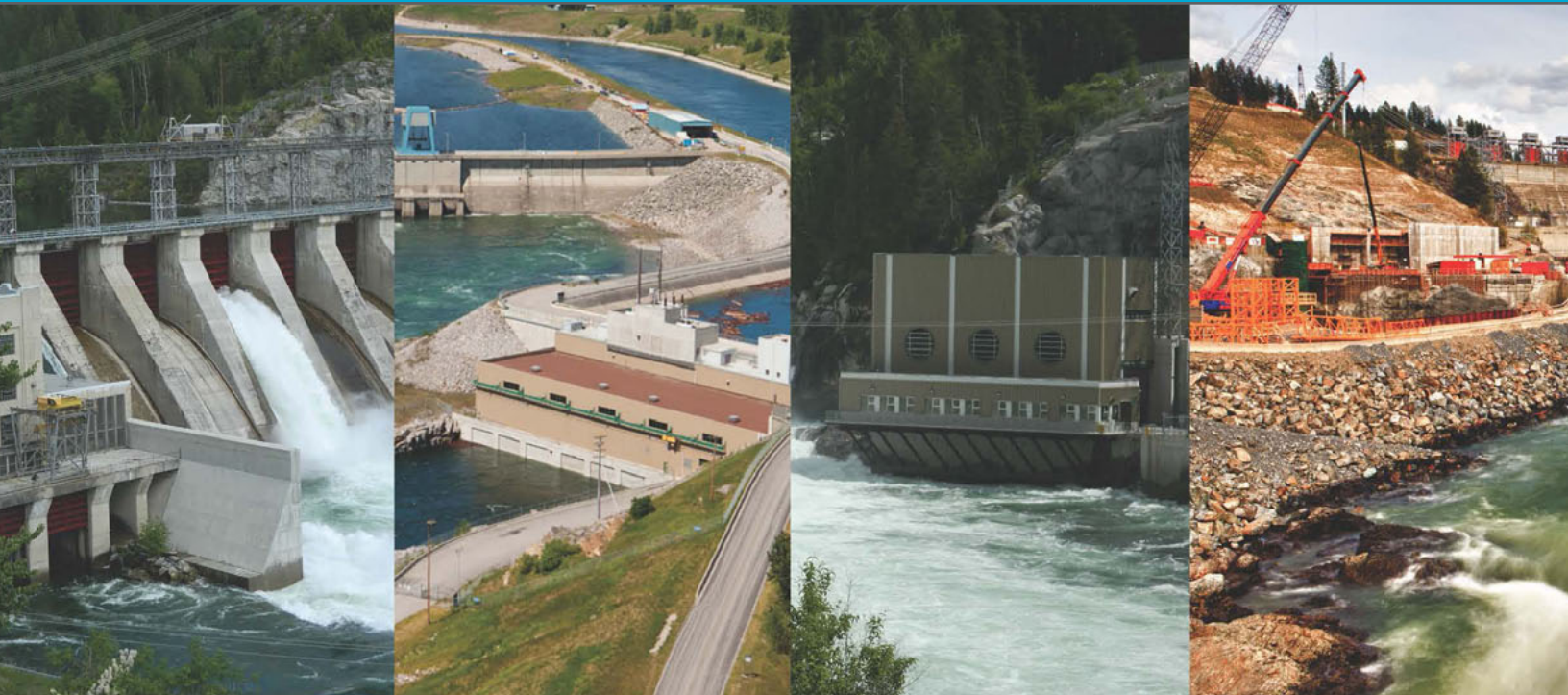


# COLUMBIA POWER CORPORATION

## SERVICE PLAN

2014/15 - 2016/17





**Honourable Bill Bennett**  
**Minister of Energy and Mines and**  
**Minister Responsible for Core Review**

On behalf of the Board of Directors, I am pleased to submit Columbia Power Corporation's Service Plan 2014/15—2016/17.

Columbia Power Corporation (Columbia Power), a commercial Crown corporation, develops and operates hydro power projects in the Columbia Basin. Columbia Power and its partner, Columbia Basin Trust (CBT) own the Brilliant Dam and Generating Station, the Brilliant Terminal Station, the Arrow Lakes Generating Station and the Brilliant Expansion Generating Station and associated transmission lines. The Service Plan contemplates the continued safe, reliable operation of these facilities and the generation of clean hydro power which Columbia Power and CBT sell under long-term power purchase agreements. The Service Plan provides for Columbia Power to continue to use income from power sales to reinvest in hydro projects, support community initiatives and return a dividend to the Province.

In addition to the operation of its existing facilities, the three-year Service Plan horizon will see the completion of the Waneta Expansion Project, a new 335 Megawatt (MW), \$900 million hydroelectric generating station adjacent to the Waneta Dam, 20 km south of Trail, BC. The Waneta Expansion Project is on-schedule to begin commercial operation in the spring of 2015. The Project is a partnership between Fortis Inc. (51%), a Canadian investor-owned hydro and gas utility, Columbia Power (32.5%) and CBT (16.5%). Columbia Power manages construction on behalf of the partnership. We extend our thanks to the Project team and our partners Fortis Inc. and CBT who are working with us to build this important addition to the portfolio of hydroelectric assets in the Columbia Basin.

Columbia Power has three priorities for the next year:

**Continue to effectively manage the construction of the Waneta Expansion safely, on-schedule and on-budget, while meeting our community, First Nations and environmental commitments.**

- The Project is on-schedule and on-budget; the Project recently reached over 2 million person-hours without a major safety or environmental incident.
- Currently, over 350 people work on the Waneta Expansion Project; of those, over 70 per cent reside within 100 km of the Project. These employment opportunities and the associated economic benefits—over \$186 million to date has been spent in the local economy—have a positive impact on the communities in the Columbia Basin.
- We continue to meet our First Nations commitments.

**Continue to effectively and efficiently manage the joint venture assets with CBT.**

- The joint venture assets continue to operate effectively.

**Report to Government on the progress of the Columbia Power/BC Hydro Joint Development Committee including providing timetables and a budget of proposed activities.**

Columbia Power has received the 2014/15 Government's Letter of Expectations (the Letter) from the Minister of Energy and Mines and Minister Responsible for Core Review, as the representative of the Government of British Columbia. The Letter defines primary accountabilities and sets out the expectations of the Government. In addition to the management of its existing assets and the construction of the Waneta Expansion Project,

the Letter directs Columbia Power to investigate the selective investment in joint development projects with BC Hydro. The projects would support British Columbia's energy objectives and related Provincial policy directions. Columbia Power's new joint development mandate has been approved by the Province.

In 2014/15, given Columbia Power is nearing completion of its original mandate, the company will borrow \$300 million in order to provide a return to its shareholder of its original cash investment of \$250 million along with a return of \$30 million while refinancing a \$20 million intercompany loan from Columbia Basin Trust. After this transaction, Columbia Power will have a capital structure similar to private sector renewable energy developers. This restructuring will ensure the company has the capacity to undertake new projects in partnership with BC Hydro.

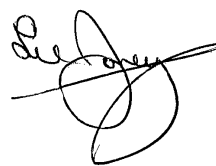
The market conditions for our industry continue to be challenging. Key factors which will affect our planning include:

- uncertainty regarding long-term energy prices, though the general view is that energy prices in the Pacific Northwest over the next five to ten years will be low due to excess supply;
- the impacts of shale gas and liquefied natural gas initiatives, which will need to be factored into Columbia Power's long-term planning; and
- on-going interest in clean, renewable energy—hydroelectric, biomass, wind, and as noted, renewed interest in natural gas.

The Corporation's Service Plan 2014/15 – 2016/17 was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. I am accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

To the best of our knowledge the significant assumptions, policy decisions, events and identified risks are current and have been considered in preparing this plan. The performance measures presented are consistent with the Corporation's mandate and goals and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of the Corporation's operating environment, forecast conditions, risk assessment and past performance.

In summary, 2014/15 promises to be another year of significant opportunity for Columbia Power. We anticipate continued reliable performance of our existing assets, a year of intense, challenging construction on the Waneta Expansion Project and working with the Ministry of Energy and Mines and BC Hydro on the advancement of a joint development strategy that will look beyond the Waneta Expansion Project. Plant operations require constant diligence to ensure reliability on a cost-effective basis. Given its size and complexity, the Waneta Expansion construction presents numerous risks—such as environmental, geotechnical and financial—to name a few. We have developed a comprehensive project register of risks and appropriate contingency, which is monitored continually by the project team and quarterly by the Board of Directors. The strategic direction of the Corporation will be challenging in the context of industry uncertainty noted above. In addition, it will require close collaboration with, and support from, the Ministry, BC Hydro, local government, First Nations and other key stakeholders.



Lee Doney, Board Chair

## Table of Contents

Letter to the Minister .....	i
Organizational Overview .....	1
Figure 1: Corporate Structure.....	3
Figure 2: Project Locations in the Columbia Basin.....	4
Corporate Governance .....	5
Strategic Context and Risk .....	7
Performance Measures at a Glance.....	10
Performance Measures Framework .....	12
Changes in Targets.....	17
Source of Data and Reliability .....	17
Alignment With the Government’s Letter of Expectations .....	19
Financial Overview .....	21
Consolidated Statement of Income Forecast .....	22
Key Assumptions .....	22
Proforma Consolidated Statement of Financial Position.....	23
Consolidated Capital Spending Forecast .....	24
Liquidity and Sources of Capital .....	24
Subsidiary Table - Arrow Lakes Power Corporation.....	25
Subsidiary Table - Brilliant Power Corporation.....	26
Subsidiary Table - Brilliant Expansion Power Corporation.....	27
Glossary .....	28

# ORGANIZATIONAL OVERVIEW



Castlegar, BC

Columbia Power is a Crown corporation wholly owned and controlled by the Province of British Columbia, existing under the *Business Corporations Act* and reporting to the Minister of Energy and Mines and Minister Responsible for Core Review. Pursuant to the Columbia Basin Accord (1995), the primary mandate of Columbia Power is to undertake power project investments as the agent of the Province in partnership with Columbia Basin Trust.

The company is located in Castlegar, in the heart of the Columbia River system, in the mountains and valleys that characterize the Columbia Basin, where hydroelectric generation has existed since the late 1800s. The company develops, owns and operates hydro power projects in the Basin.

## Mandate

The mandate of Columbia Power (or the Corporation) is to:

- Efficiently develop and operate commercially viable, environmentally sound and safe power project investments for the benefit of the Province and the residents of the Columbia Basin;
- Act as the manager of power project joint ventures with Columbia Basin Trust;
- Act as the Owner's Representative for construction of the Waneta Expansion Project; and
- Undertake strategic planning for the future of the Corporation.

## Vision

Columbia Power's vision is to be a respected, continually improving company that maximizes shareholder value by developing and operating power projects in a socially and environmentally responsive manner, while achieving the development objectives of the Province and the Columbia Basin.

