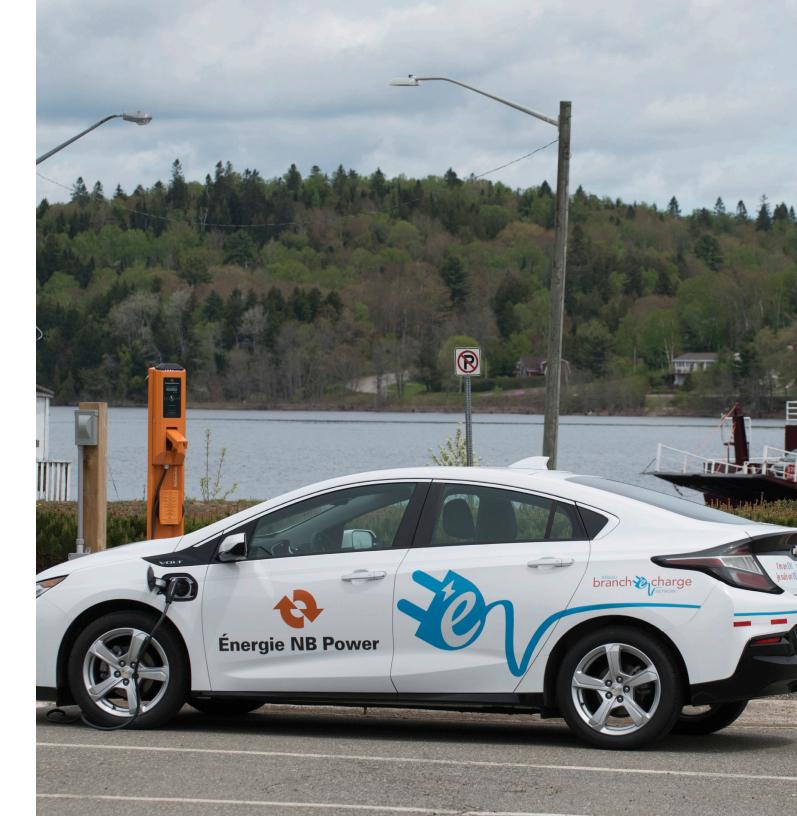
SECOND QUARTER

REPORT

YEAR-TO-DATE RESULTS

For the period ended September 30, 2017





OPERATIONAL HIGHLIGHTS

Standard level-2 charging stations are installed with each of the fast-charging stations and are part of NB Power's province-wide eCharge Network for electric vehicles.

NB Power outlines actions following Ice Storm review

In August, NB Power released its 2017 Ice Storm Review Lessons Learned Report. NB Power identified areas where it can improve its operations in order to improve emergency preparedness in major weather events, following an internal and provincial review of the Ice Storm that occurred in the winter of 2017.

NB Power and the Emergency Measures Organization participated in public meetings, which were scheduled as part of the review conducted by the Clerk of the Executive Council, Judy Wagner, and her team. In addition to these public meetings regarding the ice storm, NB Power undertook its own review and submitted it to the Executive Council Office for consideration.

The review focused on storm preparations, response and follow up in the areas of customer and public communications, operations, logistics and supply chain, environment, contact center performance, safety and external relations. As a result of the review, NB Power committed to a number of improvements, which are detailed in the Ice Storm Review.

NB Power expands its provincial electric vehicle charging network

In August, NB Power commissioned two more fast-charging stations along the Trans-Canada Highway in Woodstock and Prince William giving electric vehicle drivers more options for recharging in New Brunswick.

The Woodstock Murray's Irving and the Prince William Petro-Canada / Acorn Restaurant fast-charging stations are available for use in the parking lots next to each service station. In addition to these sites, fast-charging stations

for electric vehicles can be found along the Trans-Canada at the following locations: Edmundston, Perth-Andover, Youngs Cove, Lincoln, Salisbury, and Aulac. Standard level-2 charging stations are installed with each of the fast-charging stations and are part of NB Power's province-wide eCharge Network for electric vehicles.

Home Energy Report program helps New Brunswickers save \$1.27 million in energy costs

NB Power residential customers have saved more than \$1.27 million by making small changes in their energy habits since the Home Energy Report program was launched in January of this year. Customers have saved approximately 11.8 GWh of energy since the program was introduced – enough electricity to power approximately 700 homes for a year.

