

COLUMBIA POWER CORPORATION

INTERIM REPORT

FOR THE NINE MONTHS ENDED DECEMBER 31, 2013

**COLUMBIA POWER CORPORATION
FINANCIAL HIGHLIGHTS AND OPERATIONAL REVIEW
FOR THE NINE MONTHS ENDED DECEMBER 31, 2013**

CPC earned consolidated net income of \$19.9 million for the nine month period ended December 31, 2013 compared to a consolidated net income of \$16.7 million for the corresponding period of the previous year and forecast net income of \$16.5 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 \$5.3 million during the nine month period ended December 31, 2013, compared to net income of \$3.7 million for the corresponding period of the previous year and forecast net income of \$3.1 million.

Brilliant Expansion Power Corporation (“BEPC”) earned net income of \$19.5 million during the nine month period ended December 31, 2013, compared to net income of \$16.0 million for the corresponding period of the previous year and forecast income of \$16.4 million.

Brilliant Power Corporation (“BPC”) earned net income of \$15.3 million during the nine month period ended December 31, 2013, compared to net income of \$14.7 million for the corresponding period of the previous year and forecast income of \$15.4 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 \$2.0 million to \$49.7 million at December 31, 2013 (December 31, 2012 - \$47.0 million).

During the nine month period ended December 31, 2013, CPC Waneta invested \$24.7 million in WELP, compared to \$51.1 million in the same period in the previous year. This brings the total amount invested to date in the Waneta Expansion project to \$186.5 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

January 8, 2014

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

	December 31, 2013	March 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 11,528	\$ 6,306
Accounts receivable	1,601	1,142
Prepaid expense	1	8
Other investments	68,326	90,627
Total current assets	81,456	98,083
Non-current assets		
Restricted cash	595	591
Investment in equity accounted joint arrangements	218,056	209,686
Investment prior to limited partnership	1,325	1,325
Investment in Waneta Expansion Limited Partnership	184,986	160,286
Property, plant & equipment	885	1,165
Total non-current assets	405,847	373,053
TOTAL ASSETS	\$ 487,303	\$ 471,136
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,661	\$ 4,379
Dividend payable	-	2,000
Total current liabilities	2,661	6,379
Non-current liabilities		
Loans and borrowings	19,893	19,891
Total non-current liabilities	19,893	19,891
Equity		
Share capital		
Contributed surplus	276,065	276,065
Retained earnings	188,684	168,801
Total Equity	464,749	444,866
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 487,303	\$ 471,136

COLUMBIA POWER CORPORATION
Consolidated Statement of Comprehensive Income (Unaudited)
For the nine months ended December 31
(Expressed in thousands of dollars)

	2013	2012
Revenue	\$ 2,037	\$ 1,522
Other income	20,820	17,897
Depreciation expense	(319)	(354)
Other expenses	(2,539)	(2,544)
Results from operating activities	<u>19,999</u>	<u>16,521</u>
Finance income	744	991
Finance costs	(860)	(857)
Net finance (loss) income	<u>(116)</u>	<u>134</u>
Total comprehensive income for the period	<u>\$ 19,883</u>	<u>\$ 16,655</u>

COLUMBIA POWER CORPORATION
Consolidated Statement of Changes in Equity (Unaudited)
For the nine months ended December 31
(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		-	16,655	16,655
Dividend to equity holders		-	-	-
Balance at December 31, 2012	\$	276,065	\$ 169,705	\$ 445,770
Balance at March 31, 2013	\$	276,065	\$ 168,801	\$ 444,866
Comprehensive income for the period		-	19,883	19,883
Dividend to equity holders		-	-	-
Balance at December 31, 2013	\$	276,065	\$ 188,684	\$ 464,749

COLUMBIA POWER CORPORATION
Consolidated Statement of Cash Flows (Unaudited)
For the nine months ended December 31
(Expressed in thousands of dollars)

