British Columbia Hydro and Power Authority

2021/22

FIRST QUARTER REPORT

BC Hydro
Power smart

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) reports on British Columbia Hydro and Power Authority's (BC Hydro or the Company) consolidated results and financial position for the three months ended June 30, 2021 and should be read in conjunction with the MD&A presented in the 2020/21 Annual Service Plan Report, the 2020/21 Audited Consolidated Financial Statements and related notes of the Company, and the Unaudited Condensed Consolidated Interim Financial Statements and related notes of the Company for the three months ended June 30, 2021.

All financial information is expressed in Canadian dollars unless otherwise specified.

This report contains forward-looking statements, including statements regarding the business and anticipated financial performance of the Company. These statements are subject to a number of risks and uncertainties that may cause actual results to differ from those contemplated in the forward-looking statements.

Highlights

- Net income for the three months ended June 30, 2021 was $10 million, $4 million higher than the same period in the prior fiscal year.

- The BC Utilities Commission (BCUC) issued its decision (Decision) on BC Hydro's Fiscal 2022 Revenue Requirements Application (F2022 RRA) on June 17, 2021. The Decision resulted in a revised rate increase of 1.00 per cent in Fiscal 2022 compared to the interim rate increase of 1.16 per cent. This resulted in a $2 million decrease in domestic revenues for the three months ended June 30, 2021. In addition, the BCUC directed one new regulatory account (Depreciation Study regulatory account) and approved the closure of one regulatory account (Rock Bay Remediation regulatory account). As a result of the Decision, BC Hydro requested approval for one new regulatory account (Low Carbon Fuel Credits Variance regulatory account) in its F2022 RRA Compliance Filing.

- Capital expenditures, before contributions in aid of construction, for the three months ended June 30, 2021 were $888 million, a $190 million increase over the same period in the prior fiscal year. The increase in capital expenditures was primarily due to the Site C Project. BC Hydro continues to invest significantly in capital projects and capital programs to upgrade its existing assets and build new infrastructure, including the Site C Project, Distribution Wood Pole Replacements, Transmission Wood Structure and Framing Replacements, Street Light Replacement Program, and LNG Canada Load Interconnection.

Consolidated Results of Operations

For the three months ended June 30 ($ in millions)		**2021**		2020		Change
Total Revenues	**$**	**1,625**	$	1,274	$	351
Net Income	**$**	**10**	$	6	$	4
Capital Expenditures	**$**	**888**	$	698	$	190
GWh Sold (Domestic)		**11,989**		11,218		771

($ in millions)		*As at June 30, 2021*		*As at March 31, 2021*		Change
Total Assets and Regulatory Balances	**$**	**41,214**	$	40,383	$	831
Shareholder's Equity	**$**	**6,376**	$	6,367	$	9
Retained Earnings	**$**	**6,336**	$	6,326	$	10
Debt to Equity		**80 : 20**		80 : 20		n/a
Number of Domestic Customer Accounts		**2,128,542**		2,118,299		10,243

Revenues

For the three months ended June 30, 2021, total revenues of $1.63 billion were $351 million (28 per cent) higher than the same period in the prior fiscal year. The increase was due to higher trade revenues of $199 million and higher domestic revenues of $152 million.

	($ in millions)		*(gigawatt hours)*		*($ per MWh)* [1]	
for the three months ended June 30	**2021**	2020	**2021**	2020	**2021**	2020
Revenues						
Residential	**$ 473**	$ 424	**3,978**	3,939	**$ 118.90**	$ 107.64
Light industrial and commercial	**462**	401	**4,469**	4,012	**103.38**	99.95
Large industrial	**199**	171	**3,257**	2,976	**61.10**	57.46
Other sales	**110**	96	**285**	291	**-**	-
Domestic Revenues	**1,244**	1,092	**11,989**	11,218	**103.76**	97.34
Trade Revenues	**381**	182	**6,769**	6,506	**57.86**	25.94
Revenues	**$ 1,625**	$ 1,274	**18,758**	17,724	**$ 86.63**	$ 71.88

[1] The Trade $ per MWh represents the gross $ per MWh of physical transactions and does not include financial transactions.

Domestic Revenues

For the three months ended June 30, 2021, domestic revenues were $1.24 billion, an increase of $152 million (or 14 per cent) compared to the same period in the prior fiscal year. The increase over the prior fiscal year was due to a combination of higher customer sales, lower revenues in the prior year due to the COVID-19 relief program grants and waivers provided to customers, and higher average rates that reflect the 1.00 per cent rate increase approved by the BCUC that was effective April 1, 2021.

Customer sales volumes (excluding Other Sales) were 777 GWh (or 7 per cent) higher than the same period in the prior fiscal year. This includes higher light industrial and commercial sales due to increased business activity, as the economy gradually recovers from the impacts of COVID-19. Large industrial revenues were also higher, mainly in the pulp and paper and wood sectors caused by increased production and an improved lumber market, as well as higher production in the oil and gas sector and metal mining sector, as economic conditions improved. Residential sales were slightly higher, mainly driven by warmer temperatures.

Trade Revenues

Total trade revenues for the three months ended June 30, 2021 were $381 million, an increase of $199 million (or 109 per cent) compared to the same period in the prior fiscal year. The increase in trade revenue was primarily driven by higher average sale prices for the period.

Operating Expenses

For the three months ended June 30, 2021, total operating expenses of $1.34 billion were $160 million (or 14 per cent) higher than the same period in the prior fiscal year. The increase over the prior fiscal year was primarily due to higher trade energy costs of $66 million, higher domestic energy costs of $44 million, higher amortization of $33 million, and higher materials and external services of $19 million.

Energy Costs

Energy costs are comprised of electricity and gas purchases for domestic and trade customers, water rentals and transmission and other charges. Energy costs are influenced primarily by the volume of energy consumed by customers, the mix of sources of supply and market prices of energy. The mix of sources of supply is influenced by variables such as the current and forecast market prices of energy, water inflows, reservoir levels, energy demand, and environmental and social impacts.

Total energy costs for the three months ended June 30, 2021 were $639 million, $110 million (or 21 per cent) higher than the same period in the prior fiscal year. The increase was primarily due to higher trade energy costs of $66 million, and higher domestic energy costs of $44 million.

