



THIRD QUARTER REPORT

YEAR-TO-DATE RESULTS

For the period ended
December 31, 2019

NEW BRUNSWICK
POWER CORPORATION



Énergie NB Power



OPERATIONAL HIGHLIGHTS

NB Power and Hydro-Québec sign agreements

Early in the fourth quarter, NB Power and Hydro-Québec announced the signing of three agreements. Under the first agreement, Hydro-Québec will export a total of 47 TWh of electricity to New Brunswick between now and 2040. These exports will be transmitted over existing interconnections.

The second agreement provides for technical collaboration between NB Power and Hydro-Québec for part of the refurbishment of Mactaquac generating station (pending regulatory approvals), in order to extend its useful life at least until 2068. The third agreement calls for discussions to begin regarding the construction of additional interconnections between Québec and New Brunswick, to increase electricity exports to Atlantic Canada and the United States.

Point Lepreau Nuclear Generating Station Update

During the third quarter of the 2019/20 fiscal year, the Point Lepreau Nuclear Generating Station (PLNGS) produced 1,460,307 net megawatt-hours of non-emitting, low-carbon electricity. PLNGS production represented approximately 49 per cent of the total net generation from all NB Power generating stations in this period, with a net capacity factor of 100 per cent. Capacity factor is the megawatt-hour output of a generating station compared to the maximum that could be produced.

Registrations open for third annual Energizing Efficiency Conference

NB Power has announced that registrations are now open for the 2020 Energizing Efficiency Conference which will be held on May 12 and 13, 2020 in Saint John, NB. For each of the past two years the conference has attracted almost 300 participants from over 100 different organizations. With a mix of keynotes, panels and breakout sessions this year's event will again offer high caliber speakers, timely content and ample opportunities for networking.

NB Power is very pleased to bring together those working in the energy efficiency industry to learn about new technologies and strategies to manage energy, save money and reduce carbon. Industry professionals from across North America will join local New Brunswick and Atlantic Canadian energy leaders to share best practices and case studies relevant to the residential and commercial building sectors, large and small industry, communities and those providing energy efficiency services. Participants can register at www.energizingefficiencyconference.com.



STORM PREPAREDNESS

In recent years, storms are becoming more intense than ever, causing major disruptions in many parts of the province. Each year, NB Power’s storm preparedness campaign, done in collaboration with its partners, has taken on greater significance and urgency. Working with Emergency Measures Organization, Saint John Energy, the Canadian Red Cross and other partners, NB Power participated in a press conference during the quarter outlining the importance of storm preparedness for New Brunswickers.

In addition, NB Power reached more than 340,000 customers through a bill insert containing an itemized checklist of the essential items needed for a 72-hour power outage. As storms are getting greater in intensity, NB Power has also created the Extreme Weather Report that provides information on recent major storms, climate change, and what NB Power’s teams have done to tackle these new challenges. The report can be viewed [here](#).

72 HOURS

ARE YOU READY?

Be prepared to take care of yourself and your family for at least 72 hours.

KNOW THE RISKS
Take the time to consider what kind of events could impact your community: ice storms, thunderstorms, flooding, power outages, or industrial or transportation accidents. Knowing the risks can help you better prepare.

MAKE A PLAN
In less than 30 minutes, you and your family can make a plan: discuss where to meet, how to contact one another and what to do in different situations. Write it down and keep it in a safe place.

GET A KIT
A basic emergency kit should contain the following supplies:

- Water (two litres per person per day)
- Non-perishable food (Canned and dried goods, energy bars, etc. Replace each year.)
- Manual can opener
- Wind-up or battery-powered flashlight (and extra batteries)
- Wind-up or battery-powered radio (and extra batteries)
- Candles and matches or lighter
- First aid kit
- Extra cash money (smaller bills and change)
- Spare house and car keys
- A copy of emergency plan and contact information
- Prescription medications
- Special items such as infant formula, equipment for persons with disabilities or food, water and medication for your pets or service animal.

FINANCIAL HIGHLIGHTS¹

Electricity operations

NB Power's operating earnings were \$211 million for the nine-month period ended December 31, 2019, which was \$41 million or 24 per cent higher than the same period last year.

Revenue from electricity sales in New Brunswick totaled \$978 million, an increase of \$15 million or two per cent over the same period last year. This increase was as a result of an increase in regulator-approved customer rates year over year and increased load as a result of colder weather. Out-of-province revenue was \$326 million. Revenue increased \$155 million or 91 per cent over the prior year. NB Power successfully increased sales contracts with customers in the United States and within Canada as well as completed additional opportunity sales.

Fuel and purchased power costs were \$497 million, an increase of \$73 million or 17 per cent. The increased volume to supply the new export sales was the main driver of the increase. NB Power benefited from higher hydro flows than in the prior year and this reduction in cost mitigated some of the increases.

OM&A costs were \$391 million, an increase of \$18 million or five per cent for the nine-month period. The primary driver of the variance was additional maintenance activity at the generation facilities. The unplanned expenses in response to the Fundy Isles transmission cable failure also contributed to the variance. These additional costs were partially offset by a reduction in storm costs in the current year.

Depreciation and amortization expense was \$230 million, an increase of \$27 million or 13 per cent for the nine-month period. Generation maintenance outages resulted in higher capital-related expenditures and the resulting depreciation. In addition, a liability for the Milltown Generating Station decommissioning was recognized in the period. This additional cost is reflected as depreciation expense.

