



Énergie NB Power
Quarterly
Report

Year-To-Date Results

For Period Ended
June 2013

Message from the Chairman of the Board and the President and CEO

In its Shareholder's Mandate Letter of January 26, 2011, the Province of New Brunswick asked that NB Power make updated financial statements available to the public on a quarterly basis. This quarterly report contains unaudited financial highlights and discusses the primary factors that have an impact on the financial results and operations of the NB Power Group.

The information provided includes year-over-year financial variances for the year-to-date (April to June). The financial information contained in the report has not been audited, and it contains financial estimates that are subject to change.

In fall 2011, in response to the Shareholder's Mandate Letter, NB Power's Board of Directors and management developed a 30-year strategic plan. This plan, which is the foundation for all of NB Power's business plans, investment decisions and business initiatives, sets out the following three strategies:

1. NB Power will target being a top quartile performer as compared to public and private utilities in North America.
2. Systematically reduce debt to ensure that NB Power is in a financial position to invest in new generation that will ensure stable rates for New Brunswick.
3. Invest in technology, educate customers and incent consumption that will reduce and shift demand (RASD) for electricity and ultimately defer the next significant generation investment.

The operational and financial results contained within this report highlight initiatives implemented to realize the strategies outlined in the Strategic Plan and the key performance indicators at the back of the report reflect progress thus far.



Ed Barrett
Chairman, NB Power Board of Directors



Gaëtan Thomas
President and Chief Executive Officer



This Public Quarterly Report discusses the financial and operating results for the NB Power Holding Corporation (Holdco) and its subsidiary operating companies (collectively the NB Power Group or the Group).

The subsidiaries include:

- *New Brunswick Power Generation Corporation (Genco);*
 - *including New Brunswick Power Coleson Cove Corporation (Colesonco) and Mine Reclamation Inc. (formerly NB Coal Limited);*
- *New Brunswick Power Nuclear Corporation (Nuclearco);*
- *New Brunswick Power Transmission Corporation (Transco); and*
- *New Brunswick Power Distribution and Customer Service Corporation (Disco).*

Quarterly Overview

NB Power is anticipating positive earnings for the fourth year in a row as performance at Point Lepreau Generating Station (PLGS) continues to improve despite a first quarter loss related to an unplanned nuclear station outage and increased pension liabilities. The utility made progress toward debt repayment in the quarter and net repayment is projected to continue throughout the remainder of the fiscal year.

The first quarter balance sheet has been influenced by Point Lepreau Generating Station becoming fully operational, as amortization and decommissioning expenses, regulatory deferrals and finance charges take effect. NB Power remains confident in its financial position as it stays focused on its goals of keeping customer rates low and stable while reducing debt by \$1 billion in the next decade.

Operational Highlights

NB Power Confirms Two Per Cent Rate Increase For October 1, 2013

On May 27, 2013, NB Power confirmed its intention to increase rates in all classes by two per cent on October 1, 2013 as recently outlined in the introduction of the proposed Electricity Act. This follows a 40-month period during which power rates were frozen at their June 2010 levels.

NB Power is a smaller, more productive, and more efficient organization than it was three years ago. The utility has eliminated more than 300 positions, frozen salaries, successfully reduced operating costs by \$47 million annually and had record earnings in this three-year period. NB Power has also identified another \$20 million in annual cost savings that will be pursued with one main focus; to keep rates as low and stable as possible while reducing debt by \$1 billion in the next 10 years. Even with the positive financial results of the past few years, this rate increase is required to address the impact of rising fuel costs, and to contribute to the utility's goal of reducing the corporation's debt.

Point Lepreau Update

Point Lepreau Generating Station operated at an average of 43.6% net capacity factor for the quarter due to refueling and boiler chemistry issues that led to an 18-day outage in late April. However, these issues have now been addressed and the station operated at a 81.3% capacity factor in June, 92.9% in July and is expected to be near the 94% level in August.

The plant is scheduling a two-week outage in October to make adjustments to one of four steam valves that will allow for greater production at the plant. This outage will occur at the most cost-effective time of the year, as it falls between the peak export market in the United States and the home heating season in New Brunswick.

NB Power Launches Electric Vehicle Demonstration Project

On June 5, 2013, NB Power unveiled an electric vehicle demonstration project for the province as part of its 10-year Smart Grid strategy. The project will evaluate the suitability of electric vehicles and electric vehicle charger technologies for New Brunswick's geography, climate and telecommunications networks. It has the potential to accelerate electric vehicle market adoption in the province by ensuring customers have access to the right electric vehicle technology, products and services as they consider the purchase of an electric vehicle.

