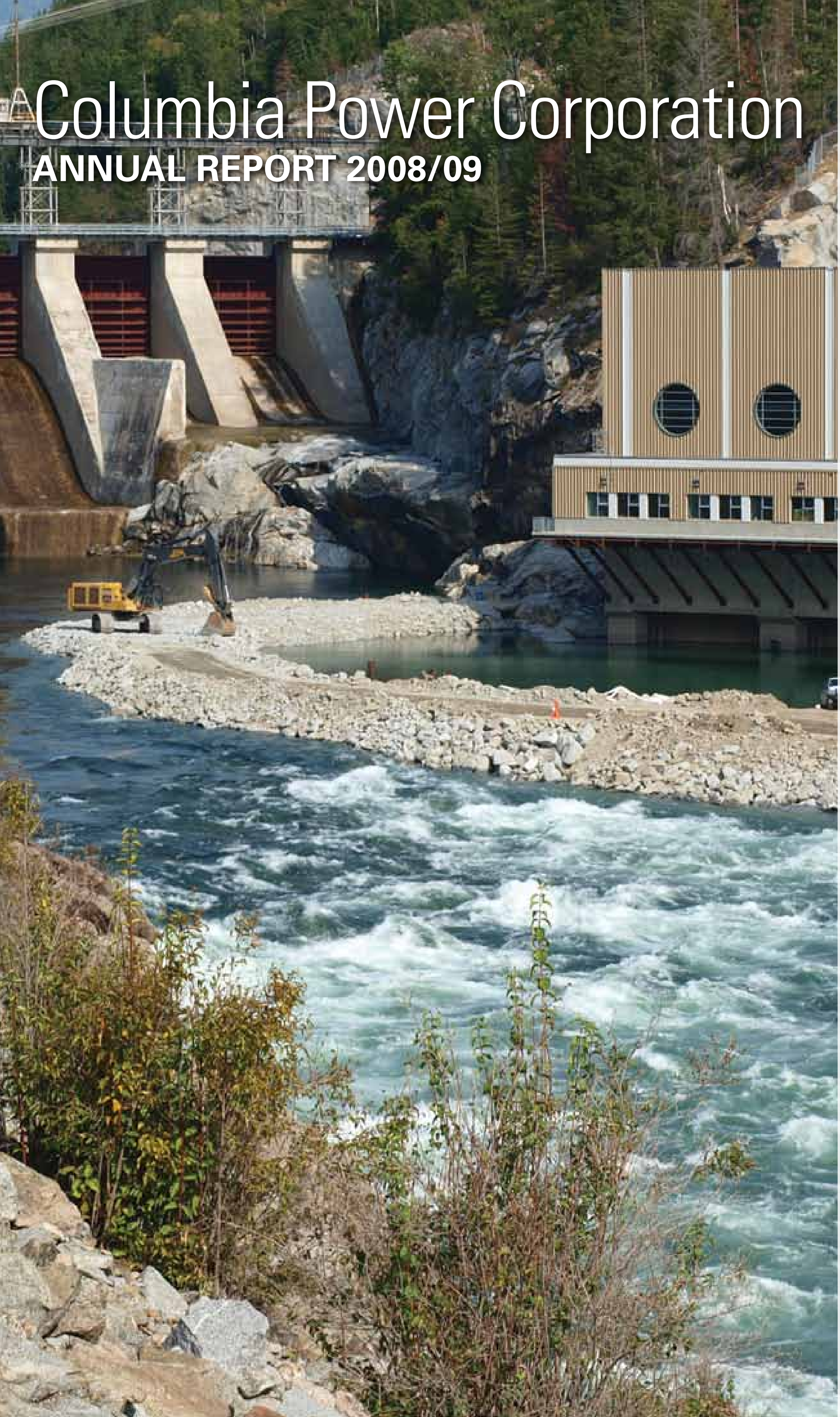
Columbia Power Corporation

ANNUAL REPORT 2008/09



BRITISH COLUMBIA
The Best Place on Earth

clean, green Columbia Power

COLUMBIA POWER CORPORATION

Cover photo: Tailrace Improvement Project at the Brilliant Dam and Expansion, located on the Kootenay River near Castlegar, BC.

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COLUMBIA POWER CORPORATION

ANNUAL REPORT • 2008/09

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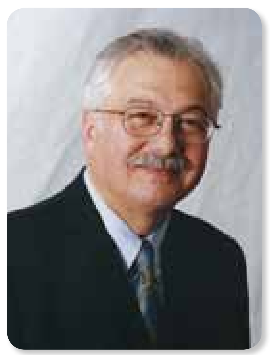
JOINT MESSAGE FROM THE CHAIR, LEE DONEY AND THE PRESIDENT AND CEO, BARRY CHUDDY.

Lee Doney



Barry Chuddy

During the 2008/09 fiscal year, Columbia Power Corporation (CPC) continued to successfully meet the challenges presented while managing to significantly exceed financial expectations. As set out in our 2008/09 Service Plan, we finished the year with a net income of $18.3 million, exceeding the Plan's expected $13.5 million. We are proud of our accomplishments as a company, and we are particularly proud to be leading such a capable and committed group of individuals. In addition to our financial success, CPC has made progress in a number of key business areas and initiatives.

We have not only met our financial goals, but we have exceeded our expected net income by over 117% percent (if you do not include the ecoENERGYgrant discussed later). If you include the value of the income from the grant in our year-end financial outcome, CPC has exceeded its expected net income by 135%, which is a very significant achievement.

In addition to CPC's continued financial success through its existing facilities and operations, our commitment to reduce emissions through the creation of clean, renewable power has resulted in an agreement to receive up to $47 million dollars over a ten-year period (CPC's joint venture share is 50 per cent). These funds are awarded through Natural Resources Canada's ecoENERGY for Renewable Power Program in recognition of the success of the Brilliant Expansion Project (BRX). CPC is very proud to be acknowledged on a national level for this achievement, as it helps to ensure that renewable energy from BRX is delivered to Canadian consumers at competitive prices. This grant also provides us with the necessary capital to continue to advance the cause for a "clean, green Columbia Power."

We have confirmed our commitment to health and safety, as well as dam safety, by establishing formal corporate policies in these important areas. Combined with the existing environmental policy and additional technical equipment oversight, CPC is now formally committed to effectively managing key operating risks.

CPC has optimized its organizational structure by creating and filling several new positions including a Dam Safety Manager, a Coordinator of Environmental Health and Safety, a Manager of Environmental Programs and a Service Contract Specialist. In addition to these newly-created jobs, CPC has successfully filled the position of the Director of Regulatory Affairs, and is currently in a search for a new Chief Financial Officer. We are also planning to add additional engineering expertise to assist in the construction of the Waneta Expansion Project (WAX). In addition to staff changes, our Vice President of Human Resources has instituted a number of new policies and procedures to guide our staff.

CPC continues to make solid progress in the development of the WAX project, which involves the design and construction of a 335 MW powerhouse to share the "hydraulic head" (an industry measure of the distance that water drops to create hydro power), created by Teck's Waneta Dam on the Pend d'Oreille River, near Trail. Changes to BC Hydro's purchasing plans, and the need to ensure our Owner's Requirements were properly vetted have caused us to delay the commitment of this important project into the next fiscal year.

With respect to the financial plan, we appreciate the commitment of our advisors, staff and partner, Columbia Basin Trust (CBT) on the WAX project as we deal with the many issues necessary to prepare for such a substantial undertaking. We believe that pulling together a project of this size and scope in these difficult economic times will result in CPC becoming an even stronger organization when the project is complete.

In order to increase operational efficiencies at our BRX facility, which commenced operation in September 2007, it was deemed necessary to initiate a clean-up project in the tailrace area of that facility. During construction of the BRX powerhouse from 2003-2007, the contractor was not able to achieve the design criteria for the depth of the entire tail race, resulting in a reduction in hydraulic head and as a result, a reduced energy output. This project began in August 2008, was successfully completed on time and well within budget and has helped us to get as close to the original design criteria as possible. Over the next few months, we will be evaluating the actual output of BRX to determine how successful this project was in helping us to achieve the original design specifications.

The renovations to our office in Castlegar were recently completed and we are very pleased with the results. Our goal was to create the best possible work environment for our staff which includes ergonomic work stations in an environmentally friendly and aesthetically pleasing space. In the coming months, a certification team will determine definitively if our renovations meet the standards to achieve a LEED's gold rating. We are optimistic about the results of this project and expect to report on its success in our next annual report.

There are many other important tasks that our staff are working on to streamline processes and the over-all functionality of the organization, which in turn will solidify our competitive edge. These new systems will ensure that we are dealing efficiently with, among other things, our records, while helping achieve our goal of a paperless office. We have also implemented the use of a new accounting software program for our financial accounting needs, which integrates seamlessly with the execution of our new electronic payroll and time allocation system and should allow for a more efficient transfer of information to our partner, CBT.

We would like to take this opportunity to acknowledge the considerable contribution of our outgoing board members, Josh Smienk, Jane Fleming and Charles Reid. They each brought a tremendous amount of knowledge to the Board of Directors and we appreciate all that they did for our organization. We would like to also welcome Gerry Duffy, Greg Deck and Tim Stanley as new Board members and look forward to their input and guidance as we maneuver through the many responsibilities related to the WAX project.

The phenomenal successes of our projects are direct results of the hard work and sound decisions of our staff and Board of Directors. CPC has worked very hard to attain a distinctive culture and environment, which has been built on respect and overcoming the challenges we face each and every day. It is a credit to all involved that we have achieved the change needed to move this organization forward and continue to plan an aggressive path for the future. As we continue with the Waneta Expansion Project, we should all be proud of our reputation, our partnerships and our people.

The 2008/09 Columbia Power Corporation Annual Report was prepared under the direction of the Chair and in accordance with the *Budget Transparency and Accountability Act.* The Chair is accountable for what has been included in this report and how it is reported. The information presented reflects the actual performance of Columbia Power Corporation for the 12 months ended March 31, 2009, in relation to the February 2008 Service Plan. The measures presented are consistent with Columbia

Power Corporation's mandate, goals and objectives and focus on aspects critical to the organization's performance. The Chair is responsible for ensuring that internal controls are in place so that performance information can be measured accurately and in a timely fashion. All significant decisions, events and identified risks as of May 20, 2009, have been considered in preparing this report. All estimates and interpretive information contained here represent the best judgement and management. Any changes in mandate direction, goals, objectives, strategies, measures or targets since the February 2009 Service Plan were released and any significant limitations in the reliability of data are identified in this report.

Lee Doney
Board Chair

Barry Chuddy
President & CEO

ORGANIZATIONAL OVERVIEW

Introduction

Columbia Power Corporation ("CPC") is a Crown corporation wholly owned and controlled by the Province of British Columbia, existing under the *Business Corporations Act* and reporting to the Minister of Energy, Mines and Petroleum Resources. Under the terms of its amended Agency Agreement with the Province, CPC is an agent of the Province and the Treasury Board has the ultimate authority for new power project investment and significant financial restructuring. CPC's mission is to efficiently develop and operate commercially viable, environmentally sound and safe power project investments for the benefit of the Province and the residents of the Columbia Basin. In making power project investments, CPC's goal is to support the employment, economic development and resource management objectives of the Province, within the constraints of a commercial enterprise.

CPC undertakes power projects through joint ventures with subsidiaries of the Columbia Basin Trust ("CBT") and manages all of the joint ventures. CPC is a small organization, with 52 full-time equivalent positions, located in Castlegar. CPC focuses on asset management activities while engaging private-sector firms to provide construction, plant operation and specialist consulting services. Through its joint ventures, CPC is one of the larger producers of electricity in British Columbia.

CPC oversees the operations of the Brilliant dam, powerplant and terminal station, the Arrow Lakes Generating Station and the Brilliant Expansion and the development activities of the Waneta Expansion. The Waneta Expansion Project received its provincial Environmental Assessment Certificate on October 13, 2007. A provincial water licence, delayed by flow issues with regards to white sturgeon, was issued on January 22, 2008.

Most of the power at the current operating projects (Brilliant, Arrow Lakes Generating Station and

Brilliant Expansion) is committed under long-term sales contracts to two utilities, FortisBC Inc. and BC Hydro. Power is also sold to Powerex, a subsidiary of BC Hydro.

Returns from CPC's 50 percent equity share of the power projects are available to be distributed to the Province.

Sustainability Report

CPC is committed to sustainable development which has been defined by the Canadian Electricity Association as "pursuing innovative business strategies and activities that meet the needs of members, stakeholders and the communities in which we operate today, while protecting and enhancing the human and natural resources that will be needed in the future." Sustainable development has been a key aspect of CPC's project development. This was evidenced in 2005 by the Arrow Lakes Generating Station being awarded the Blue Planet Award for sustainable management by the International Hydropower Association. In this past year, the electricity from the Brilliant Expansion Project was licensed under Environment Canada's EcoLogo program for environmentally preferred projects.
In a strategic planning session conducted during the year, both sense of community, safety and environmental stewardship were identified as core values.

CPC's commitment to sustainability principles during 2008/09 resulted in the following:

- Environment - there were no reportable (>100 litres) spills associated with CPC projects; research was conducted to further assess and minimize the potential impact of operations to endangered white sturgeon; and office renovations were completed to the LEED Gold standard.
- Stewardship and Biodiversity – CPC joined the Technical Working Group for sturgeon recovery and initiated the development of a sturgeon conservation agreement for white sturgeon; signed a long term contribution agreement for the Arrow Lakes Reservoir Nutrient Restoration Program; and continued funding for the Slocan River Riparian Restoration program with community groups.
- Health and Safety – CPC added dedicated positions and responsibilities for health and safety as part of corporate reorganization; and adopted the OHSAS 18001 standard for the development of safety management.
- Communications and Engagement – CPC reactivated the Community Impact Management Committee for the completion of the Brilliant Expansion tailrace clean-up project in response to community interest.
- Climate Change – CPC's hydroelectric generation facilities do not emit greenhouse gases; CPC developed its first corporate Carbon Neutral Plan as part of the BC Government Carbon Neutral government initiative.
- Aboriginal Relations – CPC signed a Community Benefits Agreement with the Ktunaxa Nation Council (KNC) for the Waneta Expansion Project which includes provisions for assistance to the KNC in small hydro development.
- Economic Benefits – 50% of the net income from the CPC managed joint venture projects goes to the Columbia Basin Trust to fund their regional benefit programs; CPC also has its own community sponsorship funding program.

Mandate, Vision and Values

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

The mandate, vision and values of CPC are presented below.

Mandate

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

Vision

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

Values

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

Business Model

Design

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

Evaluate

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

Build

With the signing of a design-build contract, many responsibilities are transferred to the design-build contractor. CPC, however, engages an "Owner's Consultant" to ensure compliance with contract terms, including monitoring of quality control and environmental permit requirements in addition to its own resources which oversee all activities at the highest level.

