

COLUMBIA POWER CORPORATION

INTERIM REPORT

FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

**COLUMBIA POWER CORPORATION
FINANCIAL HIGHLIGHTS AND OPERATIONAL REVIEW
FOR THE NINE MONTHS ENDED DECEMBER 31, 2015**

The consolidated net income to the end of the third quarter was \$26.7 million, \$15.6 million higher than the same period last year. This change is primarily due to the \$14.6 million in investment income picked up from Waneta Expansion Limited Partnership (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 \$14.6 million investment income from WELP includes management's best estimate for adjustments required to comply with IFRS.

Actual to budget net income to December 31, 2015 is \$8.0 million higher than forecast. This positive variance is due to early commercial operation of WAX. The positive variance was offset by the payment of \$868 thousand from CPC Waneta to Columbia Basin Trust (The Trust) Waneta to satisfy Columbia Power's obligation regarding Residual Interest under the Memorandum of Understanding from October 2009. The payment has been consolidated in Columbia Power under other expense.

ALPC net income was \$1,483 thousand higher than the prior year due to a positive variance in sales of power and operations and maintenance expenses. Prior year operation and maintenance expenses incurred during the APO were significantly higher and sales of power lower due to a longer annual planned outage period. ALPC experienced higher than budgeted net income of \$531 thousand for the period ending December 31, 2015 mainly due to the ALH facility operating at high reliability through the high entitlement period.

BEPC experienced minor reliability issues early in the nine month period ending December 31, 2015 mainly due to an eight day outage for the governor oil system leak repair that has resulted in net income being \$289 thousand lower than prior year. The plant is now operating at higher reliability, and net income is projected to be on budget by year end.

BPC net income was \$275 thousand greater than during the same period in the prior year mainly due to less interest expense on the Brilliant bonds. Net income is \$66 thousand less than budget due to timing differences associated with recording finance income and interest expense.

In October 2010, CPC Waneta (32.5% interest), Columbia Basin Trust 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 Waneta Expansion Power Corporation.

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 2020, 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 \$55.5 million (March 31, 2015 of \$53.2 million). The Promissory Note increased in value by \$3.0 million to \$55.5 million at December 31, 2015 (December 31, 2014 - \$52.5 million).

At March 31, 2015, CPC Waneta had invested \$212.1 million in WELP. During the nine month period ended December 31, 2015, CPC Waneta investment in WELP increased by \$10 million, compared to \$15 million in same period of the previous year. In addition, CPC Waneta picked up its share of WELP's net income, which was \$14.6 million for the nine month period ended December 31, 2015, and received dividends of \$7.3 million. This brings the total investment in WELP to date to \$222.1 million.

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Director, Finance
Columbia Power Corporation
December 31, 2015

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

	December 31, 2015	March 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 18,894	\$ 13,259
Accounts receivable	1,034	1,642
Prepaid expense	20	38
Other investments	50,914	61,611
Total current assets	70,862	76,550
Non-current assets		
Restricted cash	607	604
Investment in equity accounted joint arrangements	216,158	205,628
Investment prior to limited partnership	1,325	1,325
Investment in Waneta Expansion Limited Partnership	219,522	209,534
Other investments	5,196	-
Property, plant & equipment	733	687
Work in progress - development costs	3,449	1,461
Total non-current assets	446,990	419,239
TOTAL ASSETS	\$ 517,852	\$ 495,789
Liabilities and Shareholder's Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,794	\$ 4,936
Dividend payable	-	2,000
Total current liabilities	1,794	6,936
Non-current liabilities		
Loans and borrowings	298,622	298,096
Total non-current liabilities	298,622	298,096
Equity		
Share capital		
Contributed surplus	26,065	26,065
Retained earnings	191,371	164,692
Total Equity	217,436	190,757
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$ 517,852	\$ 495,789

