COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

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Statement of Management Responsibility

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

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

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

Barry Chuddy President & Chief Executive Officer	David de Git, CMA Corporate Controller

May 16, 2008

Report of the Auditor General of British Columbia

To the Board of Directors of
Columbia Power Corporation and

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

I have audited the consolidated balance sheet of *Columbia Power Corporation* as at March 31, 2008 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of *Columbia Power Corporation* as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
May 16, 2008

John Doyle, MBA, CA
Auditor General

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31
(in thousands)

		2008		2007
ASSETS				
Current assets				
Cash and temporary investments (Note 3)	$	36,230	$	40,411
Accounts receivable and unbilled revenue		9,403		6,112
Prepaid expenses and deposits		1,642		1,695
Recoverable channel repair costs and losses (Note 4)		6,450		-
		53,725		48,218
Capital assets (Note 5)		344,985		237,643
Other assets				
Due from joint venture partner (Note 10)		6,104		-
Hydroelectric power expansion rights (Note 6)		25,738		25,925
Deferred costs (Note 7)		10,888		109,777
Power sales right (Note 8)		6,943		7,934
Restricted cash (Note 3)		10,444		9,966
Recoverable channel repair costs and losses (Note 4)		-		2,159
Deferred debt issue costs (Note 9)		-		3,360
		60,117		159,121
	$	458,827	$	444,982

The accompanying notes are an integral part of the financial statements

APPROVED ON BEHALF OF THE BOARD:

Director

Director

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31
(in thousands)

	2008	2007
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 12,563	$ 3,844
Dividend payable	2,000	2,000
Interest payable on long term bonds	2,762	2,890
Current portion of long term bonds (Note 12)	6,017	5,668
Due to related parties (Note 20)	507	90
	23,849	14,492
Deferred revenue	604	777
Long term bonds (Note 12)	103,679	112,363
Equity		
Share capital (Note 15)		
Contributed surplus (Note 16)	276,065	276,065
Retained earnings	54,630	41,285
	330,695	317,350
	$ 458,827	$ 444,982

Commitments (Note 19)
Contingencies (Note 21)

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31
(in thousands)

	2008	2007
REVENUES		
Sale of power	$ 37,359	$ 31,312
Transmission facility revenue	1,537	1,526
Interest	2,154	1,433
Management fee	752	773
	41,802	35,044
EXPENSES		
Water rentals	4,696	4,225
Amortization of capital assets in service	6,752	5,529
Amortization of rights	1,176	930
Property tax	1,010	1,035
Operations and maintenance	1,778	1,474
Administration and management	3,120	2,139
Insurance	527	482
Community sponsorship	85	82
Grants-in-Lieu (Note 14)	347	27
Claims response	233	-
Expensed development costs (Note 7)	183	-
Restructuring costs (Note 17)	1,828	-
	21,735	15,923
INCOME FROM OPERATIONS	20,067	19,121
FINANCE CHARGES		
Interest expense	8,270	8,236
Amortization of deferred debt issue costs	-	288
FINANCE CHARGES	8,270	8,524
NET INCOME BEFORE CHANNEL REPAIR COSTS	11,797	10,597
CHANNEL REPAIR COSTS	(416)	(3,015)
RECOVERY OF REPAIR COSTS AND LOSSES (Note 4)	4,291	7,212
NET INCOME FOR THE YEAR	$ 15,672	$ 14,794

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31
(in thousands)

		2008		2007
RETAINED EARNINGS - beginning of year	$	41,285	$	28,491
Deduct: Adjustment upon implementation of financial instruments standard		(327)		
REVISED RETAINED EARNINGS - beginning of year		40,958		28,491
Add: Net income		15,672		14,794
Deduct: Dividends declared		(2,000)		(2,000)
RETAINED EARNINGS - end of year	$	54,630	$	41,285

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31
(in thousands)

	2008	2007
OPERATING ACTIVITIES:		
Net income for the year	$ 15,672	$ 14,794
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	6,752	5,529
Amortization of deferred debt issue costs	-	288
Amortization of rights	1,176	930
Recoverable channel repair costs and losses (Note 4)	(4,291)	(780)
Net change in non-cash working capital balances	5,985	(9,204)
	25,294	11,557
FINANCING ACTIVITIES:		
Dividends paid	(2,000)	(2,000)
Principal repayment of Project Bonds	(5,668)	(5,342)
	(7,668)	(7,342)
INVESTING ACTIVITIES:		
Advance to joint venture partner	(6,104)	-
Deferred costs	(2,263)	(7,761)
Additions to Brilliant power facility and terminal station	(1,157)	(551)
Additions to ALGS power facility	(103)	(1,992)
Additions to Brilliant Expansion	(11,277)	-
Purchase of furniture, equipment and vehicles	(425)	(122)
	(21,329)	(10,426)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(3,703)	(6,211)
CASH AND EQUIVALENTS - beginning of year	50,377	56,588
CASH AND EQUIVALENTS - end of year	$ 46,674	$ 50,377
CASH AND EQUIVALENTS CONSIST OF:		
Restricted cash and temporary investments	10,444	9,966
Cash and temporary investments available for operations	36,230	40,411
	$ 46,674	$ 50,377
Supplemental disclosure of cash flow information		
Interest paid	$ 8,033	$ 8,342

