

COLUMBIA POWER CORPORATION

INTERIM REPORT

FOR THE THREE MONTHS ENDED JUNE 30, 2013

**COLUMBIA POWER CORPORATION
FINANCIAL HIGHLIGHTS AND OPERATIONAL REVIEW
FOR THE THREE MONTHS ENDED JUNE 30, 2013**

CPC earned consolidated net income of \$3.0 million for the three month period ended June 30, 2013 compared to a consolidated net income of \$2.6 million for the corresponding period of the previous year and forecast net income of \$2.7 million. The increase over the prior year was due primarily to improved operating results for Arrow Lakes Power Corporation and Brilliant Expansion Power Corporation.

Arrow Lakes Power Corporation (“ALPC”) incurred a net loss of \$5.7 million during the three month period ended June 30, 2013, compared to net loss of \$6.2 million for the corresponding period of the previous year and a forecast loss of \$6.0 million.

Brilliant Expansion Power Corporation (“BEPC”) earned net income of \$6.9 million during the three month period ended June 30, 2013, compared to net income of \$6.4 million for the corresponding period of the previous year and forecast income of \$6.6 million.

Brilliant Power Corporation (“BPC”) earned net income of \$6.9 million during the three month period ended June 30, 2013, compared to net income of \$6.9 million for the corresponding period of the previous year and forecast income of \$6.9 million.

In October 2010, CPC Waneta (32.5% interest), CBT Waneta Expansion Power Corp. (16.5% interest), and Fortis Inc. (51% interest) formed a limited liability partnership called the Waneta Expansion Limited Partnership (WELP). On October 1, 2010, all deferred development costs and expansion rights related to the Waneta Expansion Project were transferred to WELP in exchange for a \$72 million non-interest bearing Promissory note to WEPC.

The Promissory Note is non-interest bearing and is payable on the fifth anniversary of the commercial operation date of the Waneta Expansion Project. The commercial operation date is estimated to occur in 2015, therefore the Promissory Note is estimated to be repaid in 2020, ten years from the date of issuance.

The Promissory Note was discounted, using an effective interest rate of 5.5%, to a present value at March 31, 2013 of \$47.7 million (March 31, 2012 - \$45.2 million). The Promissory Note increased in value by \$0.7 million to \$48.4 million at June 30, 2013 (June 30, 2012 - \$45.9 million).

During the three month period ended June 30, 2013, CPC Waneta invested \$13.0 million in WELP, compared to \$27.0 million in the same period in the previous year. This brings the total amount invested to date in the Waneta Expansion project to \$174.8 million.

The Waneta Expansion project is a project to install an additional power generation facility with a capacity of 335 megawatts at the existing Waneta dam and to build a 10 km transmission line from the new powerplant to the Selkirk substation owned by British Columbia Hydro and Power Authority. The Waneta dam is owned by Teck Resources Ltd. (Teck) (formerly Teck Cominco Metals Ltd.) and BC Hydro. The powerplant is being constructed under a \$587 million Design-Build Contract between the Limited Partnership and SNC-Lavalin Inc.

David de Git, CMA
Director, Finance

July 17, 2013

COLUMBIA POWER CORPORATION
Consolidated Statement of Financial Position (Unaudited)
(Expressed in thousands of dollars)

	June 30, 2013	March 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 5,234	\$ 6,306
Accounts receivable	2,543	1,142
Prepaid expense	274	8
Other investments	72,834	90,627
Total current assets	80,885	98,083
Non-current assets		
Restricted cash	592	591
Investment in equity accounted joint arrangements	213,094	209,686
Investment prior to limited partnership	1,325	1,325
Investment in Waneta Expansion Limited Partnership	173,286	160,286
Property, plant & equipment	1,070	1,165
Total non-current assets	389,367	373,053
TOTAL ASSETS	\$ 470,252	\$ 471,136
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,488	\$ 4,379
Dividend payable	-	2,000
Total current liabilities	2,488	6,379
Non-current liabilities		
Loans and borrowings	19,891	19,891
Total non-current liabilities	19,891	19,891
Equity		
Share capital		-
Contributed surplus	276,065	276,065
Retained earnings	171,808	168,801
Total Equity	447,873	444,866
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 470,252	\$ 471,136

COLUMBIA POWER CORPORATION
Consolidated Statement of Comprehensive Income (Unaudited)
For the three months ended June 30
(Expressed in thousands of dollars)

	2013	2012
Revenue	\$ 572	\$ 537
Other income	3,408	2,755
Depreciation expense	(110)	(118)
Other expenses	(799)	(572)
Results from operating activities	<u>3,071</u>	<u>2,602</u>
Finance income	221	306
Finance costs	(285)	(283)
Net finance income	<u>(64)</u>	<u>23</u>
Total comprehensive income for the year	<u>\$ 3,007</u>	<u>\$ 2,625</u>