	($ in millions)		*(gigawatt hours)*		*($ per MWh)* [2]	
for the three months ended June 30	**2021**	2020	**2021**	2020	**2021**	2020
Energy Costs						
Water rental payments (hydro generation)[1]	**$ 87**	$ 70	**10,100**	8,806	**$ 8.61**	$ 7.95
Purchases from Independent Power Producers	**350**	324	**4,487**	3,698	**78.00**	87.61
Gas and transportation for thermal generation	**1**	1	**-**	-	**-**	-
Transmission charges and other expenses	**10**	7	**27**	22	**-**	-
Non-Treaty storage and Co-ordination agreements	**(2)**	-	**-**	-	**-**	-
Domestic Energy Costs	**446**	402	**14,614**	12,526	**30.52**	32.09
Trade Energy Costs	**193**	127	**5,611**	6,114	**33.07**	15.98
Energy Costs	**$ 639**	$ 529	**20,225**	18,640	**$ 31.59**	$ 28.38

[1]Water rental payments are based on the previous calendar year's actual hydro generation volumes. The $ per MWh is a simple average calculation and does not reflect actual water rental rates during the period.
[2]The Trade $ per MWh represents the gross $ per MWh of physical transactions and does not include financial transactions.

Domestic Energy Costs

Domestic energy costs for the three months ended June 30, 2021 were $446 million, $44 million (or 11 per cent) higher than the same period in the prior fiscal year. The increase in costs was primarily due to higher costs of energy purchases from Independent Power Producers (IPPs) largely due to higher deliveries from hydro IPPs, and higher water rental costs. Water rental payments are based on the prior calendar year's hydro generation volumes and were driven by higher water inflows in the prior calendar year.

Trade Energy Costs

Total trade energy costs for the three months ended June 30, 2021 were $193 million, an increase of $66 million (or 52 per cent) compared to the same period in the prior fiscal year. The increase in trade energy costs was primarily driven by higher average purchase prices for the period.

Water Inflows and Reservoir Storage

Water inflows (energy equivalent) to the system for the three months ended June 30, 2021 were above average and higher than the same period in the prior fiscal year. The above average water inflows during the three months ending June 30, 2021 were due to high inflows associated with a front-loaded snowpack melt following the warmer than average temperatures across the province.

System energy storage is tracking above the ten-year historic average due to above average inflows in fiscal 2021. System energy storage at June 30, 2021 was lower than at June 30, 2020.

Personnel Expenses

Personnel expenses include salaries and wages, benefits and post-employment benefits. Personnel expenses for the three months ended June 30, 2021 were $194 million, comparable to the $196 million in the same period in the prior fiscal year.

Materials and External Services

Materials and External Services primarily include materials, supplies, and contractor fees. Materials and external services for the three months ended June 30, 2021 were $154 million, $19 million (14 per cent) higher than the same period in the prior fiscal year primarily due to lower spending in the prior year due to COVID-19 delays and higher spending in the current year to support compliance with the Mandatory Reliability Standards Program in British Columbia.

Amortization and Depreciation

Amortization and depreciation expense includes the depreciation of property, plant and equipment, amortization of intangible assets, and depreciation of right-of-use assets. Amortization and depreciation expense for the three months ended June 30, 2021 was $282 million, $33 million (13 per cent) higher than the same period in the prior fiscal year primarily due to higher depreciation of $23 million as a result of a change in the estimated useful lives of BC Hydro's property, plant, and equipment. The change in estimated useful lives was based on the recommendations from a depreciation study that was completed during the quarter.

Grants, Taxes and Other Costs

The Company is a Crown corporation and therefore no Canadian provincial or federal income tax is payable. However, the Company pays provincial and local government taxes and grants in lieu of property taxes to municipalities, regional districts, and rural area jurisdictions. In addition, Powerex, a subsidiary of BC Hydro, pays taxes relating to trading activity in the United States.

Other costs, net of recoveries primarily includes gains and losses on the disposal of assets, certain cost recoveries related to operating costs, and dismantling costs.

Total grants, taxes and other costs for the three months ended June 30, 2021 were $89 million, comparable to the $86 million in the same period in the prior fiscal year.

Capitalized Costs

Capitalized costs consist of costs directly attributable to capital expenditures that are transferred from operating costs to Property, Plant & Equipment. Capitalized costs for the three months ended June 30, 2021 were $19 million, comparable to the $16 million in the same period in the prior fiscal year.

Finance Charges

Finance charges for the three months ended June 30, 2021 were $329 million, $29 million (or 10 percent) higher than the prior fiscal year. The increase was primarily due to higher unrealized losses on interest rate hedges used to economically hedge the interest rates on future debt issuances. The increase was partially offset by lower interest rates for long-term debt and short-term borrowings.

Regulatory Transfers

In accordance with IFRS 14, *Regulatory Deferral Accounts*, the Company separately presents regulatory balances and related net movements on the Condensed Consolidated Interim Statements of Financial Position and the Condensed Consolidated Interim Statements of Comprehensive Income.

The Company has established various regulatory accounts through rate regulation and with the approval of the BCUC. The use of regulatory accounts is common amongst regulated utility industries throughout North America. BC Hydro uses various regulatory accounts, in compliance with BCUC orders, including to better match costs and benefits for different generations of customers, and to defer to future periods differences between forecast and actual costs or revenues. Deferred amounts are included in customer rates in future periods, subject to approval by the BCUC and have the effect of adjusting net income.

Net regulatory account transfers are comprised of the following:

For the three months ended June 30 ($ in millions)	**2021**	2020
Cost of Energy Variance Accounts		
Heritage Deferral Account	**$ 1**	$ (14)
Non-Heritage Deferral Account	**74**	77
Load Variance	**(22)**	-
Biomass Energy Program Variance	**1**	-
Low Carbon Fuel Credits Variance	**8**	-
Trade Income Deferral Account	**(149)**	9
	(87)	72
Forecast Variance Accounts		
Non-Current Pension Costs	**-**	644
Debt Management	**171**	111
Real Property Sales	**-**	2
Other	**17**	16
	188	773
Capital-Like Accounts		
Demand-Side Management	**15**	12
Site C	**-**	(1)
IFRS Property, Plant & Equipment	**-**	6
	15	17
Non-Cash Accounts		
Environmental Provisions & Costs	**4**	8
First Nations Provisions & Costs	**-**	6
Other	**(1)**	(1)
	3	13
Amortization of regulatory accounts	**(81)**	(38)
Interest on regulatory accounts	**5**	6
Net increase in regulatory accounts	**$ 43**	$ 843

For the three months ended June 30, 2021, there was a net addition of $43 million to the Company's regulatory accounts compared to a net addition of $843 million in the same period in the prior fiscal year. The net regulatory asset balance as at June 30, 2021 was $4.32 billion compared to $4.28 billion as at March 31, 2021.

