



# FIRST QUARTER REPORT

## YEAR-TO-DATE RESULTS

For the period ended  
June 30, 2019

NEW BRUNSWICK  
POWER CORPORATION



**Énergie NB Power**

energizing  
efficiency

dynamiser l'efficacité  
énergétique

#Gen  
#Ener NB



## OPERATIONAL HIGHLIGHTS

### Energy Efficiency Excellence Awards

The second annual Energy Efficiency Excellence Awards ceremony was held as part of NB Power's Energizing Efficiency Conference in Moncton on May 8, 2019. The Energy Efficiency Excellence Awards recognize the achievements of New Brunswickers who have undertaken efficiency projects throughout the past year or who have demonstrated a long-standing commitment to furthering energy efficiency in New Brunswick. From leading-edge technologies and innovative ideas, to inspiring projects and long-term efficiency stewardship, these awards recognize the best of this province's energy efficiency leaders in six different categories.

The 2019 award recipients in each category are:

- Legacy Award: Conservation Council of New Brunswick
- Innovation Award: Ski Crabbe Mountain
- Partnership Award: MCW Maricor
- Community Award: Tobique First Nation
- Rising Star Award: Naveco Power Inc.
- Education Award: EOS Eco Energy Inc.

### Investment of \$2 million announced to study energy conservation in New Brunswick

NB Power and Natural Resources Canada announced a combined \$2 million dollars contribution towards a research and demonstration project to test Conservation Voltage Reduction (CVR) as a potential solution to help customers conserve more energy.

The project will allow NB Power to quantify the expected energy savings from CVR, while also looking at methods to increase the level of variable renewable energy integrated on the New Brunswick power grid. The resulting collaboration is expected to demonstrate a scalable solution that can help lower greenhouse gas emissions, while potentially lowering costs for consumers.

NB Power will collect and analyse data from volunteer residential and commercial customers to assess how CVR can be used to improve efficiencies, realize energy savings, and shift peak demand thereby reducing greenhouse gas emissions. The duration of the project will be 12 months and will include the winter peak and the summer cooling peak seasons.

*For more information on the above Operational Highlights, please press the hyperlink imbedded in the above titles (where available).*

## **Shediac home to New Brunswick's first Smart Energy Community Project**

The Town of Shediac will be the home of New Brunswick's first Smart Energy Community Project as NB Power received \$5.7 million funding from Natural Resources Canada's \$100 million Smart Grid Program, to create a major new green energy initiative for the town. The project is the first of its kind in the province and will serve as a testing ground for new technologies that are being developed by NB Power and Siemens Canada.

The goal is to develop and demonstrate smart grid technologies that will speed the adoption of new renewable energy and storage technologies while reducing greenhouse gas emissions. The work will enable the provincial power utilities to shorten outages, better integrate customer-owned renewable energy assets onto the power grid, improve resiliency and self-sufficiency for individual communities, lower green-house gas emissions and protect customers from the potential rate increases related to the adoption of these new technologies.

The first of its kind, Smart Energy Community Project, will test new technologies, improve resiliency and customer self-sufficiency.

## **Point Lepreau Nuclear Generating Station Update**

During the first quarter, the Point Lepreau Nuclear Generating Station (PLNGS) produced 810,400 net megawatt-hours of non-emitting electricity. PLNGS production represented approximately 36 per cent of the total net generation from all NB Power generating stations in this period, with a net capacity factor of 56 per cent. Capacity factor is the megawatt-hour output of a generating station compared to the maximum that could be produced.

At the beginning of the quarter, the Station was taken offline for six weeks during which it successfully conducted a planned maintenance outage. Planned outages are key investments to ensure the long-term ability of PLNGS to dependably meet the energy needs of New Brunswickers.

## **Point Lepreau Nuclear Generating Station security exercise**

The Point Lepreau Nuclear Generating Station participated in a one-day security exercise on Wednesday, June 26, 2019. The exercise involved the Point Lepreau Nuclear Response Force team and the Canadian Nuclear Safety Commission. The exercise tested security contingency procedures as required by the Nuclear Safety and Control Act, and confirm Station readiness for security emergencies.

