



# Third Quarter Report

Year-To-Date Results

For the Period Ended December 31, 2015



**Énergie NB Power**

# Operational Highlights

## Smart Habits rebates help customers save and reduce New Brunswick's energy footprint

Tens of thousands of New Brunswickers saved money and energy by purchasing nearly 13,000 programmable thermostats last fall as part of NB Power's Smart Habits rebate program, which offered in-store rebates on energy efficient products from October 1 to November 30. During the months of October and November, NB Power offered rebates on LED bulbs, water-efficient showerheads and programmable thermostats in 170 stores around the province. Thanks to the rebate program, consumers saved about \$1.1 million on 624 showerheads, 293,000 LED bulbs, and nearly 13,000 programmable thermostats. Once installed, these products will lower customers' electricity costs by almost \$1.1 million annually.

Incenting energy efficient products is just one of the initiatives NB Power is rolling out as part of a comprehensive and long term strategy to reduce reliance on fossil-fuel energy, control future costs and provide customers with tools to control their monthly bills. The Smart Habits Rebate Program is one of a suite of energy efficiency programs offered by the utility, which includes the Energy Smart Commercial Buildings Retrofit Program, the Low Income Energy Savings Program, the Home Insulation Energy Savings Program and the Ductless Heat Pump program.

## Frequency of Outages down 19 per cent in the second half of 2015 compared to 2014

NB Power's reliability showed significant improvement in the six months ending December 31, 2015 as compared to the previous year. Statistics indicate that a decrease in the number and length of outages has been a positive outcome for customers who experienced a series of storm outages in November and December 2014. Electric utilities primarily use two measures of reliability. The System Average Interruption Frequency Index (SAIFI), which captures the frequency - or number - of outages experienced by a typical customer. The System Average Interruption Duration Index (SAIDI) captures the duration - or total number of hours - of outages experienced by a typical customer. A comparison of these measures for NB Power customers shows that there was a 40 per cent decrease in the length of outages and a 19 per cent decrease in the number of outages in the final six months of 2015 compared to the final six months of 2014. Of particular significance is the decrease in the number of outages (SAIFI). A 19 per cent decrease during the late fall and early winter months of New Brunswick on an index like SAIFI is a huge improvement in customer reliability as this means there were significantly fewer outages for New Brunswick homes during this period.

## Appointment of Brett Plummer, new Site Vice President and Chief Nuclear Officer, Point Lepreau

On November 1, 2015, Brett Plummer became the Point Lepreau Nuclear Generating Station Site Vice President and Chief Nuclear Officer. Mr. Plummer began his nuclear career in the US Navy before entering the commercial nuclear power industry. He has 35 years of experience including senior leadership roles at nuclear plants in New England, including Maine Yankee and Seabrook stations. Building upon his extensive experience, he is leading the Station's improvement plan to ensure safe and reliable operation of PLGS for the remainder of the unit's life. With a renewed focus on equipment reliability and predictability, and emphasis on high standards for safety and human performance, the PLGS team is working towards becoming a top performing nuclear plant in Canada.

## NB Power participates in emergency preparedness exercises

NB Power and the Department of Public Safety tested regional nuclear emergency response plans through a full-scale, multi-jurisdictional exercise called Intrepid in November 2015. This disaster scenario exercise involved more than 1,000 people including about 200 local residents around the Point Lepreau Nuclear Generating Station. This exercise tested and demonstrated that NB Power and emergency response partners are prepared to effectively respond to, and manage any unlikely, low probability nuclear emergency. Nuclear emergency preparedness and response plans are tested regularly. Full scale exercises like Intrepid are repeated every three years. In another emergency response activity, NB Power tested its plans related to grid reliability and stability through a North American-wide table-top exercise among power operators in November.

With winter approaching, NB Power and New Brunswick Emergency Measures Organizations hosted a series of "Let's talk about extreme weather" public information sessions throughout northern New Brunswick during the first week of December. NB Power also used its social media channel to encourage New Brunswickers to prepare themselves and their families in the face of winter storms.