Net additions to the regulatory accounts during the three months ended June 30, 2021 included $171 million of additions to the Debt Management Regulatory Account primarily due to decreases in the fair value of interest rate hedges resulting from a decrease in forward interest rates, partially offset by $87 million of net reductions to the Cost of Energy Variance Accounts primarily due to higher trade income than planned.

BC Hydro has or has applied for regulatory mechanisms to collect 25 of 30 regulatory accounts in use or with balances at June 30, 2021 in rates over various periods, which represent approximately 86 per cent of the net regulatory asset balance.

Liquidity and Capital Resources

Cash flow provided by operating activities for the three months ended June 30, 2021 was $126 million, compared to $49 million in the same period in the prior fiscal year. The increase was mainly due to higher domestic revenues and higher trade income.

The long-term debt balance net of sinking funds as at June 30, 2021 was $25.42 billion compared to $24.78 billion as at March 31, 2021. The increase was mainly a result of an increase in revolving borrowings of $541 million and an increase in net long-term bond issuances (net of redemptions) for net proceeds of $125 million. The increase was primarily to fund capital expenditures and to manage working capital.

Capital Expenditures

Capital expenditures include property, plant and equipment and intangible assets. The capital expenditures, before contributions-in-aid of construction, were as follows:

For the three months ended June 30 ($ in millions)		**2021**		2020
Transmission lines and substation replacements and expansion	**$**	**96**	$	61
Generation replacements and expansion		**78**		63
Distribution system improvements and expansion		**145**		130
General, including technology, vehicles and buildings		**28**		58
Site C Project		**541**		386
Total Capital Expenditures	**$**	**888**	$	698

Total capital expenditures presented in this table are different from the amount of property, plant and equipment and intangible asset expenditures in the Consolidated Interim Statements of Cash Flows because the expenditures above include accruals.

The increase in capital expenditures of $190 million for the three months ended June 30, 2021 compared to the same period in the prior fiscal year was primarily due to higher Site C Project expenditures as well as Transmission lines and substation replacements and expansion. Capital expenditures for the three months ended June 30, 2021 were within planned amounts.

Transmission lines and substation replacements and expansion include capital expenditures on transmission overhead lines, cables, substations, telecommunication systems, and transmission power equipment. Key capital expenditures include the following projects/programs: Transmission Wood Structure and Framing Replacements, Barnard Substation Feeder Section Replacement, LNG Canada Load Interconnection, Jordan River – Switchyard Upgrade and Capilano Substation Upgrade.

Generation replacements and expansion include capital expenditures on dam safety projects as well as on generating facilities and related major equipment such as turbines, generators, governors, exciters, transformers, and circuit breakers. Key capital expenditures include the following projects: Waneta Unit 3 Life Extension, John Hart Dam Seismic Upgrade, Cheakamus Recoat Units 1 and 2 Penstocks (Interior and Exterior), and Mica – Reactor Replacement.

Distribution system improvements and expansion include capital expenditures on customer driven work, end of life asset replacements, and system expansion and improvements.

General includes capital expenditures on various building development programs, vehicles, and other technology projects.

Site C incurred capital expenditures across the project, primarily for work areas such as generating station and spillways, main civil works, turbines and generators, right bank foundation enhancements, highway realignment and for worker accommodations, project management and support services and interest during construction.

Rate Regulation

In the process of regulating and setting rates for BC Hydro, the BCUC must ensure that the rates are sufficient to allow BC Hydro to provide reliable electricity service, meet its financial obligations, comply with government policy, and earn an annual rate of return.

Fiscal 2022 Revenue Requirements Application

On December 22, 2020, BC Hydro filed a one-year revenue requirements application with the BCUC, seeking a rate increase of 1.16 per cent for Fiscal 2022. In particular, the Application sought additional operating funding for investments related to Mandatory Reliability Standards, vegetation programs, and cybersecurity. On January 5, 2021, the BCUC issued Order No. G-1-21, approving our requested rate increase on an interim basis.

On June 17, 2021 the BCUC issued its Decision on BC Hydro's F2022 RRA. The Decision included three compliance directives that resulted in financial adjustments. BC Hydro has calculated the impact of the adjustments and determined that the revised rate increase is 1.00 percent. BC Hydro commenced charging customers the interim rate of 1.16 per cent on April 1, 2021 and intends to provide a one-time on-bill credit for the difference between the interim and revised rates.

BC Hydro submitted a Compliance Filing on July 16, 2021 reflecting the compliance directives incorporated in the Decision.

In addition, BC Hydro expects to file its next revenue requirements application in August 2021 for a three-year test period, covering Fiscal 2023 to 2025.

Risk Management

BC Hydro is exposed to numerous risks, which can result in safety, environmental, financial, reliability and reputational impacts. This section of the MD&A discusses risks that may impact financial performance.

The impact of many financial risks associated with uncontrollable external influences on BC Hydro's net income is mitigated through the use of BCUC-approved regulatory accounts. Regulatory accounts assist in matching costs and benefits for different generations of customers and to defer for future recovery in rates the differences between planned and actual costs or revenues that arise due to uncontrollable events. BC Hydro's approach to the recovery of its regulatory accounts is included in the Fiscal 2022 Revenue Requirements Application.

Significant Financial Risks

The largest sources of variability in BC Hydro's financial performance are typically domestic and trade revenue, domestic and trade cost of energy, and finance charges. These are influenced by several elements, which generally fall into the following five categories: hydro generation, customer load, electricity/gas trade margins, deliveries from electricity purchase agreement contracts, interest rates, and discount rates for post-employment benefit plans. Neither a high nor a low value of any of these individual drivers is intrinsically positive or negative for BC Hydro's financial results. It is the specific combination of these drivers in any given year which has an impact.

While meeting domestic demand, environmental regulations and treaty obligations, BC Hydro attempts to operate the system to take maximum advantage of market energy prices – buying from the markets when prices are low and selling when prices are high. In doing so, BC Hydro seeks to optimize the combined effects of these elements and reduce the net cost of energy for our customers.

