COLUMBIA POWER CORPORATION

INTERIM REPORT

FOR THE THREE MONTHS ENDED JUNE 30, 2014

COLUMBIA POWER CORPORATION
FINANCIAL HIGHLIGHTS AND OPERATIONAL REVIEW
FOR THE THREE MONTHS ENDED JUNE 30, 2014

CPC earned consolidated net income of $0.2 million for the three month period ended June 30, 2014 compared to a consolidated net income of $2.9 million for the corresponding period of the previous year and forecast net loss of $0.7 million.

Net comprehensive income for the first quarter was $2.7 million lower in 2014 versus 2013. This variance is due to the significantly higher finance costs attributed to the issuance of $335 million in debt in April 2014 related to the planned restructuring. The higher finance costs are partially offset by higher revenues from the services agreement.

Actual to budget net income to June was $850k higher than forecast due to higher than forecast revenues from the services agreement of $314k and interest revenue of $134k and lower operating expenses of $398k. The positive variance was partially offset by the lower than forecast income from ALPC.

CPC is recording revenue for the Waneta Expansion services agreement in the same manner as fiscal 2013/14. There is an unresolved issue of the amounts to be charged under the agreement. Based on current activity it is estimated that the $1.2 million recovery for services to Waneta Expansion forecast for fiscal 2014/15 will be exceeded by a considerable margin. CPC will be evaluating this issue to determine appropriate revenue recognition.

Operating Expense Variances:

1. Salaries and benefits: $341k positive variance due to vacancies. There are currently three positions vacant with the Director Projects hire occurred in late June.
2. Systems and Networks: $58k positive variance, is due the timing of receipt of invoices for FIST project.
3. Rent Expense: $29k positive variance is due to a $12k credit received in April 2014 for rent overcharged in fiscal 2013/14.
4. Business Development Costs: $15k negative variance is due to advisory services expenses for strategic advisory committee expensed in June. These costs were initially recorded as deferred development costs and held in work in progress under the Elko project.
5. Interest expense and finance costs; $32k positive variance as CPC budgeted for a higher cost of debt for 2014/15, prior to the terms of debt issuance being finalized.

Arrow Lakes Power Corporation (“ALPC”) incurred a net loss of $6.9 million during the three month period ended June 30, 2014, compared to net loss of $5.7 million for the corresponding period of the previous year and a forecast loss of $6.3 million.

Brilliant Expansion Power Corporation (“BEPC”) earned net income of $7.5 million during the three month period ended June 30, 2014, compared to net income of $6.9

million for the corresponding period of the previous year and forecast income of $7.3 million.

Brilliant Power Corporation (“BPC”) earned net income of $5.0 million during the three month period ended June 30, 2014, compared to net income of $4.9 million for the corresponding period of the previous year and forecast income of $5.1 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, 2014 of $50.4 million (March 31, 2013 - $47.7 million). The Promissory Note increased in value by $0.7 million to $51.1 million at June 30, 2014 (June 30, 2013 - $48.4 million).

During the three month period ended June 30, 2014, CPC Waneta invested $2.6 million in WELP, compared to $13.0 million in the same period in the previous year. This brings the total amount invested to date in the Waneta Expansion project to $197.8 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.

Anastasios Tsalamandris, BCom CMA
Controller

July 9, 2014

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

	June 30, 2014	March 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 5,889	$ 10,094
Accounts receivable	774	979
Prepaid expense	323	49
Other investments	67,770	74,557
Total current assets	74,756	85,679
Non-current assets		
Restricted cash	599	597
Investment in equity accounted joint arrangements	211,053	207,874
Investment prior to limited partnership	1,325	1,325
Investment in Waneta Expansion Limited Partnership	194,622	192,153
Property, plant & equipment	744	793
Total non-current assets	408,343	402,742
TOTAL ASSETS	$ 483,099	$ 488,421
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,236	$ 3,419
Payable to equity holder	-	250,000
Dividend payable	-	32,000
Loans and borrowings	-	19,894
Total current liabilities	2,236	305,313
Non-current liabilities		
Loans and borrowings	297,586	-
Total non-current liabilities	297,586	-
Equity		
Share capital		
Contributed surplus	26,065	26,065
Retained earnings	157,212	157,043
Total Equity	183,277	183,108
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 483,099	$ 488,421

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

	2014	2013
Revenue	$ 623	$ 572
Other income	3,048	3,283
Depreciation expense	(48)	(110)
Other expenses	(920)	(799)
Results from operating activities	2,703	2,946
Finance income	247	221
Finance costs	(2,781)	(285)
Net finance income	(2,534)	(64)
Net comprehensive income for the period	$ 169	$ 2,882

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 April 1, 2013	-	276,065	168,801	444,866
Net comprehensive income for the period		-	2,882	2,882
Dividend to equity holders		-	-	-
Balance at June 30, 2013	-	$ 276,065	$ 171,683	$ 447,748
Balance at April 1, 2014	-	$ 26,065	$ 157,043	$ 183,108
Net comprehensive loss for the period		-	169	169
Dividend to equity holders		-	-	-
Balance at June 30, 2014	-	$ 26,065	$ 157,212	$ 183,277

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

	2014	2013
Cash flows from Operating Activities		
Net comprehensive income for the period	$ 169	$ 2,882
Adjustments to reconcile cash flow from operations		
Amortization of property, plant and equipment	48	110
Interest income	(247)	(221)
Interest expense	2,781	285
(Income) loss from equity accounted investees	(3,048)	(3,283)
Net change in non-cash working capital balances		
Accounts receivable	205	(1,401)
Prepaid expense	(274)	(266)
Accounts payable and accrued liabilities	(984)	(1,608)
Net cash from operating activities	(1,350)	(3,502)
Cash flows from financing activities		
Interest paid	(5,954)	(567)
Dividends paid	(32,000)	(2,000)
Repayment to equity holder	(250,000)	-
Borrowing	338,436	-
Discount on borrowing	(35,312)	-
Borrowing costs	(2,457)	-
Related party loan repaid	(20,000)	-
Net cash used in financing activities	(7,287)	(2,567)
Cash flows from investing activities		
Interest received	247	221
(Purchase) Sale of temporary investments	6,787	17,793
Investment in limited partnership	(2,600)	(13,000)
(Acquisition)/disposal of property, plant and equipment	-	(16)
Net cash used in investing activities	4,434	4,998
Increase (decrease) in cash and cash equivalents	(4,203)	(1,071)
Cash and cash equivalents, beginning of period	10,691	6,897
Cash and cash equivalents, end of period	$ 6,488	$ 5,826
CASH CONSISTS OF:		
Restricted cash	599	592
Cash available for operations	5,889	5,234
	$ 6,488	$ 5,826