NB Power's Home Energy Report helps customers understand how their household electricity use compares to other similar homes, giving homeowners a benchmark for their electricity use as well as personalized tips to help save energy. Energy and financial savings are determined using industry best practices for the evaluation, measurement and verification of residential behaviour-based energy efficiency programs.

OPERATIONAL HIGHLIGHTS

Funding offered to small businesses for energy efficient lighting upgrades

NB Power is helping small business and commercial building owners save energy and money with a new incentive program for energy efficient lighting upgrades. The Small Business Lighting Program offers eligible businesses targeted advice and financial incentives for upgrades to lighting systems and controls. Lighting can be a significant portion of the electricity bill for a small business and, through this program business owners can get up to \$7,500 in incentives.

This is the second energy efficiency program for commercial businesses and, along with the Commercial Buildings Retrofit Program, it is aimed at helping businesses eliminate energy waste and improve profitability by reducing energy and maintenance costs.

Chaleur Regional Services Commission prepares to produce electricity

NB Power signed an agreement to buy about 6,000 megawatt hours of power each year for the next 20 years from the Chaleur Regional Services Commission. The power, which is expected to come online in September 2018, will be generated from methane at the Chaleur Regional Landfill site in Allardville. The amount of electricity generated will be enough to power about 135 homes.

The Chaleur facility joins three others in Fredericton, Edmundston and Moncton, which have power purchase agreements with NB Power. These projects will help NB Power achieve its goal of having 40 per cent of its in-province generation coming from renewable sources by 2020.

NB Power enhances home insulation energy saving program

Owners of electrically heated homes in New Brunswick can now participate in NB Power's Home Insulation Energy Savings Program by arranging a home energy evaluation for only \$99 plus HST. Program participants who do a major insulation upgrade are now also eligible for a \$500 bonus for each ductless heat pump installed. In addition to helping homeowners, the program also provides opportunity for New Brunswick contractors.

The Home Insulation Energy Savings Program was launched in 2015 and has helped hundreds of homeowners save, on average, \$700-\$1,000 annually on their energy costs. Participants are also getting, on average, \$1,800 back in incentives from NB Power to help them pay for their upgrades. Most can recoup the cost of their investment in three to five years.

The first step in the program is a home energy evaluation which will identify the areas for improvements and allow NB Power to provide the homeowner with a report which details the recommended upgrades, and estimates the homeowner's eligible incentives.

FINANCIAL HIGHLIGHTS¹

Electricity operations

NB Power's operating earnings were \$116 million for the sixmonth period, which was \$27 million or 19 per cent lower than the same period last year.

Revenue from electricity sales within New Brunswick totaled \$580 million for the six-month period, which was \$7 million or one per cent higher than the same period last year. The increase was primarily attributed to the April 2017 rate increase partially offset by warmer weather so far in current year. Out-of-province revenues of \$124 million were \$9 million or eight per cent higher than the same period last year mainly due to higher export sales.

Expenses attributed to electricity operations were \$628 million for the six-month period, an increase of \$47 million or eight per cent higher than the same period last year. The increase was primarily a result of an increase in fuel and purchased power cost of \$23 million, a \$16 million increase in operations, maintenance and administration (OM&A), and a \$7 million increase in depreciation and amortization.

Fuel and purchased power costs were \$23 million higher as a result of higher supply prices due to increased purchase power prices and lower hydro flows. The \$16 million increase in OM&A was primarily due to more non-capital maintenance work being completed at the Point Lepreau Nuclear Generating Station (PLNGS) in current year. Depreciation expense was \$7 million higher as a result of the 2016/17 PLNGS planned capital maintenance outage.

Other income and expenses

NB Power's other income and expenses (finance costs, sinking funds and other investment income, and market value gains on investments) were \$116 million, an increase of \$24 million or 26 per cent higher than the same period last year. Less favourable market conditions led to a decrease in the gains on the investments year over year. Other variances are largely due to foreign exchange fluctuations on US debt and investments

Financial overview

Net loss for the period ended September 30, 2017 was \$6 million, which represents a \$51 million decrease in earnings compared to the same period last year. The decreased earnings is largely the result of higher OM&A costs, weaker financial investment performance, and a decrease in gross margin (in and out-of-province revenue less fuel and purchased power costs).

