Third Quarter Report

Year-to-date results for the period ended December 31, 2023

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Lori Clark
President and CEO

Message from the President

The fall of 2023 was a productive one for all of us at NB Power. We are continuing our efforts to transform our operations to be a utility of the future, as guided by the roadmap provided by our new strategic plan: *Energizing our Future*. We are committed to making the changes that are necessary to meet our customers' evolving expectations while improving our financial position, and continuing our path to producing cleaner, greener energy.

The effects of climate change are being felt in our region as more intense weather impacts our operations. In December, two strong storm systems hit the province a week apart, bringing high winds and heavy rainfall. These storms impacted our customers, seeing widespread outages occur. Losing power at any time of the year is challenging, but with the holidays approaching, these storms and resulting outages caused a lot of stress for New Brunswickers.

Throughout these events we kept safety at top of mind as our field and support teams worked to quickly and efficiently repair our damaged infrastructure and restore power. As with all storms, we do everything we can to learn from each one to better prepare for the next. I am so grateful for the patience of New Brunswickers, the kindness shown during this difficult period and of course our dedicated employees who worked tirelessly to get the lights back on so New Brunswickers could enjoy holiday celebrations with family and friends.

This quarter was an exciting period for those of us working on the nuclear side of the utility. In November, NB Power signed a Memorandum of Understanding with ARC Clean Technology (ARC) and Korea Hydro and Nuclear Power Co (KHNP) to explore collaboration opportunities for the commercialization of ARC's advanced small modular reactor (SMR) technology in Canada, Korea, the United States and other jurisdictions where KHNP has business operations.

On November 19, our Point Lepreau Nuclear Generating Station reconnected to the grid following the completion of a planned maintenance outage that started November 14. The outage was required to upgrade key plant monitoring equipment that is only accessible when the Station is offline and was completed safely and ahead of schedule.

And, in October I had the pleasure of attending the 20th Annual Women in Nuclear (WiN) Canada Conference in Niagara Falls, Ontario. I had an opportunity to give a keynote address and speak to the 600 delegates who had gathered at the event that was intended to highlight the contributions and advancements being made by women in the nuclear industry around the world and at home. Like most areas in the utility industry, nuclear is under-represented by females.

On December 15, NB Power filed with the New Brunswick Energy and Utilities Board (EUB) two separate filings related to customer rates that, if approved, could see electricity rates increase. We are very conscious of the financial pressures facing customers due to the rising costs of their basic needs like housing, gas and groceries. However, this is not business as usual. Both applications will go through independent, rigorous review processes by the EUB, and before any new rate goes into effect, we will reach out to all of our customers to give them as much notice as possible about the changes and to let them know how they will be affected.

We take our responsibility to our customers seriously, knowing New Brunswickers rely on us to provide them with safe, reliable power and energy security for the future. Our strategic plan prioritizes all of these things and this quarter saw us take a number of actions with those considerations at top of mind.

Strategic Transformers

Transition to a cost-effective, clean and secure energy supply

NB Power must establish a path to achieve net-zero climate goals, while ensuring energy security and addressing its debt challenges.

Modernize the grid

NB Power must accelerate grid modernization efforts supporting electrification, integration of renewables, mitigating the impacts of climate change and improving the customer experience.

Electrify and grow load

NB Power must maximize revenue growth through electrification and safeguard against electricity load losses. This also includes realigning our rates to provide options for customers and support energy efficiency.

Deliver competitive customer value

NB Power must respond to customer needs and generate new revenue streams by creating products and service offerings, using partnerships to balance the economic and capability requirements needed to succeed.

Create a thriving workforce

NB Power must transform its workforce to be capable in a very different future. This requires new ways of working, new behavioural mindsets, new organizational structures, new talent sets, new rewards systems and effective recruitment and retention strategies.

