# British Columbia Hydro and Power Authority

**2020/21**

**SECOND 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 and six months ended September 30, 2020 and should be read in conjunction with the MD&A presented in the 2019/20 Annual Service Plan Report, the 2019/20 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 and six months ended September 30, 2020.

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 and six months ended September 30, 2020 were $4 million and $10 million, respectively, $4 million higher and $15 million lower than the same periods in the prior fiscal year.

- The BC Utilities Commission (BCUC) issued its Decision on BC Hydro's Fiscal 2020 to Fiscal 2021 Revenue Requirements Application (F20-F21 RRA) on October 2, 2020. The Decision results in a larger Fiscal 2021 rate decrease from the interim rate of 1.01 per cent as a result of adjustments stemming from BCUC directives in its Decision. BC Hydro has calculated that these adjustments result in an estimated net bill decrease of 1.62 per cent, and resulted in a $13 million decrease in domestic revenues for the six months ended September 30, 2020. The BCUC also approved the continuation of our existing regulatory accounts and the amortization periods associated with them, the closure of four regulatory accounts and directed the establishment of two new regulatory accounts. In addition, the Decision resulted in two additional new regulatory accounts for which BC Hydro is seeking approval in the Fiscal 2022 Revenue Requirements Application.

- COVID-19 had a large impact on BC Hydro's financial results. The most significant impact was seen in domestic revenues for the three and six months ended September 30, 2020, where there were decreases of $41 million (or 3 per cent) and $138 million (or 6 per cent), respectively, compared to the same periods in the prior fiscal year. The decrease in revenue was due to a combination of lower domestic customer demand for electricity primarily due to COVID-19, BC Hydro's COVID-19 relief programs, and lower average rates. Variances in revenues compared to plan are deferred to regulatory accounts and will be recovered from ratepayers in the future. There continues to be a high degree of uncertainty with respect to the future impacts of COVID-19 and the financial impacts to BC Hydro. The impacts will depend on the near-term impacts of the economic downturn caused by COVID-19, the speed and nature of the mid-to-long-term recovery, and lasting effects.

- Capital expenditures, before contributions in aid of construction, for the three and six months ended September 30, 2020 were $854 million and $1.55 billion, respectively, a $15 million and

$88 million, respectively, higher than the same periods in the prior fiscal year. The increase in capital expenditures for the three and six months ended September 30, 2020 compared to the same period in the prior year was primarily due to the Site C Project. BC Hydro continues to invest significantly in capital projects/programs to upgrade its existing assets and build new infrastructure, including the Site C Project, Peace Region Electricity Supply (PRES), LNG Canada Load Interconnection, Distribution Wood Poles Replacements, Bridge River 2 Upgrade Units 7 and 8, and Transmission Wood Structure and Framing Replacement.

## Consolidated Results of Operations

| | *For the three months ended September 30* | | | *For the six months ended September 30* | | |
|---|---|---|---|---|---|---|
| *(in millions)* | **2020** | 2019 | Change | **2020** | 2019 | Change |
| Total Revenues | **$ 1,475** | $ 1,316 | $ 159 | **$ 2,749** | $ 2,684 | $ 65 |
| Net Income | **$ 4** | $ - | $ 4 | **$ 10** | $ 25 | $ (15) |
| Capital Expenditures | **$ 854** | $ 839 | $ 15 | **$ 1,552** | $ 1,464 | $ 88 |
| GWh Sold (Domestic) | **11,305** | 11,599 | (294) | **22,523** | 23,261 | (738) |

| *(in millions)* | ***As at September 30, 2020*** | *As at March 31, 2020* | Change |
|---|---|---|---|
| Total Assets and Regulatory Balances | **$ 40,581** | $ 39,068 | $ 1,513 |
| Shareholder's Equity | **$ 5,672** | $ 5,654 | $ 18 |
| Retained Earnings | **$ 5,648** | $ 5,638 | $ 10 |
| Debt to Equity | **81 : 19** | 81 : 19 | n/a |
| Number of Domestic Customer Accounts | **2,100,050** | 2,082,226 | 17,824 |

## Revenues

For the three and six months ended September 30, 2020, total revenues of $1.48 billion and $2.75 billion, respectively, were $159 million (or 12 per cent) and $65 million (or 2 per cent), respectively, higher than the same period in the prior fiscal year. The increase over the prior fiscal year for the three months ended September 30, 2020 was due to higher trade revenues of $200 million, partially offset by lower domestic revenues of $41 million. The increase over the prior fiscal year for the six months ended September 30, 2020 was due to higher trade revenues of $203 million, partially offset by lower domestic revenues of $138 million (mostly as a result of COVID-19).

| | *(in millions)* | | *(gigawatt hours)* | | *($ per MWh)* [1] | |
|---|---|---|---|---|---|---|
| *for the three months ended September 30* | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| **Revenues** | | | | | | |
| Residential | **$ 416** | $ 400 | **3,657** | 3,409 | **$ 113.75** | $ 117.34 |
| Light industrial and commercial | **442** | 472 | **4,361** | 4,528 | **101.35** | 104.24 |
| Large industrial | **173** | 200 | **2,934** | 3,208 | **58.96** | 62.34 |
| Other sales | **107** | 107 | **353** | 454 | **-** | - |
| Domestic Revenues | **1,138** | 1,179 | **11,305** | 11,599 | **100.66** | 101.65 |
| Trade Revenues | **337** | 137 | **8,390** | 6,431 | **47.11** | 45.55 |
| **Revenues** | **$ 1,475** | $ 1,316 | **19,695** | 18,030 | **$ 74.89** | $ 72.99 |

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

| *for the six months ended September 30* | *(in millions)* **2020** | 2019 | *(gigawatt hours)* **2020** | 2019 | *($ per MWh)* [1] **2020** | 2019 |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Residential | **$ 840** | $ 822 | **7,596** | 6,975 | **$ 110.58** | $ 117.85 |
| Light industrial and commercial | **843** | 928 | **8,373** | 8,901 | **100.68** | 104.26 |
| Large industrial | **344** | 407 | **5,910** | 6,572 | **58.21** | 61.93 |
| Other sales | **203** | 211 | **644** | 813 | **-** | - |
| Domestic Revenues | **2,230** | 2,368 | **22,523** | 23,261 | **99.01** | 101.80 |
| Trade Revenues | **519** | 316 | **14,896** | 11,712 | **37.86** | 42.94 |
| **Revenues** | **$ 2,749** | $ 2,684 | **37,419** | 34,973 | **$ 73.47** | $ 76.74 |

[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 September 30, 2020, domestic revenues were $1.14 billion, a decrease of $41 million (or 3 per cent) compared to the same period in the prior fiscal year. The decrease over the prior fiscal year was due to lower average rates that reflect the estimated 1.62 per cent decrease as a result of the BCUC Decision on the F20-F21 RRA, COVID-19 relief programs and lower customer sales most notably as result of COVID-19.

For the six months ended September 30, 2020, domestic revenues were $2.23 billion, a decrease of $138 million (or 6 per cent) compared to the same period in the prior fiscal year. The decrease over the prior fiscal year was mainly due to COVID-19 relief programs, lower customer sales because of the COVID-19 pandemic, and lower revenue due to lower average rates that reflect the rate decreases described above. Customer sales volumes (excluding Other Sales) were 569 GWh (or 3 per cent) lower than the same period in the prior fiscal year. This includes lower light industrial and commercial sales due to business closures and reduced operations because of COVID-19. Large industrial sales were also lower, mainly in the pulp and paper sector caused by curtailments driven by fiber supply shortages, as well as lower production in oil and gas sector driven by weak market conditions and operational slowdowns due to COVID-19. These lower sales were partially offset by higher residential sales, as customers stayed home or worked from home due to COVID-19 restrictions.

