CONSOLIDATED FINANCIAL STATEMENTS F2019

MANAGEMENT REPORT

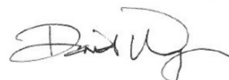
The consolidated financial statements of British Columbia Hydro and Power Authority (BC Hydro) are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the consolidated financial statements have been properly prepared within the framework of the accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available at June 12, 2019. The consolidated financial statements have also been reviewed by the Audit & Finance Committee and approved by the Board of Directors. Financial information presented elsewhere in this Annual Service Plan Report is consistent with that in the consolidated financial statements.

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

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

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

Chris O'Riley
President and Chief Operating Officer



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

Vancouver, Canada
June 12, 2019

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of British Columbia Hydro and Power Authority (the "Entity"), which comprise:

— the consolidated statements of financial position as at March 31, 2019, March 31, 2018 and April 1, 2017

— the consolidated statements of comprehensive income (loss) for the years ended March 31, 2019 and March 31, 2018

— the consolidated statements of changes in equity for the years ended March 31, 2019 and March 31, 2018

— the consolidated statements of cash flows for the years ended March 31, 2019 and March 31, 2018

— and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2019, March 31, 2018 and April 1, 2017 and its consolidated financial performance and its consolidated cash flows for the years ended March 31, 2019 and March 31, 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

— the information, other than the financial statements and the auditors' report thereon, included in the Entity's Management Discussion & Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Entity's Management Discussion & Analysis as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

Chartered Professional Accountants

Vancouver, Canada
June 12, 2019

AUDITED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

for the years ended March 31 (in millions)		**2019**		2018 (Note 24)
Revenues (Note 4)				
Domestic	**$**	**5,432**	$	5,223
Trade		**1,141**		731
		6,573		5,954
Expenses				
Operating expenses (Note 5)		**4,696**		4,497
Finance charges (Note 6)		**1,186**		824
Net Income Before Movement in Regulatory Balances		**691**		633
Net movement in regulatory balances (Note 14)		**(1,119)**		51
Net Income (Loss)		**(428)**		**684**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items That Will Be Reclassified to Net Income (Loss)				
Effective portion of changes in fair value of derivatives designated as cash flow hedges (Note 20)		**(24)**		57
Reclassification to income (loss) of derivatives designated as cash flow hedges (Note 20)		**8**		(30)
Foreign currency translation gains (losses)		**3**		(5)
Items That Will Not Be Reclassified to Net Income (Loss)				
Actuarial gain (loss)		**(173)**		193
Other Comprehensive Income (Loss) before movement in regulatory balances		**(186)**		**215**
Net movements in regulatory balances (Note 14)		**173**		(193)
Other Comprehensive Income (Loss)		**(13)**		22
Total Comprehensive Income (Loss)	**$**	**(441)**	$	706

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions)	**As at March 31 2019**	As at March 31 2018 (Note 24)	As at April 1 2017 (Note 24)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 8)	**$ 84**	$ 42	$ 49
Restricted cash (Note 8)	**109**	77	28
Accounts receivable and accrued revenue (Note 9)	**912**	728	761
Inventories (Note 10)	**168**	144	185
Prepaid expenses	**179**	167	162
Current portion of derivative financial instrument assets (Note 20)	**79**	174	144
	1,531	1,332	1,329
Non-Current Assets			
Property, plant and equipment (Note 11)	**27,952**	25,079	22,994
Intangible assets (Note 12)	**602**	591	601
Derivative financial instrument assets (Note 20)	**49**	156	215
Other non-current assets (Note 13)	**596**	632	560
	29,199	26,458	24,370
Total Assets	**30,730**	27,790	25,699
Regulatory Balances (Note 14)	**4,942**	5,891	6,127
Total Assets and Regulatory Balances	**$ 35,672**	$ 33,681	$ 31,826
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities (Note 15)	**$ 1,478**	$ 1,603	$ 1,172
Current portion of long-term debt (Note 16)	**3,121**	3,344	2,878
Current portion of unearned revenues and contributions in aid (Note 17)	**87**	85	82
Current portion of derivative financial instrument liabilities (Note 20)	**89**	112	60
	4,775	5,144	4,192
Non-Current Liabilities			
Long-term debt (Note 16)	**19,261**	17,020	17,146
Derivative financial instrument liabilities (Note 20)	**296**	66	41
Unearned revenues and contributions in aid (Note 17)	**1,905**	1,758	1,620
Post-employment benefits (Note 19)	**1,752**	1,474	1,566
Other non-current liabilities (Note 21)	**1,988**	2,021	1,516
	25,202	22,339	21,889
Total Liabilities	**29,977**	27,483	26,081
Regulatory Balances (Note 14)	**748**	751	845
Shareholder's Equity			
Contributed surplus	**60**	60	60
Retained earnings	**4,934**	5,421	4,896
Accumulated other comprehensive loss	**(47)**	(34)	(56)
	4,947	5,447	4,900
Total Liabilities, Shareholder's Equity and Regulatory Balances	**$ 35,672**	$ 33,681	$ 31,826

Commitments and Contingencies (Notes 11 and 22)

See accompanying Notes to the Consolidated Financial Statements.

Approved on behalf of the Board:

Ken Peterson
Executive Chair

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions)	Cumulative Translation Reserve	Unrealized Income (Loss) on Cash Flow Hedges	Total Accumulated Other Comprehensive Income (Loss)	Contributed Surplus	Retained Earnings	Total
Balance as at April 1, 2017	$ -	$ (56)	$ (56)	$ 60	$ 4,896	$ 4,900
Payment to the Province (Note 18)	-	-	-	-	(159)	(159)
Comprehensive Income (Loss)	(5)	27	22	-	684	706
Balance as at March 31, 2018	(5)	(29)	(34)	60	5,421	5,447
Payment to the Province (Note 18)	-	-	-	-	(59)	(59)
Comprehensive Income (Loss)	3	(16)	(13)	-	(428)	(441)
Balance as at March 31, 2019	$ (2)	$ (45)	$ (47)	$ 60	$ 4,934	$ 4,947

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended March 31 (in millions)	**2019**	2018
Operating Activities		
Net income (Loss)	**$ (428)**	$ 684
Regulatory account transfers (Note 14)	**504**	(295)
Adjustments for non-cash items:		
Amortization of regulatory accounts (Note 14)	**442**	437
Amortization and depreciation expense (Note 7)	**880**	817
Unrealized losses on derivative financial instruments	**286**	80
Post-employment benefits expense	**106**	105
Interest accrual	**854**	795
Other items	**(22)**	108
	2,622	2,731
Changes in:		
Restricted cash	**(32)**	(48)
Accounts receivable and accrued revenue	**(131)**	94
Prepaid expenses	**(30)**	(29)
Inventories	**(23)**	40
Accounts payable, accrued liabilities and other non-current liabilities	**138**	(307)
Unearned revenue and contributions in aid	**160**	142
Other non-current assets	**18**	(103)
	100	(211)
Interest paid	**(850)**	(795)
Cash provided by operating activities	**1,872**	1,725
Investing Activities		
Property, plant and equipment and intangible asset expenditures	**(3,766)**	(2,123)
Cash used in investing activities	**(3,766)**	(2,123)
Financing Activities		
Long-term debt issued (Note 16)	**2,418**	1,156
Long-term debt retired (Note 16)	**(1,287)**	(40)
Receipt of revolving borrowings	**8,865**	7,749
Repayment of revolving borrowings	**(7,981)**	(8,536)
Payment to the Province (Note 18)	**(159)**	-
Other items	**80**	62
Cash provided by financing activities	**1,936**	391
Increase (decrease) in cash and cash equivalents	**42**	(7)
Cash and cash equivalents, beginning of year	**42**	49
Cash and cash equivalents, end of year	**$ 84**	$ 42

See Note 16 for Cash flow supplement- changes in liabilities arising from financing activities

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

NOTE 1: REPORTING ENTITY

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

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

NOTE 2: BASIS OF PRESENTATION

(a) Basis of Accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies are set out in Note 3. These are the Company's first consolidated financial statements prepared in accordance with IFRS. In prior years, the Company prepared its consolidated financial statements in accordance with the accounting principles of IFRS, combined with regulatory accounting in accordance with Financial Accounting Standards Board Accounting Standards Codification 980 (ASC 980), *Regulated Operations,* except as specified in Treasury Board Regulation B.C. Reg 146/2011 section 5(3) (collectively the Prescribed Standards). The comparative figures for the prior year were restated on the adoption of IFRS. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 24.

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

These consolidated financial statements were approved by the Board of Directors on June 12, 2019.

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

(d) Key Assumptions and Significant Judgments

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

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

(i) Retirement Benefit Obligation

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

(ii) Provisions and Contingencies

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

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

(iii) Financial Instruments

The Company enters into financial instrument arrangements which require management to make judgments to determine if such arrangements are derivative instruments in their entirety or contain

embedded derivatives, including whether those embedded derivatives meet the criteria to be separated from their host contract, in accordance with IFRS 9, *Financial Instruments*. Key judgments are whether certain non-financial items are readily convertible to cash, whether similar contracts are routinely settled net in cash or delivery of the underlying commodity taken and then resold within a short period, whether the value of a contract changes in response to a change in an underlying rate, price, index or other variable, and for embedded derivatives, whether the economic risks and characteristics are not closely related to the host contract and a separate instrument with the same terms would meet the definition of a derivative on a standalone basis.

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

(iv) Leases

The Company enters into long-term energy purchase agreements that may be considered to be, or contain a lease. In making this determination, judgment is required to determine whether the fulfillment of an arrangement is dependent on the use of a specific asset, and whether the arrangement conveys a right to use the asset. For those arrangements considered to be leases, or which contain an embedded lease, further judgment is required to determine whether to account for the agreement as either a finance or operating lease by assessing whether substantially all of the significant risks and rewards of ownership are transferred to the Company or remain with the counterparty to the agreement. The measurement of finance leases requires estimations of the amounts and timing of future cash flows and the determination of an appropriate discount rate.

(v) Rate Regulation

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

(vi) Revenues

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

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

(a) Rate Regulation

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

IFRS 14 *Regulatory Deferral Accounts* (IFRS 14) is restricted to first-time adopters of IFRS and remains in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB. IFRS 14 provides first-time adopters of IFRS an option to continue recognizing regulatory balances in accordance with the basis of accounting the first-time adopter used immediately before adopting IFRS, which in the case of the Company was the Prescribed Standards. BC Hydro has determined that certain debit and credit balances arising from rate-regulated activities qualify for the continued application of regulatory accounting treatment in accordance with IFRS 14. Under rate-regulated accounting, the timing and recognition of certain expenses and revenues may differ from those otherwise expected under other IFRS in order to appropriately reflect the economic impact of regulatory decisions regarding the Company's regulated revenues and expenditures. These amounts arising from timing differences are recorded as regulatory debit and credit balances on the Company's consolidated statements of financial position, and represent existing rights and obligations regarding cash flows expected to be recovered from or refunded to customers, based on decisions and approvals by the BCUC. In the absence of rate-regulation, these amounts would be included in comprehensive income.

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

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

(b) Revenue

The Company recognizes revenue when it transfers control over a promised good or service, which constitutes a performance obligation under the contract, to a customer and where the Company is entitled to consideration as a result of completion of the performance obligation. Depending on the

terms of the contract with the customer, revenue recognition can occur at a point in time or over time. When a performance obligation is satisfied, revenue is measured at the transaction price that is allocated to that performance obligation.

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

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

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

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

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

(c) Finance Costs and Recoveries

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

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

(d) Foreign Currency

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

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

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

(e) Property, Plant and Equipment

(i) Recognition and Measurement

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

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

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

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

(ii) Subsequent Costs

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of property, plant and equipment maintenance are recognized in the statement of comprehensive income (loss) as incurred.

(iii) Depreciation

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

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

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

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

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

(f) Intangible Assets

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

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

(g) Asset Impairment

(i) Financial Assets

Financial assets, other than those measured at fair value, are assessed at each reporting date to determine whether there is impairment. The Company accounts for impairment of financial assets based on a forward-looking expected credit loss model under IFRS 9, *Financial Instruments*. The expected-loss impairment model requires an entity to recognize the expected credit losses (ECL) when financial instruments are initially recognized and to update the amount of ECL recognized at each reporting date to reflect changes in the credit risk of the financial instruments. ECL are measured as the difference in the present value of the contractual cash flows due to the Company

under the contract and the cash flows that Company expects to receive.

