



Third Quarter Financial Report

For the three and nine months ended December 31, 2009
(Unaudited)

Vancouver, Canada
January 26, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management has prepared a discussion and analysis of British Columbia Transmission Corporation's (BCTC) business operations and significant events that have affected the results of operations and financial position for the three and nine months ended December 31, 2009. References to transmission system and assets contained in this discussion and analysis include those systems and assets which BCTC plans, builds, operates and manages, which are owned by BC Hydro, in addition to BCTC's assets. This Management's Discussion and Analysis should be read in conjunction with the Management's Discussion and Analysis presented in the 2009 Annual Report, the 2009 Annual Financial Statements and the unaudited interim financial statements for the three and nine months ended December 31, 2009 and 2008. These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and are expressed in Canadian dollars.

Highlights

Capital

- Two Generator Interconnection projects were placed in service to connect green renewable electricity generating capacity of 152 MW to the transmission grid.
- Following the September announcement that up to \$130 million will be funded from the Federal Green Infrastructure Fund to support construction of the estimated \$400 million Northwest Transmission Line (NTL) project, discussions regarding terms and conditions of the contribution continue between the Federal and Provincial governments. BCTC's application for an Environmental Assessment Certificate (EAC) for NTL is expected to be filed in the first quarter of 2010.
- For the Interior to Lower Mainland (ILM) project, the effect of the Certificate of Public Convenience and Necessity (CPCN) is currently suspended and an oral hearing commenced in January 2010 related to the adequacy of consultation with First Nations. Two judicial review applications to overturn the EAC are expected to be heard by the BC Supreme Court in June 2010.
- To provide additional time for public input, the BCUC extended the proceeding for review of BCTC's application for a CPCN for the Vancouver City Central Transmission (VCCT) project. The proceeding is moving ahead and a decision is expected in June 2010. Construction is expected to begin soon after a CPCN is granted.
- In January 2010, BCTC will be filing a CPCN application with the BCUC for the Columbia Valley Transmission (CVT) project.

Financial

- BCTC continues to manage its operating costs in a prudent manner, while delivering on the company objective of maintaining a safe and reliable transmission system.

- BCTC's application to the BCUC to clear the March 31, 2009 deferral account balances was approved, resulting in a recovery of approximately \$14.5 million in October 2009.
- In November 2009, BCTC received BCUC approval for two new deferral accounts; the Aboriginal Relations Deferral Account and the Polychlorinated Biphenyls (PCB) Mitigation Deferral Account.

Long Term Electricity Transmission Inquiry

- The inquiry into long-term determinations regarding BC's bulk electrical transmission infrastructure and capacity needs has been suspended until May 31, 2010. The Minister of Energy, Mines and Petroleum Resources (the Minister) has indicated that new terms of reference will be issued for the inquiry.

Other

- During the quarter the Province of British Columbia provided direction for potential funding to allow BCTC to continue to lead British Columbia's involvement in exploring and evaluating opportunities for increasing the Province's transmission capacity to improve access to external markets.

Results of Operations

Results of operations for the three and nine months ended December 31, 2009 are as follows:

(\$ in millions)	For the three months ended December 31			For the nine months ended December 31		
	2009	2008*	Variance	2009	2008*	Variance
Revenues						
Transmission services	\$ 20.1	\$ 22.5	\$ (2.4)	\$ 60.8	\$ 67.6	\$ (6.8)
Asset management and maintenance fee	23.1	22.7	0.4	69.3	68.2	1.1
Service fees and other	16.0	14.3	1.7	44.7	39.3	5.4
Total Revenue	59.2	59.5	(0.3)	174.8	175.1	(0.3)
Expenses						
Operations, Maintenance and Administration (OMA)	54.7	52.3	2.4	152.0	147.7	4.3
Depreciation and Amortization	4.3	4.4	(0.1)	13.2	15.0	(1.8)
Cost of market and other asset related cost	2.2	2.6	(0.4)	6.3	7.0	(0.7)
Total Expenses	61.2	59.3	1.9	171.5	169.7	1.8
Other income	0.1	-	0.1	0.3	0.1	0.2
Income (loss) before Deferral Accounts Transfers	(1.9)	0.2	(2.1)	3.6	5.5	(1.9)
Deferral accounts	2.2	1.1	1.1	4.2	3.2	1.0
Net Income	\$ 0.3	\$ 1.3	\$ (1.0)	\$ 7.8	\$ 8.7	\$ (0.9)
Other comprehensive income	-	0.3	(0.3)	-	0.3	(0.3)
Comprehensive Income	\$ 0.3	\$ 1.6	\$ (1.3)	\$ 7.8	\$ 9.0	\$ (1.2)

* Includes reclassification of capital overhead billings from OMA to Revenue.

Results of Operations

BCTC had net income of \$0.3 million and \$7.8 million for the three and nine months ended December 31, 2009 compared to net income of \$1.3 million and \$8.7 million for the three and nine months ended December 31, 2008. The decrease in third quarter net income is primarily due to higher OMA expenses, net of deferrals.

Transmission services

Transmission services revenues were \$20.1 million and \$60.8 million for the three and nine months ended December 31, 2009, compared to \$22.5 million and \$67.6 million for the three and nine months ended December 31, 2008. The lower revenues are primarily due to lower approved rates compared to F2009 and lower volumes in point-to-point revenues.

Service fees and other

Service fees and other revenues for the three and nine months ended December 31, 2009 were \$16.0 million and \$44.7 million, an increase of \$1.7 million and \$5.4 million from the same periods in the prior year. The increased revenues are primarily due to recoveries of NTL project costs from BC Hydro and Substation Distribution Asset Service revenue, offset by lower study revenues related to new generator interconnection activities.

