, plant and equipment (development costs) and intangibles (expansion rights) was transferred from WEPC to the Waneta Expansion Limited Partnership (WELP) in exchange for a \$72 million non-interest bearing promissory note consistent with the terms of the Asset Purchase Agreement between WEPC and WELP. After receipt of the promissory note at the end of its term in 2020 WEPC will be wound down.

According to the Asset Purchase Price Agreement between WELP and WEPC, if the aggregate amount of the design-build costs to the Final Acceptance Date is less than \$635,120,000, WELP will pay WEPC an amount equal to the lesser of a) the amount by which the design-build costs are less than \$635,120,000 and b) \$20,000,000. This amount is payable 90 days after the Final Acceptance Date scheduled at April 1, 2018. Management of Columbia Power and WEPC have determined that it is virtually certain that the Contingent Purchase Price payable at Final Acceptance will be \$20 million based on expenditures to date and forecast cost estimates. Management has therefore accrued 19.22 million as income and a long-term receivable which is the present value of \$20 million discounted at 2% which is based on the Canadian 3-year zero coupon bond rate of 1.15% plus an appropriate spread for non-recourse debt.



# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

## 6. Summary financial information for equity accounted joint arrangements:

Columbia Power's share of profit in its equity accounted joint arrangements for the year was \$38,510 thousand (2015: \$22,179 thousand) as follows:

For the year ended March 31 (\$ in thousands)		2016	2015
BPC	50%	11,100	10,750
ALPC*	50%	3,561	(45)
BEPC	50%	10,962	10,361
WEPC**	58%	12,887	1,113
		<u>38,510</u>	<u>22,179</u>

\*See note 4 – Prior period adjustment

\*\* Included in WEPC's profit for fiscal 2016 is the Contingent Purchase Price accrual described in note 5.

In 2016, Columbia Power received \$28,148 thousand in dividends from its investments in equity accounted joint arrangements (2015: \$25,215 thousand) as follows:

For the year ended March 31 (\$ in thousands)		2016	2015
BPC		6,790	5,600
ALPC		8,237	5,465
BEPC		13,121	14,150
		<u>28,148</u>	<u>25,215</u>

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

## 6. Summary financial information for equity accounted joint arrangements (continued):

The following information has not been adjusted for the percentage ownership held by Columbia Power:

(\$ in thousands)	Ownership	Non-			Non-			Net Assets	Total Income	Expenses	Profit (loss) and OCI
		Current Assets	current Assets	Total Assets	Current Liabilities	current Liabilities	Total Liabilities				
<b>March 31, 2015</b>											
BPC	50%	15,095	321,235	336,330	12,464	109,874	122,338	213,992	43,424	(21,924)	21,500
ALPC *	50%	21,529	241,461	262,990	10,268	347,547	357,815	(94,825)	38,839	(38,933)	(94)
BEPC	50%	9,584	221,955	231,539	1,630	-	1,630	229,909	35,337	(14,615)	20,722
WEPC	58%	-	53,243	53,243	-	-	-	53,243	2,843	-	2,843
		46,208	837,894	884,102	24,362	457,421	481,783	402,319	120,443	(75,472)	44,971
<b>March 31, 2016</b>											
BPC	50%	14,753	324,858	339,611	14,158	102,841	116,999	222,612	44,049	(21,849)	22,200
ALPC	50%	28,661	225,420	254,081	13,924	344,336	358,260	(104,179)	43,142	(36,022)	7,120
BEPC	50%	9,537	216,988	226,525	935	-	935	225,590	36,102	(14,179)	21,923
WEPC	58%	-	75,462	75,462	-	-	-	75,462	22,219	-	22,219
		52,951	842,728	895,679	29,017	447,177	476,194	419,485	145,512	(72,050)	73,462

\*See note 4 – Prior period adjustment

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year Ended March 31, 2016

## 6. Summary financial information for equity accounted joint arrangements (continued):

The following information has not been adjusted for the percentage ownership held by Columbia Power:

(\$ in thousands)	Ownership	Cash and	Current	Non-current	Depreciation	Interest	Interest
		Cash	Financial	Financial	and		
		Equivalents	Liabilities	Liabilities	Amortization	Income	Expense
<b>March 31, 2015</b>							
BPC	50%	12,624	1,790	109,874	(67)	30,236	(9,502)
ALPC*	50%	29,918	-	347,547	(7,757)	268	(19,417)
BEPC	50%	7,004	-	-	(5,006)	180	(20)
WEPC	58%	-	-	-	-	2,843	-
		49,546	1,790	457,421	(12,830)	33,527	(28,939)
<b>March 31, 2016</b>							
BPC	50%	11,921	1,825	102,841	(66)	30,540	(9,017)
ALPC	50%	25,864	-	344,336	(5,351)	181	(19,433)
BEPC	50%	6,107	-	-	(5,011)	112	(19)
WEPC	58%	-	-	-	-	3,003	-
		43,892	1,825	447,177	(10,428)	33,836	(28,469)

\*See note 4 – Prior period adjustment

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

## 6. Summary financial information for equity accounted joint arrangements (continued):

The following table shows a reconciliation from net assets of equity accounted joint arrangements to the investment in equity accounted joint arrangements.

