British Columbia Hydro and Power Authority

2023/24

FIRST QUARTER REPORT

FOR THE THREE MONTHS ENDED
JUNE 30, 2023

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, 2023 and should be read in conjunction with the MD&A presented in the 2022/23 Annual Service Plan Report, the 2022/23 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, 2023.

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, 2023 was $4 million, $8 million lower than the net loss of $12 million in the same period in the prior fiscal year.

- On April 21, 2023, the British Columbia Utilities Commission (BCUC) issued an initial decision on BC Hydro's Fiscal 2023 to Fiscal 2025 Revenue Requirements Application (F2023 – F2025 RRA) and subsequently on June 19, 2023, the BCUC issued its final decision (Decision). The Decision included a series of directives and the net impact of these directives was a revised bill decrease for fiscal 2023 of 1.23 per cent and a revised bill increase for fiscal 2024 of 2.20 per cent instead of the BCUC-approved interim bill change of a 1.39 per cent decrease and a 2.00 per cent increase for fiscal 2023 and fiscal 2024, respectively. Please refer to the Rate Regulation section of the MD&A for more details regarding the Decision.

- Domestic sales volumes for the quarter ended June 30, 2023 were 12,404 GWh, 165 GWh (or 1 per cent) higher than the same period in the prior fiscal year. The higher sales volumes were primarily due to increased business activity, partially offset by lower sales volumes due to weather (warmer temperatures in April and May compared to the prior year). Domestic sales revenues were also slightly higher compared to the same period in the prior fiscal year, but total revenues were $477 million (or 25 per cent) lower than the same period in the prior fiscal year due to fluctuations in trade revenues due to market conditions.

- Capital expenditures, before contributions in aid of construction, for the three months ended June 30, 2023 were $1.10 billion, a $205 million increase over the same period in the prior fiscal year**.** The increase in capital expenditures for the three months ended June 30, 2023 compared to the same period in the prior fiscal year was primarily due to the timing of Site C Project expenditures.

Consolidated Results of Operations

For the three months ended June 30 ($ in millions)		**2023**		2022		Change
Total Revenues	**$**	**1,453**	$	1,930	$	(477)
Net Loss	**$**	**(4)**	$	(12)	$	8
Capital Expenditures	**$**	**1,099**	$	894	$	205
GWh Sold (Domestic)		**12,404**		12,239		165

($ in millions)		***As at June 30, 2023***		*As at March 31, 2023*		Change
Total Assets and Regulatory Balances	**$**	**46,550**	$	45,786	$	764
Shareholder's Equity	**$**	**7,370**	$	7,356	$	14
Retained Earnings	**$**	**7,350**	$	7,354	$	(4)
Debt to Equity		**79 : 21**		78 : 22		n/a
Number of Domestic Customer Accounts		**2,197,787**		2,188,693		9,094

Revenues

For the three months ended June 30, 2023, total revenues of $1.45 billion were $477 million (or 25 per cent) lower than the same period in the prior fiscal year. The decrease was due to lower trade revenues of $520 million, partially offset by higher domestic revenues of $43 million.

	($ in millions)		*(gigawatt hours)*		*($ per MWh)* [1]	
for the three months ended June 30	**2023**	2022	**2023**	2022	**2023**	2022
Revenues						
Residential	**$ 482**	$ 479	**4,052**	4,112	**$ 118.95**	$ 116.49
Light industrial and commercial	**489**	459	**4,669**	4,522	**104.73**	101.50
Large industrial	**213**	201	**3,373**	3,278	**63.15**	61.32
Other sales	**112**	114	**310**	327	**-**	-
Domestic Revenues	**1,296**	1,253	**12,404**	12,239	**104.48**	102.38
Trade Revenues	**157**	677	**6,161**	9,361	**60.81**	86.85
Revenues	**$ 1,453**	$ 1,930	**18,565**	21,600	**78.27**	$ 89.35

[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, 2023, were $1.30 billion, $43 million (or 3 per cent) higher than the same period in the prior fiscal year. The increase was due to higher domestic sales volumes and higher average rates that reflect the 2.00 per cent bill increase approved on an interim basis by the British Columbia Utilities Commission (BCUC) and the impact of the Decision from the BCUC.

Domestic sales volumes for the three months ended June 30, 2023, were 165 GWh (or 1 per cent) higher than the same period in the prior fiscal year. The increase was primarily due to higher Light Industrial and Commercial, as well as Large Industrial sales volumes due to increased business activity. The increase was partially offset by lower Residential sales volumes as a result of warmer temperatures in April and May compared to the prior year.