In addition, the Site C Project faces significant financial risks. On February 26, 2021, the Province announced the Site C Project is proceeding and the cost is estimated at $16 billion, with a one-year delay to 2025 for the project in-service date. In June 2021, the Treasury Board approved this cost estimate. BC Hydro is also implementing the recommended actions in the Milburn Report.

Demand for Electricity

Domestic load volumes for the three months ended June 30, 2021 were approximately 7 per cent higher than the same period in the prior fiscal year. Compared to plan, load volumes were 1 per cent higher for the three months ended June 30, 2021. This increased load follows as global, national and provincial economies recover. While uncertainty associated with the pandemic's impacts on electricity demand remains, the current recovery trends are expected to continue.

This section should be read in conjunction with the risks disclosed in the Risk Management section in the Management's Discussion and Analysis presented in the 2020/21 Annual Service Plan Report for the year ended March 31, 2021. In addition, information on risks and opportunities that could significantly impact BC Hydro meeting its objectives is outlined at www.bchydro.com/serviceplan.

Future Outlook

The *Budget Transparency and Accountability Act* requires that BC Hydro file a Service Plan each year. BC Hydro's Service Plan filed in February 2021 included net income for 2021/22 at $712 million which is consistent with the amount required by Order in Council No. 172.

The Company's earnings can fluctuate significantly due to the factors discussed in the preceding section, many of which are non-controllable. The impact to net income of these non-controllable factors is largely mitigated through the use of regulatory accounts. The Service Plan for 2021/22 assumes average water inflows (100 per cent of average), domestic sales of 52,448 GWh, average market energy prices of US $30.83/MWh, short-term interest rates of 0.24 per cent, and a Canadian to US dollar exchange rate of US $0.7630.

BC Hydro filed an updated forecast with the Province in August 2021. The updated forecast net income for 2021/22 is $704 million due to higher forecast operating costs. The forecast also assumes above average water inflows (102 percent of average), domestic sales of 52,205 GWh, average market energy prices of U.S. $36.47/MWh, short-term interest rates of 0.20 per cent and a Canadian to US dollar exchange rate of US $0.7922.

The COVID-19 pandemic continues to adversely impact global activity and has contributed to significant volatility in financial markets. The pandemic could have a sustained adverse impact on economic and market conditions and could adversely impact BC Hydro's future performance if it were to cause a prolonged decrease in customer load, volatility in electricity/gas trade margins and interest rates, difficulty accessing debt, project delays and project cost escalations.

While BC Hydro engages in emergency preparedness (including business continuity planning) to mitigate risks, the persisting uncertainty of this situation limits the ability to predict the ultimate adverse impact of COVID-19 on BC Hydro's performance, financial condition, results of operations and cash flows.

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income

For the three months ended June 30 (in millions)		**2021**		2020
Revenues (Note 3)				
Domestic	**$**	**1,244**	$	1,092
Trade		**381**		182
Revenues		**1,625**		1,274
Expenses				
Operating expenses (Note 4)		**1,339**		1,179
Finance charges (Note 5)		**329**		300
Net Loss Before Movement in Regulatory Balances		**(43)**		(205)
Net movement in regulatory balances (Note 9)		**53**		211
Net Income		**10**		6
Other Comprehensive Income				
Items Reclassified Subsequently to Net Income				
Effective portion of changes in fair value of derivatives designated as cash flow hedges (Note 14)		**(14)**		(20)
Reclassification to income of derivatives designated as cash flow hedges (Note 14)		**11**		39
Foreign currency translation losses		**(15)**		(18)
Items That Will Not Be Reclassified Subsequently to Net Income				
Actuarial gain (loss) on post employment benefits		**27**		(618)
Other Comprehensive Income (Loss) before movement in regulatory balances		**9**		**(617)**
Net movements in regulatory balances (Note 9)		**(10)**		632
Other Comprehensive Income (Loss)		**(1)**		15
Total Comprehensive Income	**$**	**9**	$	21

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(in millions)		As at June 30 2021		As at March 31 2021
Assets				
Current Assets				
Cash and cash equivalents	**$**	**36**	$	37
Restricted cash		**-**		6
Accounts receivable and accrued revenue		**788**		827
Inventories (Note 7)		**220**		182
Prepaid expenses		**173**		152
Current portion of derivative financial instrument assets (Note 14)		**204**		87
		1,421		1,291
Non-Current Assets				
Property, plant and equipment (Note 8)		**32,296**		31,677
Right-of-use assets		**1,290**		1,317
Intangible assets (Note 8)		**696**		688
Derivative financial instrument assets (Note 14)		**37**		30
Other non-current assets (Note 10)		**599**		605
		34,918		34,317
Total Assets	**$**	**36,339**	$	35,608
Regulatory Balances (Note 9)		**4,875**		4,775
Total Assets and Regulatory Balances	**$**	**41,214**	$	40,383
Liabilities and Equities				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**1,480**	$	1,589
Current portion of long-term debt (Note 11)		**3,444**		3,329
Current portion of unearned revenues and contributions in aid		**94**		93
Current portion of derivative financial instrument liabilities (Note 14)		**348**		235
		5,366		5,246
Non-Current Liabilities				
Long-term debt (Note 11)		**22,182**		21,651
Lease liabilities		**1,350**		1,352
Derivative financial instrument liabilities (Note 14)		**172**		78
Unearned revenues and contributions in aid		**2,303**		2,261
Post-employment benefits (Note 13)		**1,534**		1,528
Other non-current liabilities (Note 15)		**1,376**		1,402
		28,917		28,272
Total Liabilities		**34,283**		33,518
Regulatory Balances (Note 9)		**555**		498
Total Liabilities and Regulatory Balances		**34,838**		34,016
Shareholder's Equity				
Contributed surplus		**60**		60
Retained earnings		**6,336**		6,326
Accumulated other comprehensive loss		**(20)**		(19)
		6,376		6,367
Total Liabilities, Regulatory Balances, and Shareholder's Equity	**$**	**41,214**	$	40,383

Commitments (Note 8)

