

# SECOND QUARTER REPORT

## YEAR-TO-DATE RESULTS

For the period ended  
September 30, 2018



NEW BRUNSWICK  
POWER CORPORATION



**Énergie NB Power**

# OPERATIONAL HIGHLIGHTS

Customers are increasingly asking NB Power about energy efficiency programs, renewable energy opportunities and how NB Power is responding to global trends in the energy market. To answer those questions and more, NB Power visited festivals and events around the province and invited people into its new showcase home.

While visiting the new showcase home, customers could see and experience the value-added energy services NB Power is offering and find out more about the company's energy-saving programs and evolving products and services. The home features a solar panel system, ENERGY STAR® appliances, a home electric vehicle charging station, LED lighting, a high-efficiency heat pump, a home energy portal system and a 72-hour outage kit and can be seen in upcoming events around the province.

## **In the community engaging with customers**

NB Power representatives were welcomed at 23 community events around the province this quarter where staff engaged with customers, and showcased products and services.

NB Power employees were proud to help spread the word to New Brunswickers about the value added energy services the utility has to offer. From energy saving programs to evolving products and services, these visits helped bring our offering to life and provide a glimpse into the future while listening to our customers' issues and concerns.

## **Work completed to strengthen system**

NB Power continued its work to strengthen infrastructure in 11 communities in the province. NB Power's multi-year transmission line rebuild program, which includes \$20 to \$27 million annually in reliability improvements, is part of the utility's more than \$100 million annual investment in transmission and distribution improvements.

During the quarter, work was completed to

- rebuild 200 kilometers of 230Kv bulk transmission system feeding toward northern New Brunswick
- refurbish steel structures on two key transmission lines feeding the Saint John area
- replace transmission line lightning arresters, which was the final phase of a three-year program
- reconfigure transmission lines in the Eel River area

## **Belledune reaches safety milestone**

Safety is a core value at NB Power and reflects our commitment to maintaining the highest safety standards for employees, contractors and the public.

The Belledune Generating Station achieved a significant safety milestone this July, celebrating 12 years without a lost time accident. This is an accomplishment our entire team is very proud of. Achieving this milestone is a testament to the strong safety culture of the men and women that operate and maintain and administer the Belledune Generating Station.

## **Preparing for full-scale nuclear emergency exercise**

During the quarter, NB Power and the New Brunswick Emergency Measures Organization (NBEMO) prepared for a full-scale nuclear emergency exercise, to be held in early October. This exercise included participation by regional, provincial and federal institutions. As part of the Point Lepreau Nuclear Generating Station's licensing requirements, a full-scale nuclear emergency exercise is required every three years to test the province's readiness in response to a large-scale emergency.

This exercise referred to as Synergy Challenge was a multi-tier and multi-jurisdiction event for the Point Lepreau Nuclear Generating Station that tests emergency preparedness, response and recovery capabilities, as well as decision-making by NB Power, NBEMO and emergency response partners. About 1,000 people representing more than 35 agencies and organizations were preparing to participate.

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

# FINANCIAL HIGHLIGHTS<sup>1</sup>

## Electricity operations

NB Power's operating earnings were \$102 million for the six-month period, which was \$14 million or 12 per cent lower than the same period last year. The decrease in operating earnings is primary attributed to capital-related expenses (depreciation), and an increase in operations, maintenance and administration (OM&A) costs.

Revenue from electricity sales within New Brunswick totaled \$592 million or \$12 million higher for the six-month period due to colder weather resulting in an increase in electric heating load. Out-of-province revenue was \$106 million, which was \$18 million or 15 per cent lower year-over-year due to a decrease in US sales resulting from a reduction in the number of customers under contract and the availability of surplus generation to sell into the short-term market.

Expenses attributed to electricity operations were \$642 million for the six-month period, an increase of \$14 million or two per cent. This increase was primarily a result of an \$11 million increase in depreciation and amortization expense and a \$7 million increase in OM&A, partially offset by lower fuel and purchased power costs of \$4 million.

Total fuel and purchase power costs were \$250 million or \$4 million lower for the six-month period. The cost to supply in-province load increased year-over-year due to a more complex planned maintenance outage at the Point Lepreau Nuclear Generating Station and lower hydro flows leading to the use of more expensive replacement energy. However, this was more than offset by lower out-of-province supply costs primarily due to lower US sales.

Depreciation and amortization expense was \$134 million, which was \$11 million higher than the prior period as a result of capital-related expenses for generation maintenance outages. OM&A increased \$7 million due to the spring emergency flood response, labour costs and a change in the accounting treatment of the costs and revenue associated with a joint partnership agreement offset by higher miscellaneous revenue and OM&A costs.

## Other expenses and income

NB Power's other expenses and income were \$106 million, a favourable variance of \$10 million or nine per cent. Other income was higher year over year by \$33 million as a result of gains on investments, which was due to favourable financial market conditions. This was partially offset by higher finance expenses of \$23 million year-over-year due to capital-related expenses from the prior year period and higher short-term interest rates in the current year.

## Financial overview

Net loss for the period ended September 30, 2018 was \$9 million, which represents a \$3 million decrease compared to the same period in the prior year.

## Debt management

The table below summarizes the net debt in capital structure.

(in millions)	30 Sept. 2018	31 March 2018	Change
<b>Total debt</b>	<b>\$5,373</b>	<b>\$5,278</b>	<b>\$95</b>
Cash	-	6	(6)
Sinking fund	528	505	23
<b>Total net debt<sup>2</sup></b>	<b>\$4,845</b>	<b>\$4,767</b>	<b>\$78</b>

Debt reduction is achieved when there is surplus cash after providing for the day-to-day operating and investing requirements.