Trade Revenues

Total trade revenues for the three months ended June 30, 2023 were $157 million, a decrease of $520 million (or 77 per cent) compared to the same period in the prior fiscal year. The decrease was primarily driven by lower average sales prices and sales volumes.

Operating Expenses

For the three months ended June 30, 2023, total operating expenses of $1.38 billion were $128 million (or 9 per cent) lower than the same period in the prior fiscal year. The decrease was primarily due to lower trade energy costs of $191 million partially offset by higher materials and external services of $24 million and higher grants, taxes and other costs of $20 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, 2023 were $625 million, $189 million (or 23 per cent) lower than the same period in the prior fiscal year. The decrease was primarily due to lower trade energy costs of $191 million, partially offset by higher domestic energy costs of $2 million.

	($ in millions)		*(gigawatt hours)*		*($ per MWh)* [2]	
for the three months ended June 30	**2023**	2022	**2023**	2022	**2023**	2022
Energy Costs						
Water rental payments (hydro generation)[1]	**$ 96**	$ 86	**7,351**	9,961	**$ 13.06**	$ 8.63
Purchases from Independent Power Producers	**355**	361	**4,419**	4,484	**80.33**	80.51
Gas and transportation for thermal generation	**2**	1	-	1	**-**	-
Transmission charges and other expenses	**11**	13	**26**	25	**-**	-
Non-Treaty storage and Co-ordination agreements	**-**	1	**-**	-	**-**	-
Domestic Energy Costs	**464**	462	**11,796**	14,471	**39.34**	31.93
Trade Energy Costs	**161**	352	**7,560**	8,616	**50.11**	51.43
Energy Costs	**$ 625**	$ 814	**19,356**	23,087	**32.29**	$ 35.26

[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, 2023 were $464 million, $2 million higher than the same period in the prior fiscal year. The increase in costs was primarily due to higher water rental costs, because of higher generation volumes in calendar year 2022 relative to calendar 2021. The increase was partially offset by lower purchases from Independent Power Producers (IPPs) due to more outages in the current year, lower deliveries for one IPP due to changes in their operations that decreased the amount of energy available for sale to BC Hydro, partially offset by higher deliveries from hydro IPPs in the current year.

Trade Energy Costs

Total trade energy costs for the three months ended June 30, 2023 were $161 million, a decrease of $191 million (or 54 per cent) compared to the same period in the prior fiscal year. The decrease was primarily driven by lower purchase volumes for the period.

Water Inflows and Reservoir Storage

Water inflows (energy equivalent) to the system for the three months ended June 30, 2023 were below average and lower than the same period in the prior fiscal year. The below average water inflows during the three months ending June 30, 2023 were due to below average snowpack and lower than normal precipitation conditions across the province.

System energy storage is tracking below the ten-year historic average due to below average inflows in third and fourth quarter of fiscal 2023 and the first quarter of fiscal 2024. System energy storage at June 30, 2023 was lower than at June 30, 2022.

Personnel Expenses

Personnel expenses include salaries and wages, benefits and post-employment benefits. Personnel expenses for the three months ended June 30, 2023 were $206 million, $14 million (7 per cent) higher than the same period in the prior fiscal year due to higher labour costs including compensation increases commensurate to the public sector mandate, and higher headcount.

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, 2023 were $198 million, $24 million (14 per cent) higher than the same period in the prior fiscal year primarily due to higher demand side management expenditures and costs incurred for technology projects.

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, 2023 was $264 million, comparable to the $259 million in the same period in the prior fiscal 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, 2023 were $105 million, $20 million (24 per cent) higher than the same period in the prior fiscal year primarily due to a recovery being recorded during the first quarter of the prior fiscal year for a change in the discount rate on our environmental provisions related to the remediation of polychlorinated biphenyl (PCB) and asbestos.

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, 2023 were $21 million, comparable to the $19 million in the same period in the prior fiscal year.

Finance Charges (Income)

Finance charges for the three months ended June, 2023 were $85 million, $210 million (or 168 per cent) higher charges compared to the finance income of $125 million in same period in the prior fiscal year. The increase was primarily due to lower realized and unrealized gains on future debt hedges used to economically hedge the interest rates on future debt issuances.