Operations, Maintenance and Administration (OMA)

OMA totalled \$54.7 million and \$152.0 million for the three and nine months ended December 31, 2009, as compared to \$52.3 million and \$147.7 million for the same periods in 2008. Details of OMA cost variances are as follows:

(\$ in millions)	For the three months ended December 31			For the nine months ended December 31		
	2009	2008*	Variance	2009	2008*	Variance
Operations	13.9	\$ 13.3	\$ 0.6	\$ 39.8	\$ 36.9	\$ 2.9
Maintenance	30.2	28.8	1.4	81.4	81.5	(0.1)
Administration	10.6	10.2	0.4	30.8	29.3	1.5
Total OMA	54.7	\$ 52.3	\$ 2.4	\$ 152.0	\$ 147.7	\$ 4.3

* Administration expenses for the three and nine months ended December 31, 2008 have been restated to reclassify the portion of capital overhead costs recovered from BC Hydro as Revenue.

Operations costs increased by \$0.6 million and \$2.9 million respectively for the three and nine months ended December 31, 2009 compared to the same periods in the prior year. The increases are primarily due to higher NTL project costs, partially offset by lower System Control Modernization project (SCMP) costs.

Maintenance costs increased by \$1.4 million and decreased by \$0.1 million respectively for the three and nine months ended December 31, 2009 compared to the same periods in the prior year. The increase in the third quarter is primarily due to higher stations maintenance costs to ensure compliance with the revised Federal Polychlorinated Biphenyls (PCB) regulations and

advancement of work on transmission lines and programs in anticipation of the work program freeze during the 2010 Olympics; offset by lower transmission line inspections and delayed vegetation work.

Administration costs increased by \$0.4 million and \$1.5 million respectively for the three and nine months ended December 31, 2009 compared to the same periods in the prior year. During the third quarter, the increase of \$0.4 million is a result of higher information technology costs, service fees, and project consulting fees, partially offset by lower legal expenditures. The increase of \$1.5 million for the nine months is primarily due to higher information technology costs and rent for additional office space.

Depreciation and Amortization

Depreciation and Amortization for the three months ended December 31, 2009 is consistent with the same quarter in the prior year. The \$1.8 million decrease for the nine months ended December 31, 2009 is primarily due to assets reaching the end of their useful lives and becoming fully depreciated, partially offset by depreciation of new assets and higher dismantling costs.

Cost of market and other asset related costs

Cost of market and other asset related costs of \$2.2 million and \$6.3 million for the three and nine months ended December 31, 2009 are \$0.4 million and \$0.7 million lower than the same periods in the prior year due to a lower demand for ancillary services.

Regulation

Revenue Deferral Account

BCTC administers the Open Access Transmission Tariff (OATT) for transmission services to recover its own costs, as well as costs incurred by BC Hydro. For the nine months ended December 31, 2009, the total billings of \$433.4 million relating to network, point-to-point and ancillary services within the OATT is \$13.1 million lower than approved by the BCUC. This results in the \$13.1 million being recorded in the Revenue Deferral Account for future recovery. BC Hydro reports its portion of the approved OATT revenues in its financial statements and these revenues are not recorded in BCTC's Statement of Operations and Other Comprehensive Income.

The Revenue Deferral Account balance as at December 31, 2009 was \$13.3 million, which includes the current fiscal year deferrals and related accrued interest. Deferral amounts related to the previous fiscal year were recovered from customers in October 2009.

Recent Regulatory Developments

In December 2009, BCTC advised the BCUC of its F2011 Financial Forecast identifying that it does not intend to seek a change in existing rates for F2011.

BCTC earns its return on equity (ROE) based on a Special Direction issued to BC Hydro under which BC Hydro is to achieve a ROE equal to the benchmark ROE based on the most comparable investor-owned energy utility regulated by the BCUC. Terasen Gas is considered the most comparable; therefore the recently approved increase in Terasen's ROE could flow through to BC Hydro and BCTC. BCTC may submit an application to revise its ROE for F2011 to be consistent with that of Terasen.

In November 2009, BCTC received BCUC approval for two new deferral accounts; the Aboriginal Relations Deferral Account and the PCB Mitigation Deferral Account. The Aboriginal Relations Deferral Account covers incremental non-capital costs associated with First Nation consultation assessment and engagement activities, and the PCB Mitigation Deferral Account covers incremental costs incurred to comply with Federal PCB regulations.

A BCUC Order dated March 13, 2009 required that F2009 and F2010 rates could not be finalized until a decision was reached on BC Hydro's Application for Approval of the 2008 Long Term Acquisition Plan (LTAP). On July 27, 2009, the BCUC issued a decision on BC Hydro's LTAP, which made it necessary for BCTC to submit a second compliance filing for the final F2009 and F2010 rates. This was done on October 6, 2009 and the BCUC accepted the rates in November 2009. There is no financial impact to BCTC.

On January 8, 2010, BCTC filed an update to the F2010/F2011 Capital Plan with the BCUC for approval of additional expenditures over those approved in the previous submission. The update is required mainly due to changes in load forecasts, and changes in government regulations, all of which result in the acceleration of some projects and identification of new projects. BCTC expects a decision from the BCUC in June 2010.

Long Term Electricity Transmission Inquiry

In December 2008, the Minister issued terms of reference to the BCUC for an inquiry into long-term determinations regarding BC's bulk electrical transmission infrastructure and capacity needs. The findings from the inquiry will be factored into BCTC's long-term transmission vision.

In December 2009, the Minister indicated that the inquiry should be suspended until May 31, 2010, and that new terms of reference will be issued for the inquiry.

