COLUMBIA POWER CORPORATION

ANNUAL REPORT 2001/02

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

ANNUAL REPORT • 2001/02

Contents

Organization Overview

Columbia Power Corporation is a Crown corporation wholly owned and controlled by the Province of British Columbia. Its mission is to undertake commercially viable and environmentally sound power project investments as the agent of the Province, on a joint venture basis with the Columbia Basin Trust. In making power project investments, the corporation's goal is to support the employment, economic development and resource management objectives of the Province and the Columbia Basin Trust, within the constraints of a commercial enterprise.

The core projects of Columbia Power Corporation and the Columbia Basin Trust are the Arrow Lakes Generating Station, the Brilliant Expansion and the Waneta Expansion. The joint venturers may also undertake other power generation, transmission or distribution projects in the Columbia Basin. The purchase of the Brilliant dam in 1996 was the first investment by the joint venturers. Construction of the Arrow Lakes Generating Station began in 1999, and commercial operation was achieved in 2002.

Columbia Power Corporation undertakes power projects through joint ventures with subsidiaries of the Columbia Basin Trust. The corporation is the manager of the joint ventures. All of the power generated at the current operating projects is committed under long-term sales contracts to two utilities, Utilicorp Networks Canada and BC Hydro, and under a short-term contract to Powerex Corp., a subsidiary of BC Hydro.

Installation of turbine runner at Arrow Lakes Generating Station

Message from the President

The past year was distinguished by the beginning of commercial operation at the Arrow Lakes Generating Station, the corporation's first major new construction project. This milestone was achieved on budget and ahead of schedule. At the same time, considerable progress was made on the other projects in our portfolio.

A key development in the British Columbia electricity sector during the year was the appointment by the Province of the Task Force on Energy Policy, which released its Interim Report in November 2001. The Task Force recommends in the Interim Report that core hydroelectric assets on the Peace and Columbia rivers remain in public hands. Market reform and increased competition are seen as being consistent with public ownership of generation assets, in particular hydropower assets. In keeping with this approach, Columbia Power Corporation, as a publicly-owned independent power producer, provides a low cost, market-oriented alternative for the development of new hydroelectric generation projects.

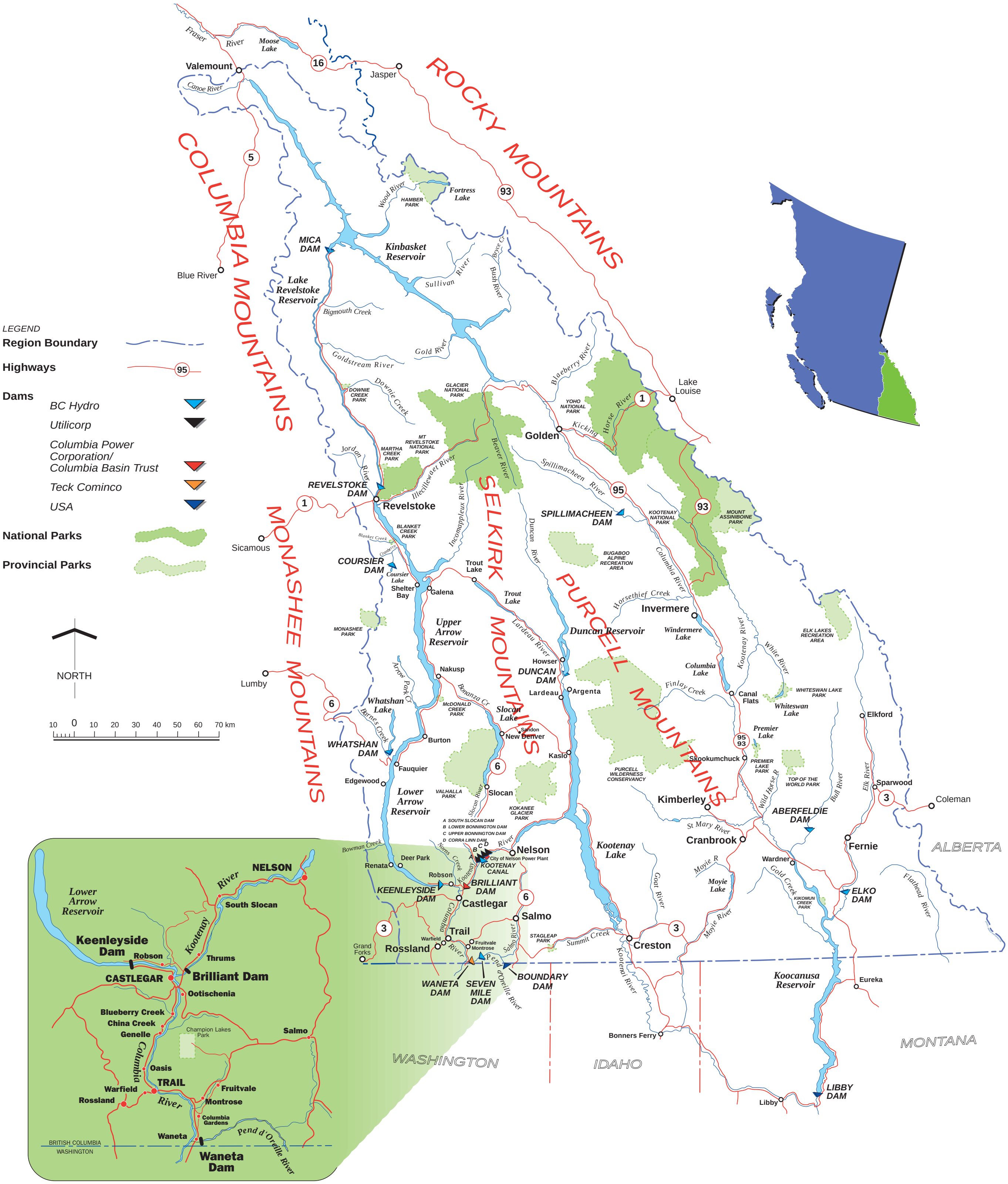
The development by Columbia Power Corporation and the Columbia Basin Trust of the Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion projects is intended to make maximum beneficial use of existing dams, reservoirs and water storage capacity by harnessing water that is currently being spilled or underutilized. Such projects are an economically efficient and sustainable use of provincial water resources. The 2002-2005 Service Plan establishes performance measures against which the corporation's achievements will be measured in the coming years.

Columbia Power Corporation's power projects pay dividends to the Province while also providing benefits to residents of the region adversely affected by the construction of the Columbia River Treaty dams. The projects earn income and stimulate employment and economic growth. They also give the residents of the Columbia Basin a stake in the permitting and operation of the hydro system in the region, as well as a voice in operating decisions and water use management.

Our goals in 2002/03 include completing the transition from construction to operations at the Arrow Lakes Generating Station, concluding the upgrade and life extension work at the Brilliant dam, constructing the Brilliant Substation and starting construction of the Brilliant Expansion.
I would like to acknowledge the skilled and dedicated people working on these projects, without whom our progress would not be possible.

Lorne Sivertson
President

Columbia Basin Power Projects



The Year in Review

Commercial operation of the first generating unit at the Arrow Lakes Generating Station was achieved in February 2002, at which point the project began to earn income from the sale of power. The second generating unit began commercial operation in May 2002. These milestones were achieved on budget and ahead of schedule. In June 2001, the Auditor General of British Columbia issued a report in which he concluded that the capital management process used for the project was appropriate and that it will provide good value for money.

In its role as the manager of its joint ventures with the Columbia Basin Trust, Columbia Power Corporation also advanced other projects in the joint venturers' portfolio. In December 2001, the second of four turbine upgrades was completed at the Brilliant dam, resulting in an increase in the output of the powerplant. Life extension work on the upgraded generating unit was carried out at the same time. The third upgrade began in March 2002 and was completed in July. The credit rating for Brilliant project bonds was upgraded to A(high) by Dominion Bond Rating Services and A1 by Moody's Investors Services. Brilliant Series B bonds were successfully issued in September 2001.