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)		**2023**		2022
Regulatory Additions (Reductions):				
Cost of Energy Variance Accounts				
Heritage Deferral Account	**$**	**21**	$	9
Non-Heritage Deferral Account		**299**		-
Load Variance		**(19)**		(33)
Biomass Energy Program Variance		**(4)**		-
Low Carbon Fuel Credits Variance		**(7)**		(53)
		290		(77)
Other Cash Variance Accounts				
Trade Income Deferral Account		**(181)**		(155)
Total Finance Charges		**9**		-
Remediation		**16**		13
Inflationary Pressures		**10**		-
Other		**(8)**		(10)
		(154)		(152)
Non-Cash Variance Accounts				
Non-Current Pension Costs		**37**		(258)
Debt Management		**(75)**		(311)
Other		**(9)**		(4)
		(47)		(573)
Benefit Matching Accounts				
Demand-Side Management		**24**		16
First Nation Costs		**15**		14
Site C		**2**		1
CIA Amortization		**(1)**		(1)
Other		**7**		-
		47		30
Non-Cash Provisions				
Environmental Provisions		**(15)**		(26)
First Nations Provisions		**(10)**		1
		(25)		(25)
Amortization of regulatory accounts		**(83)**		(66)
Interest on regulatory accounts		**(7)**		1
Net increase (decrease) in regulatory accounts	**$**	**21**	$	(862)

For the three months ended June 30, 2023, there was a net addition of $21 million to the Company's regulatory accounts compared to a net reduction of $862 million in the same period in the prior fiscal year. The net regulatory asset balance as at June 30, 2023 was $1.49 billion compared to $1.47 billion as at March 31, 2023.

Net additions to the regulatory accounts during the three months ended June 30, 2023 included $299 million net additions to the Non-Heritage Deferral Account primarily due to higher net system imports and $37 million net additions to the Non-Current Pension Costs Account primarily due to actuarial losses on pension plan assets as a result of lower rate of return compared to the expected rates, and net additions of $24 million in other regulatory accounts. The net additions were partially offset by a $181 million reduction to the Trade Income Deferral Account due to higher trade income than planned, an $83 million reduction due to Amortization (which is the regulatory mechanism to recover the regulatory account balances in rates), and a $75 million reduction to the Debt Management Regulatory Account as a result of a net increase in the fair value of interest rate hedges resulting from an increase in forward interest rates.

BC Hydro has or has applied for regulatory mechanisms to collect 33 of 36 regulatory accounts in use or with balances at June 30, 2023 in rates over various periods.

Liquidity and Capital Resources

Cash flow provided by operating activities for the three months ended June 30, 2023 was $39 million, compared to $241 million in the same period in the prior fiscal year. The decrease was mainly due to higher net system imports and higher interest paid, partially offset by higher cash flow from changes in working capital.

The long-term debt balance net of sinking funds as at June 30, 2023 was $27.58 billion compared to $26.78 billion as at March 31, 2023. The increase was mainly a result of an increase in net long-term bond issuances for net proceeds of $485 million, and an increase in revolving borrowings of $346 million. The increase was primarily to fund capital expenditures and to manage working capital.

Capital Expenditures

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

For the three months ended June 30 ($ in millions)	**2023**	2022
Transmission lines and substation replacements and expansion	**$ 132**	$ 103
Generation replacements and expansion	**99**	80
Distribution system improvements and expansion	**175**	143
General, including technology, vehicles and buildings	**50**	39
Site C Project	**643**	529
Total Capital Expenditures	**$ 1,099**	$ 894

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 $205 million for the three months ended June 30, 2023 compared to the same period in the prior fiscal year was primarily due to Site C Project expenditures.

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, Peace to Kelly Lake Stations Sustainment, Natal – 60-138 kV Switchyard Upgrade, and Capilano 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: John Hart Dam Seismic Upgrade, Bridge River 1 – Penstock Concrete Foundation Refurbishment, Wahleach Refurbish Generator, Ash River Extend Life of Steel Penstock, and Lake Buntzen 1 Coquitlam Tunnel Gates Refurbishment.

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, other technology projects, and vehicles.

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, 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 April 21, 2023, the BCUC issued an initial decision on BC F2023 – F2025 RRA and subsequently on June 19, 2023, the BCUC issued its final decision. The Decision included a series of directives and the net impact of these directives was a revised bill decrease for fiscal 2023 of 1.23 per cent and a revised bill increase for fiscal 2024 of 2.20 per cent instead of the BCUC-approved interim bill change of a 1.39 per cent decrease and a 2.00 per cent increase for fiscal 2023 and fiscal 2024, respectively. BC Hydro has been charging customers the interim approved rates for fiscal 2023 and fiscal 2024 since April 1, 2023 and April 1, 2024, respectively, and will issue a bill adjustment in September 2023 for the amount customers were underbilled for the period of April 1, 2022, to August 31, 2023. The Decision approved BC Hydro's request for additional funding for Mandatory Reliability Standards, vegetation management, and cybersecurity. In addition, as a result of the Decision, the Trade Income Deferral Account has been re-classified from a cost of energy variance account to a cash variance account. The financial impact of the Decision has been incorporated in these financial statements.