Align, engage and optimize

NB Power must effectively make the transition from strategy to execution. This requires establishing a clear plan for transformation and modernizing our governance, support processes, behaviours and technologies. This also includes ensuring all areas of the business are cost effective through continuous improvement.

Year-over-Year Financial Highlights[1]

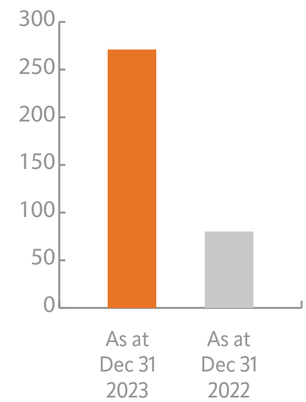
NB Power's year-to-date results are reflective of continued improvement in global market conditions. There continues to be improvements in investment yields and lower commodity prices leading to an increase in investment fund performance and a positive impact on purchased power costs.

NB Power also continued to benefit from increased in-province loads and export sales with customers outside of New Brunswick. These benefits have helped mitigate the impact of increased storm costs, and the increased cost pressures as a result of inflation and higher interest rates.

NB Power released its strategic plan in the first quarter of 2023/24. The plan lays out an action plan for the future and ensures that continuous improvement remains a priority in all areas of the business.

$271

Operating earnings
(in millions of dollars)



Electricity Operations

NB Power's operating earnings were $271 million for the nine-month period ended December 31, 2023, which was $191 million or 239 per cent higher than the same period last year.

Revenue from electricity sales in New Brunswick totaled $1,099 million, a $35 million or three per cent increase from the same period last year. The primary driver was an increase in the average regulator- approved customer rates effective April 2023. Other load growth combined with colder weather also contributed to the increase in sales.

Out-of-province revenue was up 90 per cent to $1,074 million, a $509 million increase over the same period last year. This was a result of increased sales at higher prices with customers outside of New Brunswick.

Miscellaneous revenue was down 36 per cent to $72 million, a $41 million decrease over the same period last year. NB Power was able to arbitrage natural gas in the prior period as a result of the outage at the Bayside Generating Station. These sales have decreased in the current year since the Station is now back online.

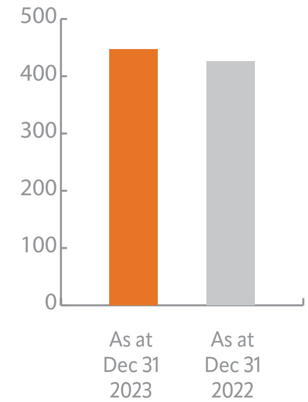
[1] The financial information contained in the report includes abbreviated and condensed financial statements that have not been audited and contains financial estimates that are subject to change.

Fuel and purchased power costs were up by $289 million to $1,235 million, a 31 per cent increase over the same period last year. Increased electricity and fuel purchases were required to supply increased sales volumes. Additionally, in the third quarter of 2022/23 supply costs were lower as a result of unrealized hedge gains recognized in the prior period. The lower electricity market prices combined with higher hydro generation and a shorter planned capital maintenance outage at the Point Lepreau Nuclear Generating Station (PLNGS) helped mitigate the upward cost pressures.

Operation, maintenance, and administration costs were up by $21 million to $447 million, a five per cent increase over the same period last year. PLNGS planned capital maintenance outage was shorter in 2023/24 compared to the previous year which resulted in an increase in other maintenance activities at PLNGS. Storm costs were also higher than the same period in prior year as a result of the December storms and post-tropical storm Lee. There continues to be a significant focus on cost optimization activities and minimizing expenditures where possible.

$447

OM&A expenses
(in millions of dollars)



Depreciation and amortization expense was $256 million, a $4 million or two per cent increase over the same period last year. The additional costs associated with the current and prior years planned capital maintenance outages resulted in higher depreciation expense. A life adjustment to PLNGS in the current year as well as the Milltown Generating Station reaching the end of its economic life in July 2022, both resulted in lower depreciation in the current year period.