The electric vehicle demonstration project dubbed "Shift Your Ride" has three major components:

1. Evaluation of electric vehicle Technology and Programs
2. Engage and Inform New Brunswickers
3. A Fleet Review Service

NB Power performed a fleet review over the winter, evaluating the benefits of integrating electric vehicles into the NB Power fleet. The results of this review were positive, demonstrating a strong business case for the integration of five electric vehicles into the fleet, as well as adding to New Brunswick's charging infrastructure with new units in Fredericton, Moncton and Bouctouche. All of the charging units can be accessed by the public.

For more information on any of the above Operational Highlights, please press the hyperlink imbedded in the above titles.



EV event launch dignitaries (L-R): Claude Williams, Minister of Transportation and Infrastructure; Craig Leonard, Minister of Energy and Mines; Premier David Alward; Plug'n Drive President and CEO, Cara Clairman; Bruce Fitch, Minister of Environment and Local Government; Gaëtan Thomas, NB Power President and CEO; and FleetCarma General Manager, Eric Malia.



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 financial statements.

Year-To-Date

NB Power Group recorded net loss for the period of \$11 million, compared to net earnings of \$33 million for the same period in 2012/13. The following explains the \$44 million decrease in earnings.

Revenues

In-province revenue decreased \$8 million compared to the same period in 2012/13 mainly due to decreased industrial sales.

Out-of-province revenue was \$17 million higher than the same period in 2012/13 mainly due to higher export prices and higher volumes.

Expenses

Fuel and purchased power and transmission expense decreased \$16 million compared to the same period in 2012/13 mainly due to lower overall generation costs due to the return to service of the Point Lepreau Generating Station and higher hydro flows in 2013/14.

OM&A expense increased \$13 million compared to the same period in 2012/13 mainly attributable to increased labour, overtime, and hired services at the Point Lepreau Generating Station and higher pension expense in 2013/14 as a result of changes in mortality assumptions and financial market conditions. This was partially offset by lower hired services and material at the Belledune Generating Station due to an outage in 2012/13.

Amortization and decommissioning expense increased \$13 million compared to the same period in 2012/13 mainly due to the return to service of the PLGS.

Regulatory deferral reduced net earnings by \$17 million because the deferral commenced amortization with the return to service of the Point Lepreau Generating Station. In prior year, the deferral increased earnings by \$36 million because the costs were being deferred during the outage.

Finance charges increased by \$12 million mainly due to higher debt levels compared to the same period in 2012/13 and less interest capitalized in 2013/14 due to the return to service of the Point Lepreau Generating Station, partially offset by lower long-term interest rates.

Special payments in lieu of income taxes decreased \$15 million compared to the same period in 2012/13 due to lower earnings in 2013/14.



Change in Net Debt ²

Debt at June 30, 2013 was \$4,692 million compared to \$4,714 million at March 31, 2013, a decrease of \$22 million which was mainly due to decreased capital spending as a result of the return to service of the Point Lepreau Generating Station partially offset by decreased operating cash flows due to lower net earnings in 2013/14.

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 Debt includes short-term debt, current portion of long-term debt and long-term debt and cash.



Combined Statement of Earnings

In Millions of Dollars
(Unaudited)

	Three months ended June 30		
	2013	2012	Variance
Revenues			
In-province revenue	\$274	\$282	\$(8)
Out-of-province revenue	69	52	17
Transmission revenue	23	20	3
Miscellaneous revenue	15	10	5
	\$381	\$364	\$17
Expenses			
Fuel & purchased power	\$138	\$154	\$(16)
Transmission expense	22	20	2
Operations, maintenance and administration	120	107	13
Amortization and decommissioning	58	45	13
Taxes	9	10	(1)
Regulatory deferrals	17	(36)	53
Finance charges	32	20	12
	\$396	\$320	\$76
Earnings before special payments in lieu of income taxes	(15)	44	(59)
Special payments in lieu of income taxes	(4)	11	(15)
Net earnings	(\$11)	\$33	(\$44)



Combined Balance Sheet

In Millions of Dollars
(Unaudited)

Assets	As at June 30, 2013	As at June 30, 2012	As at March 31, 2013
Current assets			
Cash and short-term investments	\$4	\$4	\$-
Accounts receivable	211	192	280
Materials, supplies and fuel	212	221	206
Prepaid expenses	26	36	11
Current portion of long-term receivable	1	-	1
Current portion of regulatory deferral	20	-	20
Current portion of derivative assets	17	4	18
	\$478	457	536
Property, plant and equipment	\$4,055	4,013	4,069
Long-term and other assets	\$1,691	1,654	1,732
Total Assets	\$6,237	\$6,124	\$6,337
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term indebtedness	\$762	\$632	\$792
Accounts payable and accrued interest	244	267	291
Current portion of long-term debt	38	630	192
Current portion of derivative liabilities	5	45	1
	\$1,049	\$1,574	\$1,276
Long-term debt	3,896	3,305	3,730
Deferred liabilities	726	718	727
Shareholders' Equity	566	527	604
	\$6,237	6,124	\$6,337