## Point Lepreau Generating Station operates at full capacity

As of December 31, 2015, Point Lepreau Generating Station is operating at 100 per cent reactor power for 75 consecutive days. Point Lepreau has been operating safely and reliably at high power since October 18, 2015 after experiencing challenges in the first two quarters. This is the third consecutive year that the Station has carried New Brunswick's winter heating baseload needs during the critical weeks of the winter home heating season by operating at full power. The station produces approximately 660 megawatts of non-emitting electricity to power more than 333,000 homes per year and serves as a foundational piece for domestic energy supply and export sales.

## General Rate Application for 2016/17 filed to follow financial strategy

NB Power filed a General Rate Application with the Energy and Utilities Board to request a two per cent increase for April 1, 2016. As mandated in the *Electricity Act*, NB Power pursues a long-term financial plan to ensure long-term low and stable rates, pay down debt and increase funds to invest in programs such as Reduce and Shift Demand and energy efficiency rebates. A hearing on the application is expected later in 2016.

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

# Financial Highlights

## Free Cash Flow<sup>1</sup> and Change in Net Debt<sup>2</sup>

Year-to-date free cash outflow was \$10 million compared to the prior year's free cash inflow of \$57 million; the \$67 million negative variance is due to the cost of Lepreau unplanned outages, higher fuel inventory, timing of accounts receivable receipts partially offset by lower capital expenditures. This year-to-date cash outflow of \$10 million is reflected in an increase in net debt (net debt at December 31, 2015 \$4,924 million compared to \$4,915 million at March 31, 2015).

## Financial Overview

NB Power's net earnings were \$- million for the first nine months of the 2015/16 fiscal year compared to net earnings of \$81 for the same period last year. The decrease in net earnings of \$81 million was largely attributable to increases in expenses related to outages at the Point Lepreau Generating Station, lower nuclear investment transition income and a decline in investment market value.

## Electricity Operations

NB Power incurred earnings before depreciation, interest and investment earnings of \$377 million for the nine-month period compared to \$404 million for the same period last year.

Revenue from electricity sales within New Brunswick totaled \$915 million for the nine-month period, which was \$7 million or 0.8% higher than the same period last year. The increase was primarily attributed to the change in rates from October 2014 and October 2015. Out-of-province revenues of \$245 million were \$24 million or 10.8% higher than the same period last year reflecting higher out-of-province prices and a higher volume of opportunity sales.

Expenses attributed to electricity operations were \$848 million for the nine-month period, an increase of \$64 million or 8.2% higher than the same period last year. The increase was primarily a result of a \$35 million increase in fuel and purchased power costs and a \$25 million increase in operations, maintenance and administration (OM&A) costs. The increase in fuel and purchased power costs was primarily due to higher priced generation requirements as a result of unplanned outages at the Point Lepreau Generating Station. The increase in OM&A was mainly due to higher costs associated with unplanned outages and additional preventative maintenance work at Point Lepreau.

## Other

Depreciation expense was \$184 million for the nine-month period, an increase of \$9 million or 5.1% higher than the same period last year. The increase was mainly due to generating station inspection and overhauls from prior years that are required to be capitalized and depreciated under newly adopted International Financial Reporting Standards (IFRS) accounting standards. Finance charges and other income are \$21 million or 13.7% higher than the same period last year. The increase is primarily due to lower investment fund transition income and investment market losses for the nine-month period due to volatile investment market conditions.

### Note

The information provided in this report includes year-over-year financial variances for the year-to-date period. 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<sup>3</sup>. These should be read in conjunction with the audited annual financial statements.

The current year and prior year balances are in accordance with IFRS. As a result of the transition to IFRS, retained earnings and accumulated other comprehensive income (AOCI) were adjusted. The major variances related to a change in the discount rate of the decommissioning liabilities and the fair value remeasurement of employee future benefits.

<sup>1</sup> Free cash flow is defined as the net cash flow from operating activities and investing activities.

