



Third Quarter Report

Year-to-date results
For the period ended
December 31, 2021

NEW BRUNSWICK
POWER CORPORATION



Énergie NB Power

the power of possibility
débordant d'énergie

Message from the President

At NB Power, we continue to pursue initiatives that move us closer to decarbonization while adding more flexibility to our generation assets and providing customers greater value and services. We are committed to increasing our current supply of approximately 80 per cent carbon-free electricity for New Brunswickers and working toward the federal government's commitment to achieve net-zero emitting electricity in Canada by 2035.

In October, we signed a term sheet with Malta Inc. and are working toward establishing an Energy Storage Benefits Agreement to advance the first long-duration energy storage facility in the province's history. The energy storage system, which can store power when it is generated and discharge the power when it is needed, prepares New Brunswick for a future with a diverse resource mix inclusive of more renewable generation, electric vehicles and greater electrification of homes and businesses.

We will use Stash Energy's unique technology in the residential research component of the Shediac Smart Energy Community Project. This New Brunswick company's technology is the only mini-split heat pump on the market with built-in thermal energy storage and a smart grid and smart home-ready thermostat. Our research will explore the opportunity to provide flexible heating and cooling for year-round comfort while reducing peak electricity demand and lowering energy costs.

On National Energy Efficiency Day, we recognized the success of New Brunswick homeowners and businesses. Since 2015, participants have saved \$225 million in lifetime energy costs through NB Power's energy efficiency programs. Energy efficiency helps lower bills for individuals and businesses, boost economic investment and creates jobs.

The Belledune Generating Station plays a critical role in New Brunswick's winter-peaking electrical system. The federal government announced in November that it would not allow the Station to continue burning coal past 2030. We remain committed to working with the government to explore alternative fuel sources and other alternatives for the continued operations of the Belledune Generating Station.

We certainly recognize that changes are occurring in our industry and it is important that we adjust and lead in this change. Recent amendments to the *Electricity Act* put us on a new course. These changes strengthen our ability to meet our financial targets, something that we have been challenged with over the last number of years. They also create efficiencies and lay the foundation to make sure we are making the right decisions for our customers, providing the right solutions for our customers and at the end of the day, delivering on what we say we are going to do.

Never has our role as an essential service provider been more important than in response to the COVID-19 pandemic. I would like to thank our employees for their continued resilience. Across NB Power, employees continued to step up for our customers so that every home, business and hospital stayed connected throughout our province's response to the most recent wave of the pandemic.



Year-over-Year Financial Highlights¹

NB Power has been challenged during the year as a result of unplanned generating station outages, which have led to higher operations, maintenance and administration and replacement energy costs. The December 2021 results and accompanying year-over-year comparison reflect the continuous journey along the path toward a post-pandemic recovery.

Electricity Operations

NB Power's operating earnings were \$151 million for the nine-month period ended December 31, 2021, which was \$7 million or four per cent lower than the same period last year.

Revenue from electricity sales in New Brunswick totalled \$992 million, an increase of \$35 million or four per cent from the same period last year. This increase is mainly the result of higher average rates in 2021/22 resulting from the last regulator-approved customer rate increase effective March 2021 as well as higher interruptible electricity prices.

Out-of-province revenue was \$329 million, an increase of \$74 million or 29 per cent over the prior year. The increase was a result of market prices that led to increased opportunity sales to customers in Canada and the United States.

Fuel and purchased power costs were \$555 million, a \$90 million or 19 per cent increase over the same period last year. The increase is primarily due to the higher generation requirements to meet increased sales volumes, as well as rising natural gas and purchased power prices. The generation portfolio was optimized by balancing internal generation with external electricity purchases, which combined with lower fuel prices helped mitigate the upward cost pressures.

Operation, maintenance and administration costs were \$393 million, an increase of \$30 million or eight per cent over the same period in 2020/21. The primary drivers were the unplanned maintenance outages and increased maintenance activities at Point Lepreau Nuclear Generating Station as well as a return to pre-COVID field work activities. Partially offsetting this year-over-year increase were planned capital maintenance outages at Belledune and Coleson Cove generating stations that resulted in a reduction in the need for other maintenance activities at the stations.

Depreciation and amortization expense was \$244 million, a \$2 million or one per cent increase over the same nine-month period in 2020/21.

Finance Costs

Finance costs were \$190 million, an increase of \$15 million or nine per cent as compared to the same period last year. The increase is primarily due to the foreign exchange changes on U.S. dollar long-term debt held in the sinking fund. Partially offsetting this increase is lower interest costs due to the redemption of U.S. debentures.

¹The 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. Certain comparative figures have been restated to reflect adjustments made to the period results subsequent to the issuance of the prior year quarterly report.

Sinking Funds and Other Investment Income

Sinking funds and other investment income were \$12 million, an increase of \$18 million from the same period in 2020/21. The increase is primarily due to the stronger foreign exchange on U.S. dollar investments held in the sinking funds.

Unrealized Gains on Investments

Unrealized gains on investments were \$75 million, a decrease of \$22 million or 23 per cent compared to the same period last year. The previous year's results were significantly impacted by the financial market rebound in the first quarter of 2020/21. The investment market values are subject to market conditions, which continue to be volatile.