Operate

Once a project has been completed and commissioned, operations and power sales begin and further due diligence is undertaken to ensure all deficiencies are resolved and the facility is "fit for purpose." CPC has in-house engineers knowledgeable in plant operations and maintenance, but, to date has chosen to engage a contractor to operate and maintain the joint venture's plants, with oversight by CPC. The contractor is responsible for a number of activities.

Manage

CPC, the manager for the joint ventures, is responsible for all activities in the business model components: negotiating and administering agreements; raising financing; paying lenders; paying taxes; complying with approvals; employing qualified staff and advisors; and, managing all finance, operations, oversight activities and associated risks.

The CPC business model is shown in Figure 1 on the following page.

Figure 1: Columbia Power Corporation (CPC) Business Model

Business Components	Design	Evaluate	Build	Operate	Manage
Responsibility	CPC	CPC	Contractors	Contractors	CPC
Key Activities	• Determine financial/ technical feasibility • Communicate with community and First Nations • Environmental & other assessments	• Assess competing proposals from contractors • Assess feasibility • Negotiate contracts	• Oversee construction • Carry out construction • Follow-up on commitments • Related sub-projects	Conduct: • Maintenance • Upgrades • Dispatch	Manage: • Financial and regulatory concerns • Contract administration • Human resources • Joint venture interface
Key Products	Initial Plans: • Financial • Marketing • Engineering • Community/First Nations • Environmental • Requests for proposals	Updated Plans: • Financial • Marketing • Engineering • Community/First Nations • Environmental • Updated go/no-go decision	• Compliance • Studies and reports • Stakeholder communications	• Generation • Power sales	• Budgets • Expenditures • Debt issues • Regulatory compliance • Business development
Outcomes	• Initial go/no-go decision • Balance achieved between capital and dividend requirements	• Signed contracts • Clear expectations • Risks assessed, allocated	• Projects completed to specifications • Construction employment/income	• Efficient, reliable plant operations • Cash flow	• Cost-effective, reliable operations • Dividends • Shareholder/joint venture value • On-going environmental benefits
Results	Value for money/profitability Stakeholder support Environment protected			Risks managed Motivated, skilled staff Regulatory compliance		

In carrying out its business model, CPC has two roles:

- It is an owner with a 50 percent equity interest, along with the CBT, in joint venture power projects and project(s) in development. Power projects are owned in separate corporations for the purpose of securing limited-recourse commercial project financing without provincial debt guarantees. For a number of reasons, this structure will be reviewed as part of the corporate re-financing necessary to secure adequate funding to finance the Waneta Expansion.
- It is the manager for the joint ventures including those in operation, construction and development. The corporate structure of the joint ventures is shown in Figure 2.

Key Relationships

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

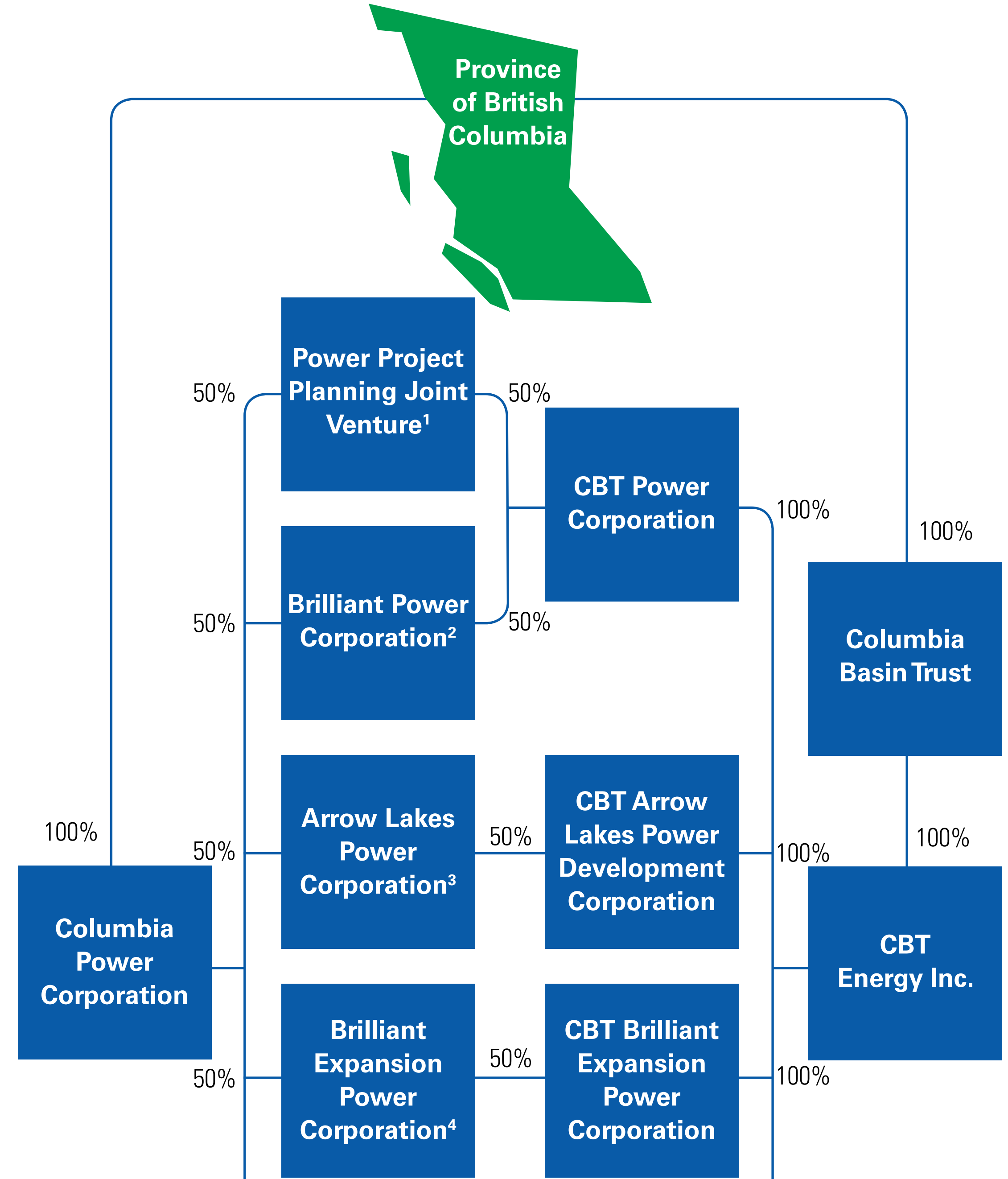
The Arrow Lakes Generating Station was constructed by Peter Kiewit Sons Co. under a fixed-price design-build contract.

The Brilliant Expansion was constructed by the Brilliant Expansion Consortium, composed of Skanska-Chant and SNC-Lavalin Inc., under a fixed-price design-build contract. Commercial operation was achieved in September 2007. Final acceptance will occur after a number of precedent conditions have been achieved. The contractual milestone date for final acceptance is 07 September 2010.

The Brilliant dam, powerplant and terminal station, the Arrow Lakes Generating Station, and the Brilliant Expansion are operated and maintained by FortisBC Inc. or a related entity under contract. FortisBC Inc. is an integrated electric utility with approximately 570 employees. It generates, transmits and distributes electricity throughout south-central British Columbia, serving approximately 150,000 customers.

The British Columbia Utilities Commission ("BCUC" or the "Commission") is a regulatory agency of the provincial government, operating under and administering the *Utilities Commission Act*. The Commission regulates public utilities. While CPC/CBT power project joint venture companies meet the definition of public utilities under the Act, they are exempt from BCUC regulation pursuant to a Minister's Order. This Minister's Order also exempts purchasers of joint venture power service in respect of the energy supply contracts for the purchase of that service. CPC interacts with a number of public utilities regulated by the Commission (including BC Hydro, British Columbia Transmission Corporation and FortisBC Inc.) and intervenes in Commission proceedings as needed to ensure joint venture interests are appropriately addressed.

Figure 2: Corporate Structure of the Columbia Power Corporation/Columbia Basin Trust (CBT) Joint Ventures



Notes:

1. Carries out early stage planning of power projects
2. Owns Brilliant powerplant
3. Owns Arrow Lakes Generating Station
4. Owns Brilliant Expansion Generating Station
5. Owns Waneta Expansion rights

CORPORATE GOVERNANCE

CPC is a corporation governed by the *British Columbia Business Corporations Act*. It is owned and controlled by and is an agent of the Province of British Columbia. Its directors are appointed annually by the Province. All are independent from management. The board considers six directors as an appropriate and effective board size for the corporation. In the event of a vacancy on the board, the Human Resources and Governance Committee identifies the required experiences and skills for potential directors, taking into consideration the board's short-term needs and long-term succession plans, and in consultation with the Board Chair, recommends to the board for submission to the government the criteria and potential candidates.

In addition to the Human Resources and Governance Committee, the board has a Finance and Audit Committee and a Major Capital Projects Committee to assist the board in carrying out its responsibilities. The terms of reference for the board and each committee, detailed information about the directors, the committees and senior management, and position descriptions for the Board Chair, the Chief Executive Officer and the Corporate Secretary, are set out on the corporation's website: www.columbiapower.org. The corporation also has guidelines to assist the board in fulfilling its duties of stewardship and accountability. The board and the committees allot time during each regular meeting for the directors to meet without members of management in attendance. The board does not currently have a task force or working group. In accordance with requirements for the new agency agreement, CPC's board has contracted a major accounting firm for internal audit services.

The Shareholder's Letter of Expectations between the Minister of Energy, Mines and Petroleum Resources and the Board Chair (a copy of which is posted on the corporation's website) sets out the corporate mandate, including high-level performance expectations, public policy issues and strategic priorities. Pursuant to the Shareholder's Letter of Expectations, the Board Chair and the corporation's Chief Executive Officer communicate regularly with the Minister of Energy, Mines and Petroleum Resources or with representatives of the ministry, to report on implementation of the letter. The letter directs the corporation to conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by government. As required by the letter and the *British Columbia Financial Administration Act*, the corporation posts on its website its annual report, its annual Financial Information Act Report and interim financial reports on a quarterly basis. The Auditor General of British Columbia is the external auditor for CPC.

Orientation and education of board members go hand in hand and are a continuous process. New directors are provided with access to material from a board manual that includes all the governance documents of the corporation, as well as current financial information, descriptions of the corporation's business and assets and significant relationships, and are provided an early opportunity to meet with employees and to tour the operations. Each new director is provided with materials for and invited to attend a number of meetings of all committees to gain an understanding of their respective roles and functions, before being appointed to a specific committee. From time to time, the corporation engages outside advisers or consultants to brief the directors on matters of general interest or related to the corporation's business or a specific project. The board terms of reference require an annual assessment of the board, each committee and the directors. In 2008, the assessment process involved a general board questionnaire prepared and collated by an independent governance consultant, as well as individual director self-assessment questionnaires.

The corporation's Standards of Ethical Conduct for Directors are published on the corporation's web site. The directors are required to review the standards and declare compliance annually. The Standards of Ethical Conduct do not explicitly allow the board to grant waivers from any of its provisions. The corporation also has standards of conduct applicable to all employees as part of its human resources guidelines & policies.

The power projects undertaken by joint ventures with subsidiaries of the CBT are owned by British Columbia corporations, 50% of the shares of which are owned by CPC. The boards of directors of these jointly owned corporations are comprised of six directors, three nominated by CPC and three nominated by the CBT.

The corporation is substantially in compliance with the Board Resourcing and Development Office's board disclosure requirements for Crown corporations.