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 attraction and retention of sufficient skilled labour, inflationary pressures on costs along with interest rate increases, additional work due to unknown conditions or variations to specifications, and weather-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, 2023, 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, 2023 were approximately 1 per cent higher than the same period in the prior fiscal year. The increase was primarily due to increased business activity, partially offset by a decrease due to warmer temperatures in April and May compared to those seen in the prior year. Recent economic concerns related to inflation, increased interest rates, and market conditions for large industrial customers 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 2022/23 Annual Service Plan Report for the year ended March 31, 2023. 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 2023 forecast net income for 2023/24 at $712 million which is consistent with the amount required by Order in Council No. 123. In addition, net income for the period 2024/25 – 2025/26 is forecast to be $712 million annually.

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 2023/24 assumes average water inflows (100 per cent of average), domestic sales of 55,636 GWh, average market energy prices of US $83.41/MWh, short-term interest rates of 3.86 per cent, and a Canadian to US dollar exchange rate of US $0.7645.

BC Hydro filed an updated forecast with the Province in August 2023. The updated forecast continues to forecast net income for 2023/24 at $712 million. The forecast also assumes below average water inflows (85 percent of average), domestic sales of 55,249 GWh, average market energy prices of U.S. $89.56/MWh, short-term interest rates of 4.32 per cent and a Canadian to US dollar exchange rate of US $0.7474.

With recent increases in inflation and interest rates, economic concerns have grown. A potential recession could adversely impact BC Hydro's future performance if it were to cause a decrease in customer load, volatility in electricity/gas trade margins, interest rate volatility, difficulty accessing debt, project delays and project cost escalations. In addition, the ongoing conflict in Ukraine and other geopolitical factors have caused negative disruptions to supply chains which are resulting in project delays and project cost escalations, with the risk of further delays and cost escalations.

These economic concerns limit the ability to predict the ultimate adverse impact of the economy 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)		**2023**		2022
Revenues (Note 3)				
Domestic	**$**	**1,296**	$	1,253
Trade		**157**		677
Revenues		**1,453**		1,930
Expenses				
Operating expenses (Note 4)		**1,377**		1,505
Finance charges (income) (Note 5)		**85**		(125)
Net Income (Loss) Before Movement in Regulatory Balances		**(9)**		550
Net movement in regulatory balances (Note 9)		**5**		(562)
Net Loss		**(4)**		(12)
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)		**(4)**		2
Reclassification to income of derivatives designated as cash flow hedges (Note 14)		**23**		(8)
Foreign currency translation gains (losses)		**(4)**		20
Items That Will Not Be Reclassified Subsequently to Net Income				
Actuarial gain (loss) on post employment benefits		**(13)**		282
Other Comprehensive Income before movement in regulatory balances		**2**		**296**
Net movements in regulatory balances (Note 9)		**16**		(300)
Other Comprehensive Income (Loss)		**18**		(4)
Total Comprehensive Income (Loss)	**$**	**14**	$	(16)

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* **2023**		*As at March 31* 2023
Assets				
Current Assets				
Cash and cash equivalents	**$**	**145**	$	148
Accounts receivable and accrued revenue		**786**		894
Inventories (Note 7)		**425**		387
Prepaid expenses		**212**		186
Current portion of derivative financial instrument assets (Note 14)		**410**		494
		1,978		2,109
Non-Current Assets				
Property, plant and equipment		**37,776**		36,926
Right-of-use assets		**1,285**		1,305
Intangible assets		**633**		639
Derivative financial instrument assets (Note 14)		**329**		319
Other non-current assets (Note 10)		**519**		542
		40,542		39,731
Total Assets	**$**	**42,520**	$	41,840
Regulatory Balances (Note 9)		**4,030**		3,946
Total Assets and Regulatory Balances	**$**	**46,550**	$	45,786
Liabilities and Equities				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**1,777**	$	1,953
Current portion of long-term debt (Note 11)		**3,304**		2,958
Current portion of unearned revenues and contributions in aid		**191**		108
Current portion of derivative financial instrument liabilities (Note 14)		**409**		474
		5,681		5,493
Non-Current Liabilities				
Long-term debt (Note 11)		**24,509**		24,057
Lease liabilities		**1,373**		1,376
Derivative financial instrument liabilities (Note 14)		**309**		325
Unearned revenues and contributions in aid		**2,669**		2,615
Post-employment benefits (Note 13)		**761**		731
Other non-current liabilities (Note 15)		**1,336**		1,354
		30,957		30,458
Total Liabilities		**36,638**		35,951
Regulatory Balances (Note 9)		**2,542**		2,479
Total Liabilities and Regulatory Balances		**39,180**		38,430
Shareholder's Equity				
Contributed surplus		**60**		60
Retained earnings		**7,350**		7,354
Accumulated other comprehensive loss		**(40)**		(58)
		7,370		7,356
Total Liabilities, Regulatory Balances, and Shareholder's Equity	**$**	**46,550**	$	45,786

