



SECOND QUARTER REPORT

YEAR-TO-DATE RESULTS

For the period ended
September 30, 2019

NEW BRUNSWICK
POWER CORPORATION



Énergie NB Power



OPERATIONAL HIGHLIGHTS

Grid reliability to be improved with new transmission line in Fredericton region

NB Power began the approval process to build a new transmission line in the Fredericton area, which will improve the reliability of the power grid in the region for approximately 25,000 customers. The new proposed 15-kilometre transmission line will run from the Rainsford Substation in Fredericton to the Mactaquac Terminal. The project also includes an expansion of the Mactaquac terminal to accommodate the new transmission line as well as some reconfiguration work at some of NB Power's substations in the region.

This project will allow for more renewable and green energy from the Mactaquac Generating Station to be available in the Fredericton area as the new transmission line will help reduce line losses. With this new transmission line, the estimated annual savings will be around 11,350 MWh, which is enough energy to drive 5,000 electric vehicles across Canada.

Before this project can proceed, NB Power will register it for an Environmental Impact Assessment. Pending approval from that process, NB Power expects construction to start in fall 2020 and continue into 2021. NB Power has consulted with various stakeholders and will continue to do so throughout the project.

NB Power installing 1,600 bird diverters on Sackville line, carrying out maintenance

NB Power began carrying out important maintenance work on 25 kilometres of transmission lines from Memramcook to Sackville. This includes the installation of 1,600 bird diverters to minimize bird strikes with the line.

The 138 kilovolt transmission line was constructed in the 1960s and there are a number of ground wires and other pieces of equipment on the line which need to be replaced. NB Power is carrying out the work in the least invasive way possible. There are no new structures required, nor is there any need to dig during the work phase. Approximately 28 towers are being inspected and work carried out on them.

NB Power is sensitive to ecological areas, such as the Tantramar marshes. If the utility needs to use any vehicles, they will be the lightest possible. Most of the work will be done by climbing towers. The utility has also been in touch with ecological groups and environmental groups in the area to explain the work that will be carried out.

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

NB Power pleased with progress on small modular reactor work

NB Power has indicated it is pleased with the progress made to date by Advanced Reactor Concepts (ARC) Nuclear and Moltex Energy, the two companies carrying out research and development of small modular reactors at offices in Saint John, New Brunswick.

New Brunswick Energy Solutions Corporation, a provincial Crown corporation, committed \$10 million last year toward the establishment of an advanced Small Modular Reactor Research Cluster in New Brunswick. ARC and Moltex also each invested \$5 million to progress research and development of their advanced technologies.

Small modular reactors are the next generation of nuclear technology, and the technology can be scaled for designs with an output of between five and 300 megawatts. The units can be constructed and shipped to locations where they are assembled on site.

Small modular reactors have inherent safety characteristics, simpler design, lower cost, ability to recycle their used fuel, and will have superior ability to follow the intermittent variable load from renewable power sources.

In order to move to commercial demonstration, these technologies would need to successfully complete Phase 2 of the Canadian Nuclear Safety Commission (CNSC) Vendor Design review and their financial and project planning predictions would need to continue to show promise. If these conditions are met then commercial demonstrations of both reactor types could take place at the Point Lepreau site with an in-service date of approximately 2030.

Point Lepreau Nuclear Generating Station Update

During the second quarter of the 2019/20 fiscal year, the Point Lepreau Nuclear Generating Station (PLNGS) produced 1,324,926 net megawatt-hours of non-emitting, low-carbon electricity. PLNGS production represented approximately 55 per cent of the total net generation from all NB Power generating stations in this period, with a net capacity factor of 90.9 per cent. Capacity factor is the megawatt-hour output of a generating station compared to the maximum that could be produced.

NB Power receives E Source Advertising Award

At the 2019 E Source Forum in Denver, E Source announced the winners of the 2019 Utility Ad Awards Contest, recognizing and rewarding creative excellence in utility advertising. NB Power earned first place in the category of Best Distributed Energy Resources Campaign.

In its 11th year, the Utility Ad Awards Contest evaluates utility ad campaigns that have generated results—such as increased brand awareness, website traffic, and program participation—while also being creative. The competition is open to any electric or gas utility located in the US or Canada. An independent group of judges selected the winners based on message, creativity, results, call to action or brand connection, and overall impression.

Small modular reactors have inherent safety characteristics, simpler design, lower cost, ability to recycle their used fuel, and will have superior ability to follow the intermittent variable load from renewable power sources.

FINANCIAL HIGHLIGHTS¹

Electricity operations

NB Power's operating earnings were \$107 million for the six-month period, which was \$5 million or five per cent higher than the same period last year.

Revenue from electricity sales in New Brunswick totaled \$590 million, an increase of \$17 million or three per cent over the same period last year.

This is primarily due to the impact of higher customer rates year over year, as well as higher sales volumes including higher electric heating load. Out-of-province revenue was \$209 million, which was \$103 million or 97 per cent higher than prior year. This was primarily due to an increase in contracted sales to the United States and within Canada and new opportunity sales.

Fuel and purchased power costs were \$304 million, an increase of \$73 million or 32 per cent. The primary reason for this increase was higher volumes required to supply the new export sales volumes, partially offset by better hydro flows than in prior year.