BOARD OF DIRECTORS AND OFFICERS

Board of Directors

Lee Doney
Chair

Tim Stanley

Gerry Duffy

Ron Miles

Gregory Deck

Officers

Barry Chuddy
President and Chief Executive Officer

Giulio Ambrosone
Vice President, Project Implementation

Amy Stevenson
Vice President, Operations, Environment, Health & Safety Affairs

Don Rose
Acting General Counsel and Corporate Secretary

Victor Jmaeff
Vice President, Sales & Development

Debbie Martin
Vice President, Human Resources & Corporate Services

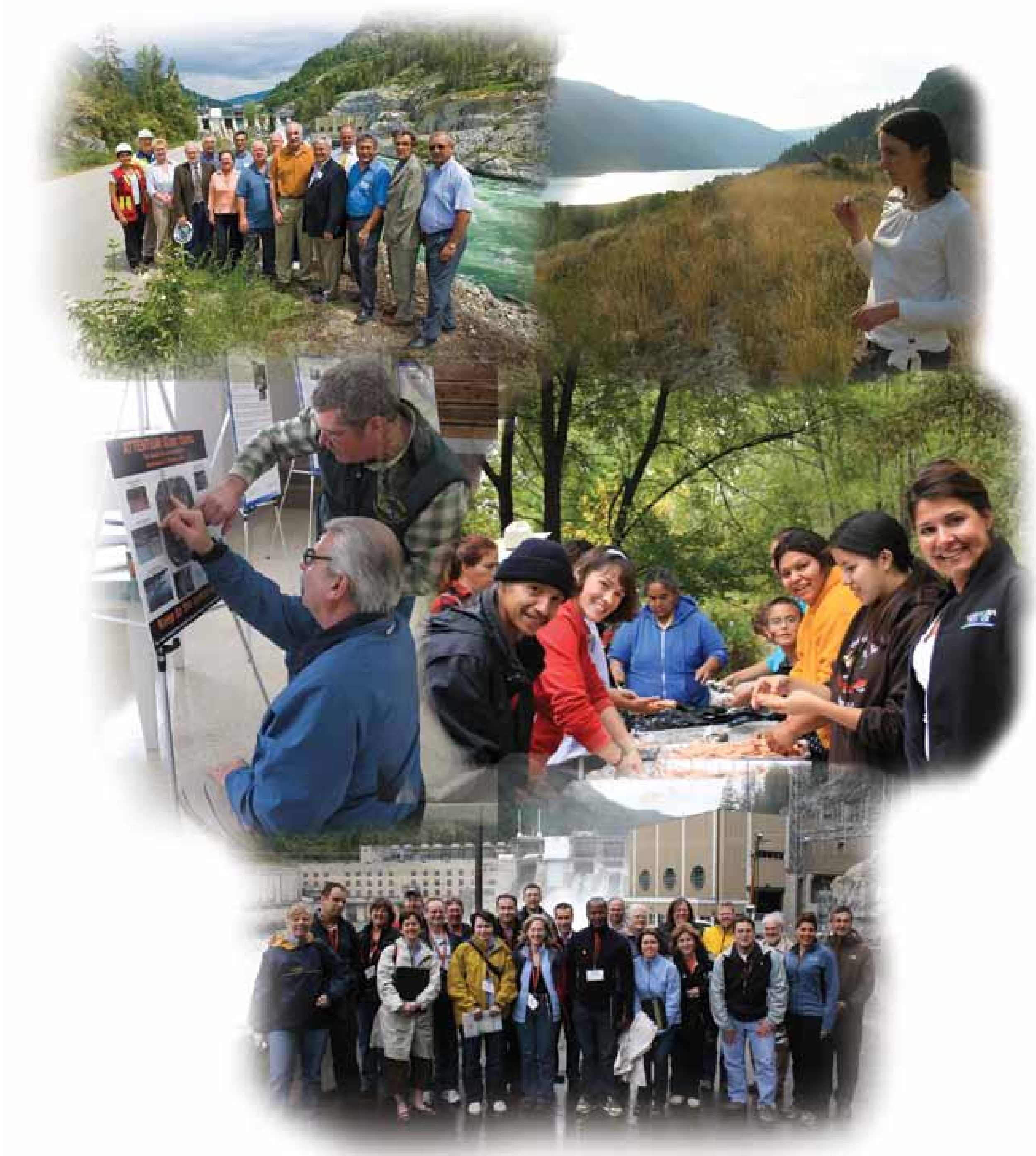
David de Git
Corporate Controller

Board Committees

Finance and Audit Committee

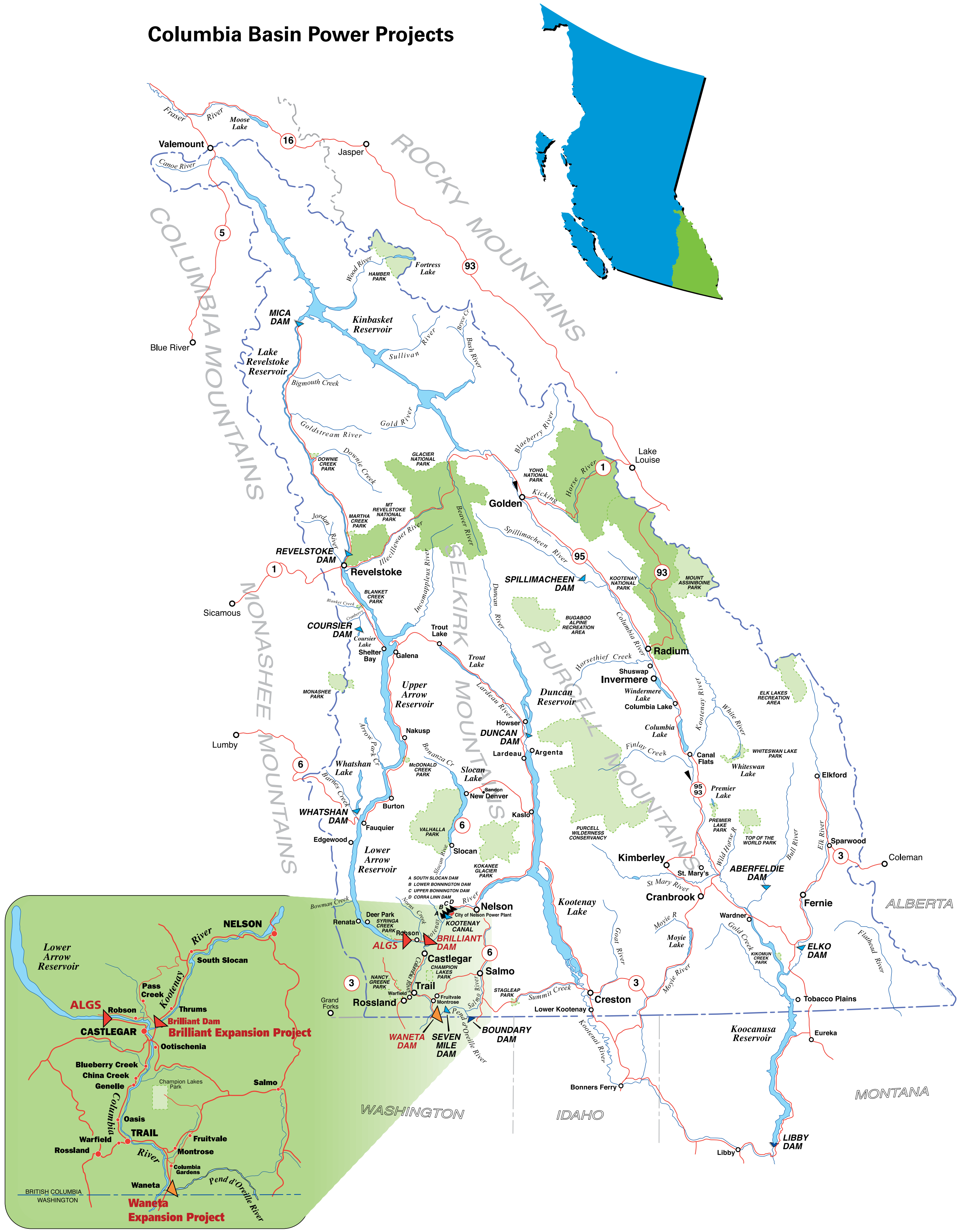
Human Resources and Governance Committee

Major Capital Projects Committee



Pictured clockwise from top right: Sheila Street, Manager of Environmental Support, at the Arrow Lakes Generating Station wetlands area; Audrey Repin, Director of Communications and Community Relations (right) attends the Okanagan Nation Alliance Salmon Festival; Columbia Power and Columbia Basin Trust representatives host a tour of the Brilliant Expansion Project; Llewellyn Matthews, Director, Environmental Health and Safety (top) explains the Slocan River Rainbow Trout Habitat Enhancement Project to a visitor at an open house event; dignitaries at the grand opening of the Brilliant Expansion Project.

Columbia Basin Power Projects



Operations Overview

With three operating hydro facilities totaling 450 megawatts of power generating capacity, CPC is committed to excellence in reliable operations that demonstrate environmental and safety stewardship. CPC has made significant progress in 2008/09 in developing corporate policies and implementing formal management systems to effectively manage risks that may affect personal safety, dam safety or the natural environment.

Accomplishments with the existing facilities in 2008/09 included the implementation of public safety measures at both the Brilliant Dam and Generating Station and the Brilliant Expansion Generating Station. CPC initiated security improvements at the Brilliant Expansion and Arrow Lakes Generating Stations. CPC operations also ensured a high level of equipment availability and performance at all generating facilities. The federal Department of Fisheries and Oceans acknowledge CPC's successful environmental performance, particularly CPC's approach to minimizing risk to sturgeon.

CPC continues to be an active participant in the hydro industry, both provincially and federally. In 2008/09, CPC was involved provincially, providing direct input into the provincial mandatory reliability standards for transmission and generation. CPC was involved federally, through industry groups like the Canadian Electrical Association and the Canadian Hydropower Association, providing direct input and leadership into the legislation and best management practices in environment, safety, maintenance and stewardship that affect our industry.

REVIEW OF POWER PROJECTS

Columbia Power Corporation and the Columbia Basin Trust (through its indirect subsidiary, CBT Power Corp.) have formed the Power Project Planning Joint Venture for the purpose of assessing and advancing power projects. The joint venture is owned on a 50/50 basis by the two parties, which direct its activities through a management committee composed of members from each party. CPC is the joint venture manager. When a decision is made to proceed with construction of a power project, the project assets are transferred to a separate, jointly owned company. Currently, the Waneta Expansion is the focus of activities of the Power Project Planning Joint Venture, while other projects have been transferred to separate jointly owned companies, as set out on the following pages.

185MW Arrow Lakes Generating Station

The Arrow Lakes Generating Station is a two-unit Kaplan turbine hydroelectric facility with a maximum capacity of 185 megawatts. It is located adjacent to and 400 metres downstream of the pre-existing BC Hydro Hugh Keenleyside Dam, impounding the Arrow Reservoir and discharging into the upper Columbia River. The Arrow Lakes Generating Station and related assets are owned by Arrow Lakes Power Corporation (ALPC), a company jointly owned, on a 50/50 basis, by CPC and CBT Arrow Lakes Power Development Corp., an indirect subsidiary of the Columbia Basin Trust.

The Hugh Keenleyside Dam was constructed in the 1960s by BC Hydro under the terms of the Columbia River Treaty. The dam was built to store and regulate water releases for downstream flood control and power generation benefits in the United States. Construction of the Arrow Lakes Generating Station between 1999–2002 realized power benefits in British Columbia by utilizing water releases for generation that would otherwise be spilled through the dam's discharge facilities. The reduction of spill through utilizing water for power generation has also improved water conditions for fish by reducing the dissolved gas pressure levels downstream. The Arrow Lakes Generating Station is operated and maintained under a management agreement with Fortis Pacific Holdings Inc., a corporation related to FortisBC Inc.

The net income from Arrow Lakes Generating Station, for the year ended March 31, 2009, was $12.7 million compared with $21.7 million the previous year. The prior year net income was higher as it included a net recovery of channel repair costs of $7.8 million. This year's net income results from achieving over 95% availability at the facility and exceeds ALPC's expectations for its annual income target. Facility generation also well exceeded the expected average amounts which provided excellent benefits to the customer of the power, BC Hydro. The commercial agreement with BC Hydro upon which the energy credits to the Arrow Lakes Generating Station are based have not had any need for modification this year and are expected to remain unchanged in the upcoming year. No further changes to the annual energy entitlement are anticipated.

ALPC's sustaining capital expenditures are funded by cash flow from operations. ALPC paid a dividend of $26.5 million for fiscal 2008/09.

Arrow Lakes Generating Station Operations Summary Information

($ in thousands unless otherwise stated)

	2008/09	2007/08	2006/07	2005/06	2004/05
Power Sales Revenue	$ 32,354	$ 32,325	$ 29,548	$ 23,724	$ 26,597
Interest Revenue	293	513	441	727	1,485
Operating Expenses	3,611	2,718	3,227	2,755	3,543
Water Rentals	4,051	3,604	3,546	3,120	3,512
Interest Expense	3,530	3,957	4,357	4,738	5,097
Amortization (includes debt issue)	8,546	8,644	8,348	7,854	8,478
Net Income Before Channel Repairs	12,909	13,915	10,493	5,984	8,478
Channel Repair Costs	184	833	6,030	14,722	7,853
Recovery of Repair Costs and Losses	-	8,583	14,423	5,929	10,778
Net Income	12,725	21,665	18,886	(2,809)	5,754
Equity	226,066	239,841	242,333	225,147	227,956
Dividend Payments	26,500	23,546	1,700	-	-
Capital Expenditures	74	207	3,983	6,481	2,446
Long-term Debt	54,447	62,883	70,882	78,467	85,658
Current Portion of Long-term Debt	$ 8,436	$ 7,999	$ 7,584	$ 7,192	$ 6,819
Total Sales (megawatt-hours)	762,949	763,078	739,148	613,343	582,707
Average Price ($/megawatt-hour)	42.41	41.17	39.98	38.68	37.71
Annual Return on Equity	5.6%	9.0%	7.8%	-1.2%	2.4%
Debt Service Coverage Ratio	2.12	2.93	2.74	.85	1.67

145MW Brilliant Dam and Generating Station

The Brilliant Dam and Generating Station is a four-unit Francis turbine facility with a combined capacity of 145 megawatts. It is located on the Kootenay River, 3 km upstream of the confluence with the Columbia River. The dam, generating station and related assets are owned by Brilliant Power Corporation, which is jointly owned on a 50/50 basis by CPC and CBT Power Corp., an indirect subsidiary of the Columbia Basin Trust.

The original 125 megawatt facility was purchased from Cominco Ltd. (now Teck) in 1996. Between 2000-2003, a significant upgrade and life extension program was conducted on the four units, resulting in an additional 20 megawatts of facility capacity, 120 gigawatt hours of additional energy, and modernization of all equipment for long-term reliability.

All of the energy from Brilliant is sold to FortisBC under the terms of the 60-year Brilliant Power Purchase Agreement, except for approximately 60 gigawatt hours of Brilliant Upgrade energy which is currently being sold to Powerex. The Brilliant Dam and Generating Station is operated and maintained by FortisBC on behalf of Brilliant Power Corporation.

The net income from Brilliant Power Corporation, for the year ended March 31, 2009, was $11.3 million compared with $11.1 million the previous year. The capital expenditures during the year were $2.9 million compared with $2.3 million in the previous year. A major 50-year refurbishment was successfully completed on one of the eight spillgates to ensure reliable operation and flood passage. A major replacement and improvement in the forebay boom protecting the generating units was also successfully completed. Significant capital expenditures totaling over $8 million are planned for the next two years, including continuing the refurbishment program on the remaining spillgates, implementing signage and fencing for public safety, conducting security improvements, conducting another phase of the concrete rehabilitation program and dam stabilization to further enhance the dam safety performance of the facility.

Brilliant Terminal Station

The Brilliant Terminal Station (BTS) is a 230 kilovolt switchyard which interconnects the Arrow Lakes Generating Station, Brilliant Expansion and Brilliant Dam and Generating Station to the integrated BC transmission system, including the British Columbia Transmission Corporation's Selkirk Substation, BC Hydro's Kootenay Canal, and FortisBC's Warfield Substation. BTS is the electrical hub of the existing powerplants. It is owned by Brilliant Power Corporation and earns revenue under the same terms as the Brilliant Power Purchase Agreement. It is operated and maintained by FortisBC under separate agreement. CPC jointly manages the BTS with FortisBC through a management committee. Connector replacements conducted at BTS in 2008 have helped ensure future reliability and performance of the substation. For the upcoming fiscal year, involvement in any new equipment and reporting requirements from the Mandatory Reliability Standards legislation will be a key focus for the substation.