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

	2015	2014
Revenue	\$ 1,354	\$ 1,485
Other income/(loss)	37,055	20,498
Depreciation expense	(154)	(145)
Other expenses	(3,533)	(2,895)
Results from operating activities	<u>34,722</u>	<u>18,943</u>
Finance income	584	697
Finance costs	(8,627)	(8,543)
Net finance income	<u>(8,043)</u>	<u>(7,846)</u>
Net comprehensive income for the period	<u>\$ 26,679</u>	<u>\$ 11,097</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 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
Balance at April 1, 2015	-	\$ 26,065	\$ 164,692	\$ 190,757
Net comprehensive income for the period		-	26,679	26,679
Dividend to equity holders		-	-	-
Balance at December 31, 2015	-	\$ 26,065	\$ 191,371	\$ 217,436

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

	2015	2014
Cash flows from Operating Activities		
Net comprehensive income for the year	\$ 26,679	\$ 11,097
Adjustments to reconcile cash flow from operations		
Amortization of property, plant and equipment	154	145
Interest income	(584)	(697)
Interest expense	8,627	8,543
Gain on disposal of property, plant and equipment	(19)	-
Income from equity accounted investees	(37,036)	(20,498)
Net change in non-cash working capital balances		
Accounts receivable	608	(642)
Prepaid expense	18	11
Accounts payable and accrued liabilities	(491)	(394)
Net cash from operating activities	(2,044)	(2,435)
Cash flows from financing activities		
Interest paid	(10,732)	(11,344)
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	(12,732)	(12,677)
Cash flows from investing activities		
Interest received	127	84
Dividends received	19,218	12,150
(Purchase) Sale of temporary investments	11,000	13,775
Investment in limited partnership	(2,698)	(15,015)
Investment in Elko	(1,988)	(1,224)
Investment in bond sinking fund	(5,043)	-
(Acquisition)/disposal of property, plant and equipment	(202)	(21)
Net cash used in investing activities	20,414	9,749
Increase (decrease) in cash and cash equivalents	5,638	(5,363)
Cash and cash equivalents, beginning of period	13,863	10,691
Cash and cash equivalents, end of period	\$ 19,501	\$ 5,328
CASH CONSISTS OF:		
Restricted cash	607	602
Cash available for operations	18,894	4,726
	<u>\$ 19,501</u>	<u>\$ 5,328</u>

COLUMBIA POWER CORPORATION
Statement of Income to Budget (Unaudited)
For the nine months ended December 31, 2015
(Expressed in thousands of dollars)

	YEAR TO DATE	YEAR TO DATE	YEAR TO DATE	PRIOR YEAR TO DATE	YEAR TO DATE vs PRIOR YEAR	FORECAST AT YEAR END	BUDGET AT YEAR END	BUDGET vs FORECAST to YEAR END
	ACTUAL	BUDGET	VARIANCE	ACTUAL	VARIANCE	FORECAST	BUDGET	VARIANCE
REVENUES								
Services Agreement & Mgmt Fees	\$ 1,354	\$ 1,337	\$ 17	\$ 1,485	\$ (131)	\$ 1,783	\$ 1,783	\$ -
Gain on Sale of Property, Plant and Equipment	19	-	19	-	-	-	-	-
	<u>1,373</u>	<u>1,337</u>	<u>36</u>	<u>1,485</u>	<u>(131)</u>	<u>1,783</u>	<u>1,783</u>	<u>-</u>
Investment Income:								
ALPC (50%)	3,812	3,281	531	2,329	1,483	2,970	884	2,086
BEPC (50%)	9,158	8,999	159	9,447	(289)	10,631	10,588	43
BPC (50%)	8,173	8,239	(66)	7,898	275	11,226	11,230	(4)
WEPC (58%)	1,315	1,315	-	824	491	1,176	1,176	-
WELP (32.5%)	14,578	6,538	8,040	-	14,578	15,800	8,172	7,628
	<u>37,036</u>	<u>28,372</u>	<u>8,664</u>	<u>20,498</u>	<u>16,538</u>	<u>41,803</u>	<u>32,050</u>	<u>9,753</u>
OPERATING EXPENSES								
Other expenses	<u>3,533</u>	<u>2,921</u>	<u>(612)</u>	2,895	(638)	5,277	4,388	(889)
	<u>3,533</u>	<u>2,921</u>	<u>(612)</u>	<u>2,895</u>	<u>(638)</u>	<u>5,277</u>	<u>4,388</u>	<u>(889)</u>
EBITDA	34,876	26,789	8,087	19,088	15,769	38,309	29,445	8,864
DEPRECIATION & FINANCING EXPENSES								
Depreciation expense	154	153	(1)	145	(9)	238	207	(31)
Financing expense	8,627	8,545	(82)	8,543	(84)	11,393	11,393	-
Less: interest revenue	584	563	22	697	(113)	750	750	-
	<u>8,197</u>	<u>8,135</u>	<u>(62)</u>	<u>7,991</u>	<u>(206)</u>	<u>10,881</u>	<u>10,850</u>	<u>(31)</u>
CONSOLIDATED NET INCOME (LOSS)	\$ <u>26,679</u>	\$ <u>18,653</u>	\$ <u>8,026</u>	\$ <u>11,097</u>	\$ <u>15,563</u>	\$ <u>27,428</u>	\$ <u>18,595</u>	\$ <u>8,833</u>

