



COLUMBIA BASIN TRUST

*a legacy
for the people*

**COLUMBIA BASIN TRUST
2008/09-2010/11
SERVICE PLAN**

LIBRARY AND ARCHIVES CANADA CATALOGUING IN PUBLICATION DATA
COLUMBIA BASIN TRUST (B.C.).

SERVICE PLAN. -- 2003/2005-2005/2007 ; 2005/06/2007/08-

ANNUAL.

RUNNING TITLE: COLUMBIA BASIN TRUST SERVICE PLAN.

CONTINUES: COLUMBIA BASIN TRUST (B.C.). PERFORMANCE PLAN, ISSN
1498-7686.

ISSN 1718-2018 = SERVICE PLAN (COLUMBIA BASIN TRUST)

1. COLUMBIA BASIN TRUST (B.C.) - PERIODICALS.
2. WATER RESOURCES DEVELOPMENT - COLUMBIA RIVER WATERSHED -
PERIODICALS. 3. REGIONAL PLANNING - COLUMBIA RIVER REGION -
PERIODICALS. I. TITLE. II. TITLE: COLUMBIA BASIN TRUST SERVICE PLAN.

HD1694.A2C64 354'.219'09711605C2005-960274-0

January 21, 2008

The Honourable Colin Hansen
Minister of Economic Development
Province of British Columbia

Minister:

On behalf of the Board of Directors and staff of the Columbia Basin Trust, I am pleased to submit the Columbia Basin Trust 2008/09-2010/11 Service Plan. This document was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The Service Plan is consistent with government's strategic priorities. The Board is accountable for its contents, including the selection of performance measures and targets. All significant assumptions, policy decisions, and identified risks as of January 21, 2008 have been considered in preparing our Service Plan. The targets have been determined based on an assessment of Columbia Basin Trust's operating environment, forecast conditions, risk assessment and past performance.

Columbia Basin Trust benefits the region of British Columbia most affected by the Columbia River Treaty between Canada and the United States. Through endowments provided by the Province of B.C., CBT makes investments, and uses the returns from its investments to deliver social, economic and environmental benefits to the people of the region. Columbia Basin Trust is therefore accountable for its actions to both the Province of B.C., our shareholder, and to the residents of the Columbia Basin, our stakeholders.

Columbia Basin Trust is required to prepare a Columbia Basin Management Plan (CBMP). In 2007, the Board approved the first update of the CBMP since it was initially published in 1997. The Plan now incorporates two parts. The CBMP Charter establishes the foundation for the work of CBT, and serves to guide all of its activities in the long term. The second part of the CBMP identifies strategic priorities for the next three years. These priorities provide a high level road map which will help focus our work in the region over the next three years.

In 2006 and 2007, Columbia Basin Trust conducted a significant review of its investment portfolio, and developed a new investment policy. The policy is consistent with the mandate of CBT, relevant in its relationship to performance expectations, transparent, and available to the public. The new policy is currently being implemented, and as a result, this Service Plan introduces three new performance measures for different segments of the investment portfolio. The Board looks forward to measuring the performance of our portfolio, and continuing to ensure that the investment portfolio is managed so that a predictable, sustainable and appreciating income stream is available to fund our operations and activities in the Columbia Basin region.

Over the past 12 months, there have been a number of significant developments related to our investments. We added 191 new suites to our seniors housing portfolio – 74 in Kimberley, 10 in Fernie, 32 in Creston and another 75 in Cranbrook. Our investments have now resulted in a total of 627 congregate care living suites, which offer a range of care depending on the needs of the resident. We also committed to investments in two new residential property developments in 2007 in the West Kootenay.

With respect to our power project investments, a major milestone was reached in September 2007 when the Brilliant Expansion Project began commercial operation. This will provide CBT, and residents of the Columbia Basin, with a new source of revenue.

As our investments mature, we will be able to increase our spending on economic, social and environmental initiatives in the Basin. We have budgeted close to \$7 million in the 2007/08 fiscal year, and up to \$10 million in 2008/09.

With the increased funding that is available for regional initiatives and programs, CBT recognized the priority that many communities and residents place on our Community Initiatives Program (CIP). The CIP is a community-based granting program, which is structured to incorporate residents' input in the project selection process. We have committed to increasing the funding for the CIP by \$2 million per year, and made a three-year, \$10 million commitment to the program.

We continue to support a wide range of other initiatives, including literacy programs; community development projects; business counseling services; arts, cultural and heritage projects; water initiatives; land conservation; support for community foundations; scholarships for post-secondary education; training grants; youth capacity building; and, various environment initiatives.