### *Trade Revenues*

Total trade revenues for the three and six months ended September 30, 2020 were $337 million and $519 million, respectively, $200 million (or 146 per cent) and $203 million (or 64 per cent), respectively, higher than the same period in the prior fiscal year primarily due to higher average sale volumes.

## Operating Expenses

For the three and six months ended September 30, 2020, total operating expenses of $1.28 billion and $2.46 billion, respectively, were $51 million (or 4 per cent) and $21 million (or 1 per cent), respectively, higher than the same period in the prior fiscal year. The increase over the prior fiscal year for the three months ended September 30, 2020 was primarily due to higher grants, taxes and other costs of $56 million. The increase over the prior fiscal year for the six months ended September 30, 2020 was primarily due to higher grants, taxes and other costs of $41 million, higher personnel expenses of $19 million, higher amortization and depreciation of $11 million, partially offset by lower domestic energy costs of $21 million, lower trade energy costs of $20 million, and lower material and external service costs of $11 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 September 30, 2020 were $605 million, $2 million (or 0 per cent) lower than the same period in the prior fiscal year. The decrease was primarily due to lower domestic energy costs of $6 million, partially offset by higher trade energy costs of $4 million.

Total energy costs for the six months ended September 30, 2020 were $1.13 billion, $41 million (or 4 per cent) lower than the same period in the prior fiscal year. The decrease was primarily due to lower domestic energy costs of $21 million, and lower trade energy costs of $20 million.

| | *(in millions)* | | *(gigawatt hours)* | | *($ per MWh)* [2] | |
|---|---|---|---|---|---|---|
| *for the three months ended September 30* | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| **Energy Costs** | | | | | | |
| Water rental payments (hydro generation)[1] | **$ 69** | $ 79 | **11,925** | 7,342 | **$ 5.79** | $ 10.76 |
| Purchases from Independent Power Producers | **398** | 370 | **4,246** | 4,419 | **93.74** | 83.73 |
| Gas and transportation for thermal generation | **1** | 2 | **-** | - | **-** | - |
| Transmission charges and other expenses | **8** | 8 | **18** | 20 | **-** | - |
| Non-Treaty storage and Co-ordination agreements | **(17)** | 6 | **-** | - | **-** | - |
| Domestic Energy Costs | **459** | 465 | **16,189** | 11,781 | **28.35** | 39.47 |
| Trade Energy Costs | **146** | 142 | **4,801** | 6,922 | **26.66** | 28.34 |
| **Energy Costs** | **$ 605** | $ 607 | **20,990** | 18,703 | **$ 28.82** | $ 32.45 |

[1]Water rental payments are based on the previous calendar year's generation volumes. The volumes are actual hydro generation during the period. 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.

| | *(in millions)* | | *(gigawatt hours)* | | *($ per MWh)* [2] | |
|---|---|---|---|---|---|---|
| *for the six months ended September 30* | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| **Energy Costs** | | | | | | |
| Water rental payments (hydro generation)[1] | **$ 139** | $ 158 | **20,731** | 13,961 | **$ 6.70** | $ 11.32 |
| Purchases from Independent Power Producers | **722** | 692 | **7,944** | 8,607 | **90.89** | 80.40 |
| Gas and transportation for thermal generation | **2** | 3 | **-** | - | **-** | - |
| Transmission charges and other expenses | **15** | 17 | **40** | 41 | **-** | - |
| Non-Treaty storage and Co-ordination agreements | **(17)** | 12 | **-** | - | **-** | - |
| Domestic Energy Costs | **861** | 882 | **28,715** | 22,609 | **29.98** | 39.01 |
| Trade Energy Costs | **273** | 293 | **10,915** | 14,771 | **20.68** | 22.95 |
| **Energy Costs** | **$ 1,134** | $ 1,175 | **39,630** | 37,380 | **$ 28.61** | $ 31.43 |

[1]Water rental payments are based on the previous calendar year's generation volumes. The volumes are actual hydro generation during the period. 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 September 30, 2020 were $459 million, $6 million (or 1 per cent) lower than the same period in the prior fiscal year. The decrease was primarily due to lower Non-Treaty Storage and Co-ordination agreements costs due to higher net water storage in the prior year. Under the Non-Treaty Storage and Co-ordination agreements, storage of water at the Kinbasket Reservoir (Arrow Lakes) results in costs while releases of water downstream to the United States results in recoveries to BC Hydro. Water rental costs were also lower than the same period in the prior fiscal year. Water rental payments are based on the prior calendar year's hydro generation volumes and were driven by lower water inflows and dry weather in the prior calendar year. These lower costs were partially offset by higher costs from Independent Power Producers (IPPs) largely due to higher deliveries from hydro and wind IPPs.

Domestic energy costs for the six months ended September 30, 2020 were $861 million, $21 million (or 2 per cent) lower than the same period in the prior fiscal year. The decrease in costs was primarily due to the same reasons noted above.

***Trade Energy Costs***

Total trade energy costs for the three months ended September 30, 2020 were $146 million, comparable to the $142 million in the prior fiscal year.

Total trade energy costs for the six months ended September 30, 2020 were $273 million, $20 million (or 7 per cent) lower than the same period in the prior fiscal year. The decrease in trade energy costs was primarily driven by lower volumes and average purchase prices.

***Water Inflows and Reservoir Storage***

Water inflows (energy equivalent) to the system for the six months ended September 30, 2020 were above average and higher than the same period in the prior fiscal year. The above average inflows during the six months ending September 30, 2020 were due to above average snowpack and snowmelt in both the Kinbasket (Columbia) and Williston (Peace) Reservoirs, above average precipitation to the Kinbasket in June, and above average precipitation to the Williston across the summer and in particular August. Williston inflows, across the six-month period, were one of the highest on record.

System energy storage is tracking above the ten-year historic average due to above average inflows. System energy storage at September 30, 2020 was higher than at September 30, 2019.

***Personnel Expenses***

Personnel expenses include salaries and wages, benefits and post-employment benefits. Personnel expenses for the three and six months ended September 30, 2020 were $157 million and $353 million, respectively, $1 million (or 1 per cent) and $19 million (or 6 per cent), respectively, higher than the same period in the prior fiscal year primarily due to impacts caused by COVID-19, including less time off taken and lower capitalization of personnel expenses as some employees were unable to charge their time to capital projects.

***Materials and External Services***

Materials and External Services primarily includes materials, supplies, and contractor fees. Materials and external services for the three and six months ended September 30, 2020 were $134 million and $269 million, respectively, comparable to the $141 million and $280 million, respectively in the prior fiscal year.

***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 and six months ended September 30, 2020 were $250 million and $499 million, respectively, $3 million (or 1 per cent) and $11 million (or 2 per cent), respectively, higher than the same period in the prior fiscal year primarily due to additional property, plant and equipment placed in service.

***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 and six months ended September 30, 2020 were $152 million and $238 million, respectively, $56 million (or 58 per cent) and $41 million (or 21 per cent), respectively, higher than the same period in the prior fiscal year primarily due to an increase in environmental provisions related to the remediation of polychlorinated biphenyl (PCB) and asbestos, partially offset by lower dismantling costs related to the decommissioning of assets.

***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 and six months ended September 30, 2020 were $18 million and $34 million, respectively, comparable to the $18 million and $36 million, respectively, in the prior fiscal year.

