

COLUMBIA POWER CORPORATION

INTERIM REPORT

FOR THE NINE MONTHS ENDED DECEMBER 31, 2011

**COLUMBIA POWER CORPORATION
FINANCIAL HIGHLIGHTS AND OPERATIONAL REVIEW
FOR THE NINE MONTHS ENDED DECEMBER 31, 2011**

Financial Statements commencing with the fiscal year ended March 31, 2012 (current fiscal year) are now required to be prepared in accordance with International Financial Reporting Standards (IFRS). As a result, there have been a number of accounting adjustments and the appearance of the interim financial statements has significantly changed.

Consolidated net income for the nine month period ended December 31, 2011 was \$13.9 million compared to consolidated net income of \$12.4 million for the corresponding period of the previous year and forecast net income of \$16.0 million. The decrease in income relative to budget is due to CPC's 50% share of Arrow Lakes Power Corporation's (ALPC) costs of \$3.6 million associated with the retirement of series A bonds and increased interest expense for series B bonds, and Brilliant Expansion Power Corporation's (BEPC) shaft seal failure that reduced net income by \$2.8 million. These have been partially offset by CPC's \$1.0 million share of interest income from the WEPC promissory note that was not budgeted.

In April 2011, ALPC issued \$350 million Series B bonds and retired its outstanding Series A bonds. A \$131 million dividend was paid by ALPC to CPC and CPC also borrowed \$20 million from CBT Energy with these proceeds to be used to invest in the Waneta Expansion Limited Partnership. In July and November 2011, ALPC paid additional \$5.6 million and \$4.8 million dividends respectively to CPC.

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). During the nine month period, CPC invested \$45.7 million in WELP through CPC Waneta Holdings Ltd. (CPC Waneta). CPC is the sole shareholder of CPC Waneta. The total amount invested to date by CPC in the Waneta Expansion project is \$81.0 million.

The Waneta Expansion project is designed 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.

Waneta Expansion Power Corporation (WEPC) is jointly owned, on a 50/50 basis, by Columbia Power Corporation and CBT Energy Inc. WEPC previously held legal title of assets related to the Waneta Expansion project, however WEPC did not prepare financial statements as the beneficial interest in development project was held by the Power Project Planning Joint Venture (PPPJV) until a project either proceeded or was terminated. This process was followed for the Arrow Lakes and Brilliant Expansion projects. PPPJV was terminated in 2011/12 and reporting is now by WEPC.

In October 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 of CPC's share at March 31, 2011 of \$24.8 million. CPC's share of the Promissory Note increased in value to \$25.8 million due to accrued interest in the nine month period ended December 31, 2011.

In May 2011, the Board ratified and approved an adjustment by a sale of shares in WEPC from CBT to CPC; in the result, CPC will have a 58% share and CBT will have a 42% share in WEPC. Upon documenting the transaction, it was identified that the adjusting transaction could technically be considered a material item under the Agency Agreement with the Province. Accordingly, it has been submitted for review with approval expected prior to the end of the fiscal year.

David de Git, CMA
Director, Finance

January 12, 2012

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

	Note	December 31, 2011	March 31, 2011	April 1, 2010
Assets				
Current assets				
Cash and cash equivalents	\$	119,830	\$ 14,957	\$ 33,980
Accounts receivable		2,260	2,583	1,390
Prepaid expense		8	14	33
Total current assets		122,098	17,554	35,403
Non-current assets				
Investment in equity accounted investees		302,884	375,432	337,479
Property, plant & equipment		1,623	2,195	2,409
Due from investee		33,112	32,818	32,505
Total non-current assets		337,619	410,445	372,393
TOTAL ASSETS	\$	459,717	\$ 427,999	\$ 407,796
Liabilities and Shareholder's Equity				
Current liabilities				
Loans and borrowings	\$	-	\$ -	\$ -
Deferred revenue		-	-	-
Accounts payable and accrued liabilities		6,720	6,865	967
Total current liabilities		6,720	6,865	967
Non-current liabilities				
Loans and borrowings		20,000	-	-
Provisions		-	-	-
Total non-current liabilities		20,000	-	-
Equity				
Share capital				
Contributed surplus		275,925	275,925	275,925
Retained earnings		157,072	145,209	130,904
Total Equity		432,997	421,134	406,829
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$	459,717	\$ 427,999	\$ 407,796