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

(in millions)	Cumulative Translation Reserve	Unrealized Gains (Losses) on Cash Flow Hedges	Total Accumulated Other Comprehensive Loss	Contributed Surplus	Retained Earnings	Total
Balance as at April 1, 2020	$ -	$ (44)	$ (44)	$ 60	$ 5,638	$ 5,654
Comprehensive Income (Loss)	(4)	19	15	-	6	21
Balance as at June 30, 2020	$ (4)	$ (25)	$ (29)	$ 60	$ 5,644	$ 5,675
Balance as at April 1, 2021	$ (19)	$ -	$ (19)	$ 60	$ 6,326	$ 6,367
Comprehensive Income (Loss)	2	(3)	(1)	-	10	9
Balance as at June 30, 2021	$ (17)	$ (3)	$ (20)	$ 60	$ 6,336	$ 6,376

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the three months ended June 30 (in millions)	**2021**	2020
Operating Activities		
Net income	**$ 10**	$ 6
Regulatory account transfers (Note 9)	**(53)**	(211)
Adjustments for non-cash items:		
Amortization and depreciation expense (Note 6)	**282**	249
Unrealized losses on derivative financial instruments	**134**	174
Post-employment benefit plan expenses	**36**	32
Interest accrual	**195**	218
Other items	**(6)**	22
	598	490
Changes in working capital and other assets and liabilities (Note 16)	**(96)**	(73)
Interest paid	**(376)**	(368)
Cash provided by operating activities	**126**	49
Investing Activities		
Property, plant and equipment and intangible asset expenditures	**(715)**	(628)
Cash used in investing activities	**(715)**	(628)
Financing Activities		
Long-term debt issued (Note 11)	**651**	1,274
Long-term debt retired (Note 11)	**(526)**	-
Receipt of revolving borrowings	**2,532**	1,960
Repayment of revolving borrowings	**(1,990)**	(2,529)
Payment of principal portion of lease liability	**(7)**	(6)
Settlement of hedging derivatives	**(63)**	(176)
Other items	**(9)**	(7)
Cash provided by financing activities	**588**	516
Decrease in cash and cash equivalents	**(1)**	(63)
Cash and cash equivalents, beginning of period	**37**	115
Cash and cash equivalents, end of period	**$ 36**	$ 52

See Note 16 for Cash flow supplement

See accompanying Notes to the Unaudited Condensed Consolidated Interim Financial Statements.

Note 1: Reporting Entity

British Columbia Hydro and Power Authority (BC Hydro) was established in 1962 as a Crown Corporation of the Province of British Columbia (the Province) by enactment of the *Hydro and Power Authority Act*. As directed by the *Hydro and Power Authority Act*, BC Hydro's mandate is to generate, manufacture, conserve and supply power. BC Hydro owns and operates electric generation, transmission and distribution facilities in the province of British Columbia. The head office of the Company is 333 Dunsmuir Street, Vancouver, British Columbia.

The condensed consolidated interim financial statements (interim financial statements) of BC Hydro include the accounts of BC Hydro and its principal wholly-owned operating subsidiaries Powerex Corp. (Powerex), and Powertech Labs Inc. (Powertech), (collectively with BC Hydro, the Company). All intercompany transactions and balances are eliminated on consolidation.

Note 2: Basis of Presentation

Basis of Accounting

These interim financial statements have been prepared by management in accordance with principles of IAS 34, *Interim Financial Reporting* and were prepared using the same accounting policies as described in BC Hydro's 2020/21 Annual Service Plan Report. These interim financial statements should be read in conjunction with the Annual Consolidated Financial Statements and accompanying notes in BC Hydro's 2020/21 Annual Service Plan Report.

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

These interim financial statements were approved on behalf of the Board of Directors on August 19, 2021.

Note 3: Revenue

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

For the three months ended June 30 (in millions)		**2021**		2020
Domestic				
Residential	**$**	**473**	$	424
Light industrial and commercial		**462**		401
Large industrial		**199**		171
Other sales		**110**		96
Total Domestic		**1,244**		1,092
Total Trade[1]		**381**		182
Total Revenue	**$**	**1,625**	$	1,274

[1] Includes revenue recognized under IFRS 9, *Financial Instruments* of $116M (2020 - $60M).

Note 4: Operating Expenses

For the three months ended June 30 (in millions)		**2021**		2020
Electricity and gas purchases	**$**	**491**	$	408
Water rentals		**87**		70
Transmission charges		**61**		51
Personnel expenses		**194**		196
Materials and external services		**154**		135
Amortization and depreciation (Note 6)		**282**		249
Grants, taxes and other costs		**89**		86
Less: Capitalized costs		**(19)**		(16)
	$	**1,339**	$	1,179

Note 5: Finance Charges

For the three months ended June 30 (in millions)		**2021**		2020
Interest on long-term debt	**$**	**195**	$	218
Interest on lease liabilities		**12**		12
Interest on defined benefit plan obligations		**14**		16
Mark-to-market losses on derivative financial instruments		**170**		109
Capitalized interest		**(61)**		(54)
Other		**(1)**		(1)
	$	**329**	$	300

Note 6: Amortization and Depreciation

For the three months ended June 30 (in millions)		**2021**		2020
Depreciation of property, plant and equipment	**$**	**235**	$	205
Depreciation of right-of-use assets		**24**		24
Amortization of intangible assets		**23**		20
	$	**282**	$	249

Note 7: Inventories

(in millions)		***As at June 30*** **2021**		*As at March 31* 2021
Materials and supplies	**$**	**185**	$	178
Natural gas trading inventories		**35**		4
	$	**220**	$	182

Note 8: Property, Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible asset additions, before contributions in aid of construction, for the three months ended June 30, 2021 were $888 million (2020 - $698 million).

As of June 30, 2021, the Company had contractual commitments to spend $2.04 billion on major property, plant and equipment projects (for individual projects greater than $50 million).

As a result of a depreciation study that was conducted on property, plant and equipment, the estimated useful lives of various assets were changed. The changes in estimated useful lives have been accounted for prospectively and were effective April 1, 2021. The changes in estimated useful lives resulted in an increase to depreciation expense of $23 million for the three months ended June 30, 2021 for which a regulatory asset, as directed by the BC Utilities Commission (BCUC), has been established in the Depreciation Study regulatory account. The expected increase in Fiscal 2022 depreciation expense is approximately $36 million and as a result of having higher depreciation expense in the current year there will be lower depreciation expense in future years related to the effected assets than would have otherwise been the case.