Net Earnings

Net earnings for the period ended December 31, 2021 were \$38 million, which represents a \$26 million decrease compared to the same period in 2020/21. This variance was primarily due to higher operations, maintenance and administration costs and the lower unrealized gains on investments. A higher gross margin partially mitigated some of the volatility caused by the investments.

Debt Management

Net debt is \$4,969 million as at December 31, 2021, a \$40 million increase since March 31, 2021. The main driver of the increase in net debt was working capital changes. Several large payments including carbon tax and fuel payments from the prior year were paid in 2021/22.

Consolidated Net Debt

In millions of dollars (Unaudited)

	31 Dec. 2021	31 March 2021	Variance
Total debt	\$5,437	\$5,342	\$95
Cash ²	52	3	49
Sinking fund receivable	416	410	6
Total net debt	\$4,969	\$4,929	\$40

²Includes \$57 million in cash collateral from counterparties in order to mitigate risk resulting from the large swings in market prices on derivative contracts

Consolidated Statement of Earnings

In millions of dollars (Unaudited)

Period Ended December 31

	2021	2020	Variance
Revenue			
Sales of electricity			
In-province	\$992	\$957	\$35
Out-of-province	329	255	74
Miscellaneous	60	52	8
Total revenue	1,381	1,264	117
Expenses			
Fuel and purchased power	555	465	90
Operations, maintenance and administration	393	363	30
Depreciation and amortization	244	242	2
Taxes	38	36	2
Total operating expenses	1,230	1,106	124
Operating earnings	151	158	(7)
Finance costs and investment income			
Finance costs	190	175	15
Sinking fund and other investment income	(12)	6	(18)
Unrealized (gains) on investments	(75)	(97)	22
Total finance costs and investment income	103	84	19
Net earnings before changes in regulatory balances	48	74	(26)
Net changes in regulatory balances	(10)	(10)	-
Net earnings	\$38	\$64	\$(26)

Operating Statistics

Period Ended December 31

	2021	2020	Variance
In-province sales (GWh)	8,906	8,763	143
Heating degree days	2,203	2,295	(92)
Export sales (GWh)	4,378	3,270	1,108
Hydro flows (below) long-term average (%)	(18)%	(10)%	(8)%
PLNGS net capacity factor (%)	84%	77%	8%

Consolidated Statement of Financial Position

In millions of dollars (Unaudited)

	As at Dec. 31, 2021	As at Dec. 31, 2020	As at March 31, 2021
Assets			
Current			
Cash ²	\$52	\$(1)	\$3
Accounts receivable	295	240	272
Materials, supplies and fuel	183	252	222
Prepaid expenses	37	29	20
Derivative assets	78	1	5
Total current assets	645	521	522
Non-current assets			
Property, plant and equipment	4,755	4,723	4,741
Sinking fund receivable	416	397	410
Other non-current assets	1,065	894	903
Total non-current assets	6,236	6,014	6,054
Total assets	6,881	6,535	6,576
Regulatory balances	847	861	858
Total assets and regulatory balances	\$7,728	\$7,396	\$7,434
Liabilities and equity			
Current liabilities			
Short-term indebtedness	\$804	\$600	\$608
Accounts payable and accrued interest	331	309	353
Current portion of long-term debt	227	400	400
Current portion of lease liability	5	5	5
Derivative liabilities	8	62	19
Total current liabilities	1,375	1,376	1,385
Non-current liabilities			
Long-term debt	4,406	4,335	4,334
Lease liability	30	25	25
Other non-current liabilities	1,371	1,305	1,373
Total non-current liabilities	5,807	5,665	5,732
Total liabilities	7,182	7,041	7,117
Total equity	546	355	317
Total liabilities and equity	\$7,728	\$7,396	\$7,434

²Includes \$57 million in cash collateral from counterparties in order to mitigate risk resulting from the large swings in market prices on derivative contracts

Consolidated Statement of Cash Flows

In millions of dollars (Unaudited)

	Period Ended December 31	
	2021	2020
Operating activities		
Cash receipts from customers	\$1,355	\$1,300
Cash paid to suppliers and employees	(1005)	(907)
Interest paid	(155)	(169)
Cash provided by operating activities	\$195	\$224
Investing activities		
Expenditures on property, plant and equipment	\$(236)	\$(245)
Cash expenditure on decommissioning	(9)	(7)
Cash used in investing activities	\$(241)	\$(250)
Financing activities		
Proceeds on long-term debt	\$298	\$303
Debt retirement	(400)	(367)
(Decrease) in short-term indebtedness	196	(91)
Sinking fund changes	6	191
Principal repayment of lease obligation	(5)	(5)
Cash (used in) provided by financing activities	\$95	\$31
Net cash inflow (outflow)	\$49	\$5
Cash, beginning of period	3	3
Cash, end of period²	\$52	\$8

²Includes \$57 million in cash collateral from counterparties in order to mitigate risk resulting from the large swings in market prices on derivative contracts