Liquidity

(\$ in millions)	For the three months ended December 31			For the nine months ended December 31		
	2009	2008	Variance	2009	2008	Variance
Cash and Cash Equivalents, beginning of period	\$ 1.2	\$ 1.1	\$ 0.1	\$ 4.1	\$ 8.1	\$ (4.0)
Cash Provided by (Used for):						
Operating Activities	4.7	11.5	(6.8)	(2.4)	15.2	(17.6)
Investing Activities	(4.3)	(3.9)	(0.4)	(10.4)	(11.8)	1.4
Financing Activities	1.1	(5.7)	6.8	11.4	(8.5)	19.9
Increase (decrease) in Cash and Cash Equivalents	1.5	1.9	(0.4)	(1.4)	(5.1)	3.7
Cash and Cash Equivalents, end of period	\$ 2.7	\$ 3.0	\$ (0.3)	\$ 2.7	\$ 3.0	\$ (0.3)

Operating Activities

Operating activities resulted in a cash inflow of \$4.7 million and a cash outflow of \$2.4 million for the three and nine months ended December 31, 2009 respectively, as compared to cash inflows of \$11.5 million and \$15.2 million for the same periods in the prior year. The increases in cash used during these periods of \$6.8 million and \$17.6 million are primarily due to higher working capital and accrued employee benefit changes.

Investing Activities

Cash used for investing activities during the three months ended December 31, 2009 was \$4.3 million, compared to \$3.9 million for the same period in the prior year. The increase in cash used for investing activities of \$0.4 million is primarily due to higher long-term prepaid expenses, partially offset by lower capital expenditures. Cash used for investing activities during the nine months ended December 31, 2009 was \$10.4 million compared to \$11.8 million for the same period in the prior year. The decrease in cash used of \$1.4 million is primarily due to lower capital expenditures related to property, plant and equipment.

Financing Activities

Financing activities resulted in cash inflows of \$1.1 million and \$11.4 million respectively for the three and nine months ended December 31, 2009 compared to cash outflows of \$5.7 million and \$8.5 million for the same periods in the prior year. The increases in net cash provided by financing activities of \$6.8 million and \$19.9 million are primarily due to increased short-term borrowing to fund operations, including payment of the annual Western Electricity Coordinating Council membership fee for 2010 which was paid quarterly in 2009 and additional pension fund contributions based on the actuarial valuation completed in July 2009.

Transmission Capital Expenditures

Capital expenditures for control centres, information technology and office facilities are financed and owned by BCTC whereas those relating to the transmission system are financed and owned by BC Hydro. The transmission capital expenditures are accounted for and reported in BC Hydro's financial accounts as the owner of the transmission assets and are not reflected in BCTC's financial statements.

Capital expenditures for the three and nine months ended December 31 were as follows:

(\$ in millions)	For the three months ended December 31			For the nine months ended December 31		
	2009	2008	Variance	2009	2008	Variance
Assets Owned by BCTC						
Control Centre Technologies	\$ 0.3	\$ 1.7	\$ (1.4)	\$ 0.7	\$ 7.4	\$ (6.7)
Information Technologies	2.6	2.4	0.2	8.1	4.0	4.1
Facilities	-	-	-	0.2	-	0.2
Total BCTC Capital Expenditures	\$ 2.9	\$ 4.1	\$ (1.2)	\$ 9.0	\$ 11.4	\$ (2.4)
Transmission Assets Owned by BC Hydro						
Sustaining Capital	\$ 39.0	\$ 24.6	\$ 14.4	\$ 109.3	\$ 71.3	\$ 38.0
Growth Capital	37.5	110.0	(72.5)	127.2	241.2	(114.0)
Less Contributions in Aid of Construction	(1.2)	(4.6)	3.4	(8.1)	(15.5)	7.4
Transmission Capital Investments funded by BC Hydro	\$ 75.3	\$ 130.0	\$ (54.7)	\$ 228.4	\$ 297.0	\$ (68.6)

Assets Owned by BCTC

Capital expenditures for the three and nine months ended December 31, 2009 totalled \$2.9 million and \$9.0 million respectively compared to \$4.1 million and \$11.4 million for the same periods in the prior year. The decreases of \$1.2 million and \$2.4 million respectively are primarily due to costs related to SCMP incurred in F2009 and not in F2010, partially offset by increased expenditures on information technology projects.

Assets Owned by BC Hydro

Sustaining Capital expenditures for the three and nine months ended December 31, 2009 totalled \$39.0 million and \$109.3 million respectively compared to \$24.6 million and \$71.3 million for the same periods in the prior year. The increases of \$14.4 million and \$38.0 million respectively are primarily due to expenditures incurred as part of the Emergency Wildfire Refurbishment project to restore the network damaged by severe fires during the first and second quarters, as well as costs to relocate transmission lines due to the construction of the new Port Mann bridge.

Growth related capital expenditures for the three and nine months ended December 31, 2009 totalled \$37.5 million and \$127.2 million respectively compared to \$110.0 million and \$241.2 million for the same periods in the prior year. The decreases of \$72.5 million and \$114.0 million respectively are largely due to the substantial completion of the Vancouver Island Transmission Reinforcement (VITR) project in F2009, offset by an increase in expenditures on the Generator Interconnection related projects like Upper Stave & Kwalsa, and East Toba & Montrose, and the Central Vancouver Island Transmission (CVI) project.

Recent Capital Project Developments

Generator Interconnection projects

- Two Generator Interconnection projects were placed in service to connect green renewable electricity generating capacity of 152 MW to the transmission grid. The Bear Mountain wind generation project and the Ashlu Creek run-of-river project were placed in service on October 24, 2009 and November 29, 2009 respectively.

