COLUMBIA POWER CORPORATION

INTERIM REPORT

FOR THE NINE MONTHS ENDED DECEMBER 31, 2014

COLUMBIA POWER CORPORATION
FINANCIAL HIGHLIGHTS AND OPERATIONAL REVIEW
FOR THE NINE MONTHS ENDED DECEMBER 31, 2014

SUMMARY: Highlights
CPC earned consolidated net income of $11.1 million for the nine month period ending December 31, 2014 compared to a consolidated net income of $19.9 million for the corresponding period of the previous year and forecast consolidated net income of $10.0 million.

Net income to the end of the third quarter was $8.8 million lower in fiscal 2015 versus fiscal 2014. This difference is due to the significantly higher finance costs ($7.7 million higher) attributed to the issuance of $335 million in debt in April 2014 related to the corporate restructuring. Changes in revenues from the services agreement of $552 thousand and other expenses of $356 thousand also contribute to the overall difference from the prior period.

Actual to budgeted consolidated net income to the end of the third quarter in fiscal 2015 was $1.1 million higher than forecast due to positive variances in investment income from ALPC of $376 thousand and BEPC of $906 thousand, and a positive variance in interest income of $250 thousand. Other expenses also showed a $109 thousand negative variance as described below. Current forecasts indicate that Columbia Power will end the year ahead of budgeted consolidated net income.

Revenues:
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 *not* be met. CPC is currently evaluating the impact on revenue to year end and will revise the forecast amount based on that evaluation.

Arrow Lakes Power Corporation ("ALPC") incurred net income of $4.7 million during the nine month period ended December 31, 2014, compared to net income of $5.3 million for the corresponding period of the previous year and a forecast net income of 3.9 million.

Brilliant Expansion Power Corporation ("BEPC") earned net income of $18.9 million during the nine month period ended December 31, 2014, compared to net income of $19.5 million for the corresponding period of the previous year and forecast net income of $17.1 million.

Brilliant Power Corporation ("BPC") earned net income of $15.8 million during the nine month period ended December 31, 2014, compared to net income of $15.3 million for the corresponding period of the previous year and forecast net income of $15.9 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, 2014 of $50.4 million (March 31, 2013 - $47.7 million). The Promissory Note increased in value by $2.1 million to $52.5 million at December 31, 2014 (December 31, 2013 - $49.7 million).

Operating Expense Variances: *Negative variance year-to-date; $109 thousand,*

1. Salaries and benefits: $204 thousand positive variance due to vacancies. There are currently three vacant positions. .
2. Travel & Business Expense: $27 thousand negative variance due to the timing of business travel coming in different from that forecast.
3. Advisory Services & Audit: $278 thousand negative variance due to the use of advisory services for the Human Resources strategy and strategic advisory. Given that these resources were not planned,the negative variance will continue to year end.
4. Systems and Networks: $141 thousand positive variance due to the termination of the FIST project which will cause an ongoing positive variance.
5. Business development Third Party Costs: $86 thousand positive variance as CPC is currently deferring all direct costs related to Elko project development. It is expected that this positive variance will continue to the end of the year
6. Interest expense and finance costs; $105 thousand negative variance as CPC projected a higher cost of debt for fiscal 2015 and a debt issuance planned for later this fiscal year. Issuing the debt sooner will result in a higher overall annual cost of debt even with the lower debt costs.

INVESTMENTS:

During the nine month period ended December 31, 2014, CPC Waneta invested $15.0 million in WELP, compared to $24.7 million in the same period in the previous year. This brings the total amount invested to date in the Waneta Expansion project to $210.2 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.

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Director, Finance
Columbia Power Corporation
January 7, 2014

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

	December 31, 2014	March 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 4,726	$ 10,094
Accounts receivable	1,621	979
Prepaid expense	38	49
Other investments	61,395	74,557
Total current assets	67,780	85,679
Non-current assets		
Restricted cash	602	597
Investment in equity accounted joint arrangements	216,620	207,874
Investment prior to limited partnership	1,325	1,325
Investment in Waneta Expansion Limited Partnership	206,771	192,153
Property, plant & equipment	669	793
Deferred development costs	1,224	-
Total non-current assets	427,211	402,742
TOTAL ASSETS	$ 494,991	$ 488,421
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,857	$ 3,419
Payable to equity holder	-	250,000
Dividend payable	-	32,000
Loans and borrowings	-	19,894
Total current liabilities	2,857	305,313
Non-current liabilities		
Loans and borrowings	297,929	-
Total non-current liabilities	297,929	-
Equity		
Share capital		
Contributed surplus	26,065	26,065
Retained earnings	168,140	157,043
Total Equity	194,205	183,108
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 494,991	$ 488,421

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

	2014	2013
Revenue	$ 1,485	$ 2,037
Other (loss)/income	20,498	20,820
Depreciation expense	(145)	(319)
Other expenses	(2,895)	(2,539)
Results from operating activities	18,943	19,999
Finance income	697	744
Finance costs	(8,543)	(860)
Net finance income	(7,846)	(116)
Net comprehensive income for the period	$ 11,097	$ 19,883

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 April 1, 2013	-		276,065		168,801		444,866
Net comprehensive income for the period			-		19,883		19,883
Dividend to equity holders			-		-		-
Balance at December 31, 2013	-	$	276,065	$	188,684	$	464,749
Balance at April 1, 2014	-	$	26,065	$	157,043	$	183,108
Net comprehensive income for the period			-		11,097		11,097
Dividend to equity holders			-		-		-
Balance at December 31, 2014	-	$	26,065	$	168,140	$	194,205