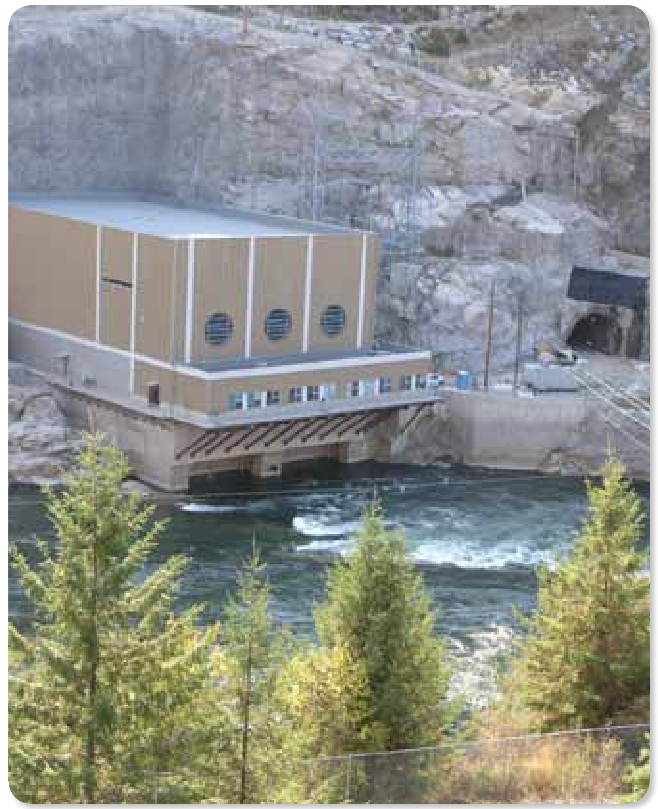
Brilliant Dam Operations Summary Information

($ in thousands unless otherwise stated)

	2008/09	2007/08	2006/07	2005/06	2004/05
Power Sales Revenue	$ 33,696	$ 33,908	$ 33,076	$ 33,219	$ 30,986
Brilliant Terminal Station Revenue	3,073	3,073	3,052	2,937	2,822
Interest Revenue	449	582	634	429	366
Operating Expenses	2,412	2,436	2,576	2,643	2,689
Taxes and Water Rentals	6,832	7,139	6,955	7,012	6,764
Interest Expense	11,535	11,853	12,114	12,363	12,348
Amortization	5,111	5,034	4,888	4,845	5,364
Net Income	11,328	11,101	9,722	7,009	6,562
Equity	74,306	73,577	67,693	68,993	67,395
Dividends	10,600	10,700	11,600	9,200	8,900
Capital Expenditures	2,918	2,313	1,101	1,851	4,012
Long-term Debt	145,473	149,811	153,845	157,597	161,088
Current Portion of Long-term Debt	4,338	4,034	3,752	3,491	3,248
Total Sales (megawatt-hours)	979,875	974,717	980,431	989,538	980,848
Average Price ($/megawatt-hour)	34.39	34.79	33.74	33.57	31.59
Annual Return on Equity	15.3%	15.1%	15.0%	14.3%	10.4%
Debt Service Coverage Ratio	1.78	1.78	1.75	1.72	1.64

120MW Brilliant Expansion Generating Station

The Brilliant Expansion Generating Station (Brilliant Expansion) is a single unit, 120 megawatt Kaplan turbine facility located on the Kootenay River adjacent to and 160 metres downstream of the pre-existing Brilliant Dam and Generating Station. The unit is connected to Brilliant Terminal Station (BTS) located approximately 0.5 kilometre away via a 230 kilovolt transmission line.



The Brilliant Expansion and related assets are owned by Brilliant Expansion Power Corporation, a company jointly owned, on a 50/50 basis, by CPC and CBT Brilliant Expansion Power Corp., an indirect subsidiary of the Columbia Basin Trust. Brilliant Expansion was constructed between 2003–2007, with its official commencement of commercial operation occurring on September 7, 2007. Approximately 90% of the Brilliant Expansion energy and capacity is sold under two long-term agreements to BC Hydro. Operation and maintenance of the Brilliant Expansion is conducted under contract to Fortis Pacific Holdings Inc., a corporation related to FortisBC Inc.

Brilliant Expansion net income for the fiscal year ended March 31, 2009 was $13.8 million compared to $2.8 million for the previous year and commencement of commercial operation. Net income exceeded forecast net income of $4.7 million due to a receipt of a federal ecoENERGY grant of $4.8 million (CPC's joint venture share is 50 per cent), a one-time $US exchange gain of $1.1 million and strong power sales.

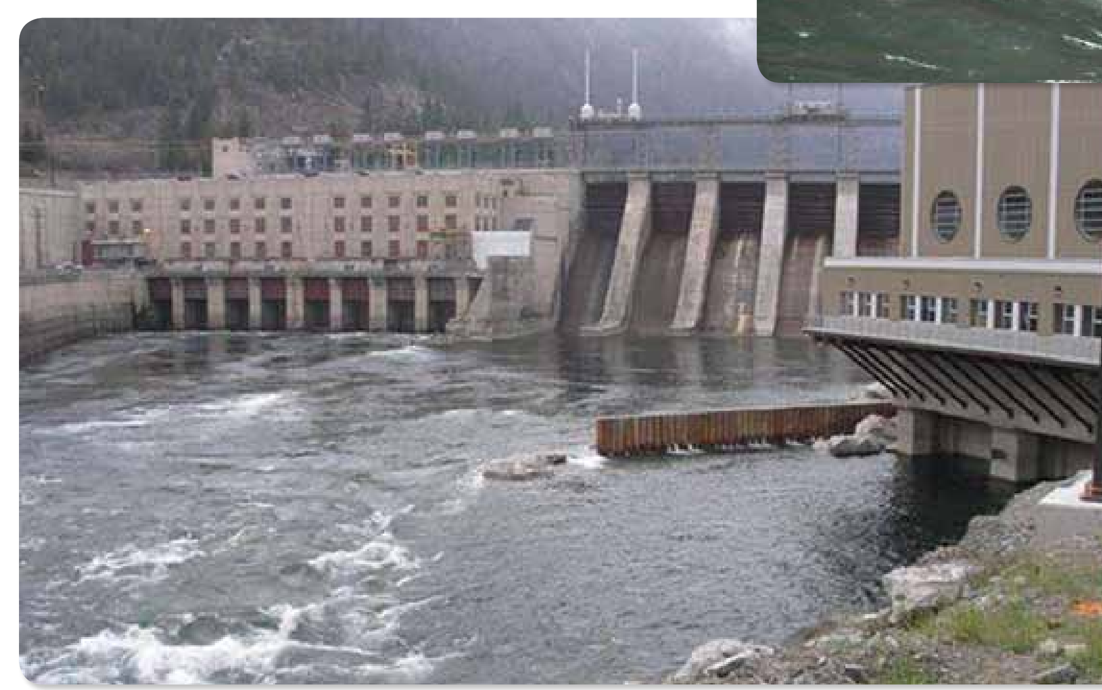
During the fall of 2008, CPC undertook the tailrace clean up project. This major project included constructing a deflection wall on the north side of the tailrace, removing rock and debris from the facility's rock trap, and excavating the tailrace area down to the original design levels. These improvements were conducted to enhance both the operations and output of the Brilliant Expansion and have demonstrated through post-completion operations an energy improvement of approximately 6%. The outage period was also used for remedial works and improvements on the generating unit equipment within the plant. This work will help enhance the long term reliability of the facility.

The Brilliant Expansion Project adds 120MW—enough power to supply 50,000 homes—of clean, renewable energy to the province's power grid. In 2008, the Federal government recognized Columbia Power's commitment to the environment by awarding the company funding through Natural Resource Canada's ecoENERGY for Renewable Power Program.

Brilliant Expansion Operations Summary Information

($ in thousands unless otherwise stated)

	2008/09	2007/08
Power Sales Revenue	$ 18,298	$ 8,484
EcoEnergy Grant	4,832	-
Interest Revenue	1,310	294
Operating Expenses	4,979	2,808
Water Rentals	386	258
Interest Expense	554	301
Amortization	4,766	2,645
Net Income	13,756	2,766
Equity	238,248	234,292
Dividends	-	-
Capital Expenditures	17,507	23,158
Long-term Debt	-	-
Current Portion of Long-term Debt	$ -	$ -
Total Sales (megawatt-hours)	344,659	131,212
Average Price ($/megawatt-hour)	53.09	64.66
Annual Return on Equity	5.8%	1.2%
Debt Service Coverage Ratio	n/a	n/a

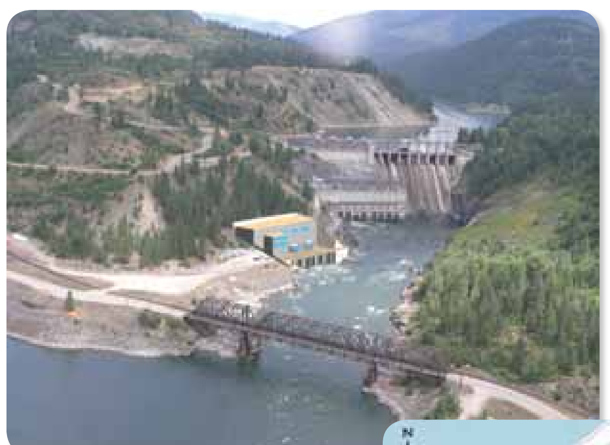


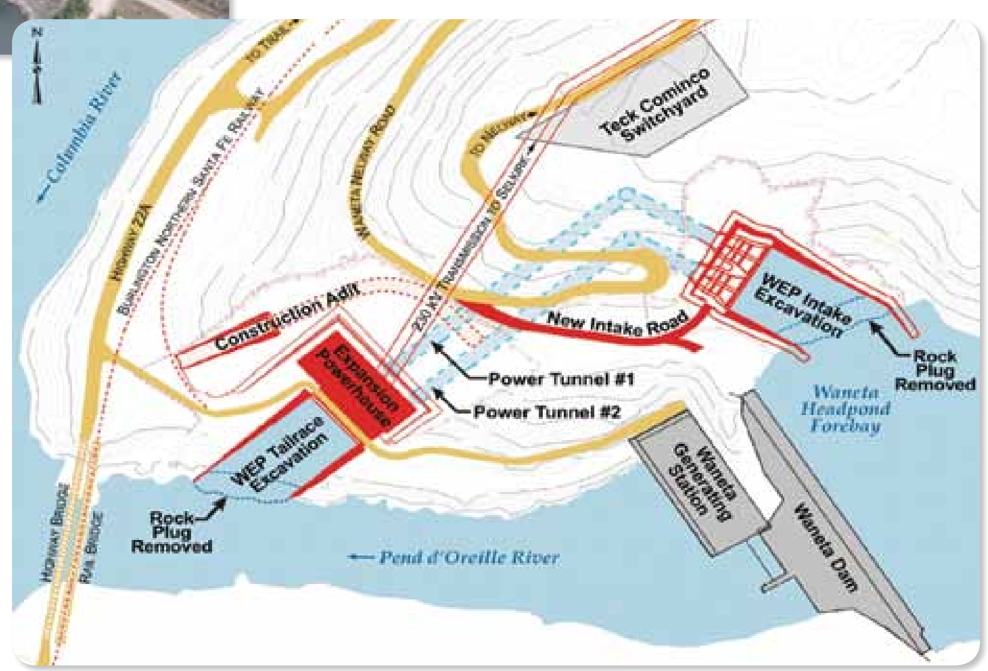
Waneta Expansion

The Waneta Expansion is a project to construct a second powerhouse at the Waneta Dam on the Pend d'Oreille River south of Trail, B.C. The expansion project will share the dam's hydraulic head and make use of waterflows that would otherwise be spilled. The rights to use this hydraulic head, as well as the land necessary to build the expansion project, were acquired by CPC from Cominco Ltd. (now Teck). These rights are now held by Waneta Expansion Power Corporation, the company formed jointly by CPC and the Columbia Basin Trust to develop, construct and operate the project.

The base concept for the Waneta Expansion has been structured to avoid potential environmental impacts on white sturgeon habitat in the Columbia–Pend d'Oreille confluence area. Water will be conveyed through two large-diameter tunnels from the Waneta forebay into a two-unit powerhouse to be built "in the dry" on the right bank of the Pend d'Oreille River, between the Waneta Dam and Highway 22A. Output from the units will be stepped up to 230 kilovolts and connected through powerhouse switching equipment to a new 10-kilometre transmission line that will join the project to Selkirk Substation.

The addition of 335-megawatts of capacity at Waneta will achieve balance with upstream generation at the Seven Mile Dam (BC Hydro) and the Boundary Dam (Seattle City Light). This hydraulic balance will allow flows released from the Boundary Dam to travel the Canadian section of the Pend d'Oreille River without the need for reservoir re-regulation to avoid spill. Minimizing re-regulation will increase the productivity of reservoir aquatic habitat. In addition, diverting otherwise unavoidable spill through the Waneta Expansion will reduce harmful dissolved gas supersaturation in waters below the Waneta Dam and down the Columbia River into the United States.





REPORT ON PERFORMANCE

CPC's mandate, which was established by agreements between the Province and the Columbia Basin Trust, drives CPC's line of business (see the sequential business model in Figure 3). Projects move through the planning, construction and operations phases, with CPC providing overall management. The organization's values are applied in setting goals and objectives and conducting business activities. Performance measures are the scorecards for measuring the achievement of CPC's vision.

Figure 4 illustrates how CPC's mandate, vision and values are linked to its business model and performance. CPC's performance measurement framework, current year results and future targets are more fully described in Appendix A (http://www.columbiapower.org/media/documents/CPC_ServicePlan_2010_AppendixA.pdf).

Performance Plan Summary

CPC achieved mixed results relative to its 2008/09 performance targets. On the positive side, the following objectives were realized:

- Achieved reliable plant operations for the Brilliant powerplant and Arrow Lakes Generating Station, confirmed by strong energy entitlement ratios. The plant operations and the future direction for operations performance measures are further discussed in Appendix B (see http://www.columbiapower.org/media/documents/CPC_ServicePlan_2010_AppendixB.pdf).
- Maintained investment grade bond ratings and a capital structure that will allow further bond issues as required for project investment.
- Achieved a return on equity greater than planned for the period.
- Achieved cost-effective joint venture management for the Brilliant powerplant demonstrated by lower-than-expected operation, maintenance and administration (OMA) unit costs.
- Achieved higher than targeted revenue per employee.

On the negative side:

- Progress towards Waneta Expansion construction did not meet the targeted timelines due to BC Hydro's schedule and changes to the Owner's Requirements.
- The tailrace project caused the Brilliant Expansion to miss the energy entitlement target.
- The Arrow Lakes Generating Station and the Brilliant Expansion had higher than targeted operation, maintenance and administration (OMA) unit costs.

Performance Measures Framework

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

Given CPC's role as joint venture manager and the extent to which it contracts out, finding suitable industry benchmarks remains a challenge, as the industry is largely dominated by vertically integrated

Figure 3: Performance Plan Summary

Mandate	Values Applied in setting goals and objectives and conducting business activities		Vision Achievement Scorecard
CPC Business Model	Goals	Objectives	Performance Measures
Design	*I. Effective Project Development*	1. Development of projects on time	1.1 Variance in project development time
Evaluate		2. Development of projects on budget	2.1 Variance from project budget
Build		3. Effective construction management	3.1 Unresolved deficiency ratio
Operate	*II. Reliable Plant Operation*	4. Reliable plant operations	4.1 Energy entitlement ratio
Manage	*III. Effective Financial Planning*	5. Investment grade non-taxpayer-supported debt	5.1 Bond rating
			5.2 Debt service coverage ratio
			5.3 Capital structure
		6. Acceptable return on equity	6.1 Return on equity
	IV. Effective Joint Venture Management	7. Cost efficient joint venture management	7.1 OMA unit cost for assets in service
			7.2 Revenue per employee
		8. Environmental compliance	8.1 Number of non-compliance notices

regulated utilities. These challenges are described more fully in Appendix A.