## Finance Charges

Finance charges for the three months ended September 30, 2020 were $157 million, a decrease of $240 million (or 60 per cent) compared to the same period in the prior fiscal year. The decrease was primarily due to unrealized gains on future debt hedges used to economically hedge the interest rates on future debt issuances as compared to unrealized losses in the prior year.

Finance charges for the six months ended September 30, 2020 were $471 million, a decrease of $386 million (or 45 per cent) compared to the same period in the prior fiscal year. The decrease was primarily due to lower unrealized losses on future debt hedges used to economically hedge the interest rates on future debt issuances as compared to the prior year.

## 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:

| *(in millions)* | *For the three months ended September 30* **2020** | 2019 | *For the six months ended September 30* **2020** | 2019 |
|---|---|---|---|---|
| **Cost of Energy Variance Accounts** | | | | |
| Heritage Deferral | **$ 141** | $ 15 | **$ 127** | $ 23 |
| Non-Heritage Deferral | **(226)** | 38 | **(149)** | 57 |
| Load Variance | **(30)** | - | **(30)** | - |
| Biomass Energy Program Variance | **(9)** | - | **(9)** | - |
| Trade Income Deferral | **70** | 28 | **79** | 12 |
| | **(54)** | 81 | **18** | 92 |
| **Forecast Variance Accounts** | | | | |
| Non-Current Pension Costs | **(71)** | (10) | **573** | 144 |
| Debt Management | **(40)** | 184 | **71** | 423 |
| Storm Restoration | **(10)** | (5) | **(14)** | (9) |
| Real Property Sales | **(12)** | (2) | **(10)** | 1 |
| Other | **(3)** | (17) | **17** | (7) |
| | **(136)** | 150 | **637** | 552 |
| **Capital-Like Accounts** | | | | |
| Demand-Side Management | **13** | 15 | **25** | 28 |
| Site C | **-** | (1) | **(1)** | - |
| IFRS Property, Plant & Equipment | **5** | 12 | **11** | 23 |
| | **18** | 26 | **35** | 51 |
| **Non-Cash Accounts** | | | | |
| Environmental Provisions & Costs | **70** | 4 | **78** | 9 |
| First Nations Provisions & Costs | **5** | 4 | **11** | 10 |
| CIA Amortization | **(2)** | - | **(3)** | (2) |
| | **73** | 8 | **86** | 17 |
| Amortization of regulatory accounts | **(35)** | 8 | **(73)** | 12 |
| Interest on regulatory accounts | **2** | 3 | **8** | 8 |
| **Net increase in regulatory accounts** | **$ (132)** | $ 276 | **$ 711** | $ 732 |

The BCUC Decision resulted in opening net regulatory transfers of $353 million from the Non-Heritage Deferral Regulatory Account to a new Load Variance regulatory asset account for $354 million and to a new Biomass Energy Program Variance regulatory liability account for $1 million. These opening regulatory transfers were not included in the above table.

For the six months ended September 30, 2020, there was a net addition of $711 million to the Company’s regulatory accounts compared to a net addition of $732 million in the same period in the prior fiscal year. The net regulatory asset balance as at September 30, 2020 was $5.72 billion compared to $5.01 billion as at March 31, 2020.

Net additions to the regulatory accounts during the six months ended September 30, 2020 included $573 million of additions to the Non-Current Pension Costs Regulatory Account primarily due to a decrease in the discount rate used to measure the pension liability.

BC Hydro has regulatory mechanisms to collect 25 of 30 regulatory accounts in use or with balances at September 30, 2020 in rates over various periods, which represent approximately 90 per cent of the net regulatory asset balance.

### *Impact of COVID-19*

In April 2020, BC Hydro announced COVID-19 relief programs for residential and commercial customers with billing relief amounts and incremental costs related to those programs to be deferred to two existing regulatory accounts in accordance with Order in Council No. 159/2020 issued on April 2, 2020. COVID-19 relief provided to residential customers is deferred to the Customer Crisis Fund Regulatory Account and COVID-19 relief provided to commercial customers is deferred to the Mining Customer Payment Plan Regulatory Account. For the six months ended September 30, 2020, transfers into these regulatory accounts were $46 million and are included in the Forecast Variance Accounts – Other balance. These programs ended on June 30, 2020.

In addition, BC Hydro announced three new tariff supplements as part of its COVID-19 relief programs, enabling certain industrial customers to temporarily defer payment of a portion of their electricity bills, to be repaid in the future with interest. In accordance with Order in Council No. 159/2020, any impaired amounts owed by customers participating in the industrial COVID-19 relief programs are deferred to the Mining Customer Payment Plan Regulatory Account. The program ended on September 30, 2020.

BC Hydro is also experiencing lower revenues caused by lower customer demand, especially in the commercial and industrial sectors, as a result of the COVID-19 pandemic. Pursuant to existing regulatory orders, these revenue variances are deferred to the Load Variance Regulatory Account.

## Liquidity and Capital Resources

Cash flow provided by operating activities for the six months ended September 30, 2020 was $703 million, compared to $683 million in the same period in the prior fiscal year. The increase was mainly due to higher trade margin partially offset by lower domestic revenues and slower collection of accounts receivables, including the deferral of payment of certain industrial customers' accounts receivables as part of the COVID-19 relief programs discussed above.

The long-term debt balance net of sinking funds as at September 30, 2020 was $24.49 billion compared to $23.47 billion as at March 31, 2020. The increase was mainly 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:

| *(in millions)* | *For the three months* ended September 30 | | *For the six months ended September 30* | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| Transmission lines and substation replacements and expansion | **$ 121** | $ 118 | **$ 182** | $ 196 |
| Generation replacements and expansion | **68** | 76 | **131** | 147 |
| Distribution system improvements and expansion | **136** | 127 | **266** | 246 |
| General, including technology, vehicles and buildings | **61** | 69 | **119** | 105 |
| Site C Project | **468** | 449 | **854** | 770 |
| **Total Capital Expenditures** | **$ 854** | $ 839 | **$ 1,552** | $ 1,464 |

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 $88 million for the six months ended September 30, 2020 compared to the same period in the prior fiscal year was primarily due to higher Site C Project expenditures.

The COVID-19 pandemic may have a material impact on projects. As the evolution of the COVID-19 pandemic is uncertain and the date of resolution is unknown, cost and schedule impact scenarios continue to be assessed and refined.

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: PRES, LNG Canada Load Interconnection, Transmission Wood Structure and Framing Replacement, Barnard Substation Feeder Section Replacement, and Mount Lehman Substation Upgrade.

Generation replacements and expansion include capital expenditures on generating facilities and related major equipment for dam safety such as turbines, generators, governors, exciters, transformers, and circuit breakers. Key capital expenditures include the following projects: Bridge River 2 Upgrade Units 7 and 8, John Hart Dam Seismic Upgrade, Mica Replace Units 1 to 4 Generator Transformers, Puntledge Recoat Interior and Exterior of Steel Penstock, Mica – Reactor Replacement and Mica Modernize Controls.

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 the Supply Chain Applications project, various building development programs, vehicles, and other technology projects.

Site C Project includes capital expenditures relating to main civil works, generating station and spillway, highway realignment, reservoir clearing, transmission lines and substation, site preparation and infrastructure, project support services (including engineering), as well as social, land, fish and wildlife programs.

