COLUMBIA POWER CORPORATION

INTERIM REPORT

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014

COLUMBIA POWER CORPORATION
FINANCIAL HIGHLIGHTS AND OPERATIONAL REVIEW
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014

CPC earned consolidated comprehensive net income of $6.7 million for the six month period ended September 30, 2014 compared to a consolidated comprehensive net income of $12.1 million for the corresponding period of the previous year and forecast consolidated net income of $6.1 million.

Net comprehensive income to the end of the second quarter was $5.3 million lower in fiscal 2015 versus fiscal 2014. 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 corporate restructuring. Negative variances in revenues from the services agreement of $148 thousand and in operating expenses of $273 thousand also contribute to the overall negative variance.

Actual to budgeted consolidated net income to the end of the second quarter in fiscal 2015 was $660 thousand higher than forecast due to higher than forecast investment income from ALPC and BEPC of $520 thousand and from higher than forecast interest income of $122 thousand. Other expenses also showed a $107 thousand positive variance as described below. Current forecasts indicate that Columbia Power will end the year ahead of budgeted net income.

CPC is recording revenue for the Waneta Expansion services agreement in the same manner as fiscal 2014. There is an unresolved issue of the amounts to be charged under the agreement. CPC will be evaluating this issue to determine appropriate revenue recognition. Subject to the resolution of this issue, it is estimated that the $2.5 million recovery for services to Waneta Expansion forecast for fiscal 2015 will be met.

Operating Expense Variances: *Positive $107 thousand,*

1. Salaries and benefits: $275 thousand positive variance due to vacancies. There are currently three positions vacant with the Director Projects hire occurred in late June.
2. Travel & Business Expense: $20 thousand negative variance due to the timing of business travel coming in different from that forecast.
3. Advisory Services & Audit: $62 thousand negative variance due to the use of advisory services for the Human Resources strategy and strategic advisory. These resources were not planned and this will continue to be a negative variance.
4. Systems and Networks: $76 thousand positive variance, is due to the termination of the FIST project which will cause an ongoing positive variance.
5. Rent Expense: $12 thousand positive variance is due to a credit received in April 2014 for rent overcharged in fiscal 2014.
6. Interest expense and finance costs; $22 thousand negative variance as CPC projected a higher cost of debt for fiscal 2015 and an issuance later in the year. Issuing the debt sooner will result in higher annual cost of debt even with the lower debt costs.

Arrow Lakes Power Corporation (“ALPC”) incurred a net loss of $400 thousand during the six month period ended September 30, 2014, compared to net income of $308 thousand for the corresponding period of the previous year and a forecast net loss of $558 thousand.

Brilliant Expansion Power Corporation (“BEPC”) earned net income of $14.9 million during the six month period ended September 30, 2014, compared to net income of $14.4 million for the corresponding period of the previous year and forecast net income of $14.0 million.

Brilliant Power Corporation (“BPC”) earned net income of $10.0 million during the six month period ended September 30, 2014, compared to net income of $9.7 million for the corresponding period of the previous year and forecast net income of $10.2 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 $1.4 million to $51.8 million at September 30, 2014 (September 30, 2013 - $49.0 million).

During the six month period ended September 30, 2014, CPC Waneta invested $6.2 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 $201.5 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.

Anastasios Tsalamandris, BCom CMA
Controller
Columbia Power Corporation
October 15, 2015

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

		September 30, 2014		March 31, 2014
Assets				
Current assets				
Cash and cash equivalents	$	4,785	$	10,094
Accounts receivable		1,491		979
Prepaid expense		178		49
Other investments		75,947		74,557
Total current assets		82,401		85,679
Non-current assets				
Restricted cash		600		597
Investment in equity accounted joint arrangements		208,808		207,874
Investment prior to limited partnership		1,325		1,325
Investment in Waneta Expansion Limited Partnership		198,129		192,153
Property, plant & equipment		702		793
Deferred development costs		165		
Total non-current assets		409,729		402,742
TOTAL ASSETS	$	492,130	$	488,421
Liabilities and Shareholder's Equity				
Current liabilities				
Accounts payable and accrued liabilities	$	4,528	$	3,419
Payable to equity holder		-		250,000
Dividend payable		-		32,000
Loans and borrowings		-		19,894
Total current liabilities		4,528		305,313
Non-current liabilities				
Loans and borrowings		297,757		-
Total non-current liabilities		297,757		-
Equity				
Share capital				
Contributed surplus		26,065		26,065
Retained earnings		163,780		157,043
Total Equity		189,845		183,108
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$	492,130	$	488,421

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

	2014	2013
Revenue	$ 1,083	$ 1,231
Other (loss)/income	12,820	12,741
Depreciation expense	(97)	(214)
Other expenses	(1,880)	(1,607)
Results from operating activities	11,926	12,151
Finance income	458	493
Finance costs	(5,647)	(570)
Net finance income	(5,189)	(77)
Net comprehensive income for the period	$ 6,737	$ 12,074

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 April 1, 2013	-	276,065	168,801	444,866
Net comprehensive income for the period		-	12,074	12,074
Dividend to equity holders		-	-	-
Balance at September 30, 2013	-	$ 276,065	$ 180,875	$ 456,940
Balance at April 1, 2014	-	$ 26,065	$ 157,043	$ 183,108
Net comprehensive income for the period		-	6,737	6,737
Dividend to equity holders		-	-	-
Balance at September 30, 2014	-	$ 26,065	$ 163,780	$ 189,845

