

Q4 QUARTERLY REPORT

for period ending March 31, 2009



Énergie NB Power

2

introduction

This report focuses on the progress NB Power has made in 10 key business areas during the fourth quarter of the 2008/09 fiscal year. It also highlights our successes and challenges from January to March 2009.

These quarterly reports allow us to share information about how we do business and act on behalf of the people of New Brunswick. They are but one of many initiatives we have put in place to be accountable and transparent about the work we do. These reports track our progress as we face the challenge of providing reliable electricity at the lowest possible cost to New Brunswickers. We invite you to explore www.nbpower.com to find out more about who we are and what we do.

The barge that transported one of the three new low pressure turbine rotors to the Point Lepreau Generating Station (PLGS) arrived safely on March 28, 2009. Members of the local fishing community and the PLGS Community Relations Liaison Committee assisted in the event by sharing their knowledge and experience in the area to guide the barge safely to shore.





OVERVIEW OF FOURTH QUARTER

(January, February and March 2009)

3

Before addressing each indicator in detail, here is a general overview of the fourth quarter operations of this fiscal year (January to March 2009).

The success of the Point Lepreau Generating Station (PLGS) Refurbishment Project remains our top priority. Once refurbished, the Station will provide New Brunswickers with electricity for 25 to 30 years. This energy is generated from a Canadian fuel source that is not linked to volatile global fuel pricing, which helps to keep our rates as low as possible.

The Refurbishment Project continues to face scheduling challenges due to issues with the complex tooling required for retube activities. We continue to work with our partner Atomic Energy of Canada Limited (AECL) to find opportunities to recover time on the schedule during upcoming phases of the Project.

All project workers remain dedicated to safely and successfully completing this project for the people of New Brunswick.

For more details on this project, see page 8.

This quarter, hydro generation was approximately three per cent above the long-term average. Hydro generation was 17 per cent higher than average for the full fiscal year, despite having the Grand Falls Generating Station offline for five months due to damage during flooding last spring.

From April 2008 to March 2009, electricity sales and revenue were 1,092 GWh and \$84.9 million below budget. This eight per cent sales reduction resulted mainly from lower industrial sales and non-seasonal temperatures. These reductions were also related to lower fuel costs.

Since mid-2007, we have been assessing the concentration of heavy metals, in particular arsenic, in the soil, sediment and water in the general vicinity of the Grand Lake Generating Station. In January 2009, an update on the ecological assessment was provided to NB Power and sediment and water results were very positive. A comprehensive human health risk assessment is underway and will be completed by fall 2009. This quarter, we notified property owners of the status of work and there is a public information session planned for April 2009.

The safety culture fostered at NB Power is

second to none. In February, our joint health and safety committee made up of employees and union representatives marked a major milestone—15 years of monthly meetings without missing a single meeting. These individuals are dedicated to ensuring our employees get home safe at the end of every shift and together with the union, they have made great progress in keeping our employees and the public as safe as possible.

In support of the February 2008 decision by the Energy and Utilities Board (EUB), we took a proactive step in eliminating our residential declining block rate by introducing a new flat energy rate. Effective January 5, 2009, the new rate applies to newly constructed single-family dwellings, including duplexes, row-housing and semi-detached homes. With this information, customers building new homes will be better positioned to make decisions on which long-term heating options they will implement. Once the block rate is eliminated, all residential customers will pay the same rate, regardless of consumption.

In February 2009, NB Power was one of three Maritime organizations recognized by the Psychologically Healthy Workplace Award Program in Nova Scotia. We received a Special Consideration Award for Excellence in Employee Health and Safety.

In March 2009, the NB Power Board of Directors announced that David Hay, President and CEO, has had his contract extended for an additional three years. Mr. Hay has served as President and CEO of NB Power since March 2004.

New Brunswickers celebrated Earth Hour on March 28, 2009. Millions of people worldwide turned out their lights for one hour to create awareness about conservation and the environmental impact our consumption has. From 8:30 to 9:30 p.m., New Brunswickers' consumption dropped by 20 megawatts. This is equal to turning out about 400,000 lights. This is up from last year's result of a reduction of 8 megawatts.

In anticipation of possible spring flooding, a team of employees monitored river levels and worked with the New Brunswick Emergency Measures Organization. In the event that the St. John River reaches flood level, we are ready to act and help keep our customers safe.



