British Columbia Hydro and Power Authority

2022/23

FIRST QUARTER REPORT

FOR THE THREE MONTHS ENDED
JUNE 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2022 and should be read in conjunction with the MD&A presented in the 2021/22 Annual Service Plan Report, the 2021/22 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, 2022.

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 loss for the three months ended June 30, 2022 was $12 million, $22 million lower than the net income of $10 million in the same period in the prior fiscal year.

- The net regulatory balance as at June 30, 2022 was $2.05 billion, $862 million lower than March 31, 2022.

- Domestic sales volumes for the quarter ended June 30, 2022 were 250 GWh (or 2 per cent) higher than the same period in the prior fiscal year. The higher sales volumes were primarily weather-related (colder than normal temperatures in April and May) and due to the economy gradually recovering from the impacts of COVID-19. There remains significant uncertainty with the pandemic's impacts on electricity demand.

- Capital expenditures, before contributions in aid of construction, for the three months ended June 30, 2022 were $894 million, comparable to the $888 million in the same period in the prior fiscal year.

Consolidated Results of Operations

For the three months ended June 30 ($ in millions)		**2022**		2021		Change
Total Revenues	**$**	**1,930**	$	1,625	$	305
Net Income (Loss)	**$**	**(12)**	$	10	$	(22)
Capital Expenditures	**$**	**894**	$	888	$	6
GWh Sold (Domestic)		**12,239**		11,989		250

($ in millions)	*As at June 30, 2022*	*As at March 31, 2022*	Change
Total Assets and Regulatory Balances	**$ 43,460**	$ 42,734	$ 726
Shareholder's Equity	**$ 7,030**	$ 7,046	$ (16)
Retained Earnings	**$ 6,982**	$ 6,994	$ (12)
Debt to Equity	**79 : 21**	78 : 22	n/a
Number of Domestic Customer Accounts	**2,163,564**	2,156,202	7,362

Revenues

For the three months ended June 30, 2022, total revenues of $1.93 billion were $305 million (19 per cent) higher than the same period in the prior fiscal year. The increase was due to higher trade revenues of $296 million and higher domestic revenues of $9 million.

	($ in millions)		*(gigawatt hours)*		*($ per MWh)* [1]	
for the three months ended June 30	**2022**	2021	**2022**	2021	**2022**	2021
Revenues						
Residential	**$ 479**	$ 473	**4,112**	3,978	**$ 116.49**	$ 118.90
Light industrial and commercial	**459**	462	**4,522**	4,469	**101.50**	103.38
Large industrial	**201**	199	**3,278**	3,257	**61.32**	61.10
Other sales	**114**	110	**327**	285	**-**	-
Domestic Revenues	**1,253**	1,244	**12,239**	11,989	**102.38**	103.76
Trade Revenues	**677**	381	**9,361**	6,769	**86.85**	57.86
Revenues	**$ 1,930**	$ 1,625	**21,600**	18,758	**89.35**	$ 86.63

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

Domestic Revenues

Domestic revenues for the three months ended June 30, 2022 were $1.25 billion, $9 million (or 1 per cent) higher than the same period in the prior fiscal year. The increase was due to higher domestic sales volumes, partially offset by lower average rates that reflect the 1.38 per cent bill decrease approved on an interim basis by the British Columbia Utilities Commission (BCUC) effective April 1, 2022.

Domestic sales volumes for the three months ended June 30, 2022 were 250 GWh (or 2 per cent) higher than the same period in the prior fiscal year. The increase was primarily due to higher Residential sales volumes as a result of colder than normal temperatures in April and May. In addition, Light Industrial and Commercial sales volumes were higher primarily due to increased business activity as the economy gradually recovers from the impacts of COVID-19.

Trade Revenues

Total trade revenues for the three months ended June 30, 2022 were $677 million, an increase of $296 million (or 78 per cent) compared to the same period in the prior fiscal year. The increase was primarily driven by higher average sales prices and higher sales volumes.

Operating Expenses

For the three months ended June 30, 2022, total operating expenses of $1.51 billion were $166 million (or 12 per cent) higher than the same period in the prior fiscal year. The increase was primarily due to higher trade energy costs of $159 million, higher domestic energy costs of $16 million, and higher materials and external services of $20 million partially offset by lower amortization of $23 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, 2022 were $814 million, $175 million (or 27 per cent) higher than the same period in the prior fiscal year. The increase was primarily due to higher trade energy costs of $159 million and higher domestic energy costs of $16 million.