Finance Costs

Finance costs were $229 million, a $28 million or 14 per cent increase as compared to the same period last year. The increase is primarily due to higher long-term debt levels and short-term interest rates.

Sinking Fund and Other Investment Income

Sinking fund and other investment income were $11 million, a $4 million decrease from the same period last year. The decrease is primarily due to foreign exchange gains on US dollar investments that were previously held in the sinking fund. The investment matured in the first quarter of 2022/23.

Unrealized Gains/Losses on Investments

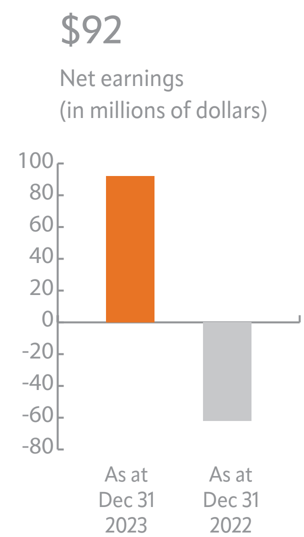
Unrealized gains on investments were $40 million, an increase of $46 million compared to the unrealized loss of $6 million in the same period last year. Markets have made a positive turn in recent months as interest rates have remained steady as concern over increasing inflation and a potential recession has subsided.

Net Changes in Regulatory Balances

Net changes in regulatory balances of $1 million was recognized in the period, a $51 million increase compared to the same period last year. This increase is mainly due to the favourable gross margin variance in the current year compared to an unfavourable gross margin variance in the same period last year.

Net Earnings

The above variances resulted in $92 million net earnings for the period ended December 31, 2023, compared to a net loss of $62 million in the same period last year, which represents a $154 million favourable variance.



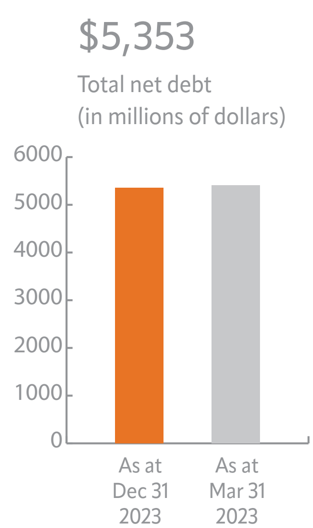
Debt Management

Net debt is $5,353 million as at December 31, 2023, a $53 million decrease since March 31, 2023. The primary contributor to debt reduction was operating cashflow. New and renewed export contracts at higher prices combined with higher average customer rates due to the rate increase, and lower commodity prices all positively impacted the operating results. The sale of two buildings in Fredericton has also had a favourable impact on debt reduction. These positive impacts helped mitigate the impact of higher storm costs as well as partially offset the capital spend related to the PLNGS and Belledune Generating Station planned capital maintenance outages.

Consolidated Net Debt

In millions of dollars (Unaudited)

	31 Dec 2023	31 Mar 2023	Variance
Total debt[1]	$5,873	$5,883	$(10)
Cash[2]	6	3	3
Sinking fund receivable	514	474	40
Total net debt	$5,353	$5,406	$(53)



[1] *Includes $13 million (March 31, 2023 - $nil) in cash paid for collateral*
[2] *Includes $5 million (March 31, 2023 - $7 million) in cash held for collateral*

Consolidated Statement of Earnings[1]

In millions of dollars (Unaudited) Period ended December 31

	2023	2022	Variance
Revenue			
Sales of electricity			
In-province	$1,099	$1,064	$35
Out-of-province	1,074	565	509
Miscellaneous	72	113	(41)
Total revenue	2,245	1,742	503
Expenses			
Fuel and purchased power	1,235	946	289
Operations, maintenance and administration	447	426	21
Depreciation and amortization	256	252	4
Taxes	36	38	(2)
Total operating expenses	1,974	1,662	312
Operating earnings	271	80	191
Finance costs and investment income			
Finance costs	(229)	(201)	(28)
Sinking fund and other investment income	11	15	(4)
Unrealized gains (losses) on investments	40	(6)	46
Total finance costs and investment income	(178)	(192)	14
Net earnings before changes in regulatory balances	93	(112)	205
Net changes in regulatory balances	(1)	50	(51)
Net earnings (loss)	$92	$(62)	$154