OM&A costs were \$254 million, an increase of \$18 million or eight per cent for the six-month period. The primary driver of the variance is additional maintenance activity at the generation facilities. Increases in the customer uptake of efficiency program incentives and rebates, unplanned expenses in response to the Fundy Isles transmission cable failure and higher storm costs also contributed to the variance.

Depreciation and amortization expense was \$152 million, an increase of \$18 million or 13 per cent for the six-month period. Generation maintenance outages resulted in higher capital-related expenditures and resulting depreciation. As well, the amortization of the costs to decommission the Milltown Generating Station contributed to the increase.

Finance costs and investment income

Investment income was \$38 million, which is an increase of \$6 million or 19 per cent for the six-month period. The increase is primarily 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 September 30, 2019 was \$2 million, which represents an \$11 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 has increased \$88 million year-to-date. Operating cash flows for the period were \$128 million while capital expenditures on property, plant and equipment were \$216 million. This is primarily the result of significant capital investments for the Point Lepreau and Belledune generating stations' planned outages, which occurred during the first six months of the year when revenues were lower due to warmer weather.

(in millions)	30 Sept. 2019	31 March 2019	Change
Total debt	\$5,568	\$5,506	\$62
Cash	2	4	(2)
Sinking fund	538	562	(24)
Total net debt²	\$5,028	\$4,940	\$88

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.

²Net 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)

Six months ended September 30

2019 2018 Variance

Revenue			
Sales of electricity			
In-province	\$590	\$573	\$17
Out-of-province	209	106	103
Miscellaneous	41	46	(5)
Total revenue	840	725	115

\$840 million

Total revenue

Expenses			
Fuel and purchased power	(304)	(231)	(73)
Operations, maintenance and administration	(254)	(236)	(18)
Depreciation and amortization	(152)	(134)	(18)
Taxes	(23)	(22)	(1)
Total operating expenses	(733)	(623)	(110)
Operating earnings	107	102	5

\$107 million

Operating earnings

Finance costs and investment income			
Finance costs	(137)	(138)	1
Sinking fund and other investment income	10	12	(2)
Unrealized gains on investments	28	20	8
Total finance costs and investment income (net)	(99)	(106)	7
Net earnings (loss) before changes in regulatory balances	8	(4)	12
Net changes in regulatory balances	(6)	(5)	(1)
Net earnings (loss)	\$2	\$(9)	\$11

\$2 million

Net earnings

OPERATING STATISTICS

Six months ended September 30

2019 2018 Variance

In-province sales (GWh)	5,518	5,435	83
Export sales (GWh)	2,377	1,291	1,086
Hydro flows (below) long-term average (%)	(12)%	(31)%	17%
PLNGS net capacity factor (%)	74%	69%	5%

12% below

Hydro flows
long-term average

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of dollars (Unaudited)

	As at Sept. 30, 2019	As at Sept. 30, 2018	As at March 31, 2019
Assets			
Current assets			
Cash	\$2	\$-	\$4
Accounts receivable	199	164	305
Materials, supplies and fuel	239	207	212
Prepaid expenses	44	39	20
Derivative assets	17	21	14
Total current assets	501	431	555
Non-current assets			
Property, plant and equipment	4,581	4,379	4,495
Sinking fund receivable	538	528	562
Other non-current assets	860	816	831
Total non-current assets	5,979	5,723	5,888
Total assets	6,480	6,154	6,443
Regulatory balances	878	889	884
Total assets and regulatory balances	\$7,358	\$7,043	\$7,327

\$501 million

Total current assets

	As at Sept. 30, 2019	As at Sept. 30, 2018	As at March 31, 2019
Liabilities and equity			
Current liabilities			
Short-term indebtedness	\$945	\$857	\$897
Accounts payable and accrued interest	266	269	340
Current portion of long-term debt	363	630	450
Derivative liabilities	12	2	15
Total current liabilities	1,586	1,758	1,702
Non-current liabilities			
Long-term debt	4,260	3,886	4,159
Other non-current liabilities	1,139	1,001	1,089
Total non-current liabilities	5,399	4,887	5,248
Total liabilities	6,985	6,645	6,950
Total equity	373	398	377
Total liabilities and equity	\$7,358	\$7,043	\$7,327

\$1,586 million

Total current liabilities

\$7,358 million

Total liabilities
and equity

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of dollars (Unaudited)

Six months ended Sept. 30

	2019	2018
Operating activities		
Cash receipts from customers	\$951	\$807
Cash paid to suppliers and employees	(680)	(584)
Interest paid	(143)	(132)
Cash provided by operating activities	\$128	\$91
Investing activities		
Expenditures on property, plant and equipment	\$(216)	\$(177)
Used fuel management and decommissioning fund withdrawals	-	4
Cash expenditure on decommissioning	(8)	(7)
Cash used in investing activities	\$(224)	\$(180)
Financing activities		
Proceeds on long-term debt	\$466	\$338
Debt retirements	(450)	(230)
Increase (decrease) short-term indebtedness	48	(14)
Sinking fund installments and redemptions (net)	32	(11)
Principal repayment of lease obligation	(2)	-
Cash provided by financing activities	\$94	\$83
Net cash outflow	\$(2)	\$(6)
Cash, beginning of period	4	6
Cash, end of period	\$2	\$-

\$128 million

Cash provided by operating activities

\$224 million

Cash used in investing activities

\$94 million

Cash provided by financing activities

\$2 million

Cash, end of period