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

		2014		2013
Cash flows from Operating Activities				
Net comprehensive income for the year	$	11,097	$	19,883
Adjustments to reconcile cash flow from operations				
Amortization of property, plant and equipment		145		319
Interest income		(697)		(744)
Interest expense		8,543		860
(Income) loss from equity accounted investees		(20,498)		(20,820)
Net change in non-cash working capital balances				
Accounts receivable		(642)		(459)
Prepaid expense		11		7
Accounts payable and accrued liabilities		(394)		(1,435)
Net cash from operating activities		(2,435)		(2,389)
Cash flows from financing activities				
Interest paid		(11,344)		(1,140)
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		(12,677)		(3,140)
Cash flows from investing activities				
Interest received		697		744
Dividends received		12,150		12,450
(Purchase) Sale of temporary investments		13,162		22,301
Investment in limited partnership		(15,015)		(24,700)
Investment in Elko project		(1,224)		-
(Acquisition)/disposal of property, plant and equipment		(21)		(40)
Net cash used in investing activities		9,749		10,755
Increase (decrease) in cash and cash equivalents		(5,363)		5,226
Cash and cash equivalents, beginning of period		10,691		6,897
Cash and cash equivalents, end of period	$	5,328	$	12,123
CASH CONSISTS OF:				
Restricted cash		602		595
Cash available for operations		4,726		11,528
	$	5,328	$	12,123

COLUMBIA POWER CORPORATION
Statement of Income to Budget (Unaudited)
For the nine months ended December 31, 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	$ 1,485	$ 1,629	$ **(144)**	$ 2,037	$ **(552)**	$ 2,550	$ 2,520	$ **30**
	1,485	1,629	**(144)**	2,037	**(552)**	2,550	2,520	**30**
Investment Income:								
ALPC (50%)	2,329	1,953	**376**	2,668	**(339)**	(75)	(365)	**290**
BEPC (50%)	9,447	8,541	**906**	9,742	**(295)**	10,170	9,720	**450**
BPC (50%)	7,898	7,970	**(72)**	7,630	**268**	10,788	10,793	**(5)**
WEPC (58%)	824	824	**-**	780	**44**	1,113	1,113	**-**
	20,498	19,288	**1,210**	20,820	**(322)**	21,996	21,261	**735**
OPERATING EXPENSES								
Other expenses	2,895	2,786	**(109)**	2,539	(356)	4,192	3,992	**(200)**
	2,895	2,786	**(109)**	2,539	(356)	4,192	3,992	**(200)**
EBITDA	19,088	18,131	**957**	20,318	**(1,230)**	20,354	19,789	**565**
DEPRECIATION & FINANCING EXPENSES								
Depreciation expense	145	168	**23**	319	**174**	210	228	**18**
Financing expense	8,543	8,438	**(105)**	860	**(7,683)**	11,250	11,250	**-**
Less: interest revenue	697	447	**250**	744	**(47)**	903	568	**335**
	7,991	8,159	**168**	435	**(7,556)**	10,557	10,910	**353**
NET INCOME	$ 11,097	$ 9,972	$ **1,125**	$ 19,883	$ **(8,786)**	$ 9,797	$ 8,879	$ **918**

Breakdown of Other Expense:

Budget Element	**Actual**	**Budget**	**Variance**	**%**	**Annual Budget**
Salaries & benefits	$ 3,771,440	$ 3,975,000	$ 203,560	5%	5,535,578
Travel & Business Expense	169,808	143,000	(26,808)	-19%	175,510
Board Expenses	60,750	82,000	21,250	26%	114,000
Advisory Services & Audit	601,557	324,000	(277,557)	-86%	490,600
Systems and Networks	200,337	341,000	140,663	41%	547,975
Rent Expense	196,439	231,000	34,561	15%	341,395
Corporate Operations	130,516	144,000	13,484	9%	182,500
Stakeholder Consultation & Advertising	5,013	7,000	1,987	28%	12,500
First Nations Sponsorship	17,500	19,000	1,500	8%	25,000
Training, Conferences, Memberships	113,486	106,000	(7,486)	-7%	134,660
Miscellaneous Expenses	13,088	17,000	3,912	23%	35,300
Depreciation Expense	145,139	168,000	22,861	14%	227,551
Business Development third party costs	72,468	158,000	85,532	54%	300,000
Loss on Disposal Fixed Assets	-	-	-	-	25,000
Corporate Communications	63,241	60,000	(3,241)	-5%	191,000
Community Sponsorship	73,050	89,000	15,950	18%	95,000
Grants-in-Lieu	390,706	379,000	(11,706)	-3%	510,640
Subtotal	6,024,539	6,243,000	218,461		**8,944,210**
Interest expense	8,370,205	8,438,000	67,795	1%	11,250,000
Financing cost (Debt Issue Cost Amortization)	172,410	-	(172,410)	-	-
	14,567,153	14,681,000	113,847	1%	20,194,210
JV Recoveries	(2,737,784)	(2,539,000)	198,784	-8%	(3,508,417)
Development costs deferred*	(245,928)	(750,000)	(504,072)		(1,000,000)
Net expense after JV Recoveries and Deferred Costs	11,583,441	11,392,000	- 191,441		15,685,792
Remove other line items:					
Interest expense	(8,542,615)	(8,438,000)	(104,615)	1%	(11,250,000)
Depreciation/amortization	(145,139)	(168,000)	22,861	-14%	(227,551)
Other expenses	$ 2,895,688	$ 2,786,000	$ - 109,688	-4%	4,208,241