



Second Quarter Report

Year-To-Date Results

For the Period Ended September 30, 2015



Énergie NB Power

Operational Highlights

New Brunswickers Discuss Future of Mactaquac Generating Station

NB Power formally launched a public engagement process on the future of Mactaquac Generating Station in September, inviting New Brunswickers to share what's most important to them. New Brunswickers are encouraged to contribute to the conversation about Mactaquac through a web survey at www.mactaquaction.ca, in person at one of five open houses held during the month of October, and in writing until March 31, 2016.

Since 2014, scientists, engineers and other experts have been studying the potential impacts of the various options on people and the environment, including First Nations. Much of this work has been captured in two reports; a Comparative Environmental Review (CER) report and a Social Impact Comparative Review (SICR) report, which are both now available online in draft form for public comment.

Point Lepreau Generating Station

Equipment challenges on the non-nuclear side of the station continued to affect performance at Point Lepreau Generating Station this quarter. The Station was safely brought offline in August for repairs to a reheater in the turbine system, and in September for repairs to the standby safety system. During the outages, New Brunswick Energy Marketing Corporation purchased energy to replace the lost production.

Safe Demolition of Former Dalhousie Generating Station Structures Complete

In August, demolition experts Delsan AIM Environmental Services and Dykon Blasting safely and successfully collapsed several structures at the former NB Power generating station in Dalhousie. The demolition took place over two weeks, bringing down the flue gas desulfurization building and stack, along with Unit 1 and Unit 2 boilers.

SimpTek Technologies to Pilot Customer Data Analytics with NB Power

In September, SimpTek Technologies and NB Power launched a pilot project that will see the Fredericton company provide real-time data analytics on residential energy use to NB Power on a limited trial basis. NB Power will provide and install hardware capable of collecting real-time data on energy use in up to 150 homes. From there, customers will be able to use SimpTek's online energy dashboard to instantly monitor their home energy use. SimpTek will use these first residences as an opportunity to gather data on daily energy habits within homes, which will then be analyzed and supplied to NB Power. All homeowner data will be anonymous and confidential.

Four New Directors Appointed to NB Power Board

NB Power welcomed four new members to its board of directors, bringing a wealth of electricity industry experience in the areas of business, marketing, customer service, along with community leadership and public service. The new directors included Alain Bossé, Andrew MacGillivray, Paul McCoy and Vicki Wallace-Godbout.

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

Financial Highlights

Free Cash Flow¹ and Change in Net Debt²

Year-to-date free cash inflow was \$2 million compared to the prior year's free cash inflow of \$35 million; the \$33 million reduced cash inflow is due to cost of Lepreau unplanned outages, higher fuel purchases, timing of cash receipts partially offset by lower capital expenditures. This year-to-date free cash inflow contributed to a reduction in net debt from \$4,915 million at March 31, 2015 to \$4,910 million at September 30, 2015.

Financial Overview

NB Power's net loss was \$39 million for the first six months of the 2015/16 fiscal year compared to net earnings of \$22 million for the same period last year. The decrease in net income of \$61 million was largely attributable to lower nuclear investment income and a decline in investment market value and increases in expenses related to outages at the Point Lepreau Generating Station.

Electricity Operations

NB Power incurred earnings before depreciation, interest and investment earnings of \$231 million for the six-month period compared to \$238 million for the same period last year.

Revenue from electricity sales within New Brunswick totaled \$563 million for the six-month period, which was \$10 million or 1.8% higher than the same period last year. The increase was primarily attributed to the change in rates from October 2014. Out-of-province revenues of \$161 million were \$21 million or 15% higher than the same period last year reflecting higher out-of-province prices and a higher volume of opportunity sales.

Expenses attributed to electricity operations were \$532 million for the six-month period, an increase of \$40 million or 8.1% higher than the same period last year. The increase was primarily a result of a \$24 million increase in fuel and purchased power costs and a \$14 million increase in operations, maintenance and administration (OM&A) costs. The increase in fuel and purchased power costs was primarily due to higher priced generation requirements as a result of unplanned outages at the Point Lepreau Generating Station. The increase in OM&A was mainly due to higher costs associated with unplanned outages and additional preventative maintenance work at Point Lepreau.