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

(ii) Non-Financial Assets

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

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

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

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

(h) Cash and Cash Equivalents

Cash and cash equivalents include unrestricted cash and units of a money market fund (short-term investments) that are redeemable on demand and are carried at amortized cost and fair value, respectively.

(i) Restricted Cash

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

(j) Inventories

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

(k) Financial Instruments

(i) Financial Instruments – Recognition and Measurement

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

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

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

(ii) Classification and Measurement of Financial Instruments

The Company adopted IFRS on April 1, 2017 and has assessed the classification and measurement of financial assets and financial liabilities under IFRS 9. The original measurement categories under the Prescribed Standards and IAS 39 and the new measurement categories under IFRS 9 are

summarized in the following table:

	IAS 39	IFRS 9
Short-term investments	FVTPL	FVTPL
Derivatives not in a hedging relationship	FVTPL	FVTPL
Cash	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts receivable and other receivables	Loans and receivables	Amortized cost
US dollar sinking funds	Held to maturity	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Revolving borrowings	Other financial liabilities	Amortized cost
Long-term debt (including current portion due in one year)	Other financial liabilities	Amortized cost
Finance lease obligations, First Nations liabilities and Other liabilities presented in Other long-term liabilities	Other financial liabilities	Amortized cost

There has been no change in the carrying value or fair value of the Company's financial instruments or to previously reported figures as a result of changes to the measurement categories in the table noted above.

(ii) Fair Value

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

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

(iii) Inception Gains and Losses

In some instances, a difference may arise between the fair value of a financial instrument at initial recognition, as defined by its transaction price, and the fair value calculated by a valuation technique or model (inception gain or loss). In addition, the Company's inception gain or loss on a contract may arise as a result of embedded derivatives which are recorded at fair value, with the

remainder of the contract recorded on an accrual basis. In these circumstances, the unrealized inception gain or loss is deferred and amortized into income over the full term of the underlying financial instrument. Additional information on deferred inception gains and losses is disclosed in Note 20.

(iv) Derivative Financial Instruments

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

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

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

(v) Hedges

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

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

Hedge accounting is discontinued prospectively when the derivative no longer qualifies as an

effective hedge, the hedging relationship is discontinued, or the derivative is terminated or sold, or upon the sale or early termination of the hedged item.

(l) Investments Held in Sinking Funds

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

(m) Unearned Revenue

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

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

(n) Contributions in Aid of Construction

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

(o) Post-Employment Benefits

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

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

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

(p) Provisions

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

Decommissioning Obligations

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

Environmental Expenditures and Liabilities

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

Legal

The Company recognizes legal claims as a provision when it is probable that the claim will be settled against the Company and the amount of the settlement can be reasonably measured. Management obtains the advice of its external counsel in determining the likely outcome and estimating the expected costs associated with lawsuits. Further information regarding lawsuits in progress is disclosed in Note 22.

(q) Leases

Embedded Leases

The Company may enter into an arrangement that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments. Arrangements in which a party conveys a right to the Company to use an asset may in substance be, or contain, a lease that should be accounted for as either a finance or operating lease. Determining whether an arrangement is, or contains, a lease requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset; and whether the arrangement conveys a right to use the asset. The right to use an asset is conveyed if the right to operate or control physical access to the underlying asset is provided or if the Company consumes substantially all of the output of the asset and the price paid for the output is neither contractually fixed per unit of output nor equal to the current market price.

Finance Leases

Leases where substantially all of the benefits and risk of ownership rest with the Company are accounted for as finance leases. Finance leases are recognized as assets and liabilities at the lower of the fair value of the asset and the present value of the minimum lease payments at the date of acquisition. Finance costs represent the difference between the total leasing commitments and the fair value of the assets acquired. Finance costs are charged to net income over the term of the lease at interest rates applicable to the lease on the remaining balance of the obligations. Assets under finance leases are depreciated on the same basis as property, plant and equipment or over the term of the relevant lease, whichever is shorter.

Operating Leases

Leases where substantially all of the benefits and risk of ownership remain with the lessor are accounted for as operating leases. Rental payments under operating leases are expensed to net income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as an integral part of the total lease expense and are recorded on a straight-line basis over the term of the lease.

(r) Taxes

The Company pays local government taxes and grants in lieu to municipalities and regional districts. As a Crown Corporation, the Company is exempt from Canadian federal and provincial income taxes.

(s) Jointly Controlled Operations

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

(t) New Standards and Amendments Not Yet Adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended March 31, 2019, and have not been applied in preparing these consolidated financial statements. In particular, the following new and amended standards become effective for the Company's annual periods beginning on or after the dates noted below:

Leases

IFRS 16, *Leases* replaces the existing standard IAS 17, *Leases* and IFRIC 4, *Determining Whether an Arrangement Contains a Lease* and the effective date for BC Hydro is April 1, 2019. IFRS 16 combines the existing dual model of operating and finance leases under IAS 17 into a single lease model for lessees. Under the new single lease model, a lessee will recognize the lease assets and lease liabilities on the statement of financial position initially measured at the present value of the unavoidable lease payments, with the exception of leases with a duration of twelve months or less and leases with low value. IFRS 16 will also cause expenses to be higher at the beginning and lower towards the end of a lease, even when payments are consistent throughout the term.

The standard permits two methods of adoption: (i) the full retrospective method; and (ii) the modified retrospective method, under which comparative periods would not be restated and the cumulative impact of applying the standard would be recognized at the date of initial adoption.

During fiscal 2019, management has compiled all of the Company's existing lease and service contracts and reviewed the relevant agreements to identify which of these contracts are in scope of IFRS 16. In addition, management has completed a review of existing service contracts for embedded leases and has identified all operating leases. Furthermore, the Company began developing a valuation approach to measuring the right of use assets and related lease obligations for our leases and reviewed the increased accounting and disclosure requirements arising from the new leasing standard.

The Company is in the process of completing the quantification of the impact that adoption of IFRS 16 will have upon adoption. The Company intends to use the full retrospective approach of adoption resulting in restatement of prior year comparatives. The quantitative impact of adopting IFRS 16 will be provided in our first interim condensed consolidated financial statements in fiscal 2020.

Investments in Associates and Joint Ventures, Employee Benefits, and Financial Instruments

The Company does not expect to have a material impact on the consolidated financial statements upon adoption of the following amended standards effective April 1, 2019:

- Amendments to IAS 28, *Investments in Associates and Joint Ventures*
- Amendments to IAS 19, *Employee Benefits*
- Amendments to IFRS 9, *Financial Instruments*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

NOTE 4: REVENUES

Disaggregate Revenue

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

(in millions)		**2019**		2018
Domestic				
Residential	**$**	**2,127**	$	2,097
Light industrial and commercial		**1,925**		1,860
Large industrial		**873**		811
Surplus sales		**115**		139
Other sales		**392**		316
Total Domestic		**5,432**		5,223
Total Trade[1]		**1,141**		731
Total Revenue	**$**	**6,573**	$	5,954

[1] Includes mark-to-market gains/(losses) from derivatives.

Contract Balances

The Company does not have any contract assets which constitutes consideration receivable from a customer that is conditional on the Company's future performance. The current and non-current receivables balances from customers as at March 31, 2019 totalled $867 million (2018 - $741 million, April 1, 2017 - $796 million).

Contract liabilities represent payments received for performance obligations which have not been fulfilled. The following table reconciles the items included in the contract liabilities balance:

(in millions)		**March 31, 2019**		March 31, 2018		April 1, 2017
Unearned revenues	**$**	**230**	$	210	$	179
Contributions in aid (Note 17)		**1,762**		1,633		1,519
Customer deposits		**13**		15		14
	$	**2,005**	$	1,858	$	1,712

The following table reconciles the changes in the contract liabilities balances during the years ended March 31, 2019 and 2018:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

		Contract Liabilities
Balance at April 1, 2017	**$**	**1,712**
Revenue recognized that was included in the contract liability balance at the beginning of the period		(93)
Increases due to cash received, excluding amounts recognized as revenue during the period		218
Other[1]		21
Balance at March 31, 2018		**1,858**
Revenue recognized that was included in the contract liability balance at the beginning of the period		(107)
Increases due to cash received, excluding amounts recognized as revenue during the period		230
Other[1]		24
Balance at March 31, 2019	**$**	**2,005**

1 Other includes finance charges and foreign exchange adjustments

Remaining Performance Obligations

The following table includes revenue expected to be recognized in the future related to the performance obligations that are unsatisfied (or partially unsatisfied) as at March 31, 2019.

(in millions)	Less than one year	Between one and five years	More than five years	Total
Energy sales	$ 22	$ 29	$ 18	$ 69
Contribution in aid	50	197	1,515	1,762
Skagit River Agreement	29	117	1,233	1,379
Other	53	79	45	177
	$ 154	$ 422	$ 2,811	$ 3,387

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

(i) Where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance to date, revenue is recognized in the amount to which the Company has a right to invoice.

(ii) Where the remaining performance obligations have an original expected duration of one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

NOTE 5: OPERATING EXPENSES

(in millions)		**2019**		2018
Electricity and gas purchases	**$**	**1,661**	$	1,610
Water rentals		**331**		324
Transmission charges		**205**		203
Personnel expenses		**630**		591
Materials and external services		**707**		650
Amortization and depreciation (Note 7)		**880**		817
Grants and taxes		**268**		241
Other costs, net of recoveries		**84**		130
Less: Capitalized costs		**(70)**		(69)
	$	**4,696**	$	4,497

NOTE 6: FINANCE CHARGES

(in millions)		**2019**		2018
Interest on long-term debt	**$**	**854**	$	795
Interest on finance lease liabilities		**42**		18
Interest on defined benefit plan obligations (Note 19)		**56**		62
Mark-to-market losses on derivative financial instruments (Note 20)		**318**		27
Other		**46**		31
Capitalized interest		**(130)**		(109)
	$	**1,186**	$	824

The effective capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 4.0 per cent (2018 - 4.1 per cent).

NOTE 7: AMORTIZATION AND DEPRECIATION

(in millions)		**2019**		2018
Depreciation of property, plant and equipment (Note 11)	**$**	**797**	$	733
Amortization of intangible assets (Note 12)		**83**		84
	$	**880**	$	817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

NOTE 8: CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Cash	**$ 34**	$ 11	$ 25
Short-term investments	**50**	31	24
	$ 84	$ 42	$ 49

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

NOTE 9: ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Accounts receivable	**$ 640**	$ 492	$ 547
Accrued revenue	**192**	170	138
Other	**80**	66	76
	$ 912	$ 728	$ 761

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

NOTE 10: INVENTORIES

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Materials and supplies	**$ 161**	$ 142	$ 145
Natural gas trading inventories	**7**	2	40
	$ 168	$ 144	$ 185

There were no materials and supplies inventory impairments during the years ended March 31, 2019 and 2018. Natural gas inventory held in storage is measured at fair value less costs to sell and therefore, not subject to impairment testing.

Inventories recognized as an expense during the year amounted to $77 million (2018 - $82 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

(in millions)	Generation	Transmission	Distribution	Land & Builidings	Equipment & Other	Unfinished Construction	Total
Cost							
Balance at April 1, 2017	$ 6,782	$ 6,623	$ 5,225	$ 590	$ 652	$ 3,364	$ 23,236
Net additions	877	404	447	109	115	933	2,885
Disposals and retirements	(167)	(10)	(24)	(3)	(8)	(23)	(235)
Balance at March 31, 2018	7,492	7,017	5,648	696	759	4,274	25,886
Net additions	2,397	516	442	30	105	241	3,731
Disposals and retirements	(10)	(10)	(31)	(1)	(10)	(17)	(79)
Balance at March 31, 2019	$ 9,879	$ 7,523	$ 6,059	$ 725	$ 854	$ 4,498	$ 29,538
Accumulated Depreciation							
Balance at April 1, 2017	$ (187)	$ (25)	$ (9)	$ (8)	$ (13)	$ -	$ (242)
Depreciation expense	(212)	(217)	(192)	(24)	(88)	-	(733)
Disposals and retirements	162	1	1	-	4	-	168
Balance at March 31, 2018	(237)	(241)	(200)	(32)	(97)	-	(807)
Depreciation expense	(255)	(225)	(201)	(26)	(90)	-	(797)
Disposals and retirements	6	3	3	-	6	-	18
Balance at March 31, 2019	$ (486)	$ (463)	$ (398)	$ (58)	$ (181)	$ -	$ (1,586)
Net carrying amounts							
At April 1, 2017	$ 6,595	$ 6,598	$ 5,216	$ 582	$ 639	$ 3,364	$ 22,994
At March 31, 2018	$ 7,255	$ 6,776	$ 5,448	$ 664	$ 662	$ 4,274	$ 25,079
At March 31, 2019	$ 9,393	$ 7,060	$ 5,661	$ 667	$ 673	$ 4,498	$ 27,952

(i) Prior to the purchase of the remaining two-thirds interest in Waneta on July 26, 2018, the Company included its one-third interest in Waneta with a net book value of $668 million (2018 - $674 million, April 1, 2017 - $695 million) in Generation assets.