Northwest Transmission Line (NTL) project

- The NTL project is a proposed 335 km, 287 kV transmission line that will extend from Terrace to Meziadin Junction and north to Bob Quinn Lake, providing access to the electricity grid and supporting economic diversification of the area.
- Following the September announcement that up to \$130 million will be funded from the Federal Green Infrastructure Fund to support construction of the estimated \$400 million NTL project, discussions regarding the terms and conditions of the contribution continue between the Federal and Provincial governments. In December 2009, the BC Environmental Assessment Office issued the approved Assessment Information Requirements for the project. BCTC's application for an EAC for NTL is to be filed in January 2010.

Interior to Lower Mainland (ILM) project

- The ILM project is a planned 255 km, 500 kV alternating current overhead electric transmission line from the Nicola Substation, near Merritt, to the Meridian Substation, in Coquitlam. The project is forecast to cost \$599 million and has an estimated in-service date of Fall 2014.
- In February 2009, the BC Court of Appeal issued its decision in the ILM project appeal, suspending the effect of the CPCN and stating that the BCUC should have considered the adequacy of First Nations consultation at the time the CPCN decision was made. In April 2009, the BCUC established a regulatory process to assess the adequacy of consultation with First Nations up to the date of the CPCN decision. In Fall 2009, BCTC filed supplemental evidence on First Nations consultation and completed the responses to information requests, and further intervenor evidence was also filed. A BCUC oral hearing on adequacy of First Nations consultation commenced in January 2010 and is expected to last approximately three weeks.
- In order to advance the project and ensure prudence of expenditures until such time as the CPCN is granted, BCTC is continuing consultation with First Nations and finalizing procurement documents.
- First Nations groups have petitioned the BC Supreme Court for a judicial review of the decision in June 2009 granting an EAC for the project. A formal hearing on this matter is expected in June 2010 and a decision should follow in the Fall of 2010.

Vancouver City Central Transmission (VCCT) project

- The VCCT project consists of a new enclosed 230/12 kV substation in the Mount Pleasant/South False Creek area of Metro Vancouver and two new underground 230 kV transmission circuits connecting the new substation to the existing transmission network. The project is forecast to cost \$201 million and has an estimated in-service date of spring 2012.
- To provide additional time for public input, the BCUC has extended the proceeding for review of BCTC's application for a CPCN. The proceeding is moving ahead and a decision is expected in June 2010. Construction is scheduled to begin as soon as a CPCN is granted.

Columbia Valley Transmission (CVT) Project

- The CVT project is required to address load growth and reliability issues in the upper Columbia Valley area between Invermere and Golden, BC. The required in-service date is October 2012.
- Initial stages of consultation with public stakeholders and First Nations, environmental studies and other preliminary work are complete. In January 2010, BCTC will be filing an application for a CPCN with the BCUC to build the project.

Central Vancouver Island Transmission (CVI) project

- The CVI project consists of a new 230/138 kV substation near Nanaimo and a new 12 km, 230 kV transmission line connecting to the existing transmission network. The project has an estimated in-service date of Fall 2010.
- Construction is progressing and the procurement process is substantially complete. The project is scheduled to meet the anticipated in-service date.

Market Operations and Development (MOD) project

- The MOD project is replacing and upgrading the existing Market Operations Business System with a new, consolidated and integrated suite of Market Operations Business applications. This project is essential to allow BCTC to deliver open access to the transmission system and to realize Network Integration Transmission Services and point-to-point revenue pursuant with the OATT. The project is forecast to cost \$10 million and has an estimated in-service date of spring 2010.
- In December 2009, the design for the new core applications was completed and system development commenced.

Transmission Services Agreement with FortisBC

- In October 2009, BCTC entered into a 50-year transmission services agreement with FortisBC. BCTC will be utilizing the FortisBC system to supply electricity to meet the load growth in the Woods Lake area. This agreement is mutually beneficial to BCTC and FortisBC and optimizes the use of existing transmission infrastructure, minimizes environmental impacts, and benefits ratepayers. On December 23, 2009, BCTC filed an application to the BCUC for review.

BALANCE SHEET

<i>(\$ in thousands)</i>	<i>Dec. 31, 2009 (Unaudited)</i>	<i>March 31, 2009 (Audited)</i>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,688	\$ 4,068
Accounts receivable	3,501	3,914
Prepaid expenses	5,875	2,150
Due from BC Hydro	3,469	-
Deferral accounts (Note 5)	15,140	14,262
	30,673	24,394
Other Assets	1,478	1,117
Prepaid Expenses - Long-Term	1,055	589
Property, Plant and Equipment (Note 6)	113,120	117,992
Intangible Assets (Note 7)	35,380	33,880
	\$ 181,706	\$ 177,972
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 14,003	\$ 21,357
Due to BC Hydro	-	5,701
Short-term debt (Note 8)	11,060	-
Current portion of obligations under capital lease (Note 11)	51	48
Deferred revenue	1,116	1,557
Deferred leasehold inducements	1,745	1,635
	27,975	30,298
Accrued Employee Benefits (Note 10)	21,319	22,992
Long-Term Debt (Note 8)	69,980	69,979
Obligations Under Capital Lease (Note 11)	3,418	3,456
	122,692	126,725
Shareholder's Equity		
Share capital	20,000	20,000
Retained earnings	38,698	30,910
Accumulated other comprehensive income (Note 9)	316	337
	59,014	51,247
	\$ 181,706	\$ 177,972

Commitments and Contingencies (Note 13)

See accompanying notes to the interim financial statements.