## 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 2020 to Fiscal 2021 Revenue Requirements Application*

On October 2, 2020, the BCUC issued its Decision on BC Hydro's F20-F21 RRA. In its Decision, the BCUC commended BC Hydro on its general responsiveness in both the written and oral hearing phases. The BCUC approved BC Hydro's net bill increase of 1.76 per cent in fiscal 2020. BC Hydro estimates a 1.62 per cent net bill decrease for fiscal 2021 based on adjustments required by the BCUC Decision, which is larger than the 1.01 per cent decrease requested in the amended application.

In its Decision, the BCUC approved the continuation of our existing regulatory accounts and the amortization periods associated with them. They approved the closure of four regulatory accounts and directed the establishment of two new regulatory accounts. In addition, the Decision resulted in two additional new regulatory accounts for which BC Hydro will be seeking approval in the Fiscal 2022 Revenue Requirements Application.

The BCUC also found BC Hydro's base operating costs to be reasonable. Additional approvals in the Decision included approving requested rates for our Open Access Transmission Tariff and acceptance of BC Hydro's Demand Side Management expenditures.

BC Hydro submitted a Compliance Filing on December 1, 2020 reflecting the Directives contained in the Decision and submitted a revenue requirements application for fiscal 2022 rates on December 22, 2020.

### *Transfer Pricing Agreement Application*

On April 1, 2020 a new Transfer Pricing Agreement (TPA) between BC Hydro and Powerex came into effect, replacing the previous TPA which was established in 2003. The TPA is an energy supply contract that governs the transfer of energy between the two parties and establishes a price for that energy. BC Hydro filed the new TPA with the BCUC for acceptance as an energy supply contract on May 29, 2020 and conducted a workshop with the BCUC and Interveners in late September 2020.

## 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 F20-F21 RRA.

### *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, and interest rates. 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.

### *Demand for Electricity*

Domestic load volumes for both the three and six months ended September 30, 2020 were approximately 3 per cent lower compared the same periods in the prior fiscal year and 6 per cent lower than plan. Much of this decline is due to the effects of COVID-19. While there is significant uncertainty associated with the pandemic's impacts on electricity demand, the current decline in demand is expected to continue for a period of time. The impacts will depend on the near-term impacts of the economic downturn caused by COVID-19, the speed and nature of the mid-to-long-term recovery, and lasting effects.

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 2019/20 Annual Service Plan Report for the year ended March 31, 2020. 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 2020 included allowed net income for 2020/21 at $712 million which is consistent with the amount required by Order in Council No. 051.

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 forecast for 2020/21 assumes average water inflows (100 per cent of average), domestic sales of 53,656 GWh, average market energy prices of US $27.67/MWh, short-term interest rates of 1.47 per cent, and a Canadian to US dollar exchange rate of US $0.7616.

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

| *(in millions)* | *For the three months ended September 30* **2020** | 2019 (Note 13) | *For the six months ended September 30* **2020** | 2019 (Note 13) |
|---|---|---|---|---|
| **Revenues** (Note 3) | | | | |
| Domestic | **$ 1,138** | $ 1,179 | **$ 2,230** | $ 2,368 |
| Trade | **337** | 137 | **519** | 316 |
| **Revenues** | **1,475** | 1,316 | **2,749** | 2,684 |
| | | | | |
| **Expenses** | | | | |
| Operating expenses (Note 4) | **1,280** | 1,229 | **2,459** | 2,438 |
| Finance charges (Note 5) | **157** | 397 | **471** | 857 |
| **Net Income (Loss) Before Movement in Regulatory Balances** | **38** | (310) | **(181)** | (611) |
| Net movement in regulatory balances (Note 9) | **(34)** | 310 | **191** | 636 |
| **Net Income** | **4** | - | **10** | 25 |
| | | | | |
| **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) | **(5)** | (2) | **(25)** | 7 |
| Reclassification to income of derivatives designated as cash flow hedges (Note 14) | **-** | 9 | **39** | 28 |
| Foreign currency translation gains (losses) | **(2)** | 1 | **(6)** | (2) |
| **Items That Will Not Be Reclassified Subsequently to Net Income** | | | | |
| Actuarial gain (loss) on post employment benefits | **98** | 34 | **(520)** | (96) |
| Other Comprehensive Income (Loss) before movement in regulatory balances | **91** | 42 | **(512)** | (63) |
| Net movements in regulatory balances (Note 9) | **(98)** | (34) | **520** | 96 |
| Other Comprehensive Income (Loss) | **(7)** | 8 | **8** | 33 |
| **Total Comprehensive Income (Loss)** | **$ (3)** | $ 8 | **$ 18** | $ 58 |

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

## Unaudited Condensed Consolidated Interim Statements of Financial Position

| *(in millions)* | | ***As at September 30 2020*** | | *As at March 31* 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | **$** | **120** | $ | 115 |
| Restricted cash | | **34** | | 15 |
| Accounts receivable and accrued revenue | | **592** | | 770 |
| Inventories (Note 7) | | **213** | | 193 |
| Prepaid expenses | | **186** | | 140 |
| Current portion of derivative financial instrument assets (Note 14) | | **36** | | 106 |
| | | **1,181** | | 1,339 |
| **Non-Current Assets** | | | | |
| Property, plant and equipment (Note 8) | | **30,522** | | 29,413 |
| Right-of-use assets | | **1,363** | | 1,405 |
| Intangible assets (Note 8) | | **674** | | 678 |
| Derivative financial instrument assets (Note 14) | | **71** | | 92 |
| Other non-current assets (Note 10) | | **647** | | 655 |
| | | **33,277** | | 32,243 |
| **Total Assets** | **$** | **34,458** | $ | 33,582 |
| **Regulatory Balances (Note 9)** | | **6,123** | | 5,486 |
| **Total Assets and Regulatory Balances** | **$** | **40,581** | $ | 39,068 |
| | | | | |
| **Liabilities and Equity** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities | **$** | **1,758** | $ | 1,626 |
| Current portion of long-term debt (Note 11) | | **2,946** | | 3,843 |
| Current portion of unearned revenues and contributions in aid | | **90** | | 93 |
| Current portion of derivative financial instrument liabilities (Note 14) | | **373** | | 358 |
| | | **5,167** | | 5,920 |
| **Non-Current Liabilities** | | | | |
| Long-term debt (Note 11) | | **21,757** | | 19,843 |
| Lease liabilities | | **1,390** | | 1,425 |
| Derivative financial instrument liabilities (Note 14) | | **414** | | 708 |
| Unearned revenues and contributions in aid | | **2,172** | | 2,095 |
| Post-employment benefits (Note 13) | | **2,142** | | 1,560 |
| Other non-current liabilities (Note 15) | | **1,460** | | 1,382 |
| | | **29,335** | | 27,013 |
| **Total Liabilities** | | **34,502** | | 32,933 |
| **Regulatory Balances (Note 9)** | | **407** | | 481 |
| **Total Liabilities and Regulatory Balances** | | **34,909** | | 33,414 |
| | | | | |
| **Shareholder's Equity** | | | | |
| Contributed surplus | | **60** | | 60 |
| Retained earnings | | **5,648** | | 5,638 |
| Accumulated other comprehensive loss | | **(36)** | | (44) |
| | | **5,672** | | 5,654 |
| **Total Liabilities, Regulatory Balances, and Shareholder's Equity** | **$** | **40,581** | $ | 39,068 |