(\$ in thousands)	BPC	ALPC**	BEPC	WEPC	Total
<b>Net assets of equity accounted joint arrangements at April 1, 2014</b>	203,692	(83,801)	237,487	50,400	407,778
<i>Columbia Power's share</i>	50%	50%	50%	58%	
	101,846	(41,901)	118,744	29,232	207,921
<i>Less: elimination entry*</i>	-	(47)	-	-	(47)
<b>Investment in equity accounted joint arrangements at April 1, 2014</b>	<b>101,846</b>	<b>(41,948)</b>	<b>118,744</b>	<b>29,232</b>	<b>207,874</b>
Contributions	-	-	-	-	-
Dividends paid	(11,200)	(10,930)	(28,300)	-	(50,430)
Profit/(loss)	21,500	(94)	20,722	2,843	44,971
<b>Net assets of equity accounted joint arrangements at March 31, 2015</b>	213,992	(94,825)	229,909	53,243	402,319
<i>Columbia Power's share</i>	50%	50%	50%	58%	
	106,996	(47,413)	114,954	30,881	205,419
<i>Less: elimination entry*</i>	-	(46)	-	-	(46)
<b>Investment in equity accounted joint arrangements at March 31, 2015</b>	<b>106,996</b>	<b>(47,459)</b>	<b>114,954</b>	<b>30,881</b>	<b>205,373</b>
Contributions	-	-	-	-	-
Dividends paid	(13,580)	(16,474)	(26,242)	-	(56,296)
Profit/loss	22,200	7,120	21,923	22,219	73,462
<b>Net assets of equity accounted joint arrangements at March 31, 2016</b>	222,612	(104,179)	225,590	75,462	419,485
<i>Columbia Power's share</i>	50%	50%	50%	58%	
	111,306	(52,090)	112,795	43,768	215,779
<i>Less: elimination entry*</i>	-	(45)	-	-	(45)
<b>Investment in equity accounted joint arrangements at March 31, 2016</b>	<b>111,306</b>	<b>(52,135)</b>	<b>112,795</b>	<b>43,768</b>	<b>215,734</b>

\* The elimination entry represents interest charged by Columbia Power to ALPC on funding provided by Columbia Power for the construction of the Arrow Lakes Generating Station and Transmission Line. The elimination of interest is being reversed at the average rate of depreciation on the Arrow Lakes Generating Station and Transmission Line assets.

\*\*See note 4 – Prior period adjustment

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

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## 6. Summary financial information for equity accounted joint arrangements (continued):

### ALPC negative equity

In fiscal 2012, ALPC issued \$350 million principal amount Series B bonds, due in April 2041. The proceeds of the Series B bond issue were used to pay for the \$45.6 million owing on ALPC's series A bond redemption, and the net proceeds of \$285.6 million were distributed by dividend to the owners, Columbia Power and CBT Arrow Lakes, for investment in the Waneta Expansion and future project development. The dividend to the owners created a deficit in ALPC of \$56.1 million. ALPC ended fiscal 2012 with a deficit of \$60.3 million after incurring net losses of \$4.2 that year. Total cumulative dividends of \$50.1 million less cumulative net income of \$6.2 million since fiscal 2012 have increased the deficit in ALPC to \$104.2 million at the end of fiscal 2016.

Given that ALPC's negative equity position has been caused by the payment of dividends in excess of earnings rather than by net losses, Columbia Power continues to record its investment in ALPC (2016 – (52.1) million, 2015 – (47.5) million) as a long term asset included in the line item "Investment in equity accounted joint arrangements" on the Consolidated Statement of Financial Position. Columbia Power's future share of ALPC's net income will reduce the negative equity balance and Columbia Power's future share of dividends from ALPC will increase the negative equity balance. Contracts entered into for the delivery of electricity over the next 30 years are expected to generate sufficient revenue and cash flow to fund ongoing operations for the foreseeable future.

## 7. Description of subsidiary and subsidiary's equity accounted investee:

Columbia Power wholly owns CPC Waneta which owns 32.5% of the Waneta Expansion Limited Partnership (WELP).

CPC Waneta was incorporated September 8, 2010 under the British Columbia Business Corporations Act, and started operations on October 1, 2010. Columbia Power is the sole shareholder of CPC Waneta. CPC Waneta's purpose is to be party to the investment in WELP through the Waneta Expansion General Partner Shareholder Agreement and the Waneta Expansion Amended and Restated Partnership Agreement. Ownership in WELP is as follows: Fortis Inc. (51%), CPC Waneta (32.5%) and The Trust (16.5%). Given its ownership interest in WELP and 29% (2 of 7) representation on the board of directors of the Waneta Expansion General Partnership, CPC Waneta has significant influence over WELP and accounts for its investment using the equity method.

WELP's purpose is to be the owner of the Waneta Expansion Project (the Project). The Project involves the development of a 335 MW generating station on the Pend d'Oreille river near Trail, British Columbia, and a 10 km transmission line from the new facility to the Selkirk substation owned by British Columbia Hydro and Power Authority (BC Hydro). The Waneta dam is owned by Teck Resources Ltd. (Teck) (formerly Teck Cominco Metals Ltd.) and BC Hydro. The power plant is being constructed under a \$587 million design-build contract between WELP and SNC-Lavalin Inc. Including change orders and contract amendments the revised contract value is \$602 million. A revenue sharing arrangement is in place from the substantial completion date to May 15, 2016.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

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## 7. Description of subsidiary and subsidiary's equity accounted investee (continued):

The Project achieved substantial completion on April 1, 2015 and began commercial operations on April 2, 2015.