Other

Depreciation expense was \$123 million for the six-month period, an increase of \$10 million or 8.9% higher than the same period last year. The increase was mainly due to generating station inspection and overhauls from prior years that are required to be capitalized and depreciated under newly adopted International Financial Reporting Standards (IFRS) accounting standards. Finance charges and other income are \$122 million or 19.6% higher than the same period last year. The increase is primarily due to lower investment fund transition income and investment market losses for the six-month period due to volatile investment market conditions.

Note

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 change³. These should be read in conjunction with the audited annual financial statements.

The current year and prior year balances are in accordance with IFRS. As a result of the transition to IFRS retained earnings and Accumulated Other Comprehensive Income (AOCI) were adjusted. The major variances related to change in the discount rate of the decommissioning liabilities and the fair value remeasurement of employee future benefits.

¹ Free cash flow is defined as the net cash flow from operating activities and investing activities.

² Net debt includes short-term debt, current portion of long-term debt and long-term debt, sinking funds, and cash.

³ Certain comparative figures have been restated to reflect adjustments made to the period results subsequent to the issuance of the prior year quarterly report.

Consolidated Statement of Earnings

In Millions of Dollars
(Unaudited)

Six months ended September 30

	2015	2014	Variance
Revenues			
In-province revenue	\$563	\$553	\$10
Out-of-province revenue	161	140	21
Miscellaneous revenue	39	37	2
	763	730	33
Expenses			
Fuel & purchased power	291	267	24
Operations, maintenance and administration	221	207	14
Taxes	20	18	2
Earnings before depreciation, interest and investment earnings	231	238	(7)
Depreciation	(123)	(113)	(10)
Finance charges	(122)	(102)	(20)
Unrealized gains (losses) on investments	(16)	7	(23)
Net earnings (loss)	(\$30)	\$30	(\$60)
Regulatory deferral - PLGS refurbishment	(9)	(8)	(1)
Net earnings (loss) after net adjustments in regulatory balances	(\$39)	\$22	(\$61)

Consolidated Balance Sheet

In Millions of Dollars
(Unaudited)

Assets	As at Sept 30, 2015	As at Sept 30, 2014	As at March 31, 2015
Current assets			
Cash and short-term investments	\$1	\$1	\$3
Accounts receivable	152	160	269
Materials, supplies and fuel	214	176	153
Prepaid expenses	29	29	9
Current portion of long-term receivable	-	-	1
Current portion of derivative assets	93	164	67
	489	530	502
Property, plant and equipment	4,380	4,260	4,387
Sinking fund receivable	496	407	471
Long-term and other assets	763	758	770
Total Assets	\$6,128	\$5,955	\$6,130
Regulatory deferral	1,025	1,043	1,033
	\$7,153	\$6,998	\$7,163

Liabilities and Shareholder's Equity

Current liabilities			
Short-term indebtedness	\$830	\$819	\$784
Accounts payable and accrued interest	280	258	309
Current portion of long-term debt	780	100	580
Current portion of derivative liabilities	128	21	73
	2,018	1,198	1,746
Long-term debt	3,797	4,470	4,025
Deferred liabilities and derivative liabilities	1,117	858	1,055
Shareholder's Equity	221	472	337
Total Liabilities and Shareholder's Equity	\$7,153	\$6,998	\$7,163

Consolidated Statement of Cash Flows

In Millions of Dollars
(Unaudited)

Six months ended September 30

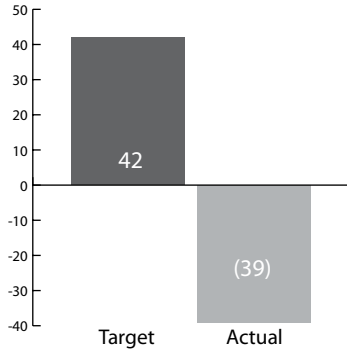
Operating Activities	2015	2014
Net earnings (loss) for the year	\$ (39)	\$ 22
Amounts not requiring a current cash payment	145	82
Nuclear decommissioning and used fuel management funds installments and earnings	(6)	(6)
Net change in non-cash working capital	25	112
	\$125	\$210
Investing Activities		
Cash expenditure on decommissioning	(7)	(7)
Expenditure on property, plant and equipment, net of customer contributions and proceeds on disposal	(116)	(168)
	(123)	(175)
Financing Activities		
Debt retirements	(100)	(28)
Proceeds from long-term debt obligations	50	-
Sinking fund installments and earnings	-	30
Increase (decrease) in short-term debt	46	(38)
	(\$4)	(\$36)
Net cash (outflow) inflow	(\$2)	(\$1)
Cash, beginning of period	3	2
Cash, end of period	\$1	\$1

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 will be monitored on a quarterly basis.