	2013	2012
Cash flows from Operating Activities		
Total comprehensive income for the year	\$ 19,883	\$ 16,655
Adjustments to reconcile cash flow from operations		
Amortization of property, plant and equipment	319	354
Interest income	(744)	(991)
Interest expense	860	857
Income from equity accounted investees	(20,820)	(17,897)
Net change in non-cash working capital balances		
Accounts receivable	(459)	5,894
Prepaid expense	7	2
Dividends payable	(2,000)	(2,000)
Accounts payable and accrued liabilities	(1,435)	(856)
Net cash from operating activities	<u>(4,389)</u>	<u>2,018</u>
Cash flows from financing activities		
Interest paid	(1,140)	(1,137)
Net cash used in financing activities	<u>(1,140)</u>	<u>(1,137)</u>
Cash flows from investing activities		
Interest received	744	991
Dividends received	12,450	11,250
(Purchase) Sale of temporary investments	22,301	11,586
Investment in limited partnership	(24,700)	(51,077)
(Acquisition)/disposal of property, plant and equipment	(40)	3
Net cash used in investing activities	<u>10,755</u>	<u>(27,247)</u>
Increase (decrease) in cash and cash equivalents	5,226	(26,366)
Cash and cash equivalents, beginning of period	6,897	40,761
Cash and cash equivalents, end of period	<u>\$ 12,123</u>	<u>\$ 14,395</u>
CASH CONSISTS OF:		
Restricted cash	595	187
Cash available for operations	11,528	14,208
	<u>\$ 12,123</u>	<u>\$ 14,395</u>

COLUMBIA POWER CORPORATION
Statement of Income to Budget (Unaudited)
For the nine months ended December 31, 2013
(Expressed in thousands of dollars)

	Actual	Budget	Variance
REVENUES			
Services Agreement	\$ 2,037	\$ 1,701	\$ 336
	<u>2,037</u>	<u>1,701</u>	<u>336</u>
Investment Income:			
ALPC (50%)	2,668	1,549	1,119
BEPC (50%)	9,742	8,224	1,518
BPC (50%)	7,630	7,677	(47)
WEPC (58%)	780	780	-
	<u>20,820</u>	<u>18,230</u>	<u>2,590</u>
OPERATING EXPENSES			
Other expenses	<u>2,539</u>	<u>2,809</u>	<u>270</u>
	<u>2,539</u>	<u>2,809</u>	<u>270</u>
EBITDA	20,318	17,122	3,196
AMORTIZATION & FINANCING EXPENSES			
Amortization expense	319	328	9
Financing expense	860	850	(10)
Less: interest revenue	744	531	213
	<u>435</u>	<u>647</u>	<u>212</u>
NET INCOME	<u>\$ 19,883</u>	<u>\$ 16,475</u>	<u>\$ 3,408</u>

Breakdown of Other Expense:

Budget element	Actual	Budget	Variance
Salaries & benefits	\$ 3,516,684	\$ 3,725,250	\$ 208,566
Travel & Business Expense	145,816	132,000	13,816
Board Expenses	57,875	100,500	42,625
Advisory Services & Audit	223,000	426,750	203,750
Systems and Networks	248,510	270,000	21,490
Rent Expense	199,881	253,500	53,619
Corporate Operations	156,678	174,000	17,322
Stakeholder Consultation & Advertising	6,475	18,750	12,275
First Nations Sponsorship	17,710	18,750	1,040
Training, Conferences, Memberships	126,908	100,500	26,408
Miscellaneous Expenses	44,933	26,250	18,683
Depreciation	319,248	327,750	8,502
Business Development third party costs	32,174	202,500	170,327
Loss on Disposal Fixed Assets	-	18,750	18,750
Corporate Communications	73,564	120,750	47,186
Community Sponsorship	75,450	63,750	11,700
Grants-in-Lieu	374,208	368,250	5,958
Interest expense	857,452	849,750	7,702
Financing cost	2,912	-	2,912
Boat Launch recovery	-	-	-
	<u>6,479,478</u>	<u>7,197,750</u>	<u>718,272</u>
JV Recoveries	- 2,760,786	- 3,211,313	- 450,527
Net expense after JV recoveries	3,718,692	3,986,437	267,745
Remove other line items:			
Interest expense	- 860,364	- 849,750	10,614
Depreciation/amortization	- 319,248	- 327,750	8,502
Other expenses	<u>\$ 2,539,081</u>	<u>\$ 2,808,937</u>	<u>\$ 269,856</u>