**Commitments (Note 8)**

**Subsequent Event (Note 9)**

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 Losses on Cash Flow Hedges | Total Accumulated Other Comprehensive Loss | Contributed Surplus | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| **Balance as at April 1, 2019** | $ (2) | $ (45) | $ (47) | $ 60 | $ 4,933 | $ 4,946 |
| Comprehensive Income (Loss) | (2) | 35 | 33 | - | 25 | 58 |
| **Balance as at September 30, 2019** | $ (4) | $ (10) | $ (14) | $ 60 | $ 4,958 | $ 5,004 |
| | | | | | | |
| **Balance as at April 1, 2020** | $ - | $ (44) | $ (44) | $ 60 | $ 5,638 | $ 5,654 |
| Comprehensive Income (Loss) | (6) | 14 | 8 | - | 10 | 18 |
| **Balance as at September 30, 2020** | $ (6) | $ (30) | $ (36) | $ 60 | $ 5,648 | $ 5,672 |

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

## Unaudited Condensed Consolidated Interim Statements of Cash Flows

| *For the six months ended September 30 (in millions)* | **2020** | 2019 (Note 13) |
|---|---|---|
| **Operating Activities** | | |
| Net income | **$ 10** | $ 25 |
| Regulatory account transfers (Note 9) | **(711)** | (732) |
| Adjustments for non-cash items: | | |
| Amortization and depreciation expense (Note 6) | **499** | 488 |
| Unrealized losses on derivative financial instruments (Note 14) | **157** | 427 |
| Post-employment benefit plan expenses | **63** | 66 |
| Interest accrual | **432** | 432 |
| Other items | **56** | 101 |
| | **506** | 807 |
| Changes in working capital and other assets and liabilities (Note 16) | **667** | 345 |
| Interest paid | **(470)** | (469) |
| **Cash provided by operating activities** | **703** | 683 |
| **Investing Activities** | | |
| Property, plant and equipment and intangible asset expenditures | **(1,364)** | (1,264) |
| **Cash used in investing activities** | **(1,364)** | (1,264) |
| **Financing Activities** | | |
| Long-term debt issued (Note 11) | **2,502** | 1,186 |
| Long-term debt retired (Note 11) | **(600)** | (175) |
| Receipt of revolving borrowings | **4,056** | 5,150 |
| Repayment of revolving borrowings | **(4,873)** | (5,427) |
| Payment to the Province (Note 12) | **-** | (59) |
| Payment of principal portion of lease liability | **(38)** | (36) |
| Settlement of hedging derivatives | **(369)** | (50) |
| Other items | **(12)** | (10) |
| **Cash provided by financing activities** | **666** | 579 |
| **Increase (decrease) in cash and cash equivalents** | **5** | (2) |
| **Cash and cash equivalents, beginning of period** | **115** | 84 |
| **Cash and cash equivalents, end of period** | **$ 120** | $ 82 |

**Supplemental Disclosure of Cash Flow Information (Note 16)**

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), Powertech Labs Inc. (Powertech), and Columbia Hydro Constructors Ltd. (Columbia), (collectively with BC Hydro, the Company). All intercompany transactions and balances are eliminated on consolidation.

## 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 2019/20 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 2019/20 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 November 9, 2020.

## 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.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020**

| | *For the three months ended September 30* | | *For the six months ended September 30* | |
|---|---|---|---|---|
| *(in millions)* | **2020** | 2019 | **2020** | 2019 |
| **Domestic** | | | | |
| Residential | **$ 416** | $ 400 | **$ 840** | $ 822 |
| Light industrial and commercial | **442** | 472 | **843** | 928 |
| Large industrial | **173** | 200 | **344** | 407 |
| Other sales | **107** | 107 | **203** | 211 |
| **Total Domestic** | **1,138** | 1,179 | **2,230** | 2,368 |
| **Total Trade**[1] | **337** | 137 | **519** | 316 |
| **Total Revenue** | **$ 1,475** | $ 1,316 | **$ 2,749** | $ 2,684 |

[1] Includes non-IFRS 15 revenues of $177 million and $237 million for the three and six months ended September 30, 2020, respectively (2019 -$38 million and $126 million, respectively).

## Note 4: Operating Expenses

| | *For the three months ended September 30* | | *For the six months ended September 30* | |
|---|---|---|---|---|
| *(in millions)* | **2020** | 2019 | **2020** | 2019 |
| Electricity and gas purchases | **$ 478** | $ 476 | **$ 886** | $ 919 |
| Water rentals | **69** | 79 | **139** | 158 |
| Transmission charges | **58** | 52 | **109** | 98 |
| Personnel expenses | **157** | 156 | **353** | 334 |
| Materials and external services | **134** | 141 | **269** | 280 |
| Amortization and depreciation (Note 6) | **250** | 247 | **499** | 488 |
| Grants, taxes and other costs | **152** | 96 | **238** | 197 |
| Less: Capitalized costs | **(18)** | (18) | **(34)** | (36) |
| | **$ 1,280** | $ 1,229 | **$ 2,459** | $ 2,438 |

## Note 5: Finance Charges

| | *For the three months ended September 30* | | *For the six months ended September 30* | |
|---|---|---|---|---|
| *(in millions)* | **2020** | 2019 | **2020** | 2019 |
| Interest on long-term debt | **$ 214** | $ 217 | **$ 432** | $ 432 |
| Interest on lease liabilities | **12** | 11 | **24** | 26 |
| Interest on defined benefit plan obligations | **16** | 15 | **32** | 31 |
| Mark-to-market losses (gains) on derivative financial instruments | **(39)** | 181 | **70** | 420 |
| Capitalized interest | **(58)** | (41) | **(112)** | (78) |
| Other | **12** | 14 | **25** | 26 |
| | **$ 157** | $ 397 | **$ 471** | $ 857 |

## Note 6: Amortization and Depreciation

| *(in millions)* | *For the three months ended September 30* **2020** | 2019 | *For the six months ended September 30* **2020** | 2019 |
|---|---|---|---|---|
| Depreciation of property, plant and equipment | **$ 207** | $ 203 | **$ 412** | $ 403 |
| Depreciation of right-of-use assets | **23** | 24 | **47** | 46 |
| Amortization of intangible assets | **20** | 20 | **40** | 39 |
| | **$ 250** | $ 247 | **$ 499** | $ 488 |

## Note 7: Inventories

| *(in millions)* | ***As at September 30*** **2020** | *As at March 31* 2020 |
|---|---|---|
| Materials and supplies | **$ 170** | $ 171 |
| Natural gas trading inventories | **43** | 22 |
| | **$ 213** | $ 193 |

## 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 and six months ended September 30, 2020 were $854 million and $1.55 billion, respectively (2019 - $839 million and $1.46 billion, respectively).

As of September 30, 2020, the Company had contractual commitments to spend $2.64 billion on major property, plant and equipment projects (for individual projects greater than $50 million).

## Note 9: Rate Regulation

The BC Utilities Commission (BCUC) issued its Decision on BC Hydro's Fiscal 2020 to Fiscal 2021 Revenue Requirements Application on October 2, 2020. In its Decision, the BCUC approved the Fiscal 2020 net bill increase of 1.76%, the continuation of our existing regulatory accounts and the amortization periods associated with them. The BCUC directed seven adjustments which will result in a Fiscal 2021 net bill decrease estimated at 1.62% rather than the 1.01% decrease requested in the amended application. The financial impact of the Decision has been incorporated in these financial statements. In addition, the BCUC approved the closure of four regulatory accounts and directed the establishment of two new regulatory accounts – the Load Variance and Biomass Energy Program Variance accounts. The two new regulatory accounts separate components from existing regulatory accounts.