In addition, Columbia Power aspires to be an acknowledged partner of choice in sustainable smart solutions powering our communities.

## Values

The following values guide how the Corporation works with its staff and external stakeholders:

- Integrity;
- Respect;
- Versatility;
- Teamwork;
- Sense of community;
- Promotion of work/life balance; and
- Sustainability.

Columbia Power uses the income from our facilities to:

- Pay dividends to our shareholder, the Province of BC;
- Reinvest in project development, including the Waneta Expansion, currently under development;
- Sponsor community groups and events;
- Offer bursaries and scholarships to secondary schools and community colleges; and
- Develop and deliver environmental stewardship programs.

### JOINT VENTURES WITH COLUMBIA BASIN TRUST

Columbia Power owns three hydropower facilities in joint venture partnership with Columbia Basin Trust (CBT). These facilities are owned by corporations jointly owned by Columbia Power and indirect subsidiaries of CBT as follows:

**Brilliant Power Corporation (BPC):** owns the Brilliant Dam and Generating Station (BRD) and the Brilliant Terminal Station (BTS).

**Arrow Lakes Power Corporation (ALPC):** owns the Arrow Lakes Generating Station (ALH) and associated 48-kilometre transmission line from the power plant to BC Hydro's Selkirk substation.

**Brilliant Expansion Power Corporation (BEPC):** owns the Brilliant Expansion Generating Station (BRX).

The Boards of Directors of these corporations are comprised of six Directors, three nominated by Columbia Power and three nominated by CBT. Columbia Power manages these assets on behalf of the joint ventures. Senior management for these corporations is consistent with that of Columbia Power (page 6).

The Brilliant Dam and Generating Station, the Arrow Lakes Generating Station, the Brilliant Expansion Generating Station and Brilliant Terminal Station are operated and maintained by FortisBC (a subsidiary of Fortis Inc.) or its related company, FortisBC Pacific Holdings Inc., under the oversight of Columbia Power.

Most of the power generated at these facilities is committed under long-term sales agreements to two utilities, FortisBC and BC Hydro. Short-term sales of capacity and energy maximize revenue.

### WANETA EXPANSION LIMITED PARTNERSHIP

In addition to its joint ventures with CBT, Columbia Power has an interest in the Waneta Expansion Project. The project involves the development of a 335MW Generating Station on the Pend d'Oreille River near Trail, BC. It is owned by the Waneta Expansion Limited Partnership (WELP) a limited

partnership owned by Fortis Inc. (51%), Columbia Power (32.5%), and CBT (16.5%). WELP is managed by a general partner, Waneta Expansion General Partner Ltd. (WEGP), which is also owned by Fortis Inc., Columbia Power and CBT. WEGP has a seven-member Board of Directors, comprising four nominees of Fortis Inc., two nominees of Columbia Power, and one nominee of CBT. Columbia Power acts as the Owner's Representative, managing the construction of the project on behalf of the partners. FortisBC will be responsible for operations of the facility.

The energy and capacity generated from this facility will be sold by WELP under long-term contracts with BC Hydro and FortisBC, respectively. In addition to its partners in WELP, Columbia Power's key stakeholders on the Waneta Project include BC Hydro, FortisBC, Teck, First Nations, local and regional governments, local communities, labour and environmental and other interest groups.

Figure 1, page 3, illustrates the corporate structures of Columbia Power's joint ventures.

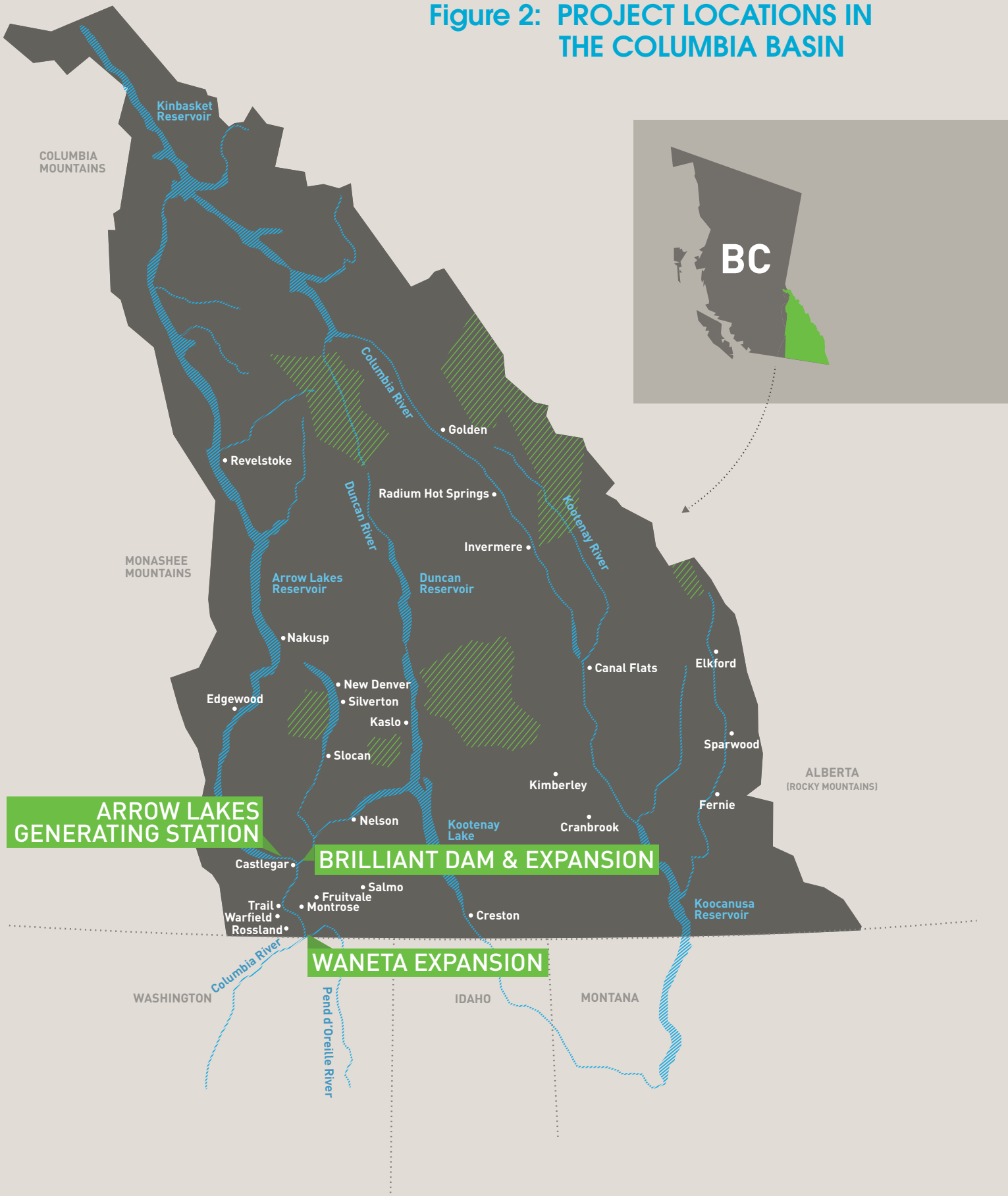


Aerial view of the new Waneta Expansion Project powerhouse





Figure 2: PROJECT LOCATIONS IN THE COLUMBIA BASIN



# CORPORATE GOVERNANCE



## GOVERNANCE PRINCIPLES

The authorized number of Directors of the Corporation is six, all appointed by the Province and independent of management. As stewards of the Corporation, the Directors are committed to overseeing the conduct of the Corporation's business, applying the following governance principles:

### Board of Directors

Back (left to right):  
Tim Newton  
Lee Doney, Chair  
Greg Deck

Front (left to right):  
Richard (Kim) Deane  
Lillian White  
Tim Stanley, Vice Chair

PRINCIPLE	DESCRIPTION
<b>Integrity: Best Interests of the Corporation</b>	The Directors will act with honesty and integrity, with a view to the best interests of the Corporation, recognizing their role in setting the ethical tone for the entire organization.
<b>Direction with Oversight: Support Management</b>	The Directors will provide oversight and support to management to enable management to carry out their role without undue encroachment from the Board.
<b>Commitment: Well-Informed Decision-Making</b>	Each Director will be committed to developing a strong understanding of the Corporation, its business, principal risks and strategic direction.
<b>Skill Development: Continuous Improvement</b>	The Board will strive to identify and attract the combination of skills and characteristics among its Directors that are essential to providing high quality oversight to management. This will involve orientation of new Directors and measures designed to continuously improve the skills and competencies of all Directors.
<b>Communication</b>	The Directors, having regard for the need to maintain confidentiality where appropriate, will communicate decisions and policies promptly and clearly within the organization and to others whose interests are affected.
<b>Respect</b>	The Directors will conduct themselves in a manner that is respectful of each other and of the interests of the Corporation's stakeholders.

## BOARD OF DIRECTORS

BOARD/COMMITTEE	MEMBERS	BOARD/COMMITTEE ROLE
Board of Directors	<b>CHAIR</b> Lee Doney <b>VICE CHAIR</b> Tim Stanley <b>DIRECTORS</b> Greg Deck Lillian White Richard (Kim) Deane Tim Newton	The Board has a primary responsibility to foster the Corporation's short and long-term success; consistent with the Board's responsibility to the Corporation's shareholder, the Province of British Columbia, while giving consideration to the legitimate interests held by other stakeholders including employees, customers, suppliers, communities and the public.  The Directors are stewards of the Corporation. The Board has the responsibility to oversee the conduct of the Corporation's business and management, which is responsible for the day-to-day operation. In overseeing the conduct of the business, the Board, through the President and Chief Executive Officer, will set the standards of conduct for the Corporation.
Finance and Audit Committee	<b>CHAIR</b> Lillian White <b>MEMBERS</b> Tim Stanley Richard (Kim) Deane	The Finance and Audit Committee is responsible for financial and compliance oversight.
Human Resources and Governance Committee	<b>CHAIR</b> Greg Deck <b>MEMBERS</b> Lee Doney Lillian White	The Human Resources and Governance Committee assists the Board in matters of human resources and compensation, including establishing a plan for continuity and development of senior management. This Committee is also responsible for providing a focus on governance that will enhance Columbia Power's performance.
Major Capital Projects Committee	<b>CHAIR</b> Tim Stanley <b>MEMBERS</b> Richard (Kim) Deane Tim Newton	The Major Capital Projects Committee assists the Board in its oversight responsibilities with respect to the operations of the Corporation's existing facilities and major capital projects.