The accompanying notes are an integral part of the financial statements

1. Columbia Power Corporation

(a) Structure and Financing

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

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

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

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

(b) Power Project Planning

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

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

(c) Brilliant Power Facility and Brilliant Terminal Station

Brilliant Power Corporation (BPC) is jointly owned, on a 50/50 basis, by CPC and CBT Power. The Shareholders direct BPC's activities through a Management Committee, with an equal number of members appointed by each Shareholder. All decisions of the Management Committee require the unanimous approval of the members. The purpose of the corporation is to operate the Brilliant Power Facility and Brilliant Terminal Station.

(d) Arrow Lakes Generating Station

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

(e) Brilliant Expansion

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

(f) Significant Agreements

(i) Entitlement Agreements

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

(ii) Brilliant Power Purchase Agreement

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

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

(ii) Brilliant Power Purchase Agreement (continued)

An agreement was signed with Powerex Corp. (Powerex), a subsidiary of BC Hydro, effective November 1, 2005 to purchase this output under a short-term contract. The price used to determine this revenue is based on market prices.

(iii) Facilities Interconnection and Investment Agreement (FIIA)

FortisBC operates and manages the Brilliant Terminal Station on behalf of BPC. A Management Committee with an equal number of members from BPC and FortisBC must unanimously approve all expenditures. Brilliant Terminal Station operating and capital costs are recovered from FortisBC through operations and maintenance and return on capital charges as described in Note 1(f)(ii). The term of the Agreement is coincident with the term of the Brilliant Power Purchase Agreement.

(iv) Powerex Backstop Agreement

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

(v) Management and Services Agreements

BPC

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

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

ALPC

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

BEPC

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

(vi) Design-Build Contract - ALGS

In 1998, ALPC entered into a turn-key, design-build contract for approximately $210 million with Peter Kiewit Sons Co. Ltd. (PKS) for the construction of ALGS. Final Acceptance of the powerplant awaits the resolution of a number of outstanding contractual issues. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees.

(vii) Design-Build Contract - Brilliant Expansion

In 2003, BEPC entered into a turn-key, design-build contract for approximately $167 million with Brilliant Expansion Consortium for the construction of the Brilliant Expansion. Under the contract, commercial operations were scheduled to begin in August 2006. As a result of construction delays, commercial operation commenced in September 2007. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees; a contractor bonus for early completion; a milestone schedule and a schedule of payments to the contractor.

(viii) Power Sales Right

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

(ix) Green Power Generation Electricity Purchase Agreement (GPG EPA)

In 2003, BEPC entered into the GPG EPA with BC Hydro obtaining the right and obligation to provide 23.12 average annual megawatts from the Brilliant Expansion to BC Hydro for a 20 year period starting with commercial operation of the Brilliant Expansion.

(x) Electricity Purchase Agreement 2006 (EPA 2006)

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

(xi) Confirmation of Sale of Unit Commitment Service (“Confirm”)

The construction of the Brilliant Expansion created improvements in the hydrology of the flow of water through the Brilliant Power Facility which created additional energy and capacity. An agreement, called the Confirm, was reached between Powerex and Brilliant Expansion Power Corporation (“BEPC”), for the sale of this additional energy and capacity by BEPC on BPC’s behalf. Under the Canal Plant Agreement and the Confirm, this additional energy and capacity was sold as regulated upgrades energy by BEPC to Powerex, at prices close to market.

2. Significant Accounting Policies

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

(a) Consolidated Financial Statements

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

(b) Temporary Investments

Temporary investments are recorded at market value.

(c) Capitalization and Amortization

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

(i) Brilliant Power Facility and Brilliant Terminal Station

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

Power facility	40 - 80
Terminal station	30 - 60

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

(ii) Arrow Lakes Generating Station

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

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

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

(iii) CPC Offices and Equipment

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

(d) Deferral of Power Project Costs

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

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

(e) Deferred Debt Issue Costs

Prior to April 1, 2007 expenditures incurred in issuing the Series A, B and C Brilliant Project Bonds and Series A Arrow Lakes Project Bonds were deferred and amortized on a straight-line basis over the term of the bonds. With the adoption of new accounting standards for financial instruments, these costs are recorded with the Bonds and amortized using the effective interest method.