The Brilliant Expansion received a Project Approval Certificate from the Environmental Assessment Office in October 2001 and a Water Licence in April 2002. The project will see a new powerplant constructed adjacent to the Brilliant dam to use water flows that would otherwise be spilled. The selection of a design-build contractor for the project is proceeding, using the approach successfully employed for the Arrow Lakes Generating Station.

Considerable progress was made as well on the Waneta Expansion during the year, including a significant program of engineering and environmental studies and preliminary consultation. This project will involve the construction of a new powerplant adjacent to the Waneta dam to make use of unutilized water resources. It is expected that the Project Overview and Proposed Terms of Reference for the Project Application will be submitted to the Environmental Assessment Office in the coming year.

During 2001/02, Columbia Power Corporation signed an agreement with Utilicorp Networks Canada for the construction and use of a new substation near the Brilliant dam. This common-use facility will be owned and financed by the Columbia Power Corporation/Columbia Basin Trust joint venture. The substation will connect Utilicorp's transmission system with the Brilliant dam and the transmission line built for the Arrow Lakes Generating Station. Construction is scheduled to be complete in 2003. The new substation will also be used by the Brilliant Expansion when that project is constructed by the joint venturers.

During the past year, Columbia Power Corporation negotiated agreements for the purchase of Utilicorp's generation business in British Columbia. Under the agreements, subsidiaries of Columbia Power Corporation and the Columbia Basin Trust would become owners of Utilicorp's four dams on the Kootenay River. However, the British Columbia Utilities Commission ruled that the transaction could proceed only if Utilicorp shared the gains from the sale with its customers. Utilicorp responded that it could not accept this condition and therefore would not complete the transaction.

Joint Venture Activities

Columbia Power Corporation undertakes power projects through joint ventures with subsidiaries of the Columbia Basin Trust. Power project proposals are initially evaluated and developed through the Power Project Planning Joint Venture. When a decision is made to proceed with a project, a separate joint venture is established for that project.

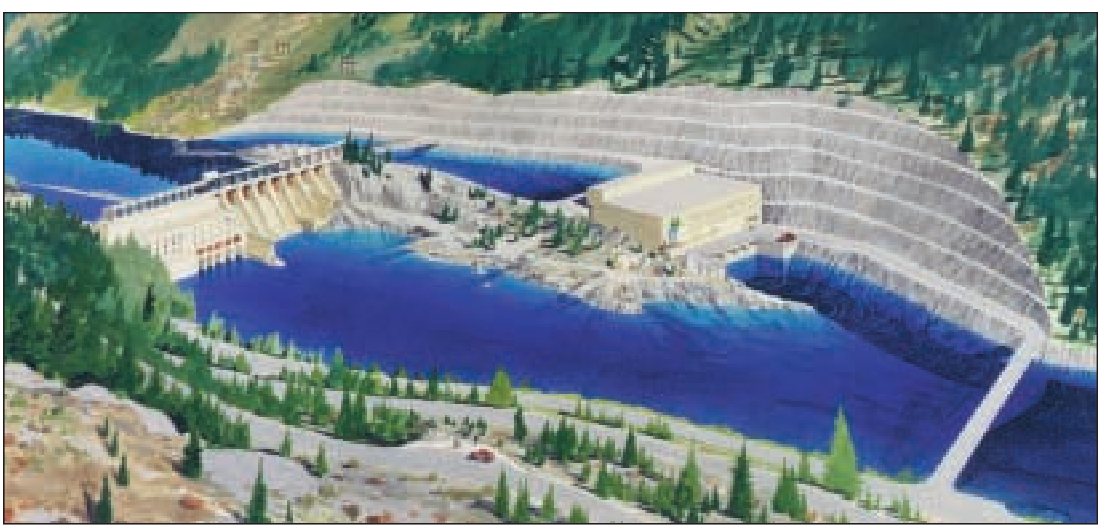
1. Power Project Planning

Through an agreement with the Columbia Basin Trust, the Province has committed to investing $50 million a year for 10 years to provide equity funding for power projects in the Columbia Basin undertaken jointly by Columbia Power Corporation and the Columbia Basin Trust. The first payment was made by the Province in 1996.

Columbia Power Corporation and the Columbia Basin Trust (through its subsidiary, CBT Power Corp.) have formed the Power Project Planning Joint Venture for the purpose of assessing and advancing such power projects. The joint venture is owned equally by the two partners, who direct the company through a management committee. Columbia Power Corporation is the manager of this joint venture. When a decision is made to proceed with a project, a new joint venture is formed for that project. Projects are financed using equity funding from the Province and self-supporting project debt.

(i) Brilliant Expansion

The 100-megawatt Brilliant Expansion powerplant will be constructed adjacent to the Brilliant dam on the Kootenay River. The base concept for the project assumes a new one-unit powerhouse spanning a short bypass channel that will be excavated around the left abutment of the dam (looking downsteam). The new powerhouse will be connected by a 600-metre transmission link to the new 230-kilovolt Brilliant Substation, to be situated over the hill above the Expansion. Currently in its pre-construction development phase, the Brilliant Expansion will follow the Design-Evaluate-Build process used for the Arrow Lakes Generating Station project. Project costs are expected to total $125-150 million and direct employment is expected to total approximately 450 person-years.



Artist's rendition of proposed Brilliant Expansion

The Expansion will use much of the seasonal flow that would otherwise be spilled even after the upgrade of the existing Brilliant powerhouse has been completed. Simulation modeling of the Kootenay River has been conducted to ensure operation of the Expansion will have no net impact on downstream fish habitat. Separate dissolved gas pressure modeling has confirmed that water quality for fish using this downstream habitat will improve substantially. Also, clean excavation rock from the new powerplant bypass channel will be placed along the bank of the Brilliant headpond to enhance aquatic and terrestrial habitat above the dam. A study by the Pembina Institute estimates that annual greenhouse gas emissions will be reduced by 350,000 to 400,000 tonnes annually as a result of the project.

Following two years of impact analysis, concept refinement and environmental permitting activities, the Brilliant Expansion received a Project Approval Certificate from the British Columbia Environmental Assessment Office in October 2001. At the same time, the project earned a "favourable conclusion" under the *Canadian Environmental Assessment Act* process. In April 2002, the Water Licence for the project was also issued.

The goals remaining for the development phase of the Brilliant Expansion are to complete the proposal competition stage now underway, confirm proposal feasibility in the project evaluation stage and finalize the construction contract by the end of 2002. Construction will begin shortly after contract execution and is expected to be substantially complete in late 2005 or early 2006.

(ii) Waneta Expansion

The Waneta Expansion is a proposal to install an additional powerplant at the Waneta dam, located on the Pend d'Oreille River just before its confluence with the Columbia River. The Waneta dam is owned by Teck Cominco Limited. The rights to undertake the expansion project were purchased by Columbia Power Corporation in 1994 and are now jointly owned with the Columbia Basin Trust. This project is similar to the Arrow Lakes Generating Station and Brilliant Expansion in that it will use water not being used by an existing powerplant and will not require construction of a new dam. As with Columbia Power Corporation's other hydroelectric generation projects, the resulting passage of water through turbines instead of spillways will reduce the level of dissolved gas pressure downstream, thereby improving fish habitat.

The capacity of the Waneta Expansion, which could be as high as 380 megawatts, will be determined on the basis of power optimization studies, environmental considerations and water availability. The project is proposed to include a 10-kilometre transmission line to connect the new powerplant to the BC Hydro integrated system at the Selkirk substation, routed on the north side of BC Hydro's existing Nicola-to-Selkirk 500-kilovolt transmission line. The preliminary project schedule calls for construction to begin in the fall of 2005 and commercial power production to commence in the spring of 2009. Project timing will depend on market conditions, construction costs and on the timelines for environmental reviews.