Kim McKinley is a member of the Marketing Desk team that works to help keep rates as low as possible for New Brunswickers.



key performance indicators

Each of the Board's key performance indicators, outlined below is followed by a brief summary of NB Power's activity within this particular quarter.



Board KPI 1 Limiting rate increases

Although fuel costs are rising, management will limit rate increases to three per cent each year over the next three fiscal years: 2008/09, 2009/10 and 2010/11.

Actions in fourth quarter:

NB Power went forward with the planned three per cent rate increase for fiscal 2009/10, which came into effect on April 1, 2009.

On March 16, 2009, Energy Minister Jack Keir directed the New Brunswick Energy and Utilities Board (EUB) to investigate the necessity of the three per cent increase. We are preparing comprehensive documentation detailing the

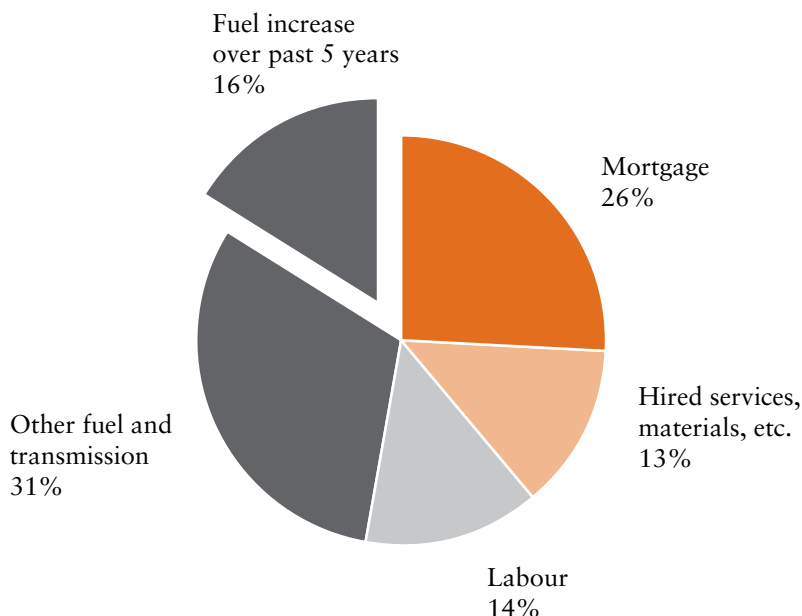
information used to make its decision for the rate increase and will be filing this evidence with the EUB by April 30. The public hearing will start on May 27.

NB Power reduces costs through initiatives such as our 24-hour, seven-days-a-week energy marketing desk by allowing us to generate extra revenue on exports and achieve direct fuel cost savings through imports. At the end of the third quarter, NB Power received approvals to carry out business transactions in the United States without a third party. In the first two months of this change, we have realized savings that covered the costs to obtain the approvals to conduct business independently. We expect that this change will result in considerable cost savings. Revenue generated from the export of power subsidizes in-province rates.

We are continuing to work towards finding new ways to keep our operational costs down to help keep our customer rates as low as possible.

Our residential rates compare very favourably amongst those of neighbouring utilities in Canada and the US. In fact, NB Power continues to see rates that remain the lowest in the Maritimes and Northeastern US. While we are facing challenges in keeping rates down, we remain committed to limiting rate increases to three per cent each year over three fiscal years: 2008/09, 2009/10 and 2010/11.

NB Power's actual costs for 2008/09





Board KPI 2 Reducing electricity consumption

NB Power, working with Efficiency NB, will help our customers get more for their electricity dollar by helping them maximize ways to conserve electricity.

Actions in fourth quarter:

We are active in New Brunswick communities and local schools by helping to educate our customers (and future customers) about the importance of conserving electricity.

This quarter, two more of the “Dollars to \$ense – Spot the Energy Savings” workshops were held in Grand Anse and Saint John. NB Power partnered with Efficiency NB and Natural Resources Canada to aid communities in learning about ways to save on their municipal energy costs. We have received a lot of positive feedback from participants and we are looking into holding more of these sessions later this year.

“The Dollars to \$ense workshops have been instrumental in reshaping the attitudes and cultures of the people within our organization who can make the largest difference in promoting our energy efficiency mandate.”