Virtually all of our communities in the Basin are facing tremendous changes and pressures. Issues such as climate change impacts, housing shortages, labour shortages, changing demographics and development pressures are affecting all of us. We convened a Symposium in October 2007 which brought residents together to hear from experts and share their perspectives on many of these issues. Over the next three years, we will continue to support residents and communities as they address the changes and pressures that confront them.

On behalf of the Board of Directors and staff, I thank you for your commitment to CBT.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Garry Merkel". The signature is stylized with a large, sweeping loop at the end.

Garry Merkel
Chair, Board of Directors

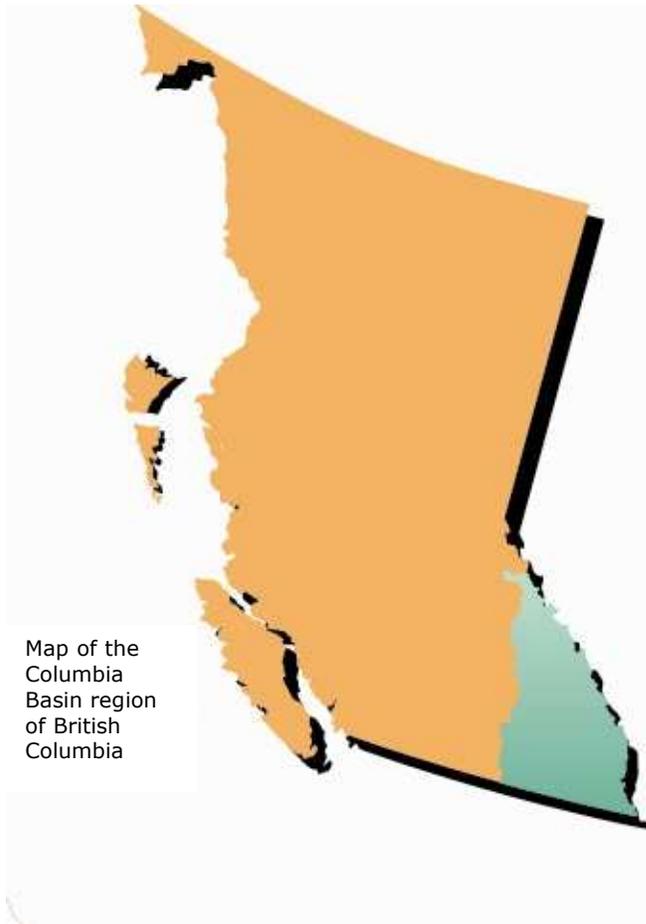
Table of Contents

Letter from the Chair to the Minister of Economic Development	3
Overview	7
Core Business Areas	10
Strategic Context and Key Issues	14
Goals, Strategies, Measures and Targets	17
Summary Financial Outlook	21
Governance	25

Overview

After working with Columbia Basin residents, including leaders from local communities and First Nations, the Province of B.C. created the Columbia Basin Trust in 1995. Columbia Basin Trust's origins are unique and its formation recognized the continuing impacts from the historical management of water in the Columbia Basin.

In 1964, Canada and the United States ratified the Columbia River Treaty (CRT), which coordinates flood control and optimizes potential electrical energy production in the Columbia River Basin in the U.S. and Canada.



Map of the Columbia Basin region of British Columbia

Under the CRT, Canada agreed to build three storage dams, and agreed to a fourth dam being built in the U.S. with a large portion of its reservoir in southeastern B.C. In return for the storage of water, Canada is entitled to one half of the additional potential power generated at the American power plants on the Columbia River.

As a result of the creation of the dams and the reservoirs behind them, areas critical to the social, economic and environmental well-being of the Columbia Basin were lost. In addition, the Columbia Basin is still dealing with significant and ongoing impacts related to the rise and fall of water levels on the Columbia River.

CBT serves the residents of the southeast corner of B.C., the region most affected by the CRT dams and reservoirs. The region's boundaries are defined by those watersheds which flow into the Columbia River within Canada. CBT supports the efforts of the people of the Columbia Basin to create a legacy of social, economic and environmental well-being. CBT works out of four office locations in Columbia Basin communities: Nakusp, Golden, Cranbrook and the head office in Castlegar.

Mission

The Columbia Basin Trust supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

Vision

The Columbia Basin Trust will work towards a long-term vision for the future of the Columbia Basin, where:

1. The Columbia Basin is a place where social, environmental and economic well-being is fostered.
2. Collaborative relationships and partnerships are established across the Basin. Communities work together in a spirit of mutual support and respect for each other's differences. Residents identify with a Basin culture and feel a sense of belonging to a Basin community. Residents are involved in community decision-making.
3. A healthy environment is the basis for social and economic activities. Residents are committed to long-term and enduring stewardship of the Basin's natural resources.
4. The economy of the Basin is diverse, resilient and energized. Communities are responsive to both the needs of the present and the future. Community enhancement initiatives are widely supported and residents share responsibility for their implementation. Practical and innovative investments in the Basin serve to increase the range of options for present and future generations.