By March 31, 2002, a significant program of engineering and environmental studies for the Waneta Expansion was nearing completion. Pre-Project Application activities began in March 2002 with an overview presentation to provincial and federal governmental agencies and First Nations. The work program for the coming year will focus on achieving substantial completion of preliminary engineering and environmental impact assessment studies, to be followed by an intensive program of pre-Project Application consultation activities. It is expected that a Project Overview and Proposed Terms of Reference for the Waneta Expansion Project Application will be submitted by December 2002 to the Environmental Assessment Office.

(iii) Waneta Upgrades

The Waneta Upgrades project is a proposal to increase the incremental power entitlements attributable to refurbishment of the existing power generation facilities at the Waneta dam. The total capacity associated with the Waneta Upgrades is expected to be as high as 100 megawatts.

Teck Cominco Limited, the owner of the Waneta dam, has completed the first of the four generating unit upgrades and obtained a Project Approval Certificate for the remainder of the Waneta Upgrades. Columbia Power Corporation and the Columbia Basin Trust intend to enter into an agreement with Teck Cominco regarding the use by the Waneta Upgrades of water rights reserved for the Waneta Expansion.

(iv) Brilliant Substation

An agreement was reached during the year with Utilicorp Networks Canada to enter into a strategic partnership under which Columbia Power Corporation and the Columbia Basin Trust, through their subsidiaries, will finance and own a new substation near the Brilliant dam. Utilicorp will manage the construction and operation of the substation.

This facility will connect the 230-kilovolt Keenleyside-to-Selkirk transmission line to Utilicorp's transmission system. It will also connect to the Brilliant powerplant, transforming its output from 63 kilovolts to 230 kilovolts, and will provide a transmission connection to the Brilliant Expansion. The new substation will improve electric power reliability in the region as part of a more general upgrade of the high voltage transmission system, and will give Columbia Power Corporation and the Columbia Basin Trust greater access to power markets.

The project, expected to have a construction cost of $25 million, is scheduled for completion in 2003. Capital and operating costs will be recovered through charges to Utilicorp for the use of the substation.

Brilliant Dam

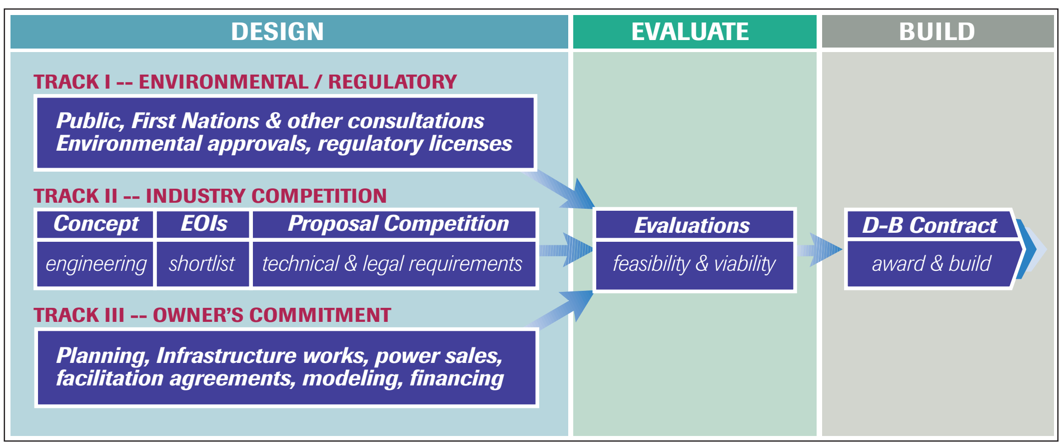
Design-Evaluate-Build Project Implementation

Design-Evaluate-Build (D-E-B) is the project implementation strategy developed and followed by Columbia Power Corporation in seeking to realize major hydroelectric generation construction projects. The strategy combines Design-Build contracting practices with tasks related to regulatory feasibility, economic viability and budget control. The "Evaluate" phase is included in the strategy to make explicit the importance of these business elements in the eventual critical decision to advance from development to construction. The goal of D-E-B is to achieve an optimized project by means of a competitive fixed-price Design-Build contract awarded through a fair and transparent evaluative process.

Most Design-Build contracting experience has been gained in private sector projects, but its use in public sector projects is increasing. Design-Build developers forfeit a measure of design and procurement control and accept additional complexity in environmental permitting. In return, they expect to realize project innovation, cost savings, risk allocation options, performance guarantees, dispute minimization and price certainty. In 1996, Columbia Power Corporation and the Columbia Basin Trust recognized that such benefits outweighed potential disadvantages and could prove the difference between success and failure in developing projects.

Development tasks are grouped along one of three parallel tracks. These are illustrated in Figure 1.

Figure 1. Design-Evaluate-Build Strategy



Fairness and transparency are key components of the D-E-B strategy. During the Proposal Competition Stage, proponents receive background studies, survey data, geotechnical information, general and technical design requirements, and the project Form of Contract. The scoring matrix and evaluation criteria to be used by the panel are made known well in advance in the Request for Proposals. A Process Monitor from an international auditing firm is retained to observe all panel deliberations and to report on process fairness in terms of adherence to disclosed criteria by Columbia Power Corporation and the panel.

2. Arrow Lakes Generating Station

The Arrow Lakes Generating Station project (formerly known as the Keenleyside Powerplant) consists of the construction and operation of a power generation facility with a capacity of 185 megawatts at the Keenleyside dam on the Columbia River and a 48-kilometre 230-kilovolt transmission line connecting the project to the BC Hydro power grid at the Selkirk substation. The powerplant is situated 400 metres downstream of the Keenleyside dam and is connected to the Arrow Lakes reservoir by a 1,500-metre intake channel that bypasses the dam.

Columbia Power Corporation and the Columbia Basin Trust (through its subsidiary CBT Arrow Lakes Power Development Corp.) have created a joint venture called Arrow Lakes Power Company for the purpose of constructing and operating the project. Columbia Power Corporation is the manager of the joint venture.

Excavating the approach channel

The Keenleyside dam was constructed in the 1960s by BC Hydro under the terms of the Columbia River Treaty between Canada and the United States. The dam was built to regulate water flows for the purpose of providing downstream flood control and power generation benefits in the United States. The construction of the Arrow Lakes Generating Station allows power generation benefits to be realized in British Columbia by taking advantage of otherwise unutilized waterflows at the dam. As well, generation of power at the dam will improve fish habitat by reducing dissolved gas pressure levels downstream.

In selecting a contractor for the construction of the powerplant, Columbia Power Corporation established the Design-Evaluate-Build process to ensure that the most cost-effective and innovative construction methods were used. Proposals were received from three teams of construction, engineering and equipment supply firms. Peter Kiewit Sons Co. Ltd. was selected to design and construct the powerplant under a fixed price contract. The proposal from Kiewit included Harza Engineering Ltd. as the principal design engineer and GE Hydro as the turbine and generator suppliers.

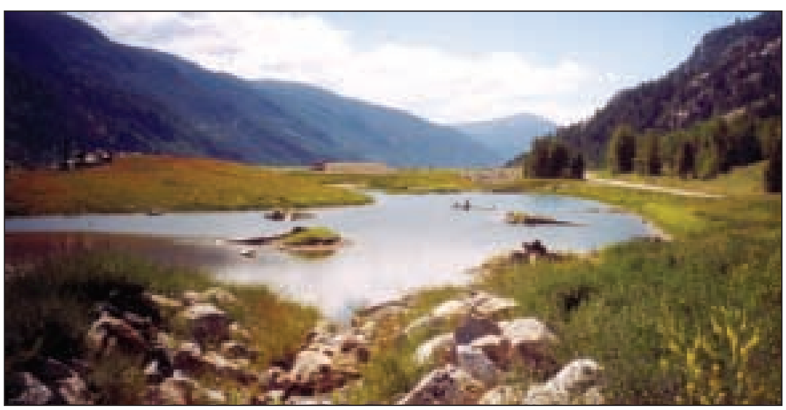
Fish habitat created near the Arrow Lakes Generating Station

Construction of the project began in March 1999. The transmission line was ready for use in October 2001. The first generating unit commenced commercial operation in February 2002, followed by the second unit in May 2002. These milestones were reached on budget and ahead of schedule. During the remainder of 2002, the contractor will complete performance testing, site reclamation and access road construction. Operation and maintenance of the generating station is currently being performed on behalf of the owners by staff of Utilicorp Networks Canada.