### Contingent Purchase Price

As described in note 5 under WEPC, management of Columbia Power and WEPC have determined that it is virtually certain that the Contingent Purchase Price payable on Final Acceptance of the WAX project will be \$20 million. CPC Waneta will be required to contribute its 32.5% share of \$6.5 million at the time of payment. Management has set up a provision for the present value of the \$6.5 million at \$6.0 million using a discount rate of 3.8% which management has determined reflects the weighted average cost of capital for CPC Waneta.

## 8. Investment prior to and in Waneta Expansion Limited Partnership (WELP):

Prior to the design-build contract being signed and the formation of WELP, Fortis Inc., CPC Waneta and The Trust signed a letter of intent with SNC-Lavalin Inc. to authorize certain activities of the design-build contractor necessary to preserve the construction schedule. These activities are part of the design-build contract cost. CPC Waneta's investment to cover its share of the cost of these activities was \$1.325 million.

CPC Waneta invests in WELP in the form of cash contributions. WELP requests cash calls from the partners as required to meet its obligations to the design-build contractor and other suppliers to the project. WELP uses Canadian accounting standards for private enterprises (ASPE) to prepare its own financial statements and has capitalized all costs to date related to the Waneta Expansion project. Certain costs related to the project are considered ineligible for capitalization under IFRS, and must be expensed when adjusting WELP's accounting policies to conform to those adopted by Columbia Power and CPC Waneta. In addition, IFRS differs from ASPE with respect to categorizing costs for depreciation. Given that WELP started to depreciate the WAX facility and transmission line after substantial completion on April 1, 2015, management is required to adjust depreciation amounts to conform with IFRS.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

## 8. Investment prior to and in Waneta Expansion Limited Partnership (WELP) (continued):

The change in the investment in WELP during the year is as follows:

(\$ in thousands)	Note	2016	2015
<b>Opening balance at April 1</b>		207,593	190,514
Dividends received		(11,212)	-
CPC Waneta share of WELP profit		19,213	-
Cash contributions		2,699	18,265
Payable to WELP for Contingent Purchase Price	7, 16	6,025	-
Less: ineligible costs *		-	(71)
Less: elimination entries **		-	(1,115)
Reversal of elimination entries***		57	
Investment in WELP		<u>16,782</u>	<u>17,078</u>
<b>Total cumulative investment in WELP</b>		<b>224,375</b>	<b>207,593</b>

\* costs up Costs ineligible for capitalization under IFRS.

\*\* Columbia Power's portion of management fees and cost recoveries charged by Columbia Power to WELP (2015 - \$579 thousand. See note 4 – prior period adjustment). Also, Columbia Power's portion of interest from WEPC's promissory note capitalized as PP&E in WELP (2015 - \$536 thousand).

\*\*\* elimination entries relating to WELP expenses incurred from the Columbia Power corporate group and capitalized as PP&E are being reversed at the weighted average rate of amortization on the power facility components.

Summarized financial information of WELP at March 31, 2016 and March 31, 2015 is included in the following table. Summary financial information has been adjusted to conform to accounting policies adopted by Columbia Power and CPC Waneta. The fair value of the investment in WELP is not available.

(\$ in thousands)	2016	2015
Current assets	42,390	9,846
Non-current assets	746,045	698,118
<b>Total assets</b>	<b>788,435</b>	<b>707,964</b>
Current liabilities	8,295	2,126
Non-current liabilities	75,407	53,243
Partner equity	704,733	652,595
<b>Total liabilities and partner equity</b>	<b>788,435</b>	<b>707,964</b>

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

## 9. Cash and cash equivalents and restricted cash:

Cash and cash equivalents include cash balances and call deposits with a Canadian bank and have original maturities of three months or less. Restricted cash includes a letter of credit issued by CPC Waneta to BC Hydro for development security under the 2010 Waneta Expansion Limited Partnership Electricity Purchase Agreement.

## 10. Accounts receivable:

(\$ in thousands)	Notes	2016	2015
Accounts receivable from related parties	31	654	1,555
Advance to BPC	31	700	-
		1,354	1,555
Other accounts receivable		77	87
		1,431	1,642

Columbia Power's exposure to credit risks and impairment losses related to accounts receivable is disclosed in note 26 – Financial instruments.

## 11. Other investments:

(\$ in thousands)	2016	2015
<b>Current assets</b>		
bclMC investments	51,009	61,611
		-
<b>Non-current assets</b>		
Bond sinking fund	5,258	-
<b>Total other investments</b>	56,267	61,611

Other investments comprise Canadian short term dollar money market instruments. Columbia Power invests funds with the British Columbia Investment Management Corporation (bcIMC) and has funds in the ST2 pooled investment portfolio that holds Canadian money market investments maturing within 15 months.