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

Source of Data and Reliability

CPC believes its performance measures are reliable and valid. Although current and historical performance measures are not audited, they are derived largely from audited information, information subject to third-party verification and information independently provided.

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

Figure 4: Performance Measures at a Glance

	Benchmark	2008/09 Actual	2008/09 Target	Achievement	Significance
1.1 Variance in project development time	ALGS: 7 months early; BTS: On time	WAX proceeding to final Go/No Go decision	Monitor WAX schedule	✗	Delayed progress towards WAX project
2.1 Variance from project budgets	ALGS: On budget; BTS: On budget	BRX: No additional claims	Managing claims from BRX contractor	✓	No outstanding claims for BRX
3.1 Unresolved deficiency ratio	Baseline to be developed	BRX: Deficiencies actively monitored	ALGS & BRX: Documenting deficiencies and monitoring resolution	✓	ALGS achieved Final Acceptance, BRX Receive fit for purpose projects
4.1 Energy entitlement ratio	1st Quartile: See Benchmarking Appendix B	ALGS: >95% BRD: >95% BRX: >81%	ALGS: >95% BRD: >95% BRX: >90%	ALGS: ✓ BRD: ✓ BRX: ✗	BRX: Tailrace project BRD & ALGS: limited outages
5.1 Bond rating	Investment grade bond ratings	Maintained ratings for all bonds	Maintain or improve ratings for all bonds	✓	Maintain lowest possible cost of debt
5.2 Debt service coverage ratio	Greater than or equal to 1.3	ALGS: 2.2 BRD: 1.8	ALGS: 2.1 BRD: 1.7	ALGS: ✓ BRD: ✓	Maintain lowest possible cost of debt
5.3 Capital structure	CEA composite measure for 2006 = 76:24	27:73	24:76	✓	Future borrowing potential maintained
6.1 Return on equity	Over the life of the project comparable to regulated utilities	5.3%	4.1%	✓	Return on equity above target due to ALGS insurance recovery
7.1 OMA unit cost for assets in service	1st Quartile: See Benchmarking Appendix B	ALGS: $4.18 BRD: $2.05 BRX: $13.34	ALGS: $4.03 BRD: $2.34 BRX: $7.41	ALGS: ✗ BRD: ✓ BRX: ✗	BRD: Operations, maintenance and admin costs lower than target
7.2 Revenue per employee	CEA composite average for 2005: $502,000	$1,074,000	$859,000	✓	Revenue per employee above target due to ALGS resuming operations
8.1 Environmental compliance	Baseline information to be developed	Zero material non-compliance notices	Zero material non-compliance notices	✓	Manage in accordance with environmental values

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

ALIGNMENT WITH SHAREHOLDER'S LETTER OF EXPECTATIONS

In January 2009, the Honourable Richard Neufeld, former Minister of Energy, Mines and Petroleum Resources signed the Shareholder's Letter of Expectations, which outlines the expectations of CPC and the primary responsibilities of the corporation. A copy of this Shareholder's Letter of Expectations is available for viewing on our website at www.columbiapower.org.

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

Shareholder's Letter of Expectations	CPC Alignment
Climate Change	
Contribute to the BC Provincial Government's climate action objectives and comply with requirement for Crown agencies to achieve carbon neutrality by 2010.	On January 5, 2009, CPC submitted a Carbon Neutral Plan to the Climate Action Secretariat. Specific actions are to: • Identify and measure GHG emissions from stationary, mobile, fugitive and indirect sources; • Develop specific plans to reduce GHG emissions, such as, completing its head office renovations in accordance with the LEED Gold standard.
Waneta Expansion	
Develop and bring forward by March 31, 2008, for consideration and review by the Shareholder, an update on the status of the Waneta Expansion Project.	CPC is advancing the Waneta Expansion Project to a final Go/No Go decision by finalizing power sales, entitlement and financing arrangements and by obtaining and evaluating proposals from construction contractors.
Columbia Basin Trust	
Continue to work with Columbia Basin Trust to increase efficiency and reduce the cost of power development and management activities.	CPC has: • Adopted a shared reception position with CBT; • Shared CBT IT resources; • Utilized CBT's surplus building space; • Started to explore revisions to existing management agreements with CBT.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

Net income earned by CPC in 2008/09 was $18.3 million, compared with planned net income for the year of $13.5 million and net income of $15.9 million in the previous year. Net income of CPC includes the consolidated 50% share of the net income of Arrow Lakes Power Corporation, Brilliant Expansion Power Corporation and Brilliant Power Corporation. Revenues were not significantly affected by foreign exchange volatility, except for the one-time exchange gain by the Brilliant Expansion, or by fluctuations in electricity markets, as most power sales are under long-term contracts in Canadian dollars.

Arrow Lakes Power Corporation recorded net income of $12.7 million in 2008/09 compared to planned income of $12.0 million and net income of $21.7 million in 2007/08. The prior year net income was higher as it included a net recovery of channel repair costs of $7.8 million.

Brilliant Expansion Power Corporation recorded net income of $13.8 million in 2008/09 compared to planned net income of $4.8 million and $2.8 million net income in 2007/08. Revenue was $7.0 million higher than forecast due to receipt of a $4.8 million federal EcoEnergy grant, a one-time US$ exchange gain of $1.1 million and power sales of $687,000 above forecast, while financing expenses were $1.5 million below forecast due to lower than forecast inter-company borrowing and low interest rates.

Brilliant Power Corporation recorded net income of $11.3 million in 2008/09 compared to planned income of $11.1 million and net income of $11.1 million in 2007/08. The increase over the prior year is primarily as a result of escalation of power sales revenues and reduced interest expense during the year. Brilliant Terminal Station revenues of $3.1 million were in line with the prior year and forecasts and are included in Brilliant Power Corporation's financial results.

The debt service coverage ratio for Brilliant Power Corporation remained the same from the prior year while the debt service coverage ratio for Arrow Lakes Power Corporation decreased as a result of lower net income. The investment grade bond ratings for the two corporations were maintained. Brilliant Expansion Power Corporation has no long term debt and therefore no debt service coverage ratio.

During 2008/09, CPC's return on equity was 5.3% compared with the planned return of 4.1% for the year and actual performance of 4.8% in the previous year. This reflected the improved operating income arising from a full year's net income from the Brilliant Expansion.

Financing Activities

Investing activities were funded from CPC's cash reserves and cash from operations. The use of internal sources of cash had a positive impact on financing costs. CPC declared a dividend of $2 million for 2008/09, payable to the Province of British Columbia, the same amount as in the previous year.

Investing Activities

Capital spending during the year was $16.2 million, compared with planned expenditures of $10.0 million for the year and expenditures of $15.2 million in the previous year. Almost all of these funds were invested in power projects undertaken jointly with the Columbia Basin Trust, and they represent CPC's 50% portion of joint venture capital spending. The major component of the capital expenditures was the tailrace work for the Brilliant Expansion, followed by additions to the Arrow Lakes Generating Station and the Brilliant Powerplant and Terminal Station. Capital expenditures were also invested in the Waneta Expansion development activities. CPC used distributions from the power projects to pay for corporate asset additions.

Power Sales Activities

For CPC, a high priority in 2008/09 was to secure markets for Waneta Expansion power, provided terms and conditions were acceptable. A memorandum of intent has been signed with a potential purchaser.

The sale of generation from the Arrow Lakes Generating Station is fully subscribed under a long-term sales agreement with BC Hydro, which expires in 2015.

Under a 60-year power purchase agreement, 94% of the power from the Brilliant Dam is sold to FortisBC. The remainder was sold on a market basis to Brilliant Expansion Power Corporation for resale.

Brilliant Expansion Power Corporation sells approximately 40% of its power to BC Hydro under the 2002/03 Green Power Generation Electricity Purchase Agreement. Brilliant Expansion Power Corporation has also entered into a long-term sales agreement with BC Hydro under a 2006 Electricity Purchase Agreement for most of the Brilliant Expansion residual power, starting in 2009/10. Brilliant Expansion power not sold to BC Hydro in 2008/09 is sold on a short-term basis to Powerex Ltd.

CPC is a Western Systems Power Pool member.

Liquidity and Sources of Capital

CPC has set aside cash and temporary investment reserves to complete the tailrace work at the Brilliant Expansion and to partially fund Brilliant Dam capital spending and the development of the Waneta Expansion.

Future operational cash is earmarked to fund sustaining capital for operating plants and, subject to the dividend requirements of the Province and the Columbia Basin Trust, to provide equity for the Waneta Expansion.

CPC has access to the Province's fiscal agency loan program, which can potentially be used to finance a portion of the Waneta Expansion construction. Subject to the creditworthiness of future power sales contracts, considerable long-term and short-term borrowing capacity is also available from the existing power projects to finance the Waneta Expansion and other projects.

Critical Accounting Estimates

Disclosure of CPC's critical accounting policies is contained in Note 2 to the consolidated financial statements. Preparing financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. CPC's investments in power projects operate primarily under long-term contracts in Canadian dollars with high credit-rated counterparties and receive power entitlements in exchange for actual electrical power generation, thereby significantly reducing annual hydrology risk. As a result, CPC believes it is not exposed to the same number of critical accounting estimates that may be required of management of other independent power producers with hydroelectric operations of comparable size. CPC's amounts recorded for amortization are based on estimates of economic service life. By their nature, these estimates are subject to measurement uncertainty. Changes to these estimates may impact the consolidated financial statements of future periods.

Changes in Accounting Policies

Effective April 1, 2008, CPC adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

i) Section 1535, Capital Disclosures, which requires additional information in the notes to the financial statements about CPC's capital and the manner in which it is managed. This additional disclosure, which includes qualitative and quantitative information regarding an entity's objectives, policies and processes for managing capital, is disclosed in the notes to CPC's March 31, 2009 consolidated financial statements.

ii) Section 3031, Inventories, which requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory costing methodology; and requires that, when circumstances which previously caused inventories to be written down below cost no longer exist, the amount of the write-down is to be reversed. The standard did not have an impact on CPC's earnings for the year ended March 31, 2009 as CPC has no inventories.

iii) Section 3862, Financial Instruments Disclosures and Section 3863, Financial Instruments Presentation, which require disclosure on both quantitative and qualitative information to assisty users of the financial statements to evaluate the nature and extent of risks from the financial instruments to which CPC is exposed. The required disclosure has been provided in the notes to CPC's March 31, 2009 consolidated financial statements.

Future Accounting Pronouncements

International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board (AcSB) confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by CPC for its year ended March 31, 2011 and of the opening balance sheet as at April 1, 2010. The AcSB proposes that CICA Handbook Section, Accounting Changes, paragraph 1506.30, which would require an entity to disclose information relating to a primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to the IFRS Omnibus Exposure Draft.

CPC is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. CPC does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess what other changes may be required to gather and process the information required from the adoption of IFRS.

CPC commenced an IFRS conversion project in 2008 but has not yet established a formal governance structure. The IFRS conversion project consists of three phases: Scoping and Diagnostics, Analysis and Development, and Implementation and Review.

Phase One: Scoping and Diagnostics, which involves project planning and staffing and identification of differences between current Canadian GAAP and IFRS, has commenced. The expected areas of greatest impact to CPC are property, plant and equipment, leases, rights, deferred costs and joint ventures.

Phase Two: Analysis and Development, will involve detailed diagnostics and evaluation of the various options and alternative methodologies provided for under IFRS; identification and design of operational and financial business processes; initial staff and audit committee training; analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS; summarization of 2011 IFRS disclosure requirements; and development of required solutions to address identified issues.

Phase Three: Implementation and Review, will involve the execution of changes to information systems and business processes; completion of formal authorization processes to approve recommended accounting policy changes; and further training programs across CPC's finance areas and other affected areas as necessary. It will culminate in the collection of financial information necessary to compile IFRS-compliant financial statements and reconciliations; embedding of IFRS in business processes; and audit committee approval of IFRS compliant financial statements.

Capacity, Outlook and Risks

The key strategic issues facing Columbia Power Corporation included:

- Obtaining federal and provincial approvals, permits and licenses to develop and operate power projects on international rivers within a complex environmental regulatory system, which includes federal and provincial regulators, an international treaty and local, regional, United States and First Nations stakeholders.
- Developing regional support for the joint venture power projects through consultation with local and regional community stakeholders, negotiating land issues with owners and addressing First Nations issues related to the power projects.
- Securing power sales contracts for the Waneta Expansion in a domestic market where the joint venture power projects represent a relatively low-cost source of new power supply, but also where there is one dominant wholesale buyer, and where retail access to large ("transmission voltage") customers is being developed but is not yet a practical reality.
- The Canadian dollar has retreated and less risk is foreseen to future power sales tied to United States market prices. Construction costs have also retreated and appear to have stabilized.
- Implementing a plan to finance the construction of the Waneta Expansion, managing the uncertainty of future interest rates (thus the cost of debt financing), and determining the appropriate capital structure for the joint ventures.
- Developing human resource and compensation strategies to ensure appropriate succession planning, recruitment and staff retention for CPC in a labour market that is expected to become increasingly competitive due in part to an aging population. Since the closure of the Victoria office in December 2007, CPC faces additional challenges attracting senior staff to a rural area.

CPC has a mandate to develop and operate powerplants at existing dams on the Columbia, Kootenay and Pend d'Oreille Rivers using water that would otherwise be spilled. The three "core" power projects (Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion) have relatively low capacity utilization factors and rely primarily on spring run-off water and upstream flow regulation. While these new power projects create significant net environmental benefits in the form of greenhouse gas offsets and reduced dissolved gases harmful to fish, it can be difficult to translate these benefits (particularly benefits to fish) into higher power prices. The joint venture power projects operate in a domestic power market where there is a single dominant wholesale purchaser and constrained long-term firm transmission capacity to adjacent power markets in Alberta and the U.S. Pacific Northwest. Accordingly, CPC, as joint venture manager, must be efficient and innovative to achieve its goals and objectives. The expertise of CPC staff and their relationships with private-sector engineering, environmental, financial and legal advisors are critical to the success of CPC.

The Brilliant powerplant, Brilliant Terminal Station, and the Arrow Lakes Generating Station are operated and maintained by FortisBC or its related company under long-term service agreements. The Brilliant Expansion is operated and maintained under a shorter term service agreement with FortisBC's related company.