[1] *Certain figures have been restated to conform to current year's presentation*

Consolidated Statement of Financial Position

In millions of dollars (Unaudited)

Assets	As at Dec 31, 2023	As at Dec 31, 2022	As at Mar 31, 2023
Current			
Cash[1]	$6	$13	$3
Accounts receivable	437	430	504
Materials, supplies and fuel	301	294	296
Prepaid expenses	32	49	21
Derivative assets	19	87	34
Total current assets	795	873	858
Non-current assets			
Property, plant and equipment	4,765	4,834	4,670
Nuclear decommissioning and used fuel management funds	929	875	897
Sinking fund receivable	514	457	474
Other non-current assets	135	230	181
Total non-current assets	6,343	6,396	6,222
Total assets	7,138	7,269	7,080
Regulatory balances	1,020	837	1,021
Total assets and regulatory balances	$8,158	$8,106	$8,101

Liabilities and equity	As at Dec 31, 2023	As at Dec 31, 2022	As at Mar 31, 2023
Current liabilities			
Short-term indebtedness[2]	$586	$999	$797
Accounts payable and accrued interest	473	427	509
Current portion of long-term debt	150	200	300
Current portion of lease liabilities	6	5	5
Derivative liabilities	104	126	185
Total current liabilities	1,319	1,757	1,796
Non-current liabilities			
Long-term debt	5,137	4,589	4,786
Lease liabilities	39	28	32
Decommissioning and used fuel management liability	1,006	1,146	987
Other non-current liabilities	223	185	166
Total non-current liabilities	6,405	5,948	5,971
Total liabilities	7,724	7,705	7,767
Total equity	434	401	334
Total liabilities and equity	$8,158	$8,106	$8,101

[1] Includes $5 million (December 31, 2022 - $14 million; March 31, 2023 - $7 million) in cash held for collateral
[2] Includes $13 million (December 31, 2022 - $1 million; March 31, 2023 - $nil) in cash paid for collateral

Consolidated Statement of Cash Flows

In millions of dollars (Unaudited)	Period ended December 31	
	2023	2022
Operating activities		
Cash receipts from customers	$2,310	$1,694
Cash paid to suppliers and employees	(1,785)	(1,488)
Interest paid	(173)	156
Cash provided by operating activities	$352	$50
Investing activities		
Expenditures on property, plant and equipment	$(328)	$(426)
Used fuel management and decommissioning fund withdrawals	7	-
Cash expenditure on decommissioning	(24)	(8)
Cash used in investing activities	$(345)	$(434)
Financing activities		
Proceeds from long-term debt	$442	$381
Debt retirements	(200)	(228)
(Decrease) increase in short-term indebtedness[1]	(211)	140
Sinking fund changes	(29)	58
Principal repayment of lease obligation	(6)	(6)
Cash (used in) provided by financing activities	$(4)	$345
Net cash inflow	$3	$(39)
Cash, beginning of period	3	52
Cash, end of period[2]	$6	$13

Operating Statistics

	Period ended December 31		
	2023	2022	Variance
In-province sales (GWh)	9,339	9,140	199
Heating degree days	2,196	2,083	113
Export sales (GWh)	9,078	4,671	4,407
Hydro flows above long-term average (%)	18%	14%	4%
PLNGS net capacity factor (%)	83%	49%	34%

[1] Includes $13 million (December 31, 2022 - $1 million) in cash paid for collateral
[2] Includes $5 million (December 31, 2022 - $14 million) in cash held for collateral