Other investments also comprise of a bond sinking fund held with the province to provide for debt retirement in June, 2044 (also see note 15 – Loans and borrowings). Columbia Power began to make annual payments of \$5,042,517 to the sinking fund beginning on June 18, 2015 and accrues interest based on a 30 year amortization rate and an expected average rate of return of 5% (also see note 28 – Commitments).



# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

## 12. Property, plant and equipment:

(\$ in thousands)	Leasehold improvements	Furniture and equipment	Vehicles	Computers and Software	Total
<b>Cost</b>					
Balance, April 1, 2014	1,267	806	157	1,118	3,348
Additions	-	-	-	105	105
Disposals	-	-	-	-	-
Balance, March 31, 2015	1,267	806	157	1,223	3,453
Balance, April 1, 2015	1,267	806	157	1,223	3,453
Additions	39	10	167	103	319
Disposals	-	-	(157)	(944)	(1,101)
Balance, March 31, 2016	1,306	816	167	382	2,671
<b>Depreciation</b>					
Balance, April 1, 2014	601	779	132	1,043	2,555
Depreciation for the year	127	17	5	62	211
Disposals	-	-	-	-	-
Balance, March 31, 2015	728	796	137	1,105	2,766
Balance, April 1, 2015	728	796	137	1,105	2,766
Depreciation for the year	129	11	12	76	228
Disposals	-	-	(138)	(944)	(1,082)
Balance, March 31, 2016	857	807	11	237	1,912
<b>Carrying amounts</b>					
March 31, 2015	539	10	20	118	687
March 31, 2016	449	9	156	145	759

Management has estimated that the fair values of property, plant and equipment are not materially different from the carrying values.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

## 13. Work in progress - development costs:

One of Columbia Power's primary objectives is to develop generation assets in collaboration with BC Hydro. Columbia Power and BC Hydro signed a Memorandum of Understanding (MOU) in 2012 to work collaboratively on project development and established a joint development committee (JDC) with representatives from both organizations. During fiscal 2015, Columbia Power conducted a study of the options for the Elko Dam & Generating Station (Elko Project), which is owned by BC Hydro and located on the Elk River in the southeast corner of British Columbia. During fiscal 2016, BC Hydro and Columbia Power analyzed the results of the study to determine the future of the facility.

In fiscal 2015, costs of \$1.461 million incurred by Columbia Power to advance the Elko Project were capitalized as Work in progress – development costs. Management had determined that these costs would be fully recoverable based on discussions with the JDC and according to the terms of the Memorandum of Understanding between Columbia Power and BC Hydro. In fiscal 2016, a further \$2.888 million was incurred bringing the balance to \$4.349 million at March 31, 2016.

Also see note 30 – Events after the reporting period.

## 14. Accounts payable and accrued liabilities:

(\$ in thousands)	Notes	2016	2015
Accounts payable to related parties		316	461
Accrued interest owing to related party		3,046	3,033
Sub-total	31	3,362	3,494
Executive holdback		58	58
Other accounts payable		1,092	1,384
Total accounts payable and accrued liabilities		4,512	4,936

Columbia Power's exposure to liquidity risk related to trade and other payables is disclosed in note 26 – Financial instruments.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

## 15. Loans and borrowings:

This note provides information about the contractual terms of Columbia Power's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about Columbia Power's exposure to interest rate and liquidity risk, see note 26 – Financial instruments.

(\$ in thousands)	2016	2015
<b>Non-current liabilities</b>		-
Series A debenture	301,154	300,496
Less: financing costs	(2,354)	(2,400)
<b>Total loans and borrowings</b>	<b>298,800</b>	<b>298,096</b>

On April 14, 2014, Columbia Power issued a \$335 million Columbia Power Series A debenture to the Province that bears a coupon rate of 3.2% and matures June 18, 2044. Columbia Power received net proceeds of \$300,667,095 after discount of \$35,312,350, accrued interest of \$3,436,000 and fees of \$2,456,555. Columbia Power is required to make semi-annual coupon payments of \$5,360,000.

To provide for debt retirement in June, 2044, Columbia Power also makes annual payments of \$5,042,517 to a sinking fund which began on June 18, 2015, based on a 30 year amortization rate (also see note 28 – Commitments).

(\$ in thousands)	Coupon rate	Effective rate	Year of maturity	2016 Carrying amount	2015 Carrying amount
Series A debenture	3.20%	3.83%	2044	298,800	298,096

## 16. Provisions:

(\$ in thousands)	2016	2015
Provision for Contingent Purchase Price	6,025	-

As described in note 7 – Description of subsidiary and subsidiary's equity accounted investee, management has determined that CPC Waneta will be required to contribute its share of the Contingent Purchase Price payable to WEPC on Final Acceptance of the WAX project. Management set up a provision for the present value of the \$6.5 million at \$6.0 million using a discount rate of 3.8% which management has determined reflects the weighted average cost of capital for CPC Waneta.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

## 17. Capital:

At March 31, 2016 and March 31, 2015, Columbia Power has 6 common shares authorized with no par value and issued for \$6 dollars.