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, 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
Balance as at April 1, 2023	$ 10	$ (68)	$ (58)	$ 60	$ 7,354	$ 7,356
Comprehensive Income (Loss)	(1)	19	18	-	(4)	14
Balance as at June 30, 2023	$ 9	$ (49)	$ (40)	$ 60	$ 7,350	$ 7,370

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)	**2023**	2022
Operating Activities		
Net income	**$ (4)**	$ (12)
Regulatory account transfers (Note 9)	**(5)**	562
Adjustments for non-cash items:		
Amortization and depreciation expense (Note 6)	**264**	259
Gains on derivative financial instruments	**(76)**	(296)
Post-employment benefit plan expenses	**19**	23
Interest accrual	**236**	204
Other items	**24**	9
	458	749
Changes in working capital and other assets and liabilities (Note 16)	**(9)**	(135)
Interest paid	**(410)**	(373)
Cash provided by operating activities	**39**	241
Investing Activities		
Property, plant and equipment and intangible asset expenditures	**(915)**	(765)
Cash used in investing activities	**(915)**	(765)
Financing Activities		
Long-term debt issued (Note 11)	**485**	843
Long-term debt retired (Note 11)	**-**	(100)
Receipt of revolving borrowings	**2,147**	1,766
Repayment of revolving borrowings	**(1,807)**	(2,094)
Payment of principal portion of lease liability	**(3)**	(2)
Settlement of hedging derivatives	**68**	127
Other items	**(17)**	(5)
Cash provided by financing activities	**873**	535
Increase (decrease) in cash and cash equivalents	**(3)**	11
Cash and cash equivalents, beginning of period	**148**	99
Cash and cash equivalents, end of period	**$ 145**	$ 110

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, 2023

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 2022/23 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 2022/23 Annual Service Plan Report.

These interim financial statements were approved on behalf of the Board of Directors on August 16, 2023.

Note 3: Revenue

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

For the three months ended June 30 (in millions)	**2023**	2022
Domestic		
Residential	**$ 482**	$ 479
Light industrial and commercial	**489**	459
Large industrial	**213**	201
Other sales	**112**	114
Total Domestic	**1,296**	1,253
Total Trade[1]	**157**	677
Total Revenue	**$ 1,453**	$ 1,930

[1] Includes a reduction in revenue recognized under IFRS 9, *Financial Instruments* of $64M (2022 - revenue recognized of $301M).

Note 4: Operating Expenses

For the three months ended June 30 (in millions)		**2023**		2022
Electricity and gas purchases	**$**	**458**	$	653
Water rentals		**96**		86
Transmission charges		**71**		75
Personnel expenses		**206**		192
Materials and external services		**198**		174
Amortization and depreciation (Note 6)		**264**		259
Grants, taxes and other costs		**105**		85
Less: Capitalized costs		**(21)**		(19)
	$	**1,377**	$	1,505

Note 5: Finance Charges (Income)

For the three months ended June 30 (in millions)		**2023**		2022
Interest on long-term debt	**$**	**236**	$	204
Interest on lease liabilities		**12**		11
Interest on defined benefit plan obligations		**10**		11
Mark-to-market gains on derivative financial instruments		**(76)**		(310)
Capitalized interest		**(106)**		(74)
Other		**9**		33
	$	**85**	$	(125)

Note 6: Amortization and Depreciation

For the three months ended June 30 (in millions)		**2023**		2022
Depreciation of property, plant and equipment	**$**	**223**	$	218
Depreciation of right-of-use assets		**21**		21
Amortization of intangible assets		**20**		20
	$	**264**	$	259

Note 7: Inventories

(in millions)		***As at June 30*** **2023**		*As at March 31* 2023
Materials and Supplies and Environmental Products	**$**	**208**	$	208
Natural Gas and Certain Carbon Products		**217**		179
	$	**425**	$	387

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, 2023 were $1.10 billion (2022 - $894 million).