## **NB Power seeking approval to decommission the Milltown Generating Station**

NB Power is seeking approval to remove the Milltown Generating Station, which has reached the end of its life. NB Power investigated the possibility of extending Milltown's life as well as improving the fish passage. After a thorough engineering and cost evaluation process, it was determined that extending the life of the generating station was not financially feasible and the Milltown Generating Station should be decommissioned.

Before NB Power can proceed with decommissioning, the project will be registered for an Environmental Impact Assessment with the provincial Department of Environment and Local Government this summer. NB Power hosted a public meeting in July in St. Stephen outlining the reasons for its decision. Consultations with First Nations have already begun and will continue throughout the different phases of the project. Consultations with key stakeholders will also occur.

# FINANCIAL HIGHLIGHTS<sup>1</sup>

## Electricity operations

NB Power's operating earnings were \$62 million for the three-month period, which was \$7 million or 13 per cent higher than the same period last year.

Revenue from electricity sales within New Brunswick totaled \$306 million, which was an increase of \$6 million or two per cent for the three-month period. This increase in revenue was primarily due to higher sales volumes including higher electric heating load. Out-of-province revenue was \$99 million, which was \$51 million or 106 per cent higher than the previous year due to an increase in United States contract sales.

Fuel and purchased power costs were \$151 million, an increase of \$32 million or 27 per cent for the three-month period. The primary reason for this increase was higher out-of-province supply costs largely due to higher United States contract sales. This was partially offset by a decrease in the cost to supply in-province load as a result of a shorter planned maintenance outage in 2019/20 at the PLNGS and higher hydro flows.

OM&A costs were \$124 million, an increase of \$6 million or five per cent for the three-month period. The increase is primarily due to additional maintenance activity at the generation facilities.

Depreciation and amortization expense was \$75 million, an increase of \$9 million or 14 per cent for the three-month period. Generation maintenance outages resulted in higher capital-related expenditures, which resulted in increased depreciation expense.

## Other expenses and income

NB Power's other expenses and income was \$54 million, an increase of \$6 million or 13 per cent for the three-month period. 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 finance cost variance includes an increase in interest on long-term debt as a result of a higher debt balance. There was also a year-over-year decrease in the unrealized gains on investments as a result of less favourable financial market conditions.

## Financial overview

Net earnings for the period ended June 30, 2019 was \$5 million, which represents a \$1 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 for the period has increased \$28 million as illustrated in the table below. This is primarily due to NB Power's requirement for capital investments including the Point Lepreau and Belledune generating stations planned outages during the first three months of the year exceeding the cash flow generated from operating activities.

(in millions)	30 June 2019	31 March 2019	Change
<b>Total debt</b>	<b>\$5,493</b>	<b>\$5,506</b>	<b>\$(13)</b>
Cash	8	4	4
Sinking fund	517	562	(45)
<b>Total net debt<sup>2</sup></b>	<b>\$4,968</b>	<b>\$4,940</b>	<b>\$28</b>

<sup>1</sup>The 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.

<sup>2</sup>Net debt includes short-term debt, current portion of long-term debt and long-term debt, less sinking funds and cash.

# CONSOLIDATED STATEMENT OF EARNINGS

In millions of dollars (Unaudited)

Three months ended June 30

	2019	2018	Variance
<b>Revenue</b>			
In-province	\$306	\$300	\$6
Out-of-province	99	48	51
Miscellaneous	18	21	(3)
<b>Total revenue</b>	<b>423</b>	<b>369</b>	<b>54</b>
<b>Expenses</b>			
Fuel and purchased power	(151)	(119)	(32)
Operations, maintenance and administration	(124)	(118)	(6)
Depreciation and amortization	(75)	(66)	(9)
Taxes	(11)	(11)	-
<b>Total operating expenses</b>	<b>(361)</b>	<b>(314)</b>	<b>(47)</b>
<b>Operating earnings</b>	<b>62</b>	<b>55</b>	<b>7</b>
<b>Other expenses and income</b>			
Finance costs	(65)	(75)	10
Sinking fund and other investment (loss) income	(2)	12	(14)
Unrealized gains on investments	13	15	(2)
<b>Total other expenses and income</b>	<b>(54)</b>	<b>(48)</b>	<b>(6)</b>
<b>Net earnings before changes in regulatory balances</b>	<b>8</b>	<b>7</b>	<b>1</b>
Net changes in regulatory balances	(3)	(3)	-
<b>Net earnings</b>	<b>\$5</b>	<b>\$4</b>	<b>\$1</b>