## 18. Contributed surplus:

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

(\$ in thousands)	2016	2015
Contributed surplus	26,065	26,065

## 19. Revenue:

For the year ended March 31 (\$ in thousands)	2016	2015
Management fees	358	417
Recovery of costs incurred on behalf of WELP	1,385	1,554
	1,743	1,971
Less: elimination entry*	-	(579)
	1,743	1,392
Recovery of costs**	4,052	3,743
	5,795	5,135

\*Prior to April 1, 2015, WELP capitalized management fees and cost recoveries charged by Columbia Power to WELP. Columbia Power was required to eliminate its portion on consolidation with CPC Waneta (also see note 8 – Investment in and prior to WELP and note 4 – Prior period adjustment).

\*\*Prior year figures have been reclassified to conform to current year presentation. In prior years cost recoveries were shown as net against other expenses.

Cost recoveries include \$80 thousand (2015 – \$180 thousand) for staff compensation relating to project management and stakeholder relations on the Boat Launch project, and \$3,972 thousand (2015 - \$3,563 thousand) for staff compensation, office space, and project overhead incurred on behalf of the joint ventures (also see note 30 – Related party transactions).

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

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## 20. Other income:

For the year ended March 31 (\$ in thousands)	Note	2016	2015
Gain on disposal of property, plant and equipment		19	-
Share of profit in equity accounted joint arrangements	6	38,510	22,179
Share of profit from investment in WELP*	8	19,270	-
		<u>57,799</u>	<u>22,179</u>

\*Profit includes reversal of elimination entries of \$57 thousand.

## 21. Finance income:

For the year ended March 31 (\$ in thousands)	2016	2015
Interest on bank accounts	201	113
Interest on other investments	613	828
	<u>814</u>	<u>941</u>

## 22. Finance costs:

For the year ended March 31 (\$ in thousands)	2016	2015
Bank fees	9	8
Financing costs	89	205
Interest on loans and borrowings	11,390	11,169
	<u>11,488</u>	<u>11,382</u>

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# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

## 23. Other expenses:

For the year ended March 31 (\$ in thousands)	Notes	2016	2015
WAX Development costs expensed		-	71
Residual interest cost (see note below)		868	-
Insurance		7	9
Administration and management*		6,996	6,872
Community sponsorship		97	95
Grants-in-lieu of property taxes		539	524
		<u>8,507</u>	<u>7,571</u>

\*Prior year figures have been restated to comply with current year presentation.

**Note** – The residual interest cost represents a settlement payment made by Columbia Power to the Trust in fiscal 2016 to compensate the Trust for its share of WAX expansion rights extinguished under the February 2010 Waneta Expansion Sizing Agreement. Under this agreement, WEPC negotiated with Teck (formerly Tech Cominco Metals Ltd.) to terminate residual interest obligations of Columbia Power to Teck under the 1995 Financial Agreement, and to not build WAX with a capacity greater than 335MW (down from 435MW). No reliable estimate of this settlement could be made in prior years given the numerous discussions and decisions required by both Columbia Power and the Trust that led up to the determination in fiscal 2016 of an amount acceptable to both parties for the WAX residual interest payment. Columbia Power management has therefore recorded the transaction in the current fiscal year as an expense.

## 24. Employee benefits:

Columbia Power and its employees contribute to the Public Service Pension Plan (PSPP) in accordance with the Public Sector Pension Plan Act. The British Columbia Pension Corporation administers PSPP, including payment of pension benefits to employees to whom the act applies. PSPP is a multi-employer defined benefit pension plan. PSPP is accounted for as a defined contribution plan by Columbia Power as sufficient information is not available to use defined benefit accounting.

Under joint trusteeship, the risk and reward associated with PSPP's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions. Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is any amortization of any funding deficit.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

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## 24. Employee benefits (continued):

The actuarial valuation, conducted in March 2011, determined that PSPP had assets of \$17.8 billion as compared to liabilities of \$18.0 billion. As a result, there was a relatively small contribution rate increase to the PSPP for both the employers and plan members starting in fiscal 2013. The PSPP Board of Trustees was required to implement a contribution rate increase of 0.40% of salary each, for plan members and employers to meet the funding requirements of the Pension Benefits Standards Act. The increases were effective as of April 1, 2012. Contributions to PSPP by Columbia Power in fiscal 2015 were \$388 thousand.

The latest actuarial valuation as at March 31, 2014, indicated a funding surplus of \$194 million for basic pension benefits on a going concern basis. As such, the PSPP is currently fully funded so that no contributions were required for fiscal 2016. The next valuation will be as at March 31, 2017, with results available in early 2018.

Employees of Columbia Power are eligible for the same post-retirement healthcare benefits as other members of the PSPP. No provision, other than Columbia Power's required employer pension contributions, has been made in the accounts of Columbia Power for this liability.

Columbia Power maintains an executive pension benefit plan (EPBP). Pension payments from the EPBP commenced in January 2006 upon retirement of Columbia Power's former President. Columbia Power valued the pension liability at March 31, 2016 as \$148 thousand (2015 - \$158 thousand) on a discounted cash flow basis at a 5.5% discount rate.

## 25. Dividends payable:

The following dividends were declared by Columbia Power's board of directors:

(\$ in thousands)	2016	2015
\$333 thousand per qualifying common share (2015: \$333 thousand)	2,000	2,000

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# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

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## 26. Financial instruments:

### (a) Financial risk management:

Columbia Power is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about Columbia Power's exposure to each of the above risks, Columbia Power's objectives, policies, and processes for measuring and managing risk, and Columbia Power's management of capital.