The BCUC Decision also resulted in an additional two new regulatory accounts - the Project Write-Offs Costs and Electric Vehicle Costs accounts, for which BC Hydro is seeking approval in the Fiscal 2022 Revenue Requirements Application. As a result, the number of regulatory accounts in use or with balances has increased by four. The financial impact of the new regulatory account requests has been incorporated in these financial statements in accordance with the Company's rate regulation accounting policy, whereby

BC Hydro defers amounts in advance of a final Decision on the application by the BCUC based on management's estimate on the probability of acceptance and recovery in future rates.

The Project Write-Offs Costs and Electric Vehicle Costs accounts were included within other regulatory accounts – assets, and the Biomass Energy Program Variance account was included within other regulatory accounts – liabilities 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 September 30* | | *For the six months ended September 30* | |
|---|---|---|---|---|
| *(in millions)* | **2020** | 2019 | **2020** | 2019 |
| Net increase (decrease) in regulatory balances related to net income | **$ (34)** | $ 310 | **$ 191** | $ 636 |
| Net increase (decrease) in regulatory balances related to OCI | **(98)** | (34) | **520** | 96 |
| | **$ (132)** | $ 276 | **$ 711** | $ 732 |

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 AND SIX MONTHS ENDED SEPTEMBER 30, 2020**

| *(in millions)* | *As at April 1 2020* | *Opening Balance Transfer* [3] | *Addition (Reduction)* | *Interest* [1] | *Amortization* | *Net Change* [2] | ***As at September 30 2020*** |
|---|---|---|---|---|---|---|---|
| **Regulatory Assets** | | | | | | | |
| Non-Heritage Deferral | $ 205 | $ - | $ (159) | $ 4 | $ (50) | $ (205) | **$ -** |
| Load Variance | - | 354 | (30) | 4 | (105) | 223 | **223** |
| Demand-Side Management | 907 | - | 25 | - | (54) | (29) | **878** |
| Debt Management | 953 | - | 71 | - | 6 | 77 | **1,030** |
| First Nations Provisions & Costs | 495 | - | 11 | 1 | (16) | (4) | **491** |
| Non-Current Pension Costs | 210 | - | 573 | - | (20) | 553 | **763** |
| Site C | 508 | - | (1) | 9 | - | 8 | **516** |
| CIA Amortization | 78 | - | (3) | - | - | (3) | **75** |
| Environmental Provisions & Costs | 260 | - | 78 | (1) | (9) | 68 | **328** |
| Smart Metering & Infrastructure | 195 | - | - | 3 | (14) | (11) | **184** |
| IFRS Pension | 459 | - | - | - | (19) | (19) | **440** |
| IFRS Property, Plant & Equipment | 1,079 | - | 11 | - | (15) | (4) | **1,075** |
| Storm Restoration Costs | 21 | - | (8) | - | (13) | (21) | **-** |
| Real Property Sales | 56 | - | (10) | 1 | - | (9) | **47** |
| Other Regulatory Accounts | 60 | - | 30 | 1 | (18) | 13 | **73** |
| **Total Regulatory Assets** | 5,486 | 354 | 588 | 22 | (327) | 637 | **6,123** |
| **Regulatory Liabilities** | | | | | | | |
| Heritage Deferral | 300 | - | (127) | 4 | (107) | (230) | **70** |
| Non-Heritage Deferral | - | 353 | (10) | 10 | (106) | 247 | **247** |
| Trade Income Deferral | 174 | - | (79) | - | (50) | (129) | **45** |
| Storm Restoration Costs | - | - | 6 | - | 2 | 8 | **8** |
| Other Regulatory Accounts | 7 | 1 | 22 | - | 7 | 30 | **37** |
| **Total Regulatory Liabilities** | 481 | 354 | (188) | 14 | (254) | (74) | **407** |
| **Net Regulatory Asset** | $ 5,005 | $ - | $ 776 | $ 8 | $ (73) | $ 711 | **$ 5,716** |

[1]As permitted by the BCUC, interest charges were accrued to certain regulatory balances at a rate of 3.6 per cent for the six months ended September 30, 2020 (2019 – 3.8 per cent) at the Company's weighted average cost of debt.

[2] Net Change is comprised of a net decrease to net loss of $191 million (2019 – $636 million) and a net decrease to other comprehensive loss of $520 million (2019 – $96 million).

[3]The amounts in the Opening Balance Transfer column are transfers from the Non-Heritage Deferral account to a new Load Variance account and Biomass Energy Program Variance account as directed by the BCUC Decision.

There were no significant changes to the remaining recovery/reversal periods for the six months ended September 30, 2020. Refer to Note 15 – Rate Regulation in the Company's 2019/20 Annual Service Plan Report.

### *COVID-19 Customer Relief Programs*

In April 2020, BC Hydro announced COVID-19 relief programs for residential and commercial customers with billing relief amounts and incremental costs related to those programs to be deferred to two existing regulatory accounts in accordance with Order in Council No. 159/2020 issued on April 2, 2020. COVID-19 relief provided to residential customers is deferred to the Customer Crisis Fund Regulatory Account and COVID-19 relief provided to commercial customers is deferred to the Mining Customer Payment Plan Regulatory Account. For the six months ended September 30, 2020, total transfers into these regulatory accounts were $46 million and are included in the Other Regulatory Accounts (asset).

In addition, BC Hydro announced three new tariff supplements as part of its COVID-19 relief programs, enabling certain industrial customers to temporarily defer payment of a portion of their electricity bills, to be repaid in the future with interest. In accordance with Order in Council No. 159/2020, any impaired amounts owed by customers participating in the industrial COVID-19 relief programs are deferred to the Mining Customer Payment Plan Regulatory Account, which is included in the Other regulatory Accounts (asset) in the table above.

## Note 10: Other Non-Current Assets

| *(in millions)* | ***As at September 30*** **2020** | *As at March 31* 2020 |
|---|---|---|
| Non-current receivables | **$ 131** | $ 147 |
| Sinking funds | **210** | 217 |
| Non-current Site C prepaid expenses | **281** | 282 |
| Other | **25** | 9 |
| | **$ 647** | $ 655 |

Included in the non-current receivables balance are $119 million of receivables (March 31, 2020 - $129 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 September 30, 2020, the outstanding amount under the borrowing program was $1.92 billion (March 31, 2020 - $2.74 billion).

For the three months ended September 30, 2020, the Company issued bonds for net proceeds of $1.23 billion (2019 - $596 million) and a par value of $1.08 billion (2019 - $525 million), a weighted average effective interest rate of 1.5 per cent (2019 - 2.3 per cent) and a weighted average term to maturity of 17.2 years (2019 - 30.3 years). For the six months ended September 30, 2020, the Company issued bonds for net proceeds of $2.50 billion (2019 - $1.19 billion) and a par value of $2.20 billion (2019 - $1.08 billion), a weighted average effective interest rate of 1.6 per cent (2019 - 2.3 per cent) and a weighted average term to maturity of 18.1 years (2019 - 24.4 years).

For the three months ended September 30, 2020, the Company redeemed bonds with a par value of $600 million (2019 – $nil no bond maturities). For the six months ended September 30, 2020, the Company redeemed bonds with a par value of $600 million (2019 - $175 million).

## 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 dividend payment to the Province (see below). Capital requirements are consequently managed through the retention of equity subsequent to the dividend 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 six months ended September 30, 2020, there were no changes in the approach to capital management.