## OFFICERS OF THE COMPANY

Frank Wszelaki, **President & Chief Executive Officer**  
Giulio Ambrosone, **Vice President, Capital Projects**  
Karim Hirji, **Vice President, Project Development**  
Sue Dyer, **Vice President, Operations**  
David de Git, **Director, Finance**  
Sheana Orr, **Corporate Secretary**

## SENIOR MANAGEMENT

Gene Anderson, **Director, Operations**  
Llewellyn Matthews, **Director, Environment**  
Audrey Repin, **Director, Stakeholder & External Relations**  
Frank Marino, **Director, Human Resources & Corporate Services**

## THE PROVINCE OF BRITISH COLUMBIA AND COLUMBIA POWER CORPORATION

Columbia Power is wholly owned and controlled by the Province of British Columbia. As an agent of the Province, the Corporation develops and operates power projects in the Columbia Basin.

## KEY ACCOUNTABILITY RELATIONSHIPS

Pursuant to the Government's Letter of Expectations, the Board Chair and the Corporation's Chief Executive Officer communicate regularly with the Minister of Energy and Mines and the Minister Responsible for Core Review or with a representative of the Ministry, to report on implementation of the Letter.

## COLUMBIA POWER CORPORATION'S JOINT VENTURES WITH COLUMBIA BASIN TRUST

Columbia Power owns three hydropower facilities in joint venture partnership with CBT. The Boards of Directors of these jointly owned corporations are comprised of six Directors, three nominated by Columbia Power and three nominated by CBT.

- Brilliant Power Corporation—owns the Brilliant Dam and Generating Station and the Brilliant Terminal Station. Directors: Greg Deck (Chair), Lee Doney, Lillian White, Neil Muth, Frank Wszelaki and Kim Deane.
- Arrow Lakes Power Corporation—owns the Arrow Lakes Generating Station and associated 48-kilometre transmission line from the powerplant to BC Hydro's Selkirk substation.

Directors: Greg Deck (Chair), Lee Doney, Lillian White, Neil Muth, Frank Wszelaki and Kim Deane.

- Brilliant Expansion Power Corporation—owns the Brilliant Expansion Generating Station. Directors: Greg Deck (Chair), Lee Doney, Lillian White, Neil Muth, Frank Wszelaki and Kim Deane.

In each case, Columbia Power is the managing partner of these assets.

## WANETA EXPANSION LIMITED PARTNERSHIP

The Waneta Expansion Project (being the development of a 335MW Generating Station on the Pend d'Oreille River near Trail, BC) is owned by Waneta Expansion Limited Partnership (WELP); the limited partnership interests are owned 51% by Fortis Inc., 32.5% by Columbia Power, and 16.5% by CBT. WELP is managed by a general partner, Waneta Expansion General Partner Ltd. (WEGP), which is also owned by Fortis Inc., Columbia Power and CBT. WEGP has a Board of Directors of seven, comprised of four nominees of Fortis Inc., two nominees of Columbia Power, and one nominee of CBT. Columbia Power acts as the Owner's Representative for the Waneta Expansion Project.

## COMPLIANCE

The Corporation is in compliance with the Board Resourcing and Development Office's board disclosure requirements for Crown corporations.

To learn more about Columbia Power's Corporate Governance and about the Board of Directors visit:

► <http://columbiapower.org/about/company/corporate-governance/>

To learn more about the Province of British Columbia's Board Resourcing and Development Office visit:

► <http://www.fin.gov.bc.ca/BRDO/>

# STRATEGIC CONTEXT AND RISK

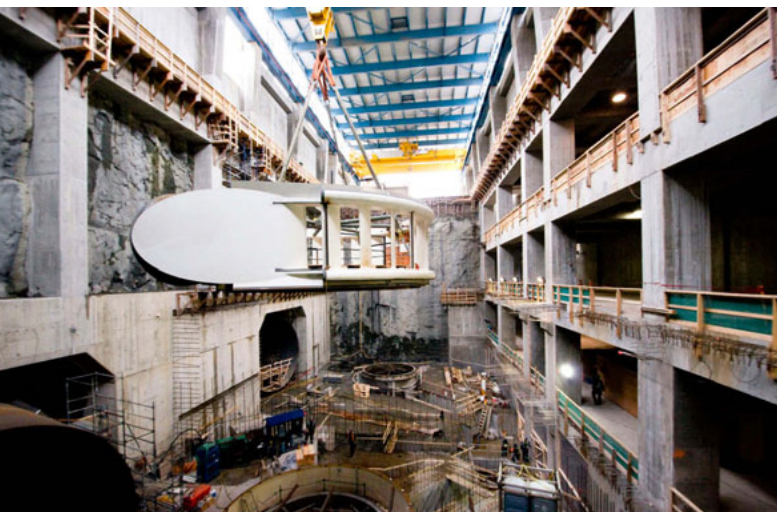
Columbia Power's power projects operate in a domestic power market where there is a single dominant wholesale purchaser as well as independent power producers. Long-term firm transmission capacity to adjacent power markets in Alberta and the Pacific northwest area of the United States is constrained due to transmission capacity limitations. The operating environment is complex and includes federal and provincial regulators, an international treaty, as well as local, regional, United States, and First Nations stakeholders.

Columbia Power has successfully completed two power projects—the Arrow Lakes Generating Station and the Brilliant Expansion—and a major plant refurbishment, the Brilliant Dam and Generating Station. The third power project, the Waneta Expansion, is currently on-schedule and on-budget with no major environmental or safety incidents. Going forward, Columbia Power is looking to grow strategically in the power generation business by utilizing its expertise in all aspects of hydroelectric project development: feasibility assessment, community consultation, permitting, procurement, contract negotiations, risk allocation, construction oversight, commissioning and operation. Columbia Power has the resources to meet its planned results and does not foresee any significant challenges in achieving objectives.

Columbia Power's assets provide stable streams of power and revenue. Factors that could affect the future rate of return include: payments to government, capital and operating needs of the assets under management, and regulatory and/or legislative changes imposed on existing assets. Future dividends will be determined based on annual earnings, working capital requirements, contingency reserves, reserves for future sustaining capital requirements, and new power project investment opportunities.

The key strategic issues facing Columbia Power include:

- Managing construction of the Waneta Expansion Project until commercial operation in 2015 safely, on-schedule and on-budget, while meeting community, First Nations and environmental commitments. The expertise of staff in design-build construction projects, together with their relationships with public and private partners, provincial, regional and local governments, First Nations, and private-sector utility, construction, engineering and allied firms is vital to the success of the Project.
- Continuing to effectively and efficiently manage the joint venture assets with CBT including: major hydroelectric facility owner's risks of human and dam safety, equipment availability and the environment.
- Ensuring expected revenues are met through performance of generating assets.
- Ensuring on-going support for the power projects with local and regional community stakeholders and First Nations.
- Continuing work on future strategic planning in consultation with the Minister of Energy and Mines and Minister Responsible for Core Review, BC Hydro and local stakeholders to identify potential projects that take advantage of Columbia Power's expertise and experience.



One of the two stay rings being installed in the Waneta Expansion powerhouse

The following table presents an analysis of the primary risks that Columbia Power faces and the strategies being undertaken to address these risks.

	<b>Issue/Impact/ Potential Magnitude</b>	<b>How Managed</b>
<b>Waneta Expansion Project On-Schedule</b>	Major construction projects are difficult, complex and expensive undertakings that take place over a number of years. Cost of delays and budget overruns are potentially significant. Failure to adhere to the construction schedule would negatively impact project revenues.	<ul style="list-style-type: none"> <li>• The design-build contract specifies the substantial completion milestone date with incentives for early completion and liquidated damages for late completion.</li> <li>• Columbia Power, as the Owner's Representative with experience in similar design-build projects, is overseeing the project. To date, the Waneta Expansion Project remains on-schedule.</li> </ul>
<b>Waneta Expansion Project On-Budget</b>	Major construction projects are difficult, complex and expensive undertakings that take place over a number of years. Cost of delays and budget overruns are potentially significant. Failure to adhere to budget would negatively impact project financials.	<ul style="list-style-type: none"> <li>• The majority of the construction cost risk is transferred to the design-build contractor with performance-based penalties and incentives.</li> <li>• Columbia Power, as the Owner's Representative with experience in similar design-build projects, is overseeing the project. To date, the Waneta Expansion Project remains on-budget.</li> </ul>
<b>Species at Risk Act Implementation</b>	There is a strong likelihood that the implementation of prohibitions and critical habitat protection could significantly impact plant operations and revenues due to fines, increased operating costs, the loss of operating permits or the inability to obtain future project permits.	<ul style="list-style-type: none"> <li>• Columbia Power continues to work with the Department of Fisheries and Oceans and other hydro owners on permitting solutions for hydro facilities.</li> <li>• Columbia Power conducts studies to understand the impacts of facility operations on listed or potentially listed species and their habitat.</li> <li>• Columbia Power participates in white sturgeon recovery planning to manage the impact on facility operations.</li> </ul>
<b>Regulatory Risk</b>	Regulatory and/or legislative changes have a high potential to significantly impact Columbia Power's assets by causing increased operating or development costs and possible fines and legal costs.	<ul style="list-style-type: none"> <li>• Columbia Power proactively intervenes in regulatory proceedings as required to protect its interests and monitors regulatory and legislative developments, and provides input into the development of legislation relevant to Columbia Power's interests.</li> </ul>
<b>Attracting and Maintaining Key Staff</b>	Given the challenges of attracting and retaining key staff to a small organization in a remote location and offering competitive compensation, there is a high risk that Columbia Power could lose the organizational capacity required to effectively manage all existing facilities and the Waneta Expansion, as well as new projects.	<ul style="list-style-type: none"> <li>• Columbia Power has established HR strategies including: competitive compensation and benefits plans, a performance management program, and training and development opportunities to attract and retain key staff.</li> </ul>

Continued on following page...