The Columbia Basin Trust will also be guided by a long-term vision of itself as a regional corporation, having:

5. A successful portfolio of investments in the Basin which help to stimulate the regional economy and which provide a reliable stream of income for use in the Columbia Basin Trust's delivery of benefits activities.
6. A proven track record in delivering social, economic and environmental benefits to the Basin and its residents.
7. Well-established and productive working relationships with others in the Basin whose activities relate to the Columbia Basin Trust's mandate.
8. Consistent and widespread public support for the Columbia Basin Trust's activities based on meaningful public input and the Columbia Basin Trust's responsiveness to the needs of the Basin and its people.

The following values guide how the Columbia Basin Trust works in the Basin, and how Board and staff at the CBT work with one another:

1. Respect

The CBT treats people with respect, welcoming varied perspectives and viewpoints, and honouring the history of the Basin and the origins of the organization.

2. Accountability

The CBT is responsible for all of its actions and the results of those actions.

3. Transparency

The CBT maintains a high level of openness, sharing meaningful and accurate information about its actions.

4. Engagement

The CBT recognizes that active involvement in communities is critical to its overall success.

5. Empowerment

The CBT helps others make their own choices on issues that affect their future, and see those choices result in positive outcomes.

6. Stewardship

The CBT manages all of its assets responsibly to ensure that both present and future generations of Basin residents benefit from those assets.

Core Business Areas

One of the requirements of the *Columbia Basin Trust Act* is that CBT has to seek input from Columbia Basin residents on its objectives, priorities, and programs. This guidance from residents is captured in the Columbia Basin Management Plan. According to the Plan, CBT's two core functions are to:

- invest capital and manage the assets of CBT, and
- spend the income earned from the CBT's investments to deliver benefits to the Columbia Basin.

Investments

CBT's investments generate the returns that fund various social, economic and environmental benefits in the region each year. CBT manages its overall investment portfolio, but carries out some investments in partnership with other organizations.

The initial funding for non-power investments came from a \$45 million endowment provided by the Province of B.C.

Real Estate

CBT has invested in six housing facilities that provide congregate care to seniors of the Columbia Basin. Locations in Castlegar, Cranbrook, Invermere, Fernie, Creston, and Kimberley house 627 living suites and offer a range of care depending on the needs of the resident. Seniors enjoy comfortable housing and compassionate care while maintaining dignity and independence in their daily lives.

Business Loans

Both directly and through partnerships, CBT invests in a number of Basin based business entities. The loans are made in accordance with accepted market terms and are generally secured by real estate.

Income Securities/Market Securities

In order to optimize the return on cash, CBT historically purchased income producing market securities. The instruments are short term in nature and generate a guaranteed rate of return.

The policies of the new Statement of Investment Policies and Procedures have expanded the investable range of securities to allow for a diversified portfolio of publicly traded stocks, bonds, and related financial instruments. This Market Securities portfolio will generate variable rates of return, however over the long term it is expected to generate a greater return than previously realized on Income Securities alone.

CBT is also a half owner of three major power projects in the Columbia Basin and half owner of the development rights to a fourth power project, also in the Columbia Basin. Columbia Power Corporation (CPC) is the other half owner of these projects and manages them on behalf of the partners.

CBT's investments in the power projects are based on initial funding of \$276 million from the Province of B.C.

Arrow Lakes Generating Station

The Arrow Lakes Generating Station is a power plant that consists of two generating units with a capacity of 185 MW that will deliver approximately 770 gigawatt hours of electricity annually. Water enters the power plant via a 1,400 metre approach channel bypassing the existing Hugh Keenleyside Dam. The project also consists of a 49 km 230 kilovolt transmission line that extends from the power plant to BC Hydro's Selkirk substation.

Brilliant Dam

The Brilliant Dam includes a power generation facility with a capacity of 145 MW, located on the Kootenay River. The Brilliant Dam was constructed in 1944 and was purchased by CBT and CPC in 1996. Most of the power entitlement for the Brilliant Dam is sold under a 60 year agreement with FortisBC. CBT and CPC have largely completed a multi-year capital program on the project, including upgrades and life extension work for each of the four generating units.

Brilliant Expansion

The Brilliant Expansion Project involved the construction of a 120 MW power generation facility near the existing Brilliant Dam. Commercial operation was reached in September 2007 and the contractor continues to work towards completion of other construction activities not critical to operation of the facility.