	($ in millions)		*(gigawatt hours)*		*($ per MWh)* [2]	
for the three months ended June 30	**2022**	2021	**2022**	2021	**2022**	2021
Energy Costs						
Water rental payments (hydro generation)[1]	**$ 86**	$ 87	**9,961**	10,100	**$ 8.63**	$ 8.61
Purchases from Independent Power Producers	**361**	350	**4,484**	4,487	**80.51**	78.00
Gas and transportation for thermal generation	**1**	1	1	-	**-**	-
Transmission charges and other expenses	**13**	10	**25**	27	**-**	-
Non-Treaty storage and Co-ordination agreements	**1**	(2)	**-**	-	**-**	-
Domestic Energy Costs	**462**	446	**14,471**	14,614	**31.93**	30.52
Trade Energy Costs	**352**	193	**8,616**	5,611	**51.43**	33.07
Energy Costs	**$ 814**	$ 639	**23,087**	20,225	**35.26**	$ 31.59

[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, 2022 were $462 million, $16 million (or 4 per cent) higher than the same period in the prior fiscal year. The increase in costs was primarily due to higher purchases from Independent Power Producers (IPPs) driven by higher energy deliveries mainly from two IPPs due to changes to their operations in the current year that increased the amount of energy available for sale to BC Hydro, as well as higher costs from higher market prices, partially offset by lower deliveries from hydro and wind IPPs.

Trade Energy Costs

Total trade energy costs for the three months ended June 30, 2022 were $352 million, an increase of $159 million (or 82 per cent) compared to the same period in the prior fiscal year. The increase was primarily driven by higher average purchase prices and higher purchase volumes for the period.

Water Inflows and Reservoir Storage

Water inflows (energy equivalent) to the system for the three months ended June 30, 2022 were below average and lower than the same period in the prior fiscal year. The below average water inflows were due to delayed snowmelt caused by cooler than average temperatures across the province.

System energy storage is tracking below the ten-year historic average due to below average inflows in fiscal 2023. System energy storage at June 30, 2022 was lower than at June 30, 2021.

Personnel Expenses

Personnel expenses include salaries and wages, benefits and post-employment benefits. Personnel expenses for the three months ended June 30, 2022 were $192 million, comparable to the $194 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, 2022 were $174 million, $20 million (13 per cent) higher than the same period in the prior fiscal year primarily due to higher spend and cost incurred for vegetation work programs, technology projects, fuel, and material costs.

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, 2022 was $259 million, $23 million (8 per cent) lower than the same period in the prior fiscal year primarily due to a change in the estimated useful lives of BC Hydro's property, plant, and equipment based on the recommendations from a depreciation study completed in the first quarter of the prior year.

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, 2022 were $85 million, comparable to the $89 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, 2022 were $19 million, consistent with the amount in the prior fiscal year.

Finance Charges (Income)

Finance income for the three months ended June 30, 2022 was $125 million, $454 million (or 138 per cent) higher income than the finance charges of $329 million in the same period in the prior fiscal year. The increase was primarily due to realized and unrealized gains on future debt hedges used to economically hedge the interest rates on future debt issuances in the current period as compared to realized and unrealized losses in the same period in the prior fiscal 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:

For the three months ended June 30 ($ in millions)	**2022**	2021
Cost of Energy Variance Accounts		
Heritage Deferral Account	**$ 9**	$ 1
Non-Heritage Deferral Account	**-**	74
Load Variance	**(33)**	**(22)**
Biomass Energy Program Variance	**-**	**1**
Low Carbon Fuel Credits Variance	**(53)**	**8**
Trade Income Deferral Account	**(155)**	(149)
	(232)	(87)
Forecast Variance Accounts		
Non-Current Pension Costs	**(258)**	-
Debt Management	**(311)**	171
Real Property Sales	**(3)**	-
Total Finance Charges	**-**	5
Other	**(11)**	12
	(583)	188
Capital-Like Accounts		
Demand-Side Management	**16**	15
Site C	**1**	-
	17	15
Non-Cash Accounts		
Environmental Provisions & Costs	**(13)**	4
First Nations Provisions & Costs	**15**	-
Other	**(1)**	(1)
	1	3
Amortization of regulatory accounts	**(66)**	(81)
Interest on regulatory accounts	**1**	5
Net increase (decrease) in regulatory accounts	**$ (862)**	$ 43

For the three months ended June 30, 2022, there was a net reduction of $862 million to the Company's regulatory accounts compared to a net addition of $43 million in the same period in the prior fiscal year. The net regulatory asset balance as at June 30, 2022 was $2.05 billion compared to $2.91 billion as at March 31, 2022.