**Csaba Kazamer, Director of Engineering –
City of Miramichi**

In addition to this partnership with Efficiency NB, we have been busy with several other community initiatives to show our customers how they can conserve electricity and save money on their bills.

NB Power employees participated in several New Brunswick home shows in March. For the first time, we offered real-time customer service on site and customer feedback was extremely positive. There were computers on site so that our employees could help customers learn about our Home Energy Centre – an online tool that helps customers find energy cost savings in their homes. Since NB Power’s Home Energy Centre was launched in December, many customers have been using the tool. In addition, our employees have been meeting with the New Brunswick



LTTA participants at Park Street School created paintings to represent noise pollution.

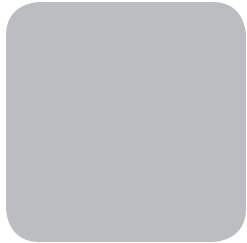
Department of Social Development to educate them so that they can share it with their clients.

In the fall, we partnered with the Department of Education and the “Learning Through the Arts” (LTTA) program. The pilot program is designed to have local artists teach grade four and five students about conservation through various forms of artistic expression. Three schools were chosen to represent the three major cultures in the province; Francophone, Anglophone and First Nations. Fredericton’s Park Street School and Elsipogtog First Nation School have completed their programs, and Académie Assomption in Bathurst is in the final planning stages for their program that will launch next quarter.

Our Conservation Education Outreach pilot with Science East has been progressing well. The program complements a unit on electricity that is currently in the New Brunswick grade six science curriculum. Professional development sessions are held so that teachers can deliver information about how electricity works and safety around electricity, with an emphasis on conservation. The four schools that participated in this pilot program were Hampton Middle School, Metepenagiag First Nation School, Eel Ground First Nation School and École Marie-Immaculée / Élémentaire Sacré Coeur. In total, approximately 180 students participated in the program.



**Dan Boulet,
Customer Service
Representative, helps
customers use the Home
Energy Centre at the
Fredericton home show.**



NB Power is working with District 10 School Board to support a new independent study class at Fundy High School in St. George. Students in the class are working on a project called Generation Energization. They are planning to conduct an energy audit on school facilities to find ways to conserve electricity. They are currently researching conservation methods and collecting data at their school. NB Power Account Managers have been working with the class and have put together an audit kit that includes devices to help them measure the electricity use of various appliances and devices.

The students' goal is to achieve a 10 per cent reduction in electricity consumption by educating fellow students, teachers, maintenance staff and school board officials. Once they have compiled their data, they will make a business case for upgrades and changes to conserve electricity. The students are also leading a school-wide campaign to reduce consumption and are promoting Earth Day activities to raise awareness, including having teachers turn out their classroom lights for the day.



Board KPI 3

Delivering electricity reliably and efficiently

The reliable and efficient delivery of electricity is fundamental to our service to New Brunswickers. To ensure the reliability of your electric power we will set and report on service targets for Fiscal 2008/09.

Actions in fourth quarter:

A significant amount of bad weather in the last quarter had a negative effect on the reliability of the distribution system in New Brunswick and the other Maritime provinces.

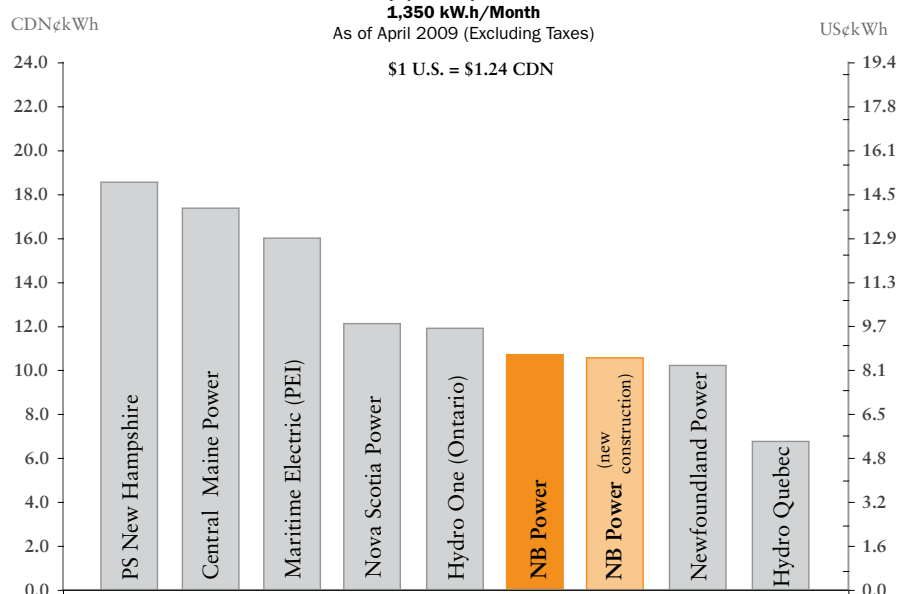
We slightly exceeded the target for the average number of hours an NB Power customer can expect to be without power during the quarter. The target is 1.06 hours and our result was 1.14 hours.