The Brilliant Expansion Consortium, consisting of the Skanska-Chant Joint Venture, SNC-Lavalin and Skanska International Civil Engineering, is constructing this project under the terms of a design-build contract.

Waneta Expansion

The Waneta Expansion Project is a proposal to install an additional power generation facility with a capacity of up to 435 MW downstream of the existing Waneta Dam. It is expected that the construction of

the Waneta Expansion Project would take place over a three-and-a-half year period. The environmental certification process is well underway and engineering and financial evaluations are currently in progress.

Delivery of Benefits

The range of CBT Delivery of Benefits activities fosters the social, environmental, and economic wellbeing of Columbia Basin communities, and varies in scope, cost and objective. CBT develops these activities in consultation with advisory committees comprised of Columbia Basin residents, who help identify regional priorities, as well as priorities related to specific issues.

In accordance with the *Columbia Basin Trust Act*, the work of CBT in the region does not relieve any level of government of its obligations within the Columbia Basin.

For a full description of CBT programs and initiatives, visit www.cbt.org

Working with Community Partners

CBT works with a number of partners to offer a range of programs:

- Partnering with each of the five Regional Districts in the Columbia Basin and the Ktunaxa Nation Council to support projects that are identified as priorities within their communities through the Community Initiatives Program.
- Supporting arts, culture and heritage projects throughout the Basin through the Columbia Kootenay Cultural Alliance.
- Support for Environmental Initiatives in partnerships with Columbia Kootenay Fisheries Renewal Partnership and the Columbia Basin Environmental Education Network.
- Providing free and expert counselling to small and medium businesses throughout the Basin through the Basin Business Advocates Program.
- Sponsoring tuition and course fees for short-term training that helps people get jobs through the Training Fee Support Program.
- Helping address literacy issues in Basin communities through the Columbia Basin Alliance for Literacy.

Working in Basin Communities

CBT works with community members on issues that are important to them, and has a number of programs that support this work:

- Contributing to social, economic, and environmental projects that demonstrate strong community support through the Community Development Program.
- Ensuring long-term water quality and quantity issues in the Columbia Basin region are addressed according to residents' values and views.
- Working with the youth community in the Basin by supporting youth-driven and youth-selected projects, and creating a forum for Columbia Basin youth to connect with one another and exchange information about issues through a magazine and website.
- Protecting ecologically-sensitive land and maintaining it such that it reflects a range of community values through the Land Conservation Initiative.
- Funding for post-secondary education for high school and college students who volunteer in their communities.

Strategic Context and Key Issues

Investments

The investment priority for CBT is opportunities located in the Columbia Basin. Given this is a relatively small market with significant economic reliance on traditional resource sectors, there are challenges in constructing a diversified investment portfolio. CBT therefore attempts to pursue investment opportunities in a range of industries and locations to partially mitigate this exposure.

In order to make quality investments, most often in a competitive environment, efforts are made to form relationships with key financial partners who understand CBT's investment goals. Establishing these relationships can be a challenge for investment staff given limited resources. Once an investment has been made, an administrative system is developed to ensure investment performance tracks expectations. This represents a continuing challenge as a result of the same resource limitations identified above. In order to mitigate this risk, efforts are made to partner with like-minded investors who have the size and resources to cost effectively administer the investment.

This partnership model has been applied to CBT's power project investment structure where Columbia Power Corporation acts as both investment partner, and power project manager. Although this structure reduces the administrative responsibilities of CBT, it results in significant dependency on Columbia Power Corporation. To reduce associated risks CBT participates on the CPC Board and various joint venture committees, and also actively engages with CPC management.

CBT has also successfully applied this partnership model to the investment structure for its congregate care facilities. CBT's partner in congregate care facilities acts as both a part owner and a manager, which results in shared oversight responsibility.

In July 2007 the Board of CBT approved a new Statement of Investment Policies & Procedures ("SIPP"). The SIPP was recommended by CBT staff after direct consultation with regional stakeholders, industry professionals, and Basin residents at large. The SIPP is consistent with the mandate of CBT, relevant in its relationship to performance expectations, and transparent and available to residents of the Columbia Basin.

Delivery of Benefits

CBT has a broad mandate to return social, economic and environmental benefits to the Columbia Basin. Each year, CBT returns several million dollars in benefits in Columbia Basin communities. Due to the numerous social, economic and environmental issues in the Columbia Basin, the

challenge for CBT is in determining how to best return benefits to the region and accomplish its mission in the most meaningful and effective manner.