Note 9: Rate Regulation

The BCUC issued its decision (Decision) on BC Hydro's Fiscal 2022 Revenue Requirements Application on June 17, 2021. In its Decision, the BCUC included three compliance directives impacting rates, which resulted in a Fiscal 2022 net bill increase of 1.00 per cent rather than the 1.16 per cent increase requested in the application. The BCUC Decision directed BC Hydro to establish a new Depreciation Study regulatory account and approved the closure of the Rock Bay Remediation regulatory account. As a result of the Decision, BC Hydro requested a new Low Carbon Fuel Credits Variance regulatory account in the Fiscal 2022 Revenue Requirements Application Compliance Filing. The financial impact of the Decision has been incorporated in these financial statements.

The Low Carbon Fuel Credits Variance and Depreciation Study accounts were included within other regulatory accounts – assets in the table below.

Regulatory Accounts

The Company has established various regulatory accounts through rate regulation and with the approval of the BCUC. In the absence of rate regulation, these amounts would be reflected in total comprehensive income. The net movement in regulatory balances related to total comprehensive income is as follows:

For the three months ended June 30 (in millions)	**2021**	2020
Net increase in regulatory balances related to net income	**$ 53**	$ 211
Net increase (decrease) in regulatory balances related to OCI	**(10)**	632
	$ 43	$ 843

For each regulatory account, the amount reflected in the Net Change column in the following table represents the impact on comprehensive income for the applicable year. Under rate regulated accounting, a net decrease in a regulatory asset or a net increase in a regulatory liability results in a decrease to comprehensive income.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2021

(in millions)	*As at April 1 2021*	*Addition (Reduction)*	*Interest*[1]	*Amortization*	*Net Change*[2]	***As at June 30 2021***
Regulatory Assets						
Heritage Deferral	$ 65	$ 1	$ -	$ -	$ 1	**$ 66**
Load Variance	110	(22)	1	-	(21)	**89**
Demand-Side Management	881	15	-	(27)	(12)	**869**
Debt Management	449	171	-	(2)	169	**618**
First Nations Provisions & Costs	486	-	-	(8)	(8)	**478**
Non-Current Pension Costs	114	-	-	(29)	(29)	**85**
Site C	523	-	4	-	4	**527**
CIA Amortization	73	(1)	-	-	(1)	**72**
Environmental Provisions & Costs	294	4	-	(14)	(10)	**284**
Smart Metering & Infrastructure	173	-	2	(7)	(5)	**168**
IFRS Pension	421	-	-	(10)	(10)	**411**
IFRS Property, Plant & Equipment	1,070	-	-	(7)	(7)	**1,063**
Real Property Sales	46	-	1	-	1	**47**
Other Regulatory Accounts	70	30	-	(2)	28	**98**
Total Regulatory Assets	4,775	198	8	(106)	100	**4,875**
Regulatory Liabilities						
Non-Heritage Deferral	153	(74)	1	-	(73)	**80**
Trade Income Deferral Account	227	149	2	-	151	**378**
Total Finance Charges	61	(5)	-	(19)	(24)	**37**
Other Regulatory Accounts	57	9	-	(6)	3	**60**
Total Regulatory Liabilities	498	79	3	(25)	57	**555**
Net Regulatory Asset	$ 4,277	$ 119	$ 5	$ (81)	$ 43	**$ 4,320**

[1]As permitted by the BCUC, interest charges were accrued to certain regulatory balances at a rate of 3.2 per cent for the three months ended June 30, 2021 (2020 – 3.6 per cent) at the Company's weighted average cost of debt.

[2] Net Change includes a net decrease to net loss of $53 million (2020 – $211 million) and net decrease to other comprehensive income of $10 million (2020 – $632 million net decrease to other comprehensive loss).

There were no significant changes to the remaining recovery/reversal periods for the three months ended June 30, 2021. Refer to Note 15 – Rate Regulation in the Company's 2020/21 Annual Service Plan Report.

Note 10: Other Non-Current Assets

(in millions)		***As at June 30*** **2021**		*As at March 31* 2021
Non-current receivables	**$**	**146**	$	138
Sinking funds		**202**		203
Non-current Site C prepaid expenses		**238**		253
Other		**13**		11
	$	**599**	$	605

Included in the non-current receivables balance are $123 million of receivables (March 31, 2021 - $122 million) attributable to other contributions receivable from a vendor to aid in the construction of a transmission system.

Note 11: Long-Term Debt and Debt Management

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

The Company has a commercial paper borrowing program with the Province, which is limited to $4.50 billion, and is included in revolving borrowings. At June 30, 2021, the outstanding amount under the borrowing program was $3.34 billion (March 31, 2021 - $2.80 billion).

For the three months ended June 30, 2021, the Company issued bonds for net proceeds of $651 million (2020 - $1.27 billion) and a par value of $675 million (2020 - $1.12 billion), a weighted average effective interest rate of 2.4 per cent (2020 - 1.7 per cent) and a weighted average term to maturity of 18.6 years (2020 - 18.9 years).

For the three months ended June 30, 2021, the Company redeemed bonds with a par value of $526 million (2020 – no bond redemptions).

Note 12: Capital Management

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

During the three months ended June 30, 2021, there were no changes in the approach to capital management.

The debt to equity ratio at June 30, 2021, and March 31, 2021 was as follows:

(in millions)	***As at June 30*** **2021**	*As at March 31* 2021
Total debt, net of sinking funds	**$ 25,424**	$ 24,777
Less: Cash and cash equivalents	**(36)**	(37)
Net Debt	**$ 25,388**	$ 24,740
Retained earnings	**$ 6,336**	$ 6,326
Contributed surplus	**60**	60
Accumulated other comprehensive loss	**(20)**	(19)
Total Equity	**$ 6,376**	$ 6,367
Net Debt to Equity Ratio	**80 : 20**	80 : 20

Dividend Payment to the Province

In accordance with Order in Council No. 095/2014 from the Province, for the year ended March 31, 2018 and subsequent years, the payment to the Province was reduced by $100 million per year based on the payment in the immediate preceding fiscal year until it reached zero and will remain at zero until BC Hydro achieves a 60:40 debt to equity ratio.

As a result, there was no payment to the Province for the year ended March 31, 2021. In addition, BC Hydro does not expect to make a payment for the year ended March 31, 2022.

Note 13: Post-Employment Benefits

The expense recognized for the Company's defined benefit plans prior to any capitalization of employment costs attributable to property, plant and equipment and intangible asset additions for the three months ended June 30, 2021 was $51 million (2020 - $47 million).