**\$423 million**

Total revenues

**\$62 million**

Operating earnings

**\$5 million**

Net earnings

## OPERATING STATISTICS

Three months ended June 30

	2019	2018	Variance
In-province sales (GWh)	2,898	2,844	54
Export sales (GWh)	1,110	555	555
Hydro flows (below) long-term average (%)	(5)%	(22)%	17%
PLNGS net capacity factor (%)	56%	39%	17%

**5% below**

Hydro flows  
long-term average

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of dollars (Unaudited)

	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash	\$8	\$(8)	\$4
Accounts receivable	219	193	305
Materials, supplies and fuel	222	200	212
Prepaid expenses	36	36	20
Derivative assets	9	9	14
<b>Total current assets</b>	<b>494</b>	<b>430</b>	<b>555</b>
<b>Non-current assets</b>			
Property, plant and equipment	4,561	4,375	4,495
Sinking fund	517	525	562
Long-term and other assets	840	808	831
<b>Total non-current assets</b>	<b>5,918</b>	<b>5,708</b>	<b>5,888</b>
<b>Total assets</b>	<b>6,412</b>	<b>6,138</b>	<b>6,443</b>
Regulatory balances	881	891	884
<b>Total assets and regulatory balances</b>	<b>\$7,293</b>	<b>\$7,029</b>	<b>\$7,327</b>

**\$494 million**

Total current assets

	As at June 30, 2019	As at June 30, 2018	As at March 31, 2019
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short-term indebtedness	\$875	\$736	\$897
Accounts payable and accrued interest	295	281	340
Current portion of long-term debt	361	730	450
Derivative liabilities	33	1	15
<b>Total current liabilities</b>	<b>1,564</b>	<b>1,748</b>	<b>1,702</b>
<b>Non-current liabilities</b>			
Long-term debt	4,257	3,892	4,159
Other non-current liabilities	1,132	1,000	1,089
<b>Total non-current liabilities</b>	<b>5,389</b>	<b>4,892</b>	<b>5,248</b>
<b>Total liabilities</b>	<b>6,953</b>	<b>6,640</b>	<b>6,950</b>
<b>Total equity</b>	<b>340</b>	<b>389</b>	<b>377</b>
<b>Total liabilities and equity</b>	<b>\$7,293</b>	<b>\$7,029</b>	<b>\$7,327</b>

**\$1,564 million**

Total current liabilities

**\$7,293 million**

Total liabilities  
and equity

# CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of dollars (Unaudited)

Three months ended June 30

	2019	2018
<b>Operating activities</b>		
Cash receipts from customers	\$513	\$434
Cash paid to suppliers and employees	(358)	(353)
Interest paid	(59)	(55)
<b>Cash provided by operating activities</b>	<b>\$96</b>	<b>\$26</b>
<b>Investing activities</b>		
Cash invested in property, plant and equipment	\$(122)	\$(105)
Cash expenditure on decommissioning	(4)	(1)
<b>Cash used in investing activities</b>	<b>\$(126)</b>	<b>\$(106)</b>
<b>Financing activities</b>		
Cash from long-term debt	\$466	\$338
Debt retirements	(450)	(130)
Repayment of short-term indebtedness	(23)	(134)
Sinking fund withdrawals and purchases (net)	44	(8)
Principal repayment of lease obligation	(3)	-
<b>Cash provided by financing activities</b>	<b>\$34</b>	<b>\$66</b>
Net cash inflow (outflow)	\$4	\$(14)
Cash, beginning of period	4	6
<b>Cash, end of period</b>	<b>\$8</b>	<b>\$(8)</b>

**\$96 million**

Cash provided by operating activities

**\$34 million**

Cash provided by financing activities

**\$8 million**

Cash, end of period