COLUMBIA POWER CORPORATION
Statement of Income to Budget (Unaudited)
For the nine months ended December 31, 2015

Breakdown of Other Expense:

Budget element	Actual	Budget	Variance		Annual	Percent of Annual
Salaries & benefits	\$ 3,796,016	\$ 4,062,000	\$ 265,984	7%	5,581,814	68%
Travel & Business Expense	199,536	200,000	464	0%	257,930	77%
Board Expenses	55,875	82,000	26,125	32%	114,000	49%
Advisory Services & Audit	288,015	355,000	66,985	19%	601,024	48%
Systems and Networks	226,253	258,000	31,747	12%	454,755	50%
Rent Expense	211,631	214,000	2,369	1%	306,386	69%
Corporate Operations	251,973	207,000	(44,973)	-22%	298,321	84%
Stakeholder Consultation & Advertising	3,013	14,000	10,987	78%	25,000	12%
First Nations Sponsorship	50,000	19,000	(31,000)	-163%	25,000	200%
Training, Conferences, Memberships	148,639	144,000	(4,639)	-3%	184,665	80%
Miscellaneous Expenses	600	3,000	2,400	80%	32,200	2%
Depreciation	154,160	153,000	(1,160)	-1%	207,388	74%
Business Development third party costs	-	88,000	88,000	100%	500,000	0%
Loss on Disposal Fixed Assets	-	-	-	-	5,000	0%
Corporate Communications	57,353	64,000	6,647	10%	206,000	28%
Community Sponsorship	92,350	99,000	6,650	7%	110,400	84%
Grants-in-Lieu	400,084	388,000	(12,084)	-3%	522,895	77%
Wax Residual Interest	867,770	-	(867,770)	-	-	0%
Subtotal	6,803,269	6,350,000	(453,269)		9,432,779	72%
Interest expense	8,567,252	8,544,750	(22,502)	0%	11,393,000	
Financing cost	59,197	-	(59,197)	-	-	
	<u>15,429,717</u>	<u>14,894,750</u>	<u>(534,967)</u>	-4%	<u>20,825,779</u>	
Recoveries	(2,826,557)	(2,443,000)	383,557	-16%	(3,376,000)	
Management costs deferred* Proj. Development	(289,312)	(833,333)	(544,021)	65%	(1,250,000)	
Net expense after JV and ELKO recoveries	<u>12,313,848</u>	<u>11,618,417</u>	<u>(695,432)</u>		<u>16,199,779</u>	
Remove other line items:						
Interest expense	(8,626,449)	(8,544,750)	(81,699)	1%	(11,393,000)	
Depreciation/amortization	(154,160)	(153,000)	(1,160)	1%	(207,388)	
Other expenses	\$ 3,533,240	\$ 2,920,667	\$ (612,573)	-21%	4,599,390	

Note 1:

Reconciliation to Service Plan

Service Plan amount published	4,388,000
Add Items missed in SP formula	
Corporate Communications	206,000
Loss on Disposal Fixed Assets	5,000
Total Other Expenses	\$ 4,599,000