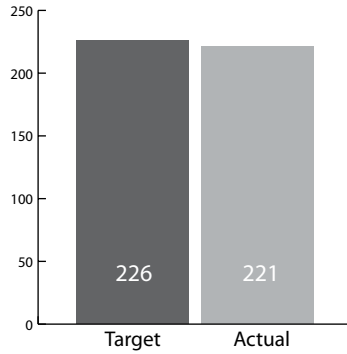
Financial Results

Net Earnings (loss) (\$ millions)



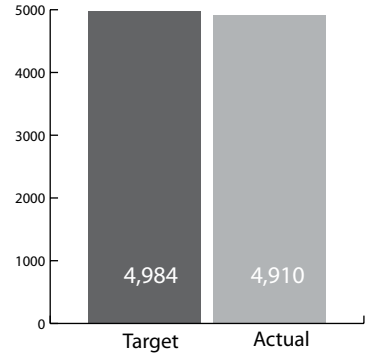
Net earnings (loss) is a measure of our profitability.

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.

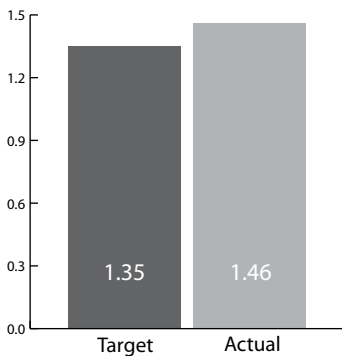
Net Debt (\$ millions)



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

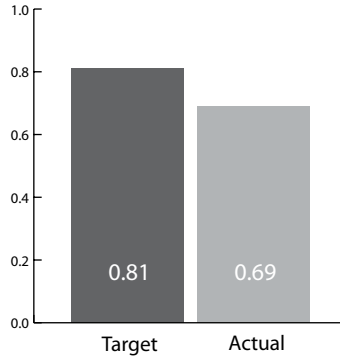
Reliability

SAIDI



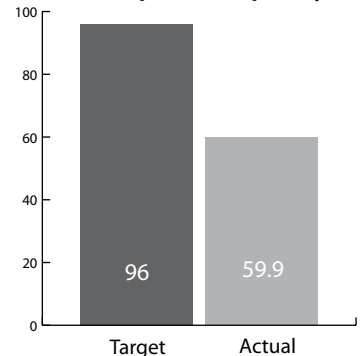
System Average Interruption Duration Index (SAIDI) is a standard utility indice that measures average total outage duration

SAIFI



System Average Interruption Frequency Index (SAIFI) is a standard utility indice that measures the average frequency of interruption per customer served.

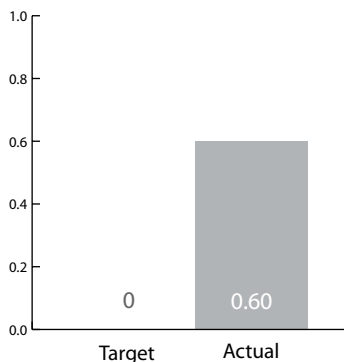
Point Lepreau Capacity Factor (%)



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.

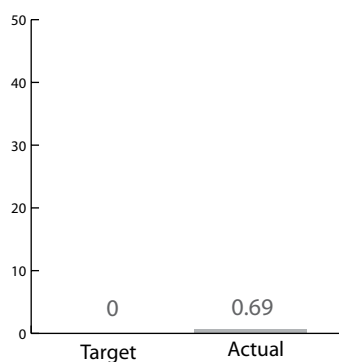
Safety

All-Injury Frequency Rate



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 severity rate represents the total number of work days lost per each 200,000 hours of actual hours worked.