COLUMBIA POWER CORPORATION
Consolidated Statement of Changes in Equity (Unaudited)
For the three months ended June 30
(Expressed in thousands of dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at March 31, 2012	-	276,065	153,050	429,115
Comprehensive income for the year		-	2,625	2,625
Dividend to equity holders		-	-	-
Balance at June 30, 2012	- \$	276,065 \$	155,675 \$	431,740
Balance at March 31, 2013	- \$	276,065 \$	168,801 \$	444,866
Comprehensive income for the year		-	3,007	3,007
Dividend to equity holders		-	-	-
Balance at June 30, 2013	- \$	276,065 \$	171,808 \$	447,873

COLUMBIA POWER CORPORATION
Consolidated Statement of Cash Flows (Unaudited)
For the three months ended June 30
(Expressed in thousands of dollars)

	2013	2012
Cash flows from Operating Activities		
Total comprehensive income for the year	\$ 3,007	\$ 2,625
Adjustments to reconcile cash flow from operations		
Amortization of property, plant and equipment	110	118
Interest income	(221)	(306)
Interest expense	285	283
(Income) loss from equity accounted investees	(3,408)	(2,755)
Net change in non-cash working capital balances		
Accounts receivable	(1,401)	5,198
Prepaid expense	(266)	(256)
Dividends payable	(2,000)	(2,000)
Accounts payable and accrued liabilities	(1,608)	(625)
Due from joint venture investee	-	-
Net cash from operating activities	<u>(5,502)</u>	<u>2,282</u>
Cash flows from financing activities		
Interest paid	(567)	(566)
Net cash used in financing activities	<u>(567)</u>	<u>(566)</u>
Cash flows from investing activities		
Interest received	221	306
(Purchase) Sale of temporary investments	17,793	(282)
Investment in limited partnership	(13,000)	(26,977)
(Acquisition)/disposal of property, plant and equipment	(16)	2
Net cash used in investing activities	<u>4,998</u>	<u>(26,951)</u>
Increase (decrease) in cash and cash equivalents	(1,071)	(25,235)
Cash and cash equivalents, beginning of period	6,897	40,761
Cash and cash equivalents, end of period	<u>\$ 5,826</u>	<u>\$ 15,526</u>
CASH CONSISTS OF:		
Restricted cash	592	186
Cash available for operations	<u>5,234</u>	<u>15,340</u>
	<u>\$ 5,826</u>	<u>\$ 15,526</u>

COLUMBIA POWER CORPORATION
Statement of Income to Budget (Unaudited)
For the three months ended June 30, 2013
(Expressed in thousands of dollars)

	Actual	Budget	Variance
REVENUES			
Services Agreement	572	567	5
	<u>572</u>	<u>567</u>	<u>5</u>
Investment Income:			
ALPC (50%)	(2,869)	(3,007)	138
BEPC (50%)	3,465	3,314	151
BPC (50%)	2,429	2,453	(24)
WEPC (58%)	383	383	-
	<u>3,408</u>	<u>3,143</u>	<u>265</u>
OPERATING EXPENSES			
Other expenses	799	836	37
	<u>799</u>	<u>836</u>	<u>37</u>
EBITDA	3,181	2,874	307
AMORTIZATION & FINANCING EXPENSES			
Amortization expense	110	109	(1)
Financing expense	285	283	(2)
Less: interest revenue	221	188	33
	<u>174</u>	<u>204</u>	<u>30</u>
NET INCOME	\$ <u>3,007</u>	\$ <u>2,670</u>	\$ <u>337</u>

Breakdown of Other Expense:

Budget element	Actual	Budget	Variance
Salaries & benefits	1,094,057	1,141,750	47,693
Travel & Business Expense	37,971	44,000	6,029
Board Expenses	17,875	33,500	15,625
Advisory Services & Audit	111,529	142,250	30,721
Systems and Networks	90,210	90,000	-
Rent Expense	64,268	84,500	20,232
Corporate Operations	60,661	58,000	-
Stakeholder Consultation & Advertising	-	6,250	6,250
First Nations Sponsorship	8,687	6,250	-
Training, Conferences, Memberships	23,060	33,500	10,440
Miscellaneous Expenses	1,204	8,750	7,546
Depreciation	109,595	109,250	-
Business Development third party costs	6,000	67,500	61,500
Loss on Disposal Fixed Assets	-	6,250	6,250
Corporate Communications	26,499	27,250	751
Community Sponsorship	30,800	34,000	3,200
Grants-in-Lieu	124,718	122,750	-
Interest expense	283,869	283,250	-
Financing cost	959	-	-
Boat Launch recovery	-	-	-
	<u>2,091,962</u>	<u>2,299,000</u>	<u>207,038</u>
JV Recoveries	-	898,976	-
Net expense after JV recoveries	1,192,986	1,228,563	35,577
Remove other line items:			
Interest expense	-	283,869	-
Depreciation/amortization	-	109,595	-
Other expense	<u>799,522</u>	<u>836,063</u>	<u>36,541</u>