Risks, continued from previous page

	Issue/Impact	How Managed
<b>Plant Reliability</b>	<p>Plant availability has a large impact on forecast revenues. Unanticipated operations and maintenance cost increases and capital requirements will impact net revenues.</p> <p>If the ALH plant outage factor was to increase by one percentage point, revenues and net income would decline by \$377,000 in 2014/15.</p> <p>If the BRX plant outage factor was to increase by one percentage point, revenues and net income would decline by \$343,000 in 2014/15.</p>	<ul style="list-style-type: none"> <li>Plant outage risk for the Brilliant Generating Station is transferred to FortisBC as the power purchaser/plant operator.</li> <li>ALH and BRX plant management, operations and maintenance is performed under long-term agreement by FortisBC with oversight and due diligence performed by Columbia Power.</li> <li>ALH and BRX reliability risks are identified through monitoring programs and annual planned inspections. Non-routine and capital projects are developed and implemented to effectively mitigate the risks.</li> <li>All power projects carry business interruption, property and liability insurance, subject to deductibles, including a 30-day waiting period for business interruption.</li> </ul>
<b>First Nations and Community</b>	<p>Relationships with First Nations and local communities need to be maintained and expectations of government need to be understood to ensure Columbia Power's social license in the region. Without a social license, Columbia Power would not be able to move forward with future projects and current operations could become more costly and difficult to maintain.</p>	<ul style="list-style-type: none"> <li>First Nations and local communities are the focus of Columbia Power's stakeholder relations activities and are regularly engaged.</li> <li>Community Benefits Agreements with key First Nations groups are executed and adhered to.</li> <li>A Community Sponsorship program has been established to support community and First Nations activities and events.</li> <li>A Community Impact Management Committee was established for each project and monthly meetings held with key stakeholders and local government representatives.</li> <li>Regular participation in community activities, events and local government conferences and on-going liaison with First Nations and key stakeholders.</li> <li>Actively participate in provincial and regional government forums.</li> </ul>
<b>Geographical Location</b>	<p>Building strong connections with government and industry is challenging given Columbia Power's remote location, yet very important for maintaining social license and learning about project development opportunities.</p>	<ul style="list-style-type: none"> <li>Given the location of Columbia Power's head office in the Columbia Basin, Columbia Power staff maintain regular contact with representatives of government by holding regular conference calls and in-person meetings on a quarterly and as-required basis.</li> <li>Ministry of Energy and Mines staff are kept apprised of developments with Columbia Power's projects and advised of potential issues and/or challenges.</li> <li>Regular liaison occurs with partners and industry representatives via one-on-one discussion and collaboration and participation in associations such as the Canadian Hydropower Association and Canadian Electricity Association.</li> </ul>
<b>Project Development</b>	<p>In the project development phase, regulatory, environmental and power purchase agreements required to commence project implementation can be challenging to secure. Given that one of Columbia Power's strategic goals is to develop future power projects, the inability to secure required agreements would significantly curtail Columbia Power's future outlook.</p>	<ul style="list-style-type: none"> <li>Future projects are in early stages of project development. Columbia Power is continuing to work with local government, community stakeholders and BC Hydro to advance projects.</li> </ul>

# PERFORMANCE MEASURES AT A GLANCE

Columbia Power's 2014/15 – 2016/17 Service Plan outlines four goals:

1. Success of the Waneta Expansion Project
2. Efficient and reliable plant operations
3. Effective financial planning
4. Advance the progress of the Columbia Power/BC Hydro joint development initiative in identifying and pursuing future potential power projects.

For each of the four goals there are specific targets. The targets are measurable, providing accountability for performance. The targets from years 2013/14 to 2016/17 and the actual performance for 2012/13 are summarized in the table below, Performance Results and Targets.

PERFORMANCE RESULTS + TARGETS						
PERFORMANCE RESULTS + TARGETS	BENCHMARK	2012/13 Actual	2013/14 Forecast	2014/15	2015/16	2016/17
<b>GOAL 1: SUCCESS OF THE WANETA EXPANSION PROJECT (WAX)</b>						
1.1 Waneta Expansion is on-schedule	Early or on-schedule (no negative variance from schedule)	WAX on-schedule	WAX on-schedule	WAX on-schedule	WAX on-schedule	WAX construction completed
1.2 Waneta Expansion is on-budget	On or under-budget (no negative variance from budget)	WAX on-budget	WAX on-budget	WAX on-budget	WAX on-budget	N/A
1.3.1 Waneta Expansion regulatory compliance (Safety)	< or = 3 (Injury Rate)	0.34	0.36	< or = 3	< or = 3	N/A
1.3.2 Waneta Expansion regulatory compliance (Environmental)	One major environmental incident per year	0	0	< or = 1	< or = 1	N/A

PERFORMANCE RESULTS + TARGETS	BENCHMARK	2012/13 Actual	2013/14 Forecast	2014/15	2015/16	2016/17
<b>GOAL 2: EFFICIENT AND RELIABLE PLANT OPERATIONS- ARROW LAKES (ALH); BRILLIANT EXPANSION (BRX)</b>						
2.1.1 Equivalent Reliability Rate (Hours)	ALH 90.1% BRX 90.1%	ALH: 94.5% BRX: 85.5%	ALH: 92.8% BRX: 89.2%	ALH: 83.1% BRX: 89.0%	ALH: 88.7% BRX: 89.5%	ALH: 88.7% BRX: 89.5%
2.1.2 Equivalent Reliability Rate (MWh)	ALH 96.3% BRX 96.4%	ALH: 99.3% BRX: 92.4%	ALH: 99.6% BRX: 98.2%	ALH: 97.1% BRX: 93.7%	ALH: 97.9% BRX: 96.0%	ALH: 97.9% BRX: 96.0%
2.2 OMS Costs (\$ per MWh)	7.1 (2nd Quartile)	ALH: 7.6 BRX: 13.2	ALH: 7.7 BRX: 12.0	ALH: 8.4 BRX: 12.7	ALH: 7.0 BRX: 10.0	ALH: 6.2 BRX: 10.8
2.3.1 Regulatory Compliance (Safety)	CEA AIF for CPC employees: 1.4	0	0	< or = to CEA benchmark	< or = to CEA benchmark	< or = to CEA benchmark
	WSBC AIF for Contractors: 1.7	0.72	0.68	< or = to WorkSafeBC benchmark	< or = to WorkSafeBC benchmark	< or = to WorkSafeBC benchmark
2.3.2 Regulatory Compliance (Environmental)	1.3 major environmental incidents per year	0	0	< or = 1 major environmental incident	< or = 1 major environmental incident	< or = 1 major environmental incident
2.3.3 Mandatory Reliability Standards	No sanctionable events attributed to CPC/CBT joint ventures	0	0	0	0	0
<b>GOAL 3: EFFECTIVE FINANCIAL PLANNING</b>						
3.1 Debt service coverage ratio	DSCR 1.3 or greater	Maintained Investment Grade rating for all bonds	Maintain Investment Grade rating for all bonds	Maintain Investment Grade rating for all bonds	Maintain Investment Grade rating for all bonds	Maintain Investment Grade rating for all bonds
3.2 Return on Equity	Over the life of a project, compared to a regulated utility	4.0%	4.5%	4.6%	7.4%	16.4%
3.3 EBITDA (\$ in thousands)	EBITDA growth	18,075	21,883	19,789	29,832	54,242
3.4 Free Cash Flow (\$ in thousands)	Consistent with target	(33,864)	(29,994)	(4,735)	4,523	15,783
<b>GOAL 4: ADVANCE THE PROGRESS OF THE COLUMBIA POWER/BC HYDRO JOINT DEVELOPMENT INITIATIVE</b>						
4.1 Development of New Projects	Power Projects defined and approved for development	Continued activities of proposed projects on-going	Continued activities of proposed projects on-going  Identification phase for Project 1	Continue activities for new project(s)  Definition phase for Project 1  Identification phase for Project(s) 2 (3)	Continue activities for new project(s)  Definition phase for Project(s) 2 (3)  Construction for Project 1	Continue activities for new project(s)  Identification, Definition and Construction activities continue



Columbia Power’s performance measures framework follows the *Budget Transparency and Accountability Act* requirements for performance measures, benchmarks and targets linked to specific goals, objectives and strategies. The framework also reflects Columbia Power’s role both as a developer of power projects and a manager of the joint venture facilities.

As a small, unregulated company, Columbia Power is unique in an industry which is dominated by

large, vertically integrated and regulated utilities. As such, finding suitable industry benchmarks is a challenge.

The table below and on the following four pages describes each performance measure, the relevant benchmark, the strategy to achieve performance, and the overall importance of each measure to the company as a whole.

GOAL 1: SUCCESS OF THE WANETA EXPANSION PROJECT					
STRATEGIES:					
<ul style="list-style-type: none"> <li>• Design-Build contract specifies commercial start-up date and on-schedule incentives.</li> <li>• Design-Build contract has a fixed-price and includes penalties and incentives. Monthly forecast and risk registry reviews provide early detection.</li> <li>• Appointment of Design-Build contractor as prime contractor, routine safety meetings, audits, and incentive program.</li> <li>• Environmental programs and processes. For example, regular review of Environmental Management Plan (EMP), workplans, audits and independent environmental monitor.</li> </ul>					
PERFORMANCE MEASURES:	TARGETS				
	2012/13 Actual	2013/14 Forecast	2014/15	2015/16	2016/17
1.1 Waneta Expansion is on-schedule	WAX on-schedule	WAX on-schedule	WAX on-schedule	WAX on-schedule	WAX construction completed
1.2 Waneta Expansion is on-budget	WAX on-budget	WAX on-budget	WAX on-budget	WAX on-budget	N/A
1.3.1 Waneta Expansion Regulatory Compliance (Safety)	0.34	0.36	< or = 3	< or = 3	N/A
1.3.2 Waneta Expansion Regulatory Compliance (Environmental)	0	0	< or = 1	< or = 1	N/A
BENCHMARKS:					
<p><b>MEASURE 1.1 WANETA EXPANSION IS ON-SCHEDULE: Benchmark:</b> The benchmark is for WAX to be completed on or before the Substantial Completion Milestone date (May 15, 2015) specified in the Design-Build contract. The target is to achieve a variance of less than or equal to zero, indicating the project is tracking towards Substantial Completion early or on-schedule. Schedule delays will increase the cost of the Design-Build and other contracts and delay the Project’s ability to achieve commercial operation and commence revenue generation. This would have a financial impact; increased cost results in increased investment costs for each of the partners and has the potential to negatively affect forecast return on investment.</p> <p><b>MEASURE 1.2 WANETA EXPANSION PROJECT IS ON-BUDGET: Benchmark:</b> The benchmark is for WAX to be completed on-budget. The budget is the project capital budget as approved by the Owner. The target is to achieve a variance of less than or equal to zero, indicating the Project is tracking towards commercial operation either on or under-budget. Although the fixed-price contract provides as much construction price certainty as possible, project cost overruns can impair project economics.</p>					
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**MEASURE 1.3.1 SAFETY:** Columbia Power has an obligation to meet WorkSafeBC regulations. In addition, there is a corporate commitment to safety on Columbia Power projects that goes beyond strict regulatory compliance. The goal is to ensure every Columbia Power employee and worker at Columbia Power facilities and projects returns home from work safely. The measure is the frequency of injuries; this is one measure of overall performance. **Benchmark:** Columbia Power uses the WorkSafeBC (WSBC) lost time injury (LTI) rate for the heavy construction industry as a benchmark. This is defined as the number of claims (those receiving short-term disability, long-term disability or survivor benefits in the year of injury or first quarter of the following year) per 100 person-years of employment. The WSBC LTI rate for 2012 was 4.0. The Waneta Expansion Project will proactively target to have an injury rate 1.0% lower than the 2012 average for the BC heavy construction industry and therefore being less than or equal to 3.0. The target for subsequent years will be evaluated on an annual basis using the WorkSafeBC year-end results. The safety risks, and therefore the number of injuries associated with the Project will vary with the type of construction activity and the associated safety hazards at various phases of the Project. Rates will be highest during the initial stages of the Project when the major civil construction activity is taking place and are expected to fall as the Project moves to the electrical/mechanical installation phase and finally commissioning.