Finance costs and investment income

Total finance costs and investment income was \$149 million, a decrease of \$22 million or 13 per cent from prior year. A decrease in finance costs, attributed to foreign exchange gains on long-term debt, was fully offset by foreign exchange losses on the sinking fund investments. The remaining \$4 million increase in finance costs is due to higher interest costs as a result of a higher debt balance. Unrealized gains on investments were \$27 million or 193 per cent higher than the prior year due to higher year-over-year unrealized gains on investments as a result of more favourable financial market conditions.

Financial overview

Net earnings for the period ended December 31, 2019 was \$53 million, which represents a \$62 million increase compared to the same period last year.

Debt management

The table below summarizes the net debt in NB Power's capital structure. Net debt is \$4,989 million as at December 31, 2019, an increase of \$49 million for the nine-month period. This increase was primarily driven by requirements for significant capital investments for the Point Lepreau and Belledune generating stations' planned outages which occurred during the first six months of the period. As a result of these requirements, total net debt increased by \$88 million and reached \$5,028 million as at September 30, 2019. In the third quarter, the requirements for capital investment have normalized and operating cash flows have increased by \$109 million. As a result of the improved cash flow in the third quarter NB Power was successful in reducing debt by \$39 million over September 30, 2019 results.

(in millions)	31 Dec. 2019	31 March 2019	Change
Total debt	\$5,538	\$5,506	\$32
Cash	2	4	(2)
Sinking fund	547	562	(15)
Total net debt	\$4,989	\$4,940	\$49

¹The financial information contained in the report includes abbreviated and condensed financial statements which have not been audited and contains financial estimates that are subject to change. Certain comparative figures have been restated to reflect adjustments made to the period results subsequent to the issuance of the prior year quarterly report.

CONSOLIDATED STATEMENT OF EARNINGS

In millions of dollars (Unaudited)

Nine months ended December 31

2019 2018 Variance

Revenue			
Sales of electricity			
In-province	\$978	\$963	\$15
Out-of-province	326	171	155
Miscellaneous	60	69	(9)
Total revenue	1,364	1,203	161

\$1,364 million

Total revenue

Expenses			
Fuel and purchased power	497	424	73
Operations, maintenance and administration	391	373	18
Depreciation and amortization	230	203	27
Taxes	35	33	2
Total operating expenses	1,153	1,033	120
Operating earnings	211	170	41

\$211 million

Operating earnings

Finance costs and investment income			
Finance costs	200	224	(24)
Sinking fund and other investment income	(10)	(39)	29
Unrealized gains on investments	(41)	(14)	(27)
Total finance costs and investment income (net)	149	171	(22)
Net earnings (loss) before changes in regulatory balances	62	(1)	63
Net changes in regulatory balances	(9)	(8)	(1)
Net earnings (loss)	\$53	\$(9)	\$62

\$53 million

Net earnings

OPERATING STATISTICS

Nine months ended December 31

2019 2018 Variance

In-province sales (GWh)	9,054	9,003	51
Export sales (GWh)	3,762	2,090	1,672
Hydro flows (below) long-term average (%)	(5)%	(25)%	20%
PLNGS net capacity factor (%)	83%	79%	4%

5% below

Hydro flows
long-term average

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of dollars (Unaudited)

	As at Dec. 31, 2019	As at Dec. 31, 2018	As at March 31, 2019
Assets			
Current			
Cash	\$2	\$8	\$4
Accounts receivable	263	248	305
Materials, supplies and fuel	220	193	212
Prepaid expenses	26	26	20
Derivative assets	3	19	14
Total current assets	514	494	555
Non-current assets			
Property, plant and equipment	4,585	4,391	4,495
Sinking fund receivable	547	559	562
Other non-current assets	855	833	831
Total non-current assets	5,987	5,783	5,888
Total assets	6,501	6,277	6,443
Regulatory balances	875	886	884
Total assets and regulatory balances	\$7,376	\$7,163	\$7,327

\$514 million

Total current assets

\$6,501 million

Total assets

	As at Dec. 31, 2019	As at Dec. 31, 2018	As at March 31, 2019
Liabilities and equity			
Current liabilities			
Short-term indebtedness	\$744	\$715	\$897
Accounts payable and accrued interest	279	296	340
Current portion of long-term debt	360	630	450
Derivative liabilities	43	31	15
Total current liabilities	1,426	1,672	1,702
Non-current liabilities			
Long-term debt	4,434	4,104	4,159
Other non-current liabilities	1,146	1,009	1,089
Total non-current liabilities	5,580	5,113	5,248
Total liabilities	7,006	6,785	6,950
Total equity	370	378	377
Total liabilities and equity	\$7,376	\$7,163	\$7,327

\$1,426 million

Total current liabilities

\$7,376 million

Total liabilities
and equity

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of dollars (Unaudited)

Nine months ended December 31

	2019	2018
Operating activities		
Cash receipts from customers	\$1,411	\$1,201
Cash paid to suppliers and employees	(981)	(878)
Interest paid	(193)	(188)
Cash provided by operating activities	\$237	\$135
Investing activities		
Expenditures on property, plant and equipment	\$(293)	\$(261)
Used fuel management and decommissioning fund withdrawals	7	4
Cash expenditure on decommissioning	(10)	(9)
Cash used in investing activities	\$(296)	\$(266)
Financing activities		
Proceeds on long-term debt	\$644	\$538
Debt retirements	(450)	(230)
(Decrease) in short-term indebtedness	(154)	(156)
Sinking fund installments and redemptions (net)	22	(19)
Principal repayment of lease obligation	(5)	-
Cash provided by financing activities	\$57	\$133
Net cash (outflow) inflow	\$(2)	\$2
Cash, beginning of period	4	6
Cash, end of period	\$2	\$8

\$237 million

Cash provided by operating activities

\$296 million

Cash used in investing activities

\$57 million

Cash provided by financing activities

\$2 million

Cash, end of period