We also slightly exceeded the target for the number of times an NB Power customer can expect to be without power during the quarter. The target is 0.55 times and our result was 0.59 times.

Working to get our customers back online as quickly and safely as possible is something our employees are known for. They work through all conditions to keep the lights on for New Brunswickers.



Residential Rate (¢/kWh) Eastern Canada & U.S.





Board KPI 4 Reducing CO₂ emissions

With the real possibility of a carbon tax and carbon credits becoming part of the energy market, NB Power will reduce the amount of CO₂ it generates from seven million tons to five million tons by 2012 to protect against a substantial increase in environmental costs.

Actions in fourth quarter:

NB Power is focused on continuing to diversify our generation portfolio with green energy sources. The Kent Hills Wind Farm was completed in 2008 and full commercial operation began on December 31, 2008.

Work is progressing at three other wind farm project locations in New Brunswick:

Project	Megawatts	Location
Caribou	99	Northumberland/ Restigouche County
Lamèque	49.5	Gloucester County
Aulac	64.5	Westmorland County

All three projects have commercial operation dates in November and December 2009. In March 2009, Acciona Wind Energy, publicly acknowledged challenges they are having on the Lamèque and Aulac projects. However, we continue to work with them in order to make these projects successful.

In February 2009, the Energy Minister directed NB Power to issue a Request for Proposal (RFP) for a minimum of 100 MW of wind power. The letter also directed NB Power to issue a request for expressions of interest for electricity generated from additional renewable energy sources. NB Power and the Department of Energy are finalizing details of the RFP which is scheduled to be issued in summer 2009.

We are continuing to find ways to reduce CO₂ emissions created in our day to day business activities. We have been completing energy audits at NB Power facilities throughout the province and retrofits to improve energy efficiency will continue as we find areas for improvement.

As NB Power operations require a great deal of vehicle use, there is an opportunity to reduce emissions through improved fleet fuel reduction strategies. Preparation is underway to educate employees operating corporate vehicles on fuel efficient driving habits. This training will also benefit employees as it goes hand in hand with our safety measures in place. NB Power is currently operating several hybrid vehicles and recording data to investigate further use for the corporate fleet.





Board KPI 5 Maximizing “Made-in-New Brunswick” energy options

Also looking to the future, it is important that NB Power maximize its “Made-in-New Brunswick” energy options to guard against fluctuations in global energy prices. The first step will be to have NB Power integrate a minimum of 300 MW of wind energy into its grid by 2010.

Actions in fourth quarter:

We’re always looking for innovative solutions to find opportunities to lower generation costs. We have been exploring alternative fuels and different fuel blends, including petroleum coke at the Coleson Cove Generating Station.

- emission levels are favourable
- existing environmental technology is working well, and
- there has been no detrimental effect on existing equipment as a result of burning the new fuel blend.

The Coleson Cove Generating Station is the largest generating station in the NB Power system, and it provides one-third of the energy requirements for New Brunswick customers during the winter months.

We continue to investigate lower-cost fuel alternatives for the Dalhousie Generating Station. Several of our employees recently visited other jurisdictions to investigate technology that could potentially be used to convert the Station to burn petroleum coke. NB Power engineers are working with engineers from suppliers to look at all potential alternatives.