Power transmission lines from the Arrow Lakes Generating Station

Columbia Power Corporation and the Columbia Basin Trust have entered into an agreement to sell power from the Arrow Lakes Generating Station to BC Hydro for a period of 12 years beginning January 1, 2003. Power generated before January 1, 2003 is being sold to Powerex Corp. The revenues from the power sales to Powerex are being shared with the contractor under the provisions of the design-build contract. The early sale of power, beginning in February 2002, allowed Arrow Lakes Power Company to earn net income of $0.4 million in 2001/02 based on sales of 9,678 megawatt-hours of energy.

In June 2001, the Auditor General of British Columbia issued a report titled *Arrow Lakes Generating Station: Capital Management Process*. The purpose of the report was to determine whether Columbia Power Corporation and the Columbia Basin Trust took appropriate steps to ensure that the Arrow Lakes Generating Station will provide good value for money. In his findings, the Auditor General stated that "overall. . .the project was generally well managed" and that "overall . . .the capital management process used for the Arrow Lakes Generating Station was appropriate and will provide good value for money."



Habitat enhancement near the Arrow Lakes Generating Station

3. Brilliant Dam and Powerplant

The Brilliant dam was purchased from Cominco Ltd. (now known as Teck Cominco Limited) in 1996. Ownership and operation of the Brilliant dam is undertaken through Columbia Basin Power Company, an unincorporated joint venture between Columbia Power Corporation and CBT Power Corp., a subsidiary of the Columbia Basin Trust. The joint venture is owned equally by the two partners, who direct the company through a management committee. Columbia Power Corporation is the manager of the joint venture. The company's operations are guided by its obligations under the sixty year power sales agreement with Utilicorp Networks Canada (formerly known as West Kootenay Power Ltd.) and agreements with the company's bondholders. The Brilliant dam is managed by Utilicorp on behalf of the company. A current priority for the company is the completion of the multi-year capital program, including upgrades and life extension work for each of the four generating units at Brilliant.

Net income for Columbia Basin Power Company for the year ended March 31, 2002, was $4.1 million, compared to $3.7 million in the previous year. The increase in income was due to escalation of power sales revenues and to additional generation as a result of turbine upgrades. Under the Brilliant Power Purchase Agreement, revenues are set so as to cover operating and maintenance costs and provide an agreed upon return on the company's investment. Additional revenues are earned from the sale of a portion of the incremental energy attributable to turbine upgrades. The increased sales revenues in 2001/02 offset the reduction of interest income and higher interest and amortization expenses. The increase in income follows the trend of steadily rising income since the company was formed and is consistent with the expectations of the joint venturers when they purchased the dam in 1996. However, net income did not grow as much as expected during the year, due to the delay in the upgrade and life extension program which occurred as a result of the 13-week strike by Utilicorp's workforce.

The amount of power sold by Columbia Basin Power Company in 2001/02, as determined by the Brilliant energy entitlement received under the Canal Plant Agreement, was 854,492 megawatt-hours, up from 793,270 megawatt-hours in the previous year. In both years, the amount of power sold was reduced by the temporary withdrawal from service of generating units for turbine upgrade and life extension work. The power sales statistics reflect the increased power entitlement due to the first two turbine upgrades. All sales were made to Utilicorp under the terms of the Brilliant Power Purchase Agreement.

Generating unit #1 was withdrawn from service on August 20, 2001, to allow installation of a new turbine runner and related work as part of the Brilliant upgrade project. Unit #1 was returned to service on December 9, 2001. This represents the second of the four upgrades in the Brilliant upgrade project. Upgrade work started on generating unit #4 (the third upgrade) in March 2002 and the unit was returned to service in July. Work on unit #3 (the fourth and final upgrade) is scheduled to be completed by December 2002.

When all four upgrades are completed, the output of the powerplant will be increased by approximately 20 megawatts of capacity and 125 gigawatt-hours of annual energy generation. The increased power provided by the upgrades is being sold to Utilicorp under the terms of the Brilliant Power Purchase Agreement, which provide for the recovery of the cost of the life extension and upgrade work plus a return on investment.

Statistics provided by the Canadian Electrical Association during the year showed that the Brilliant dam compares favourably to other hydroelectric generating stations in Canada. For the year 2000, the operating factor, which measures plant availability and reliability, was 90.4% at Brilliant compared to the average of 77.1% for similar-sized plants. The planned outage factor, which is a measure of time lost due to planned maintenance, was 1.1%, compared to the industry average of 6.8%. The forced outage factor, which is a measure of lost time due to forced outages, was 0.02%, compared to the industry average of 1.27%.

On September 27, 2001, Columbia Basin Power Company, through its agent Brilliant Power Funding Corporation, issued Brilliant Series B bonds in the amount of $28.2 million. The proceeds were used to repay short-term advances provided by Columbia Power Corporation to fund a portion of capital expenditures made to date. Further capital expenditures are being funded by equity of Columbia Power Corporation and CBT Power Corp. and by repayable interest-bearing advances made by Columbia Power Corporation. A credit facility with the Canadian Imperial Bank of Commerce is also available to provide financing. The company plans to issue Brilliant Series C bonds after the upgrade and life extension program and other major capital projects are complete. The credit rating for Brilliant bonds was upgraded in August 2001 to A(high) by Dominion Bond Rating Services and A1 by Moody's Investors Service.

Brilliant Dam Operations Summary Information

($ in thousands unless otherwise stated)

		2001/02	2000/01	1999/00	1998/99	1997/98
Total Sales (megawatt-hours)	$	854,492	793,270	845,323	847,997	817,292
Average Price (cents/kwh)		2.9	2.8	2.5	2.4	2.5
Sales Revenue	$	24,554	22,123	21,329	20,210	20,301
Interest Revenue	$	386	860	410	380	231
Other Revenue	$	-	-	-	-	5
Operating Expenses	$	1,868	1,549	1,790	1,492	1,747
Taxes and Water Rentals	$	5,885	6,018	6,290	5,992	6,319
Interest Expense	$	9,765	9,143	8,716	8,601	8,524
Amortization	$	3,279	2,593	2,450	2,350	2,333
Net Income	$	4,143	3,680	2,492	2,155	1,614
Joint Venturers' Equity	$	53,642	50,821	45,405	45,730	45,449
Annual Return on Equity		7.7%	7.2%	5.5%	4.7%	3.6%
Distribution to Joint Venturers	$	4,950	3,500	3,450	2,850	2,660
Capital Expenditures	$	17,954	21,915	4,116	4,728	3,730
Long-term Debt	$	118,096	91,556	92,577	93,512	94,369
Current Portion of Long-term Debt	$	1,580	1,021	935	857	785
Advance from Columbia Power Corporation	$	9,674	26,556	11,977	7,190	1,950
Debt Service Coverage Ratio		1.55	1.51	1.41	1.39	1.35

Community Sponsorship

In keeping with its commitment to convert power project investments into benefits for residents of the Columbia Basin, Columbia Power Corporation provides sponsorship funding for community services, regional events and scholarships and bursaries in the Columbia Basin.

Community Services:

Examples of sponsorship in the past year:

- Hiking trail development
- Stream enhancement projects at Murphy Creek
- Community festivals
- Science and technology fair
- Hospital foundations
- Youth events
- Local sporting events
- Arrow Lakes Fish Fertilization Program

Regional Events:

Examples of regional events sponsored by Columbia Power Corporation:

- Selkirk College Foundation fundraiser
- RCMP Musical Ride
- Nelson Streetfest

Scholarships and Bursaries:

Columbia Power Corporation provides scholarships to graduating classes of all secondary schools in the Columbia Basin. It also makes bursaries available to students enrolled at the three post-secondary institutions in the Columbia Basin: the College of the Rockies, the Kootenay School of the Arts and Selkirk College.