**MEASURE 1.3.2 ENVIRONMENTAL COMPLIANCE:** The Waneta Expansion Project was the subject of a thorough environmental assessment (EA). The conclusion of the EA was that there would be no significant adverse environmental effects from the Project and that there would be some significant environmental benefits. The Environmental Assessment Certificate (EAC) provides for a series of Owner's commitments and a set of environmental performance standards for construction (the Owner's Environmental Requirements for Construction or OERC). Columbia Power acts as the Owner's Representative for Project construction and therefore has the responsibility to fulfill the Owner's commitments and ensure the OERC are met. **Benchmark:** Fulfilling the EAC commitments is a requirement of the Project's EAC and Columbia Power is required to report on the status of the Owner's commitments at regular intervals during the Project. The number of environmental incidents is one measure of environmental performance. However, apart from reportable spills, there is no standard definition of an incident or collection of industry statistics against which to benchmark. Columbia Power's Environment, Health and Safety Management System defines a major incident (environmental aspect) as one that involves corrective action requiring off-site or third-party resources or a breach of regulatory requirements. Targets are set to: fulfillment of Owner's commitments and no more than one major environmental incident per year. Under the EAC, the Owner must submit three reports on compliance with the Owner's commitments prior to construction, one month after the start of operations and one year after the start of operations.

## GOAL 2: EFFICIENT AND RELIABLE PLANT OPERATIONS

### STRATEGIES:

- Agreements with BC Hydro provide each of ALH and BRX with an "entitlement" based only on availability of the operating units. Columbia Power's strategy is to maximize availability. There is an external benchmark for performance comparisons.
- Manage joint ventures effectively and efficiently and to achieve Operations, Maintenance and Administration (OMA) costs within industry norms. There is an external benchmark for performance comparisons.
- Corporate commitment to health and safety. Established health and safety policies and an Environmental Health and Safety Management System in place.
- Corporate commitment to environmental stewardship. Established environmental policies and an Environmental Health and Safety Management System in place. Active in industry associations on the international, national, provincial and local levels; these associations play an active role in policy development and regulatory compliance.
- BC Reg. 32/2009 mandates Columbia Power to be a registered entity and comply with the British Columbia Mandatory Reliability Standards.

PERFORMANCE MEASURES:	TARGETS				
	2012/13 Actual	2013/14 Forecast	2014/15	2015/16	2016/17
2.1.1 Equivalent Reliability Rate (Hours)	ALH: 94.5% BRX: 85.5%	ALH: 92.8% BRX: 89.2%	ALH: 83.1% BRX: 89.0%	ALH: 88.7% BRX: 89.5%	ALH: 88.7% BRX: 89.5%
2.1.2 Equivalent Reliability Rate (MWh)	ALH: 99.3% BRX: 92.4%	ALH: 99.6% BRX: 98.2%	ALH: 97.1% BRX: 93.7%	ALH: 97.9% BRX: 96.0%	ALH: 97.9% BRX: 96.0%
2.2 Operations, Maintenance and Administration (OMA) Costs (\$ per MWh)	ALH: 7.6 BRX: 13.2	ALH: 7.7 BRX: 12.0	ALH: 8.4 BRX: 12.7	ALH: 7.0 BRX: 10.0	ALH: 6.2 BRX: 10.8
2.3.1 Regulatory Compliance (Safety)	0 CEA AIF	0 CEA AIF	< or = to CEA benchmark	< or = to CEA benchmark	< or = to CEA benchmark
	0.72 WSBC AIF	0.68 WSBC AIF	< or = to WorkSafeBC benchmark	< or = to WorkSafeBC benchmark	< or = to WorkSafeBC benchmark
2.3.2 Regulatory Compliance (Environmental)	0	0	< or = to 1 major environmental incident	< or = to 1 major environmental incident	< or = to 1 major environmental incident
2.3.3 Mandatory Reliability Standards (MRS)	0	0	0	0	0

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## BENCHMARKS:

**MEASURE 2.1 RELIABLE PLANT OPERATIONS:** Plant availability benchmarks are a measure for Columbia Power to assess asset reliability performance relative to industry peers and the Corporation's own performance based on internal criteria. Targets reflect Columbia Power's annual performance forecasts based on outage durations required for planned maintenance, periods of major maintenance and capital projects. Asset reliability metrics have been reviewed extensively by Columbia Power to ensure a meaningful measure of availability is used by the Corporation. Columbia Power has engaged the service of Navigant Consulting Inc. to provide benchmarking services, including the provision of a report detailing the compilation of industry benchmarks. Columbia Power has received the 2012 Navigant study "Hydro 2012: Hydroelectric Generation Benchmarking Program" (the Navigant Study).

Columbia Power has identified two metrics for Plant Availability: Equivalent Availability Rate (Hours) and Equivalent Availability Rate (MWh). The Equivalent Availability Rate (Hours) references the Navigant Study as the benchmark. The Equivalent Availability Rate (MWh) references an internal benchmark.

**MEASURE 2.1.1 EQUIVALENT AVAILABILITY RATE (HOURS):** This measure accounts for the number of hours each generating unit is available annually, including both planned and forced outages relative to the total number of generating hours available. This metric compares per cent of time the generating unit is available in hours to the benchmark. Over the forecast period, ALH and BRX will be undertaking maintenance work with a long duration that is focused on long-term reliability improvements. This will impact performance relative to the Equivalent Reliability Rate (Hours) benchmark over the short-term. **Benchmark:** The benchmark is the average equivalent rate for medium-sized hydro plants in operation for less than 45 years, as provided by the Navigant Study. The benchmark is 90.1% and the long-term goal is to meet or exceed the benchmark. Interim annual targets reflect extended periods of major planned maintenance to commence in 2013/2014 and, as a result, a slight increase in the potential for forced (unplanned) outages. Equivalent Availability Rate (hours) can be compared to other hydro operators with similar assets. The targets for this metric are based on forecast planned maintenance and forced outages. Major maintenance periods can vary in duration from the typical annual planned outages. Forced outages may increase during major equipment warranty periods, early plant lifecycle abnormalities and after major maintenance activities.

**MEASURE 2.1.2 EQUIVALENT AVAILABILITY RATE (MWh):** This metric is the number of entitlement megawatt hours (MWh) available to each facility annually accounting for both planned and forced (unplanned) outages, relative to the total entitlement MWh available to each facility. This metric allows a comparison of Columbia Power's revenue capture performance relative to an internal benchmark. The Equivalent Availability Rate (MWh) is the entitlement consequence of the Equivalent Availability Rate (Hours) and reflects the timing of the planned and forced (unplanned) outages during the year. As such, this metric relates directly to the revenue forecast. **Benchmark:** Columbia Power uses historic and forecast production levels based on internal data. The benchmark reflects an optimal scenario of reliable plant operation and efficiently completing maintenance outages. The long-term target is to meet or exceed the benchmark. As the metric is entitlement-based, it is not comparable to external industry metrics, but is useful for Columbia Power's purposes. As with the Equivalent Availability Rate (Hours) metric, major maintenance periods can vary in duration from those expected. Forced outages may increase during major equipment warranty periods, early plant lifecycle abnormalities and after major maintenance activities.

**MEASURE 2.2 OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS (\$ Per MWh):** This metric is the Operations, Maintenance and Administration (OMA) costs for each plant divided (net of allowance for outages) by entitlement energy for that plant, in dollars per megawatt hour (MWh). This metric is a measure of plant operational cost efficiency. Columbia Power endeavours to manage its joint ventures effectively and efficiently and to achieve OMA costs within industry norms. Under the terms of long-term, fixed-price power sales agreements, Columbia Power has limited ability to adjust the contract price to flow through cost increases. The Brilliant Dam and Generating Station is the exception. In that case, OMA costs flow through to FortisBC so Columbia Power/Columbia Basin Trust joint venture revenues are not impacted. **Benchmark:** Columbia Power participates in the Navigant Study annually to gauge plant performance relative to industry. A normalized version of the Partial Function Cost benchmark from the Navigant Study is used. Columbia Power adjusted the Partial Function Cost benchmark to allow for different input variables including physical generation versus entitlement and cost categorization differences. In addition, the adjusted benchmark normalized regional labour rates and \$CAD/\$US conversions incorporated in the Navigant Study. The OMA costs per MWh for Brilliant Expansion over the forecast period are significantly higher than the benchmark. Brilliant Expansion is still early in its operating life and as a result is addressing design issues that have the potential to affect reliability. The plant has recently undergone a design review to identify and correct deficiencies that will ultimately reduce OMA targets.

**MEASURE 2.3.1 REGULATORY COMPLIANCE (SAFETY):** Health and safety are core values of Columbia Power. The goal is to ensure every Columbia Power employee and worker at Columbia Power facilities and projects returns home from work safely. Columbia Power has a Health and Safety Policy and has developed an Environmental, Health and Safety Management System that is consistent with OHSAS (Occupation Health and Safety Assessment Series) 18001 to achieve this goal. **Benchmark:** Columbia Power uses two benchmarks: 1) The Canadian Electricity Association (CEA) All Injury Frequency (AIF) defined under CEA's Group III having < 300 employees as the number of lost-time injuries and medical aids in the last 12 months per 200,000 hours worked; 2) the second benchmark is related to the operating plants and references the database of WorkSafeBC (WSBC) around lost-time injuries and medical aids, referenced as an All Injury Frequency (AIF).

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The AIF rate for utilities is calculated from the number of lost-time injuries and medical aids occurring in the last 12 months per 200,000 hours worked. The Columbia Power statistics being reported include a CEA AIF for its employees and a WSBC AIF for its contracted employees working at the facilities and projects (not including WAX, which is reported under Goal 1.) Columbia Power will target an AIF less than or equal to the CEA and WSBC benchmarks for the 2014 calendar year. It is difficult to compare Columbia Power with industry peers based on the size of the Corporation and its operating model of primarily contracting work at its facilities and projects. Based on Columbia Power's employee number of exposure hours, one or two incidents will result in large changes in the corporate rates leading to greater volatility and making the identification of trends difficult.

**MEASURE 2.3.2 REGULATORY COMPLIANCE (ENVIRONMENT):** Environmental stewardship is also a core value of Columbia Power. The Corporation has an Environmental Policy and has developed an Environmental, Health and Safety Management System that is consistent with ISO 14001 to implement the policy. Columbia Power also complies with the Government's directive to be carbon neutral under the *Greenhouse Gas Emissions Target Act*. The Corporation's Carbon Neutral Plan is ongoing and includes monitoring its fuel, paper and electrical usage. Monitoring results are reported annually in the Corporation's "Carbon Neutral Report." Carbon neutrality is achieved through Pacific Carbon Trust. **Benchmark:** The number of environmental incidents is one measure of environmental performance. However, apart from reportable spills, there is no standard definition of an "incident" or collection of industry statistics against which to benchmark. Columbia Power's Environmental, Health and Safety Management System defines a major incident (environmental aspect) as one that "involves corrective action that requires off-site or third-party resources, or a breach of regulatory requirements." Columbia Power has averaged 0.43 environmental incidents per year for the three current operating facilities. The target is set to no more than one major environmental incident per year. Mitigation plans to reduce the risk of harm to white sturgeon at Brilliant Expansion appear to be effective and there have been no incidents since fall 2009. Equipment replacement plans have been advanced at Arrow Lakes to reduce the risk of oil leaks to the river.