Debt management

NB Power is making progress towards achieving a minimum debt/equity ratio of 80/20 as prescribed in the *Electricity Act*. Debt reduction is necessary so that NB Power has the flexibility to respond to changing markets and technologies and to better prepare for future investment requirements. The table below summarizes the net debt in capital structure.

(in millions)	30 Sept. 2017	31 March 2017	Change
Total debt	\$5,404	\$5,404	\$-
Cash	2	1	1
Sinking fund receivable	519	503	16
Total net debt ²	\$4,883	\$4,900	\$(17)

Debt reduction is achieved when there is surplus cash after providing for the day-to-day operating and investing requirements. As the table above illustrates, net debt was reduced by \$17 million during the 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. 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 (LOSS)

In millions of dollars (Unaudited)

	Six m	Six months ended September 30		
	2017	2016	Variance	
Revenue				
In-province	\$580	\$573	\$7	
Out-of-province	124	115	9	
Miscellaneous	40	36	4	
Total revenue	744	724	20	
Expenses				
Fuel and purchased power	(254)	(231)	(23)	
Operations, maintenance and administration	(229)	(213)	(16)	
Taxes	(22)	(21)	(1)	
Depreciation and amortization	(123)	(116)	(7)	
Total operating expenses	(628)	(581)	(47)	
Operating earnings	116	143	(27)	
Finance costs	(115)	(138)	23	
Sinking funds and other investment income	(6)	15	(21)	
Unrealized gains on investments	5	31	(26)	
Net earnings before changes in regulatory balances	-	51	(51)	
Net changes in regulatory balances	(6)	(6)	-	
Net earnings (loss)	\$(6)	\$45	\$(51)	

OPERATING STATISTICS

	Six m	onths ended	September 30
	2017	2016	Variance
In-province sales (GWh)	5,499	5,553	(54)
Export sales (GWh)	1,703	1,547	156
Hydro flows above (below) long-term average (%)	(21)	12	(33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of dollars (Unaudited)

Assets Current assets	As at Sept. 30, 2017	As at Sept. 30, 2016	As at March 31, 2017
Cash	\$2	\$1	\$1
Accounts receivable	167	148	255
Materials, supplies and fuel	148	194	168
Prepaid expenses	37	31	13
Derivative assets	-	9	7
Total current assets	354	383	444

Non-current assets

Property, plant and equipment	4,324	4,295	4,280
Sinking fund receivable	519	483	503
Long-term and other assets	733	763	732
Total non-current assets	5,576	5,541	5,515
Total assets	5,930	5,924	5,959
Regulatory balances	1,003	1,015	1,009
Total assets and regulatory balances	\$6,933	\$6,939	\$6,968

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of dollars (Unaudited)

Liabilities and equity	As at Sept. 30, 2017	As at Sept. 30, 2016	As at March 31, 2017
Current liabilities			
Short-term indebtedness	\$897	\$904	\$977
Accounts payable and accrued interest	260	231	297
Current portion of long-term debt	650	100	420
Derivative liabilities	27	75	14
Total current liabilities	1,834	1,310	1,708
Non-current liabilities			
Long-term debt	3,857	4,422	4,007
Deferred liabilities and derivative liabilities	958	922	933
Total non-current liabilities	4,815	5,344	4,940
Total liabilities	6,649	6,654	6,648
Total equity	284	285	320
Total liabilities and equity	\$6,933	\$6,939	\$6,968

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of dollars (Unaudited)

	Six months ended September 30		
	2017	2016	
Operating activities			
Cash receipts from customers	\$842	\$818	
Cash paid to suppliers and employees	(533)	(560)	
Interest paid	(131)	(119)	
Cash provided by operating activities	\$178	\$139	
Investing activities			
Cash invested in property, plant and equipment	\$(162)	\$(169)	
Cash expenditure on decommissioning	(8)	(11)	
Cash used in investing activities	\$(170)	\$(180)	
Financing activities			
Cash from long-term debt	\$99	\$296	
Debt retirements	-	(300)	
Repayment of short-term indebtedness	(80)	49	
Sinking fund withdrawals and purchases (net)	(26)	(5)	
Cash provided by (used in) financing activities	\$(7)	\$40	
Net cash inflow (outflow)	\$1	\$(1)	
Cash, beginning of period	1	2	
Cash, end of period	\$2	\$1	