The corporation also sponsored the Children's Festival, which is organized and run by local volunteers during the Festival of Trees, an annual fund-raising event organized by Selkirk College.

Report on Performance Plan

The performance measures for Columbia Power Corporation are listed in its Performance Plan for 2001/02 as follows:

- Develop projects on time and on budget.
- Secure markets for the power generated by Columbia Power Corporation/Columbia Basin Trust power projects, and improved market access.
- Earn a target rate of return for power project equity investments.
- Maintain or improve current bond ratings for Columbia Power Corporation/Columbia Basin Trust power projects.
- Create 1,800 person-years of direct employment within the Columbia Basin Region over 10 years, with a target of 15% or greater employment equity hires.
- Earn the support of regional stakeholders for Columbia Power Corporation/Columbia Basin Trust power projects.
- Perform the joint venture Manager function in a cost-effective manner.

These performance measures translated into the following specific accomplishments and targets to be achieved in 2001/02. Columbia Power Corporation's results are shown in each case.

1. Complete the Arrow Lakes Generating Station and the related 48-kilometre, 230-kilovolt transmission line on schedule and on budget.

   Result: The powerplant and transmission line milestones, including the start of commercial operation, were achieved on budget and ahead of schedule.

2. Achieve additional revenues through the sale of early power from the Arrow Lakes Generating Station.

   Result: The first generating unit commenced commercial operation in February 2002, followed by the second unit in May 2002. This allowed additional revenues to be earned through the sale of power prior to the start of the long-term sales agreement on January 1, 2003. All early power sales are being made at favourable prices negotiated in 2000/01.

3. Maintain the development schedule for the Brilliant Life Extension and Upgrades projects within the approved budgets.

   Result: After a delay due to a labour strike, the second Brilliant turbine upgrade was completed in December 2002. The remaining two turbines are scheduled for upgrade in 2002/03. The life extension program is being carried out in conjunction with the upgrades. These projects are expected to be completed within budget.

4. Obtain environmental approvals for the Brilliant Expansion Project under the *Environment Assessment Act* project review process.

   Result: After two years of intensive review by federal, provincial and local agencies and First Nations, the Brilliant Expansion Project received a Project Approval Certificate in October 2001, and the Water Licence for the project in April 2002.

5. Secure markets for the Brilliant Upgrades power not sold to Utilicorp Networks Canada under long term contract and the Brilliant Expansion power.

   Result: Columbia Power Corporation has a time-limited right to withdraw the energy attributable to regulated waterflows in the Brilliant Upgrades from the long-term power purchase agreement with Utilicorp. During the past year, the corporation continued to explore power sales opportunities to enhance the value received for this component of the Brilliant Upgrades power.

   Columbia Power Corporation has entered into power sales discussions with several parties for the future output of the Brilliant Expansion Project. These negotiations are ongoing.

6. Execute definitive agreements with Utilicorp Networks Canada by June 30, 2001, to acquire Utilicorp's generation business and obtain all requisite approvals.

   Result: Definitive agreements with Utilicorp were completed in 2001. However, after holding public hearings into the matter, the British Columbia Utilities Commission imposed conditions for the transaction that were not acceptable to Utilicorp. As a result, the acquisition did not proceed.

7. Execute detailed agreements with Utilicorp Networks Canada by May 31, 2001, under which Columbia Power Corporation/Columbia Basin Trust will own and finance a new Brilliant substation and interconnect the Arrow Lakes Power Company 230-kilovolt transmission line to Selkirk with Utilicorp's new 230-kilovolt System Development Project.

   Result: Definitive agreements were executed in April 2002. Construction of the sub station is underway.

8. Continue to protect Columbia Power Corporation/Columbia Basin Trust's commercial and strategic interests with respect to the Waneta Expansion Project and their rights to Teck Cominco's No. 71 Line.

   Result: Columbia Power Corporation is continuing work to secure transmission access for the Brilliant Expansion and Waneta Expansion projects. Use of Teck Cominco's No. 71 Line is under consideration. The corporation continues to evaluate options for the Waneta Upgrades project to ensure the Waneta Expansion rights are protected.

9. Update cost and design alternative assessments for the Waneta Expansion Project for output cases of 250, 315 and 380 megawatts, in order to provide better information on the appropriate scale of the project from an economic and environmental perspective.

   Result: Engineering and financial analysis is ongoing. Energy entitlement, capital costs and environmental issues will all affect the economic viability of the project.

10. Continue to actively pursue electricity intensive manufacturing investment or high technology investment to the Columbia Basin Region.

    Result: Columbia Power Corporation continued to work with the Columbia Basin Trust, government economic development officials and the private sector to promote the Columbia-Kootenay region to potential investors.

11. Maintain Columbia Power Corporation/Columbia Basin Trust's non-tax supported status and maintain or improve the bond rating on Brilliant Dam debt, currently rated at A(mid) by Dominion Bond Rating Service and A2 by Moody's Investors Services.

    Result: The credit rating for Brilliant project bonds was upgraded to A(high) by Dominion Bond Rating Service and A1 by Moody's. The bonds are non-recourse to the Province.

12. Raise approximately $30 million in the bond market for the Brilliant Sustaining Capital and Upgrades projects, and begin the necessary steps to obtain debt financing for the Arrow Lakes Generating Station.

    Result: Brilliant Series B project bonds in the amount of $28.2 million were successfully issued in September 2001. The proceeds were used to repay short term loans used to finance completed Brilliant upgrade and life extension projects.

    CPC took preliminary steps toward raising take-out financing for the Arrow Lakes Generating Station and transmission line. The amount of borrowing will be determined based on the capital requirements of other development projects.

13. Maintain CPC staffing and overhead costs at the minimum levels required to ensure the efficient delivery of the joint venture Manager function, and ensure a smooth transition for the 70 Utilicorp Networks Canada employees who will transfer to a subsidiary of Columbia Power Corporation/Columbia Basin Trust with the purchase of Utilicorp's generation business.

    Result:

	2002	2001
Full Time Equivalents	31	29
Operation, maintenance & administration (OMA) ($ per megawatt-hour)	2.8	2.6
Ratio of OMA to cost of energy supply	0.11	0.10

    The transition of Utilicorp employees did not occur, as the purchase of Utilicorp's generation business did not proceed.

Discussion of Financial Results

Net income earned by Columbia Power Corporation in 2001/02 was $0.6 million, compared to $3.7 million the previous year. The decrease in income was due primarily to lower interest earnings and the expensing of development costs related to the proposed purchase of Utilicorp Networks Canada's generation business in the Kootenays, which did not proceed because Utilicorp did not accept conditions imposed on the transaction by the British Columbia Utilities Commission. Partially offsetting these negative impacts were higher earnings from the sale of power from the Brilliant dam and revenues from early power sales from the Arrow Lakes Generating Station.

The past year was marked by severe volatility in electricity markets, which significantly affected the earnings of many industry participants. Columbia Power Corporation's earnings in 2001/02 were not impacted by these market conditions, as its revenues and costs were for the most part determined independently of these events.

The majority of interest revenue in prior years was earned in the segregated trust account held by British Columbia Investment Management Corporation in trust for Columbia Power Corporation. As no funds were held in this account during 2001/02, interest income declined significantly.

Capital spending totaled $59.0 million during the year, compared to $63.4 million in the prior year. Almost all of this expenditure was invested in power projects undertaken jointly with the Columbia Basin Trust. These investments were funded from the Trust's segregated trust account, issue of Brilliant Series B project bonds, short term borrowing and retained earnings. The major area of expenditure was construction of the Arrow Lakes Generating Station, followed by additions to the Brilliant power facility and Brilliant Expansion project development costs. Columbia Power Corporation provided advances to the Columbia Basin Trust for its share of joint venture capital spending.

During 2001/02, Columbia Power Corporation's return on equity declined to 0.2% from 1.5% the previous year, reflecting the fact that most of the corporation's projects were still in the development phase, with intensive capital spending being undertaken before revenues are received. As more projects enter the operations stage and begin to earn revenue, the return on equity will increase.