In 2007, CBT prepared a strategic plan, which identifies priorities that will guide work in the region over the next three years. This plan will assist CBT in directing resources to addressing priorities in Basin communities. The priorities identified in the strategic plan were chosen based on the current state of affairs, externally and internally, that CBT is working in. The priorities were also shaped by public review and input.

The priorities are grouped into three key focus areas, as shown in the following table.

Key Focus Area	Strategic Priorities
Continuing to foster quality of life and address critical issues in the Basin	<ol style="list-style-type: none"> 1. Improve environmental conditions in the Basin 2. Identify social and economic priority issues and implement mechanisms to address them. 3. Improve Basin residents understanding and involvement in water. 4. Work with youth in the Basin to ensure that they are actively engaged in addressing economic, social and environmental issues in the Columbia Basin.
Improving community engagement	<ol style="list-style-type: none"> 5. Improve support to communities and organizations by increasing the CBT's local presence in the Basin. 6. Have vibrant advisory committees in place.
Ensuring organizational resiliency	<ol style="list-style-type: none"> 7. Build and maintain strong working relationships with business and financial industry professionals. 8. Remain fully engaged with management of Columbia Power Corporation during the pre-development and operating phases of our jointly held power projects. 9. Ensure that there is a strong, effective human resources framework in place to support the priorities of the CBT. 10. Increase effectiveness and accountability through a clear, transparent strategic thinking and planning framework for the CBT.

In addition to supporting existing programs and activities, CBT will look at a number of new initiatives, consistent with these strategic priorities. Examples may include:

- supporting communities in addressing and adapting to the impacts of climate change;
- water conservation initiatives;
- community planning, and supporting strategies for managing growth and change;
- new programs and initiatives to support social and economic objectives throughout the Basin;
- expanding the scope of CBT involvement in environmental issues; and
- additional support to communities impacted by Columbia River Treaty dams in the Columbia Basin.

The CBT expects to have \$10 million available for distribution through programs and initiatives in 2008/09. With this level of funding, financial capacity is not expected to be a constraint on CBT in addressing strategic priorities over the next three years, unless an unexpected issue arises with CBT investments.

Human capacity – both within CBT and its delivery partners – is likely to be a greater risk to achieving objectives than financial capacity. With respect to internal constraints, CBT will regularly review staffing levels, and will add further resources when required. CBT will also ensure that staff have access to appropriate professional development opportunities. CBT will continue to work with delivery partners to ensure that they have the resources necessary to effectively deliver programs, and will continue to make multiple year funding commitments where appropriate.

Communities throughout the Columbia Basin are experiencing tremendous changes and pressures. Climate change impacts, housing shortages, labour shortages, changing demographics and development pressures are dramatically affecting life in the Basin. CBT will ensure that its programs and initiatives remain relevant and effective in helping communities address these issues.

Goals, Strategies, Measures and Targets

CBT primarily uses internal data in the measurement of its performance. Some of the financial data originates with third parties.

Investments

The following outlines goals, strategies, measures and targets that relate to CBT's portfolio of investments, including power assets.

Goal

CBT's investment program goal is to generate a predictable, sustainable, and appreciating income stream to fund delivery of benefits obligations and corporate operating expenses.

Investment Guidelines

1. CBT believes future generations should benefit from the same level of support as current residents. To preserve this legacy, investment policies and grant/spending policies should result in the retention of sufficient funds to offset the effects of inflation in the long term.
2. CBT's priority is investment opportunities in the Columbia Basin.
3. CBT believes the best performing and most profitable investments are those that maintain high ethical and environmental standards, and commit to the principles of strong corporate governance.
4. CBT adheres to the principles of a prudent investor and requires investment returns commensurate with the level of risk assumed.
5. CBT recognizes that managing investment risk is just as important as generating returns.
6. CBT recognizes the benefits of investment diversification, however further recognizes such benefits may be constrained by the large investment in power projects.
7. CBT values financial partnerships and when possible, will undertake investments in cooperation with other organizations.

Strategies

1. Communicate directly with financial partners throughout the Basin in order to originate high quality investment opportunities.
2. Develop strong working relationships with the management of companies in which CBT has invested in order to fully appreciate risk, as well as uncover future opportunity.
3. Identify and develop investment programs that target areas of quality opportunity not otherwise addressed by conventional lenders.
4. Remain fully engaged with management of CPC during the pre-development

and operating phases of our jointly held power projects.

Guidelines/Strategies have been changed from previous service plans in recognition of the new Statement of Investment Policies and Procedures.