As of June 30, 2023, the Company had contractual commitments to spend $1.68 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)	**2023**	2022
Net increase (decrease) in regulatory balances related to net income	**$ 5**	$ (562)
Net increase (decrease) in regulatory balances related to OCI	**16**	(300)
	$ 21	$ (862)

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2023

(in millions)	*As at April 1 2023*	*Addition (Reduction)*	*Interest[1]*	*Amortization*	*Net Change[2]*	***As at June 30 2023***
Regulatory Assets						
Non-Heritage Deferral	$ -	$ 189	$ -	$ 1	$ 190	**$ 190**
Demand-Side Management	858	24	-	(29)	(5)	**853**
Debt Management	67	(65)	-	(2)	(67)	**-**
First Nations Provisions & Costs	485	5	-	(8)	(3)	**482**
Site C	566	2	5	-	7	**573**
CIA Amortization	63	(1)	-	-	(1)	**62**
Environmental Provisions & Costs	216	1	-	(9)	(8)	**208**
Smart Metering & Infrastructure	130	-	1	(6)	(5)	**125**
IFRS Pension	344	-	-	(10)	(10)	**334**
IFRS Property, Plant & Equipment	1,007	-	-	(8)	(8)	**999**
Total Finance Charges	45	9	-	(3)	6	**51**
Other Regulatory Accounts	165	1	-	(13)	(12)	**153**
Total Regulatory Assets	3,946	165	6	(87)	84	**4,030**
Regulatory Liabilities						
Heritage Deferral	32	(21)	-	-	(21)	**11**
Non-Heritage Deferral	110	(110)	-	-	(110)	**-**
Trade Income Deferral Account	1,190	181	11	(10)	182	**1,372**
Biomass Energy Program	75	4	1	(1)	4	**79**
Inflationary Pressures	58	(10)	-	-	(10)	**48**
Load Variance	33	19	-	-	19	**52**
Low Carbon Fuel Credits Variance	48	7	-	-	7	**55**
Non-Current Pension Costs	854	(37)	-	7	(30)	**824**
Debt Management	-	10	-	3	13	**13**
Other Regulatory Accounts	79	11	1	(3)	9	**88**
Total Regulatory Liabilities	2,479	54	13	(4)	63	**2,542**
Net Regulatory Asset	$ 1,467	$ 111	$ (7)	$ (83)	$ 21	**$ 1,488**

[1]As permitted by the BCUC, interest charges were accrued to certain regulatory balances at a rate of 3.5 per cent for the three months ended June 30, 2023 (2022 – 3.2 per cent) at the Company's weighted average cost of debt.

[2] Net Change includes a net decrease to net loss of $5 million (2022 – $562 million net decrease to net income) and a net increase to other comprehensive income of $16 million (2022 – $300 million decrease).

On April 21, 2023, the BCUC issued its initial decision on BC Hydro's Fiscal 2023 to Fiscal 2025 Revenue Requirements Application and subsequently on June 19, 2023, the BCUC issued its final decision (Decision). The Decision resulted in a revised bill decrease for fiscal 2023 of 1.23 per cent and a revised bill increase for fiscal 2024 of 2.20 per cent. The bill impacts changed by 0.13 per cent and 0.20 per cent as compared to the interim bill impacts of a 1.39 per cent decrease and a 2.00 per cent increase approved by the BCUC for fiscal 2023 and fiscal 2024, respectively. The financial impact of the Decision has been incorporated in these financial statements.

There were no significant changes to the remaining recovery/reversal periods for the three months ended June 30, 2023. Refer to Note 15 – Rate Regulation in the Company's 2022/23 Annual Service Plan Report.

Note 10: Other Non-Current Assets

(in millions)	***As at June 30* 2023**	*As at March 31* 2023
Non-current receivables	**$ 140**	$ 134
Sinking funds	**235**	237
Non-current Site C prepaid expenses	**132**	159
Other	**12**	12
	$ 519	$ 542

Included in the non-current receivables balance are $118 million of receivables (March 31, 2023 - $116 million) attributable to other contributions receivable from a supplier 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, 2023, the outstanding amount under the borrowing program was $3.10 billion (March 31, 2023 - $2.76 billion) and is included in revolving borrowings.

For the three months ended June 30, 2023, the Company issued bonds for net proceeds of $485 million (2022 - $843 million) and a par value of $500 million (2022 - $975 million), a weighted average effective interest rate of 4.2 per cent (2022 - 4.0 per cent) and a weighted average term to maturity of 16.1 years (2022 - 19.3 years).

For the three months ended June 30, 2023, there were no bond maturities (2022 – $100 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, 2023, there were no changes in the approach to capital management.