The rate of return on assets in service rose to 7.7% in 2001/02 from 7.2% the previous year. This rate of return is a function of the sales contract for the output of the Brilliant dam, under which the rate of return grows steadily each year to provide the target return on investment over the life of the contract.

Columbia Power Corporation used its undistributed cash earned from power projects to partially finance power project capital costs and pay for corporate asset additions. The corporation declared a dividend of $2 million for 2001/02. Future dividends will be determined based on annual cash earnings, working capital requirements, reserves for future capital replacement and new power project investment opportunities.

Key Financial Comparatives

($ in thousands unless otherwise stated)

		2001/02	2000/01	1999/00	1998/99	1997/98
Power sales	$	12,781	11,071	10,665	16,962	16,724
Interest and other earnings	$	711	2,811	3,730	3,455	1,584
Net income	$	550	3,716	3,641	4,518	2,389
Dividend Payments	$	2,000	3,000	-	-	-
Capital assets and deferred costs	$	266,148	210,005	174,402	150,006	138,705
Short term debt	$	63,491	20,343	-	-	-
Long term debt	$	59,839	46,288	46,756	47,185	47,578
Equity	$	287,011	288,461	225,796	168,437	138,659
Capital and deferred spending	$	58,999	63,095	26,225	12,677	16,387
Debt to Equity		43:57	23:77	21:79	28:72	34:66

COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2002

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 judgments relating to matters not concluded by fiscal year end, is the responsibility of management.

Management is responsible for establishing and maintaining appropriate systems of internal control, policies and procedures which are designed 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 management 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.

Lorne Sivertson	Randall G. Smith
President	Comptroller

May 10, 2002

Report of the Auditor General of British Columbia

To the Shareholder of Columbia Power Corporation, and

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

I have audited the consolidated balance sheet of *Columbia Power Corporation* as at March 31, 2002 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, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Wayne Strelioff

Victoria, British Columbia
May 10, 2002

Wayne Strelioff, CA
Auditor General

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31

($ in thousands)

	2002	2001
ASSETS		
Current assets		
Cash	$ 1,923	$ 1,602
Accounts receivable and unbilled revenue	4,031	4,267
Inventories (Note 3)	1,197	287
Prepaid expenses and deposits	749	666
	7,900	6,822
Capital assets (Note 4)	220,475	82,132
Other assets		
Due from joint venture partner (Note 5)	140,475	143,963
Hydroelectric power expansion rights (Note 6)	25,925	25,925
Deferred costs (Note 7)	8,372	90,572
Power sales right (Note 8)	11,376	11,376
Short term investments (Note 9)	3,923	3,328
Deferred debt issue costs (Note 10)	595	456
	190,666	275,620
	$ 419,041	$ 364,574

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)

	2002	2001
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 4,262	$ 3,832
Short term loan (Note 13)	63,491	20,343
Dividend Payable	2,000	3,000
Interest payable on long term debt	1,678	1,374
Current portion of long-term debt (Note 14)	790	510
Due to related parties (Note 20(d))	135	806
	72,356	29,865
Deferred revenue	625	470
Long-term debt (Note 14)	59,049	45,778
Equity		
Contributed surplus (Note 17)	276,065	276,065
Retained earnings	10,946	12,396
	287,011	288,461
	$ 419,041	$ 364,574

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)

	2002	2001
REVENUES		
Sale of power - Brilliant power facility	$ 12,277	$ 11,071
Sale of power - Arrow Lakes generating station	504	–
Interest	349	2,501
Management fee	362	310
	13,492	13,882
EXPENSES		
Water rentals	1,880	1,939
Amortization of capital assets in service	1,873	1,452
Property tax	882	814
Operations and maintenance	466	407
Provision for BC corporation capital tax	214	285
Administration and management	718	632
Insurance	192	164
Community sponsorship	72	75
Development costs expensed	1,537	114
Loss on disposal of fixed assets	33	-
Power sales revenue sharing (Note 18)	168	-
	8,035	5,882
INCOME FROM OPERATIONS	5,457	8,000
FINANCE CHARGES		
Interest on Brilliant project bonds	4,596	4,147
Bank charges and interest	289	119
Amortization of deferred debt issue costs	22	18
	4,907	4,284
NET INCOME FOR THE YEAR	$ 550	$ 3,716

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)

		2002		2001
RETAINED EARNINGS - beginning of year	$	12,396	$	11,680
Add: Net income		550		3,716
Deduct: Dividend declared		(2,000)		(3,000)
RETAINED EARNINGS - end of year	$	10,946	$	12,396

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)

	2002	2001
OPERATING ACTIVITIES:		
Net income for the year	$ 550	$ 3,716
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	1,873	1,452
Amortization of deferred debt issue costs	22	18
Development costs expensed	950	114
Loss on disposal of fixed assets	33	–
Net change in non-cash working capital balances	(536)	978
	2,892	6,278
FINANCING ACTIVITIES:		
Issue of share capital	–	61,949
Issue of Series B Brilliant project bonds	14,100	–
Proceeds of short term loans	71,347	20,344
Repayment of short term loans	(28,200)	–
Dividends paid	(3,000)	–
Deferred debt issue costs	(161)	–
Principal repayment of Brilliant project bonds	(551)	(468)
	53,535	81,825
INVESTING ACTIVITIES:		
Repayment from (Advance to) joint venture partner	3,488	(58,959)
Sale of expansion rights	-	25,925
Deferred costs	(3,283)	(51,692)
Short term investments	(595)	5,813
Additions to Brilliant power facility	(8,940)	(10,691)
Additions to Arrow Lakes generating station	(46,572)	–
Purchase of land	(53)	(155)
Transfer to operating reserve account	-	(308)
Purchase of furniture, equipment and vehicles	(151)	(557)
	(56,106)	(90,624)
INCREASE (DECREASE) IN CASH	321	(2,521)
CASH - BEGINNING OF YEAR	1,602	4,123
CASH - END OF YEAR	$ 1,923	$ 1,602

The accompanying notes are an integral part of the financial statements

1. Columbia Power Corporation

(a) Structure and financing

Columbia Power Corporation (CPC) was incorporated in 1994 under the Company Act of British Columbia and 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).

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, subject to the direction of the Joint Venture Management Committees, as well as annual capital and operating budgets approved by the Committees, to manage the day-to-day activities. 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 to be transferred to a separate joint venture.

(c) Brilliant power facility

In 1996, CPC and CBT Power entered into the Columbia Basin Power Company (CBPC) Joint Venture Agreement. Under this Agreement, the parties formed an unincorporated joint venture for the purpose of operating the Brilliant Dam assets.

Brilliant Power Funding Corporation (BPFC) was incorporated in 1996 under the Company Act of British Columbia and was established to hold legal title to the Brilliant Dam assets as well as to issue Brilliant Project Bonds as agent and nominee for CPC and CBT Power. The rights to the use and enjoyment of the Brilliant Dam assets have been assigned to CBPC.

Under the Agreement, the Venturers specify that, unless otherwise agreed by them, their liabilities and obligations under CBPC's agreements are to be several and equal to their participating interest in CBPC. The Venturers cannot use their CBPC participating interest as security for indebtedness.

(d) Arrow Lakes Generating Station Project

In 1998, CPC and CBT Arrow Lakes Power Development Corp., (CBT Arrow Lakes) a subsidiary of CBT Energy, entered into the Keenleyside Power Company (since renamed Arrow Lakes Power Company (ALPC)) Joint Venture Agreement. Under this Agreement, the parties formed an unincorporated joint venture, primarily for the construction of a powerplant (the Arrow Lakes Generating Station (ALGS)) at the Hugh Keenleyside Dam and a transmission line from the powerplant to the Selkirk substation.

Arrow Lakes Power Development Corporation (ALPDC) was incorporated in 1998, under the Company Act of British Columbia. ALPDC was established to hold legal title to the real and tangible personal property comprising ALGS and transmission lines, as agent and nominee for the Venturers. The rights to the use and enjoyment of ALGS and transmission line assets have been dedicated to ALPC.

The first of two generating units achieved start-up status in February 2002, at which time the project began earning revenues.