Approved on behalf of the Board:



David Emerson
 Chair of the Board



Bill Bakk
 Chair, Audit Committee

STATEMENT OF OPERATIONS AND OTHER COMPREHENSIVE INCOME

(Unaudited)

(\$ in thousands)	For the three months ended December 31		For the nine months ended December 31	
	2009	2008	2009	2008
Revenues				
Transmission services	\$ 20,093	\$ 22,521	\$ 60,792	\$ 67,566
Asset management and maintenance fees	23,100	22,725	69,300	68,175
Service fees and other	15,970	14,217	44,637	39,255
Investment income	12	80	108	125
	59,175	59,543	174,837	175,121
Expenses				
Cost of market	945	1,245	2,788	3,562
Operations, Maintenance and Administration	54,720	52,344	151,979	147,748
Taxes and grants	232	208	666	522
Depreciation of Property, Plant and Equipment	2,478	2,814	7,956	10,284
Amortization of Intangible Assets	1,850	1,637	5,187	4,735
Finance charges (Note 12)	981	1,116	2,884	2,849
	61,206	59,364	171,460	169,700
Income (Loss) From Operations	(2,031)	179	3,377	5,421
Other income	111	29	252	64
Income (Loss) Before Deferral Account Transfers	(1,920)	208	3,629	5,485
Deferral accounts (Note 5)	2,201	1,051	4,159	3,166
Net Income	\$ 281	\$ 1,259	\$ 7,788	\$ 8,651
Other comprehensive income (Note 9)	-	344	-	344
Comprehensive Income	\$ 281	\$ 1,603	\$ 7,788	\$ 8,995

STATEMENT OF RETAINED EARNINGS (Unaudited)

(\$ in thousands)	For the nine months ended December 31	
	2009	2008
Retained Earnings, beginning of period	\$ 30,910	\$ 23,793
Net Income	7,788	8,651
Retained Earnings, end of period	\$ 38,698	\$ 32,444

See accompanying notes to the interim financial statements.

STATEMENT OF CASH FLOWS (Unaudited)

	<i>For the three months ended December 31</i>		<i>For the nine months ended December 31</i>	
<i>(\$ in thousands)</i>	2009	2008	2009	2008
Operating Activities				
Net income	\$ 281	\$ 1,259	\$ 7,788	\$ 8,651
Adjustment for non-cash items:				
Depreciation of Property, Plant and Equipment	2,478	2,814	7,956	10,284
Amortization of Intangible Assets	1,850	1,637	5,187	4,735
Other amortization expense included in Operations, Maintenance and Administration	58	51	(291)	377
Allowance for Funds Used During Construction - equity	(111)	(29)	(252)	(64)
Accrued Employee Benefits changes	77	821	(1,673)	882
	4,633	6,553	18,715	24,865
Changes in non-cash working capital	52	4,934	(21,154)	(9,670)
Cash provided by (used for) operating activities	4,685	11,487	(2,439)	15,195
Investing Activities				
Property, Plant and Equipment expenditures	(1,862)	(2,983)	(3,027)	(9,653)
Intangible Assets expenditures	(894)	(931)	(5,731)	(1,722)
Addition to long term prepaid expenses	(1,265)	-	(1,265)	-
Other assets, net of repayment	(274)	10	(361)	(462)
Cash used for investing activities	(4,295)	(3,904)	(10,384)	(11,837)
Financing Activities				
Proceeds from long term debt	-	29,990	-	29,990
Proceeds from interest rate hedge	-	348	-	348
Repayment of long term debt	-	(30,000)	-	(30,000)
Proceeds from short-term debt	46,058	24,955	145,054	138,946
Repayment of short-term debt	(44,996)	(30,946)	(133,993)	(147,958)
Leasehold inducements	-	-	417	228
Principal payments of obligations under capital lease	(12)	(12)	(35)	(50)
Cash provided by (used for) financing activities	1,050	(5,665)	11,443	(8,496)
Increase (decrease) in cash and cash equivalents	1,440	1,918	(1,380)	(5,138)
Cash and cash equivalents, beginning of period	1,248	1,096	4,068	8,152
Cash and cash equivalents, end of period	\$ 2,688	\$ 3,014	\$ 2,688	\$ 3,014
Supplemental disclosure of cash flow information				
Interest paid	\$ 1,784	\$ 1,971	\$ 2,486	\$ 2,796

See accompanying notes to the interim financial statements.

Note 1: Nature of Operations

The British Columbia Transmission Corporation (BCTC) is a provincial Crown corporation incorporated on May 2, 2003 under the BC *Business Corporations Act*. BCTC is authorized by the *Transmission Corporation Act* (May 29, 2003) and the Key Agreements designated by the Lieutenant Governor in Council (November 20, 2003) pursuant to that Act to plan, operate and manage the British Columbia Hydro and Power Authority's (BC Hydro) electric transmission system. As part of the British Columbia Energy Plan, BCTC's mandate is to plan, build, operate and manage BC Hydro's transmission assets and provide open and non-discriminatory access to BC's electric transmission system. BCTC reports to the Minister of Energy, Mines and Petroleum Resources and is regulated by the British Columbia Utilities Commission (BCUC).

Going Concern

These interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and payment of liabilities in the ordinary course of business. Management considers that BCTC has adequate resources to remain in operation for the foreseeable future and is not aware of any material uncertainties that may cast significant doubt upon BCTC's ability to continue as a going concern.

Note 2: Accounting Policies

These interim financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles (GAAP) for preparation of interim financial statements and do not conform in all respects to the disclosure requirements for annual statements. The accounting policies and methods of application used in the preparation of these interim financial statements are consistent with the accounting policies used in BCTC's year end audited financial statements of March 31, 2009, except as noted in Note 3.

These financial statements should be read in conjunction with the Audited Financial Statements and accompanying notes in BCTC's 2009 Annual Report.

Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation of the current quarter.

The adoption of Section 3064, Goodwill and Intangible Assets resulted in a transfer of \$33,880,000 from Property, Plant and Equipment to Intangible Assets on March 31, 2009.

These reclassifications have no impact on net income.