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

<sup>3</sup> 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		
	2015	2014	Variance
<b>Revenues</b>			
In-province revenue	\$915	\$909	\$6
Out-of-province revenue	245	221	24
Miscellaneous revenue	65	58	7
	1,225	1,188	37
<b>Expenses</b>			
Fuel & purchased power	(479)	(444)	(35)
Operations, maintenance and administration	(338)	(313)	(25)
Taxes	(31)	(27)	(4)
<b>Earnings before depreciation, interest and investment earnings</b>	<b>377</b>	<b>404</b>	<b>(27)</b>
Depreciation	(184)	(175)	(9)
Finance charges and other income	(174)	(153)	(21)
Unrealized gains (losses) on investments	(5)	18	(23)
<b>Net earnings (loss)</b>	<b>\$14</b>	<b>\$94</b>	<b>(\$80)</b>
Regulatory deferral - PLGS refurbishment	(14)	(13)	(1)
<b>Net earnings (loss) after net adjustments in regulatory balances</b>	<b>\$-</b>	<b>\$ 81</b>	<b>(\$81)</b>

# Consolidated Balance Sheet

In Millions of Dollars  
(Unaudited)

Assets	As at Dec. 31, 2015	As at Dec. 31, 2014	As at March 31, 2015
<b>Current assets</b>			
Cash and short-term investments	\$- <sup>1</sup>	\$2	\$3
Accounts receivable	205	212	269
Materials, supplies and fuel	212	179	153
Prepaid expenses	18	17	9
Current portion of long-term receivable	-	-	1
Current portion of derivative assets	92	59	67
	527	469	502
Property, plant and equipment	4,360	4,249	4,387
Sinking fund receivable	476	429	471
Long-term and other assets	785	749	770
<b>Total Assets</b>	<b>\$6,148</b>	<b>\$5,896</b>	<b>\$6,130</b>
Regulatory deferral	1,020	1,039	1,033
	<b>\$7,168</b>	<b>\$6,935</b>	<b>\$7,163</b>

## Liabilities and Shareholder's Equity

<b>Current liabilities</b>			
Short-term indebtedness	\$854	\$808	\$784
Accounts payable and accrued interest	284	265	309
Current portion of long-term debt	480	400	580
Current portion of derivative liabilities	146	60	73
	1,764	1,533	1,746
Long-term debt	4,066	4,179	4,025
Deferred liabilities and derivative liabilities	1,145	885	1,055
Shareholder's equity	193	338	337
<b>Total Liabilities and Shareholder's Equity</b>	<b>\$7,168</b>	<b>\$6,935</b>	<b>\$7,163</b>

<sup>1</sup> Less than \$1 million.

# Consolidated Statement of Cash Flows

In Millions of Dollars  
(Unaudited)

Nine months ended December 31

Operating Activities	2015	2014
Net earnings (loss) for the year	\$ -	\$ 81
Amounts not requiring a current cash payment	197	138
Nuclear decommissioning and used fuel management funds installments and earnings	-	(6)
Net change in non-cash working capital	(28)	75
	<b>\$169</b>	<b>\$288</b>
<b>Investing Activities</b>		
Cash expenditure on decommissioning	(19)	(8)
Expenditure on property, plant and equipment, net of customer contributions and proceeds on disposal	(160)	(223)
	<b>(179)</b>	<b>(231)</b>
<b>Financing Activities</b>		
Debt retirements	(400)	-
Proceeds from long-term debt obligations	300	-
Sinking fund installments and earnings	37	(8)
Increase (decrease) in short-term debt	70	(50)
	<b>\$7</b>	<b>(\$58)</b>
Net cash (outflow) inflow	(\$3)	(\$1)
Cash, beginning of period	3	3
<b>Cash, end of period</b>	<b>\$<sup>-1</sup></b>	<b>\$2</b>

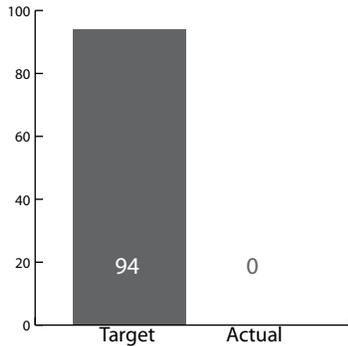
<sup>1</sup> Less than \$1 million.

# Key Performance Indicators

One of the three key strategies of NB Power's Strategic Plan is that NB Power will target being a top-quartile performer as compared to public and private utilities in North America. The Targets shown in the key performance indicators below are in-year targets toward achieving our ultimate goal of top-quartile performance. These key performance indicators were selected to reflect our core areas of focus: financial results, reliability and safety. These year-to-date measures will be monitored on a quarterly basis.