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

Note	2011	2010
Revenue	\$ 1,340	\$ 2,152
Other income	14,749	12,678
Depreciation expense	-	-
Amortization expense	(584)	(439)
Other expenses	(2,331)	(2,392)
Results from operating activities	<u>13,174</u>	<u>11,999</u>
Finance income	1,544	367
Finance costs	(855)	-
Net finance income	<u>689</u>	<u>367</u>
Net income and comprehensive income for the period	<u>\$ 13,863</u>	<u>\$ 12,366</u>

COLUMBIA POWER CORPORATION
Consolidated Statement of Changes in Equity (Unaudited)
For the nine month period ended December 31
(Expressed in thousands of dollars)

	Note	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at April 1, 2010			\$ 275,925	\$ 130,904	\$ 406,829
Net income for the period			-	12,366	12,366
Dividend to equity holders			-	(2,000)	(2,000)
Balance at December 31, 2010			\$ 275,925	\$ 141,270	\$ 417,195
Balance at March 31, 2011			\$ 275,925	\$ 145,209	\$ 421,134
Net loss for the period			-	13,863	13,863
Dividend to equity holders			-	(2,000)	(2,000)
Balance at December 31, 2011			\$ 275,925	\$ 157,072	\$ 432,997

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

Note	2011	2010
Cash flows from Operating Activities		
Net income for the period	\$ 13,863	\$ 12,366
Adjustments to reconcile cash flow from operations		
Amortization of property, plant and equipment	584	439
Amortization of intangible assets	-	-
Amortization of financing costs	-	-
Interest income	(1,544)	(367)
Interest expense	-	-
Other income	(14,749)	(12,678)
Other loss	3	1
Net change in non-cash working capital balances		
Accounts receivable	323	(1,663)
Prepaid expense	6	-
Accounts payable and accrued liabilities	(145)	5,220
Other	-	(5,760)
Net cash from operating activities	<u>(1,659)</u>	<u>(2,442)</u>
Cash flows from financing activities		
Interest paid	-	-
Borrowing	20,000	-
Dividends paid	(2,000)	(2,000)
Net cash used in financing activities	<u>18,000</u>	<u>(2,000)</u>
Cash flows from investing activities		
Interest received	1,250	159
Dividends received	148,614	22,068
Investment in limited partnership	(61,320)	(29,111)
Investment in WEPC (PPPJV)	-	(2,546)
(Acquisition)/disposal of property, plant and equipment	(12)	(1)
Net cash used in investing activities	<u>88,532</u>	<u>(9,431)</u>
Increase (decrease) in cash and cash equivalents	104,873	(13,873)
Cash and cash equivalents, beginning of period	14,957	33,980
Cash and cash equivalents, end of period	<u>\$ 119,830</u>	<u>\$ 20,107</u>

COLUMBIA POWER CORPORATION
Statement of Income to Budget (Unaudited)
For the nine month period ended December 31, 2011
(Expressed in thousands of dollars)

	Actual	Budget	Variance
REVENUES			
Interest	\$ 1,544	\$ 1,552	\$ - 8
Services Agreement	1,340	927	413
	<u>2,884</u>	<u>2,479</u>	<u>405</u>
Investment Income:			
ALPC (50%)	(195)	1,597	(1,792)
BEPC (50%)	6,736	8,147	(1,411)
BPC (50%)	7,158	6,533	625
WEPC (58%)	1,042	-	1,042
CPC Waneta (100%)	8	-	8
	<u>14,749</u>	<u>16,277</u>	<u>(1,536)</u>
OPERATING EXPENSES			
Amortization expense	584	477	(107)
Other expenses	2,331	2,052	(279)
	<u>2,915</u>	<u>2,529</u>	<u>(386)</u>
EBITDA	14,718	16,227	(1,517)
FINANCING EXPENSES			
Financing expense	855	207	(648)
NET INCOME	\$ <u>13,863</u>	\$ <u>16,020</u>	\$ <u>(2,165)</u>