Measures	Actual	Forecast	Targets		
	2006/07	2007/08	2008/09	2009/10	2010/11
Return on Power Projects	N/A	Measure and targets currently under development	To be determined	To be determined	To be determined
Return on Private Placements (Direct investment in Basin-based enterprises)	N/A	Measure and targets currently under development	To be determined	To be determined	To be determined
Return on Market Securities	N/A	N/A	6%	6%	6%

The SIPP has identified three categories of investment for CBT (1) Power Projects (2) Private Placements, and (3) Market Securities. Each of these categories of investment has unique characteristics and to appropriately measure performance three different benchmarks have been established.

Power Projects include all operating hydroelectric projects that were purchased or constructed in partnership with Columbia Power Corporation. Financial performance will be calculated as a cash based return on investment using values from the Audited financial statements of Columbia Basin Trust.

Private Placements include all direct investments in Basin based enterprise, including real estate, business loans, and any other form of direct Basin investment. The financial performance is to be calculated as a cash based return on investment using values from the audited financial statements of Columbia Basin Trust.

Market Securities include publicly traded financial instruments that form part of a diversified securities portfolio. The financial performance is to be calculated as a return on investment in accordance with investment industry standards.

Appropriate performance targets for Private Placements and Power Projects are currently being investigated.

Delivery of Benefits

Goal

CBT's goal is to deliver benefits which serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities. These benefits are delivered through CBT's range of programs, projects and strategic initiatives.

Strategies

1. Complete strategic plans that identify priorities for work by CBT in the economic, environment and social areas, and, as appropriate, implement programs and initiatives to address the priorities.
2. Improve Basin residents understanding and involvement in water issues.
3. Work with youth in the Basin to ensure that they are actively engaged in addressing economic, social and environmental issues in the Basin.
4. Improve support to communities and organizations by increasing local presence throughout the Basin.
5. Have vibrant advisory committees in place.

Strategies have been changed from previous service plans to reflect the priorities set by CBT for the next three years.

Measures	Actual		Forecast		Targets	
	2006/07	2007/08	2008/09	2009/10	2010/11	
Benefits delivered by projects / programs	One program evaluation commenced	One evaluation completed, two evaluations underway	At least one program evaluated	At least one program evaluated	At least one program evaluated	

The challenge for CBT is to create measures for its delivery of benefits programs that indicate how CBT's work is strengthening the overall social, economic and environmental well-being of the Columbia Basin. By committing to evaluating at least one program a year, CBT will receive valuable information about the impact of its funding on Columbia Basin residents. CBT keeps records of all of its evaluation work and those evaluations will be considered when CBT annually reviews its delivery of benefits programs.

CBT removed a second target from previous service plans related to the process of collecting information on the current state of Columbia Basin, and the development of a prototype report consisting of social, economic and environmental indicators for the region. This report will be completed by the spring 2008 and CBT will consider next steps for this project at that time.

Corporate

Corporate operations at CBT support the two core business areas, investments and delivery of benefits. Corporate operations include management, accounting, administration, information technology and human resources. The effective and efficient operation of each of these functions ensures that CBT is able to run its investments and delivery of benefits programs. The Province is providing \$2 million per year for CBT's operating costs through 2010/11. Expenses incurred related to Delivery of Benefits include staffing costs. Many staff directly work with communities, and this approach is consistent with CBT's principle of providing different forms of support to communities, in addition to direct funding of programs and projects.

Goal					
CBT's goal is to support and enable the effective management of the investments and delivery of benefits programs.					
Strategies					
<ol style="list-style-type: none"> 1. Ensure appropriate staffing levels are in place throughout the organization. 2. Complete implementation of new financial management policies. 3. Complete implementation of a new human resources framework. 4. Develop a formal training and development policy. 					
Strategies have been changed from previous service plans as a result of a CBT review of existing policies and practices related to corporate operations.					
Measures	Actual	Forecast	Targets		
	2006/07	2007/08	2008/09	2009/10	2010/11
Corporate operations as a percentage of revenues	21%	27%	24%	24%	21%

CBT prepares forecasts of its revenues and corporate operations costs quarterly and is able to report out on its actual performance after fiscal year end and once the external audit is complete. CBT forecasts are affected by information provided by CPC relating to the power projects.

Summary Financial Outlook

Table 1. CBT Summary Financial Information

(in thousands)	2006/07 Actual	2007/08 Forecast	2008/09 Forecast	2009/10 Forecast	2010/11 Forecast
Revenues					
Power Projects	\$14,555	\$9,593	\$13,922	\$14,257	\$17,799
Investment Income	2,847	3,378	3,422	3,535	3,213
Contribution from Province	1,996	2,000	2,000	2,000	2,000
Total Revenues	19,398	14,971	19,344	19,792	23,012
Expenditures					
Corporate Operations	4,054	4,000	4,665	4,700	4,750
Delivery of Benefits	5,256	7,000	10,000	12,000	12,000
Total Expenditures	9,310	11,000	14,665	16,700	16,750
Net Income	\$10,088	\$3,971	\$4,679	\$3,092	\$6,262
Total Debt	\$145,371	\$144,012	\$175,555	\$249,642	\$352,344
Retained earnings	\$353,817	\$357,788	\$362,467	\$365,559	\$371,821
Capital Expenditures	\$27,333	\$20,420	\$14,116	\$76,732	\$117,202
FTEs	32.5	34.5	37.5	38	38

Key Assumptions

The revenues generated from all CBT investments are expected to increase over the next three years.