On August 1, 2017, BC Hydro agreed to exercise its option to purchase the remaining two-thirds interest of Waneta from Teck Resources (Teck) for $1.20 billion. Following receipt of BCUC approval in July 2018, BC Hydro completed the transaction on July 26, 2018. The transaction has been accounted for as an asset acquisition, with the purchase price being allocated to the applicable integrated components of the property, plant and equipment acquired. The purchase agreement includes a 20 year agreement, whereby BC Hydro has contracted to sell two-thirds of the generation of Waneta to Teck. Teck has an option to extend such agreement for a further 10 years.

Depreciation expense on the Waneta assets for the year ended March 31, 2019 was $46 million (2018 - $21 million).

(ii) Included within Distribution assets are the Company's portion of utility poles with a net book value of $1.11 billion (2018 - $1.05 billion, April 1, 2017 - $972 million) that are jointly owned with a third party. Depreciation expense on jointly owned utility poles for the year ended March 31, 2019 was $29 million (2018 - $27 million).

(iii)The Company received government grants arising from the Columbia River Treaty related to three dams built by the Company in the mid-1960s to regulate the flow of the Columbia River. The grants were made to assist in financing the construction of the dams. The grants were deducted from the carrying amount of the related dams. In addition, the Company received, in prior years, government grants for the construction of a new transmission line and has deducted the grants

received from the cost of the asset. No government grants were received in fiscal 2019 or fiscal 2018.

(iv) The Company has contractual commitments to spend $3.35 billion on major property, plant and equipment projects (on individual projects greater than $50 million) as at March 31, 2019.

Leased assets

Property, plant and equipment under finance leases of $695 million (2018 - $695 million, April 1, 2017 - $388 million), net of accumulated amortization of $77 million (2018 - $54 million, April 1, 2017 - $201 million), are included in the total amount of property, plant and equipment above.

NOTE 12: INTANGIBLE ASSETS

(in millions)	Land Rights	Internally Developed Software	Purchased Software	Other	Work in Progress	Total
Cost						
Balance at April 1, 2017	$ 243	$ 91	$ 217	$ 13	$ 51	$ 615
Net additions (transfers)	4	18	47	26	(12)	83
Disposals and retirements	-	-	(1)	(6)	(3)	(10)
Balance at March 31, 2018	247	109	263	33	36	688
Net additions	29	6	35	9	27	106
Disposals and retirements	-	-	-	(12)	-	(12)
Balance at March 31, 2019	$ 276	$ 115	$ 298	$ 30	$ 63	$ 782
Accumulated Amortization						
Balance at April 1, 2017	$ -	$ (8)	$ (6)	$ -	$ -	$ (14)
Amortization expense	-	(23)	(61)	-	-	(84)
Disposals and retirements	-	-	1	-	-	1
Balance at March 31, 2018	-	(31)	(66)	-	-	(97)
Amortization expense	-	(21)	(62)	-	-	(83)
Disposals and retirements	-	-	-	-	-	-
Balance at March 31, 2019	$ -	$ (52)	$ (128)	$ -	$ -	$ (180)
Net carrying amounts						
At April 1, 2017	$ 243	$ 83	$ 211	$ 13	$ 51	$ 601
At March 31, 2018	$ 247	$ 78	$ 197	$ 33	$ 36	$ 591
At March 31, 2019	$ 276	$ 63	$ 170	$ 30	$ 63	$ 602

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

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NOTE 13: OTHER NON-CURRENT ASSETS

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Non-current receivables	**$ 148**	$ 194	$ 239
Sinking funds	**197**	182	179
Other	**251**	256	142
	$ 596	$ 632	$ 560

Non-Current Receivables

Included in the non-current receivables balance are $135 million of receivables (2018 - $140 million, April 1, 2017 - $145 million) attributable to contributions. The contributions are to be received in 16 annual payments of approximately $11 million, adjusted for inflation. The fair value of the receivable was initially measured using an estimated inflation rate and a 4.6 per cent discount rate.

Included in the non-current receivables balance is a $5 million (2018 - $28 million, April 1, 2017 - $68 million) receivable from mining customers participating in the Mining Customer Payment Plan. In February 2016, the Province issued a direction to the BCUC to establish the Mining Customer Payment Plan, which allows the operators of applicable mines to defer payment of a portion of electricity purchases for a period of up to five years.

Sinking Funds

Investments held in sinking funds are held by the Trustee (the Minister of Finance for the Province) for the redemption of long-term debt. The sinking fund balances at the statement of financial position date are accounted for at amortized cost, and include the following investments:

(in millions)	**March 31, 2019**		March 31, 2018		April 1, 2017	
	Carrying Value	**Weighted Average Effective Rate[1]**	Carrying Value	Weighted Average Effective Rate[1]	Carrying Value	Weighted Average Effective Rate[1]
Province of BC bonds	**$ 126**	**2.9 %**	$ 114	3.2 %	$ 114	3.5 %
Other provincial government and crown corporation bonds	**71**	**2.9 %**	68	3.4 %	65	3.5 %
	$ 197		$ 182		$ 179	

[1] *Rate calculated on market yield to maturity.*

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

Other

Included in the other balance is the long-term portion of prepaid expenses from the Site C Project of $235 million (2018 - $229 million, April 1, 2017 - $115 million).

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NOTE 14: RATE REGULATION

Regulatory Accounts

The Company has established various regulatory accounts through rate regulation and with the approval of the BCUC. In the absence of rate regulation, these amounts would be reflected in total comprehensive income (loss). For the year ended March 31, 2019, the impact of regulatory accounting has resulted in a net decrease to total comprehensive income of $946 million (2018 - $142 million net decrease) which is comprised of a decrease to net income of $1.12 billion (2018 - $51 million increase) and an increase to other comprehensive income of $173 million (2018 - $193 million decrease). For each regulatory account, the amount reflected in the Net Change column in the following regulatory tables represents the impact on comprehensive income for the applicable year. Under rate regulated accounting, a net decrease in a regulatory asset or a net increase in a regulatory liability results in a decrease to comprehensive income.

(in millions)	*As at April 1 2018*	*Addition / (Reduction)*	*Interest* [A]	*Amortization*	*Net Change* [B]	***As at March 31 2019***	*Remaining recovery/ reversal period (years)*
Regulatory Assets							
Non-Heritage Deferral Account	462	$ (170)	$ 13	$ (229)	$ (386)	**$ 76**	Note D
Trade Income Deferral Account	127	(109)	1	(19)	(127)	**-**	Note D
Demand-Side Management	903	111	-	(99)	12	**915**	1-15
Debt Management	-	163	-	-	163	**163**	9-35
First Nations Provisions & Costs	518	22	4	(39)	(13)	**505**	5-9 Note G
Non-Current Pension Costs	304	240	-	(58)	182	**486**	8-12
Site C	472	-	19	-	19	**491**	Note E
CIA Amortization	88	(5)	-	-	(5)	**83**	21
Environmental Provisions & Costs	261	(1)	(2)	(31)	(34)	**227**	Note F, G
Smart Metering & Infrastructure	239	-	9	(31)	(22)	**217**	10
IFRS Pension	535	-	-	(38)	(38)	**497**	13
IFRS Property, Plant & Equipment	1,025	67	-	(28)	39	**1,064**	33-42
Rate Smoothing[C]	815	(815)	-	-	(815)	**-**	-
Storm Restoration Costs	47	19	2	(10)	11	**58**	Note F
Total Finance Charges	-	3	-	17	20	**20**	Note F
Foreign Exchange Gains and Losses	-	(2)	-	14	12	**12**	1-10
Other Regulatory Accounts	95	37	4	(8)	33	**128**	2-5
Total Regulatory Assets	5,891	(440)	50	(559)	(949)	**4,942**	
Regulatory Liabilities							
Heritage Deferral Account	423	95	19	(52)	62	**485**	Note D
Trade Income Deferral Account	-	212	3	44	259	**259**	Note D
Foreign Exchange Gains and Losses	31	(6)	-	(25)	(31)	**-**	1-10
Debt Management	158	(158)	-	-	(158)	**-**	9-35
Total Finance Charges	134	(50)	-	(84)	(134)	**-**	Note F
Other Regulatory Accounts	5	(1)	-	-	(1)	**4**	2-5
Total Regulatory Liabilities	751	92	22	(117)	(3)	**748**	
Net Regulatory Asset	$ 5,140	$ (532)	$ 28	$ (442)	$ (946)	**$ 4,194**	

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(in millions)	*As at April 1 2017*	*Addition / (Reduction)*	*Interest*[A]	*Amortization*	*Net Change*[B]	*As at March 31 2018*	*Remaining recovery/ reversal period (years)*
Regulatory Assets							
Non-Heritage Deferral Account	756	(123)	26	(197)	(294)	462	Note D
Trade Income Deferral Account	194	(21)	5	(51)	(67)	127	Note D
Demand-Side Management	916	82	-	(95)	(13)	903	1-15
First Nations Provisions & Costs	532	20	5	(39)	(14)	518	6-9 Note G
Non-Current Pension Costs	485	(123)	-	(58)	(181)	304	9-13
Site C	453	-	19	-	19	472	Note E
CIA Amortization	91	(3)	-	-	(3)	88	22
Environmental Provisions & Costs	294	-	(2)	(31)	(33)	261	Note F, G
Smart Metering & Infrastructure	261	-	10	(32)	(22)	239	11
IFRS Pension	574	-	-	(39)	(39)	535	14
IFRS Property, Plant & Equipment	962	90	-	(27)	63	1,025	34-43
Rate Smoothing	488	327	-	-	327	815	-
Storm Restoration Costs	39	16	2	(10)	8	47	Note F
Other Regulatory Accounts	82	28	1	(16)	13	95	3-6
Total Regulatory Assets	6,127	293	66	(595)	(236)	5,891	
Regulatory Liabilities							
Heritage Deferral Account	371	61	5	(14)	52	423	Note D
Foreign Exchange Gains and Losses	66	4	-	(39)	(35)	31	1-11
Debt Management	187	(29)	-	-	(29)	158	10-35
Total Finance Charges	212	24	-	(102)	(78)	134	Note F
Other Regulatory Accounts	9	(1)	-	(3)	(4)	5	3-6
Total Regulatory Liabilities	845	59	5	(158)	(94)	751	
Net Regulatory Asset	$ 5,282	$ 234	$ 61	$ (437)	$ (142)	$ 5,140	

[A]As permitted, interest charges were accrued to certain regulatory balances at a rate of 4.0% for the year ended March 31, 2019 (2018 – 4.1%).

[B] Net Change includes a net increase to net loss of $1.12 billion (2018 – a net increase to net income of $51 million) and net decrease to other comprehensive loss of $173 million (2018 – a net decrease to other comprehensive income of $193 million).

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

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

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

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

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

RATE REGULATION

On March 1, 2018, the BCUC issued Order No. G-47-18, which approved final rate increases of 4.0 per cent for fiscal 2017, 3.5 per cent for fiscal 2018, and 3.0 per cent for fiscal 2019. In addition, the BCUC directed the establishment of two new regulatory accounts, the Post Employment Benefit (PEB) Current Pension Costs Regulatory Account and the Dismantling Cost Regulatory Account and the closure of the Future Removal and Site Restoration Regulatory Account.