On March 11, 2009, the New Brunswick Department of Environment approved NB Power’s Environmental Impact Assessment (EIA) application for the continued operation of Unit 3 at Coleson Cove Generating Station to co-fire petroleum coke and heavy fuel oil. This early approval permits an uninterrupted burn of petroleum coke, and results in fuel cost savings in 2009/10. During a year of testing at the Station, results showed that



Board KPI 6 Refurbishing Point Lepreau Generating Station

NB Power has a tradition of industry leadership in providing effective energy solutions. The refurbishment of the Point Lepreau Generating Station is the first of its kind in the world. Being on time and on budget will save New Brunswickers hundreds of millions of dollars. Although AECL is the primary contractor for the project, NB Power will manage the project to ensure that it is delivered on time and on budget.

Actions in fourth quarter:

The PLGS Refurbishment Project began on March 28, 2008 and is expected to extend the Station’s life by 25-30 years. PLGS is the first of the world’s fleet of CANDU 6 reactors to undergo a refurbishment of this nature.

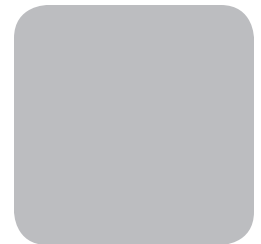
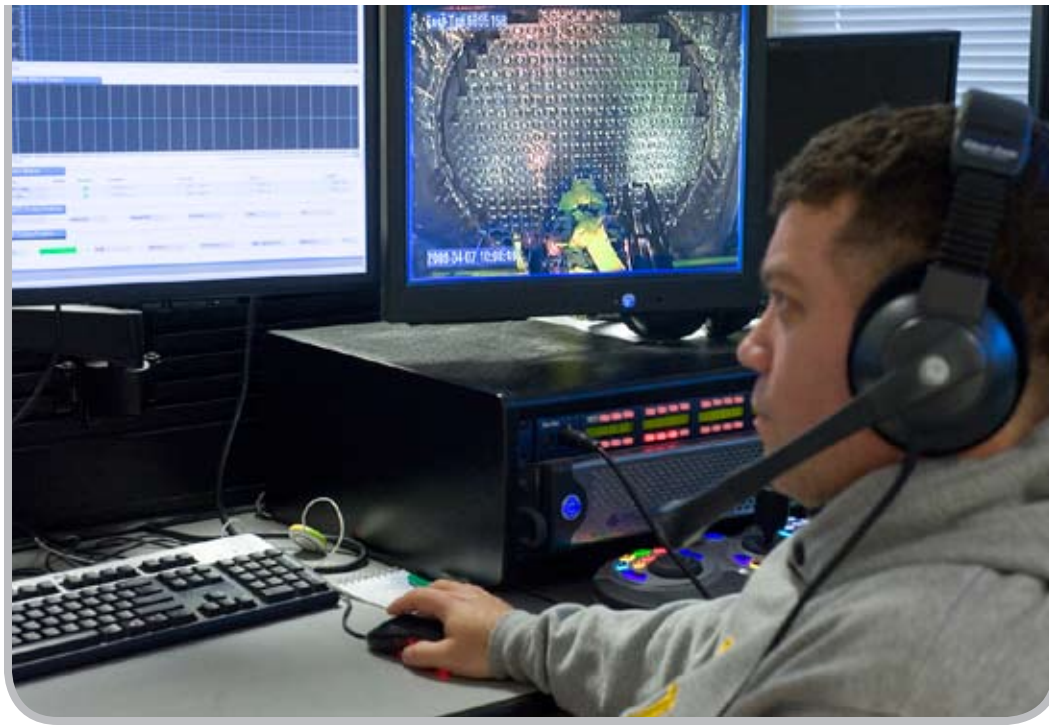
diversified fuel supply, supplying approximately 30 per cent of our in-province load. Since the Station started commercial operation in 1983, it has generated a cumulative total of more than 114,000,000 MWh electricity. Using this fuel type, we have been able to displace the equivalent of approximately 162 million barrels of oil. This means we have averted emissions of about 87.75 million tonnes of CO₂.

PLGS is an important component of NB Power’s



Roger Fowler,
Shift Supervisor at
Coleson Cove
Generating Station,
makes an adjustment to
the controls on
the petroleum coke
pulverizer.