### (b) Credit risk:

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets are neither overdue nor impaired, and Columbia Power does not consider itself to be significantly exposed to credit risk.

The percentage of accounts receivable balance older than 90 days is 0% (2015: 0%).

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

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(\$ in thousands)	2016	2015
	Carrying amounts	
Cash and cash equivalents	37,205	13,259
Restricted cash	608	604
Accounts receivable	1,431	1,642
Other investments - Current	51,009	61,611
Other investments – Non-current	5,258	-
	<u>95,511</u>	<u>77,116</u>

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# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

## 26. Financial instruments (continued):

### (c) Liquidity risk:

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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

(\$ in thousands)	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
<b>March 31, 2016</b>							
Accounts payable and accrued liabilities	4,512	4,512	4,512	-	-	-	-
Loans and borrowings	298,800	302,474	2,314	5,360	10,720	32,160	251,920
Provisions	6,025	6,500	-	-	6,500	-	-
	309,337	313,486	6,826	5,360	17,220	32,160	251,920
<b>March 31, 2015</b>							
Accounts payable and accrued liabilities	4,936	4,936	4,936	-	-	-	-
Loans and borrowings	298,096	313,207	2,327	5,360	10,720	32,160	262,640
Provisions	-	-	-	-	-	-	-
	303,032	318,143	7,263	5,360	10,720	32,160	262,640

### (d) Market risks:

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

#### (i) Exchange rate risk:

Exchange rate risk refers to the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Columbia Power realizes all significant revenues and expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

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## 26. Financial instruments (continued):

### (d) Market risks (continued):

#### (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. Columbia Power's debt is composed of the Series A debenture. While the coupon rate of this debenture is fixed, the price of the debenture is affected by the interest rate. Therefore, Columbia Power is exposed to interest rate risk. Columbia Power manages interest rate risk by issuing long term fixed rate debt, as required to fulfill its capital objectives, at favorable terms obtained through its investment grade credit rating.

#### Sensitivity analysis:

An increase of 100 basis points in the fair value interest rate will incite a \$28.6 million decrease in the debenture price and a decrease of 100 basis points will incite a \$33.9 increase in debenture price.

#### (iii) Price risk:

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. None of Columbia Power's financial instruments values will change according to changes in market prices and therefore Columbia Power is not exposed to price risk.

### (e) Capital management:

Columbia Power's capital consists of shareholder's equity plus loans and borrowings.

Columbia Power's capital management objectives are to:

- maintain a debt to equity ratio that is not lower than 70/30;
- finance the debt portion of future power project investments with fiscal agency loans through the Province; and
- target a long term capital structure with sufficient equity and working capital reserves to maintain commercial viability of Columbia Power and its equity accounted joint ventures, and to continue to identify and develop future power projects;

Columbia Power is in close communication with its shareholder to determine appropriate capital reserves and dividend payments in order to achieve management's objectives. Neither Columbia Power, nor any of its equity accounted investments, are subject to externally imposed capital requirements.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

## 26. Financial instruments (continued):

### (f) Fair values:

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

(\$ in thousands)	2016		2015	
	Carrying amount	Fair Value	Carrying amount	Fair Value
<b>Assets carried at amortized cost</b>				
Accounts receivable	1,431	1,431	1,642	1,642
Other investments – bond sinking fund	5,258	5,344	-	-
	<u>6,689</u>	<u>6,775</u>	<u>1,642</u>	<u>1,642</u>
<b>Liabilities carried at amortized cost</b>				
Accounts payable and accruals	4,512	4,512	4,936	4,936
Loans and borrowings	298,800	272,140	298,096	277,589
Provisions	6,025	6,245	-	-
	<u>309,337</u>	<u>282,897</u>	<u>303,032</u>	<u>282,525</u>

Given the short term nature of the accounts, management estimates that the carrying amounts for accounts receivable and accounts payable approximate their fair values.

Columbia Power accrues interest on the bond sinking fund at a rate of 5% which the province's Debt Management Branch (DMB) has calculated as the average rate of return for the fund up to its maturity in 2044. The amortized book value of the sinking fund at March 31, 2016 is \$5,168 thousand which takes into account actual returns to the fund to date. DMB also provided the sinking fund market value of \$5,344. Based on DBM reports and Columbia Power's intention to hold the sinking fund investment to maturity in 29 years, management does not believe there has been any impairment in value of the sinking fund at March 31, 2016.