On February 25, 2019, BC Hydro filed the Fiscal 2020 to Fiscal 2021 Revenue Requirements Application requesting rate increases of 6.85 per cent for fiscal 2020 and 0.72 per cent for fiscal 2021 and a reduction in the Deferral Account Rate Rider from 5 per cent to 0 per cent effective April 1, 2019. If approved, these two requests would result in a net bill increase of 1.76 per cent for fiscal 2020 and 0.72 per cent for fiscal 2021. BC Hydro proposed to reduce the Deferral Account Rate Rider to 0 per cent as the accounts it is intended to recover have a combined credit balance at March 31, 2019. Instead of the Deferral Account Rate Rider recovery mechanism, BC Hydro has proposed to refund the forecast fiscal 2019 net closing balance and the forecast fiscal 2020 and fiscal 2021 net additions and interest applied to the Heritage Deferral Account, the Non-Heritage Deferral Account, and the Trade Income Deferral Account over the fiscal 2020 to fiscal 2021 test period.

HERITAGE DEFERRAL ACCOUNT

This account is intended to mitigate the impact of certain cost and revenue variances between the forecast costs and revenues in a revenue requirements application and actual costs and revenues associated with the Company's hydroelectric and thermal generating facilities. These deferred variances are recovered in rates through the Deferral Account Rate Rider (DARR). The DARR, which was set at 5 per cent for fiscal 2018 and fiscal 2019, is an additional charge on customer bills and is currently used to recover the balances in the energy deferral accounts for fiscal 2018 and fiscal 2019.

NON-HERITAGE DEFERRAL ACCOUNT

This account is intended to mitigate the impact of certain cost and revenue variances between the forecast costs and revenues in a revenue requirements application and actual costs and revenues related to items including all non-heritage energy costs (e.g., costs related to power acquisitions from Independent Power Producers) and load (i.e., customer demand). These deferred variances are recovered in rates through the DARR for fiscal 2018 and fiscal 2019.

TRADE INCOME DEFERRAL ACCOUNT

This account is intended to mitigate the uncertainty associated with forecasting the net income of the Company's trade activities. The impact is to defer the difference between the Trade Income forecast in a revenue requirements application and actual Trade Income. These deferred variances are recovered in rates through the DARR for fiscal 2018 and fiscal 2019.

DEMAND-SIDE MANAGEMENT

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

FIRST NATIONS PROVISIONS & COSTS

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

Forecast lump sum settlement payments are amortized over 10 years starting in the year of payment, forecast annual settlement payments are amortized in the year of payment, and actual annual negotiation costs are recovered from the First Nations Costs Regulatory Account in the year incurred. Variances between forecast and actual lump sum and annual settlement payments in the current test period are recovered over the following test period. A test period refers to the period covered by a revenue requirements application filing.

NON-CURRENT PENSION COSTS

The Non-Current Pension Costs Regulatory Account captures variances between forecast and actual non-current service costs, such as net interest income or expense, related to pension and other post-employment benefit plans. In addition, all re-measurements of the net defined benefit liability (asset) are deferred to this account. Amounts deferred during the current test period are amortized at the start of the following test period over the expected average remaining service life of the employee group (currently 12 years).

SITE C

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

CONTRIBUTIONS IN AID (CIA) OF CONSTRUCTION AMORTIZATION

This account captures the difference in revenue requirement impacts of the 45 year amortization period the Company uses as per a depreciation study and the 25 year amortization period determined by the BCUC.

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ENVIRONMENTAL PROVISIONS & COSTS

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

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

SMART METERING & INFRASTRUCTURE

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

IFRS PENSION

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

IFRS PROPERTY, PLANT & EQUIPMENT

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

RATE SMOOTHING

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

STORM RESTORATION COSTS

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

FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange gains and losses from the translation of specified foreign currency financial instruments are deferred. Foreign exchange gains and losses are subject to external market forces over which BC Hydro has no control. The account balance is amortized using the straight-line pool method over the weighted average life of the related debt.

DEBT MANAGEMENT

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

TOTAL FINANCE CHARGES

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

OTHER REGULATORY ACCOUNTS

Other regulatory asset and liability accounts with individual balances less than $50 million include the following: Real Property Sales, Capital Project Investigation Costs, Arrow Water Systems Provisions, Arrow Water Systems (Costs), Dismantling Cost, PEB Current Pension Costs, Customer Crisis Fund and Amortization of Capital Additions.

NOTE 15: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Accounts payable	**$ 359**	$ 259	$ 224
Accrued liabilities	**908**	995	792
Current portion of other long-term liabilities (Note 21)	**100**	136	97
Dividend payable (Note 18)	**59**	159	-
Other	**52**	54	59
	$ 1,478	$ 1,603	$ 1,172

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NOTE 16: LONG-TERM DEBT AND DEBT MANAGEMENT

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

The Company has a commercial paper borrowing program with the Province which is limited to $4.50 billion and is included in revolving borrowings. At March 31, 2019, the outstanding amount under the borrowing program was $2.95 billion (2018 - $2.05 billion, April 1, 2017 - $2.84 billion).

For the year ended March 31, 2019, the Company issued bonds for net proceeds of $2.42 billion (2018 - $1.16 billion) and a par value of $2.45 billion (2018 - $1.20 billion), a weighted average effective interest rate of 3.0 per cent (2018 - 2.9 per cent) and a weighted average term to maturity of 19.8 years (2018 - 20.3 years).

For the year ended March 31, 2019, the Company redeemed bonds with par value of $1.29 billion (2018 – par value of $40 million).

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

(in millions)	**March 31, 2019**					March 31, 2018					April 1, 2017				
	Canadian	**US**	**Euro**	**Total**	**Weighted Average Interest Rate[1]**	Canadian	US	Euro	Total	Weighted Average Interest Rate[1]	Canadian	US	Euro	Total	Weighted Average Interest Rate[1]
Maturing in fiscal:															
2018	**$ -**	**$ -**	**$ -**	**$ -**	**-**	$ -	$ -	$ -	$ -	$ -	$ 40	$ -	$ -	$ 40	4.9
2019	**-**	**-**	**-**	**-**	**-**	1,030	258	-	1,288	4.4	1,030	267	-	1,297	4.4
2020	**175**	**-**	**-**	**175**	**5.3**	175	-	-	175	5.3	175	-	-	175	5.3
2021	**1,100**	**-**	**-**	**1,100**	**7.5**	1,100	-	-	1,100	7.5	1,100	-	-	1,100	7.5
2022	**526**	**-**	**-**	**526**	**7.8**	526	-	-	526	7.8	526	-	-	526	7.8
2023	**500**	**-**	**-**	**500**	**6.8**	500	-	-	500	6.8	-	-	-	-	-
2024	**200**	**-**	**-**	**200**	**5.9**	-	-	-	-	-	-	-	-	-	-
1-5 years	**2,501**	**-**	**-**	**2,501**	**7.2**	3,331	258	-	3,589	6.2	2,871	267	-	3,138	6.1
6-10 years	**3,960**	**668**	**395**	**5,023**	**3.1**	2,860	644	418	3,922	3.2	2,460	666	376	3,502	3.9
11-15 years	**1,610**	**-**	**207**	**1,817**	**4.5**	1,610	-	219	1,829	4.5	1,910	-	-	1,910	4.6
16-20 years	**-**	**400**	**-**	**400**	**7.4**	-	387	-	387	7.4	-	400	197	597	5.2
21-25 years	**3,273**	**-**	**-**	**3,273**	**4.3**	3,273	-	-	3,273	4.3	1,250	-	-	1,250	4.9
26-30 years	**5,985**	**-**	**-**	**5,985**	**3.5**	2,565	-	-	2,565	3.7	4,588	-	-	4,588	3.9
Over 30 years	**560**	**-**	**-**	**560**	**3.1**	2,830	-	-	2,830	3.3	2,230	-	-	2,230	3.4
Bonds	**17,889**	**1,068**	**602**	**19,559**	**4.1**	16,469	1,289	637	18,395	4.3	15,309	1,333	573	17,215	4.4
Revolving borrowings	**2,743**	**202**	**-**	**2,945**	**1.8**	1,817	236	-	2,053	1.3	2,284	554	-	2,838	0.6
	20,632	**1,270**	**602**	**22,504**		18,286	1,525	637	20,448		17,593	1,887	573	20,053	
Adjustments to carrying value resulting from discontinued hedging activities	**13**	**22**	**-**	**35**		17	22	-	39		20	24	-	44	
Unamortized premium, discount, and issue costs	**(143)**	**(10)**	**(4)**	**(157)**		(107)	(11)	(5)	(123)		(56)	(12)	(5)	(73)	
	$ 20,502	**$ 1,282**	**$ 598**	**$ 22,382**		$ 18,196	$ 1,536	$ 632	$ 20,364		$ 17,557	$ 1,899	$ 568	$ 20,024	
Less: Current portion	**(2,919)**	**(202)**	**-**	**(3,121)**		(2,850)	(494)	-	(3,344)		(2,324)	(554)	-	(2,878)	
Non-current long-term debt	**$ 17,583**	**$ 1,080**	**$ 598**	**$ 19,261**		$ 15,346	$ 1,042	$ 632	$ 17,020		$ 15,233	$ 1,345	$ 568	$ 17,146	

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

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The following foreign currency contracts were in place at March 31, 2019 in a net asset position of $24 million (2018 - $105 million, April 1, 2017 - $41 million). Such contracts are primarily used to hedge foreign currency long-term debt principal and U.S. commercial paper borrowings.

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Cross-Currency Swaps			
Euro dollar to Canadian dollar - notional amount[1]	**€ 402**	€ 402	€ 402
Euro dollar to Canadian dollar - weighted average contract rate	**1.47**	1.47	1.47
Weighted remaining term	**9 years**	10 years	11 years
Foreign Currency Forwards			
United States dollar to Canadian dollar - notional amount[1]	**US$ 741**	US$ 1,012	US$ 1,241
United States dollar to Canadian dollar - weighted average contract rate	**1.27**	1.22	1.26
Weighted remaining term	**8 years**	7 years	6 years

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

The following bond locks and forward swap contracts were in place at March 31, 2019 with a net liability position of $285 million (2018 – net asset of $83 million, April 1, 2017 – net asset of $194 million). Such contracts are used to lock in interest rates on future Canadian denominated debt issues. The contracts outstanding relate to $6.05 billion of planned 10 and 30 year debt to be issued on dates ranging from June 2019 to June 2024.

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Bond Locks			
Canadian dollar - notional amount[1]	**$ 600**	$ 1,250	$ 400
Weighted forecast borrowing yields	**3.06%**	3.17%	2.54%
Weighted remaining term	**< 1 year**	< 1 year	< 1 year
Forward Swaps			
Canadian dollar - notional amount[1]	**$ 5,450**	$ 3,625	$ 3,200
Weighted forecast borrowing yields	**3.11%**	2.76%	2.47%
Weighted remaining term	**2 years**	2 years	2 years

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

For more information about the Company’s exposure to interest rate, foreign currency and liquidity risk, see Note 20.

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SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Reconciliation for liabilities arising from financing activities:

($millions)	**Balance, March 31, 2018**	**Issued**	**Redemptions**	**Foreign exchange movement**	**Other[1]**	**Payment (Proceeds)**	**Balance March 31, 2019**
Long-term debt and revolving borrowings:							
Long-term debt	$ 18,311	$ 2,418	$ (1,287)	$ 2	$ (7)	$ -	$ 19,437
Revolving borrowings	2,053	8,865	(7,981)	-	8	-	2,945
Total long-term debt and revolving borrowings	20,364	11,283	(9,268)	2	1	-	22,382
Finance lease obligation (Note 20)	665	-	-	-	-	(11)	654
Vendor financing liability	320	-	-	-	27	(9)	338
Debt-related derivative liability	(182)	-	-	-	345	100	263
	$ 21,167	$ 11,283	$ (9,268)	$ 2	$ 373	$ 80	$ 23,637

($millions)	**Balance, April 1, 2017**	**Issued**	**Redemptions**	**Foreign exchange movement**	**Other[1]**	**Payment (Proceeds)**	**Balance March 31, 2018**
Long-term debt and revolving borrowings:							
Long-term debt	$ 17,186	$ 1,156	$ (40)	$ 20	$ (11)	$ -	$ 18,311
Revolving borrowings	2,838	7,749	(8,536)	-	2	-	2,053
Total long-term debt and revolving borrowings	20,024	8,905	(8,576)	20	(9)	-	20,364
Finance lease obligation (Note 20)	219	-	-	-	466	(20)	665
Vendor financing liability	236	-	-	-	84	-	320
Debt-related derivative liability	(235)	-	-	-	(29)	82	(182)
	$ 20,244	$ 8,905	$ (8,576)	$ 20	$ 512	$ 62	$ 21,167

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

NOTE 17: UNEARNED REVENUES AND CONTRIBUTIONS IN AID

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Unearned revenues	**$ 230**	$ 210	$ 183
Contributions in aid	**1,762**	1,633	1,519
	1,992	1,843	1,702
Less: Current portion, unearned revenues	**(40)**	(38)	(38)
Less: Current portion, contributions in aid	**(47)**	(47)	(44)
	$ 1,905	$ 1,758	$ 1,620

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NOTE 18: CAPITAL MANAGEMENT

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

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

The debt to equity ratio at March 31, 2019, March 31, 2018 and April 1, 2017 was as follows:

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Total debt, net of sinking funds	**$ 22,185**	$ 20,182	$ 19,845
Less: Cash and cash equivalents	**(84)**	(42)	(49)
Net Debt	**$ 22,101**	$ 20,140	$ 19,796
Retained earnings	**$ 4,934**	$ 5,421	$ 4,896
Contributed surplus	**60**	60	60
Accumulated other comprehensive loss	**(47)**	(34)	(56)
Total Equity	**$ 4,947**	$ 5,447	$ 4,900
Net Debt to Equity Ratio	**82 : 18**	79 : 21	80 : 20

Payment to the Province

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

The fiscal 2018 Payment to the Province was $159 million and was paid in June 2018. As a result, the Payment for fiscal 2019 will be $59 million and the Company has accrued $59 million as at March 31, 2019.

