

**COLUMBIA POWER CORPORATION**

**INTERIM REPORT**

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008**

**COLUMBIA POWER CORPORATION  
FINANCIAL HIGHLIGHTS AND OPERATIONAL REVIEW  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008**

Columbia Power Corporation (“CPC”) is a Crown corporation wholly owned and controlled by the Province of British Columbia. Its mission is to efficiently develop and operate commercially viable, environmentally sound and safe power project investments. Columbia Power Corporation undertakes power projects through joint ventures with subsidiaries of Columbia Basin Trust (“CBT”) and manages the joint ventures.

**Results of Operations**

Net income for CPC was \$9.1 million for the six months ended September 30, 2008, compared to \$4.9 million for the corresponding period of the previous year. Net income for CPC includes a 50% share of the net income of Arrow Lakes Power Corporation (“ALPC”), Brilliant Expansion Power Corporation (“BEPC”) and Brilliant Power Corporation (“BPC”). The increase in net income relative to the prior period is due primarily to CPC’s 50% share of BEPC’s \$7.9 million net income during the six months ended September 30, 2008.

The amount of power sold by ALPC during the period, as determined by the entitlement received under the Entitlement Agreement with British Columbia Hydro and Power Authority (BC Hydro), was 378,005 megawatt-hours, compared to 379,580 megawatt-hours in the corresponding period of the previous year. All sales were made to BC Hydro under the terms of a 12-year power sales agreement. Fortis Pacific Holdings Inc. operates the Arrow Lakes Generating Station (“ALGS”) for ALPC.

The Brilliant entitlement energy was 514,343 megawatt-hours for the period, compared to 528,513 megawatt-hours in the previous year. Of this amount, 4,876 megawatt-hours were sold to BEPC, compared to 5,200 megawatt-hours sold under a short-term contract with Powerex Corp. (“Powerex”) in the previous year. All other sales were made to FortisBC Ltd. (“FortisBC”) under the terms of the Brilliant Power Purchase Agreement. FortisBC also manages the Brilliant power facility for BPC.

BEPC sold 170,643 megawatt-hours to BC Hydro and 72,942 megawatt-hours to Powerex during the period.

On September 26, 2007, CPC announced the closure of its Victoria office by the end of December 2007. CPC recorded \$384,000 of restructuring costs during the six month period ending September 30, 2008 related to the office closure and reorganization.

### **Financing Activities**

CPC used internal sources and residual cash from the Province's final equity contribution in 2005 for funding investing activities during the six months ended September 30, 2008. During the period CPC loaned \$7.1 million to its joint venture partner in the form of loans to BEPC. CPC paid a \$2.0 million dividend to the Province in June 2008.

### **Investing Activities**

CPC's share of capital spending during the six months ended September 30, 2008 was \$7.7 million, compared to expenditures of \$3.5 million during the same period of the previous year. Almost all of this expenditure was CPC's 50% share of investments in power projects undertaken jointly with the CBT.

The Waneta Expansion is in the pre-approval development phase and subject to the confirmation of viability and feasibility, project construction could be committed in 2009.

### **Power Sales Activities**

In 2003, BEPC signed an agreement to sell 202.7 annual gigawatt hours of energy to BC Hydro for 20 years commencing in 2007. In August 2006, BEPC signed an agreement to sell a further 225.5 annual gigawatt hours of energy to BC Hydro for 20 years commencing in 2010. Together these agreements represent approximately 89% of the energy of the Brilliant Expansion. Prior to the commencement of the 2010 sales to BC Hydro, an agreement has been reached to sell uncommitted power on a market basis to Powerex through 2009.

BPC sales were primarily to FortisBC under the terms of the Brilliant Power Purchase Agreement. BPC also sells power to BEPC for resale to Powerex.

ALPC sales were made to BC Hydro under the terms of a 12-year power sales agreement.

A memorandum of interest has been signed with a credit worthy purchaser for all of the output of the proposed Waneta Expansion on a long term basis.

David de Git, CMA  
Corporate Controller

October 17, 2008