Management has made the following assumptions in determining the fair value of the 2016 loans and borrowings:

- the discounted cashflow methodology is appropriate given that the amounts and timing of the cashflows are reasonably determinable; and
- basing the interest rate used to discount estimated cash flows outstanding on the Series A debenture and the provision for the Contingent Purchase Price, on the government yield curve at the reporting date plus an adequate credit spread is appropriate. At March 31, 2016, management selected an interest rate of 3.8%.
- basing the interest rate used to discount estimated cash flows outstanding on the provision for the Contingent Purchase Price on the Canadian 3-year zero coupon bond rate of 1.15% plus an appropriate spread for non-recourse debt. At March 31, 2016, management selected an interest rate of 2%.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

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## 26. Financial instruments (continued):

### (f) Fair values (continued):

Columbia Power's financial instruments carried at fair value, by valuation method are classified into different levels which are defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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(\$ in thousands)	Level 1	Level 2	Level 3	Total
<b>March 31, 2016</b>				
Financial assets held for trading	51,009			51,009
<b>March 31, 2015</b>				
Financial assets held for trading	61,611			61,611

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# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

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## 27. Operating leases:

Columbia Power has entered into an operating lease for office premises that provides for minimum annual lease payments totaling up to a maximum of \$167,000 per year. The initial lease term was for 10 years (3 years remaining as at March 31, 2016). The lease has a renewal period of 10 years at fair market rents at the option of Columbia Power.

The office premise lease was entered into as a combined lease of land and building. It was determined that substantially all the risks and rewards of the building reside with the landlord. As such, Columbia Power determined that the lease is an operating lease.

During the year ended March 31, 2016, an amount of \$195 thousand (2015 - \$177 thousand) was recognized as an expense in profit or loss in respect of operating leases. These expenditures are considered related party transactions and included in "Purchases from related party" in note 30.

Non-cancellable minimum operating lease rentals are payable as follows:

(\$ in thousands)	2016	2015
Less than 1 year	160	156
Between 1 and 5 years	331	491
More than 5 years	-	-
	<u>491</u>	<u>647</u>

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**Note:** the difference between the annual operating lease expense and the minimum operating lease payments is due to maintenance costs charged by the lessor as per terms of the operating lease agreement.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

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## 28. Commitments:

Columbia Power has provided a payment guarantee to the Waneta Expansion design-build contractor, SNC-Lavalin Inc.

Under the Limited Partnership Agreement, CPC Waneta has committed to fund its 32.5% share of the Partnership's obligation to carry out the Waneta Expansion project. Although the project reached substantial completion on April 1, 2015, CPC Waneta's final share will not be known until final acceptance scheduled to be April 1, 2018.

Under the terms of debt issuance with the Province, Columbia Power has committed to make annual sinking fund payments which started June 18, 2015. Payments required over the next 5 years and thereafter are as follows:

<b>Fiscal year</b>	<b>Sinking fund payments (\$ in thousands)</b>
2017	5,043
2018	5,043
2019	5,043
2020	5,043
2021	5,043
Thereafter	121,032
<b>Total</b>	<b>146,247</b>

## 29. Contingencies:

Columbia Power's operating and development power project activities are affected by federal, provincial, and local government laws and regulations. Under its agreements with its bondholders, BPC and ALPC have agreed to comply or cause compliance in all material respects with such laws and regulations as well as to maintain all material franchises. Under current regulations, the shareholders are required to meet performance standards to minimize or mitigate negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

## 30. Events after the reporting period:

On April 15, 2016, BC Hydro notified Columbia Power that the Elko Project is being deferred indefinitely. Based on BC Hydro's decision, it is not possible to reasonably estimate at this time if and when the project development costs can be recovered in the future. In fiscal 2017, management will be further assessing the recoverability of the Elko project development costs.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

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## **31. Related parties and related party transactions:**

### **(a) Parent company:**

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

These consolidated financial statements include amounts receivable from, amounts payable to and transactions with BC Hydro; The Trust and its affiliates; the Province; the joint ventures; and WELP. All related party transactions are at market rates, except for certain transactions with the joint ventures and WELP which are determined on a cost recovery basis. The subsidiary and joint ventures stated in notes 5, 6, 7 and 8 are related parties to Columbia Power. All intercompany balances and transactions between Columbia Power and its subsidiary have been eliminated on consolidation and not shown in this note. Intercompany transactions between Columbia Power and equity accounted investees are eliminated only to the extent that one of the parties includes the amount in assets. Details of transactions between Columbia Power and related parties which have not been eliminated are summarized in the following tables:

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

## 31. Related parties and related party transactions (continued):

### (b) Due from and sales to related parties:

(\$ in thousands)	2016		2015	
	Due from related party	Sales to related party	Due from related party	Sales to related party
BC Hydro	-	1,189	1,161	1,513
BEPC	131	1,381	128	1,243
ALPC	268	1,600	139	1,364
BPC	804	991	98	956
WELP*	151	1,743	29	1,393
	1,354	6,904	1,555	6,469

\*Prior year figures have been restated to comply with current year presentation.

The Due from Related Party of \$1,354 thousand at March 31, 2016 (2015 - \$1,555 thousand) is included in the "Accounts receivable" line item in the Consolidated Statement of Financial Position.

Included in the amount due from BPC is a \$700 thousand cash advance made by Columbia Power to BPC to assist with working capital requirements. Management expects the advance to be repaid in May 2016.

The Sales to WELP of \$1,743 thousand for the year ended March 31, 2016 (March 31, 2015 - \$1,393 thousand) are included in the "Revenue" line item on the Consolidated Statement of Comprehensive Income.