NOTE 19: EMPLOYEE BENEFITS – POST-EMPLOYMENT BENEFIT PLANS

The Company provides a defined benefit statutory pension plan to substantially all employees, as well as supplemental arrangements which provide pension benefits in excess of statutory limits. Pension benefits are based on years of membership service and highest five-year average pensionable earnings. The plan also provides pensioners a conditional indexing fund. Employees make equal basic and indexing contributions to the plan funds based on a percentage of current pensionable earnings. The Company may contribute additional amounts as prescribed by the independent actuary. The Company is responsible for ensuring that the statutory pension plan has sufficient assets to pay the pension benefits. The supplemental arrangements are unfunded. The most recent actuarial funding valuation for the statutory pension plan was

performed at December 31, 2015. The next valuation for funding purposes will be prepared as at December 31, 2018, and the results will be available in September 2019.

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

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

(a) The expense for the Company's benefit plans for the years ended March 31, 2019 and 2018 is recognized in the following line items in the statement of comprehensive income (loss) prior to any capitalization of employment costs attributable to property, plant and equipment and intangible asset additions:

	Pension Benefit Plans		**Other Benefit Plans**		**Total**	
(in millions)	**2019**	2018	**2019**	2018	**2019**	2018
Current service costs charged to personnel operating costs	**$ 100**	$ 86	**$ 8**	$ 15	**$ 108**	$ 101
Net interest costs charged to finance costs	**46**	45	**10**	17	**56**	62
Total post-employment benefit plan expense	**$ 146**	$ 131	**$ 18**	$ 32	**$ 164**	$ 163

Actuarial loss recognized in other comprehensive income (loss) are $173 million (2018 – gain of $193 million).

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

(in millions)	**Pension Benefits Plans** March 31, 2019	March 31, 2018	April 1, 2017	**Other Benefits Plans** March 31, 2019	March 31, 2018	April 1, 2017	**Total** March 31, 2019	March 31, 2018	April 1, 2017
Defined benefit obligation of funded plan	**$ (5,035)**	$ (4,654)	$ (4,431)	**$ -**	$ -	$ -	**$ (5,035)**	$ (4,654)	$ (4,431)
Defined benefit obligation of unfunded plans	**(186)**	(164)	(160)	**(278)**	(272)	(435)	**(464)**	(436)	(595)
Fair value of plan assets	**3,747**	3,616	3,460	**-**	-	-	**3,747**	3,616	3,460
Plan deficit	**$ (1,474)**	$ (1,202)	$ (1,131)	**$ (278)**	$ (272)	$ (435)	**$ (1,752)**	$ (1,474)	$ (1,566)
Represented by:									
Accrued benefit plan liability	**$ (1,474)**	$ (1,202)	$ (1,131)	**$ (278)**	$ (272)	$ (435)	**$ (1,752)**	$ (1,474)	$ (1,566)

The Company determined that there was no minimum funding requirement adjustment required in fiscal 2019 and fiscal 2018 in accordance with IFRIC 14*, The Limit on Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*.

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

(in millions)	**Pension Benefit Plans** March 31, 2019	March 31, 2018	**Other Benefit Plans** March 31, 2019	March 31, 2018
Defined benefit obligation				
Opening defined benefit obligation	**$ 4,818**	$ 4,591	**$ 272**	$ 435
Current service cost	**100**	86	**8**	15
Interest cost on benefit obligations	**191**	202	**10**	17
Benefits paid[1]	**(183)**	(180)	**(8)**	(13)
Employee contributions	**41**	38	**-**	-
Actuarial losses (gains)[2]	**254**	81	**(4)**	(182)
Defined benefit obligation, end of year	**5,221**	4,818	**278**	272
Fair value of plan assets				
Opening fair value	**3,616**	3,460	**n/a**	n/a
Interest income on plan assets[3]	**145**	157	**n/a**	n/a
Employer contributions	**44**	42	**n/a**	n/a
Employee contributions	**41**	38	**n/a**	n/a
Benefits paid[1]	**(176)**	(173)	**n/a**	n/a
Actuarial gains (losses)[2,3]	**77**	92	**n/a**	n/a
Fair value of plan assets, end of year	**3,747**	3,616	**-**	-
Accrued benefit liability	**$ (1,474)**	$ (1,202)	**$ (278)**	$ (272)

[1] *Benefits paid under Pension Benefit Plans include $13 million (2018 - $15 million) of settlement payments.*

[2] *Actuarial gains/losses are included in the Non-Current Pension Costs regulatory account and for fiscal 2019 are comprised of $77 million of experience gains on return of plan assets and $250 million of net actuarial losses on the benefit obligations due to discount rate changes and actuarial assumption changes.*

[3] *Actual income on defined benefit plan assets for the year ended March 31, 2019 was $222 million (2018 - $249 million).*

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

	Pension Benefit Plans			**Other Benefit Plans**		
	March 31, 2019	March 31, 2018	April 1, 2017	**March 31, 2019**	March 31, 2018	April 1, 2017
Discount rate						
Benefit cost	**3.56%**	3.68%	3.81%	**3.54%**	3.92%	3.72%
Accrued benefit obligation	**3.33%**	3.56%	3.68%	**3.24%**	3.54%	3.92%
Rate of return on plan assets	**3.56%**	3.68%	4.00%	**n/a**	n/a	n/a
Rate of compensation increase						
Benefit cost	**3.00%**	3.00%	3.35%	**3.00%**	3.00%	3.35%
Accrued benefit obligation	**3.50%**	3.00%	3.00%	**3.50%**	3.00%	3.00%
Health care cost trend rates						
Weighted average health care cost trend rate	**n/a**	n/a	n/a	**3.58%**	4.57%	5.03%
Weighted average ultimate health care cost trend rate	**n/a**	n/a	n/a	**2.81%**	3.47%	4.29%
Year ultimate health care cost trend rate will be achieved	**n/a**	n/a	n/a	**2040**	2026	2026

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

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

	Target Allocation	**Target Range Min**	**Target Range Max**	**March 31, 2019**	March 31, 2018	April 1, 2017
Equities	55%	35%	75%	**57%**	56%	61%
Fixed interest investments	20%	15%	35%	**26%**	29%	26%
Real estate	15%	5%	20%	**10%**	9%	8%
Infrastructure and renewable resources	10%	5%	15%	**7%**	6%	5%

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

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

The Company's contribution to be paid to its funded defined benefit plan in fiscal 2020 is expected to amount to $45 million. The expected benefit payments to be paid in fiscal 2020 in respect to the unfunded defined benefit plans are $18 million.

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

(in millions)	One percentage point increase 2019	One percentage point decrease 2019
Effect on current service costs	$ -	$ -
Effect on defined benefit obligation	4	(5)

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

		2019	
($ in millions)	Increase/ decrease in assumption	Effect on accrued benefit obligation	Effect on current service costs
Discount rate	1% increase	-593	-34
Discount rate	1% decrease	+ 766	+48
Longevity	1 year	+/- 119	+/- 3

NOTE 20: FINANCIAL INSTRUMENTS

Financial Risk Management Overview

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

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

(a) Credit Risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for a counterparty by failing to discharge an obligation. The Company is exposed to credit risk related to cash and cash equivalents, restricted cash, accounts receivable, non-current receivables, sinking fund investments, and derivative instruments. The Company manages financial institution credit risk through a Board-approved treasury risk management policy. Exposures to credit risks are monitored on a regular

basis. Large customers are assessed for credit quality by taking into account external credit ratings, where available, an analysis of financial position and liquidity, past experience and other factors. The Company assigns credit limits for counterparties based on evaluations of their financial condition, net worth, credit ratings, and other credit criteria. For some customers, security over accounts receivable may be obtained in the form of a security deposit. Maximum credit risk with respect to financial assets is limited to the carrying amount presented on the statement of financial position with the exception of U.S. dollar sinking funds and non-current receivables which are classified as amortized cost and carried on the statement of financial position at $197 million and $148 million respectively. The maximum credit risk exposure for the U.S. dollar sinking funds, and non-current receivables as at March 31, 2019 is their fair value of $220 million and $159 million respectively.

(b) Liquidity Risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by forecasting cash flows to identify financing requirements and by maintaining a commercial paper borrowing program under an agreement with the Province (see Note 16). The Company's long-term debt comprises bonds and revolving borrowings obtained under an agreement with the Province. Cash from operations reduces the Company's liquidity risk. The Company does not believe that it will encounter difficulty in meeting its obligations associated with financial liabilities.

(c) Market Risks

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk, such as changes in commodity prices. The Company monitors its exposure to market fluctuations and may use derivative contracts to manage these risks, as it considers appropriate.

(i) Currency Risk

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

The majority of the Company's currency risk arises from long-term debt in the form of U.S. dollar denominated bonds. Energy commodity prices are also subject to currency risk as they are primarily denominated in U.S. dollars. As a result, the Company's trade revenues and purchases of energy commodities, such as electricity and natural gas, and associated accounts receivable and accounts payable, are affected by the Canadian/U.S. dollar exchange rate. In addition, all commodity derivatives and contracts priced in U.S. dollars are also affected by the Canadian/U.S. dollar exchange rate.

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

(ii) Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to changes in interest rates primarily through its variable rate debt and the active management of its debt portfolio including its related sinking fund assets and temporary investments. The Company actively manages its interest rate risk through its Treasury Risk Management Policy. The Company uses interest rate swaps and bond locks to lock in interest rates on future debt issues to protect against rising interest rates.

(iii) Commodity Price Risk

Commodity price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company has exposure to movements in prices for commodities including electricity, natural gas and other associated products. Prices for electricity and natural gas fluctuate in response to changes in supply and demand, market uncertainty, and other factors beyond the Company’s control.

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

Categories of Financial Instruments

The following table provides a comparison of carrying values and fair values for non-derivative financial instruments as at March 31, 2019 and 2018 and April 1, 2017. The non-derivative financial instruments, where carrying value differs from fair value, would be classified as Level 2 of the fair value hierarchy.

	March 31, 2019		March 31, 2018		April 1, 2017		**2019**	2018
(in millions)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value	**Interest Income (Expense) recognized in Finance Charges**	Interest Income (Expense) recognized in Finance Charges
Fair Value Through Profit or Loss (FVPTL):								
Cash equivalents - short-term investments	**$ 50**	**$ 50**	$ 31	$ 31	$ 24	$ 24	**$ 3**	$ -
Amortized Cost:								
Cash	**34**	**34**	11	11	25	25	**-**	-
Restricted cash	**109**	**109**	77	77	28	28	**-**	-
Accounts receivable and accrued revenue	**912**	**912**	728	728	761	761	**-**	-
Non-current receivables	**148**	**159**	194	195	239	243	**9**	11
Sinking funds	**197**	**220**	182	201	179	197	**9**	8
Accounts payable and accrued liabilities	**(1,478)**	**(1,478)**	(1,603)	(1,603)	(1,172)	(1,172)	**-**	-
Revolving borrowings	**(2,945)**	**(2,945)**	(2,053)	(2,053)	(2,838)	(2,838)	**(39)**	(20)
Long-term debt (including current portion due in one year)	**(19,437)**	**(22,480)**	(18,311)	(20,814)	(17,186)	(19,601)	**(815)**	(775)
First Nations liabilities (non-current portion)	**(391)**	**(640)**	(399)	(652)	(394)	(549)	**(17)**	(17)
Finance lease obligations (non-current portion)	**(642)**	**(642)**	(653)	(653)	(197)	(197)	**(42)**	(18)
Other liabilities	**(419)**	**(434)**	(409)	(416)	(336)	(342)	**(18)**	-

The carrying value of cash equivalents, restricted cash, accounts receivable and accrued revenue, accounts payable and accrued liabilities, and revolving borrowings approximates fair value due to the short duration of these financial instruments.