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

CPC's net income and return on equity will continue to increase as recently completed projects generate power and revenue for a full 12 months. Factors that could affect the future rate of return include: power market developments, interest and exchange rate movements, payments to government, and access to transmission systems. The BC Energy Plan: A Vision for Clean Energy Leadership released in February 2007 supports the development of CPC's projects by requiring self sufficiency by 2016, ensuring adequate transmission system capacity, improving the procurement process for electricity and promoting clean or renewable energy.

Future dividends will be determined based on annual cash earnings, working capital requirements, reserves for future capital replacement, and new power project investment opportunities. One source of recent financial uncertainty for CPC has been the damage to the approach channel at the Arrow Lakes Generating Station. With resolution of the Arrow Lakes Generating Station channel problem, CPC's outlook for the future is for stable earnings growth. At the Brilliant Powerplant and Terminal Station and the Arrow Lakes Generating Station, prices are fixed by long-term contracts and are not affected by changes in power markets. Entitlement agreements with BC Hydro provide firm amounts of power regardless of actual water flows, thereby reducing annual hydrology risk. Interest costs for projects in operation are fixed through the issuance of long-term bonds. At the Brilliant Dam, earnings stability is further enhanced by the cost-of-service nature of the power sales agreement with FortisBC. Although the power sales agreement with BC Hydro for the Arrow Lakes Generating Station does not have this feature, the plant is relatively new and operating costs are low relative to revenues, as is typical in a hydroelectric generating facility.

Commercial operation of the Brilliant Expansion commenced in September 2007. With the extension of the Canal Plant Agreement to include Brilliant Expansion Power Corporation, an entitlement agreement is in place for the Brilliant Expansion, which significantly reduces annual hydrology risk.

With approximately 90% of the Brilliant Expansion plant output sold under two long-term contracts with BC Hydro, Brilliant Expansion Power Corporation's remaining output is sold on a short-term market basis. CPC has a memorandum of intent with a potential purchaser for sale of power from the Waneta Expansion.

The following table presents an analysis of the primary risks that CPC faced and the strategies implemented during 2008/09 to address these risks.

Risk Management by Columbia Power Corporation in 2008/09

Risk	Issue/Impact	Results During 2008/09
Waneta Expansion Construction Decision	Construction of Waneta Expansion is subject to: design-build bids, entitlement negotiations, power marketing and long-term borrowing costs. Each could affect project timing, cost, scale and viability. The significant changes to the credit markets due to the global financial crisis has enhanced concerns about debt capacity and costs.	Proposals from design-build contractors were received in March 2009. The evaluation of proposals and selection of a preferred contractor occurred in April and May 2009. CPC has signed a Waneta Co-operation Agreement and a Transmission Rights Agreement with Teck Cominco Metals Ltd. CPC is discussing an entitlement agreement with BC Hydro. The Canal Plant Agreement has provisions for the Waneta Expansion Project. When an entitlement amount has been finalized, CPC will pursue power sales agreements pursuant to its MOI. CPC has retained RBC Capital Markets and Grant Thornton to establish an appropriate financing plan and debt cost. Early indications are there is adequate market interest and debt capacity in the markets, and that the interest costs are built into options presented to the power purchaser."
Waneta Expansion Entitlement / Canal Plant Agreement Renegotiations	The renewed and extended Canal Plant Agreement, among BC Hydro, CPC, FortisBC Inc. and Teck Cominco Metals Ltd., which came into effect in April 2006, provides for the Waneta Expansion. The Agreement runs until at least December 31, 2035.	Negotiations are continuing with BC Hydro for an entitlement agreement for the Waneta Expansion, which may entail amendments to the Canal Plant Agreement.
Plant Reliability	If the Brilliant Expansion and Arrow Lakes Generating Station plant outage factor were to increase by 1 percentage point, revenues and net income would decline by $650,000 in 2008/09.	Plant outage risk for the Brilliant facility is transferred to FortisBC Inc. as the power purchaser/ plant operator. Machinery and equipment at BRX have two years remaining on manufacturer warranties. All power projects also carry business interruption, property and liability insurance. (continued)

Risk Management by Columbia Power Corporation in 2008/09 (cont'd)

Risk	Issue/Impact	Results During 2008/09
Plant Reliability (continued)		Optimal plant operations and maintenance is overseen by CPC. Brilliant Expansion incurred a three month outage to undertake tailrace work to improve the operating performance of the plant.
Availability of Funds	Further leveraging of the joint venture power assets is required for completion of the Waneta Expansion and future projects.	Key project agreements are structured to achieve financeable projects with a high credit rating. CPC/CBT may retain cash from operations to lessen the borrowing burden for Waneta Expansion, which may allow more flexible Waneta Expansion power marketing. A Financial Advisor has been retained through an RFQ to develop a financing plan for Waneta Expansion and provide a recommendation on the optimum capital structure for the CPC/CBT power projects.
Brilliant Expansion and Waneta Expansion Power Marketing	90 percent of the Brilliant Expansion output has been marketed to BC Hydro under two 20 year contracts. One of the contracts does not begin until 2010. A short-term sales agreement has been negotiated with Powerex that ends in 2009/2010. The nature and term of future power sales arrangements could affect availability of funds for Waneta Expansion.	CPC has signed an MOI for the sale of all of the output from Waneta Expansion. Waneta Expansion is recognized as an attractive project with "Resource Smart" characteristics.
Transmission and Market Access	CPC / Columbia Basin Trust power projects are located in a region with limited long-term firm transmission capacity to access adjacent markets in Alberta and the U.S.	CPC has signed a long-term Transmission Rights Agreement with Teck Cominco Metals Ltd. CPC monitors BC Utilities Commission hearings and intervenes in BC Transmission Corporation tariff and capital plan hearings. (continued)

Risk Management by Columbia Power Corporation in 2008/09 (cont'd)

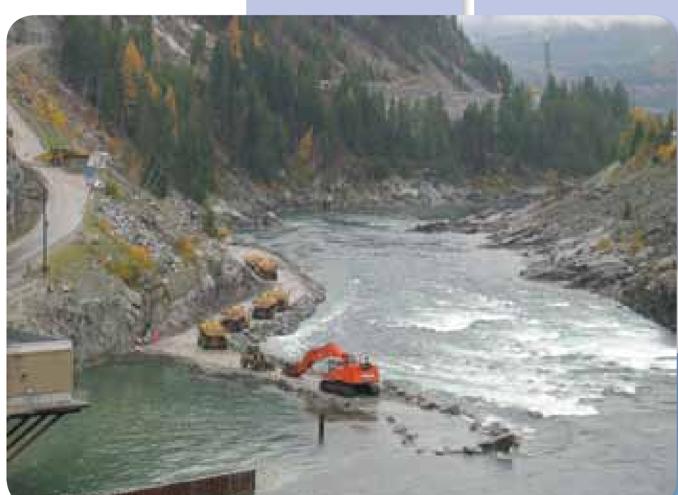
Risk	Issue/Impact	Results During 2008/09
Transmission and Market Access (continued)		CPC also pursues sales contract opportunities, with delivery at CPC / Columbia Basin Trust points of interconnection.
Regulatory Risk	CPC / Columbia Basin Trust power projects come under the Utilities Commission Act definition of public utilities. Fisheries and Oceans Canada is considering many changes which may be applied retro-actively to hydro-electric assets.	CPC has obtained a Minister's Order exempting CPC/CBT power project joint ventures from Utilities Commission Act regulation, as well as purchasers of CPC/CBT power services in respect of the energy supply contracts for those services. The renewed and extended Canal Plant Agreement has also been exempted from the provisions of the Utilities Commission Act. CPC intervenes in the regulatory proceedings of BC Hydro, British Columbia Transmission Corporation and FortisBC Inc. as needed to ensure joint venture interests are appropriately addressed. CPC is involved in industry association and policy groups to proactively manage regulatory risks such as Fisheries Act, Species at Risk legislation and dam safety.
Property Taxation	Taxing Arrow Lakes Generating Station and the Brilliant Expansion at current property tax rates would reduce annual project net income by about $6 million and $3 million, respectively. The Waneta Expansion would be similarly impacted. This would affect the economic viability of the power projects and the ability to raise debt to fund the Waneta Expansion.	CPC has previously obtained Orders in Council exempting Arrow Lakes Generating Station and the Brilliant Expansion from property tax but instead pays grants-in-lieu of tax. CPC will seek a similar tax exemption for the Waneta Expansion. The Province recently announced a tax policy confirming that Arrow Lakes Generating Station, the Brilliant Expansion and (once approved for exemption) the Waneta Expansion will pay grants-in-lieu of property tax, on a similar basis to the existing practice for BC Hydro Columbia River Treaty facilities and generation plants (continued)

Risk Management by Columbia Power Corporation in 2008/09 (cont'd)

Risk	Issue/Impact	Results During 2008/09
Property Taxation (continued)		on the Peace, Columbia and Pend d'Oreille Rivers. CPC has included such grants-in-lieu in its forward planning.
Water Use Planning and Columbia River Treaty Operations Risk	Constraints imposed by BC Hydro water use planning and changes in upstream flow regulation associated with the Columbia River Treaty could adversely affect powerplant operations and project revenues, unless CPC / Columbia Basin Trust are saved harmless.	CPC has obtained an indemnity from BC Hydro saving harmless CPC / Columbia Basin Trust power projects from the effects of water use planning. CPC is also monitoring changes to U.S. regulation of the Libby Dam and has registered CPC/ Columbia Basin Trust interests with the U.S. Army Corp of Engineers and BC Hydro (respectively, the designated U.S. and Canadian entities under the Columbia River Treaty).
Foreign Exchange Risk	A 1¢ change in the Canadian dollar relative to the U.S. dollar represents about $120,000 per year for the Brilliant Expansion power entitlement currently sold to Powerex.	Sales to BC Hydro and FortisBC Inc. are in Canadian dollars. 10 percent of Brilliant Expansion and all of Waneta Expansion power may be subject to this risk. The second contract with BC Hydro for BRX, beginning in 2009/10, reduces this risk as the contract is in Canadian dollars. The risk for WAX may be mitigated if CPC secures a long-term power sales agreement with a domestic purchaser.
Counter-party Credit Risks	Bond ratings and interest costs for CPC / Columbia Basin Trust project debt are affected by the creditworthiness of the buyer. Power purchasers may also require CPC to post security.	CPC's marketing efforts are directed at selling power to purchasers with high credit ratings and entering backstop arrangements as appropriate. CPC will negotiate with purchasers to minimize or, if possible, eliminate the requirement to post security.

Risk Management by Columbia Power Corporation in 2008/09 (cont'd)

Risk	Issue/Impact	Results During 2008/09
Interest Rate Risk	Higher interest rates could negatively affect the cost of new project debt, project net income and the economics of and ability to finance the Waneta Expansion. A percentage point interest rate rise could reduce annual net income by up to $7 million.	CPC continues to secure long term debt to remove interest rate risk and otherwise pursue debt management strategies and use interest rate hedges to manage risk to acceptable levels, as appropriate. The Owners have retained a Financial Advisor to develop a financing plan for Waneta Expansion and provide a recommendation on the optimum capital structure for the CPC/CBT power projects.
Organizational Capacity	CPC requires the organizational capacity to effectively manage all existing and new facilities.	CPC is working at establishing HR strategies and compensation plans to keep and attract key staff to its consolidated head office in Castlegar. CPC will be evaluating its long-term plant operational philosophy as a part of its restructuring. The restructuring plans include the clear accountability and objectives of key staff. A succession plan is being developed.



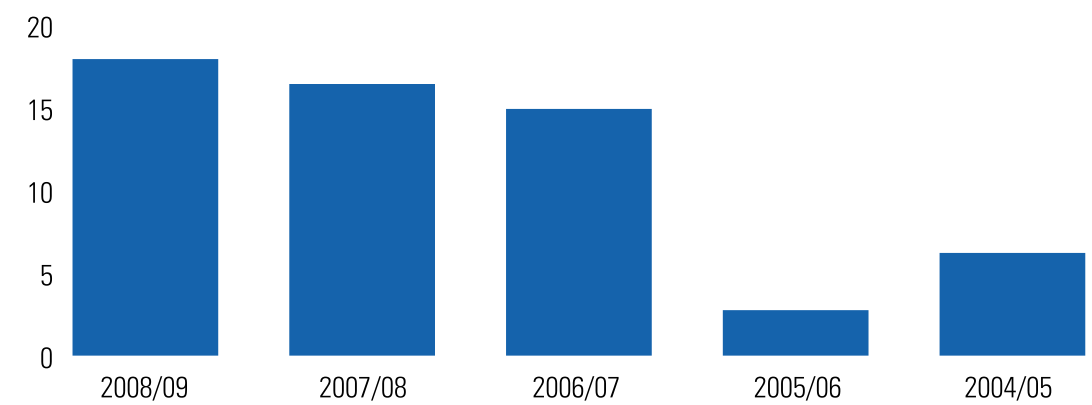
Five-Year Comparative Data

($ in thousands unless otherwise stated)

	2008/09	2007/08	2006/07	2005/06	2004/05
Power Sales	$ 46,127	$ 38,896	$ 31,312	$ 28,438	$ 26,480
Interest and Other Earnings	3,391	2,906	3,732	3,247	2,721
Net Income	18,335	15,876	14,794	3,138	5,744
Dividend Payments	2,000	2,000	2,000	2,000	2,000
Capital Assets and Deferred Costs	395,523	388,554	381,279	377,311	365,234
Long-term Debt	106,348	112,363	118,031	123,374	128,407
Equity	347,234	330,899	317,350	304,557	303,417
Capital and Deferred Spending	$ 16,190	$ 15,226	$ 10,426	$ 17,343	$ 41,865
Debt-to-Equity Ratio	27:73	28:72	26:74	29:71	30:70

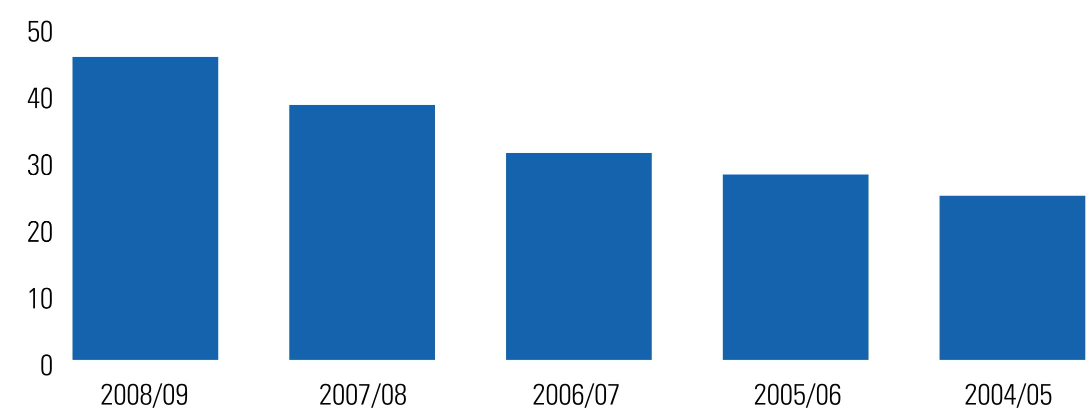
Net Income

($ millions)



Power Sales

($ millions)



CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2009

Statement of Management Responsibility

The consolidated financial statements of Columbia Power Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles and fairly present Columbia Power Corporation's consolidated financial position and results of operations. The integrity of the information presented in the consolidated financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management.