Note 3: Adoption of New Accounting Standards

Intangible Assets

On April 1, 2009, BCTC adopted Section 3064, Goodwill and Intangible Assets, a new accounting standard issued by the Canadian Institute of Chartered accountants (CICA). Section 3064 establishes standards for recognition, measurement and disclosure of goodwill and intangible assets.

Note 4: Future Accounting Changes

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed the decision and timeline to adopt globally accepted accounting standards by converging Canadian GAAP with IFRS for publicly accountable enterprises. In December 2009, the Public Sector Accounting Board (PSAB) amended the introduction to the Public Sector Accounting Handbook confirming that government business enterprises are directed to adhere to standards for publicly accountable enterprises in the private sector as determined by the AcSB. The AcSB confirmed that the date for the first full set of IFRS financial statements will be for fiscal years beginning on or after January 1, 2011, with comparative figures for the prior year.

BCTC engaged an external advisor and assembled a core project team to assess and evaluate IFRS. A Steering Committee was formed to establish project governance and regular reporting is provided to the Audit Committee and Board of Directors. Identification of potential differences between IFRS and existing GAAP, as well as detailed assessment of those expected differences has been reviewed. BCTC will continue with the processes necessary to be prepared to comply with PSAB directions.

Financial Instruments

In June 2009, the AcSB issued amendments to the CICA Handbook Section 3862, *Financial Instruments Disclosures* to include additional disclosure requirements about the fair value measurement of financial instruments and to enhance liquidity risk disclosures. The amendments are effective for annual financial statements relating to fiscal years ending after September 30, 2009. BCTC will reflect any additional disclosures in its F2010 annual audited financial statements.

Note 5: Regulation

<i>(\$ in thousands)</i>	Mar. 31, 2009		(Recovered) /		Current Deferrals		Net	Dec. 31, 2009
	Balance	Adj.	Refunded		BCTC	BC Hydro	Interest	Balance
Revenue	\$ 10,311	\$ 67	\$ (10,596)		\$ 2,337	\$ 10,732	\$ 404	\$ 13,255
Emergency Maintenance	3,218	(25)	(3,258)		-	-	65	-
Cost of Market	(236)	-	241		(973)	-	(21)	(989)
Regulatory Expense	681	-	(695)		-	-	14	-
IFRS costs	236	-	(240)		493	-	11	500
Section 5 Inquiry	52	-	-		1,325	-	20	1,397
PCB	-	-	-		968	-	1	969
Aboriginal Relations	-	-	-		8	-	-	8
Total	\$ 14,262	\$ 42	\$ (14,548)		\$ 4,158	\$ 10,732	\$ 494	\$ 15,140

The interest on Deferred Revenue includes \$219,000 interest income from BC Hydro's portion of the revenue requirement. This amount is not reflected in BCTC's finance charges. The adjustment of \$67,000 in the Revenue Deferral account reflects the difference between the forecasted and actual Transmission services revenue in F2009. An adjustment was made to the Emergency Maintenance Deferral account to reallocate \$25,000 of costs not related to emergency maintenance to Operations, Maintenance and Administration expenses.

The interest recorded in each of the deferral accounts was based on BCTC's weighted average cost of debt as at December 31, 2009, of 4.18% (F2009 - 4.42%).

Notes to the Financial Statements (Unaudited)

December 31, 2009

Note 6: Property, Plant and Equipment

<i>(\$ in thousands)</i>	Cost	Accumulated Depreciation	Dec. 31, 2009 Balance	Mar. 31, 2009 Balance
Buildings	\$ 72,148	\$ (2,903)	\$ 69,245	\$ 70,450
Buildings under capital lease	3,730	(732)	2,998	3,088
Land	4,370	-	4,370	4,370
Computer hardware and software	28,281	(12,584)	15,697	19,536
Communication equipment	4,981	(980)	4,001	4,112
Furniture and equipment	11,659	(2,283)	9,376	10,114
Leasehold improvements	4,196	(1,961)	2,235	2,607
Contributions in aid of construction	(144)	144	-	-
	129,221	(21,299)	107,922	114,277
Unfinished construction	5,198	-	5,198	3,715
Total	\$ 134,419	\$ (21,299)	\$ 113,120	\$ 117,992

Note 7: Intangible Assets

<i>(\$ in thousands)</i>	Cost	Accumulated Amortization	Dec. 31, 2009 Balance
Acquired computer software and licenses	\$ 63,229	\$ (35,271)	\$ 27,958
Internally-generated computer software	619	(202)	417
	\$ 63,848	\$ (35,473)	\$ 28,375
Unfinished software development	7,005	-	7,005
Total	\$ 70,853	\$ (35,473)	\$ 35,380

Intangible Assets reclassified from Property, Plant and Equipment as at March 31, 2009:

<i>(\$ in thousands)</i>	Cost	Accumulated Amortization	March 31, 2009 Balance
Acquired computer software and licenses	\$ 62,763	\$ (30,965)	\$ 31,798
Internally generated computer software	\$ 619	\$ (167)	452
	\$ 63,382	\$ (31,132)	\$ 32,250
Unfinished software development	\$ 1,630	-	1,630
Total	\$ 65,012	\$ (31,132)	\$ 33,880

Note 8: Debt

Short-Term Debt

Under the terms of an agreement with the Province of British Columbia, BCTC is authorized to borrow \$25,000,000 under the short-term commercial paper program which can be extended temporarily to \$40,000,000 for up to two months. Interest is charged at the prevailing money market rates.

During the nine months ended December 31, 2009, BCTC entered into twenty-seven short-term borrowings with interest rates varying from 0.10% to 0.28% and terms of 1 day to 115 days totalling \$145,053,000 of which \$133,993,000 has been repaid.