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Hedges

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

The following foreign currency contracts under hedge accounting were in place at March 31, 2019 in a net asset position of $22 million (2018 – net asset $99 million, April 1, 2017 – net asset $41 million). Such contracts are used to hedge the principal on $US denominated long-term debt and the principal and coupon payments on Euro denominated long-term debt for which hedge accounting has been applied. The hedging instruments are effective in offsetting changes in the cash flows of the hedged item attributed to the hedged risk. The main source of hedge ineffectiveness in these hedges is credit risk.

($ amounts in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Cross- Currency Hedging Swaps			
Euro dollar to Canadian dollar - notional amount[1]	**€ 402**	€ 402	€ 402
Euro dollar to Canadian dollar - weighted average contract rate	**1.47**	1.47	1.47
Weighted remaining term	**9 years**	10 years	11 years
Foreign Currency Hedging Forwards			
United States dollar to Canadian dollar - notional amount[1]	**US$ 573**	US$ 773	US$ 773
United States dollar to Canadian dollar - weighted average contract rate	**1.25**	1.19	1.19
Weighted remaining term	**11 years**	9 years	10 years

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

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

(in millions)	**March 31, 2019 Fair Value**	March 31, 2018 Fair Value	April 1, 2017 Fair Value
Designated Derivative Instruments Used to Hedge Risk Associated with Long-term Debt:			
Foreign currency contract assets (cash flow hedges for $US denominated long-term debt)	**$ 10**	$ 59	$ 72
Foreign currency contract liabilities (cash flow hedges for $US denominated long-term debt)	**-**	(8)	(4)
Foreign currency contract assets (cash flow hedges for €EURO denominated long-term debt)	**12**	48	-
Foreign currency contract liabilities (cash flow hedges for €EURO denominated long-term debt)	**-**	-	(27)
	22	99	41
Non-Designated Derivative Instruments:			
Interest rate contract assets	**25**	180	194
Interest rate contract liabilities	**(310)**	(97)	-
Foreign currency contract assets	**2**	6	-
Commodity derivative assets	**78**	36	90
Commodity derivative liabilities	**(74)**	(72)	(67)
	(279)	53	217
Net (liability) asset	**$ (257)**	$ 152	$ 258

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

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

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Current portion of derivative financial instrument assets	**$ 79**	$ 174	$ 144
Current portion of derivative financial instrument liabilities	**(89)**	(112)	(60)
Derivative financial instrument assets, non-current	**49**	156	215
Derivative financial instrument liabilities, non-current	**(296)**	(66)	(41)
Net (liability) asset	**$ (257)**	$ 152	$ 258

For designated cash flow hedges for the year ended March 31, 2019, a loss of $24 million (2018 – gain of $57 million) was recognized in other comprehensive income. For the year ended March 31, 2019, $8 million (2018 - $30 million) was reclassified from other comprehensive income and reported in net income, offsetting net foreign exchange gains on the underlying hedged item (2018 - losses) recorded in the period.

For outstanding interest rate contracts not designated as hedges with an aggregate notional principal of $6.05 billion (2018 - $4.90 billion, April 1, 2017 - $3.60 billion), used to economically hedge the interest rates on future debt issuances, there was a $335 million decrease (2018 - $41 million decrease) in the fair value of these contracts for the year ended March 31, 2019. For interest rate contracts associated with debt issued, there was a $14 million increase (2018 - $12 million increase) in the fair value of contracts that

settled during the year ended March 31, 2019. The net decrease for the year ended March 31, 2019 of $321 million (2018 - $29 million) in the fair value of these interest rate contracts was transferred to the Debt Management Regulatory Account which had an asset balance of $163 million as at March 31, 2019.

For foreign currency contracts not designated as hedges for the year ended March 31, 2019, a gain of $1 million (2018 – loss of $2 million) was recognized in finance charges with respect to foreign currency contracts for cash management purposes. For foreign currency contracts not designated as hedges, which are comprised primarily of foreign currency contracts for U.S. revolving borrowings, for the year ended March 31, 2019, such contracts had a gain of $3 million (2018 - loss of $53 million) recognized in finance charges. These economic hedges offset $1 million of foreign exchange revaluation losses (2018 – gain of $56 million) recorded in finance charges with respect to U.S. revolving borrowings for the year ended March 31, 2019.

For commodity derivatives not designated as hedges, a net gain of $266 million (2018 - loss of $67 million) was recorded in trade revenue for the year ended March 31, 2019.

Inception Gains and Losses

Changes in deferred inception gains and losses are as follows:

(in millions)		**2019**		2018
Deferred inception loss, beginning of the year	**$**	**22**	$	36
New transactions		**(43)**		(12)
Amortization		**35**		(1)
Foreign currency translation (gain) loss		**-**		(1)
Deferred inception loss, end of the year	**$**	**14**	$	22

CREDIT RISK

Domestic Electricity Receivables

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

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

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

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Current	**$ 592**	$ 448	$ 515
Past due (30-59 days)	**31**	32	31
Past due (60-89 days)	**7**	7	7
Past due (More than 90 days)	**16**	12	1
	646	499	554
Less: Allowance for doubtful accounts	**(6)**	(7)	(7)
	$ 640	$ 492	$ 547

At the end of each period, a review of the provision for doubtful accounts is performed. It is an assessment of the expected lifetime credit losses of domestic and trade accounts receivable at the statement of financial position date. The assessment is made by reference to age, status and risk of each receivable, current economic conditions, and historical information.

Financial Assets Arising from the Company's Trading Activities

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

The Company enters into derivative master netting agreements or similar agreements, and presents these transactions on a gross basis under derivative commodity assets/liabilities in the Statement of Financial Position.

The following table sets out the carrying amounts of recognized financial instruments presented in the statement of financial position that are subject to the above agreements:

(in millions)	Gross Derivative Instruments	Related Instruments Not Offset	Net Amount
As at March 31, 2019			
Derivative commodity assets	**$ 78**	**$ 1**	**$ 77**
Derivative commodity liabilities	**74**	**1**	**73**
As at March 31, 2018			
Derivative commodity assets	$ 36	$ 2	$ 34
Derivative commodity liabilities	72	2	70
As at April 1, 2017			
Derivative commodity assets	$ 90	$ 1	$ 89
Derivative commodity liabilities	67	1	66

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LIQUIDITY RISK

The following table details the remaining contractual maturities at March 31, 2019 of the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows. Interest payments have been computed using contractual rates or, if floating, based on rates current at March 31, 2019. In respect of the cash flows in foreign currencies, the exchange rate as at March 31, 2019 has been used.

(in millions)	**Carrying Value**	**Fiscal 2020**	**Fiscal 2021**	**Fiscal 2022**	**Fiscal 2023**	**Fiscal 2024**	**Fiscal 2025** ***and thereafter***
Non-Derivative Financial Liabilities							
Total accounts payable and other payables (excluding interest accruals and current portion of lease obligations and First Nations liabilities)	$ 1,238	$ (1,238)	$ -	$ -	$ -	$ -	$ -
Long-term debt (including interest payments)	22,591	(3,928)	(1,862)	(1,218)	(1,158)	(835)	(25,846)
Lease obligations	654	(54)	(54)	(54)	(54)	(55)	(1,037)
Other long-term liabilities	829	(125)	(61)	(57)	(56)	(55)	(1,831)
Total Non-Derivative Financial Liabilities	25,312	(5,345)	(1,977)	(1,329)	(1,268)	(945)	(28,714)
Derivative Financial Liabilities							
Forward foreign exchange contracts used for hedging	-						
Cash outflow		-	-	-	-	-	(169)
Cash inflow		-	-	-	-	-	174
Interest rate swaps and bond locks used for hedging	310	(26)	(81)	(97)	(73)	(44)	(3)
Total Derivative Financial Liabilities	310	(26)	(81)	(97)	(73)	(44)	2
Total Financial Liabilities	25,622	(5,371)	(2,058)	(1,426)	(1,341)	(989)	(28,712)
Derivative Financial Assets							
Cross currency swaps used for hedging	(12)						
Cash outflow		(14)	(14)	(14)	(14)	(14)	(651)
Cash inflow		5	5	5	5	5	622
Forward foreign exchange contracts used for hedging	(10)						
Cash outflow		-	-	-	-	-	(550)
Cash inflow		-	-	-	-	-	591
Other forward foreign exchange contracts designated at fair value	(2)						
Cash outflow		(223)	-	-	-	-	-
Cash inflow		225	-	-	-	-	-
Interest rate swaps used for hedging	(25)	9	16	-	-	-	-
Net commodity derivatives	(4)	1	(12)	-	1	1	1
Total Derivative Financial Assets	(53)	3	(5)	(9)	(8)	(8)	13
Net Financial Liabilities	**$ 25,569**	**$ (5,368)**	**$ (2,063)**	**$ (1,435)**	**$ (1,349)**	**$ (997)**	**$ (28,699)**

MARKET RISKS

(a) Currency Risk

Sensitivity Analysis
A $0.01 strengthening (weakening) of the U.S. dollar against the Canadian dollar at March 31, 2019 would otherwise have a negative (positive) impact of $1 million on net income before movement in regulatory balances but as a result of regulatory accounting would have no impact on net income or other comprehensive income. The Total Finance Charges Regulatory Account that captures all variances from forecasted finance charges (as described in Note 14) eliminates any impact on net income. This analysis assumes that all other variables, in particular interest rates, remain constant.

This sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at March 31, 2019 and been applied to each of the Company's exposures to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables remain constant. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next statement of financial position date.

(b) Interest Rate Risk

Sensitivity analysis for variable rate non-derivative instruments
An increase (decrease) of 100-basis points in interest rates at March 31, 2019 would otherwise have a negative (positive) impact on net income before movement in regulatory balance of $30 million, but as a result of regulatory accounting, it would have no impact on net income or other comprehensive income. The Total Finance Charges Regulatory Account that captures all variances from forecasted finance charges (as described in Note 14) eliminates any impact on net income. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

For the interest rate contracts, an increase of 100-basis points in interest rates at March 31, 2019 would otherwise have a positive impact on net income of $790 million and a decrease of 100 basis points in interest rates at March 31, 2019 would otherwise have a negative impact on net income before movement in regulatory balances of $980 million but as a result of regulatory accounting would have no impact on net income or other comprehensive income as all gains and losses will be captured in the Debt Management Regulatory Account.

This sensitivity analysis has been determined assuming that the change in interest rates had occurred at March 31, 2019 and been applied to each of the Company's exposure to interest rate risk for non-derivative financial instruments in existence at that date, and that all other variables remain constant. The stated change represents management's assessment of reasonably possible changes in interest rates over the period until the next statement of financial position date.

(c) Commodity Price Risk

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

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

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

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

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

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

The VaR for commodity derivatives, calculated under this methodology, was approximately $10 million at March 31, 2019 (2018 - $6 million, April 1, 2017 - $8 million).

Fair Value Hierarchy

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

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

- Level 1 - values are quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2 - inputs are those other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, as of the reporting date.

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

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

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

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

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

The following tables present the financial instruments measured at fair value for each hierarchy level as at March 31, 2019 and 2018, and April 1, 2017:

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

As at March 31, 2019 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial liabilities carried at fair value:				
Derivatives designated as hedges	$ -	$ -	$ -	$ -
Derivatives not designated as hedges	(47)	(325)	(13)	(385)
	$ (47)	$ (325)	$ (13)	$ (385)

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

As at March 31, 2018 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial liabilities carried at fair value:				
Derivatives designated as hedges	$ -	$ (8)	$ -	$ (8)
Derivatives not designated as hedges	(62)	(106)	(2)	(170)
	$ (62)	$ (114)	$ (2)	$ (178)

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As at April 1, 2017 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial assets carried at fair value:				
Short-term investments	$ 24	$ -	$ -	$ 24
Derivatives designated as hedges	-	72	-	72
Derivatives not designated as hedges	39	207	41	287
	$ 63	$ 279	$ 41	$ 383

As at April 1, 2017 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial liabilities carried at fair value:				
Derivatives designated as hedges	$ -	$ (31)	$ -	$ (31)
Derivatives not designated as hedges	(52)	(14)	(4)	(70)
	$ (52)	$ (45)	$ (4)	$ (101)

The Company's policy is to recognize level transfers at the end of each period during which the change occurred. During the year, commodity derivatives of $1 million were transferred from Level 2 to Level 1 as the Company now uses observable price quotations (2018 – no transfers).