The debt to equity ratio at June 30, 2023, and March 31, 2023 was as follows:

(in millions)	***As at June 30*** **2023**	*As at March 31* 2023
Total debt, net of sinking funds	**$ 27,578**	$ 26,778
Less: Cash and cash equivalents	**(145)**	(148)
Net Debt	**$ 27,433**	$ 26,630
Retained earnings	**$ 7,350**	$ 7,354
Contributed surplus	**60**	60
Accumulated other comprehensive loss	**(40)**	(58)
Total Equity	**$ 7,370**	$ 7,356
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, 2023. In addition, BC Hydro does not expect to make a payment for the year ending March 31, 2024.

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, 2023 was $36 million (2022 - $39 million).

Company contributions to the registered defined benefit pension plans for the three months ended June 30, 2023 were $14 million (2022 - $14 million).

The plan remeasurements used a discount rate of 4.96 per cent per annum as at June 30, 2023 (June 30, 2022 - 5.30 per cent) and a rate of return on plan assets of 0.84 per cent as at June 30, 2023 (June 30, 2022 - negative 4.85 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, 2023, and March 31, 2023:

	June 30, 2023		March 31, 2023	
(in millions)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Fair Value Through Profit or Loss (FVTPL):				
Cash equivalents - short-term investments	**$ 81**	**$ 81**	$ 70	$ 70
Amortized Cost:				
Cash	**64**	**64**	78	78
Accounts receivable and accrued revenue	**786**	**786**	894	894
Non-current receivables	**140**	**140**	134	135
Sinking funds	**235**	**233**	237	239
Accounts payable and accrued liabilities	**(1,777)**	**(1,777)**	(1,953)	(1,953)
Revolving borrowings	**(3,104)**	**(3,104)**	(2,758)	(2,758)
Long-term debt (including current portion due in one year)	**(24,709)**	**(22,941)**	(24,257)	(22,800)
First Nations liabilities (non-current portion)	**(425)**	**(459)**	(435)	(467)
Lease liabilities (non-current portion)	**(1,373)**	**(1,373)**	(1,376)	(1,376)
Other liabilities (non-current portion)	**(407)**	**(394)**	(409)	(397)

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, 2023 in a net liability position of $9 million (March 31, 2023 – $5 million). Such contracts are used to hedge the principal on US$ 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, 2023**	March 31, 2023
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	**5 years**	5 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	**7 years**	7 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, 2023 Fair Value**	March 31, 2023 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)	**$ 20**	$ 29
Foreign currency contract liabilities (cash flow hedges for EURO€ denominated long-term debt)	**(29)**	(34)
	(9)	(5)
Non-Designated Derivative Instruments:		
Interest rate contract assets	**203**	199
Interest rate contract liabilities	**(20)**	(24)
Foreign currency contract (liabilities) assets	**(13)**	(3)
Commodity derivative assets	**516**	585
Commodity derivative liabilities	**(656)**	(738)
	30	19
Net asset	**$ 21**	$ 14

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, 2023**	March 31, 2023
Current portion of derivative financial instrument assets	**$ 410**	$ 494
Current portion of derivative financial instrument liabilities	**(409)**	(474)
Derivative financial instrument assets, non-current	**329**	319
Derivative financial instrument liabilities, non-current	**(309)**	(325)
Net asset	**$ 21**	$ 14

For designated cash flow hedges for the three months ended June 30, 2023, there was a loss of $4 million (2022 - gain of $2 million). The effective portion was recognized in other comprehensive income. For the three months ended June 30, 2023, $23 million (2022 - $8 million) was reclassified from other comprehensive income and reported in net income, offsetting net foreign exchange gains (2022 - losses) recorded in the period.

For outstanding interest rate contracts not designated as hedges with an aggregate notional principal of $2.88 billion (March 31, 2023 – $2.88 billion), used to economically hedge the interest rates on future debt issuances, there was a $50 million increase (2022 - $231 million increase) in the fair value of these contracts for the three months ended June 30, 2023. For interest rate contracts associated with debt issued, there was a $26 million increase (2022 - $80 million increase) in the fair value of contracts that settled during the three months ended June 30, 2023. The net increase for the three months ended June 30, 2023 of $76 million (2022 - $311 million increase) in the fair value of these interest rate contracts was transferred to the Debt Management Regulatory Account which had a net liability balance of $13 million as at June 30, 2023.

