

COLUMBIA POWER CORPORATION

INTERIM REPORT

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013

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

CPC earned consolidated net income of \$12.1 million for the six month period ended September 30, 2013 compared to a consolidated net income of \$10.6 million for the corresponding period of the previous year and forecast net income of \$10.8 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”) earned net income of \$0.3 million during the six month period ended September 30, 2013, compared to net loss of \$0.8 million for the corresponding period of the previous year and a forecast loss of \$0.8 million.

Brilliant Expansion Power Corporation (“BEPC”) earned net income of \$14.4 million during the six month period ended September 30, 2013, compared to net income of \$12.8 million for the corresponding period of the previous year and forecast income of \$13.4 million.

Brilliant Power Corporation (“BPC”) earned net income of \$9.8 million during the six month period ended September 30, 2013, compared to net income of \$9.4 million for the corresponding period of the previous year and forecast income of \$9.8 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.

WEPC previously held legal title of assets related to the Waneta Expansion project. CPC owns 58% of the WEPC shares and CBT Energy owns 42% share of WEPC shares.

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 \$1.3 million to \$49.0 million at September 30, 2013 (September 30, 2012 - increased in value by \$1.2 million to \$46.4 million).

During the six month period ended September 30, 2013, CPC Waneta invested \$13.0 million in WELP, compared to \$35.8 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

October 16, 2013

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

	September 30, 2013	March 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 18,188	\$ 6,306
Accounts receivable	866	1,142
Prepaid expense	138	8
Other investments	73,093	90,627
Total current assets	92,285	98,083
Non-current assets		
Restricted cash	595	591
Investment in equity accounted joint arrangements	209,977	209,686
Investment prior to limited partnership	1,325	1,325
Investment in Waneta Expansion Limited Partnership	173,286	160,286
Property, plant & equipment	972	1,165
Total non-current assets	386,155	373,053
TOTAL ASSETS	\$ 478,440	\$ 471,136
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,608	\$ 4,379
Dividend payable	-	2,000
Total current liabilities	1,608	6,379
Non-current liabilities		
Loans and borrowings	19,892	19,891
Total non-current liabilities	19,892	19,891
Equity		
Share capital		
Contributed surplus	276,065	276,065
Retained earnings	180,875	168,801
Total Equity	456,940	444,866
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 478,440	\$ 471,136

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

	2013	2012
Revenue	\$ 1,231	\$ 1,055
Other income	12,741	11,193
Depreciation expense	(214)	(236)
Other expenses	(1,607)	(1,534)
Results from operating activities	<u>12,151</u>	<u>10,478</u>
Finance income	493	650
Finance costs	(570)	(567)
Net finance income	<u>(77)</u>	<u>83</u>
Total comprehensive income for the period	<u>\$ 12,074</u>	<u>\$ 10,561</u>

COLUMBIA POWER CORPORATION
Consolidated Statement of Changes in Equity (Unaudited)
For the six months ended September 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 period		-	10,561	10,561
Dividend to equity holders		-	-	-
Balance at September 30, 2012	\$	276,065	\$ 163,611	\$ 439,676
Balance at March 31, 2013	\$	276,065	\$ 168,801	\$ 444,866
Comprehensive income for the period		-	12,074	12,074
Dividend to equity holders		-	-	-
Balance at September 30, 2013	\$	276,065	\$ 180,875	\$ 456,940

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

	2013	2012
Cash flows from Operating Activities		
Total comprehensive income for the year	\$ 12,074	\$ 10,561
Adjustments to reconcile cash flow from operations		
Amortization of property, plant and equipment	214	236
Interest income	(493)	(650)
Interest expense	570	567
Income from equity accounted investees	(12,741)	(11,193)
Net change in non-cash working capital balances		
Accounts receivable	276	5,335
Prepaid expense	(130)	(130)
Dividends payable	(2,000)	(2,000)
Accounts payable and accrued liabilities	(2,771)	(658)
Net cash from operating activities	(5,001)	2,068
Cash flows from financing activities		
Interest paid	(568)	(567)
Net cash used in financing activities	(568)	(567)
Cash flows from investing activities		
Interest received	493	650
Dividends received	12,450	11,250
(Purchase) Sale of temporary investments	17,534	4,410
Investment in limited partnership	(13,000)	(35,835)
(Acquisition)/disposal of property, plant and equipment	(22)	5
Net cash used in investing activities	17,455	(19,520)
Increase (decrease) in cash and cash equivalents	11,886	(18,019)
Cash and cash equivalents, beginning of period	6,897	40,761
Cash and cash equivalents, end of period	\$ 18,783	\$ 22,742
CASH CONSISTS OF:		
Restricted cash	595	186
Cash available for operations	18,188	22,556
	\$ 18,783	\$ 22,742

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

	Actual	Budget	Variance
REVENUES			
Services Agreement	\$ 1,231	\$ 1,134	\$ 97
	<u>1,231</u>	<u>1,134</u>	<u>97</u>
Investment Income:			
ALPC (50%)	154	(378)	532
BEPC (50%)	7,193	6,691	503
BPC (50%)	4,874	4,908	(34)
WEPC (58%)	520	520	-
	<u>12,741</u>	<u>11,741</u>	<u>1,001</u>
OPERATING EXPENSES			
Other expenses	1,607	1,668	61
	<u>1,607</u>	<u>1,668</u>	<u>61</u>
EBITDA	12,365	11,207	1,159
AMORTIZATION & FINANCING EXPENSES			
Amortization expense	214	219	5
Financing expense	570	567	(3)
Less: interest revenue	493	402	91
	<u>291</u>	<u>383</u>	<u>92</u>
NET INCOME	\$ 12,074	\$ 10,823	\$ 1,251

Breakdown of Other Expense:

Budget element	Actual	Budget	Variance
Salaries & benefits	\$ 2,285,883	\$ 2,283,500	\$ - 2,383
Travel & Business Expense	75,080	88,000	12,920
Board Expenses	35,000	67,000	32,000
Advisory Services & Audit	106,928	284,500	177,572
Systems and Networks	148,517	180,000	31,483
Rent Expense	132,719	169,000	36,281
Corporate Operations	98,060	116,000	17,940
Stakeholder Consultation & Advertising	5,786	12,500	6,714
First Nations Sponsorship	16,960	12,500	- 4,460
Training, Conferences, Memberships	35,939	67,000	31,061
Miscellaneous Expenses	21,069	17,500	- 3,569
Depreciation	214,421	218,500	4,079
Business Development third party costs	11,000	135,000	124,000
Loss on Disposal Fixed Assets	-	12,500	12,500
Corporate Communications	49,618	67,500	17,882
Community Sponsorship	58,250	51,000	- 7,250
Grants-in-Lieu	249,463	245,500	- 3,963
Interest expense	567,968	566,500	- 1,468
Financing cost	1,926	-	- 1,926
Boat Launch recovery	-	-	-
	<u>4,114,587</u>	<u>4,594,000</u>	<u>479,413</u>
JV Recoveries	- 1,723,466	- 2,140,875	- 417,409
Net expense after JV recoveries	2,391,121	2,453,125	62,004
Remove other line items:			
Interest expense	- 567,968	- 566,500	1,468
Depreciation/amortization	- 214,421	- 218,500	4,079
Other expenses	\$ 1,608,732	\$ 1,668,125	\$ 59,393