Power project revenues are expected to grow significantly in 2008/09 as the Brilliant Expansion has achieved commercial operation. Future power project revenues are forecasted on the basis that the Brilliant Dam, Arrow Lakes Generating Station and Brilliant Expansion are fully operational on an annual basis.

Investment income is comprised of revenues received from business loans, real estate investments, and income securities. The majority of the increase in this category in 2007/08 is attributable to increasing deposit balances. Real estate revenues are expected to increase as new projects become operational and interest payments become less significant.

Continued increases to overall revenues will allow CBT to strengthen the Delivery of Benefits programs and initiatives. Disbursements are expected to increase to \$10 million in 2008/09 and then to \$12 million in the following two years. CBT undergoes a budgetary process in developing the estimate for Delivery of Benefits activities prior to the start of each fiscal year. Upon review of the most recent financial forecasts, management assigns an amount that is available for Delivery of Benefits activities. Any substantial deviations from CBT's revenue assumptions can affect future expenditure forecasts for the Delivery of Benefits. Delivery of Benefits forecasts can also vary depending on whether specific program amounts are carried over and spent in subsequent fiscal years.

The number of full time staff positions at CBT is expected to increase nominally over the next few years. The expected increase will meet CBT's specific business needs as Delivery of Benefits activities continues to grow over the next few years.

Table 2. CBT Consolidated Capital Spending

(in thousands)	2006/07 Actual	2007/08 Forecast	2008/09 Forecast	2009/10 Forecast	2010/11 Forecast
Arrow Lakes Power Corporation	\$3,983	\$428	\$384	\$358	\$319
Brilliant Expansion Power Corporation	11,176	6,881	570	578	587
Power Project Planning					
Waneta Expansion	5,522	4,313	6,301	73,286	113,889
Other Projects	-	200	65	65	65
General Power Project Planning	-	200	200	200	200
Brilliant Power Corporation	1,101	1,892	1,533	2,085	1,982
Real Estate Investments	5,345	6,336	4,408	-	-
CBT Corporate	206	170	655	160	160
Total	\$27,333	\$20,420	\$14,116	\$76,732	\$117,202

Revenues

Key Assumptions		Forecast Risks and Sensitivities
<ul style="list-style-type: none"> Deposits and Securities Income: 6% interest earned per annum 		<ul style="list-style-type: none"> Fluctuating interest rates have a direct effect on the income from deposits and securities. A 1% rate change would have a \$450,000 impact on revenue earned from deposits and securities.
<ul style="list-style-type: none"> Business Loans Income: 7% earned per annum 		<ul style="list-style-type: none"> Fluctuating interest rates have a direct effect on the income from business loans. A 1% change in market interest rates would have a \$20,000 impact on revenue earned from business loans.
<ul style="list-style-type: none"> Business Loans: No write-downs 		<ul style="list-style-type: none"> Changes in the economic environment influence the performance of business loans. A negative material change in economic activity could result in business loan write-downs.
<ul style="list-style-type: none"> Brilliant Expansion Project: Contractor claim 		<ul style="list-style-type: none"> A significant claim has been received from the contractor. CPC are in active discussions with the contractor to achieve resolution of the claim.
<ul style="list-style-type: none"> Waneta Expansion Project: Construction forecasted to commence in the spring of 2009 		<ul style="list-style-type: none"> Project studies are in process and final approval will be subject to economic and industry feasibility.

Expenditures

Key Assumptions	Forecast Risks and Sensitivities
<ul style="list-style-type: none">Corporate Operations	<ul style="list-style-type: none">CBT's ability to deliver programs and initiatives is heavily dependent on human resources – both within the CBT and within our delivery partners. CBT will have to ensure that it is an “employer of choice” to retain and attract skilled employees, and that its delivery partners have adequate resources to deliver their programs.
<ul style="list-style-type: none">Delivery of Benefits: \$10 million distributed in the Basin in 2008/09	<ul style="list-style-type: none">CBT's ability to deliver benefits is directly linked to its revenue. If actual revenues are less than forecast, delivered benefits may have to be reduced.