Net reductions to the regulatory accounts during the three months ended June 30, 2022 included a $311 million reduction to the Debt Management Regulatory Account primarily due to a net increase in the fair value of interest rate hedges resulting from an increase in forward interest rates, a $258 million reduction to the Non-Current Pension Costs Account primarily due to actuarial gains as a result of an increase in the discount rate used to measure the pension liability partially offset by a decrease in the rate of return on pension plan assets, a $232 million net reduction to the Cost of Energy Variance Accounts primarily due to higher trade income than planned, a $66 million reduction due to Amortization (which is the regulatory mechanism to recover the regulatory account balances in rates), partially offset by net additions of $5 million in the remaining regulatory accounts.

BC Hydro has or has applied for regulatory mechanisms to collect all regulatory accounts with balances at June 30, 2022 in rates over various periods.

Liquidity and Capital Resources

Cash flow provided by operating activities for the three months ended June 30, 2022 was $241 million, compared to $126 million in the same period in the prior fiscal year. The increase was mainly due to higher trade income.

The long-term debt balance net of sinking funds as at June 30, 2022 was $26.16 billion compared to $25.74 billion as at March 31, 2022. The increase was primarily due to an increase in net long-term bond issuances (net of redemptions) for net proceeds of $743 million, partially offset by a decrease in revolving borrowings of $325 million. The increase in net long-term bond issuances was primarily to fund capital expenditures and to manage working capital.

Capital Expenditures

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

For the three months ended June 30 ($ in millions)		**2022**		2021
Transmission lines and substation replacements and expansion	**$**	**103**	$	96
Generation replacements and expansion		**80**		78
Distribution system improvements and expansion		**143**		145
General, including technology, vehicles and buildings		**39**		28
Site C Project		**529**		541
Total Capital Expenditures	**$**	**894**	$	888

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.

Transmission lines and substation replacements and expansion included capital expenditures on transmission overhead lines, cables, substations, telecommunication systems, and transmission power equipment. Key capital expenditures included the following projects/programs:

Transmission Wood Structure and Framing Replacements, Capilano Substation Upgrade, Various Sites –NERC (North American Electric Reliability Corporation) CIP (Critical Infrastructure Protection)-003v7 Implementation, Sperling Substation (SPG) Metalclad Switchgear Replacement, and Mount Lehman Substation Upgrade.

Generation replacements and expansion included 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 included the following projects: Bridge River 2 – Strip and Recoat Penstock 2 Interior, Waneta Unit 3 Life Extension, Cheakamus Recoat Units 1 and 2 Penstocks (Interior and Exterior), G.M. Shrum Upgrade Heating Ventilation Air Conditioning (HVAC) System, and John Hart Dam Seismic Upgrade.

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

General included 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.

Regulatory Applications

On August 31, 2021, BC Hydro filed a three-year revenue requirements application with the BCUC, seeking an annual average bill increase of 1.1 per cent for the next three years. To recover planned expenditures, BC Hydro requested a net bill decrease of 1.4 per cent on April 1, 2022, followed by net bill increases of 2.0 per cent on April 1, 2023 and 2.7 per cent on April 1, 2024. The Application sought additional operating funding for investments in Mandatory Reliability Standards, vegetation management and cybersecurity. The Application also sought funding for BC Hydro's Electrification Plan to increase low carbon electrification, attract additional customer load and connect customers more efficiently. On February 22, 2022, the BCUC issued Order No. G-47-22, which approved our requested fiscal 2023 rates on an interim basis. BC Hydro expects a decision on the application near the end of fiscal 2023.

On June 27, 2022, the Government of B.C. issued a Direction to the BCUC Respecting Load Attraction and Low-Carbon Electrification (B.C. Reg 156/2022, Order in Council No. 355) under section 3 of the *Utilities Commission Act*. The Direction prescribes requirements respecting the recovery of costs for low carbon electrification and for attracting additional customer load.

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 2023 – Fiscal 2025 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 six categories: hydro generation, customer demand, 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 customer 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 so doing, BC Hydro seeks to optimize the combined effects of these elements and reduce the net cost of energy for our customers.

The Site C Project continues to manage significant potential risks including the availability of skilled workers, commercial negotiations with contractors, potential continuation of the COVID-19 pandemic or other communicable diseases, design changes due to unknown field conditions, and potential inflationary related risks. The Site C Project Assurance Board (which is comprised of independent members and some of the current BC Hydro board members) is tasked with ensuring that the Site C Project is completed on time and on budget, and that risks are appropriately identified, managed and reported on an ongoing basis. As of June 30, 2022, the total Project forecast remains at the $16 billion estimate and is expected to achieve the in-service date of 2025.