Company contributions to the registered defined benefit pension plans for the three months ended June 30, 2021 were $13 million (2020 - $12 million).

The plan remeasurements used a discount rate of 3.28 per cent as at June 30, 2021 (June 30, 2020 - 2.76 per cent) and a rate of return on plan assets of 4.28 per cent as at June 30, 2021 (June 30, 2020 - 6.65 per cent).

Note 14: Financial Instruments

Categories of Financial Instruments

The following table provides a comparison of carrying values and fair values for non-derivative financial instruments as at June 30, 2021, and March 31, 2021:

	June 30, 2021		March 31, 2021	
(in millions)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Fair Value Through Profit or Loss (FVTPL):				
Cash equivalents - short-term investments	**$ 13**	**$ 13**	$ 34	$ 34
Amortized Cost:				
Cash	**23**	**23**	3	3
Restricted cash	**-**	**-**	6	6
Accounts receivable and accrued revenue	**788**	**788**	827	827
Non-current receivables	**146**	**161**	138	153
Sinking funds	**202**	**229**	203	233
Accounts payable and accrued liabilities	**(1,480)**	**(1,480)**	(1,589)	(1,589)
Revolving borrowings	**(3,344)**	**(3,344)**	(2,803)	(2,803)
Long-term debt (including current portion due in one year)	**(22,282)**	**(25,178)**	(22,177)	(24,548)
First Nations liabilities (non-current portion)	**(391)**	**(854)**	(404)	(741)
Lease liabilities (non-current portion)	**(1,350)**	**(1,350)**	(1,352)	(1,352)
Other liabilities	**(420)**	**(436)**	(424)	(436)

When the carrying value differs from fair value, the fair values of non-derivative financial instruments would be classified as Level 2 of the fair value hierarchy. The carrying value of cash equivalents, restricted cash, accounts receivable and accrued revenue, accounts payable and accrued liabilities, and revolving borrowings approximates fair value due to the short duration of these financial instruments.

Hedges

The following foreign currency contracts under hedge accounting were in place at June 30, 2021 in a net asset position of $3 million (March 31, 2021 – net asset $16 million). Such contracts are used to hedge the principal on US$ denominated long-term debt and the principal and coupon payments on Euro€ denominated long-term debt for which hedge accounting has been applied. The hedging instruments are effective in offsetting changes in the cash flows of the hedged item attributed to the hedged risk. The main source of hedge ineffectiveness in these hedges is credit risk.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2021

($ amounts in millions)		**June 30, 2021**		March 31, 2021
Cross- Currency Hedging Swaps				
EURO € to CAD$- notional amount[1]	**€**	**402**	€	402
EURO € to CAD$ - weighted average contract rate		**1.47**		1.47
Weighted remaining term		**7 years**		7 years
Foreign Currency Hedging Forwards				
US$ to CAD$ - notional amount[1]	**US$**	**573**	US$	573
US$ to CAD$ - weighted average contract rate		**1.25**		1.25
Weighted remaining term		**9 years**		9 years

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

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

(in millions)		**June 30, 2021 Fair Value**		March 31, 2021 Fair Value
Designated Derivative Instruments Used to Hedge Risk Associated with Long-term Debt:				
Foreign currency contract assets (cash flow hedges for US$ denominated long-term debt)	**$**	**15**	$	16
Foreign currency contract liabilities (cash flow hedges for US$ denominated long-term debt)		**(10)**		(6)
Foreign currency contract assets (cash flow hedges for EURO€ denominated long-term debt)		**3**		11
Foreign currency contract liabilities (cash flow hedges for EURO€ denominated long-term debt)		**(5)**		(5)
		3		16
Non-Designated Derivative Instruments:				
Interest rate contract liabilities		**(234)**		(125)
Foreign currency contract (liabilities) assets		**3**		(36)
Commodity derivative assets		**203**		88
Commodity derivative liabilities		**(254)**		(139)
		(282)		(212)
Net liability	**$**	**(279)**	$	(196)

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2021

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

(in millions)	**June 30, 2021**	March 31, 2021
Current portion of derivative financial instrument assets	**$ 204**	$ 87
Current portion of derivative financial instrument liabilities	**(348)**	(235)
Derivative financial instrument assets, non-current	**37**	30
Derivative financial instrument liabilities, non-current	**(172)**	(78)
Net liability	**$ (279)**	$ (196)

For designated cash flow hedges for the three months ended June 30, 2021, there was a loss of $13 million (2020 - loss of $19 million). The effective portion was recognized in other comprehensive income and the ineffective portion was recognized in finance charges. For the three months ended June 30, 2021, $11 million (2020 - $39 million) was reclassified from other comprehensive income and reported in net income, offsetting net foreign exchange gains (2020 - gains) recorded in the period.

For outstanding interest rate contracts not designated as hedges with an aggregate notional principal of $2.78 billion (March 31, 2021 – $3.23 billion), used to economically hedge the interest rates on future debt issuances, there was a $149 million decrease (2020 - $77 million decrease) in the fair value of these contracts for the three months ended June 30, 2021. For interest rate contracts associated with debt issued, there was a $22 million decrease (2020 - $34 million decrease) in the fair value of contracts that settled during the three months ended June 30, 2021. The net decrease for the three months ended June 30, 2021 of $171 million (2020 - $111 million decrease) in the fair value of these interest rate contracts was transferred to the Debt Management Regulatory Account which had a net asset balance of $618 million as at June 30, 2021.

Foreign currency contracts for cash management purposes not designated as hedges, for the three months ended June 30, 2021, had a gain of $nil (2020 – loss of $nil) recognized in finance charges. Foreign currency contracts associated with U.S. revolving borrowings not designated as hedges, for the three months ended June 30, 2021, had a loss of $24 million (2020 - loss of $41 million) recognized in finance charges. These economic hedges offset $24 million of foreign exchange revaluation gains (2020 - gain of $42 million) recorded in finance charges with respect to US$ revolving borrowings for the three months ended June 30, 2021.

For commodity derivatives not designated as hedges, a net gain of $108 million (2020 - $57 million) was recorded in trade revenue for the three months ended June 30, 2021.