Governance

Board of Directors

A board of twelve directors governs CBT. The five regional districts of the Columbia Basin and the Ktunaxa Nation Council each nominate a minimum of one and a maximum of four directors and the Province of B.C. nominates the remaining six directors. The Lieutenant Governor in Council makes all of the final appointments to the Board. All directors must reside in the Columbia Basin.

Governance Principles

In governing CBT, the Board of Directors is committed to upholding the core values of CBT, and is also committed to acting in accordance with the following principles:

Preparation

Directors will ensure they are fully prepared to address the business of CBT.

Transparency

To the greatest extent possible, the actions and decisions of CBT, including those of the Board of Directors, will be transparent and open to Columbia Basin residents.

Participation and Commitment

Directors will ensure they participate fully as Directors and are capable of meeting their commitments to CBT.

Service

The Board of Directors will act in the best interests of CBT, which serves the Columbia Basin region as a whole.

Directors

Garry Merkel, Chair
Denise Birdstone
Ron Miles
Mike Rouse

Ron Oszust, Vice Chair
Evelyn Cutts
Jim Miller
Jeannette Townsend

Mike Berg
Greg Deck
Paul Peterson
Bill Trehwella

Board Committees

CBT's Board of Directors currently has five committees, responsible for different areas of CBT's work. Members of Board committees are chosen for their expertise and experience relevant to the committee's mandate.

The **Executive Committee** oversees matters on behalf of the Board of Directors.

Members

Garry Merkel, Chair	Ron Oszust, Vice Chair	Greg Deck
Mike Rouse	Paul Peterson	

The **Audit Committee** is responsible for financial oversight and ensures that CBT's financial information is accurate.

Members

Mike Berg, Chair	Ron Miles	Jeannette Townsend
------------------	-----------	--------------------

The **Investment Committee** oversees the management of CBT investments and develops and reviews investment policies and procedures.

Members

Mike Rouse, Chair	Denise Birdstone	Greg Deck
Jim Miller		

The **Delivery of Benefits Committee** recommends an overall approach to returning benefits to the Board, and is responsible for the administration of the CBT Community Development Program.

Members

Ron Oszust, Chair	Evelyn Cutts, Vice Chair	Denise Birdstone
Ron Miles	Bill Trewhella	

The **Water Initiatives Committee** is responsible for developing and overseeing a strategy to address water initiatives in the Columbia Basin.

Members

Evelyn Cutts, Chair	Jeannette Townsend, Vice Chair	Mike Berg
Ron Oszust	Paul Peterson	Bill Trewhella

Senior Management

Neil Muth, President & CEO
Bob Krysac, VP, Finance & Operations
Wally Penner, VP, Community Partnerships
Johnny Strilaeff, VP, Investments

Boards of CBT Subsidiaries

For commercial and legal reasons, CBT has a number of subsidiaries that hold its interests both in power projects and other investments. The boards of these subsidiaries do not address policy matters, which are the responsibility of the CBT Board.

The following members of senior management at CBT are the directors of each CBT subsidiary.

Neil Muth

Bob Kryzac

Johnny Strilaeff

CBT Commercial Finance Corp. holds CBT interests in business loans.

CBT Real Estate Investment Corp. holds CBT interests in real estate.

CBT Venture Capital Corp. holds CBT's interests in existing venture capital investments. CBT is not currently pursuing any new venture capital investments.

CBT Energy Inc. (CBTE) is the main CBT subsidiary related to power projects.

CBT Arrow Lakes Power Development Corp. is a subsidiary of CBTE and holds interests in the Arrow Lakes Generating Station joint venture with CPC.

CBT Brilliant Expansion Power Corp. is a subsidiary of CBTE and holds its interests in the Brilliant Expansion joint venture with CPC.

CBT Power Corp. is a subsidiary of CBTE and holds interests in the Brilliant Dam joint venture with CPC. CBT Power Corp. also holds interests in the Power Project Joint Venture with CPC, which is responsible for assessing joint venture power projects before they are developed.

For more information on CBT governance practices, visit www.cbt.org.

Reporting Relationship with the Province of B.C.

CBT is a Crown corporation subject to the *Budget Transparency and Accountability Act* and is within the Minister of Economic Development's portfolio.

In the summer of 2006, CBT and the Minister of Economic Development agreed to the Shareholder's Letter of Expectations, which confirmed the roles and responsibilities of each, and identified specific actions. CBT activities have been consistent with those actions. To view the Shareholder's Letter of Expectations, visit www.cbt.org.

**Columbia Basin Trust
Suite 300
445 – 13 Avenue
Castlegar, BC
V1N 1G1**

250-365-6633
cbt@cbt.org
www.cbt.org