Demand for Electricity

Domestic load volumes for the three months ended June 30, 2022 were approximately 2 per cent higher than the same period in the prior fiscal year. This increase was primarily due to colder than normal temperatures in April and May as well as the gradual economic recovery from the COVID-19 pandemic. The uncertainty associated with the pandemic may continue to impact electricity demand.

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 2021/22 Annual Service Plan Report for the year ended March 31, 2022. 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 2022 forecast net income for 2022/23 at $712 million which is consistent with the amount required by Order in Council No. 123.

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 2022/23 assumes average water inflows (100 per cent of average), domestic sales of 53,626 GWh, average market energy prices of US $51.18/MWh, short-term interest rates of 0.50 per cent, and a Canadian to US dollar exchange rate of US $0.7981.

BC Hydro filed an updated forecast with the Province in August 2022. The forecast continues to forecast net income for 2022/23 at $712 million. The forecast also assumes above average water inflows (102 percent of average), domestic sales of 53,957 GWh, average market energy prices of U.S. $96.72/MWh, short-term interest rates of 2.12 per cent and a Canadian to US dollar exchange rate of US $0.7981.

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, interest rate volatility, 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)	**2022**	2021
Revenues (Note 3)		
Domestic	**$ 1,253**	$ 1,244
Trade	**677**	381
Revenues	**1,930**	1,625
Expenses		
Operating expenses (Note 4)	**1,505**	1,339
Finance charges (income) (Note 5)	**(125)**	329
Net Income (Loss) Before Movement in Regulatory Balances	**550**	(43)
Net movement in regulatory balances (Note 9)	**(562)**	53
Net Income (Loss)	**(12)**	10
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)	**2**	(14)
Reclassification to income of derivatives designated as cash flow hedges (Note 14)	**(8)**	11
Foreign currency translation gains (losses)	**20**	(15)
Items That Will Not Be Reclassified Subsequently to Net Income		
Actuarial gain on post employment benefits	**282**	27
Other Comprehensive Income before movement in regulatory balances	**296**	**9**
Net movements in regulatory balances (Note 9)	**(300)**	(10)
Other Comprehensive Loss	**(4)**	(1)
Total Comprehensive Income (Loss)	**$ (16)**	$ 9

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* **2022**		*As at March 31* 2022
Assets				
Current Assets				
Cash and cash equivalents	**$**	**110**	$	99
Accounts receivable and accrued revenue		**781**		802
Inventories (Note 7)		**377**		264
Prepaid expenses		**176**		156
Current portion of derivative financial instrument assets (Note 14)		**339**		315
		1,783		1,636
Non-Current Assets				
Property, plant and equipment (Note 8)		**34,681**		34,038
Right-of-use assets		**1,303**		1,248
Intangible assets (Note 8)		**635**		640
Derivative financial instrument assets (Note 14)		**464**		242
Other non-current assets (Note 10)		**577**		540
		37,660		36,708
Total Assets	**$**	**39,443**	$	38,344
Regulatory Balances (Note 9)		**4,017**		4,390
Total Assets and Regulatory Balances	**$**	**43,460**	$	42,734
Liabilities and Equities				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**1,652**	$	1,760
Current portion of long-term debt (Note 11)		**2,867**		3,292
Current portion of unearned revenues and contributions in aid		**155**		100
Current portion of derivative financial instrument liabilities (Note 14)		**220**		228
		4,894		5,380
Non-Current Liabilities				
Long-term debt (Note 11)		**23,513**		22,659
Lease liabilities		**1,384**		1,327
Derivative financial instrument liabilities (Note 14)		**261**		177
Unearned revenues and contributions in aid		**2,464**		2,418
Post-employment benefits (Note 13)		**629**		893
Other non-current liabilities (Note 15)		**1,317**		1,355
		29,568		28,829
Total Liabilities		**34,462**		34,209
Regulatory Balances (Note 9)		**1,968**		1,479
Total Liabilities and Regulatory Balances		**36,430**		35,688
Shareholder's Equity				
Contributed surplus		**60**		60
Retained earnings		**6,982**		6,994
Accumulated other comprehensive loss		**(12)**		(8)
		7,030		7,046
Total Liabilities, Regulatory Balances, and Shareholder's Equity	**$**	**43,460**	$	42,734

