



Third Quarter Report

Year-To-Date Results

For the Period Ended December 31, 2016



Énergie NB Power

Operational Highlights

NB Power Recommends Life Achievement for the Mactaquac Generating Station

On December 20, 2016, NB Power announced its recommendation of a life achievement project to maintain the Mactaquac Generating Station to its intended lifespan of approximately 2068. This recommendation follows a comprehensive review process, which took into account environmental, social, technical and cost considerations. It also follows extensive and ongoing consultation with First Nations.

In the coming months, NB Power will seek appropriate environmental approvals with the Province of New Brunswick and will follow the application and review processes defined by the Energy and Utilities Board (EUB).

NB Power's expert research and public engagement resulted in a number of detailed reports containing information that will form the foundation of NB Power's regulatory applications.

For more information on the project, key documents and detailed backgrounders on topics of interest, consult our project website. (<https://www.nbpower.com/en/about-us/projects/mactaquac-project>)

Point Lepreau Nuclear Generating Station Update

The Point Lepreau Nuclear Generating Station (PLNGS) has operated at high power since the completion of its planned outage in June 2016, except for a short unplanned outage to correct a configuration issue. A continued focus on improving equipment reliability resulted in a net capacity factor of 96 per cent for the quarter.

NB Power Seeking Licence Renewal for the Point Lepreau Nuclear Generating Station

The process to renew the Power Reactor Operating Licence for PLNGS is underway. NB Power applied for a five-year Power Reactor Operating Licence issued by an independent federal nuclear regulator, the Canadian Nuclear Safety Commission (CNSC). The current Power Reactor Operating Licence expires in June 2017.

To engage the public in this regulatory process, NB Power hosted a Public Information Session on November 29, 2016 in Dipper Harbour. Part 1 of the hearing was January 26, 2017, in Ottawa, ON. It involved presentations from NB Power and CNSC staff to the CNSC Commission.

Part 2 of the hearing will occur May 10-11, 2017, in Saint John, NB. The Commission members will continue the hearing process with participation from NB Power and CNSC staff. During Part 2, registered intervenors will have an opportunity to make presentations to the Commission. Members of the public are encouraged to get involved in the regulatory process and can register with the CNSC to participate as an intervener until March 27, 2017.

NB Power Launched Home Energy Reports for Residential Customers

NB Power customers can save money and energy with access to a new personalized home energy report tool. The Home Energy Report helps customers better understand their energy use, as well as get personalized insights, energy-saving tips and advice on how to get the most from their energy-efficiency investments.

Residential customers have access to the program through their NB Power online account. Through an easy-to-use web portal, customers can track their usage over time, compare it to nearby similar homes, understand the impact of weather, and get suggestions for changing behaviours and planning for investments in energy upgrades. A randomly selected group of 125,000 customers also received a printed Home Energy Report by mail and they will continue to receive this report on a bimonthly basis.

NB Power Files General Rate Application with Energy and Utilities Board for 2017/18

NB Power filed its General Rate Application with the EUB containing evidence in support of a rate increase that will average out at two per cent across all rate classes starting April 1, 2017. This increase allows the utility to continue repaying debt while also investing in outage prevention and customer reliability and maintaining the lowest electricity rates in the Maritime provinces.

The filing will allow the EUB and various stakeholders to review the evidence in preparation for a hearing in February. The Evidence document can be accessed on the New Brunswick Energy and Utilities Board's website.

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

Financial Highlights

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 change¹. These should be read in conjunction with the audited annual financial statements.

Free Cash Flow² and Change in Net Debt³

Year-to-date free cash outflow was \$7 million compared to the prior year's free cash outflow of \$8 million. The operating cash flows have increased \$49 million due to higher gross margin and receipt of a long-term receivable earlier than expected, partially offset by increased payouts for post-employment benefits due to union contract ratifications and increased operations, maintenance and administration (OM&A). This is all partially offset by increases in capital spending for the PLNGS maintenance outage.

This year-to-date cash outflow of \$7 million results in an increase in net debt. Net debt at December 31, 2016 was \$4,920 million compared to \$4,913 million at March 31, 2016.

Electricity Operations

NB Power incurred earnings from operations of \$205 million for the nine-month period compared to \$198 million for the same period last year.

Revenue from electricity sales within New Brunswick totaled \$939 million for the nine-month period, which was \$24 million or 3 per cent higher than the same period last year. The increase was primarily attributed to the rate increases in October 2015 and July 2016. Out-of-province revenues of \$179 million were \$66 million or 27 per cent lower than the same period last year mainly due to lower volumes related to serving fewer standard offer service contracts.

Expenses attributed to electricity operations were \$968 million for the nine-month period, a decrease of \$59 million or 6 per cent lower than the same period last year. The decrease was primarily a result of a \$69 million decrease in fuel and purchased power costs, a \$7 million decrease in depreciation and amortization, partially offset by a \$16 million increase in OM&A.

The decrease in fuel and purchased power costs was primarily due to lower volumes required as there were less export and in-province sales and lower overall supply costs. The decrease in depreciation and amortization was mainly related to asset life changes at Coleson Cove and Belledune. The increase in OM&A was mainly due to increases to customer efficiency incentives and rebates (primarily Heat Pump Program) and the recognition of investments made in new products and services research and development. These were partially offsets by additional costs being capitalized associated with the PLNGS planned maintenance outage.