The debt to equity ratio at September 30, 2020, and March 31, 2020 was as follows:

| *(in millions)* | ***As at September 30* 2020** | *As at March 31* 2020 |
|---|---|---|
| Total debt, net of sinking funds | **$ 24,493** | $ 23,469 |
| Less: Cash and cash equivalents | **(120)** | (115) |
| **Net Debt** | **$ 24,373** | $ 23,354 |
| | | |
| Retained earnings | **$ 5,648** | $ 5,638 |
| Contributed surplus | **60** | 60 |
| Accumulated other comprehensive loss | **(36)** | (44) |
| **Total Equity** | **$ 5,672** | $ 5,654 |
| **Net Debt to Equity Ratio** | **81 : 19** | 81 : 19 |

***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 of the Order in Council, there was no dividend payment to the Province for the year ended March 31, 2020. In addition, BC Hydro does not expect to make a dividend payment for the year ended March 31, 2021.

## 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 and six months ended September 30, 2020 was $46 million and $93 million, respectively (2019 - $48 million and $96 million, respectively).

Company contributions to the registered defined benefit pension plans for the three and six months ended September 30, 2020 were \$13 million and \$25 million, respectively (2019 - \$11 million and \$22 million, respectively).

BC Hydro did not recognize plan remeasurements due to market fluctuations from changes in the market rate of return on plan assets and liability discount rate at the end of the comparative quarter. The comparatives have been restated to reflect this amount.

The plan remeasurements used a discount rate of 2.79 per cent as at September 30, 2020 (September 30, 2019 – 3.01 per cent) and a rate of return on plan assets of 10.43 per cent as at September 30, 2020 (September 30, 2019 - 3.67 per cent).

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**
**FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020**

The following table summarizes the impact of the adjustments to the comparative period:

### *Reconciliation of Consolidated Statement of Comprehensive Income*

| | *For the three months ended September 30* | | | *For the six months ended September 30* | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2019 | 2019 | | 2019 |
| *(in millions)* | Pre-adjustment | Adjustment | Post-adjustment | Pre-adjustment | Adjustment | Post-adjustment |
| **Revenues** | | | | | | |
| Domestic | $ 1,179 | $ - | $ 1,179 | $ 2,368 | $ - | $ 2,368 |
| Trade | 137 | - | 137 | 316 | - | 316 |
| **Revenues** | 1,316 | - | 1,316 | 2,684 | - | 2,684 |
| **Expenses** | | | | | | |
| Operating expenses | 1,229 | - | 1,229 | 2,438 | - | 2,438 |
| Finance charges | 397 | - | 397 | 857 | - | 857 |
| **Net Loss Before Movement in Regulatory Balances** | (310) | - | (310) | (611) | - | (611) |
| Net movement in regulatory balances | 310 | - | 310 | 636 | - | 636 |
| **Net Income** | - | - | - | 25 | - | 25 |
| **Other Comprehensive Income** | | | | | | |
| **Items Reclassified Subsequently to Net Income** | | | | | | |
| Effective portion of changes in fair value of derivatives designated as cash flow hedges | (2) | - | (2) | 7 | - | 7 |
| Reclassification to income of derivatives designated as cash flow hedges | 9 | - | 9 | 28 | - | 28 |
| Foreign currency translation gains (losses) | 1 | - | 1 | (2) | - | (2) |
| **Items That Will Not Be Reclassified Subsequently to Net Income** | | | | | | |
| Actuarial gain (loss) on post employment benefits | - | 34 | 34 | 70 | (166) | (96) |
| Other Comprehensive Gain (Loss) before movement in regulatory balances | **8** | **34** | **42** | **103** | **(166)** | **(63)** |
| Net movements in regulatory balances | - | (34) | (34) | (70) | 166 | 96 |
| Other Comprehensive Income | 8 | - | 8 | 33 | - | 33 |
| **Total Comprehensive Income** | $ 8 | $ - | $ 8 | $ 58 | $ - | $ 58 |

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**FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2020**

### *Reconciliation of Cash Provided by Operating Activities in Consolidated Statement of Cash Flows*

| | *For the six months ended September 30* | | |
|---|---|---|---|
| | 2019 | | 2019 |
| *(in millions)* | Pre-adjustment | Adjustment | Post-adjustment |
| **Operating Activities** | | | |
| Net income | $ 25 | $ - | $ 25 |
| Regulatory account transfers | (566) | (166) | (732) |
| Adjustments for non-cash items: | | | |
| Amortization and depreciation expense | 488 | - | 488 |
| Unrealized losses on derivative financial instruments | 427 | - | 427 |
| Post-employment benefit plan expenses | 66 | - | 66 |
| Interest accrual | 432 | - | 432 |
| Other items | 101 | - | 101 |
| | 973 | (166) | 807 |
| Changes in working capital and other assets and liabilities | 179 | 166 | 345 |
| Interest paid | (469) | - | (469) |
| **Cash provided by operating activities** | $ 683 | $ - | $ 683 |

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## 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 September 30, 2020, and March 31, 2020:

| | **September 30, 2020** | | March 31, 2020 | |
|---|---|---|---|---|
| *(in millions)* | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Fair Value Through Profit or Loss (FVTPL):** | | | | |
| Cash equivalents - short-term investments | **$ 120** | **$ 120** | $ 78 | $ 78 |
| **Amortized Cost:** | | | | |
| Cash | **-** | **-** | 37 | 37 |
| Restricted cash | **34** | **34** | 15 | 15 |
| Accounts receivable and accrued revenue | **592** | **592** | 770 | 770 |
| Non-current receivables | **131** | **152** | 147 | 159 |
| Sinking funds | **210** | **254** | 217 | 262 |
| Accounts payable and accrued liabilities | **(1,758)** | **(1,758)** | (1,626) | (1,626) |
| Revolving borrowings | **(1,920)** | **(1,920)** | (2,743) | (2,743) |
| Long-term debt (including current portion due in one year) | **(22,783)** | **(27,709)** | (20,943) | (24,318) |
| First Nations liabilities (non-current portion) | **(396)** | **(990)** | (398) | (542) |
| Lease liabilities (non-current portion) | **(1,390)** | **(1,390)** | (1,425) | (1,425) |
| Other liabilities | **(424)** | **(454)** | (430) | (448) |

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 September 30, 2020 in a net asset position of $64 million (March 31, 2020 – net asset $88 million). Such contracts are used to hedge the principal on US$ 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.

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| *($ amounts in millions)* | | **September 30, 2020** | | March 31, 2020 |
|---|---|---|---|---|
| **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** | | 8 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 | | **10 years** | | 10 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)* | | **September 30, 2020 Fair Value** | | March 31, 2020 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) | **$** | **45** | $ | 74 |
| Foreign currency contract assets (cash flow hedges for EURO€ denominated long-term debt) | | **19** | | 14 |
| | | **64** | | 88 |
| **Non-Designated Derivative Instruments:** | | | | |
| Interest rate contract liabilities | | **(713)** | | (1,011) |
| Foreign currency contract (liabilities) assets | | **(13)** | | 55 |
| Commodity derivative assets | | **37** | | 54 |
| Commodity derivative liabilities | | **(55)** | | (54) |
| | | **(744)** | | (956) |
| Net liability | **$** | **(680)** | $ | (868) |

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

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

| *(in millions)* | **September 30, 2020** | March 31, 2020 |
|---|---|---|
| Current portion of derivative financial instrument assets | **$ 36** | $ 106 |
| Current portion of derivative financial instrument liabilities | **(373)** | (358) |
| | | |
| Derivative financial instrument assets, non-current | **71** | 92 |
| Derivative financial instrument liabilities, non-current | **(414)** | (708) |
| Net liability | **$ (680)** | $ (868) |

Designated cash flow hedges for the three and six months ended September 30, 2020 had losses of $5 million and $24 million, respectively (2019 – gains of $nil and $9 million, respectively). The effective portion was recognized in other comprehensive income and the ineffective portion was recognized in finance charges. For the three and six months ended September 30, 2020, $nil and $39 million, respectively (2019 - $9 million and $28 million, respectively) was reclassified from other comprehensive income and reported in net income, offsetting net foreign exchange gains (2019 - gains) recorded in the period.