Operating cash flows for the period were \$91 million while capital expenditures on property, plant and equipment were \$177 million. This is primarily a result of significant capital investments in generation assets that occurred in the first quarter of the year, when revenues were lower due to warmer weather. These outages are scheduled to coincide with non-peak periods. The corresponding increase in net debt is illustrated in the table above.

<sup>1</sup> 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.

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

# CONSOLIDATED STATEMENT OF EARNINGS

In millions of dollars (Unaudited)

	Six months ended September 30		
	2018	2017	Variance
<b>Revenue</b>			
In-province	\$592	\$580	\$12
Out-of-province	106	124	(18)
Miscellaneous	46	40	6
<b>Total revenues</b>	<b>744</b>	<b>744</b>	<b>-</b>
<b>Expenses</b>			
Fuel and purchased power	(250)	(254)	4
Operations, maintenance and administration	(236)	(229)	(7)
Taxes	(22)	(22)	-
Depreciation and amortization	(134)	(123)	(11)
<b>Total operating expenses</b>	<b>(642)</b>	<b>(628)</b>	<b>(14)</b>
<b>Operating earnings</b>	<b>102</b>	<b>116</b>	<b>(14)</b>
<b>Other expenses and income</b>			
Finance costs	(138)	(115)	(23)
Sinking fund and other investment income	12	(6)	18
Unrealized gains on investments	20	5	15
<b>Total other expenses and income</b>	<b>(106)</b>	<b>(116)</b>	<b>10</b>
<b>Net loss before changes in regulatory balances</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>
Net changes in regulatory balances	(5)	(6)	1
<b>Net loss</b>	<b>\$(9)</b>	<b>\$(6)</b>	<b>\$(3)</b>

## OPERATING STATISTICS

	Six months ended September 30		
	2018	2017	Variance
In-province sales (GWh)	5,596	5,499	97
Export sales (GWh)	1,291	1,703	(412)
Hydro flows (below) long-term average (%) <sup>3</sup>	(31)	(21)	(10)
PLNGS net capacity factor (%) <sup>4</sup>	69	81	(12)

<sup>3</sup> Although the province experienced unprecedented spring flooding, the spring runoff started later than usual with high flows over a shorter period of time resulting in lower power production by NB Power.

<sup>4</sup> The current year PLNGS net capacity factor was impacted by a more complex planned maintenance outage in the first quarter of 2018/19.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of dollars (Unaudited)

	As at Sept. 30, 2018	As at Sept. 30, 2017	As at March 31, 2018
<b>Assets</b>			
<b>Current assets</b>			
Cash	\$ -	\$2	\$6
Accounts receivable	164	167	248
Materials, supplies and fuel	207	148	166
Prepaid expenses	39	37	14
Derivative assets	21	-	-
<b>Total current assets</b>	<b>431</b>	<b>354</b>	<b>434</b>
<b>Non-current assets</b>			
Property, plant and equipment	4,379	4,324	4,337
Sinking fund	528	519	505
Long-term and other assets	816	733	770
<b>Total non-current assets</b>	<b>5,723</b>	<b>5,576</b>	<b>5,612</b>
<b>Total assets</b>	<b>6,154</b>	<b>5,930</b>	<b>6,046</b>
Regulatory balances	889	1,003	894
<b>Total assets and regulatory balances</b>	<b>\$7,043</b>	<b>\$6,933</b>	<b>\$6,940</b>

	As at Sept. 30, 2018	As at Sept. 30, 2017	As at March 31, 2018
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short-term indebtedness	\$857	\$897	\$871
Accounts payable and accrued interest	269	260	314
Current portion of long-term debt	630	650	410
Derivative liabilities	2	27	13
<b>Total current liabilities</b>	<b>1,758</b>	<b>1,834</b>	<b>1,608</b>
<b>Non-current liabilities</b>			
Long-term debt	3,886	3,857	3,997
Deferred liabilities and derivative liabilities	1,001	958	997
<b>Total non-current liabilities</b>	<b>4,887</b>	<b>4,815</b>	<b>4,994</b>
<b>Total liabilities</b>	<b>6,645</b>	<b>6,649</b>	<b>6,602</b>
<b>Total equity</b>	<b>398</b>	<b>284</b>	<b>338</b>
<b>Total liabilities and equity</b>	<b>\$7,043</b>	<b>\$6,933</b>	<b>\$6,940</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of dollars (Unaudited)

	Six months ended Sept. 30	
	2018	2017
<b>Operating activities</b>		
Cash receipts from customers	\$826	\$842
Cash paid to suppliers and employees	(603)	(533)
Interest paid	(132)	(131)
<b>Cash provided by operating activities</b>	<b>\$91</b>	<b>\$178</b>
<b>Investing activities</b>		
Cash invested in property, plant and equipment	\$(177)	\$(162)
Used fuel management and decommissioning fund withdrawals	4	-
Cash expenditure on decommissioning	(7)	(8)
<b>Cash used in investing activities</b>	<b>\$(180)</b>	<b>\$(170)</b>
<b>Financing activities</b>		
Cash from long-term debt	\$338	\$99
Debt retirements	(230)	-
Repayment of short-term indebtedness	(14)	(80)
Sinking fund withdrawals and purchases (net)	(11)	(26)
<b>Cash provided by (used in) financing activities</b>	<b>\$83</b>	<b>\$(7)</b>
Net cash (outflow) inflow	\$(6)	\$1
Cash, beginning of period	6	1
<b>Cash, end of period</b>	<b>\$-</b>	<b>\$2</b>