Foreign currency contracts for cash management purposes not designated as hedges, for the three months ended June 30, 2023, had a loss of $1 million (2022 – $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, 2023, had a loss of $10 million (2022 - gain of $22 million) recognized in finance charges. These economic hedges offset $11 million of foreign exchange revaluation gains (2022 - losses of $23 million) recorded in finance charges with respect to US$ revolving borrowings for the three months ended June 30, 2023.

For commodity derivatives not designated as hedges, a net loss of $83 million (2022 – net gain of $320 million) was recorded in trade revenue for the three months ended June 30, 2023.

Inception Gains and Losses

Changes in deferred inception gains and losses are as follows:

(in millions)		**2023**		2022
Deferred inception loss, beginning of the year	**$**	**(15)**	$	(26)
New transactions		**(13)**		22
Amortization		**(5)**		(17)
Foreign currency translation gain		**-**		(1)
Deferred inception loss, end of the year	**$**	**(33)**	$	(22)

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, 2023**		March 31, 2023
Current	**$**	**426**	$	495
Past due (30-59 days)		**22**		26
Past due (60-89 days)		**6**		6
Past due (More than 90 days)		**5**		2
		459		529
Less: Allowance for doubtful accounts		**(8)**		(8)
	$	**451**	$	521

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, 2023 and March 31, 2023:

As at June 30, 2023 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial assets carried at fair value:				
Short-term investments	$ 81	$ -	$ -	$ 81
Derivatives designated as hedges	-	20	-	20
Derivatives not designated as hedges	330	232	157	719
	$ 411	$ 252	$ 157	$ 820

As at June 30, 2023 *(in millions)*	Level 1	Level 2	Level 3	Total
Total financial liabilities carried at fair value:				
Derivatives designated as hedges	$ -	$ (29)	$ -	$ (29)
Derivatives not designated as hedges	(134)	(179)	(376)	(689)
	$ (134)	$ (208)	$ (376)	$ (718)

As at March 31, 2023 *(in millions)*		Level 1		Level 2		Level 3		Total
Total financial assets carried at fair value:								
Short-term investments	$	70	$	-	$	-	$	70
Derivatives designated as hedges		-		29		-		29
Derivatives not designated as hedges		409		218		157		784
	$	479	$	247	$	157	$	883

As at March 31, 2023 *(in millions)*		Level 1		Level 2		Level 3		Total
Total financial liabilities carried at fair value:								
Derivatives designated as hedges	$	-	$	(34)	$	-	$	(34)
Derivatives not designated as hedges		(195)		(158)		(412)		(765)
	$	(195)	$	(192)	$	(412)	$	(799)

The Company's policy is to recognize level transfers at the end of each period during which the change occurred. During the three months ended June 30, 2023, there were $nil transfers (2022 – $5 million of commodity derivatives were transferred from Level 2 to Level 1).

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, 2023 and 2022:

(in millions)		
Balance as at April 1, 2023	**$**	**(255)**
Net gains recognized		17
Existing transactions settled		19
Balance as at June 30, 2023	**$**	**(219)**

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

There were no transfers between Level 3 and 2 during the period (2022 – no transfers).

During the three months ended June 30, 2023, unrealized gains of $13 million (2022 – unrealized losses of $13 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 per cent. Forward commodity prices used in determining Level 3 base fair value at June 30, 2023 range between $0.013-$586 per MwH and a 10 per cent increase/decrease in certain components of these prices would decrease/increase fair value by $52 million. A 10 per cent change in estimated volumes used in determining Level 3 fair value would increase/decrease fair value by $14 million.

Note 15: Other Non-Current Liabilities

(in millions)	***As at June 30*** **2023**	*As at March 31* 2023
Provisions		
Environmental liabilities	**$ 262**	$ 270
Decommissioning obligations	**69**	70
Other	**38**	39
	369	379
First Nations liabilities	**442**	452
Other contributions	**220**	221
Other liabilities	**426**	432
	1,457	1,484
Less: Current portion, included in accounts payable and accrued liabilities	**(121)**	(130)
	$ 1,336	$ 1,354

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)		**2023**		2022
Accounts receivable and accrued revenue		**109**		18
Inventories		**(43)**		(110)
Prepaid expenses		**(41)**		(34)
Other non-current assets		**37**		(9)
Accounts payable and accrued liabilities		**(182)**		(68)
Unearned revenues and contributions in aid		**135**		96
Post-employment benefits		**(3)**		(4)
Other non-current liabilities		**(21)**		(24)
	$	**(9)**	$	(135)

Non-Cash Investing Transactions:

For the three months ended June 30 (in millions)		**2023**		2022
Contributions in kind received for property, plant and equipment	**$**	**19**	$	15

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.