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 Income (Losses) on Cash Flow Hedges	Total Accumulated Other Comprehensive Loss	Contributed Surplus	Retained Earnings	Total
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
Balance as at April 1, 2022	$ (13)	$ 5	$ (8)	$ 60	$ 6,994	$ 7,046
Comprehensive Income (Loss)	2	(6)	(4)	-	(12)	(16)
Balance as at June 30, 2022	$ (11)	$ (1)	$ (12)	$ 60	$ 6,982	$ 7,030

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)	**2022**	2021
Operating Activities		
Net income	**$ (12)**	$ 10
Regulatory account transfers (Note 9)	**562**	(53)
Adjustments for non-cash items:		
Amortization and depreciation expense (Note 6)	**259**	282
Unrealized (gains) losses on derivative financial instruments	**(296)**	134
Post-employment benefit plan expenses	**23**	36
Interest accrual	**204**	195
Other items	**9**	(6)
	749	598
Changes in working capital and other assets and liabilities (Note 16)	**(135)**	(96)
Interest paid	**(373)**	(376)
Cash provided by operating activities	**241**	126
Investing Activities		
Property, plant and equipment and intangible asset expenditures	**(765)**	(715)
Cash used in investing activities	**(765)**	(715)
Financing Activities		
Long-term debt issued (Note 11)	**843**	651
Long-term debt retired (Note 11)	**(100)**	(526)
Receipt of revolving borrowings	**1,766**	2,532
Repayment of revolving borrowings	**(2,094)**	(1,990)
Payment of principal portion of lease liability	**(2)**	(7)
Settlement of hedging derivatives	**127**	(63)
Other items	**(5)**	(9)
Cash provided by financing activities	**535**	588
Increase (decrease) in cash and cash equivalents	**11**	(1)
Cash and cash equivalents, beginning of period	**99**	37
Cash and cash equivalents, end of period	**$ 110**	$ 36

See Note 16 for Cash flow supplement

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2022

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 the principles of IAS 34, *Interim Financial Reporting,* and except as described below, were prepared using the same accounting policies as described in BC Hydro's 2021/22 Annual Service Plan Report.

As a result of a change in the use of certain carbon products, the balance associated with such products previously recorded in other intangible assets and measured at cost has been re-classified to inventories and measured at fair value less costs to sell. The change in measurement has been accounted for prospectively, and is effective beginning April 1, 2022. Certain other carbon products are also held as inventory; however, these continue to be measured at the lower of cost and net realizable value since they are not held for trading.

These interim financial statements should be read in conjunction with the Annual Consolidated Financial Statements and accompanying notes in BC Hydro's 2021/22 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, 2022.

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 MONTHS ENDED JUNE 30, 2022**

For the three months ended June 30 (in millions)		**2022**		2021
Domestic				
Residential	**$**	**479**	$	473
Light industrial and commercial		**459**		462
Large industrial		**201**		199
Other sales		**114**		110
Total Domestic		**1,253**		1,244
Total Trade[1]		**677**		381
Total Revenue	**$**	**1,930**	$	1,625

[1] Includes revenue recognized under IFRS 9, *Financial Instruments* of $301M (2021 - $116M).

Note 4: Operating Expenses

For the three months ended June 30 (in millions)		**2022**		2021
Electricity and gas purchases	**$**	**653**	$	491
Water rentals		**86**		87
Transmission charges		**75**		61
Personnel expenses		**192**		194
Materials and external services		**174**		154
Amortization and depreciation (Note 6)		**259**		282
Grants, taxes and other costs		**85**		89
Less: Capitalized costs		**(19)**		(19)
	$	**1,505**	$	1,339

Note 5: Finance Charges (Income)

For the three months ended June 30 (in millions)		**2022**		2021
Interest on long-term debt	**$**	**204**	$	195
Interest on lease liabilities		**11**		12
Interest on defined benefit plan obligations		**11**		14
Mark-to-market losses (gains) on derivative financial instruments		**(310)**		170
Capitalized interest		**(74)**		(61)
Other		**33**		(1)
	$	**(125)**	$	329

Note 6: Amortization and Depreciation

For the three months ended June 30 (in millions)		**2022**		2021
Depreciation of property, plant and equipment	**$**	**218**	$	235
Depreciation of right-of-use assets		**21**		24
Amortization of intangible assets		**20**		23
	$	**259**	$	282

Note 7: Inventories

(in millions)		***As at June 30*** **2022**		*As at March 31* 2022
Materials and supplies	**$**	**195**	$	188
Natural gas and carbon products held for trading		**182**		76
	$	**377**	$	264

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, 2022 were $894 million (2021 - $888 million).