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

		2014		2013
Cash flows from Operating Activities				
Net comprehensive income for the year	$	6,737	$	12,074
Adjustments to reconcile cash flow from operations				
Amortization of property, plant and equipment		97		214
Interest income		(458)		(493)
Interest expense		5,647		570
(Income) loss from equity accounted investees		(12,820)		(12,741)
Net change in non-cash working capital balances				
Accounts receivable		(512)		276
Prepaid expense		(129)		(130)
Accounts payable and accrued liabilities		(1,387)		(2,771)
Net cash from operating activities		(2,825)		(3,001)
Cash flows from financing activities				
Interest paid		(5,955)		(568)
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		(7,288)		(2,568)
Cash flows from investing activities				
Interest received		458		493
Dividends received		12,150		12,450
(Purchase) Sale of temporary investments		(1,390)		17,534
Investment in limited partnership		(6,240)		(13,000)
Investment in Elko project		(165)		-
(Acquisition)/disposal of property, plant and equipment		(6)		(22)
Net cash used in investing activities		4,807		17,455
Increase (decrease) in cash and cash equivalents		(5,306)		11,886
Cash and cash equivalents, beginning of period		10,691		6,897
Cash and cash equivalents, end of period	$	5,385	$	18,783
CASH CONSISTS OF:				
Restricted cash		600		595
Cash available for operations		4,785		18,188
	$	5,385	$	18,783

COLUMBIA POWER CORPORATION
Statement of Income to Budget (Unaudited)
For the six months ended September 30, 2014
(Expressed in thousands of dollars)

	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	**YEAR TO DATE VARIANCE**	PRIOR YEAR TO DATE ACTUAL	**YEAR TO DATE vs PRIOR YEAR VARIANCE**	FORECAST TO YEAR END FORECAST	BUDGET TO YEAR END BUDGET	**BUDGET vs FORECAST to YEAR END VARIANCE**
REVENUES								
Services Agreement & Mgmnt Fees	$ 1,083	$ 1,086	$ **(3)**	$ 1,231	$ **(148)**	$ 2,550	$ 2,520	$ **30**
	1,083	1,086	**(3)**	1,231	**(148)**	2,550	2,520	**30**
Investment Income:								
ALPC (50%)	(200)	(279)	**79**	154	**(354)**	(147)	(365)	**218**
BEPC (50%)	7,462	7,021	**441**	7,193	**269**	10,103	9,720	**383**
BPC (50%)	5,009	5,089	**(80)**	4,874	**135**	10,787	10,793	**(6)**
WEPC (58%)	549	549	**-**	520	**29**	1,113	1,113	**-**
	12,820	12,380	**440**	12,741	**79**	21,856	21,261	**595**
OPERATING EXPENSES								
Other expenses	1,880	1,987	107	1,607	(273)	4,205	3,992	**(213)**
	1,880	1,987	**107**	1,607	(273)	4,205	3,992	**(213)**
EBITDA	12,023	11,479	**544**	12,365	**(342)**	20,201	19,789	**412**
DEPRECIATION & FINANCING EXPENSES								
Depreciation expense	97	113	**16**	214	**117**	207	228	**21**
Financing expense	5,647	5,625	**(22)**	570	**(5,077)**	11,250	11,250	**-**
Less: interest revenue	458	336	**122**	493	**(35)**	903	568	**335**
	5,286	5,402	**116**	291	**(4,995)**	10,554	10,910	**356**
NET INCOME	$ 6,737	$ 6,077	$ **660**	$ 12,074	$ **(5,337)**	$ 9,647	$ 8,879	$ **768**

Breakdown of Other Expense:

Budget Element	**Actual**	**Budget**	**Variance**	**%**	**Annual Budget**
Salaries & benefits	$ 2,407,506	$ 2,682,000	$ 274,494	10%	5,535,578
Travel & Business Expense	97,933	78,000	(19,933)	-26%	175,510
Board Expenses	40,375	50,000	9,625	19%	114,000
Advisory Services & Audit	323,351	261,000	(62,351)	-24%	490,600
Systems and Networks	85,547	162,000	76,453	47%	547,975
Rent Expense	124,731	137,000	12,269	9%	341,395
Corporate Operations	94,509	104,000	9,491	9%	182,500
Stakeholder Consultation & Advertising	5,013	5,000	(13)	0%	12,500
First Nations Sponsorship	9,500	18,000	8,500	47%	25,000
Training, Conferences, Memberships	47,770	57,000	9,230	16%	134,660
Miscellaneous Expenses	7,864	12,000	4,136	34%	35,300
Depreciation Expense	96,759	113,000	16,241	14%	227,551
Business Development third party costs	124,022	123,000	(1,022)	-1%	300,000
Loss on Disposal Fixed Assets	-	-	-	-	25,000
Corporate Communications	39,145	47,000	7,855	17%	191,000
Community Sponsorship	60,800	83,000	22,200	27%	95,000
Grants-in-Lieu	260,471	253,000	(7,471)	-3%	510,640
Subtotal	3,825,296	4,185,000	359,704		**8,944,210**
Interest expense	5,506,929	5,625,000	118,071	2%	11,250,000
Financing cost (Debt Issue Cost Amortization)	139,846	-	(139,846)	-	-
	9,472,071	9,810,000	337,929	3%	20,194,210
JV Recoveries	(1,709,710)	(1,585,000)	124,710	-8%	(3,508,417)
Development costs deferred*	(138,331)	(500,000)	(361,669)		(1,000,000)
Net expense after JV Recoveries and Deferred Costs	7,624,030	7,725,000	100,970		15,685,792
Remove other line items:					
Interest expense	(5,646,775)	(5,625,000)	(21,775)	0%	(11,250,000)
Depreciation/amortization	(96,759)	(113,000)	16,241	-14%	(227,551)
Other expenses	$ 1,880,496	$ 1,987,000	$ 106,504	5%	4,208,241