BCTC has available a \$5,000,000 demand revolving line of credit with a chartered bank. As at December 31, 2009, \$1,012,000 in letters of credit have been issued for the Vancouver Island Transmission Reinforcement project and the Saltery Bay Substation project. There were no draws on the line of credit for the nine months ended December 31, 2009.

Long-Term Debt

In June 2007, BCTC issued a bond, series BCTC-CP-124, to the Province of British Columbia with a coupon rate of 4.75% and an effective interest rate of 4.75%. The balance at December 31, 2009 consists of the face value of the bond of \$40,000,000, offset by \$11,000 transaction costs. The bond is due on June 11, 2017 with interest payable semi-annually in June and December. As at December 31, 2009, the fair value of this bond including accrued interest, as calculated by the BC government, is \$42,808,000 compared to the carrying value of \$39,989,000.

In November 2008, BCTC issued a bond, series BCCP-140, to the Province of British Columbia with a face value amount of \$30,000,000, a coupon rate of 5.06% and an effective interest rate of 4.92%. The balance at December 31, 2009 consists of the face value of the bond of \$30,000,000, offset by \$9,100 transaction costs. The bond is due on November 10, 2018 with interest payable semi-annually in May and November. As at December 31, 2009, the fair value of this bond including accrued interest, as calculated by the BC government, is \$32,511,000 compared to the carrying value of \$29,991,000.

<i>(\$ in thousands)</i>	Dec. 31, 2009	March 31, 2009
4.75% due June 11, 2017 (effective rate 4.75%)	39,989	39,989
5.06% due November 10, 2018 (effective rate 4.92%)	29,991	29,990
Total	\$69,980	\$ 69,979

Long-Term Debt expressed in Canadian dollars is summarized in the following table by year of maturity:

<i>(\$ in thousands)</i>	
Maturing in fiscal	
2011	\$ -
2012	-
2013	-
2014	-
2015 to 2019	69,980
Total	\$ 69,980

Note 9: Accumulated other comprehensive income

In August 2008, BCTC entered into a forward contract, designated as a cash flow hedge, to hedge interest rate risk on the future cash flows associated with the planned re-issuance of \$30,000,000 long-term debt. In November 2008, the forward contract was exercised resulting in a gain of \$348,000 which was recognized as Other Comprehensive Income in F2009 and is being amortized to interest expense over the life of the bond, which is due in November 2018.

<i>(\$ in thousands)</i>	Dec. 31, 2009	March 31, 2009
Opening Accumulated other comprehensive income	\$ 337	\$ -
Gain on forward contract	-	348
Less: Amortization to interest expense	(21)	(11)
Closing Accumulated other comprehensive income	\$ 316	\$ 337

Note 10: Accrued Employee Benefits

<i>(\$ in thousands)</i>	Dec. 31, 2009	March 31, 2009
Registered pension plan	\$ (9,950)	\$ (4,885)
Supplemental pension plan	5,935	5,348
Total accrued benefit liability	(4,015)	463
Post-retirement benefit costs	13,261	12,360
Time bank liabilities	12,073	10,169
Total	\$ 21,319	\$ 22,992

The defined benefit costs for the three and nine months ended December 31, 2009 are \$1,153,000 and \$3,460,000 (2008 - \$1,264,000 and \$3,814,000).

Note 11: Obligations Under Capital Lease

BCTC has land and buildings under capital and operating leases with BC Hydro. The capital lease for the South Interior Control Centre (SICC) was issued at an interest rate of 7.4% per annum compounded monthly with a term of 31 years.

The future minimum payments under capital lease with BC Hydro for the SICC are approximately as follows:

<i>(\$ in thousands)</i>	Capital Lease
Less than 1 year	\$ 304
Year 2	304
Year 3	304
Year 4	304
Year 5	304
Later than 5 years	6,063
Total future minimum payments	7,583
Less: imputed interest	(4,114)
Capital lease liability	3,469
Less: current portion	(51)
Long-term portion of capital lease	\$ 3,418

Note 12: Finance Charges

(\$ in thousands)	For the three months ended December 31		For the nine months ended December 31	
	2009	2008	2009	2008
Interest on debenture	\$ 858	\$ 954	\$ 2,563	\$ 2,531
Interest on capital leases	64	65	193	255
Other	8	63	38	292
Foreign exchange (gains) & losses	145	129	512	133
Less: AFUDC - debt	(64)	(17)	(145)	(39)
Interest on deferral accounts	(30)	(78)	(277)	(323)
Total	\$ 981	\$ 1,116	\$ 2,884	\$ 2,849

Note 13: Commitments and Contingencies

As at December 31, 2009, BCTC has \$5,384,000 remaining in the commitment for a facilities maintenance contract for the new control centres and \$4,961,000 remaining for commitments associated with the Market Operations and Development Business system upgrade.

In October 2009, BCTC entered into a 50-year transmission services agreement to utilize the FortisBC system in order to meet load growth in the Woods Lake area. This agreement is subject to BCUC review and approval. As part of the agreement, BCTC has committed a contribution in aid to cover necessary FortisBC system upgrades, to a maximum of \$14,000,000. The full amount of the contribution in aid will be funded by BC Hydro. BCTC has also committed to pay FortisBC for the receipt of electricity and transmission of electricity until December 31, 2060. These payments are expected to begin in December 2010 and will be calculated based on a formula set out in the agreement that includes an initial demand rate, annual nominated demand and the BC Consumer Price Index. The net present value of these payments over the life of the agreement is estimated to be approximately \$11,850,000.

Note 14: Environmental Liability

In late 2008, Environment Canada published new final regulations governing the management of polychlorinated biphenyls (PCBs). The regulations are effective September 17, 2008 and impose timelines for disposal of PCBs based on different types of equipment, in-use status and PCB contamination threshold levels. BCTC will incur costs associated with the testing, repairs, disposal and replacement of PCB contaminated equipment. BCTC is currently undertaking a comprehensive analysis of its equipment to assess the magnitude of these costs. The costs cannot be reasonably estimated at this time, and accordingly no provision has been included at December 31, 2009.