As of June 30, 2022, the Company had contractual commitments to spend $2.07 billion on major property, plant and equipment projects (for individual projects greater than $20 million).

Note 9: Rate Regulation

Regulatory Accounts

The Company has established various regulatory accounts through rate regulation and with the approval of the British Columbia Utilities Commission (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)		**2022**		2021
Net increase (decrease) in regulatory balances related to net income	**$**	**(562)**	$	53
Net decrease in regulatory balances related to OCI		**(300)**		(10)
	$	**(862)**	$	43

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.

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(in millions)	*As at April 1 2022*	*Addition (Reduction)*	*Interest[1]*	*Amortization*	*Net Change[2]*	***As at June 30 2022***
Regulatory Assets						
Heritage Deferral	$ 105	$ 9	$ 1	$ (4)	$ 6	**$ 111**
Load Variance	33	(32)	-	(1)	(33)	**-**
Demand-Side Management	868	16	-	(28)	(12)	**856**
Debt Management	286	(283)	-	(3)	(286)	**-**
First Nations Provisions & Costs	469	15	-	(8)	7	**476**
Total Finance Charges	39	-	-	(4)	(4)	**35**
Site C	542	1	4	-	5	**547**
CIA Amortization	68	(1)	-	-	(1)	**67**
Environmental Provisions & Costs	234	(13)	-	(8)	(21)	**213**
Smart Metering & Infrastructure	151	-	1	(6)	(5)	**146**
IFRS Pension	382	-	-	(9)	(9)	**373**
IFRS Property, Plant & Equipment	1,039	-	-	(8)	(8)	**1,031**
Real Property Sales	32	(3)	-	-	(3)	**29**
Other Regulatory Accounts	142	-	1	(10)	(9)	**133**
Total Regulatory Assets	4,390	(291)	7	(89)	(373)	**4,017**
Regulatory Liabilities						
Non-Heritage Deferral	185	-	1	(6)	(5)	**180**
Trade Income Deferral Account	504	155	4	(20)	139	**643**
Load Variance	-	1	-	-	1	**1**
Low Carbon Fuel Credits Variance	30	53	-	(1)	52	**82**
Debt Management	-	28	-	1	29	**29**
Non-Current Pension Costs	669	258	-	8	266	**935**
Other Regulatory Accounts	91	11	1	(5)	7	**98**
Total Regulatory Liabilities	1,479	506	6	(23)	489	**1,968**
Net Regulatory Asset	$ 2,911	$ (797)	$ 1	$ (66)	$ (862)	**$ 2,049**

[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, 2022 (2021 – 3.2 per cent) at the Company's weighted average cost of debt.

[2] Net Change includes a net decrease to net income of $562 million (2021 – $53 million net decrease to net loss) and a net decrease to other comprehensive income of $300 million (2021 – $10 million).

There were no significant changes to the remaining recovery/reversal periods for the three months ended June 30, 2022. Refer to Note 15 – Rate Regulation in the Company's 2021/22 Annual Service Plan Report.

Note 10: Other Non-Current Assets

(in millions)	***As at June 30*** **2022**	*As at March 31* 2022
Non-current receivables	**$ 141**	$ 134
Sinking funds	**219**	210
Non-current Site C prepaid expenses	**203**	184
Other	**14**	12
	$ 577	$ 540

Included in the non-current receivables balance are $120 million of receivables (March 31, 2022 - $119 million) attributable to other contributions receivable from a vendor to aid in the construction of an expansion of an existing 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 $5.50 billion. At June 30, 2022, the outstanding amount under the borrowing program was $2.47 billion (March 31, 2022 - $2.79 billion) and is included in revolving borrowings.

For the three months ended June 30, 2022, the Company issued bonds for net proceeds of $843 million (2021 - $651 million) and a par value of $975 million (2021 - $675 million), a weighted average effective interest rate of 4.0 per cent (2021 - 2.4 per cent) and a weighted average term to maturity of 19.3 years (2021 - 18.6 years).

For the three months ended June 30, 2022, the Company redeemed bonds at maturity with a par value of $100 million (2021 – $526 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 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, 2022, there were no changes in the approach to capital management.

