

**COLUMBIA POWER CORPORATION**

**INTERIM REPORT**

**FOR THE NINE MONTHS ENDED DECEMBER 31, 2010**

**COLUMBIA POWER CORPORATION  
FINANCIAL HIGHLIGHTS AND OPERATIONAL REVIEW  
FOR THE NINE MONTHS ENDED DECEMBER 31, 2010**

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 \$19.9 million for the nine months ended December 31, 2010, compared to \$16.7 million for the corresponding period of the previous year and forecast net income of \$17.3 million. 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 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 680,770 megawatt-hours, compared to 677,391 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 754,274 megawatt-hours for the period, compared to 754,696 megawatt-hours in the previous year. Of this amount, 34,621 megawatt-hours were sold to BEPC, compared to 34,206 megawatt-hours sold 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 355,707 megawatt-hours to BC Hydro (286,795 megawatt-hours in the prior year) and 42,723 megawatt-hours to Powerex during the period (87,633 megawatt-hours in the prior year).

### **Financing Activities**

CPC used internal sources for funding investing activities during the nine months ended December 30, 2010. CPC paid a \$2.0 million dividend to the Province in June 2010.

### **Investing Activities**

CPC's share of capital spending during the nine months ended December 31, 2010 was \$33.5 million, compared to expenditures of \$5.9 million during the same period of the previous year. \$30.3 million of this expenditure related to investment in the Waneta Expansion Limited Partnership.

On October 1, 2010, all assets related to the Waneta Expansion were transferred to the Waneta Expansion Limited Partnership in exchange for a \$72 million Promissory Note to Waneta Expansion Power Corporation (which held legal title to the Waneta Expansion assets).

The Waneta Expansion Limited Partnership is a partnership of Fortis Inc. (51% ownership), CPC Waneta Holdings Ltd. (32.5% ownership) and CBT Waneta Expansion Power Corp. (16.5% ownership).

### **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 that commenced in August 2010. All uncommitted power is sold on a market basis to Powerex.

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.

David de Git, CMA  
Director, Finance

January 10, 2011

# COLUMBIA POWER CORPORATION

## CONSOLIDATED BALANCE SHEET

(Unaudited)

AS AT DECEMBER 31

(\$ in thousands)

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and temporary investments	\$ 28,216	\$ 40,096
Accounts receivable and unbilled revenue	10,339	8,372
Prepaid expenses and deposits	473	537
	<u>39,028</u>	<u>49,005</u>
<b>Capital assets</b>	<u>338,559</u>	<u>344,478</u>
<b>Other assets</b>		
Due from joint venture partner	16,357	16,738
Hydroelectric power expansion rights	12,134	25,160
Deferred costs	-	18,798
Power sales right	4,176	5,132
Promissory note receivable	36,000	-
Investment in Waneta Expansion Limited Partnership	30,250	-
Restricted cash	6,566	6,561
	<u>105,483</u>	<u>72,389</u>
	<u>\$ 483,070</u>	<u>\$ 465,872</u>

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## CONSOLIDATED BALANCE SHEET

(Unaudited)

AS AT DECEMBER 31

(\$ in thousands)

	<u>2010</u>	<u>2009</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 3,196	\$ 3,155
Interest payable on long term bonds	674	731
Current portion of long term bonds	7,201	6,699
	<u>11,071</u>	<u>10,585</u>
<b>Deferred revenue</b>	<u>153</u>	<u>174</u>
<b>Long term bonds</b>		
Project bonds	85,977	93,263
Deferred financing charge	(1,791)	(2,095)
	<u>84,186</u>	<u>91,168</u>
<b>Equity</b>		
Contributed surplus	276,065	276,065
Retained earnings	111,595	87,880
	<u>387,660</u>	<u>363,945</u>
	<u>\$ 483,070</u>	<u>\$ 465,872</u>

# COLUMBIA POWER CORPORATION

## CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

FOR THE NINE MONTH PERIOD ENDED DECEMBER 31

(\$ in thousands)