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

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

Barry Chuddy
President & Chief Executive Officer

David de Git, CMA
Corporate Controller

May 20, 2009

Report of the Auditor General of British Columbia

To the Board of Directors of
Columbia Power Corporation and

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

I have audited the consolidated balance sheet of Columbia Power Corporation as at March 31, 2009, and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Power Corporation as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
May 20, 2009

John Doyle, MBA, CA
Auditor General

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2009
(in thousands)

	2009	2008
ASSETS		
Current assets		
Cash and temporary investments (Note 3)	$ 30,879	$ 36,230
Accounts receivable and unbilled revenue (Note 4)	10,590	9,470
Prepaid expenses and deposits	2,132	1,779
Recoverable channel repair costs and losses (Note 5)	-	6,450
	43,601	53,929
Capital assets (Note 6)	349,349	344,985
Other assets		
Due from joint venture partner (Note 10)	15,268	6,104
Hydroelectric power expansion rights (Note 7)	25,408	25,738
Deferred costs (Note 8)	14,782	10,888
Power sales right (Note 9)	5,984	6,943
Restricted cash (Note 3)	6,560	10,444
	68,002	60,117
	$ 460,952	$ 459,031

The accompanying notes are an integral part of the financial statements

APPROVED ON BEHALF OF THE BOARD:

Director

Director

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2009
(in thousands)

		2009		2008
LIABILITIES AND SHAREHOLDER'S EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	4,285	$	12,563
Dividend payable		2,000		2,000
Interest payable on long term bonds		2,610		2,762
Current portion of long term bonds (Note 12)		6,387		6,017
Due to related parties (Note 20)		219		507
		15,501		23,849
Deferred Revenue		595		604
Long term bonds (Note 12)				
Project bonds		99,961		106,346
Financing costs		(2,339)		(2,667)
		97,622		103,679
Equity				
Share capital (Note 15)				
Contributed surplus (Note 16)		276,065		276,065
Retained earnings		71,169		54,834
		347,234		330,899
	$	460,952	$	459,031

Commitments (Note 20)
Contingencies (Note 22)

The accompanying notes are an integral part of the financial statements.

C O L U M B I A   P O W E R   C O R P O R A T I O N

CONSOLIDATED STATEMENT OF INCOME

AS AT MARCH 31, 2009
(in thousands)

		2009		2008
REVENUES				
Sale of power	$	42,174	$	37,359
EcoEnergy grant		2,416		-
Transmission facility revenue		1,537		1,537
Interest		2,096		2,154
Management fee		1,295		752
		49,518		41,802
EXPENSES				
Water rentals		4,592		4,492
Amortization of capital assets in service		7,933		6,752
Amortization of rights		1,288		1,176
Property tax		1,042		1,010
Operations and maintenance		2,820		1,778
Administration and management		4,004		3,120
Insurance		587		527
Community sponsorship		85		85
Grants-in-Lieu (Note 14)		474		347
Claims response		15		233
Expensed development costs (Note 8)		10		183
Restructuring costs (Note 18)		251		1,828
		23,101		21,531
INCOME FROM OPERATIONS		26,417		20,271
FINANCE CHARGES				
Interest expense		7,659		7,906
Amortization of deferred debt issue costs		331		364
FINANCE CHARGES		7,990		8,270
NET INCOME BEFORE CHANNEL REPAIR COSTS		18,427		12,001
CHANNEL REPAIR COSTS		(92)		(416)
RECOVERY OF REPAIR COSTS AND LOSSES (Note 5)		-		4,291
NET INCOME FOR THE YEAR	$	18,335	$	15,876

The accompanying notes are an integral part of the financial statements

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

AS AT MARCH 31, 2009
(in thousands)

			2009		2008
RETAINED EARNINGS - beginning of year		$	54,834	$	41,285
Deduct:	Adjustment upon implementation of financial reporting standard		-		(327)
REVISED RETAINED EARNINGS - beginning of year			54,834		40,958
Add:	Net income		18,335		15,876
Deduct:	Dividends declared		(2,000)		(2,000)
RETAINED EARNINGS - end of year		$	71,169	$	54,834

The accompanying notes are an integral part of the financial statements

C O L U M B I A   P O W E R   C O R P O R A T I O N

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT MARCH 31, 2009
(in thousands)

		2009		2008
OPERATING ACTIVITIES:				
Net income for the year	$	18,335	$	15,876
Adjustments to reconcile cash flow from operations:				
Amortization of capital assets in service		7,933		6,752
Amortization of rights		1,288		1,176
Recoverable channel repair costs and losses (Note 4)		6,450		(4,291)
Net change in non-cash working capital balances		(9,872)		5,781
		24,134		25,294
FINANCING ACTIVITIES:				
Dividends paid		(2,000)		(2,000)
Principal repayment of Project Bonds		(6,015)		(5,668)
		(8,015)		(7,668)
INVESTING ACTIVITIES:				
Repayment from joint venture partner		(9,164)		(6,104)
Deferred costs		(3,894)		(2,263)
Additions to Brilliant power facility and terminal station		(1,459)		(1.157)
Additions to ALGS power facility		(37)		(103)
Additions to Brilliant Expansion		(8,667)		(11,277)
Purchase of furniture, equipment, vehicles and land		(2,133)		(425)
		(25,354)		(21,329)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS		(9,235)		(3,703)
CASH AND EQUIVALENTS - beginning of year		46,674		50,377
CASH AND EQUIVALENTS - end of year	$	37,439	$	46,674
CASH AND EQUIVALENTS CONSIST OF:				
Restricted cash and temporary investments		6,560		10,444
Cash and temporary investments available for operations		30,879		36,230
	$	37,439	$	46,674
Supplemental disclosure of cash flow information				
Interest paid	$	7,556	$	8,342

The accompanying notes are an integral part of the financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2009

1. Columbia Power Corporation

(a) Structure and Financing

Columbia Power Corporation (CPC) is wholly owned by the Province of British Columbia As an agent for the Province, CPC is committed to entering into joint ventures to develop hydroelectric power projects as set out in the Agreement signed in 1995 (the Agreement) between the Province and the Columbia Basin Trust (the Trust), also wholly owned by the Province.

The Agreement anticipates that several power projects will be undertaken through joint ventures between CPC and subsidiaries of the Trust (the Venturers). The cost of all projects under consideration is expected to exceed $1 billion. Under the Agreement between the Province and the Trust, the Province committed to make $500 million in capital contributions for the purpose of funding capital costs of power projects, with the remaining capital costs to be financed through joint venture borrowings by CPC and the Trust's subsidiaries.

The Venturers each hold a 50% interest in the joint ventures and direct their activities through Management Committees with an equal number of members appointed by each Venturer. All decisions of the Management Committees require the unanimous approval of their members.

CPC is appointed the Manager of the joint ventures with the authority to manage the day-to-day activities of the joint ventures, subject to the direction of their Management Committees and annual capital and operating budgets approved by the committees. CPC's material transactions and agreements require the approval of the Province's Treasury Board.

(b) Power Project Planning

In 1996, CPC and CBT Power Corp. (CBT Power), a subsidiary of CBT Energy Inc. (CBT Energy), a subsidiary of the Trust, entered into the Power Project Planning Joint Venture (PPPJV) Agreement. Under this Agreement, the parties formed an unincorporated joint venture, primarily for the purpose of assessing and determining the feasibility of power projects pursuant to the Agreement between the Province and the Trust.

The Agreement provides for the Venturers to conduct work on specific power projects up to the date that an existing project is acquired, construction has commenced on a new project, or a project is no longer feasible or is abandoned. Prior to a project's acquisition or commencement of construction, approval must be received from the Directors of both CPC and the Trust. The project must also meet financial viability tests consistent with those of a commercial lender. When a project is acquired, or project construction is commenced, the project is transferred to a separate joint venture.

(c) Brilliant Power Facility and Brilliant Terminal Station

Brilliant Power Corporation (BPC) is jointly owned, on a 50/50 basis, by CPC and CBT Power.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2009

The Shareholders direct BPC's activities through a Management Committee, with an equal number of members appointed by each Shareholder. All decisions of the Management Committee require the unanimous approval of the members. The purpose of the corporation is to operate the Brilliant Power Facility and Brilliant Terminal Station.

(d) Arrow Lakes Generating Station

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

(e) Brilliant Expansion

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

(f) Significant Agreements

(i) Entitlement Agreements
Under Entitlement Agreements, British Columbia Hydro and Power Authority (BC Hydro), a Crown Corporation of the Province, coordinates the operations of the Brilliant power facility, the Brilliant Expansion and ALGS, and receives all of the resulting electrical power. In return, BC Hydro provides BPC, BEPC and ALPC with a fixed amount of capacity and energy from the BC Hydro system.

(ii) Brilliant Power Purchase Agreement
Under the Brilliant Power Purchase Agreement, FortisBC Inc. (FortisBC), a regulated utility operating in British Columbia, will purchase the power under the Brilliant Entitlement, excluding the portion attributable to the regulated flows through the upgraded turbines. The term of the Agreement is 60 years.

In the first 30 years, the power will be sold on a "take or pay" basis with the price payable by FortisBC composed of an operation and maintenance cost charge and a return on capital charge. In the second 30 years of the contract with FortisBC, there will be an annual market-related price adjustment.

(iii) Facilities Interconnection and Investment Agreement (FIIA)
FortisBC operates and manages the Brilliant Terminal Station on behalf of BPC. A Management Committee with an equal number of members from BPC and FortisBC must

unanimously approve all expenditures. Brilliant Terminal Station operating and capital costs are recovered from FortisBC through operations and maintenance and return on capital charges as described in Note 1(f)(ii). The term of the Agreement is coincident with the term of the Brilliant Power Purchase Agreement.

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

(v) Management and Services Agreements

BPC

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

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

ALPC

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

BEPC

Under a Services Agreement, Fortis Pacific Holdings Inc. (Fortis Pacific - the unregulated parent company of FortisBC) operates and maintains the Brilliant Expansion on behalf of BEPC.

(vi) Design-Build Contract - Brilliant Expansion
In 2003, BEPC entered into a turn-key, design-build contract for approximately $167 million with Brilliant Expansion Consortium for the construction of the Brilliant Expansion. The scheduled Final Acceptance Date for the Brilliant Expansion is September 2010 subject to the satisfactory resolution of all project deficiencies.

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

(viii) Green Power Generation Electricity Purchase Agreement (GPG EPA)
In 2003, BEPC entered into the GPG EPA with BC Hydro obtaining the right and obligation to

provide 23.12 average annual megawatts from the Brilliant Expansion to BC Hydro for a 20 year period starting with commercial operation of the Brilliant Expansion.

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

(x) Confirmation of Sale of Unit Commitment Service ("Confirm")
Upon commencement of commercial operation of the Brilliant Expansion under the Confirm, regulated upgrades energy is sold from Brilliant Power Corporation to Brilliant Expansion Power Corporation, on a market basis.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Consolidated Financial Statements

These consolidated financial statements and notes include CPC's operations and interests in PPPJV, BPC, BEPC and ALPC. The joint ventures are consolidated using the proportionate consolidation method, whereby CPC's accounts are combined on a line by line basis with its proportionate share (in this case 50%) of the joint ventures' assets, liabilities, revenues, expenses and cash flows. Intercompany balances and transactions between CPC and the joint ventures have been eliminated.

(b) Temporary Investments

Temporary investments are recorded at market value.

(c) Capitalization and Amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to expense the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service. The corporation includes, as part of the costs of its fixed assets, interest charges incurred during construction.

(i) Brilliant Power Facility and Brilliant Terminal Station

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT MARCH 31, 2009

Power facility	40 - 80
Terminal station	30 - 60

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

(ii) Arrow Lakes Generating Station
Capital assets are recorded at cost and depreciated on a straight line basis over their expected useful lives. The expected useful lives, in years, are:

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

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

(iii) CPC Offices and Equipment

Computer systems	-	straight line over 3 years
Office furniture and equipment	-	straight line over 5 years
Leasehold improvements	-	straight line over term of lease
Vehicles	-	straight line over 8 years

(d) Deferral of Power Project Costs

Costs incurred in determining the feasibility of acquiring power projects or undertaking preliminary development work on power projects and construction expenditures are deferred. Deferred power project costs include all costs attributable to a project as well as capitalized interest and taxes.

When a project is acquired or construction commences, the related deferred costs of that project form part of its capital cost. When a project is abandoned, the costs deferred for that project are expensed. When a project's costs exceed those likely to be recovered, the excess is expensed.

(e) Financing Costs

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

(f) EcoEnergy Grants

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

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(g) Revenue Recognition

FortisBC is the purchaser of all power received under the Brilliant Entitlement, except for the regulated upgrades, and has the right to the shared use of the Brilliant terminal station. Revenues are recognized when operating and maintenance costs are incurred and as the return on capital is earned in accordance with the Brilliant Power Purchase Agreement (Note 1(f)(ii)) and FIIA (Note 1(f)(iii)). Regulated upgrade revenues, revenues from the Brilliant Expansion and ALGS revenues are recognized when entitlements are delivered.

(h) Asset Retirement Obligations

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

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

(i) Taxes

CPC is exempt from corporate income taxes.

(j) Foreign Currency Translation

Foreign currency denominated revenues and expenses are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date.

(k) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

(l) Changes in accounting policies

Effective April 1, 2008, Columbia Power adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

i) Section 1535, Capital Disclosures, which requires additional information in the notes to the financial statements about CPC's capital and the manner in which it is managed. This additional disclosure, which includes qualitative and quantitative information regarding an entity's objectives, policies and processes for managing capital, is disclosed in the notes to CPC's March 31, 2009 consolidated financial statements.

ii) Section 3031, Inventories, which requires inventories to be measured at the lower of cost or net realizable value; disallows the use of a last-in first-out inventory costing methodology; and requires that, when circumstances which previously caused inventories to be written down below cost no longer exist, the amount of the write-down is to be reversed. The standard did not have an impact on CPC's earnings for the year ended March 31, 2009 as CPC has no inventories.

iii) Section 3862, Financial Instruments Disclosures and Section 3863, Financial Instruments Presentation, which require disclosure on both quantitative and qualitative information to assisty users of the financial statements to evaluate the nature and extent of risks from the financial instruments to which CPC is exposed. The required disclosure has been provided in the notes to CPC's March 31, 2009 consolidated financial statements.