The debt to equity ratio at June 30, 2022, and March 31, 2022 was as follows:

(in millions)	***As at June 30* 2022**	*As at March 31* 2022
Total debt, net of sinking funds	**$ 26,161**	$ 25,741
Less: Cash and cash equivalents	**(110)**	(99)
Net Debt	**$ 26,051**	$ 25,642
Retained earnings	**$ 6,982**	$ 6,994
Contributed surplus	**60**	60
Accumulated other comprehensive loss	**(12)**	(8)
Total Equity	**$ 7,030**	$ 7,046
Net Debt to Equity Ratio	**79 : 21**	78 : 22

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, 2022. In addition, BC Hydro does not expect to make a payment for the year ending March 31, 2023.

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, 2022 was $39 million (2021 - $51 million).

Company contributions to the registered defined benefit pension plans for the three months ended June 30, 2022 were $14 million (2021 - $13 million).

The plan remeasurements used a discount rate of 5.30 per cent as at June 30, 2022 (June 30, 2021 - 3.28 per cent) and a rate of return on plan assets of negative 4.85 per cent as at June 30, 2022 (June 30, 2021 - positive 4.28 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, 2022, and March 31, 2022:

(in millions)	**June 30, 2022** Carrying Value	**June 30, 2022** Fair Value	March 31, 2022 Carrying Value	March 31, 2022 Fair Value
Fair Value Through Profit or Loss (FVTPL):				
Cash equivalents - short-term investments	**$ 48**	**$ 48**	$ 72	$ 72
Amortized Cost:				
Cash	**62**	**62**	27	27
Accounts receivable and accrued revenue	**781**	**781**	802	802
Non-current receivables	**141**	**140**	134	140
Sinking funds	**219**	**227**	210	225
Accounts payable and accrued liabilities	**(1,652)**	**(1,652)**	(1,760)	(1,760)
Revolving borrowings	**(2,467)**	**(2,467)**	(2,792)	(2,792)
Long-term debt (including current portion due in one year)	**(23,913)**	**(22,191)**	(23,159)	(23,540)
First Nations liabilities (non-current portion)	**(405)**	**(436)**	(404)	(611)
Lease liabilities (non-current portion)	**(1,384)**	**(1,384)**	(1,327)	(1,327)
Other liabilities	**(407)**	**(392)**	(416)	(415)

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, 2022 in a net liability position of $21 million (March 31, 2022 – $23 million). Such contracts are used to hedge the principal on US$ 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)	**June 30, 2022**	March 31, 2022
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	**6 years**	6 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	**8 years**	8 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, 2022 Fair Value**	March 31, 2022 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)	**$ 24**	$ 19
Foreign currency contract liabilities (cash flow hedges for US$ denominated long-term debt)	**-**	(10)
Foreign currency contract liabilities (cash flow hedges for EURO€ denominated long-term debt)	**(45)**	(32)
	(21)	(23)
Non-Designated Derivative Instruments:		
Interest rate contract assets	**363**	180
Interest rate contract liabilities	**-**	(1)
Foreign currency contract (liabilities) assets	**11**	(4)
Commodity derivative assets	**401**	356
Commodity derivative liabilities	**(432)**	(356)
	343	175
Net asset	**$ 322**	$ 152

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

(in millions)	**June 30, 2022**	March 31, 2022
Current portion of derivative financial instrument assets	**$ 339**	$ 315
Current portion of derivative financial instrument liabilities	**(220)**	(228)
Derivative financial instrument assets, non-current	**464**	242
Derivative financial instrument liabilities, non-current	**(261)**	(177)
Net asset	**$ 322**	$ 152

For designated cash flow hedges for the three months ended June 30, 2022, there was a gain of $2 million (2021 - loss of $13 million). The effective portion was recognized in other comprehensive income. For the three months ended June 30, 2022, $8 million (2021 - $11 million) was reclassified from other comprehensive income and reported in net income, offsetting net foreign exchange losses (2021 - gains) recorded in the period.

For outstanding interest rate contracts not designated as hedges with an aggregate notional principal of $3.10 billion (March 31, 2022 – $3.73 billion), used to economically hedge the interest rates on future debt issuances, there was a $231 million increase (2021 - $149 million decrease) in the fair value of these contracts for the three months ended June 30, 2022. For interest rate contracts associated with debt issued, there was a $80 million increase (2021 - $22 million decrease) in the fair value of contracts that settled during the three months ended June 30, 2022. The net increase for the three months ended June 30, 2022 of $311 million (2021 - $171 million decrease) in the fair value of these interest rate contracts was transferred to the Debt Management Regulatory Account which had a net liability balance of $29 million as at June 30, 2022.