For outstanding interest rate contracts not designated as hedges with an aggregate notional principal of $3.23 billion (March 31, 2020 – $5.03 billion), used to economically hedge the interest rates on future debt issuances, there was a $46 million increase and a $16 million decrease, respectively (2019 - $178 million and $395 million decrease, respectively) in the fair value of these contracts for the three and six months ended September 30, 2020. For interest rate contracts associated with debt issued, there was a $6 million and $55 million decrease, respectively (2019 - $6 million and $28 million decrease, respectively) in the fair value of contracts that settled during the three and six months ended September 30, 2020. The net decrease for the six months ended September 30, 2020 of $71 million in the fair value of these interest rate contracts was transferred to the Debt Management Regulatory Account which had a net asset balance of $1.03 billion as at September 30, 2020.

Foreign currency contracts for cash management purposes not designated as hedges, for the three and six months ended September 30, 2020, had a loss of $1 million and $1 million, respectively (2019 – loss of $nil and $nil, respectively) recognized in finance charges. Foreign currency contracts associated with US$ revolving borrowings not designated as hedges, for the three and six months ended September 30, 2020, had losses of $29 million and $70 million, respectively (2019 – gains of $3 million and losses of $3 million, respectively) recognized in finance charges. These economic hedges offset $29 million and $71 million of foreign exchange revaluation gains, respectively (2019 – losses of $2 million and gains of $4 million, respectively) recorded in finance charges with respect to US$ revolving borrowings for the three and six months ended September 30, 2020.

For commodity derivatives not designated as hedges, net gains of $177 million and $234 million, respectively (2019 - gains of $41 million and $133 million, respectively) was recorded in trade revenue for the three and six months ended September 30, 2020.

### *Inception Gains and Losses*

Changes in deferred inception gains and losses are as follows:

| | For the three months ended September 30 | | For the six months ended September 30 | |
|---|---|---|---|---|
| *(in millions)* | **2020** | 2019 | **2020** | 2019 |
| **Deferred inception gains, beginning of the period** | **$ 2** | $ 13 | **$ 7** | $ 15 |
| New transactions | **4** | 3 | **9** | 11 |
| Amortization | **(1)** | (9) | **(11)** | (19) |
| **Deferred inception gains, end of the period** | **$ 5** | $ 7 | **$ 5** | $ 7 |

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's credit risk due to customers not paying their electricity bills when due has increased.

### *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)* | **September 30, 2020** | March 31, 2020 |
|---|---|---|
| Current | **$ 267** | $ 368 |
| Past due (30-59 days) | **19** | 35 |
| Past due (60-89 days) | **12** | 11 |
| Past due (More than 90 days) | **23** | 4 |
| | **321** | 418 |
| Less: Allowance for doubtful accounts | **(14)** | (6) |
| | **$ 307** | $ 412 |

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 September 30, 2020 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.

The following tables present the financial instruments measured at fair value for each hierarchy level as at September 30, 2020 and March 31, 2020:

| As at September 30, 2020 *(in millions)* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Total financial assets carried at fair value:** | | | | |
| Short-term investments | $ 120 | $ - | $ - | $ 120 |
| Derivatives designated as hedges | - | 64 | - | 64 |
| Derivatives not designated as hedges | 27 | 15 | 1 | 43 |
| | $ 147 | $ 79 | $ 1 | $ 227 |

| As at September 30, 2020 *(in millions)* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Total financial liabilities carried at fair value:** | | | | |
| Derivatives not designated as hedges | $ (36) | $ (740) | $ (11) | (787) |
| | $ (36) | $ (740) | $ (11) | $ (787) |

| As at March 31, 2020 *(in millions)* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Total financial assets carried at fair value:** | | | | |
| Short-term investments | $ 78 | $ - | $ - | $ 78 |
| Derivatives designated as hedges | - | 88 | - | 88 |
| Derivatives not designated as hedges | 45 | 60 | 5 | 110 |
| | $ 123 | $ 148 | $ 5 | $ 276 |

| As at March 31, 2020 *(in millions)* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Total financial liabilities carried at fair value:** | | | | |
| Derivatives not designated as hedges | $ (33) | $ (1,016) | $ (17) | (1,066) |
| | $ (33) | $ (1,016) | $ (17) | $ (1,066) |

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 (2019 – 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 six months ended September 30, 2020 and 2019:

| *(in millions)* | |
|---|---|
| **Balance as at April 1, 2020** | **$ (12)** |
| Net gains recognized | 17 |
| New transactions | (17) |
| Existing transactions settled | 2 |
| **Balance as at September 30, 2020** | **$ (10)** |

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| *(in millions)* | | |
|---|---|---|
| **Balance as at April 1, 2019** | **$** | **(7)** |
| Net gains recognized | | 27 |
| New transactions | | (12) |
| Existing transactions settled | | (10) |
| **Balance as at September 30, 2019** | **$** | **(2)** |

There were no transfers between Level 3 and 2 during the period (2019 – no transfers).

During the three and six months ended September 30, 2020, unrealized gains of $1 million and $15 million, respectively (2019 - $11 million unrealized losses and $13 million unrealized gains, respectively) were recognized on Level 3 derivative commodity instruments still on hand. These gains 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 per cent. Forward commodity prices used in determining Level 3 base fair value at September 30, 2020 range between $0.24-$97.26 per MwH and a 10 per cent increase/decrease in certain components of these prices would increase/decrease fair value by $1 million. A 10 per cent change in estimated volumes used in determining Level 3 fair value would increase/decrease fair value by $11 million.

## Note 15: Other Non-Current Liabilities

| *(in millions)* | | ***As at September 30* 2020** | | *As at March 31* 2020 |
|---|---|---|---|---|
| Provisions | | | | |
| Environmental liabilities | **$** | **372** | $ | 309 |
| Decommissioning obligations | | **103** | | 77 |
| Other | | **50** | | 29 |
| | | **525** | | 415 |
| First Nations liabilities | | **409** | | 412 |
| Other contributions | | **232** | | 234 |
| Other liabilities | | **424** | | 430 |
| | | **1,590** | | 1,491 |
| Less: Current portion, included in accounts payable and accrued liabilities | | **(130)** | | (109) |
| | **$** | **1,460** | $ | 1,382 |

## Note 16: Supplemental Disclosure of Cash Flow Information

Change in Working Capital and Other Assets and Liabilities:

| *(in millions)* | | ***For the six months ended September 30*** **2020** | | 2019 |
|---|---|---|---|---|
| Restricted Cash | **$** | **(19)** | $ | 94 |
| Accounts receivable and accrued revenue | | **175** | | 350 |
| Inventories | | **(21)** | | (31) |
| Prepaid expenses | | **(62)** | | (58) |
| Other non-current assets | | **(3)** | | (34) |
| Accounts payable and accrued liabilities | | **(59)** | | (152) |
| Unearned revenues and contributions in aid | | **73** | | 100 |
| Post-employment benefits | | **518** | | 92 |
| Other non-current liabilities | | **65** | | (16) |
| | **$** | **667** | $ | 345 |

Non-Cash Investing Transactions:

| *(in millions)* | | ***For the six months ended September 30*** **2020** | | 2019 |
|---|---|---|---|---|
| Contributions in kind received for property, plant and equipment | **$** | **27** | $ | 25 |

## 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.