In fiscal 2016, Columbia Power as the project manager for BC Hydro of the Arrow Lakes Boat Launch project charged BC Hydro on a cost recovery basis for payment of 3<sup>rd</sup> party invoices relating to the construction of the Arrow Lakes boat launches, the WAX Sturgeon Monitoring and the Wetlands projects. The total amount recovered for the year ended March 31, 2016 of \$1,189 thousand (March 31, 2015 - \$1,513 thousand) has been included in the "Administration and management" line item in note 23 – Other expenses.

During the year, Columbia Power as the manager charged its joint ventures amounts on a cost recovery basis for staff compensation, office space and project overhead. The total amount recovered for the year ended March 31, 2016 of \$3,972 thousand (March 31, 2015 - \$3,563 thousand) has been included in the "Revenue" line item on the Consolidated Statement of Comprehensive Income.



# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

## 31. Related parties and related party transactions (continued):

### (c) Due to and purchases from related parties:

(\$ in thousands)	2016		2015	
	Due to related party	Purchases from related party	Due to related party	Purchases from related party
BC Hydro	-	94	-	16
The Trust and affiliates	66	580	135	584
Province	3,138	11,552	3,143	11,204
BC Pension Corp	148	405	158	388
WELP	10	-	58	-
	3,362	12,631	3,494	12,192

The Due to Related Party of \$3,362 thousand at March 31, 2016 (2015 - \$3,494 thousand) is included in the "Accounts payable" line item in the Consolidated Statement of Financial Position. Purchases from Related Party of \$12,631 thousand for the year ended March 31 2016 (March 31, 2015 - \$12,192 thousand) are included in the "Finance costs" line item on the Consolidated Statement of Comprehensive Income, the "Property, plant, & equipment" line item and the "Work in progress - development costs" line item on the Consolidated Statement of Financial Position, and the "Administration and management" line item in Other expenses – note 23.

### (d) Pension plan:

Columbia Power has a pension plan which is a related party by virtue of IAS 24, Related Party Disclosures. Refer to note 24 – Employee benefits for detailed information on the transactions with the pension plan.

### (e) Loans from related party:

At March 31, 2016 and March 31, 2015, Columbia Power has a debenture outstanding payable to the Province. Details of these loans are provided in note 15 – Loans and borrowings.

### (f) Dividends:

During the year, Columbia Power declared and accrued dividends payable of \$2 million to the Province (2015 – accrued \$2 million) as per note 25 – Dividends payable.

### (g) Provision for Contingent Purchase Price

Management has accrued \$6,025 thousand which is the present value of CPC Waneta's amount owing to WELP for its share of the Contingent Purchase Price payment which will be determined on the Final Acceptance Date scheduled for April 1, 2018 as per note 16 – Provisions.

# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

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## 31. Related parties and related party transactions (continued):

### (g) Executive management compensation and board compensation:

#### (i) Executive management compensation:

Columbia Power is organized into business units and support functions. The managers of these units report to the corporate management, which comprises of the President and Chief Executive Officer, the Vice President, Operations, the Vice President, Capital Projects, the Vice President, Business Development, the Director, Human Resources & Corporate Services, and the Director, Finance.

Members of the corporate executive have a holdback scheme which can give them an annual non-pensionable holdback payment of up to 8% of base salary. The holdback is paid on the basis of achieving corporate and individually specified objectives. Holdbacks accrued in the fiscal year and paid in the subsequent year are shown in note 14 – Accounts payable and accrued liabilities.

In addition to their salaries, Columbia Power provides non-cash benefits to directors and executive officers, and contributes to the PSPP on behalf of executives (see note 24). In accordance with the terms of the plan, executive officers are entitled to receive annual payments equivalent to 2 percent of their highest 5 year average salary times their number of years of service from the date of retirement until death.

Upon resignation at Columbia Power's request, they are entitled to termination benefits up to 18 months' gross salary, depending on the number of years of service.

Pension and other benefits paid on behalf of executive management by Columbia Power are as follows:

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<b>For the year ended March 31 (\$ in thousands)</b>	<b>2016</b>	<b>2015</b>
Public Service Superannuation Plan	119,549	117,707
Standard Benefits	77,612	78,432
	<u>197,161</u>	<u>196,139</u>

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# COLUMBIA POWER CORPORATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2016

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## 31. Related parties and related party transactions (continued):

### (g) Executive management compensation and board compensation (continued):

#### (i) Executive management compensation (continued):

There have been no loans or pledges granted to executive management or family members. The total salaries and other benefits paid to executive management for the year ended March 31, 2016 amounted to \$1,542 thousand (March 31, 2015 - \$1,354 thousand) as follows:

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Executive management compensation	2016	2015
Salary	1,218,913	1,130,354
Holdback/Bonus	57,538	57,538
Other	86,749	64,140
Expenses	178,463	102,157
	<u>1,541,663</u>	<u>1,354,189</u>

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#### (ii) Board compensation:

The board has no remuneration agreements other than the director's fee and remuneration for participating in committee work, nor have any loans or pledges been granted to directors of the board or their family members. Total compensation to the board for the year ended March 31, 2016 was \$106 thousand (March 31, 2015 - \$94 thousand) as follows:

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Board Compensation	2016	2015
Retainers	59,500	59,500
Meeting fees	25,000	20,500
Expenses	21,918	13,760
	<u>106,418</u>	<u>93,760</u>

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