**MEASURE 2.3.3 MANDATORY RELIABILITY STANDARDS:** In 2009, BC Reg. 32/2009 was issued, mandating Columbia Power and other generation and transmission entities to register with the British Columbia Utilities Commission (BCUC) and to file a mitigation plan confirming compliance with Mandatory Reliability Standards (MRS). Failure to comply with these standards could result in financial penalties and/or sanctions. **Benchmark/Target:** No sanctionable events attributable to Columbia Power/CBT joint ventures. Pursuant to agreements between FortisBC and the joint ventures and as approved by the BCUC, FortisBC has assumed the role of managing MRS for the joint venture assets. In that capacity, FortisBC is in the process of filing mitigation plans. However, a residual exposure remains for the Columbia Power/CBT joint venture assets.

### GOAL 3: EFFECTIVE FINANCIAL PLANNING

#### STRATEGIES:

- ALPC employs a series of liquidity reserves through 2016 to provide security to bond holders. Stringent budgeting and routine forecasting ensures Debt Service Coverage Ratio (DSCR) is met.
- Maximize revenues generated through power purchase agreements and control costs associated with plant operations.
- Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is particularly effective comparing the performance of the joint ventures year-over-year.
- Maximizing free cash flow provides returns to investors in the form of dividends. Future capital investments can be funded through availability of long-term free cash flow.

PERFORMANCE MEASURES:	TARGETS				
	2012/13 Actual	2013/14 Forecast	2014/15	2015/16	2016/17
3.1 Debt service coverage ratio (DSCR)	Maintained Investment Grade rating for all bonds	Maintained Investment Grade rating for all bonds	Maintain Investment Grade rating for all bonds	Maintain Investment Grade rating for all bonds	Maintain Investment Grade rating for all bonds
3.2 Return on equity	4.0%	4.5%	4.6%	7.4%	16.4%
3.3 Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) [\$ in thousands]	18,075	21,883	19,789	29,832	54,242
3.4 Free Cash Flow (\$ in thousands)	(33,864)	(29,994)	(4,735)	4,523	15,783

#### BENCHMARKS:

**MEASURE 3.1 DEBT-SERVICE COVERAGE RATIO:** The Debt-Service Coverage Ratio (DSCR) is a measure of creditworthiness used to determine an organization's ability to service current debt, measured as net income before interest and amortization of assets, divided by interest plus debt principal repayment. High debt service coverage ratios reflect an ability to raise additional limited-recourse project debt on favourable terms and also provide comfort on current debt service obligations. The strategy is to maintain DSCR that is favourably regarded by stakeholders and bondholders. **Benchmark:** The benchmark generally used by rating agencies to establish an investment grade bond rating is a debt service coverage ratio of 1.3 or greater. For Columbia Power/CBT joint ventures that have issued bonds, the target is to achieve an investment grade bond rating. Rating agencies review the ratings on existing bonds periodically. In addition, Arrow Lakes Power Corporation issued \$350 million of Series B bonds secured by the assets of and revenues from the Arrow Lakes Generating Station. In order for Arrow Lakes Power Corporation to achieve the benchmark DSCR for the fiscal years 2012 to 2016, it established a series of liquidity reserves to provide security to bond holders during those years.

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**MEASURE 3.2 RETURN ON EQUITY:** The Corporation attempts to achieve a return on equity that is broadly consistent with similar projects in similarly regulated environments. The strategy is to maximize revenues generated through power purchase agreements with FortisBC, BC Hydro, and others, and to control costs associated with plant operations and related programs. Long-term power sales agreements with these parties allows the Corporation to avoid both market risk (risk of fluctuations in sales prices) and credit risk (risk that a counterparty will default on a sales agreement.) **Benchmark:** Suitable industry benchmarks are not readily available. Typically, power projects must “back-end load” their return on equity. In other words, the returns are greater in the later years of a project’s life. Regulated utilities such as BC Hydro and FortisBC have their return on equity set by the BCUC; however this is not the case with Columbia Power. The target is, over a project’s life, to earn a return on equity comparable with that earned by regulated utilities. This measure reports return on equity, calculated as consolidated net income divided by consolidated equity (contributed surplus and retained earnings). The annual return on equity will be lower in a project’s early years and will rise over time, particularly once debt is retired. Columbia Power also has a significant amount of equity for the investment in the Waneta Expansion, which will not earn a return until 2015.

**MEASURE 3.3 EBITDA:** EBITDA is “Earnings Before Interest, Taxes, Depreciation and Amortization.” It is a measure of operating cash flow. EBITDA focuses on returns more directly influenced by management and excludes those factors over which management has limited or no influence. EBITDA is particularly effective as a means to compare the performance of the Corporation year-over-year. The strategy is to effectively manage and grow EBITDA. **Benchmark:** External benchmarks are difficult to identify because Columbia Power, as a small, unregulated commercial Crown working within a large regulated environment, is unique. As an entity, in terms of financial benchmarks, Columbia Power’s corporate characteristics are somewhere between an independent power producer and a regulated utility. The growth targets above are therefore based on Columbia Power’s historic and forecast performance. Columbia Power targets growth in EBITDA in each fiscal year.

**MEASURE 3.4 FREE CASH FLOW:** Free cash flow is the amount of cash a company has left over after it has satisfied its obligations, including sustaining capital investments and debt service. Free cash flow is an important measure in determining availability of dividend payments. On a long-term basis, free cash flow is also a measure of funds available for future capital planning investments. The strategy is to maximize free cash flow to meet the organization’s strategic objective to develop commercially viable power projects. **Benchmark:** External benchmarks are difficult to identify because Columbia Power, as a small, unregulated commercial Crown working within a large, regulated environment, is unique. As an entity, in terms of financial benchmarks, Columbia Power’s corporate characteristics are somewhere between an independent power producer and a regulated utility. The cash flow targets above are therefore based on Columbia Power’s historic and forecast performance. The material negative cash flow during the years 2012/13-2013/14 reflects the significant cash outlay to fund Columbia Power’s 32.5% interest in the construction of the Waneta Expansion Project. These will be offset by significant positive cash flow in the years following commissioning in 2015/16.

#### GOAL 4: ADVANCE THE PROGRESS OF THE COLUMBIA POWER/BC HYDRO JOINT DEVELOPMENT INITIATIVE

##### STRATEGIES:

- Columbia Power and BC Hydro have established a Joint Development Committee (JDC) comprised of two representatives from each company.
- The JDC will be responsible for identifying the principles, approach and timelines for projects identified as having development potential.
- The JDC will be responsible for reviewing and approving project development and execution of scope of work, timelines and budgets.

PERFORMANCE MEASURES:	TARGETS				
	2012/13 Actual	2013/14 Forecast	2014/15	2015/16	2016/17
4.1 Development of New Projects	Continued activities of proposed projects on-going	Continued activities of proposed projects on-going  Identification phase for project 1	Continue activities for new project(s)  Definition phase for project 1  Identification phase for project(s) 2 [3]	Continue activities for new project(s)  Definition phase for project(s) 2 [3]  Construction for project 1	Continue activities for new project(s)  Identification, Definition and Construction activities continue

##### IMPORTANCE OF MEASURES:

The parties wish to work together to explore the development (or redevelopment, as applicable), construction and operation of hydroelectric generating facilities at smaller BC Hydro-owned facilities in the Province. The development of new projects requires careful management of “at risk” development and construction costs and balances these risks against the ultimate project risk at the point of commitment to proceed with the project. The JDC will determine the appropriate approach to manage risk through the ownership model, contracting model, procurement strategy and risk transfer.

## CHANGES IN TARGETS

Goal 3: Implementation of Columbia Power’s capital restructuring results in lower equity and therefore the 2014/15 to 2015/16 targets for DSCR will increase. EBITDA targets have changed due to revisions in forecasts for joint venture revenue offset by increased cost related to new project development. Free Cash Flow will change due to the changes in net income primarily caused by the increased interest expense related to the restructuring of Columbia Power.

Goal 4: Implementation of the Strategic Plan and Measures 4.1 and 4.2 have been dropped and replaced by new Goal 4: Advance the progress of the Columbia Power/BC Hydro Joint Development Initiative.

In the 2014/15 Government’s Letter of Expectations, Columbia Power is directed to report to government on the progress of the CPC/BC Hydro Joint Development Committee, including providing timetables and a budget of proposed activities.

## SOURCE OF DATA AND RELIABILITY

Columbia Power believes its performance measures are appropriate for its activities and present a fair picture of the company’s performance against its mandate. Where possible, performance targets are verified by external benchmarks. The data underlying the company’s performance is in almost all cases independently audited or verified by a third party or parties.

The table below and on the following page summarizes the performance measures for the Waneta Expansion Project and our existing facilities and describes, for each performance measure, the primary metric, data source, verification or audit process for the data, and the level of reliability. In some cases Columbia Power’s performance against targets is based on forecasts of future events. They are estimated using assumptions that reflect Columbia Power’s planned courses of action and judgments as to the most probable set of economic conditions. Because of the nature of forecasting future events, actual results may vary from the information presented.