	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>		
Sale of power	\$ 41,493	\$ 38,559
Transmission facility revenue	979	979
Interest	342	196
Management fee	882	1,090
Other	769	
	<u>44,465</u>	<u>40,824</u>
<b>EXPENSES</b>		
Water rentals	5,063	4,400
Amortization of capital assets in service	6,857	6,779
Amortization of rights	1,101	1,101
Property tax	802	811
Operations and maintenance	1,877	1,644
Administration and management	2,958	3,205
Insurance	450	445
Community sponsorship	52	47
	<u>19,160</u>	<u>18,432</u>
<b>INCOME FROM OPERATIONS</b>	<u>25,305</u>	<u>22,392</u>
<b>FINANCE CHARGES</b>		
Interest expense	5,127	5,436
Financing costs	246	245
	<u>5,373</u>	<u>5,681</u>
<b>NET INCOME FOR THE PERIOD</b>	<u>\$ 19,932</u>	<u>\$ 16,711</u>

# COLUMBIA POWER CORPORATION

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE NINE MONTH PERIOD ENDED DECEMBER 31

(\$ in thousands)

	<u>2010</u>	<u>2009</u>
<b>RETAINED EARNINGS - beginning of period</b>	\$ 90,955	\$ 71,169
<b>Add:</b> Net income	19,932	16,711
Retained Earnings adjustment	2,708	-
<b>Deduct:</b> Dividends	(2,000)	-
<b>RETAINED EARNINGS - end of period</b>	<u>\$ 111,595</u>	<u>\$ 87,880</u>

# COLUMBIA POWER CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

FOR THE NINE MONTH PERIOD ENDED DECEMBER 31

(\$ in thousands)

	<u>2010</u>	<u>2009</u>
<b>OPERATING ACTIVITIES:</b>		
Net income for the period	\$ 19,932	\$ 16,711
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	6,857	6,779
Amortization of financing costs	246	-
Amortization of rights	1,101	1,101
Net change in non-cash working capital balances	<u>(1,624)</u>	<u>626</u>
	<u>26,512</u>	<u>25,217</u>
<b>FINANCING ACTIVITIES:</b>		
Loan to joint venture partner	-	(1,470)
Dividends paid	(2,000)	(2,000)
Principal repayment of Project Bonds	<u>(6,783)</u>	<u>(6,605)</u>
	<u>(8,783)</u>	<u>(10,075)</u>
<b>INVESTING ACTIVITIES:</b>		
Deferred costs	(1,508)	(4,016)
Investment in Waneta Expansion Limited Partnership	(30,250)	-
Additions to capital assets	<u>(1,756)</u>	<u>(1,908)</u>
	<u>(33,514)</u>	<u>(5,924)</u>
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	(15,785)	9,218
<b>CASH AND EQUIVALENTS - beginning of period</b>	50,567	37,439
<b>CASH AND EQUIVALENTS - end of period</b>	<u>\$ 34,782</u>	<u>\$ 46,657</u>

# COLUMBIA POWER CORPORATION

## CONSOLIDATED STATEMENT OF INCOME TO BUDGET (Unaudited)

FOR THE NINE MONTH PERIOD ENDED DECEMBER 31

(\$ in thousands)

	Actual	Budget	Variance
<b>REVENUES</b>			
Sale of power	\$ 41,493	\$ 40,334	\$ 1,159
Transmission facility revenue	979	975	4
Interest	342	601	(259)
Management fee	882	821	61
	<u>43,696</u>	<u>42,731</u>	<u>965</u>
<b>EXPENSES</b>			
Water rentals	5,063	4,837	(226)
Amortization of capital assets in service	6,857	6,828	(29)
Amortization of rights	1,101	1,088	(13)
Property tax	802	829	27
Operations and maintenance	1,877	2,330	453
Administration and management	2,958	3,225	267
Insurance	450	455	5
Community sponsorship	52	51	(1)
	<u>19,160</u>	<u>19,643</u>	<u>483</u>
<b>INCOME FROM OPERATIONS</b>	<u>24,536</u>	<u>23,088</u>	<u>1,448</u>
<b>FINANCE CHARGES</b>			
Interest expense	5,127	5,539	412
Amortization of deferred debt issue costs	246	217	(29)
	<u>5,373</u>	<u>5,756</u>	<u>383</u>
<b>NET INCOME FOR THE PERIOD</b>	<u>\$ 19,163</u>	<u>\$ 17,332</u>	<u>\$ 1,831</u>