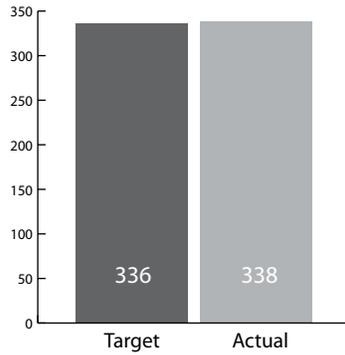
## Financial Results

### Net Earnings (loss) (\$ millions)



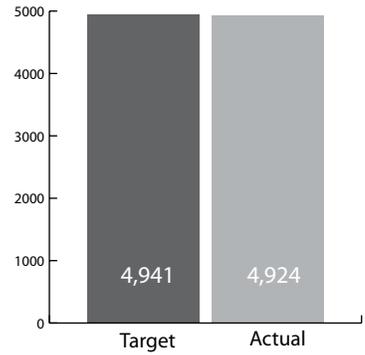
Net earnings (loss) is a measure of our profitability.

### OM&A (\$ millions)



Operations, maintenance and administration (OM&A) costs are largely controllable by management over the medium term and are an important measure of financial success.

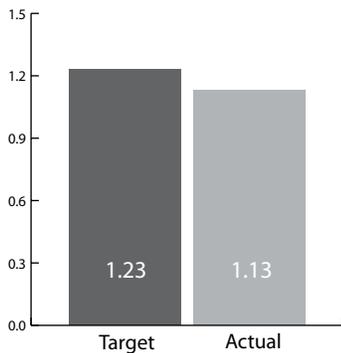
### Net Debt (\$ millions)



The total amount of short and long-term debt outstanding less deferred debt charges and cash.

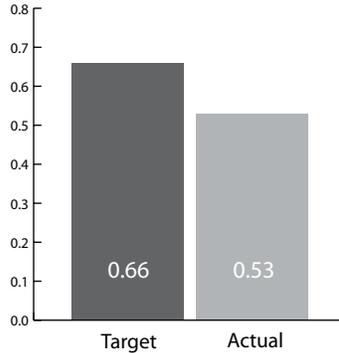
## Reliability

### SAIDI



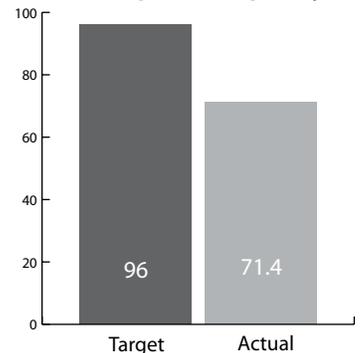
System Average Interruption Duration Index (SAIDI) is a standard utility indice that measures average total outage duration

### SAIFI



System Average Interruption Frequency Index (SAIFI) is a standard utility indice that measures the average frequency of interruption per customer served.

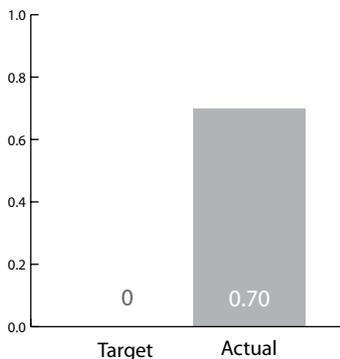
### Point Lepreau Capacity Factor (%)



Capacity factor is the total amount of energy Point Lepreau produced during the year divided by the amount of energy the Station would have produced at full capacity.

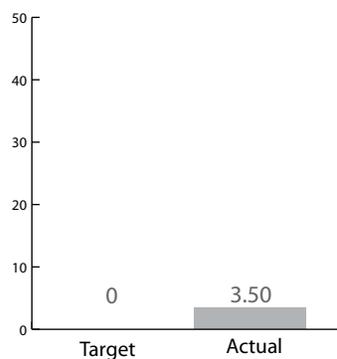
## Safety

### All-Injury Frequency Rate



The all-injury frequency rate represents a summary of all injuries per each 200,000 hours of actual hours worked.

### Lost-Time Injury Severity Rate



The lost-time injury severity rate represents the total number of work days lost per each 200,000 hours of actual hours worked.