Combined Statement of Cash Flows

In Millions of Dollars
(Unaudited)

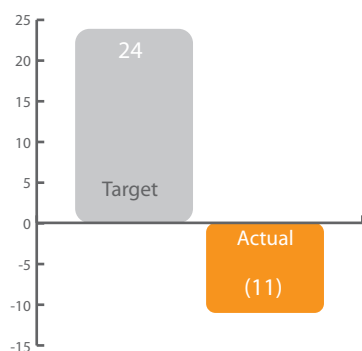
	Three months ended June 30	
	2013	2012
Operating Activities		
Net earnings for the year	\$(11)	\$33
Amounts not requiring a current cash payment	74	56
Nuclear decommissioning and used fuel management funds installments and earnings	(7)	(6)
Decommissioning liability expenditures	(4)	(2)
Deferred charges	(1)	(1)
Regulatory deferrals	5	(47)
Mark-to-market derivative assets not eligible for hedge accounting	2	-
Net change in non-cash working capital	1	52
	\$59	\$85
Investing Activities		
Expenditure on property, plant and equipment, net of customer contributions	(36)	(118)
Proceeds on disposal	2	2
	(\$34)	(\$116)
Financing Activities		
Debt retirements	(168)	(15)
Proceeds from long-term debt obligations	180	-
Increase (decrease) in short-term debt	(30)	49
Dividends paid	(2)	(3)
	(\$20)	\$31
Net Cash (outflow) inflow	5	-
Cash, beginning of period	(1)	4
Cash, end of period	\$4	\$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. By measuring performance against the top-quartile of North American utilities NB Power will provide the most cost-effective generation and delivery of electricity to its customers.

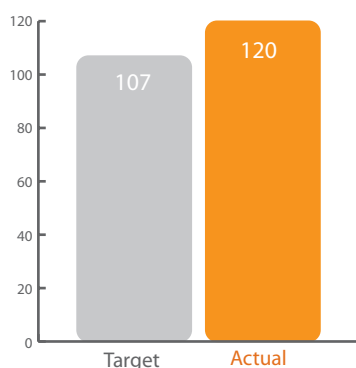
Top-quartile performance is a mid-to long-term target. NB Power's Board and management established in-year measures to help the utility move to achieve this mid-to long-term target. The time frame for achieving top-quartile performance varies by key performance indicator. The targets shown in the graphs 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, safety and reliability. These year-to-date measures will be monitored on a quarterly basis.

Net Earnings (\$ millions)



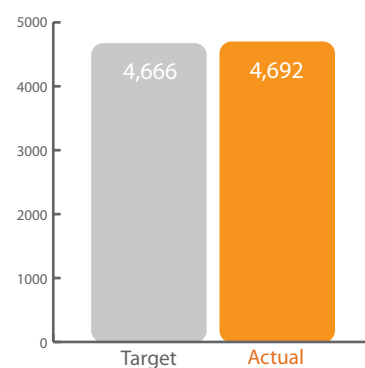
Net earnings is a measure of our profitability.

OM&A (\$ millions)



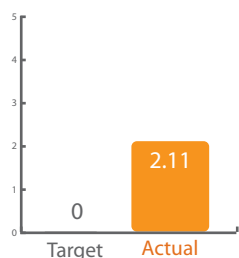
Operations, maintenance and administration (OM&A) costs are largely controllable by management over the medium term and are an important measure of financial success.

Net Debt (\$ millions)



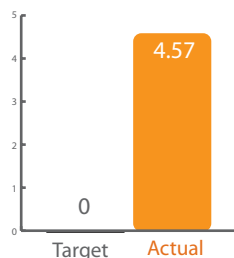
The total amount of short and long-term debt outstanding less deferred debt charges and cash.

All Injury Frequency Rate



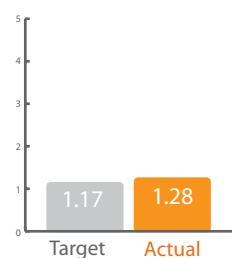
The all injury frequency rate represents a summary of all injuries per each 200,000 hours of actual hours worked.

Lost-Time Injury Severity Rate



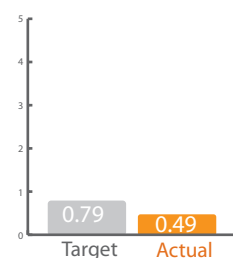
The lost-time injury rate represents the total number of work days lost per each 200,000 hours of actual hours worked.

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.