(e) 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 Dam and ALGS, and receives all of the resulting electrical power. In return, BC Hydro provides CBPC 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, Utilicorp Networks Canada (British Columbia) (UNC), a regulated utility operating in British Columbia, will purchase the power under the Brilliant Dam Entitlement. 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 UNC composed of an operation and maintenance cost charge and a return on capital charge. In the second 30 years of the contract with UNC, there will be an annual market-related price adjustment. Additional revenues are received for power entitlement attributable to the effect of turbine upgrades together with regulated water flows.

(iii) Powerex Backstop Agreement

This agreement with Powerex Corp. (Powerex, a subsidiary of BC Hydro) provides for Powerex to purchase the Brilliant Entitlement if CBPC terminates the Brilliant Power Purchase Agreement by reason of default by UNC, ensuring that operational and maintenance costs can be paid and a return on capital is earned.

(iv) Management Agreements

CBPC

Under the CBPC Management Agreement, UNC operates and manages the Brilliant Dam on behalf of CBPC. The management fee and other amounts payable under the Agreement form part of operational and maintenance costs recovered under the Brilliant Power Purchase Agreement (Note 1(e)(ii)).

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

ALPC

Under the ALPC Operation and Maintenance Agreement, Utilicorp British Columbia (UCBC - the unregulated parent company of UNC) operates and manages ALGS on behalf of ALPC.

(v) Design-Build Contract

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 powerplant. Under the contract, the powerplant is scheduled to be completed by the end of 2002. 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.

(vi) Power Sales Right

In 1997, the Venturers acquired the right and obligation to provide up to 86 average MW to BC Hydro during the period January 1, 2003 to December 31, 2014. ALPC intends to use the power under the Entitlement Agreement to meet its obligations under the contract.

(vii) Early Power Sales

In December 2000 and April 2001, agreements were reached with Powerex regarding the sale of ALGS commissioning and entitlement energy produced up to and including December 31, 2002.

(viii) Supplemental Agreement

In May 2001, ALPC and PKS entered into an agreement to share the benefits of completion of ALGS in advance of dates defined in the design-build contract.

(ix) Option Agreement

In 2001, the Province signed an option agreement granting CBT Energy the right to acquire 100% of the outstanding shares of CPC at a price equal to the greater of CPC's equity book value and market value. The option expires in July 2005.

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 include CPC's operations and interests in PPPJV, CBPC, 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) Revenue recognition

UNC is the purchaser of all power received under the Brilliant Dam Entitlement. 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(e)(ii)) and as regulated upgrade entitlements are delivered.

Revenues for ALPC comprise sales of entitlement energy under a sales agreement with Powerex (Note 1(e)(vii)). Revenues are recognized on the basis of energy as set out in the entitlement agreement with BC Hydro (Note 1(e)(i)).

(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.

(i) Brilliant power facility

The Brilliant power facility is recorded at cost and is amortized on a straight line basis over 60 years, consistent with the 60 year term of the Brilliant Power Purchase Agreement and the revenues provided under that agreement. Capital additions to the Brilliant power facility are recorded at cost and are amortized on a straight-line basis over 30 years, consistent with the 30 year sustaining capital expenditure recovery provided by the Brilliant Power Purchase Agreement. Upgrades capital expenditures are amortized on a straight-line basis over the remainder of the 60 year Brilliant Power Purchase Agreement, which provides for recovery of upgrades capital expenditures over the same period.

(ii) Arrow Lakes Generating Station Project

Costs incurred in undertaking the development and construction of ALGS, including all costs attributable to the project as well as capitalized interest and taxes, were deferred. When ALGS was placed into commercial production, the related deferred costs formed part of the capital assets. Capital assets are recorded at cost and depreciated over their expected useful lives. The expected useful lives, in years, are:

Powerplant	11 - 77
Transmission	33 - 100

(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 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

Expenditures incurred in issuing the Series A and B Brilliant Project Bonds are deferred and amortized on a straight-line basis over the term of the bonds.

(f) Taxes

CPC is exempt from corporate income taxes and federal large corporations tax.

(g) 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.

(h) 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.

3. Inventories

Land inventory was purchased as a result of transmission Right of Way (ROW) acquisition. Spare parts were acquired as specific items under the design-build contract with PKS.

The value of land held for resale is based on the lower of cost and net realizable value. Any gains or losses upon sale of land inventory will reduce or increase the net cost of the ROW. Spare parts are recorded at cost.

($ in thousands)	**2002**	**2001**
Land	$ 285	$ 287
Spare parts	912	–
	$ 1,197	$ 287

4. Capital assets

($ in thousands)	Cost	Accumulated Amortization	NBV 2002	NBV 2001
Brilliant power facility	$ 91,621	$ 7,325	$ 84,296	$ 76,973
Brilliant lands	2,359	-	2,359	2,359
ALPC power facility	119,501	35	119,466	-
ALPC transmission	10,586	4	10,582	-
ALPC lands	3,101	-	3,101	2,033
Other lands	40	-	40	37
Computer systems	290	218	72	72
Furniture and equipment	344	153	191	153
Leasehold improvements	478	170	308	434
Vehicles	94	34	60	71
	$ 228,414	$ 7,939	$ 220,475	$ 82,132

5. Due from joint venture partner

(a) Non-interest bearing advance

Under the terms of the Joint Venture Agreements (Note 1), CPC has made interest free advances to fund the Trust's share of joint venture cash contributions. Such advances are secured by the Trust's commitment to use its future power project contributions from the Province to repay any advances owed to CPC from the Trust. Further, the Trust pledges its interest in joint venture assets to CPC while advances are owed by it to CPC.

(b) Interest bearing advance

During the year, CPC made interest bearing advances to the Trust for power project capital spending from its retained earnings and short term borrowing. Interest at an average rate of 3.7% (2001 - 6.3%) was charged, based on CPC's investment opportunity cost and short term borrowing interest incurred. The advance is expected to be substantially repaid during 2003 from equity received by the Trust from the Province and by issuance of long term bonds.

6. Hydroelectric power expansion rights

This 50% interest in hydroelectric power expansion rights is recorded at cost and includes options to acquire lands near the Waneta and Brilliant dams at no additional cost and the right to develop and operate new hydroelectric facilities on these lands. The fair value of these rights may differ from cost. A fair value is not readily determinable due to the unique nature of the expansion rights.

7. Deferred costs

($ in thousands)	2002	2001
Deferred power project costs		
Power Project Planning Joint Venture	$ 8,372	$ 6,040
Arrow Lakes Power Company	-	84,532
	$ 8,372	$ 90,572

Deferred power project costs are carried on the balance sheet of CPC based on management's judgment of anticipated future events. A number of significant estimates and qualitative factors are considered by management in determining the economic viability of each project. Changes in significant assumptions underlying future cash flow estimates may have a material effect on the economic viability of projects.

8. Power sales right

The power sales right is recorded at cost. 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.