The following table reconciles the changes in the balance of financial instruments carried at fair value on the statement of financial position, classified as Level 3, for the years ended March 31, 2019 and 2018:

(in millions)	
Balance as at April 1, 2018	**$ 3**
Net loss recognized	(34)
New transactions	8
Transfer from Level 3 to Level 2	-
Existing transactions settled	14
Balance as at March 31, 2019	**$ (9)**

(in millions)	
Balance as at April 1, 2017	**$ 37**
Net loss recognized	(31)
New transactions	(5)
Transfer from Level 3 to Level 2	(7)
Existing transactions settled	9
Balance as at March 31, 2018	**$ 3**

During the year ended March 31, 2019, there were no transfers between Level 3 and Level 2 (2018 – $7 million transferred from Level 3 to Level 2).

During the year ended March 31, 2019, unrealized losses of $14 million (2018 – losses of $14 million) were recognized on Level 3 derivative commodity financial instruments still on hand. These losses were recognized in trade revenues.

Methodologies and procedures regarding commodity trading Level 3 fair value measurements are

determined by the Company's risk management group. Level 3 fair values are calculated within the Company's risk management policies for trading activities based on underlying contractual data as well as observable and non-observable inputs. To ensure reasonability, Level 3 fair value measurements are reviewed and validated by risk management and finance departments on a regular basis.

The key unobservable inputs in the valuation of certain Level 3 financial instruments include components of forward commodity prices and delivery or receipt volumes. A sensitivity analysis was prepared using the Company's assessment of reasonably possible changes in various components of forward prices and volumes of 10 percent. Forward commodity prices used in determining Level 3 fair value at March 31, 2019 are $7-$123 per MWh and a 10 percent increase/decrease in certain components of these prices would decrease/increase fair value by $1 million. A 10 percent change in estimated volumes used in determining Level 3 fair value would increase/decrease fair value by $15 million.

NOTE 21: OTHER NON-CURRENT LIABILITIES

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Provisions			
Environmental liabilities	**$ 284**	$ 317	$ 339
Decommissioning obligations	**53**	53	52
Other	**30**	70	27
	367	440	418
First Nations liabilities	**410**	401	394
Finance lease obligations	**654**	665	219
Other contributions	**238**	242	246
Other liabilities	**419**	409	336
	2,088	2,157	1,613
Less: Current portion, included in accounts payable and accrued liabilities	**(100)**	(136)	(97)
	$ 1,988	$ 2,021	$ 1,516

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

	Environmental	**Decommissioning**	**Other**	**Total**
Balance at April 1, 2017	**$ 339**	**$ 52**	**$ 27**	**$ 418**
Made during the period	-	-	47	47
Used during the period	(25)	(1)	(4)	(30)
Changes in estimate	(1)	1	-	-
Accretion	4	1	-	5
Balance at March 31, 2018	**$ 317**	**$ 53**	**$ 70**	**$ 440**
Made during the period	-	-	26	26
Used during the period	(32)	(1)	(67)	(100)
Reversed during the period	(9)	-	(1)	(10)
Changes in estimate	2	-	2	4
Accretion	6	1	-	7
Balance at March 31, 2019	**$ 284**	**$ 53**	**$ 30**	**$ 367**

Environmental Liabilities

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

At March 31, 2019, the undiscounted cash flow related to the Company's environmental liabilities, which will be incurred between fiscal 2020 and 2045, is approximately $328 million and was determined based on current cost estimates. A range of discount rates between 1.6 per cent and 1.9 per cent were used to calculate the net present value of the obligations.

Decommissioning Obligations

The Company's decommissioning obligation provision consists of estimated removal and destruction costs associated with certain PCB contaminated assets and certain submarine cables. The Company has determined its best estimate of the undiscounted amount of cash flows required to settle remediation obligations at $77 million (2018 - $80 million, April 1, 2017 - $80 million), which will be settled between fiscal 2020 and 2054. The undiscounted cash flows are then discounted by a range of discount rates between 1.6 per cent and 1.9 per cent were used to calculate the net present value of the obligations. The obligations are re-measured at each period end to reflect changes in estimated cash flows and discount rates.

First Nations Liabilities

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

Finance Lease Liabilities

The finance lease obligations are related to long-term energy purchase agreements. The present value of the lease obligations were discounted at rates ranging from 5.6 per cent to 7.9 per cent with contract terms of 25 to 30 years expiring from 2036 until 2048. Finance lease liabilities are payable as follows:

	March 31, 2019			March 31, 2018			April 1, 2017		
(in millions)	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**$ 54**	**$ 42**	**$ 12**	$ 54	$ 42	$ 12	$ 40	$ 18	$ 22
Between one and five years	**217**	**158**	**59**	216	161	55	84	60	24
More than five years	**1,037**	**454**	**583**	1,091	493	598	291	118	173
Total minimum lease payments	**$ 1,308**	**$ 654**	**$ 654**	$ 1,361	$ 696	$ 665	$ 415	$ 196	$ 219

Other Contributions

Other contributions consist of contribution from a vendor to aid in the construction of a transmission system. Contributions include payment received and also contributions to be received (refer to Note 13) and are being recognized as an offset to the applicable energy purchase costs over the life of the energy purchase agreement.

Other Liabilities

Other liabilities include a contractual obligation associated with the construction of assets. The contractual obligation has an implied interest rate of 7 per cent and a repayment term of 15 years commencing in fiscal 2019. The liability is measured at amortized cost and not re-measured for changes in discount rates.

NOTE 22: COMMITMENTS AND CONTINGENCIES

Energy Commitments

BC Hydro (excluding Powerex) has long-term energy and capacity purchase contracts to meet a portion of its expected future domestic electricity requirements. The expected obligations to purchase energy under these contracts have a total value of approximately $51.08 billion of which approximately $101 million relates to the purchase of natural gas and natural gas transportation contracts. The remaining commitments are at predetermined prices. Included in the total value of the long-term energy purchase agreements is $1.31 billion accounted for as obligations under capital leases. The total BC Hydro combined payments are estimated to be approximately $1.49 billion for less than one year, $6.17 billion between one and five years, and $43.42 billion for more than five years and up to 57 years.

Powerex has energy purchase commitments with an estimated minimum payment obligation of $1.82 billion extending to 2034. The total Powerex energy purchase commitments are estimated to be approximately $539 million for less than one year, $1.2 billion between one and five years, and $85 million for more than five years. Powerex has energy sales commitments of $559 million extending to 2031 with estimated amounts of $332 million for less than one year, $212 million between one and five years, and $15 million for more than five years.

Lease and Service Agreements

The Company has entered into various agreements to lease facilities or assets classified as operating leases, or service agreements supporting operations. The agreements cover periods of up to 70 years, and the aggregate minimum payments are approximately $873 million. Payments are $74 million for less than one year, $113 million between one and five years, and $686 million for more than five years.

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

Contingencies and Guarantees

a) Facilities and Rights of Way: the Company is subject to existing and pending legal claims relating to alleged infringement and damages in the operation and use of facilities owned by the Company. These claims may be resolved unfavourably with respect to the Company and may have a significant adverse effect on the Company's financial position. For existing claims in respect of which settlement negotiations have advanced to the extent that potential settlement amounts can reasonably be predicted, management has recorded a liability for the potential costs of those settlements. For pending claims, management believes that there is a risk that any loss exposure that

may ultimately be incurred may differ materially from management's current estimates. Management has not disclosed the ranges of expected outcomes due to the potentially adverse effect on the negotiation process for these claims.

b) Due to the size, complexity and nature of the Company's operations, various other legal matters are pending. It is not possible at this time to predict with any certainty the outcome of such litigation. Management believes that any settlements related to these matters will not have a material effect on the Company's consolidated financial position or results of operations.

c) The Company and its subsidiaries have outstanding letters of credit to secure pension plan solvency deficiency payments related to the registered pension plan totaling $1.27 billion (2018 - $1.17 billion, April 1, 2017 – 1.12 billion), which includes US $25 million (2018 - US $12 million, April 1, 2017 – US $21 million) in foreign denominated letters of credit.

NOTE 23: RELATED PARTY TRANSACTIONS

Subsidiaries

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

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

All intercompany transactions and balances are eliminated upon consolidation.

Related Parties

As a Crown Corporation, the Company and the Province are considered related parties. All transactions between the Company and its related parties are considered to possess commercial substance and are consequently recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The related party transactions are summarized below:

(in millions)	**March 31, 2019**	March 31, 2018	April 1, 2017
Consolidated Statement of Financial Position			
Prepaid expenses	**$ 87**	$ 95	$ 93
Accounts payable and accrued liabilities	**139**	222	57

	2019	2018
Amounts incurred/accrued during the year include:		
Water rental fees	**331**	324
Cost of energy	**202**	111
Grants and Taxes	**141**	138
Interest	**854**	797
Payment to the Province	**59**	159

The Company's debt is either held or guaranteed by the Province (see Note 16). Under an agreement with the Province, the Company indemnifies the Province for any credit losses incurred by the Province related to interest rate and foreign currency contracts entered into by the Province on the Company's behalf. As at March 31, 2019, the aggregate exposure under this indemnity totaled $49 million (2018 - $293 million, April 1, 2017 - $266 million). The Company has not experienced any losses to date under this indemnity.

Key Management Personnel and Board Compensation

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

(in millions)	**2019**	2018
Short-term employee benefits	**$ 4**	$ 4
Post-employment benefits	**1**	1

NOTE 24: EXPLANATION OF TRANSITION TO IFRS

As stated in Note 2, these are the Company's first consolidated financial statements prepared in accordance with IFRS. As IFRS require comparative financial information, the Company has applied IFRS 1, *First-time Adoption* of IFRS on the transition date of April 1, 2017.

The accounting policies set out in Note 3 have been applied in preparing the consolidated financial statements for the year ended March 31, 2019, the comparative information presented in these consolidated financial statements for the year ended March 31, 2018 and in preparation of an opening statement of financial position at April 1, 2017.

In adopting IFRS, the Company has applied the recognition, measurement, presentation and disclosure principles of IFRS 1 in preparing its transitional adjustments and consolidated financial statements. The principles of IFRS 1 generally require that first-time adopters of a new set of accounting policies retrospectively apply all effective standards and interpretations in effect as at the reporting date. However, IFRS 1 also provides optional and mandatory exemptions to the requirement for full retrospective

application of IFRS. The Company has applied the following relevant mandatory and optional exemptions in the opening IFRS consolidated statement of financial position:

IFRS mandatory exemptions:

a) Estimates

The Company's estimates under IFRS at the date of transition were consistent with estimates made under the Prescribed Standards. Estimates previously made were not revised for changes under IFRS except to reflect any difference in accounting policies.

IFRS optional exemptions:

a) Fair Value as Deemed Cost

Entities that hold items of property, plant and equipment or intangible assets used in operations subject to rate regulation are permitted under IFRS 1 to elect to use their carrying amounts as deemed cost at the date of transition to IFRS. The Company has elected to apply this exemption except for assets impacted by elections (b) and (d) in this section.

b) Leases
IFRS 1 allows entities to apply the transitional provision in IFRIC 4 – *Determining whether an Arrangement contains a Lease*, which allows the Company to determine whether an arrangement existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date. This election has been applied to all leases.

c) Cumulative Translation Differences

IAS 21, *The Effects of Changes in Foreign Exchange Rates* requires an entity to recognize foreign exchange differences arising on translation of subsidiaries with a different functional currency in other comprehensive income and accumulate these in a separate component of equity. However, IFRS 1 allows entities to not comply with these requirements for cumulative translation differences that existed at the date of transition to IFRS. This election has been applied to the operations of Powerex with all related cumulative translation differences deemed to be zero at the date of transition.

d) Decommissioning liabilities

IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration or similar liability to be adjusted against the cost of the asset to which it relates with the adjusted amount depreciated prospectively over its remaining useful life. IFRS 1 provides an exemption from complying with these requirements for changes in such liabilities that occurred before the date of transition to IFRS. The Company has applied this exemption to existing asset retirement obligations recognized under the Prescribed Standards and to new obligations recognized on transition to IFRS.