Jerry Hernandez, Retube Operations Centre Technician with AECL, remotely operates the retube tooling as part of the Refurbishment Project. These tools have been designed to operate from a remote control device to provide maximum radiation protection for the workers.

When the decision to refurbish PLGS was made, the two nuclear options considered were AECL and Bruce Power.

The Bruce Power bid, proposing that Bruce Power take over the operation and refurbishment of the Station under a 25 year lease agreement, was \$450 million higher than the option of working with AECL.

The Government of the day chose to have NB Power partner with AECL to maintain ownership and operation of PLGS.

When the project was announced in July of 2005, the Premier cautioned New Brunswickers that the option of NB Power working with AECL was indeed less expensive than the Bruce Power option yet involved higher risk. While some of that expected risk has occurred, the project remains a much better choice than if the Bruce option had been exercised.

At this time PLGS continues to be owned by New Brunswickers for the benefit of New Brunswickers.

In February 2009, workers reached another major project milestone – the safe removal of all 760 end fittings from the reactor. The pressure tube

removal and volume reduction work is underway and targeted for completion in April 2009.

We continue to experience challenges on the project schedule due to difficulties with the complex tooling required. NB Power and AECL will continue to refine the schedule and seek opportunities to recover time and gain efficiencies by working collaboratively with our partners.

On March 28, 2009, one of the three new low pressure turbine rotors arrived safely at the Station from a storage facility at the Port of Saint John. As it was transported by barge, members of the PLGS Community Relations group and members of the local fishing community assisted in the event by sharing their knowledge and experience in the area to guide the barge safely to shore.

The two recovered turbine rotors have been thoroughly examined and tested at the Siemens factory in the United Kingdom. The evaluations were reviewed and accepted by NB Power and an independent consultant. As a result, the decision to move forward with the installation of the recovered turbine rotors has been made. They are scheduled to return to the Station in summer 2009, with no impact on the overall project schedule.

At the end of March 2009, NB Power employees reached a milestone of over 3.9 million person-hours at the Station without a lost-time accident. This is equivalent to one person working approximately 487,500 eight-hour days. AECL workers have worked 2.2 million person-hours on the project without a lost-time accident. This is equivalent to one person working more than 278, 720 eight-hour days. Safety continues to be a top priority for everyone involved.

NB Power has implemented the first level of the post-Refurbishment organization which includes partnering at the senior management level.

A dedicated team of professionals are focused on ensuring that the Station and its employees will be ready to safely transition into service after the successful completion of refurbishment.

For more information on this project or to view our Refurb Reports, please visit the Powering the Future website at:

www.poweringthefuture.nbpower.com.



Local fisherman Douglas Belding (right) and his son Wallace Belding use their expertise of the area to help guide a barge safely to shore at PLGS as part of the Refurbishment Project



Board KPI 7 Planning for the future

It is essential that NB Power understands and anticipates its future business climate.

A special Strategic Planning Group will be re-instated with a mandate to source the least cost fuel alternative by, among others, working with neighbouring jurisdictions on transmission, generation, conservation, green energy alternatives and CO₂ reduction alternatives.

Actions in fourth quarter:

In order to meet future energy and infrastructure requirements, NB Power is moving forward with several projects.

To provide safe and reliable electricity to our customers through both the Shippagan and Lamèque substations, NB Power plans to rebuild a 69 kV transmission line located between Six Roads and Shippagan. The line, constructed in 1949, has aged significantly, particularly due to the harsh weather conditions in the area.

This rebuild will provide a more stable structure design, potentially increase capacity, reduce the

number of structures where possible by using longer spans and increase clearances for future maintenance. Once complete, it will provide a more reliable electrical service to the area for an additional 40 to 50 years.

Plans to build a new 69 kV transmission line are underway in order to connect the Lamèque wind farm project to the NB Power grid.

We are committed to meeting the highest standards with respect to the environment and to keeping community stakeholders and First Nations informed about plans and progress related to both of these projects through mediums such as information mail-outs, newspaper ads and public information sessions.



Board KPI 8 Contributing to a strong economy

Building a strong economy is important to all New Brunswickers. Management will take an active role, working with business, labour and governments to foster economic opportunities in the Province.

Actions in fourth quarter:

At NB Power, we know we have a role to play in working with the community to create a stronger economy for New Brunswick.