PERFORMANCE MEASURES: DATA SOURCE + VERIFICATION				
PERFORMANCE MEASURES: Waneta Expansion	PRIMARY PERFORMANCE METRIC	DATA SOURCE	VERIFICATION	RELIABILITY
Safety	Frequency of Injuries	<ul style="list-style-type: none"> <li>Columbia Power’s internal Environmental Health and Safety Management System (EHSMS) procedures, the Design-Build contract and contractor’s Health and Safety Plan all contain obligations to file incident notices for any safety incidents</li> <li>Statistics provided monthly to owner</li> <li>Incidents discussed at monthly safety meeting with contractor</li> </ul>	<ul style="list-style-type: none"> <li>Owner’s representatives on site</li> <li>Design-Build contractor’s independent audits</li> <li>Owner’s independent audits of contractor and of EHSMS</li> <li>WorkSafeBC oversight</li> </ul>	Very high

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PERFORMANCE MEASURES: Waneta Expansion	PRIMARY PERFORMANCE METRIC	DATA SOURCE	VERIFICATION	RELIABILITY
Environment	Frequency of Incidents	<ul style="list-style-type: none"> <li>EHSMS and the Design-Build contract contain obligations to file an incident notice for any incidents</li> <li>Statistics provided monthly to owner</li> <li>Incidents discussed at monthly environment meeting with contractor</li> </ul>	<ul style="list-style-type: none"> <li>Contractor's environmental monitor (weekly report)</li> <li>Water Comptroller's independent monitor (weekly report)</li> <li>Owner's representatives on site</li> </ul>	Very high
Budget	On-budget	<ul style="list-style-type: none"> <li>Control budget in place</li> <li>Project accounting records monthly reports and forecast</li> <li>Well-developed design review and change order procedures</li> <li>Quantified risk registry</li> <li>Monthly budget review</li> </ul>	<ul style="list-style-type: none"> <li>Owner's management team oversight</li> <li>Owner's engineer design/change order review</li> <li>Project audited annually by independent auditor</li> <li>Owner's capital contributions audited annually by independent auditor</li> </ul>	Very high
Schedule	On-schedule	<ul style="list-style-type: none"> <li>Design-Build contract contains obligations to file monthly schedule</li> </ul>	<ul style="list-style-type: none"> <li>Monthly schedule review by owner's engineer</li> <li>Owner's representatives on site</li> </ul>	Very high
<b>Existing Facilities</b>				
Safety/Environment	Frequency of Incidents	<ul style="list-style-type: none"> <li>EHSMS procedures require Columbia Power employees or contractors who become aware of EHS incidents to document and report them to Columbia Power; all incidents and their status are recorded in the EHS Incident and Non-Conformance Log</li> <li>Incidents included in the monthly EHS reports for all contractors at Columbia Power workplaces</li> <li>Incidents discussed in monthly meetings with contractors</li> </ul>	<ul style="list-style-type: none"> <li>Owner's representatives monitor frequently on site</li> <li>Contractors' representatives on site</li> <li>Independent annual audits of EHSMS</li> <li>WorkSafeBC oversight</li> </ul>	Very high
Operations	Unit Reliability (MWh)	<ul style="list-style-type: none"> <li>Unit operation monitored by local unit control system or Remote System Control Centre administered by BC Hydro (BCH)/FortisBC (FBC)</li> <li>BCH energy meter at each location</li> <li>FBC provides monthly outages and derates report for each facility</li> </ul>	<ul style="list-style-type: none"> <li>FBC reports</li> <li>BCH metering</li> <li>Owner's representatives monitor frequently on site</li> </ul>	Very high
Operations	OMA costs/net entitlement	<ul style="list-style-type: none"> <li>External costs calculated monthly at each facility; internal costs assigned monthly; total costs aggregated monthly</li> <li>Net entitlement is contracted entitlement minus outage adjustments (see unit reliability above)</li> </ul>	<ul style="list-style-type: none"> <li>Costs audited annually by independent auditor</li> <li>Entitlement verified by BCH</li> </ul>	Very high
Financial	EBITDA/free cash flow	<ul style="list-style-type: none"> <li>Internal financial procedures/processes</li> </ul>	<ul style="list-style-type: none"> <li>Periodic internal audits</li> <li>Audited annually by independent auditor as part of audited financial statements</li> </ul>	Very high

# ALIGNMENT WITH GOVERNMENT'S LETTER OF EXPECTATIONS

Each year, Columbia Power receives the Government's Letter of Expectations (the Letter) which sets out the corporate mandate, including high-level performance expectations, public policy issues and strategic priorities. The Letter directs Columbia Power to conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by government. In addition, the Letter directs Columbia Power to conduct its affairs to achieve the objectives of the Shareholder in a manner consistent with the Shareholder's general and specific directions.

The Letter is an agreement between the Minister of Energy and Mines and the Minister Responsible for Core Review and the Board Chair and outlines their respective roles and responsibilities. The Letter is the basis for the development of Columbia Power's Service Plan and Annual Report.

Pursuant to the Letter, the Board Chair communicates regularly with the Minister of Energy and Mines and Minister Responsible for Core Review or with representatives of the Ministry to report on implementation of the Letter. As required by the Letter and the *Financial Administration Act*, Columbia Power posts on its website its annual report, annual *Financial Information Act* report, and interim financial reports on a quarterly basis. The Auditor General of British Columbia is the external auditor for Columbia Power.

A copy of the Letter is posted on Columbia Power's website at:

[http://columbiapower.org/wp-content/uploads/2014/01/Governments\\_Letter\\_of\\_Expectations\\_2014.pdf](http://columbiapower.org/wp-content/uploads/2014/01/Governments_Letter_of_Expectations_2014.pdf)

The specific corporate accountabilities presented in the letter and Columbia Power's alignment are summarized on the following page.

## CLIMATE CHANGE AND CARBON NEUTRALITY

Columbia Power has already implemented all practical measures to reduce Greenhouse Gas Emissions (GHG). Carbon offsets for emissions were purchased from the Pacific Carbon Trust. Columbia Power's most important contribution to GHG reduction will be realized once the Waneta Expansion Project is complete. It is expected to add 627 GWh of emission-free energy to the BC grid.



A helicopter placing poles for the new Waneta Expansion 230kV transmission line



**Government's  
Letter of Expectations**

**Columbia Power Alignment**

**Waneta Expansion Project**

Manage the construction of the Waneta Expansion Project to completion in 2015 safely, on-schedule and on-budget, while meeting Columbia Power's community, First Nations and environmental commitments.

Columbia Power manages the construction of WAX as the Owner's Representative. The Owner's Representative actively monitors the progress of construction through on-going dialogue with the Design-Build contractor and monthly reviews of project budget, schedule and risks. A Community Impact Management Committee meets monthly and benefits agreements are in place with First Nations. Long-term energy and capacity sales agreements with BC Hydro and FortisBC are in place awaiting the commencement of commercial operations.

**Facilities Management**

Manage the operation of existing facilities to meet financial and other performance targets.

Columbia Power will proactively manage the operation of its existing facilities in order to meet its targets.

**Columbia Power/BC Hydro Joint Development Committee**

Report to Government on the progress of the Columbia Power/BC Hydro Joint Development Committee including providing timetables and a budget of proposed activities.

Columbia Power and BC Hydro have established a Joint Development Committee tasked with:

- Identifying principles, approach and timelines for projects having development potential;
- Identifying a mechanism whereby the parties would share standards and templates for project development including, where appropriate, project management, engineering, procurement and construction;
- Establishing protocols for reviews and decisions which could include, for example, a review or decision by either organization within ten business days with a prescribed timeline for response;
- Reviewing and advising the Parties on proposed commercial terms for project-related agreements;
- Providing guidance to the management team responsible for pursuing each project;
- Reviewing and approving project development and execution, scope of work, timelines and budgets;
- Reviewing the project status at key decision points; and
- Jointly preparing submissions for approval and to update project status for review by the Boards of Directors of Columbia Power and CBT, the Minister responsible and Treasury Board.

**Policy Development**

Work with the Government to identify current or upcoming issues that could require provincial policy development and assist with implementation of any such policies.

Columbia Power has on-going communication and coordination with the Ministry of Energy and Mines on substantive issues as they arise.



The Brilliant Dam and Expansion on the Kootenay River near Castlegar, BC

The following financial overview presents the actual performance for 2012/13; the forecast for the current year 2013/14; and forecasts for 2014/15, 2015/16 and 2016/17.

The financial overview includes:

For Columbia Power:

- Consolidated Statement of Income Forecast
- Proforma Consolidated Statement of Financial Position
- Consolidated Capital Spending Forecast

For the joint venture entities:

- Statement of Income Forecast (non-International Financial Reporting Standards (IFRS) presentation) for Arrow Lakes Power Corporation, Brilliant Power Corporation and Brilliant Expansion Power Corporation.

## FINANCIAL OUTLOOK

The financial outlook for the forecast period shows a reduction in net income in 2014/15 and 2015/16—compared to 2013/14—and income growth in 2016/17. The growth in revenue is due to Waneta Expansion commencing Commercial Operation in the spring of 2015 and Arrow Lakes Power Corporation receiving higher power prices starting in January 2016. Revenue growth is offset by the increase in interest expense related to Columbia Power's capital restructuring.

<b>CONSOLIDATED STATEMENT OF INCOME FORECAST (non-IFRS presentation)</b>					
<b>\$ IN THOUSANDS</b>	<b>2012/13 Actual</b>	<b>2013/14 Forecast</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>OPERATING REVENUE</b>					
Services Agreement	1,816	2,910	2,170	1,415	649
Management Fee	-	284	350	368	386
<b>INCOME (LOSS) FROM EQUITY ACCOUNTED INVESTEEES</b>					
Arrow Lakes Power Corporation	(468)	(497)	(364)	1,516	16,170
Brilliant Power Corporation	9,997	10,416	10,793	11,202	11,614
Brilliant Expansion Power Corporation	9,329	11,250	9,719	10,713	10,654
Waneta Expansion Power Corporation	997	1,054	1,113	1,176	1,242
Waneta Expansion Limited Partnership	-	-	-	8,172	17,725
<b>TOTAL OPERATING REVENUE</b>	<b>21,671</b>	<b>25,417</b>	<b>23,781</b>	<b>34,562</b>	<b>58,440</b>
<b>OTHER EXPENSES</b>					
Staff & office costs (net of recoveries)	3,067	2,706	3,086	3,154	2,801
Project Development Cost	-	250	300	950	750
Community Sponsorship	88	85	95	95	95
Grants-in-Lieu	441	493	511	531	552
<b>TOTAL OPERATING EXPENSES</b>	<b>3,596</b>	<b>3,534</b>	<b>3,992</b>	<b>4,730</b>	<b>4,198</b>
<b>EBITDA</b>	<b>18,075</b>	<b>21,883</b>	<b>19,789</b>	<b>29,832</b>	<b>54,242</b>
<b>Amortization and Financing</b>					
Interest Expense	1,140	1,133	11,250	15,000	15,000
Amortization of Property, Plan & Equipment	483	432	228	261	229
Less: Interest revenue	(1,299)	(672)	(568)	(693)	(949)
<b>NET INCOME</b>	<b>17,751</b>	<b>20,990</b>	<b>8,879</b>	<b>15,264</b>	<b>39,962</b>

## Key Assumptions

Key assumptions affecting the forecast and accompanying performance measures targets are as follows:

- Operating cost inflation, including water rental increases, is approximately 2% per year;
- Columbia Power's dividends to the Province remain at \$2.0 million per year until the joint development model with BC Hydro is finalized and financing assumptions are more certain;
- Adequate resources are available to Columbia Power to achieve its forecast performance;
- Plant availability is as forecast;
- The Waneta Expansion Project will be built on-schedule and on-budget;
- Capital and operating needs of the assets under management are as forecast; and
- Other project development anticipates progress through the Columbia Power/BC Hydro Joint Development initiative. Funding for project development will be utilized if potential projects provide indications of project viability.