Note 15: Financial Instruments and Concentration of Risk
Fair Values

For purposes of CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement, BCTC has classified its financial instruments as follows:

- Cash and cash equivalents, accounts receivable, and other assets as Loans and Receivables.
- Accounts payable and accrued liabilities, short-term debt, accrued interest, due to BC Hydro, and long-term debt as Other Financial Liabilities.

As at December 31, 2009, the fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, short-term debt, accrued interest, and other assets on the balance sheet approximate their carrying values due to the short-term nature of these instruments.

Long-term debt is measured at amortized cost using the effective interest rate method as required under CICA Handbook Section 3855. Disclosure of the fair value of BCTC's long-term debt is provided in Note 8.

Derivative Financial Instruments

From time to time, BCTC uses derivative financial instruments to manage foreign exchange risks related to operating costs.

Derivative financial instruments are classified as "held for trading" unless designated for hedge accounting. Derivative instruments that do not qualify as hedges, or are not designated as hedges, are recorded using the mark-to-market method of accounting whereby the financial instruments are recorded at fair value and unrealized gains and losses are recorded at the end of each respective reporting period. The estimated fair value is based on quoted exchange rates.

Hedges

Section 3865 Hedges establishes guidance on how hedge accounting is applied and reported, including the criteria that must be satisfied in order for it to be applied for fair value hedges and cash flow hedges. Hedge accounting is optional and requires documentation of the hedging relationship at inception of the hedge, including the risk management objective, the hedged item and related hedging item. At the end of each period, the effectiveness of the hedging relationship and measurement of the amount of any hedge ineffectiveness is required.

For fair value hedges, the carrying value of the hedged item is adjusted for gains and losses on the hedged item attributable to the hedged risk and recognized in net income.

For cash flow hedges, the effective portion of the change in the fair value of the hedging derivative is recognized in other comprehensive income while the ineffective portion is recognized in net income.

Financial Risks

BCTC has exposure to credit risk, market risk, and liquidity risk in the normal course of operations. BCTC periodically utilizes derivative financial instruments to manage or hedge these risks. BCTC does not hold or use any derivative instruments for trading purposes.

Credit Risk

BCTC is directly exposed to counterparty credit risk as a result of providing transmission and related services to its customers. BCTC's customers are utilities and their affiliates and independent power producers in the western United States and western Canada. Credit risk is managed by authorizing transactions with only credit worthy counterparties as determined by BCTC management approved procedures and by monitoring the credit risk and credit standing of customers on a regular basis.

As at December 31, 2009, BCTC's account receivable balance, net of the provision for bad debts of \$426,000, was \$3,501,000. This amount includes insurance claims that are in the process of resolution and negotiation, and an account subject to litigation. Trade accounts receivable over 60 days past due were \$537,000, of which \$375,000 is due from BC Hydro. The Deferral accounts receivable was \$14,940,000.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

- a) Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. BCTC enters, from time to time, into forward contracts to manage its exposure to fluctuations in foreign currency exchange rates as some suppliers are based in the United States and expenses are denominated in U.S. dollars. Gains and losses on forward contracts are recorded in income.

BCTC did not have any outstanding foreign exchange contracts as at December 31, 2009.

- b) Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to the short-term nature, BCTC's short-term investments and debt are not subject to significant interest rate risk. BCTC has no short-term investments and \$11,060,000 in short-term debt as at December 31, 2009.

BCTC's long-term debt bears fixed interest rates and therefore is not subject to interest rate risk. BCTC periodically uses derivative financial instruments to manage interest rate and currency risk. BCTC has no outstanding derivative financial instruments as at December 31, 2009.

- c) Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from currency or interest rate risks. Due to the nature of BCTC's financial instruments and as the fair values of BCTC's financial instruments approximate carrying values, BCTC's financial instruments are not subject to other price risk.

Liquidity Risk

Liquidity risk is the risk that BCTC will not be able to meet its financial obligations as they become due. BCTC manages liquidity risk by monitoring its cash flows and secures additional funds through a \$5,000,000 demand revolving credit facility with a chartered bank, and through borrowings with the Province of BC's short-term commercial paper program. Under the program, BCTC can borrow \$25,000,000 with a temporary increase permitted to \$40,000,000 for up to two months. These programs have been sufficient in funding normal operating requirements. BCTC monitors and reviews the maturity of its long-term bonds and will refinance accordingly when due.

The maturity profile of BCTC's debt as at December 31, 2009 is as follows:

(\$ in thousands)	Less than 1 year	Greater than 5 years	Total
Commercial paper	\$ 11,060	\$ -	\$ 11,060
Bonds	-	69,980	69,980
Total	\$ 11,060	\$ 69,980	\$ 81,040
Percentage of total	13.6%	86.4%	100%

Note 16: Capital Disclosures

The Province of British Columbia's Special Direction No. 9 (SD 9), Order in Council No. 1107, approved and ordered November 27, 2003, sets out the mechanism for determining BCTC's deemed capital structure. Based on SD 9 definitions, BCTC's debt component comprises short-term debt, long-term debt, and obligations under capital lease less temporary investments. BCTC's equity component comprises share capital and retained earnings. BCTC's deemed equity component, as amended by Order in Council No. 752 and approved and ordered on October 19, 2005, is 40.7%.

Deemed equity is a method used in rate setting to ensure that rates are set on an appropriate capital structure. BCTC strives to conduct its business within the parameters of the deemed equity level. This safeguards BCTC's ability to function as a going concern.