(m) Future accounting pronouncements

International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board (AcSB) confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an IFRS Omnibus Exposure Draft proposing that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by CPC for its year ended March 31, 2011 and of the opening balance sheet as at April 1, 2010. The AcSB proposes that CICA Handbook Section, Accounting Changes, paragraph 1506.30, which would require an entity to disclose information relating to a primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to the IFRS Omnibus Exposure Draft. CPC is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. CPC does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess what other changes may be required to gather and process the information required from the adoption of IFRS.

Effective April 1, 2009, CPC will adopt Section 3064, Goodwill and Intangible Assets – which converges Canadian GAAP for goodwill and intangible assets with IFRS.

3. Cash and Temporary Investments

BPC and ALPC must apply the payments they receive from the sales of power as set out under

agreements with the Project Bondholders.

Under its agreements with Bondholders, BPC has established a debt service reserve fund in which it maintains cash or cash equivalents equal to one semi-annual payment on the Series A, B and C Brilliant Project Bonds. BPC also maintains an operating reserve account in an amount equal to one-quarter of annual operating expenses.

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

($ in thousands)	2009	2008
Restricted		
Debt service reserve fund		
Canadian dollar bank account	$ 3,934	$ 3,964
Operating reserve account		
Canadian dollar bank account	1,341	1,306
Letter of credit		
Canadian dollar bank accounts	1,285	5,174
	6,560	10,444
Available for operations		
Canadian dollar money market fund	27,945	29,583
Canadian dollar bank accounts	2,815	6,125
US dollar bank accounts	119	522
	30,879	36,230
	$37,439	$46,674

4. Accounts receivable and unbilled revenue

($ in thousands)		2009		2008
Accounts receivable	$	5,473	$	4,757
Unbilled revenue		5,117		4,713
	$	10,590	$	9,470

Accounts receivable consists of CPC's share of the sale of power revenue receivable in Arrow Lakes Power Corporation and Brilliant Expansion Power Corporation, ecoENERGY grant

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receivable in Brilliant Expansion Power Corporation, Management fees receivable and recovery of operating expenses from the Trust's share of the joint ventures.

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

5. Recoverable Channel Repair Costs and Losses

On May 3, 2004, ALPC discovered damage caused by unstable hydraulic conditions to the concrete lining of the approach channel. Power generation was suspended while investigations took place and repairs were made to the channel. The first two stages of repair, which involved placing a high-density polyethylene liner over the damaged area and then covering the liner with a layer of concrete, allowed production of power to resume in August 2004. Permanent repairs commenced in November 2005, and commercial operations resumed on May 18, 2006.

As a result of the settlement of the recovery proceedings, ALPC's recovered, through its insurance, a total of which CPC's 50% share is $19.8 million. CPC's 50% share of the total cost of the channel repair damage was $25.8 million, including lost revenues and capitalized costs.

6. Capital Assets

($ in thousands)	Cost	Accumulated Amortization	NBV 2009	NBV 2008
Brilliant power facility	$106,468	$21,288	$ 85,180	$ 86,007
Brilliant terminal station	13,438	2,365	11,073	11,171
Brilliant lands	2,509	-	2,509	2,509
ALPC power facility	137,382	19,344	118,038	120,905
ALPC transmission	10,745	2,268	8,477	8,848
ALPC lands	3,679	-	3,679	3,679
Brilliant Expansion	121,095	3,297	117,798	110,605
Computer systems	756	259	497	216
Furniture and equipment	956	241	715	34
Leasehold improvements	1,889	563	1,326	281
Vehicles	188	131	57	81
	$399,105	$49,756	$349,349	$344,336

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7. Hydroelectric Power Expansion Rights

Hydroelectric power expansion rights are recorded at cost and include options to acquire lands near the Waneta and Brilliant dams at no additional cost and the right to develop and operate new hydroelectric facilities on these lands. The fair value of these rights may differ from cost. A fair value is not readily determinable due to the unique nature of the expansion rights.

($ in thousands)	2009	2008
Expansion right	$ 25,925	$ 25,925
Less: Accumulated amortization	(517)	(187)
	$ 25,408	$ 25,738

8. Deferred Costs

Deferred costs consist of CPC's share of project development costs related to the Waneta Expansion project. These are mainly costs related to design engineering, environmental assessment, legal, financing, management and overhead items and are carried on the balance sheet based on management's judgment of anticipated future events. A number of significant estimates and qualitative factors are considered by management in determining whether the costs should continue to be deferred or instead be expensed. In 2008/09 $10,000 of development costs were considered not recoverable and were expensed (2007/08 - $183,000).

(a) Deferred Costs Comprise the Following:

($ in thousands)	Deferred Costs at March 31, 2008	2008/09 Changes	Deferred Costs at March 31, 2009
Development costs Waneta Expansion (WAX)	$ 10,888	$ 3,894	$ 14,782

(b) Deferred Costs by Expenditure Category

($ in thousands)

	Project Design & Construction	Environmental Assessment	Socio-economic Assessment	Finance/ Legal Analysis	CPC/CBT Management	Total March 31, 2009
WAX	$ 4,472	$ 2,412	$ 238	$ 1,294	$ 6,366	$ 14,782

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9. Power Sales Right

The power sales right is recorded at cost. Amortization is recorded on the basis of power sold to BC Hydro over the year compared to the total power sales under the agreement. The fair value of the power sales right may differ from its cost. A fair value is not readily determinable due to the unique nature and the extended term of the power sales right.

($ in thousands)	2009	2008
Power sales right	$ 11,376	$ 11,376
Accumulated amortization	(5,392)	(4,433)
	$ 5,984	$ 6,943

10. Due from Joint Venture Partner

During the year, CPC advanced $17.8 million (2008 - $11.9 million) in cash reserves to BEPC for payment of the settlement to the contractor and to allow equity from BEPC to be transferred to PPPJV for development purposes. The loan also includes $554,000 (2008 - $357,000) of accrued interest recorded during the year. 50% of this related party loan relates to the Trust's share of BEPC and is considered due from CPC's joint venture partner. The loan will be repaid upon BEPC issuing debt.

11. Pension Plans

CPC and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plan Act. The plan is a multi-employer defined benefit pension plan and is reported separately by the Province.

Employees of CPC are eligible for the same post retirement healthcare benefits as other members of the Public Service Pension Plan. No provision, other than CPC's required employer pension contributions, has been made in the accounts of CPC for this liability.

CPC maintains an executive pension benefit plan (EPBP). Pension payments from the EPBP commenced in January 2006 upon retirement of CPC's former President. CPC valued the pension liability at March 31, 2009 as $211,000 (2008 - $214,000) on a discounted cash flow basis.

12. Long Term Bonds

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

The Bonds are redeemable by BPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding, and a price calculated to

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provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30%.

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

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

($ in thousands)			CPC's Portion of Principal Outstanding	
Series	**Interest rate**	**Maturity date**	**2009**	**2008**
BPC A	8.93%	May 31, 2026	$ 40,633	$ 41,573
BPC B	6.86%	May 31, 2026	12,049	12,397
BPC C	5.67%	May 31, 2026	22,224	22,952
ALPC A	5.39%	March 31, 2015	31,442	35,441
			106,348	112,363
	Current portion		(6,387)	(6,017)
			99,961	106,346
Less: deferred financing costs			(2,339)	(2,667)
			97,622	103,679

Principal repayments next five years:	
2010	$ 6,386
2011	6,782
2012	7,202
2013	7,648
2013	8,125
Subsequent years	70,203
	$106,346

13. Credit Facility

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

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14. Grants-in-Lieu of Property Taxes

ALPC and BEPC are exempt from property taxes but pay grants-in-lieu of property taxes to host and impacted local governments based on the 185 and 120 megawatt capacities of the ALGS and Brilliant Expansion. In 2008/09 the charge per megawatt was $1,232 (2007/08 - $1,160).

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

15. Share Capital

Authorized:
6 common shares, no par value

Issued:
6 common shares $6

16. Contributed Surplus

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

17. Capital Disclosures

CPC's capital management objectives are to:

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

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

($ in thousands)		2009		2008
Debt	$	106,348	$	112,363
Shareholder's equity		346,970		330,695
	$	453,318	$	443,058

18. Restructuring costs

On September 26, 2007 it was announced to staff that the Victoria office would close by December 31, 2007. CPC has recorded $251,000 for restructuring costs related to that closure and the Castlegar office expansion during 2008/09 (2007/08 $1.8 million).

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19. Financial Instruments

a) Designation and Valuation:

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

The fair values of cash, accounts receivable, recoverable channel repairs costs and losses and accounts payable approximate their carrying values due to the short term maturity of these instruments.

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

b) Risks:

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

The following discussion is limited to the nature and extent of risks arising from financial instruments, as defined under section 3862 of the CICA Handbook. For a complete understanding of the nature and extent of risks CPC is exposed to, this note should be read in conjunction with CPC's discussion of Capacity, Outlook and Risks found in the Management Discussion and Analysis section of the 2009 Annual Report.

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

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

iii) Market Risks
Market risk refers to the risk that the fair value or future cash flows of a financial instrument

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will fluctuate because of changes in market prices. Market risk comprises three types of risk: exchange rate risk, interest rate risk and price risk. CPC does not use derivative products to manage these risks.

a) Exchange rate risk
Exchange rate risk refers to the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. CPC realizes most revenues and all significant expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations. Some of the power sales in Brilliant Expansion Power Corporation joint venture are transacted at short-term market prices in US dollars. Consolidated revenue from these short-term market sales equaled $4.6 million for 2008/09 (2007/08 - $3.9 million) and is included in the "Sale of power" line item in the Consolidated Statement of Income. A one cent change in the Canadian dollar relative to the US dollar represents an impact of approximately $120,000 in revenue.

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

c) Price risk
Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The majority of CPC's power sales agreements are at long-term fixed rates and are therefore not exposed to price risk. Some of the power sales in Brilliant Expansion Power Corporation joint venture are transacted at short-term market prices and are therefore subject to price risk. Consolidated revenue from these short-term market sales equaled $4.6 million for 2008/09 (2007/08 - $3.9 million) and is included in the "Sale of power" line item in the Consolidated Statement of Income. A one dollar change in the short-term market price of power represents approximately $233,000 in revenue.

20. Commitments

(a) Plant Operations

Under its agreements with Bondholders, BPC and ALPC have committed to keep the Brilliant power facility, Brilliant terminal station and the ALGS in good operating condition and to effect all necessary repairs and replacements according to the requirements of good industry practice.

(b) ALPC Fish Entrainment Compensation

ALPC has made a commitment to contribute to the Columbia Basin Fish and Wildlife Compensation Program to compensate for fish entrainment for as long as fish are entrained in

the ALGS. In 2008/09 the contribution was $239,000 (2007/08 - $206,000). This funding will be used for fertilizing fish stocks in the Upper and Lower Arrow Reservoirs.

(c) BEPC Project Approval Certificate

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

(d) Office Long Term Lease Commitment

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

21. Related Party Transactions

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

(a) Due from and sales to related parties

	2009		2008	
($ in thousands)	Due from Related Party	Sales to Related Party	Due from Related Party	Sales to Related Party
BC Hydro	$ 81	$ 22,036	$ 216	$ 17,501
Powerex	518	5,448	3,071	5,484
BC Transmission Corp.	-	-	7	9
Province	-	-	-	31
Joint ventures	1,498	-	1,452	-
Trust and affiliates	-	-	-	4
	$2,097	$27,484	$4,746	$23,029

The Due from Related Party amount of $2,097,000 at March 31, 2009 (2008 - $4,746,000) is included in the "Accounts receivable" line item in the Consolidated Balance Sheet. The due from Joint ventures amount of $1,498,000 at March 31, 2009 (2008 - $1,452,000) relates to recoveries of administration and management costs and also to management fee revenues, and is not related to sales. The Sales to Related Party amounts from BC Hydro and Powerex of $22,036,000 and $5,448,000 for 2008/09 (2007/08 - $17,501,000 and $5,484,000) are included in the Sale of Power line item in the Consolidated Statement of Income.

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(b) Due to and purchases from related parties

($ in thousands)	2009 Due to Related Party	2009 Purchases from Related Party	2008 Due to Related Party	2008 Purchases from Related Party
Province	$ 1	$5,931	$ 18	$5,967
CBT and affiliates	211	989	485	1,024
BC Hydro	7	139	4	646
Powerex	-	47	-	47
BC Transmission Corp.	-	59	-	50
	$219	$7,165	$ 507	$7,734

Purchases from the Province of $5,931,000 for 2008/09 (2007/08 - $5,967,000) are included in the "Water rental" expense line item in the Consolidated Statement of Income and "Prepaid expenses and deposits" line item in the Consolidated Balance Sheet. The purchases from CBT and affiliates of $989,000 for 2008/09 (2007/08 - $1,024,000) are included in the "Administration and management" line item in the Consolidated Statement of Income and the "Capital assets" line item in the Consolidated Balance Sheet.

22. Contingencies

Power Projects

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23. Changes in Non-cash Working Capital

($ in thousands)	2009	2008
Changes in non-cash working capital:		
Accounts receivable	$ (1,120)	$ (3,358)
Prepaid expense	(353)	(84)
Other assets	-	3,360
Accounts Payable and Accrued Liabilities	(8,278)	8,719
Accounts Payable to Related Parties	(288)	417
Accrued Interest	(152)	(128)
Financing Costs	328	(2,667)
Deferred Revenue	(9)	(173)
Other	-	22
Retained Earnings	-	(327)
	$ (9,872)	$ 5,781

24. Prior period adjustment

A portion of the water rental expense recorded in 2007/08 was incorrectly stated in the BEPC 2007/08 financial statements as it related to 2008/09 and, therefore, should have been reported as prepaid expense. A receivable related to water rental expense was also due from FortisBC under the Canal Plant Agreement. The financial statements of 2007/08 have been restated to correct these errors.

($ in thousands)	2008
Changes due to prior period adjustment:	
Accounts receivable	$ 67
Prepaid expense	137
Water rental expense	(204)
	$ -

25. Comparative Figures

Certain 2008 figures have been reclassified to conform with the current year's presentation.

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OHSAS 18001
OHSAS 18000 is an international occupational health and safety management system specification created via a concerted effort from a number of the world's leading national standards bodies, certification bodies, and specialist consultancies.

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

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

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

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

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CORPORATION

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