(f) Revenue Recognition

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

(g) Asset Retirement Obligations

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

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

(h) Taxes

CPC is exempt from corporate income taxes.

(i) Foreign Currency Translation

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

(j) Use of Estimates

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

(k) Changes in accounting policies

Effective April 1, 2007, CPC adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

i) Section 3855, Financial Instruments – Recognition and Measurement and Section 3861, Financial Instruments – Disclosure and Presentation, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how gains and losses are recognized.

CPC is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change of fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

All derivative financial instruments, including derivative features embedded in financial instruments or other contracts which are not considered to be closely related to the host financial instrument or contract, are generally classified as held for trading and, therefore, must be measured at fair value with changes in value recorded in net earnings. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded in other comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net earnings.

CPC has designated its financial instruments as follows:

Cash and temporary investments are classified as “Held for Trading”. Any changes in fair value of temporary investments are recorded in net earnings.

(k) Changes in accounting policies (continued)

Accounts receivable and Recoverable channel repair costs and losses are classified as "Loans and Receivables". These financial assets are recorded at values that approximate their amortized cost using the effective interest method.

Accounts payable and accrued liabilities and Long term bonds are classified as "Other Financial Liabilities". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

Under Section 3855, embedded derivatives are required to be separated from the host contract and accounted for as a derivative financial instrument if the embedded derivative and host contract are not closely related, and the combined contract is not held for trading or designated at fair value.

As a result of adopting Section 3855, deferred financing costs relating to long-term debt have been reclassified from deferred debt issue costs to long-term debt on the balance sheet. These costs have been taken into earnings using the effective interest method over the life of the related debt.

ii) Section 1530, Comprehensive Income, introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments. CPC has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008.

iii) Section 3865, Hedges, specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedge strategies and the required disclosures. This standard did not have an impact on CPC for the year ended March 31, 2008.

iv) Section 1506, Accounting Changes, relates to changes in accounting policies, changes in accounting estimates and errors. Under the revised Section 1506, accounting treatment and disclosure of changes in accounting policies, accounting estimates and correction of errors are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the company has not applied a new primary source of GAAP that has been issued but is not yet effective, as when changes in accounting estimates and errors occur. Adoption of this revised standard has resulted in additional disclosure under "Future accounting pronouncements".

(l) Future accounting pronouncements

Effective April 1, 2008, CPC will adopt Section 1535, Capital Disclosures which requires additional information in the notes to the financial statements about CPC's capital and the manner in which it is managed. This disclosure includes qualitative and quantitative information regarding an entity's objectives, policies and processes for managing capital.

Effective April 1, 2008, CPC will adopt Section 3862, Financial Instruments – Disclosures which requires qualitative and quantitative information to assist users of the financial statements to evaluate the nature and extent of risks to the organization of financial instruments. The new standard is not expected to have a material impact on CPC's earnings.

3. Cash and Temporary Investments

BPC and ALPC must apply the payments they receive from the sales of power as set out under agreements with the Project Bondholders.

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

A Canadian dollar bank account is held for future payment of ALPC's commitment for fish entrainment compensation as per Note 19(b).

BEPC cash includes construction trust and letter of credit accounts. The construction trust account is a holding account for scheduled payments to the design-build contractor. The letter of credit account secures letters of credit issued to BC Hydro for development security under the GPG EPA and 2006 EPA.

($ in thousands)	2008	2007
Restricted		
Debt service reserve fund		
Canadian dollar bank account	$ 3,964	$ 3,964
Operating reserve account		
Canadian dollar bank account	1,306	1,251
Project construction commitments		
Canadian dollar bank accounts	5,174	4,751
	10,444	9,966
Available for operations		
Canadian dollar money market fund	29,583	37,073
Canadian dollar bank accounts	6,125	3,070
US dollar bank accounts	522	268
	36,230	40,411
	$46,674	$50,377

4. Recoverable Channel Repair Costs and Losses

On May 3, 2004, ALPC discovered damage caused by unstable hydraulic conditions to the concrete lining of the approach channel. Power generation was suspended while investigations took place and repairs were made to the channel.

The first two stages of repair, which involved placing a high-density polyethylene liner over the damaged area and then covering the liner with a layer of concrete, allowed production of power to resume in August 2004. Permanent repairs commenced in November 2005, and commercial operations resumed on May 18, 2006.