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In preparing its opening statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with the Prescribed Standards. An explanation of how the transition from the Prescribed Standards to IFRS has affected the Company's financial position, and financial performance is set out in the following tables and the notes that accompany the tables. The transition to IFRS did not have a material impact to the Company's cash flows.

Reconciliation of Consolidated Statement of Financial Position

		April 1, 2017				March 31, 2018			
(in millions)	Note	Prescribed Standards	Effect of Transition	IFRS 14 Presentation Reclass[f]	**IFRS**	Prescribed Standards	Effect of Transition	IFRS 14 Presentation Reclass[f]	**IFRS**
ASSETS									
Current Assets									
Cash and cash equivalents		$ 49	$ -	$ -	**$ 49**	$ 42	$ -	$ -	**$ 42**
Restricted cash		28	-	-	**28**	77	-	-	**77**
Accounts receivable and accrued revenue	c, d	780	(19)	-	**761**	733	(5)	-	**728**
Inventories		185	-	-	**185**	144	-	-	**144**
Prepaid expenses		162	-	-	**162**	167	-	-	**167**
Current portion of derivative financial instrument assets		144	-	-	**144**	174	-	-	**174**
		1,348	(19)	-	**1,329**	1,337	(5)	-	**1,332**
Non-Current Assets									
Property, plant and equipment	a, b	22,998	(4)	-	**22,994**	25,083	(4)	-	**25,079**
Intangible assets		601	-	-	**601**	591	-	-	**591**
Regulatory assets	c, g	6,127	-	(6,127)	**-**	5,892	(1)	(5,891)	**-**
Derivative financial instrument assets		215	-	-	**215**	156	-	-	**156**
Other non-current assets	c	599	(39)	-	**560**	683	(51)	-	**632**
		30,540	(43)	(6,127)	**24,370**	32,405	(56)	(5,891)	**26,458**
Total Assets		31,888	(62)	(6,127)	**25,699**	33,742	(61)	(5,891)	**27,790**
Regulatory Balances		-	-	6,127	**6,127**	-	-	5,891	**5,891**
Total Assets and Regulatory Balances		$ 31,888	$ (62)	$ -	**$ 31,826**	$ 33,742	$ (61)	$ -	**$ 33,681**
LIABILITIES AND EQUITY									
Current Liabilities									
Accounts payable and accrued liabilities	c	$ 1,190	$ (18)	$ -	**$ 1,172**	$ 1,621	$ (18)	$ -	**$ 1,603**
Current portion of long-term debt		2,878	-	-	**2,878**	3,344	-	-	**3,344**
Current portion of unearned revenues and contributions in aid	c	-	82	-	**82**	-	85	-	**85**
Current portion of derivative financial instrument liabilities		60	-	-	**60**	112	-	-	**112**
		4,128	64	-	**4,192**	5,077	67	-	**5,144**
Non-Current Liabilities									
Long-term debt		17,146	-	-	**17,146**	17,020	-	-	**17,020**
Regulatory liabilities	c, g	530	315	(845)	**-**	437	314	(751)	**-**
Derivative financial instrument liabilities		41	-	-	**41**	66	-	-	**66**
Unearned revenues and contributions in aid of construction	c	1,765	(145)	-	**1,620**	1,874	(116)	-	**1,758**
Post-employment benefits		1,566	-	-	**1,566**	1,474	-	-	**1,474**
Other non-current liabilities	c	1,803	(287)	-	**1,516**	2,338	(317)	-	**2,021**
		22,851	(117)	(845)	**21,889**	23,209	(119)	(751)	**22,339**
Total Liabilities		26,979	(53)	(845)	**26,081**	28,286	(52)	(751)	**27,483**
Regulatory Balances		-	-	845	**845**	-	-	751	**751**
Shareholder's Equity									
Contributed surplus		60	-	-	**60**	60	-	-	**60**
Retained earnings	b, d, e, g	4,822	74	-	**4,896**	5,347	74	-	**5,421**
Accumulated other comprehensive income (loss)	e	27	(83)	-	**(56)**	49	(83)	-	**(34)**
		4,909	(9)	-	**4,900**	5,456	(9)	-	**5,447**
Total Liabilities, Shareholder's Equity and Regulatory Balances		$ 31,888	$ (62)	$ -	**$ 31,826**	$ 33,742	$ (61)	$ -	**$ 33,681**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

Reconciliation of Consolidated Statement of Comprehensive Income

for the year ended March 31, 2018 (in millions)	Note	Prescribed Standard	Effect of Transition	IFRS 14 Presentation Reclass[f]	IFRS
Revenues					
Domestic	c	$ 5,527	$ 18	$ (322)	**$ 5,223**
Trade		731	-	-	**731**
		6,258	18	(322)	**5,954**
Expenses					
Operating expenses	b	4,921	-	(424)	**4,497**
Finance charges	c	653	18	153	**824**
Net Income Before Movement in Regulatory Balances		684	-	(51)	**633**
Net movement in regulatory balances		-	-	51	**51**
Net Income		684	-	**-**	**684**
OTHER COMPREHENSIVE INCOME					
Items That Will Be Reclassified to Net Income					
Effective portion of changes in fair value of derivatives designated as cash flow hedges		57	-	-	**57**
Reclassification to income of derivatives designated as cash flow hedges		(30)	-	-	**(30)**
Foreign currency translation gains (losses)		(5)	-	-	**(5)**
Items That Will Not Be Reclassified to Net Income					
Actuarial gain		-	-	193	**193**
Other Comprehensive Income (Loss) before movement in regulatory balances		22	-	193	**215**
Net movements in regulatory balances		-	-	(193)	**(193)**
Other Comprehensive Income		22	-	-	**22**
Total Comprehensive Income		$ 706	-	$ -	**$ 706**

a) Fair Value as Deemed Cost

With the application of the deemed cost exemption, the net book value of property, plant and equipment and intangible assets for BC Hydro entities subject to rate regulation at April 1, 2017 have become the opening cost of property, plant and equipment and intangible under IFRS except for finance leases and asset retirement obligation.

b) Provision Re-Measurement

Under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate, including a reassessment in discount rates where present value of a provision has been calculated. The Company elected to use an exemption allowing decommissioning related assets to be re-measured on a simplified approach at the transition date rather than perform a full detailed calculation. As a result, the re-measurement decreased property, plant, and equipment and retained earnings by $4 million as at April 1, 2017.

c) Revenue from Contracts with Customers

Under the Prescribed Standards, BC Hydro applied IAS 18, *Revenue* which did not provide specific guidance regarding the measurement of the transaction price for a contract that includes financing provided by the customer. Under IFRS 15, *Revenue from Contracts with Customers* the transaction

price for contracts that include a significant financing component is required to be adjusted for the time value of money (e.g. interest) based on the interest rate in effect at the inception of the contract.

As a result of adjusting the measurement of the transaction price due to a significant customer financing component for consideration received in advance of delivery of electricity under the Skagit River Agreement, as at April 1, 2017 there was a decrease of $334 million in the unearned revenue liability account, and increase in current portion of unearned revenues of $16 million respectively. To ensure ratepayers receive the benefit of the accounting change, the corresponding net increase of $318 million was transferred to the Heritage Deferral Account regulatory liability balance instead of adjusting retained earnings with such impact being reflected in the proposed F2020 – F2021 Revenue Requirement Application. In addition to the transition date adjustment, domestic revenue increased by $17 million, finance charge increased by $16 million, and net movement in regulatory balances in net income decreased by $1 million for the year ended March 31, 2018. The unearned revenues also decreased by $1 million, with a corresponding increase in Heritage Deferral Account regulatory liability during the year ended March 31, 2018.

Due to the new prescriptive guidance in IFRS 15 regarding recognition of receivables and related unearned revenue amounts, as at April 1, 2017 and March 31, 2018, there was a decrease of $39 million and $51 million respectively in non-current receivables within other non-current assets, a decrease in accounts receivable and accrued revenue of $14 million and $nil respectively, a decrease in unearned revenues of $50 million and $47 million respectively, and a decrease of $3 million and $5 million respectively to the Total Finance Charges regulatory liability account and a decrease to the Non-Heritage Deferral regulatory asset account of $1 million at March 31, 2018.

The impact to the statement of comprehensive income for these changes for fiscal 2018 was that finance charges increased by $2 million, domestic revenue increased by $1 million, and net movement in regulatory balances in net income increased by $1 million.

Reclassifications:

i) Current portion of contributions in aid of construction have been reclassified to a separate line item on the Statement of Financial Position. This reclassification resulted in a decrease in contributions in aid of construction of $44 million as at April 1, 2017 and $47 million as at March 31, 2018, with a corresponding increase in current portion of unearned revenues and contributions in aid.

ii) Unearned revenues have been reclassified to a separate line item on the statement of financial position. This reclassification resulted in a decrease in other non-current liabilities of $529 million as at April 1, 2017 and $555 million as at March 31, 2018, with a corresponding increase in unearned revenues and contributions in aid. There was also a reclassification for the current portion that resulted in a decrease in accounts payable of $22 million respectively as at April 1, 2017 and March 31, 2018, with a corresponding increase in current portion of unearned revenues and contributions in aid of $22 million respectively.

iii) Contributions from a vendor to aid in the construction of a transmission system have been reclassified from contributions in aid to other non-current liabilities and accounts payable

for the current portion to differentiate contributions in aid from customers. This reclassification resulted in a decrease in contributions in aid of $246 million as at April 1, 2017 and $242 million as at March 31, 2018, with a corresponding increase in accounts payable and accrued liabilities of $4 million respectively and $242 million and $238 million, respectively, in other non-current liabilities.

d) Accounts Receivable

Under the Prescribed Standards, BC Hydro recognized impairments of financial assets based on the incurred loss model in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9, *Financial Instruments* requires that impairments are based on a forward-looking 'expected loss' model. On adoption of IFRS, accounts receivable and accrued revenues have decreased by $5 million and retained earnings decreased by $5 million at both April 1, 2017 and March 31, 2018 as compared to amounts previously presented.

e) Cumulative Translation Adjustment

In accordance with IFRS 1, the Company elected to deem all foreign currency translation differences arising on consolidation of Powerex to be nil at the date of transition, April 1, 2017. The impact of this adjustment was to increase retained earnings and decrease accumulated other comprehensive income by $83 million at April 1, 2017.

f) Regulatory Deferral Account Balances

The Company elected to adopt IFRS 14, *Regulatory Deferral Accounts*. IFRS 14 specifies the financial reporting requirements for regulatory deferral account balances that arise from rate-regulation. This standard requires the consolidated statement of comprehensive income above net movement in regulatory balances to be presented in a manner that does not include the impacts of rate-regulation. As a result, domestic revenues decreased by $322 million, operating expenses decreased by $424 million, finance charges increased by $153 million, net movement in regulatory balances in net income increased by $51 million for the year ended March 31, 2018. In addition, actuarial gain increased and net movement in regulatory balances in other comprehensive income decreased by $193 million respectively for the year ended March 31, 2018.

IFRS 14 also requires separate disclosure in the statement of financial position for the total of all regulatory deferral debit balances and the total of all regulatory deferral credit balances. The regulatory balances will distinguished from the assets and liabilities by the use of sub-totals. As a result, $6.13 billion and $5.89 billion of regulatory assets was reclassified to regulatory balances under total assets and $845 million and $751 million of regulatory liabilities was reclassified to regulatory balances under total liabilities as at April 1, 2017 and March 31, 2018 respectively.

g) Deferral of Transitional Impacts

The following transitional impacts resulted from the application of the principles of IFRS to retained earnings has been deferred for regulatory purposes. The changes have increased (decreased) regulatory assets and liabilities as follows:

(in millions)		Incremental Increase (Decrease)	
	Note	As at April 1, 2017	For the year ended March 31, 2018
Revenue from Contracts with Customers	c	(315)	-
Incremental increase (decrease) for the period		(315)	-
Total cumulative increase (decrease) as at the balance sheet date		(315)	(315)
Regulatory assets		-	(1)
Regulatory liabilities		(315)	(314)
Net regulatory increase		(315)	(315)