Foreign currency contracts for cash management purposes not designated as hedges, for the three months ended June 30, 2022, had a gain of $nil (2021 – $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, 2022, had a gain of $22 million (2021 - loss of $24 million) recognized in finance charges. These economic hedges offset $23 million of foreign exchange revaluation losses (2021 - gain of $24 million) recorded in finance charges with respect to US$ revolving borrowings for the three months ended June 30, 2022.

For commodity derivatives not designated as hedges, a net gain of $320 million (2021 - $108 million) was recorded in trade revenue for the three months ended June 30, 2022.

Inception Gains and Losses

Changes in deferred inception gains and losses are as follows:

For the three months ended June 30 (in millions)		**2022**		2021
Deferred inception (loss) gain, beginning of the period	**$**	**(26)**	$	40
New transactions		**22**		7
Amortization		**(17)**		(17)
Foreign currency translation gain		**(1)**		-
Deferred inception (loss) gain, end of the period	**$**	**(22)**	$	30

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

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, 2022**		March 31, 2022
Current	**$**	**485**	$	425
Past due (30-59 days)		**22**		24
Past due (60-89 days)		**7**		6
Past due (More than 90 days)		**5**		3
		519		458
Less: Allowance for doubtful accounts		**(9)**		(7)
	$	**510**	$	451

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, 2022, 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 June 30, 2022 and March 31, 2022:

As at June 30, 2022 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial assets carried at fair value:				
Short-term investments	$ 48	$ -	$ -	$ 48
Derivatives designated as hedges	-	24	-	24
Derivatives not designated as hedges	286	399	94	779
	$ 334	$ 423	$ 94	$ 851

As at June 30, 2022 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial liabilities carried at fair value:				
Derivatives designated as hedges	$ -	$ (45)	$ -	$ (45)
Derivatives not designated as hedges	(169)	(75)	(192)	(436)
	$ (169)	$ (120)	$ (192)	$ (481)

As at March 31, 2022 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial assets carried at fair value:				
Short-term investments	$ 72	$ -	$ -	$ 72
Derivatives designated as hedges	-	19	-	19
Derivatives not designated as hedges	255	209	74	538
	$ 327	$ 228	$ 74	$ 629

As at March 31, 2022 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial liabilities carried at fair value:				
Derivatives designated as hedges	$ -	$ (42)	$ -	$ (42)
Derivatives not designated as hedges	(141)	(65)	(157)	(363)
	$ (141)	$ (107)	$ (157)	$ (405)

The Company’s policy is to recognize level transfers at the end of each period during which the change occurred. During the period, commodity derivatives with a carrying amount of $5 million were transferred from Level 2 to Level 1 (2021 – 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, 2022 and 2021:

(in millions)		
Balance as at April 1, 2022	**$**	**(83)**
Net gains recognized		101
New transactions		1
Existing transactions settled		(117)
Balance as at June 30, 2022	**$**	**(98)**

(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)**

There were no transfers between Level 3 and 2 during the period (2021 – no transfers).

During the three months ended June 30, 2022, unrealized losses of $13 million (2021 – $4 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, 2022 range between $0.21-$455 per MwH and a 10 percent increase/decrease in certain components of these prices would decrease/increase fair value by $63 million. A 10 percent change in estimated volumes used in determining Level 3 fair value would increase/decrease fair value by $6 million.

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Note 15: Other Non-Current Liabilities

(in millions)	***As at June 30*** **2022**	*As at March 31* 2022
Provisions		
Environmental liabilities	**$ 269**	$ 296
Decommissioning obligations	**72**	80
Other	**36**	31
	377	407
First Nations liabilities	**419**	419
Other contributions	**224**	225
Other liabilities	**407**	416
	1,427	1,467
Less: Current portion, included in accounts payable and accrued liabilities	**(110)**	(112)
	$ 1,317	$ 1,355

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)	**2022**	2021
Restricted Cash	**$ -**	$ 7
Accounts receivable and accrued revenue	**18**	28
Inventories	**(110)**	(38)
Prepaid expenses	**(34)**	(38)
Other non-current assets	**(9)**	25
Accounts payable and accrued liabilities	**(68)**	(99)
Unearned revenues and contributions in aid	**96**	44
Post-employment benefits	**(4)**	(3)
Other non-current liabilities	**(24)**	(22)
	$ (135)	$ (96)

Non-Cash Investing Transactions:

For the three months ended June 30 (in millions)	**2022**	2021
Contributions in kind received for property, plant and equipment	**$ 15**	$ 14

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.