As a result of the settlement of the recovery proceedings, ALPC's insurer has agreed to provide ALPC with a recovery of costs and losses of which CPC's 50% share is $6.5 million, in addition to CPC's 50% share totaling $13.4 million already received toward the settlement of its insurance claim. CPC had recorded $2.2 million of this recovery in the prior year, on a discounted cash flow basis. CPC's 50% share of the total cost of the channel repair damage to March 31, 2008 was $25.7 million, including lost revenues and capitalized costs.

5. Capital Assets

The Brilliant Expansion commenced operations in September 2007. Upon commencement of operations, Brilliant Expansion's deferred development costs were transferred to capital assets. CPC's 50% share is $112.4 million

($ in thousands)	Cost	Accumulated Amortization	NBV 2008	NBV 2007
Brilliant power facility	$105,347	$19,340	$ 86,007	$ 86,825
Brilliant terminal station	13,100	1,929	11,171	11,607
Brilliant lands	2,509	-	2,509	2,459
ALPC power facility	137,539	16,634	120,905	123,516
ALPC transmission	10,745	1,897	8,848	9,219
ALPC lands	3,679	-	3,679	3,679
Brilliant Expansion	112,429	1,175	111,254	-
Computer systems	463	105	358	171
Furniture and equipment	229	195	34	50
Leasehold improvements	585	446	139	13
Vehicles	188	107	81	104
	$386,813	$41,828	$344,985	$237,643

6. Hydroelectric Power Expansion Rights

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

($ in thousands)	2008	2007
Expansion right	$ 25,925	$ 25,925
Less: Accumulated amortization	(187)	-
	$ 25,738	$ 25,925

7. Deferred Costs

Deferred costs are comprised of deferred development costs and construction-in-progress. Deferred costs are carried on the balance sheet based on management's judgment of anticipated future events. A number of significant estimates and qualitative factors are considered by management in determining the reported amounts of deferred project costs. $183,000 of development costs were considered not recoverable and were expensed.

Upon commencement of commercial operations in September 2007, development costs and construction-in-progress for the Brilliant Expansion were transferred to become a portion of its capital assets.

(a) Deferred Costs Comprise the Following:

($ in thousands)	Deferred Costs at March 31, 2007	2007/08 Changes	Deferred Costs at March 31, 2008
Development costs Waneta Expansion (WAX)	$ 8,625	$ 2,263	$ 10,888
Development costs Brilliant Expansion (BRX)	6,376	(6,376)	-
Construction-in-progress BRX	94,776	(94,776)	-
	$109,777	$(98,889)	$ 10,888

(b) Deferred Costs by Expenditure Category

($ in thousands)

	Project Design & Construction	Environmental Assessment	Socio-economic Assessment	Finance/ Legal Analysis	CPC/CBT Management	Total March 31, 2008
WAX	$ 2,523	$ 2,306	$ 220	$ 976	$ 4,863	$ 10,888

8. Power Sales Right

The power sales right is recorded at cost. Amortization is recorded on the basis of power sold to BC Hydro over the year compared to the total power sales under the agreement. The term of the agreement is from January 2003 to December 2014. The fair value of the power sales right may differ from its cost. A fair value is not readily determinable due to the unique nature and the extended term of the power sales right.

($ in thousands)	2008	2007
Power sales right	$ 11,376	$ 11,376
Accumulated amortization	(4,433)	(3,442)
	$ 6,943	$ 7,934

9. Deferred Debt Issue Costs

Prior to April 1, 2007, debt issue costs were deferred and amortized separately from the Bonds on a straight-line basis over the term of the Bonds. Under the new standards, these costs are recorded with the Bonds and amortized using the effective interest method. For comparability, debt issue costs have been reclassified from Other Assets to be recorded with the Bonds on the prior year balance sheet.

($ in thousands)	2008	2007
Deferred debt issue costs	$ -	$4,465
Accumulated amortization	-	(1,105)
	$ -	$3,360

10. Due from Joint Venture Partner

During the year, CPC advanced $11.9 million in cash reserves to BEPC for construction of the Brilliant Expansion at an interest rate that would be applicable to short term borrowing by CPC from the Province. $357,000 of accrued interest was recorded during the year. 50% of this related party loan is due from CPC's joint venture partner and will be repaid upon BEPC issuing debt.

11. Pension Plans

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

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

CPC maintains an executive pension benefit plan (EPBP). Pension payments from the EPBP commenced in January 2006 upon retirement of CPC's former President. CPC valued the pension liability at March 31, 2008 as $214,000 (2007 - $218,000) on a discounted cash flow basis.

12. Long Term Bonds

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

The Bonds are redeemable by BPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding, and a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30%.