9. Short term investments

Under its agreements with Bondholders, CBPC 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 and B Brilliant Project Bonds. CBPC also maintains an operating reserve account in an amount equal to one-quarter of annual operating expenses. CPC's 50% share of short term investments held by CBPC:

($ in thousands)	2002	2001
Debt service reserve fund		
HSBC	$ 2,913	$ 2,318
Operating reserve account		
CIBC	1,010	1,010
	$ 3,923	$ 3,328

10. Deferred debt issue costs

CPC's 50% share of debt issue costs incurred by CBPC in issuing long term debt:

	2002	2001
Deferred debt issue costs	$ 704	$ 544
Accumulated amortization	(109)	(88)
	$ 595	$ 456

11. Proportionately consolidated joint ventures

CPC participates in three active power project joint ventures with subsidiaries of the Trust. CPC has included in its consolidated financial statements and notes the following financial position, operating results, and cash flows which represent its 50% interest in PPPJV, ALPC and CBPC:

(i) Financial Position

($ in thousands)	2002	2001
Assets		
Plant and equipment	$ 221,708	$ 82,680
Accumulated amortization	(7,364)	(5,707)
	214,344	76,973
Land	5,460	4,392
Capital assets	219,804	81,365
Deferred costs	8,372	90,983
Expansion rights	25,925	25,925
Power sales right	11,376	11,376
Current assets	7,721	6,555
Other assets	4,518	3,783
	277,716	219,987
Liabilities		
Long-term debt	(94,486)	(59,056)
Current liabilities	(7,696)	(7,840)
	(102,182)	(66,896)
Equity in Joint Ventures	$ 175,534	$ 153,091

(ii) Operating Results

($ in thousands)	2002	2001
Revenues		
CBPC	$ 12,470	$ 11,491
ALPC	504	-
	12,974	11,491
Expenses		
CBPC	10,362	9,651
ALPC	258	-
PPPJV	1,537	116
	12,157	9,767
Net income	$ 817	$ 1,724

(iii) Cash Flows

($ in thousands)	2002	2001
Opening cash	$ 1,216	$ 3,563
Cash from operations	3,540	4,823
Cash applied to investments	(60,433)	(63,261)
Cash from financing	59,898	57,841
CBPC cash distribution	(2,475)	(1,750)
Closing Cash	$ 1,746	$ 1,216

12. 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 to 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). Under the EPBP, CPC contributes each year to a trustee, in advance, an irrevocable and renewable letter of credit in an amount necessary to provide the EPBP benefits accruing and any unfunded liability. Employee contributions are not required under the EPBP.

An actuarial valuation of the EPBP was performed by McFarlane Amerlee Consulting Limited Actuaries & Pension and Benefit Consultants, at February 5, 2002. Based on this valuation, a pension liability estimated to be $124 thousand at March 31, 2002 (2001 - $97 thousand) is included in accrued liabilities.

13. Short term loan

To fund project development costs in excess of cash available from capital contributions from the Province, CPC borrowed funds from Provincial Treasury throughout the year on a short term basis. The loans outstanding at year end totaled $63.5 million (2001 - $20.3 million) and had an average interest rate of 1.7% (2001 - 4.7%). The loans are expected to be substantially repaid during 2003 using equity received by the Trust from the Province and by issuance of long term debt.

14. Long term debt

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

The Bonds are redeemable by CBPC 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, or 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 B Bonds were issued September 27, 2001. CPC's 50% share of long term debt issued by CBPC:

($ in thousands)

Series	Semi-annual Coupon rate	Maturity date	2002	2001
A	8.93%	May 31, 2026	$ 45,778	$ 46,288
B	6.86%	May 31, 2026	14,061	-
			59,839	46,288
Current portion			(790)	(510)
			$ 59,049	$ 45,778

Principal repayments next five years:	
2003	$ 790
2004	857
2005	930
2006	1,008
2007	1,095
Subsequent years	55,159
	$ 59,839

15. Credit facility

In accordance with the agreements with Bondholders, CBPC has secured a $10 million credit facility with the Canadian Imperial Bank of Commerce (CIBC), which would rank equally with the Series A and B Bonds.

16. Share capital

Authorized:
100,000,000 common shares, no par value

Issued:
6 common shares $6

17. 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.

18. Power sales revenue sharing

The design-build contract and supplemental agreement include an incentive bonus for early completion. The contractor is entitled to receive a portion of the sales revenue for any marketable power produced up to and including December 31, 2002. The contractor's share of revenue is treated as a capital cost, except for a portion that relates to higher than expected power prices in the incentive period. The capital portion of the contractor incentive bonus is based on forward price forecasts for power at the date the design-build contract was signed.

($ in thousands)		2002
Power sales revenue sharing	$	252
Less: capital portion of power sales revenue sharing		(84)
Net power sales revenue sharing expense	$	168

19. Commitments

(a) Columbia Basin Power Company

Under its agreements with Bondholders, CBPC has committed to keep the Brilliant Dam in good operating condition and to effect all necessary repairs and replacements to the Brilliant Dam to maintain the Brilliant Dam Entitlement, subject in each case to the requirements of good industry practice.

(b) ALPC fish entrainment compensation

ALPC has made a commitment to contribute $175 thousand annually, adjusted for inflation, to compensate for fish entrainment for as long as fish are entrained in ALGS. This funding will initially be used for fertilizing fish stocks in the Upper and Lower Arrow reservoirs.

20. Related party transactions

(a) The Trust

The Trust and its subsidiaries charged the joint ventures $646 thousand (2001 - $458 thousand) for overhead, professional services and accounting costs directly related to joint venture activities.

(b) Payments to BC Hydro

BC Hydro provided $2.3 million (2001 - $1.1 million) of project consulting and management services to the joint ventures at market rates.

(c) Due from related parties

Accounts receivable includes $263 thousand ($165 thousand US) from Powerex Corp. The amount represents a current receivable and was paid subsequent to year end.

(d) Due to related parties

Amounts due to related parties include the following:

($ in thousands)	2002	2001
BC Hydro	$ 56	$ 231
The Trust and subsidiaries	27	461
Other	52	114
	$ 135	$ 806

The amounts represent current payables and were paid subsequent to year end.

21. Subsequent events

(a) CBT non-interest bearing advance repayment

In April 2002, the Province transferred $50 million to the Trust's segregated trust account. In accordance with the Agreement between the Province and the Trust, the funds were transferred to CPC as partial repayment of the non-interest bearing advance. The funds were immediately used by CPC to fund joint venture power project capital spending.

(b) ALGS start-up

In May 2002, the second of two generating units at ALGS achieved start-up status.

22. Contingencies

(a) Power Projects

CPC's power project investment activities are affected by federal, provincial and local government laws and regulations. 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.

The Joint Venturers' power project construction program is dependent on the funding arrangements detailed in the Agreement between the Province and the Trust. The Agreement states that all of the Province's payments to the Trust and CPC are subject to the appropriation of sufficient funds in that year's Provincial Budget.

(b) Columbia Basin Power Company

The operation of the Brilliant Dam is affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, CBPC has agreed to comply or cause compliance in all material respects with such laws and regulations as well as to maintain all material franchises. The financial impact, if any, of complying with future legislative or regulatory requirements cannot currently be estimated.

(c) Arrow Lakes Power Company

The ALGS construction contractor has made a claim for costs incurred to meet seismic construction standards. While the final outcome of this claim cannot be predicted with certainty, it is the opinion of management that the resolution of the claim will not have significant effect on the Company's financial position.

The operation of ALGS 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.

23. Comparative figures

Certain 2001 figures have been reclassified to conform with the current year's presentation.

Board of Directors

Lorne Sivertson
President
Columbia Power Corporation

Ed Pietraszek
Corporate Secretary/Treasurer
Columbia Power Corporation

Officers

Lorne Sivertson
President

Victor Jmaeff
Vice-President, Operations and Engineering

Bill Freeman
Vice-President, Planning and Development

Bruce Duncan
Vice-President, Strategic Planning

Ed Pietraszek
Corporate Secretary/Treasurer

Wally Penner
Director, Community and Regional Affairs

Randall Smith
Comptroller

Corporate Governance

Columbia Power Corporation was incorporated under the British Columbia *Company Act*. It is owned and controlled by the Province and is an agent of the Province. Under the terms of its agency agreement, Columbia Power Corporation must obtain the approval of the Province's Treasury Board for all budgets and material decisions. Its directors are appointed annually by the Province. All employees are bound by the Columbia Power Corporation Standards of Conduct.

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

The power project investments of Columbia Power Corporation and the Columbia Basin Trust are guided by the principle, as stated in the Financial Agreement between the Province and the Columbia Basin Trust, that the joint venture management committee formed with respect to a power project will only authorize the commencement of the power project if such commencement is approved by the respective boards of directors of Columbia Power Corporation and the Columbia Basin Trust and such power project would meet conditions precedent as would be set by a reasonable lender for the financing of such power project, including conditions in respect of debt servicing, return on equity, permits, construction agreements, contracts for the sale or distribution of electricity and similar matters.

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

Additional copies of this Annual Report
are available from the addresses below:

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