Inception Gains and Losses

Changes in deferred inception gains and losses are as follows:

For the three months ended June 30 (in millions)		**2021**		2020
Deferred inception gain, beginning of the period	**$**	**40**	$	7
New transactions		**7**		5
Amortization		**(17)**		(10)
Deferred inception gain, end of the period	**$**	**30**	$	2

In some instances, a difference may arise between the fair value of a financial instrument at initial recognition, as defined by its transaction price, and the fair value calculated by a valuation technique or model (inception gain or loss). In addition, the Company's inception gain or loss on a contract may arise as a result of embedded derivatives which are recorded at fair value, with the remainder of the contract recorded on an accrual basis. In these circumstances, the unrealized inception gain or loss is not recognized in income immediately, but is deferred and amortized into income over the full term of the underlying financial instrument.

Credit Risk

As a result of the COVID-19 pandemic and material disruptions to businesses and the economy, the Company is exposed to credit risk due to customers not being able to pay their electricity bills when due.

Domestic Electricity Receivables

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

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

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

(in millions)		**June 30, 2021**		March 31, 2021
Current	**$**	**451**	$	440
Past due (30-59 days)		**22**		22
Past due (60-89 days)		**6**		6
Past due (More than 90 days)		**6**		7
		485		475
Less: Allowance for doubtful accounts		**(6)**		(6)
	$	**479**	$	469

At the end of each period, a review of the provision for doubtful accounts is performed. It is an assessment of the expected lifetime credit losses of accounts receivable at the statement of financial position date. The assessment is made by reference to age, status and risk of each receivable, current economic conditions including consideration of the impacts of COVID-19, and historical information. At June 30, 2021 there was a high degree of uncertainty and judgment regarding the impact of COVID-19 on credit risk and expected lifetime credit losses.

Fair Value Hierarchy

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

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

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

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

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

  Level 2 fair values for commodity derivatives are determined using inputs other than unadjusted quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices). Level 2 includes bilateral and over-the-counter contracts valued using interpolation from observable forward curves or broker quotes from active markets for similar instruments and other publicly available data, and options valued using industry-standard and accepted models incorporating only observable data inputs.

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2021

The following tables present the financial instruments measured at fair value for each hierarchy level as at June 30, 2021 and March 31, 2021:

As at June 30, 2021 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial assets carried at fair value:				
Short-term investments	$ 13	$ -	$ -	$ 13
Derivatives designated as hedges	-	18	-	18
Derivatives not designated as hedges	153	38	32	223
	$ 166	$ 56	$ 32	$ 254

As at June 30, 2021 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial liabilities carried at fair value:				
Derivatives designated as hedges	$ -	$ (15)	$ -	$ (15)
Derivatives not designated as hedges	(91)	(292)	(122)	(505)
	$ (91)	$ (307)	$ (122)	$ (520)

As at March 31, 2021 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial assets carried at fair value:				
Short-term investments	$ 34	$ -	$ -	$ 34
Derivatives designated as hedges	-	27	-	27
Derivatives not designated as hedges	59	10	21	90
	$ 93	$ 37	$ 21	$ 151

As at March 31, 2021 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial liabilities carried at fair value:				
Derivatives designated as hedges	$ -	$ (11)	$ -	$ (11)
Derivatives not designated as hedges	(39)	(173)	(90)	(302)
	$ (39)	$ (184)	$ (90)	$ (313)

The Company's policy is to recognize level transfers at the end of each period during which the change occurred. There were no transfers between Level 1 and 2 during the period (2020 – no transfers).

The following table reconciles the changes in the balance of financial instruments carried at fair value on the statement of financial position, classified as Level 3, for the three months ended June 30, 2021 and 2020:

(in millions)		
Balance as at April 1, 2021	**$**	**(69)**
Net losses recognized		(18)
New transactions		1
Existing transactions settled		(4)
Balance as at June 30, 2021	**$**	**(90)**

(in millions)		
Balance as at April 1, 2020	**$**	**(12)**
Net gains recognized		16
New transactions		(3)
Existing transactions settled		(14)
Balance as at June 30, 2020	**$**	**(13)**

There were no transfers between Level 3 and 2 during the period (2020 – no transfers).

During the three months ended June 30, 2021, unrealized losses of $4 million (2020 – unrealized gains of $14 million) were recognized on Level 3 derivative commodity instruments still on hand. These gains and losses were recognized in trade revenues.

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

The key unobservable inputs in the valuation of certain Level 3 financial instruments includes components of forward commodity prices and delivery or receipt volumes. A sensitivity analysis was prepared using the Company's assessment of a reasonably possible change in various components of forward prices and volumes of 10 percent. Forward commodity prices used in determining Level 3 base fair value at June 30, 2021 range between $0.01-$384 per MwH and a 10 percent increase/decrease in certain components of these prices would decrease/increase fair value by $12 million. A 10 percent change in estimated volumes used in determining Level 3 fair value would increase/decrease fair value by $6 million.

Note 15: Other Non-Current Liabilities

(in millions)	***As at June 30*** **2021**	*As at March 31* 2021
Provisions		
Environmental liabilities	**$ 320**	$ 326
Decommissioning obligations	**87**	87
Other	**53**	63
	460	476
First Nations liabilities	**405**	418
Other contributions	**229**	230
Other liabilities	**420**	424
	1,514	1,548
Less: Current portion, included in accounts payable and accrued liabilities	**(138)**	(146)
	$ 1,376	$ 1,402

Note 16: Supplemental Disclosure of Cash Flow Information

Change in Working Capital and Other Assets and Liabilities:

For the three months ended June 30 (in millions)	**2021**	2020
Restricted Cash	**$ 7**	$ 9
Accounts receivable and accrued revenue	**28**	128
Inventories	**(38)**	(17)
Prepaid expenses	**(38)**	(26)
Other non-current assets	**25**	(28)
Accounts payable and accrued liabilities	**(99)**	(172)
Unearned revenues and contributions in aid	**44**	38
Post-employment benefits	**(3)**	(2)
Other non-current liabilities	**(22)**	(3)
	$ (96)	$ (73)

Non-Cash Investing Transactions:

For the three months ended June 30 (in millions)	**2021**	2020
Contributions in kind received for property, plant and equipment	**$ 14**	$ 13

Note 17: Seasonality of Operating Results

Due to the seasonal nature of the Company's operations, the condensed consolidated interim statement of comprehensive income is not indicative of operations on an annual basis. Seasonal impacts of weather, including its impact on water inflows, energy consumption within the region and market prices of energy, can have a significant impact on the Company's operating results.