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

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

12. Long Term Bonds (continued)

($ in thousands)			CPC's Portion of Principal Outstanding	
Series	**Interest rate**	**Maturity date**	**2008**	**2007**
BPC A	8.93%	May 31, 2026	$ 41,573	$ 42,435
BPC B	6.86%	May 31, 2026	12,397	12,723
BPC C	5.67%	May 31, 2026	22,952	23,640
ALPC A	5.39%	March 31, 2015	35,441	39,233
			112,363	118,031
	Current portion		(6,017)	(5,668)
			106,346	112,363
Less: deferred financing costs			(2,667)	-
			$103,679	$112,363

Principal repayments next five years:	
2009	$ 6,017
2010	6,386
2011	6,782
2012	7,202
2013	7,648
Subsequent years	78,328
	$112,363

13. Credit Facility

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

14. Grants-in-Lieu of Property Taxes

ALPC and BEPC are exempt from property taxes but pay grants-in-lieu of property taxes to host and impacted local governments based on the 185 and 120 megawatt capacities of the ALGS and Brilliant Expansion. In 2007/08 the charge per megawatt was $1,160. BEPC recorded the grants-in-lieu on a prorate basis from commencement of commercial operations.

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

15. Share Capital

Authorized:

6 common shares, no par value

Issued:

6 common shares	$6

16. Contributed Surplus

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

17. Restructuring costs

On September 26, 2007 it was announced to staff that the Victoria office would close by December 31, 2007. CPC has recorded $1.8 million for restructuring costs, primarily related to severance agreements with CPC's Victoria employees. Additional non-severance costs related to restructuring may be incurred in 2008/09.

18. Financial Instruments

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

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

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

CPC realizes most revenues and all significant expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations. The Long term Bonds are at a fixed interest rate. Power sales are to BC Hydro, Powerex and FortisBC therefore there is negligible credit risk.

The redemption feature in the Long term bond agreements meets the definition of an embedded derivative. This feature results in a net penalty upon redemption and is therefore of no economic value. No separate valuation of this feature is required in the financial statements.

19. Commitments

(a) Plant Operations

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

(b) ALPC Fish Entrainment Compensation

ALPC has made a commitment to contribute to the Columbia Basin Fish and Wildlife Compensation Program to compensate for fish entrainment for as long as fish are entrained in the ALGS. In 2007/08 CPC's 50% contribution was $103,000 (2006/07 - $100,000). This funding will be used for fertilizing fish stocks in the Upper and Lower Arrow Reservoirs.

(c) BEPC Project Approval Certificate

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

(d) Facilities Long Term Lease Commitment

CPC has entered into operating leases for office premises that provide for minimum annual lease payments totaling up to $122,000 per year for the next three years. CPC has signed a letter of intent to extend the lease for an additional ten years.

20. Related Party Transactions

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

(a) Due from and sales to related parties

	2008		2007	
($ in thousands)	Due from Related Party	Sales to Related Party	Due from Related Party	Sales to Related Party
BC Hydro	$ 216	$ 17,501	$ 35	$ 15,660
Powerex	3,071	5,484	126	1,554
BC Transmission Corp.	7	9	-	-
Province	-	31	-	-
CBT and affiliates	-	4	-	9
	$3,294	$23,029	$161	$17,223

(b) Due to and purchases from related parties

	2008		2007	
($ in thousands)	Due to Related Party	Purchases from Related Party	Due to Related Party	Purchases from Related Party
Province	$ 18	$5,967	$ 13	$5,305
CBT and affiliates	485	1,024	51	588
BC Hydro	4	646	26	1,259
Powerex	-	47	-	47
BC Transmission Corp.	-	50	-	37
	$ 507	$7,734	$ 90	$7,236

21. Contingencies

(a) Power Projects

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

(b) Arrow Lakes Power Corporation

Under the design-build contract at Final Acceptance, all deficiencies of the ALGS must be completed by the construction contractor or liquidated damages will be owed by the contractor to ALPC.

(d) Brilliant Expansion Power Corporation

BEPC has settled all contractor claims arising from the construction project, including an addition to the contract price which has been included as part of the construction cost of the project. As a condition of this settlement, BEPC will undertake instream works necessary to improve the hydraulic conditions in the tailrace area of the Brilliant Expansion, at its own cost and risk. The cost of this work has not been fully determined and therefore not recorded in the financial statements.

BEPC is affected by federal, provincial and local government laws and regulations. The financial impact, if any, of complying with future legislative or regulatory requirements cannot currently be estimated.

22. Comparative Figures

Certain 2007 figures have been reclassified to conform with the current year's presentation.