<b>PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>					
<b>\$ IN THOUSANDS</b>	<b>2013 Actual</b>	<b>2014 Forecast</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>ASSETS</b>					
<b>Working Capital (Current Assets - Current Liabilities)</b>	91,705	61,711	56,976	61,499	77,282
<b>Non-current assets:</b>					
Investment in equity accounted investees	371,296	420,557	430,758	436,953	443,507
Property, plant and equipment	1,165	888	910	669	505
Restricted Cash	591	591	591	591	591
Sinking Fund	-	-	-	-	5,429
Investment in new projects	-	-	3,500	6,287	16,647
<b>TOTAL ASSETS</b>	<b>464,757</b>	<b>483,747</b>	<b>492,735</b>	<b>505,999</b>	<b>543,961</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
<b>Long-Term Debt</b>	19,891	19,891	300,000	300,000	300,000
<b>Equity</b>					
Contributed surplus	276,065	276,065	26,065	26,065	26,065
Retained surplus	168,801	187,791	166,670	179,934	217,896
<b>TOTAL EQUITY</b>	<b>444,866</b>	<b>463,856</b>	<b>192,735</b>	<b>205,999</b>	<b>243,961</b>
<b>TOTAL LIABILITY AND SHAREHOLDER'S EQUITY</b>	<b>464,757</b>	<b>483,747</b>	<b>492,735</b>	<b>505,999</b>	<b>543,961</b>

## CONSOLIDATED CAPITAL SPENDING FORECAST

\$ IN THOUSANDS	2012/13 Actual	2013/14 Forecast	2014/15	2015/16	2016/17
Arrow Lakes Power Corporation	229	10	188	144	151
Brilliant Expansion Power Corporation	155	178	128	300	725
Brilliant Power Corporation	1,571	895	1,546	1,045	1,070
Waneta Expansion	65,496	49,722	12,350	4,059	-
Columbia Power Corporate	62	50	250	20	65
Other Development	-	-	3,500	2,787	10,360
<b>TOTAL</b>	<b>67,513</b>	<b>50,855</b>	<b>17,962</b>	<b>8,355</b>	<b>12,371</b>

### Liquidity and Sources of Capital

In 2011/12, Columbia Power implemented a Financing Plan for the Waneta Expansion Project through its share of the \$350 million Series B bond issue by Arrow Lakes Power Corporation, borrowing \$20 million from CBT Energy and utilizing internal cash flows. Columbia Power has created a \$30 million contingency reserve to cover risks related to Waneta Expansion construction and/or operating assets. In addition, Columbia Power has established an investment reserve for investment in other power project development. This financing plan was approved by the Minister of Finance in December 2010.

In 2013, Columbia Power underwent a review of the company's capital structure with staff from

the Ministry of Finance and Ministry of Energy and Mines to ensure the company has the appropriate capital structure to support its new joint development mandate. Recommendations were made to restructure Columbia Power's capital so that its capital structure will be similar to private sector renewable energy developers. In 2014/15, Columbia Power will return the Province's initial investment in the company (along with a return) by borrowing \$300 million<sup>1</sup>. This borrowing will occur at the parent company level and will not encumber any of Columbia Power's hydroelectric facilities.

All other cash flow requirements are met by internal cash flows.

<sup>1</sup> \$20 million of this borrowing will be used to refinance an intercompany loan from Columbia Basin Trust.

**Subsidiary Table–  
ARROW LAKES POWER CORPORATION  
STATEMENT OF INCOME FORECAST (non-IFRS presentation)**

<b>\$ IN THOUSANDS</b>	<b>2012/13 Actual</b>	<b>2013/14 Forecast</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
REVENUES					
Power Sales to BC Hydro	36,342	36,863	37,699	39,173	67,445
Grants-In-Lieu Recovery	294	300	306	312	319
Total Revenues	36,636	37,163	38,005	39,485	67,764
OPERATING EXPENSES					
Operations & Maintenance	3,957	4,179	4,597	3,459	2,822
Administration/Management	1,408	1,291	1,233	1,259	1,285
Insurance	484	516	485	495	505
Environmental	279	343	434	446	456
Grants-In-Lieu of Property Taxes	294	313	306	312	319
Water Rental	4,619	4,704	4,817	4,918	5,022
Other Professional Services	106	232	220	224	228
Total Operating Expenses	11,147	11,578	12,092	11,113	10,637
EBITDA	25,489	25,585	25,913	28,372	57,127
AMORTIZATION & FINANCING EXPENSES					
Amortization of Power Sales Agreement	1,915	1,890	1,890	546	-
Amortization of Power Facility	5,459	5,522	5,523	5,532	5,539
Interest: Series B	19,306	19,306	19,306	19,306	19,306
Financing Expense: Series B	96	121	121	121	121
Less: Interest revenue	(351)	(261)	(198)	(164)	(180)
Total Amortization & Financing Expenses	26,425	26,578	26,642	25,341	24,786
Net Income (Loss)	(936)	(993)	(729)	3,031	32,341

**Subsidiary Table–  
BRILLIANT POWER CORPORATION  
STATEMENT OF INCOME FORECAST (non-IFRS presentation)**

<b>\$ IN THOUSANDS</b>	<b>2012/13 Actual</b>	<b>2013/14 Forecast</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>REVENUES</b>					
<b>Lease Revenue:</b>					
Brilliant Plant Capital Charges	27,092	27,528	27,874	28,248	28,595
Brilliant Terminal Station Capital Charges	2,200	2,160	2,120	2,078	2,028
Market Sales (Reg U/G)	1,424	1,439	1,439	1,439	1,439
Operating Revenue	10,707	11,534	12,030	11,698	12,024
<b>Total Revenues</b>	<b>41,423</b>	<b>42,661</b>	<b>43,463</b>	<b>43,463</b>	<b>44,086</b>
<b>OPERATING EXPENSES</b>					
Operations & Maintenance	1,851	2,215	2,492	1,971	2,104
Administration/Management	915	850	921	937	953
Insurance	441	460	470	478	486
Property Taxes	2,122	2,349	2,398	2,440	2,483
Water Rentals	5,737	5,853	5,993	6,119	6,247
Other Professional Services	166	178	188	191	194
<b>Total Operating Expenses</b>	<b>11,232</b>	<b>11,905</b>	<b>12,462</b>	<b>12,136</b>	<b>12,467</b>
<b>EBITDA</b>	<b>30,191</b>	<b>30,756</b>	<b>31,001</b>	<b>31,327</b>	<b>31,619</b>
<b>AMORTIZATION &amp; FINANCING EXPENSES</b>					
Interest on Series A Bonds	6,513	6,281	5,993	5,694	5,368
Interest on Series B Bonds	1,450	1,390	1,317	1,242	1,162
Interest on Series C Bonds	2,182	2,082	1,964	1,845	1,718
Amortization of Rights	66	63	60	60	60
Amortization of Debt Issue Costs	235	235	207	207	207
Less: Interest revenue	(248)	(125)	(125)	(125)	(125)
<b>Total Amortization &amp; Financing Expenses</b>	<b>10,198</b>	<b>9,926</b>	<b>9,416</b>	<b>8,923</b>	<b>8,390</b>
<b>Net Income</b>	<b>19,993</b>	<b>20,830</b>	<b>21,585</b>	<b>22,404</b>	<b>23,229</b>

**Subsidiary Table-  
BRILLIANT EXPANSION POWER CORPORATION  
STATEMENT OF INCOME FORECAST (non-IFRS presentation)**

<b>\$ IN THOUSANDS</b>	<b>2012/13 Actual</b>	<b>2013/14 Forecast</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>REVENUES</b>					
Power Sales: BC Hydro	25,768	27,536	26,312	27,396	27,713
Power Sales: Market	3,055	3,636	3,570	3,355	3,355
EcoEnergy Grant	4,145	4,427	4,427	4,427	4,427
Grants-In-Lieu of Property Tax Recovery	191	189	193	197	201
Settlement	-	1,200	-	-	-
<b>Total Revenues</b>	<b>33,159</b>	<b>36,988</b>	<b>34,502</b>	<b>35,375</b>	<b>35,696</b>
<b>OPERATING EXPENSES</b>					
Operations & Maintenance	3,573	3,353	3,604	2,503	2,834
Power Purchases	1,424	1,439	1,439	1,439	1,439
Administration/Management	1,512	1,392	1,354	1,382	1,411
Insurance	316	295	384	392	400
Environmental	222	400	466	352	348
Grants-In-Lieu of Property Taxes	191	195	193	197	201
Water Rentals	2,152	2,392	2,497	2,550	2,603
Other Professional Services	230	114	109	112	113
<b>Total Operating Expenses</b>	<b>9,620</b>	<b>9,580</b>	<b>10,046</b>	<b>8,927</b>	<b>9,349</b>
<b>EBITDA</b>	<b>23,539</b>	<b>27,408</b>	<b>24,456</b>	<b>26,448</b>	<b>26,347</b>
<b>AMORTIZATION &amp; FINANCING EXPENSES</b>					
Amortization of Expansion Rights	523	523	523	523	523
Amortization of Power Facility	4,496	4,504	4,544	4,550	4,565
Less: Interest revenue	(138)	(117)	(50)	(50)	(50)
<b>Total Amortization &amp; Financing Expenses</b>	<b>4,881</b>	<b>4,910</b>	<b>5,017</b>	<b>5,023</b>	<b>5,038</b>
<b>Net Income</b>	<b>18,658</b>	<b>22,498</b>	<b>19,439</b>	<b>21,425</b>	<b>21,309</b>



**Benchmarking**

A measured “best in class” achievement that is used as a reference or measurement standard for comparison and is recognized as the standard of excellence for a specific business process.

**Canadian Electricity Association (CEA)**

An association of industry participants involved in the generation, transmission, distribution and sales of electricity in Canada.

**Capacity**

The maximum power that a generating station can supply, usually expressed in megawatts.

**Debt Service Coverage Ratio (DSCR)**

Earnings before interest, depreciation and taxes, divided by debt service payments (debt principal and interest payments) during the year.

**Department of Fisheries and Oceans (DFO)**

A federal department that supports sustainable use and development of Canada’s waterways for the management of fisheries and federal waters.

**Design-Build contract**

A contract between the owner and a contractor for the design, construction and purchase of equipment, and including commissioning of a power project, in accordance with the Owner’s technical specifications.

**Fiscal Agency Loan**

Borrowings through the Province at terms reflecting the Province’s financial position.

**Megawatt (MW)**

1 million watts; 1,000 kilowatts. A unit commonly used to measure both the capacity of generating stations and the rate at which energy can be delivered.

**Megawatt-hour (MWh)**

Equal to 1,000 kilowatt-hours. An average household in British Columbia uses about 10,000 KWH (10MWh) of electricity per year.

**Operation, Maintenance and Administration (OMA)**

The cost of operating and maintaining power plants, along with the related administration costs. OMA does not include amortization, taxes, interest or insurance.

**Owner’s Representative**

The Owner’s Representative is designated by the Owner to act as a single point of contact for the Contractor with respect to all matters under the Design-Build contract and oversees the design and construction of the work.

**Return on Investment**

Income available to shareholders as a percentage of their investment.

**Sinking Fund**

An investment fund established by Columbia Power with British Columbia Investment Management Corporation in order to set aside funds over a period of time to repay long-term debt.

**Water Rental**

A royalty collected by the Province of British Columbia for the use of water.



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