This year's Government No Disconnect Policy was extended to include the month of April. During the November to April period, NB Power did not disconnect any residential customers for non-payment.

Throughout this period, we focused on

- promoting Equalized Payment Plans
- educating customers on the Winter Operating Guidelines, and
- promoting the Home Energy Centre tool.

Our Customer Interaction Centre agents have been educating customers about eligibility for the Salvation Army's Warm Hearts, Warm Homes Program, which helps New Brunswickers

in financial need heat their homes through the winter months. NB Power is one of the corporate sponsors and contributed \$150,000 to the program. Management pledged to match employee contributions and our employees donated more than \$7,600 to the program through personal donations and fundraising events.

In addition, this quarter, we offered our customers an incentive to sign up for paperless billing. For every customer who switched, we contributed a \$10 credit to the Warm Hearts, Warm Homes Program.

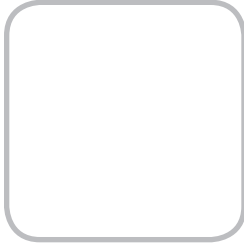
The PLGS Refurbishment Project continues to create positive growth and economic spin offs in the community. There are currently approximately 2,000 people working on site, some of whom have been able to return to New Brunswick for this complex project. The positive effects of this larger workforce can be felt throughout the surrounding area.



Employees Sylvie Doucet and Chris Tumwine (left) serve spaghetti meals to Shauna Estabrooks, Rachel Levesque, Christine Coghlan and Erin Roherty as part of a fundraiser for the Warm Hearts, Warm Homes Program.



12



Board KPI 9 Communicating with New Brunswickers

In an effort to better serve our customers and New Brunswick, NB Power will issue quarterly reports detailing the status, opportunities and challenges of the electricity market globally and in New Brunswick. These reports will note NB Power's quarterly progress in achieving its key performance indicators.

Actions in fourth quarter:

NB Power is committed to keeping New Brunswickers up-to-date on how we're doing. The fourth quarterly report highlights some of our key operational highlights, community involvement and challenges faced during the past quarter.

We continue to update information available on our website. Fact sheets, reports and media releases are but a few of the additions that were made since the last quarter. We also added a video under 'About NB Power' and 'Planning for Your Future.' The video highlights the work of our 24-hour marketing desk employees to show how the work that they do helps keep rates as low as possible.



Board KPI 10 Recruiting and retaining the right leadership

The energy industry is highly competitive and highly skilled. Successful utilities are more dependent on having the right people in the right jobs than they are on "wires". To this end, the Board of Directors will set performance-based incentives for the executive and these will be set to industry standards. Specifically, salaries for the executive will target the mid-range when set against competitors. These salary ranges will neither be the highest, nor the lowest in the industry. The Board has set performance-pay envelopes for senior executives which can reach up to 25 per cent of their salaries. Performance management will ensure the greatest likelihood of success for New Brunswickers.

Actions in fourth quarter:

As noted in our second quarterly report, the Provincial Government requested that we suspend the incentive portion of the plan. The

Board noted that the management of NB Power has agreed to this request. As a result, there are no further developments to report this quarter.



what's next?

In the next quarter, we will continue to aggressively address project schedule challenges on the Refurbishment Project. We will continue to work collaboratively with AECL to recover lost schedule time, while keeping safety a top priority.

There will be an increased presence of NB Power employees involved in New Brunswick schools to teach our children about the importance of energy conservation, how electricity works and safety around electricity.

Our next quarterly report will be released in August. It will address our progress in the first quarter of the 2009/10 fiscal year – April, May and June 2009.



About NB Power

NB Power employs over 2,500 New Brunswickers and consists of a holding company and four operating companies. It operates one of North America's most diverse networks of generating stations consisting of nuclear, hydro, coal, oil and diesel powered stations, with an installed net capacity of 3,959 MW. NB Power has established interconnections with neighbouring provinces and the state of Maine. NB Power is committed to serving its more than 375,000 customers in New Brunswick with safe, reliable and efficient electricity.

Mission

To provide electricity at the lowest possible cost, consistent with safety, reliability and the environment.

Vision

To achieve a level of excellence that will rank NB Power among the best-run utilities and that will contribute to a more vibrant New Brunswick.

We welcome your feedback.

NB Power

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