Other Income and Expenses

Finance charges and other income and unrealized gains on investments are \$152 million or 17 per cent lower than the same period last year. The decrease is mainly due to unrealized gains on mark-to-market nuclear funds versus losses in prior year, and lower interest on long-term debt. NB Power financial results are impacted by the volatility of market conditions as it relates to nuclear fund investments. Changes in the market value of these funds largely flow through net earnings and can significantly impact results. A one per cent change in the value of the funds can change net earnings by over \$7 million.

Financial Overview

Net earnings for the period ended December 31, 2016 were \$44 million, which represents a \$39 million increase in earnings compared to the same period in the prior year. The increase was largely a result of increased unrealized mark-to-market gains on nuclear trust fund investments, lower interest on LTD, and an increase in gross margin.

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

² Free cash flow is defined as the net cash flow from operating activities and investing activities less earnings on sinking funds, foreign exchange on debt, and deferred debt costs (additions to, and amortization of premiums and discounts).

³ 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)

	Nine months ended December 31		
	2016	2015	Variance
Revenues			
In-province	\$939	\$915	\$24
Out-of-province	179	245	(66)
Miscellaneous	55	65	(10)
	1,173	1,225	(52)
Expenses			
Fuel and purchased power	(410)	(479)	69
Operations, maintenance and administration	(349)	(333)	(16)
Taxes	(32)	(31)	(1)
Depreciation and amortization	(177)	(184)	7
	(968)	(1,027)	59
Net earnings from operations	205	198	7
Finance charges and other income	(185)	(179)	(6)
Unrealized gains (losses) on investments	33	(5)	38
Net earnings before changes in regulatory balances	53	14	39
Net changes in regulatory balances	(9)	(9)	-
Net earnings	\$44	\$5	\$39

Consolidated Statement of Financial Position

In Millions of Dollars
(Unaudited)

Assets	As at Dec. 31, 2016	As at Dec. 31, 2015	As at March 31, 2016
Current assets			
Cash	\$4	\$-	\$2
Accounts receivable	225	204	235
Materials, supplies and fuel	181	212	204
Prepaid expenses	21	18	11
Current portion of long-term receivable	-	-	1
Derivative assets	16	92	16
Total Current Assets	447	526	469
Property, plant and equipment	4,275	4,360	4,237
Sinking fund receivable	505	476	464
Long-term and other assets	750	785	725
Total Assets	5,977	6,147	5,895
Regulatory balances	1,012	1,025	1,021
Total Assets and Regulatory Balances	\$6,989	\$7,172	\$6,916
Liabilities and Shareholder's Equity			
Current liabilities			
Short-term indebtedness	\$899	\$854	\$855
Accounts payable and accrued interest	270	281	296
Current portion of long-term debt	100	480	400
Derivative liabilities	42	146	95
Total Current Liabilities	1,311	1,761	1,646
Long-term debt	4,430	4,066	4,124
Deferred liabilities and derivative liabilities	919	1,148	939
Shareholder's equity	329	197	207
Total Liabilities and Shareholder's Equity	\$6,989	\$7,172	\$6,916

Consolidated Statement of Cash Flows

In Millions of Dollars
(Unaudited)

Nine months ended December 31

Operating Activities	2016	2015
Net earnings	\$44	\$5
Finance costs	215	244
Depreciation and amortization	177	187
Amounts charged or credited to operations not requiring a cash payment	(57)	(72)
Net change in non-cash working capital balances	10	(16)
Change in long-term receivable	15	-
Interest paid	(190)	(200)
Post-employment benefits	(27)	-
Customer contributions	12	2
Cash Provided by Operating Activities	\$199	\$150
Investing Activities		
Expenditure on property, plant and equipment, net of proceeds on disposal	(207)	(165)
Cash expenditure on decommissioning	(16)	(10)
Cash Used in Investing Activities	\$(223)	\$(175)
Financing Activities		
Proceeds from long-term debt net of non-cash components	\$1,095	\$312
Increase in short-term indebtedness	44	70
Sinking fund installments/redemptions	(13)	40
Debt retirements	(1,100)	(400)
Cash Provided by Financing Activities	\$26	\$22
Net cash inflow (outflow)	\$2	\$(3)
Cash, beginning of period	2	3
Cash, end of period	\$4	\$-

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 are monitored on a quarterly basis.

Measures	Actual	Target	Description
Financial Results			
Net Earnings (\$ millions)	44	95	Net earnings is a measure of our profitability.
OM&A (\$ millions)	349	317	Operations, maintenance and administration (OM&A) costs.
Net Debt (\$ millions)	4,920	4,838	The total amount of short and long-term debt outstanding less deferred debt charges and cash.
Reliability			
System Average Interruption Duration Index (SAIDI) ↓ is better	4.93	3.75	System Average Interruption Duration Index (SAIDI) is a standard utility indice that measures average total outage duration.
System Average Interruption Frequency Index (SAIFI) ↓ is better	2.43	2.26	System Average Interruption Frequency Index (SAIFI) is a standard utility indice that measures the average frequency of interruption per customer served.
Point Lepreau Nuclear Generating Station (PLNGS) Capacity Factor (%) ↑ is better	71.9	77.9	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	0.51	0	The all injury rate represents a summary of all injuries per each 200,000 hours of actual hours worked.
Lost-Time Injury Severity Rate	3.84	0	The lost-time injury rate represents the total number of work days lost per each 200,000 hours of actual hours worked.

*Note: Lower year-to-date target reflects a planned maintenance outage at PLNGS.