

COLUMBIA POWER CORPORATION

INTERIM REPORT

FOR THE SIX MONTHS ENDED SEPTMEBER 30, 2015

**COLUMBIA POWER CORPORATION
FINANCIAL HIGHLIGHTS AND OPERATIONAL REVIEW
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015**

The consolidated net income to the end of the second quarter was \$19.1 million, \$12.3 million higher than the same period last year. This change is primarily due to the \$11.3 million in investment income picked up from WELP following substantial completion of the Waneta Expansion Project (WAX) which occurred on April 1, 2015. Management initially planned for WAX commercial operations to begin on May 15, 2015, however, operations commenced on April 2, 2015. The balance of the change is attributed to results from operations. ALPC and BPC exceeded prior year results while BEPC was lower. The \$11.3 million investment income from WELP includes management's best estimate for adjustments required to comply with IFRS.

Actual to budget net income to September 30, 2015 is \$7.7 million higher than forecast. This positive variance is primarily due to early commercial operation of WAX.

ALPC net income was \$797 thousand higher than the prior year mainly due to a positive variance in operation and maintenance expenses. Prior year operation and maintenance expenses incurred during the APO were significantly higher due to a longer annual planned outage period. ALPC experienced higher than budgeted net income by \$310 thousand for the period ending September 30, 2015 mainly due to the ALH facility operating at high reliability through the high entitlement period.

BEPC experienced minor reliability issues early in the six month period ending September 30, 2015 mainly due to an eight day outage for the governor oil system leak repair that has resulted in net income being \$115 thousand lower than prior year. The plant is now operating at higher reliability, and consequently net income is on target with budget.

BPC net income was \$188 thousand greater than the same period in the prior year mainly due to less interest expense on the Brilliant bonds. Net income was \$116 thousand less than budget due to timing differences associated with recording finance income and interest expense.

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, 2015 of \$53.2 million (March 31, 2014 of \$50.4 million). The Promissory Note increased in value by \$1.5 million to \$54.7 million at September 30, 2015 (September 30, 2014 - \$51.8 million).

During the six month period ended September 30, 2015, CPC Waneta invested \$2.7 million in WELP, compared to \$6.2 million in first quarter of the previous year. . In addition, CPC Waneta picked up its share of WELP net income, which was \$11.3 million for the six month period ended September 30, 2015. This brings the total investment in WELP to date to \$226.1 million.

Anastasios Tsalamandris, BCom CPA (CMA)
Director, Finance
October 21, 2015

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

	September 30, 2015	March 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 18,749	\$ 13,259
Accounts receivable	641	1,642
Prepaid expense	168	38
Other investments	50,846	61,611
Total current assets	70,404	76,550
Non-current assets		
Restricted cash	606	604
Investment in equity accounted joint arrangements	207,725	205,628
Investment prior to limited partnership	1,325	1,325
Investment in Waneta Expansion Limited Partnership	223,561	209,534
Other investments	5,132	-
Property, plant & equipment	762	687
Work in progress - development costs	2,721	1,461
Total non-current assets	441,832	419,239
TOTAL ASSETS	\$ 512,236	\$ 495,789
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,951	\$ 4,936
Dividend payable	-	2,000
Total current liabilities	3,951	6,936
Non-current liabilities		
Loans and borrowings	298,445	298,096
Total non-current liabilities	298,445	298,096
Equity		
Share capital		
Contributed surplus	26,065	26,065
Retained earnings	183,775	164,692
Total Equity	209,840	190,757
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 512,236	\$ 495,789

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

	2015	2014
Revenue	\$ 955	\$ 1,083
Other income/(loss)	25,349	12,820
Depreciation expense	(102)	(97)
Other expenses	(1,780)	(1,880)
Results from operating activities	<u>24,422</u>	<u>11,926</u>
Finance income	399	458
Finance costs	(5,738)	(5,647)
Net finance income	<u>(5,339)</u>	<u>(5,189)</u>
Net comprehensive (loss)/income for the period	<u>\$ 19,083</u>	<u>\$ 6,737</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 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 \$
Balance at April 1, 2015	- \$	26,065 \$	164,692 \$	190,757 \$
Net comprehensive loss for the period		-	19,083	19,083
Dividend to equity holders		-	-	-
Balance at September 30, 2015	- \$	26,065 \$	183,775 \$	209,840 \$

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

	2015	2014
Cash flows from Operating Activities		
Net comprehensive income for the year	\$ 19,083	\$ 6,737
Adjustments to reconcile cash flow from operations		
Amortization of property, plant and equipment	102	97
Interest income	(399)	(458)
Interest expense	5,738	5,647
Gain on disposal of property, plant and equipment	(19)	-
Income from equity accounted investees	(25,330)	(12,820)
Net change in non-cash working capital balances		
Accounts receivable	1,001	(512)
Prepaid expense	(130)	(129)
Accounts payable and accrued liabilities	(999)	(1,387)
Net cash from operating activities	<u>(953)</u>	<u>(2,825)</u>
Cash flows from financing activities		
Interest paid	(5,371)	(5,955)
Dividends paid	(2,000)	(32,000)
Payable 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	<u>(7,371)</u>	<u>(7,288)</u>
Cash flows from investing activities		
Interest received	72	68
Dividends received	11,905	12,150
(Purchase) Sale of temporary investments	11,000	(1,000)
Investment in limited partnership	(2,698)	(6,240)
Investment in Elko	(1,260)	(165)
Investment in bond sinking fund	(5,043)	-
(Acquisition)/disposal of property, plant and equipment	(160)	(6)
Net cash used in investing activities	<u>13,816</u>	<u>4,807</u>
Increase (decrease) in cash and cash equivalents	5,492	(5,306)
Cash and cash equivalents, beginning of period	13,863	10,691
Cash and cash equivalents, end of period	<u>\$ 19,355</u>	<u>\$ 5,385</u>
CASH CONSISTS OF:		
Restricted cash	606	600
Cash available for operations	<u>18,749</u>	<u>4,785</u>
	<u>\$ 19,355</u>	<u>\$ 5,385</u>