



# First Quarter Report

Year-to-date results  
For the period ended  
June 30, 2020

NEW BRUNSWICK  
POWER CORPORATION



the power of possibility  
débordant d'énergie

# Message from the President and CEO

The first quarter of the 2020/21 fiscal year has seen us operate in unprecedented times. Like our customers, NB Power faced new situations we had never dealt with before.

Our top priority continues to be providing safe and reliable service to customers' homes, businesses and communities so New Brunswickers can focus on what matters most. We did not want our customers worrying about paying their bills while experiencing the financial hardships of the pandemic, so we introduced measures to support customers during these difficult times. Residential and small business customers are able to defer electricity bill payments for up to 90 days and we have also suspended until further notice service disconnection for non-payment.

In addition, we asked the Energy and Utilities Board to delay rendering a decision on our 2020/21 rate application and our request for implementation of smart meters so customers could stay focused on their health and well-being and we could stay focused on providing essential services.

Throughout, our customers have continued to enjoy a safe, reliable energy supply. I am so proud of how safely and quickly our team adjusted to the new normal while respecting Public Health's protocols. Our generation teams ensured our system remained ready during the crisis in order to ensure every business, hospital and home in New Brunswick stayed connected. When New Brunswick was impacted by three significant weather events during the quarter, our distribution and customer services teams rose to the challenge - restoring power for customers as quickly as it was safe to do so.

As the COVID-19 situation in New Brunswick evolved, our transition back to regular operations was staggered and deliberate. The health, well-being and safety of our customers and employees remained paramount.

Like companies all over the world, NB Power was impacted financially by the pandemic. We took immediate steps to defer capital projects and delay any non-critical work. We delayed planned generation outages including the planned maintenance outage scheduled for April at the Point Lepreau Nuclear Generating Station. As we continue to recover, we will look for more internal opportunities, improvements, and efficiencies with our continuous improvement initiatives. Our efforts are focused on bringing increased value to customers while minimizing the impact of COVID-19 for our customers and our operations.

We are committed to serving our communities as we all navigate through these challenging times. We are asking customers to reach out to us if they are struggling to pay bills - we can work together to set up a flexible payment option. As the COVID-19 situation in New Brunswick evolves, we will continue to adjust and expand our services to customers and remain focused on ensuring reliable service for New Brunswickers.



# Financial Highlights<sup>1</sup>

## COVID-19 Pandemic

NB Power continues to be negatively impacted by the widespread outbreak of COVID-19 which has caused economic and other disruptions such as

- reduction in electricity demand
- reduced ability for customers to pay their electricity bills
- delays to capital projects and key initiatives
- delays in regulatory hearings and decisions
- employee physical and mental well being
- productivity impacts due to adherence to new health and safety regulations
- supply chain disruptions and increased prices

The full extent of the impact will depend on the length and severity of the pandemic, potential government actions to aid economic recovery and other factors beyond NB Power's control.

## Electricity Operations

NB Power's operating earnings were \$53 million for the three-month period ended June 30, 2020, which was \$9 million or 15 per cent lower than the same period last year. As the COVID-19 pandemic and associated economic uncertainty continues, we may see increased volatility in quarterly earnings.

Revenue from electricity sales in New Brunswick totaled \$299 million, a decrease of \$7 million or two per cent from the same period last year. The economic shutdown caused by the COVID-19 global pandemic reduced commercial and industrial customer electricity requirements. In addition to this decrease, warmer weather contributed further to load reductions. These were partially offset by an increase in regulator-approved customer rates year over year, which went into effect July 2019. Out-of-province revenue was \$88 million, a decrease of \$11 million or 11 per cent from the prior year. NB Power had fewer sales contracts with customers in the United States and Canada.

Fuel and purchased power costs were \$125 million, a decrease of \$26 million or 17 per cent. Supply costs for in-province customers were favourably impacted in the first quarter as a result of the increased availability of Point Lepreau Nuclear Generating Station (PLNGS) as the planned spring maintenance outage was postponed to the fall of 2020 due to the COVID-19 pandemic. The impact of COVID-19 pandemic affected commercial customer loads and as a result there was a reduction in in-province supply volumes. In addition, there were fewer export contracts leading to lower out-province volumes.

Operation, maintenance & administration (OM&A) costs were \$128 million, an increase of \$4 million or three per cent for the three-month period. The primary driver of the increase was the change of the planned maintenance outage schedule at PLNGS, allowing the fall planned maintenance work to be completed in the first quarter. These additional costs were partially offset by a reduction in non-critical work due to the COVID-19 pandemic.

Depreciation and amortization expense were \$85 million, an increase of \$10 million or 13 per cent for the three-month period. The additional costs in 2019/20 associated with generating station maintenance outages resulted in higher depreciation expense. In addition, the March 31, 2020 year-end revaluation of the decommissioning liabilities resulted in increased depreciation expense over the prior period.

<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.

## Finance Costs and Investment Income

Total finance costs and investment income were \$8 million, a decrease of \$46 million or 85 per cent from prior year. Unrealized gains on investments were \$54 million or 315 per cent higher than the prior period due to higher year-over-year unrealized gains on investments. The increase in the current year reflects a partial recovery of 2019/20 unrealized investment losses. The investment market values are subject to market conditions which continue to be volatile and there could be continued volatility as we navigate through the COVID-19 pandemic. The remaining decrease in finance costs is due to lower interest costs as a result of a lower debt balance and interest rates.

## Financial Overview

Net earnings for the period ended June 30, 2020, were \$42 million, which represents a \$37 million increase compared to the same period last year. While the results improved year over year, the large variance to prior year was due to the rebound of the financial markets. As the COVID-19 pandemic continues, NB Power is faced with economic uncertainty which may impact quarterly earnings throughout the fiscal year.

## Debt Management

The table below summarizes the net debt in NB Power's capital structure. Net debt is \$4,902 million as at June 30, 2020, a decrease of \$18 million for the three-month period. The debt retirements were fully financed by the investments in the sinking fund receivable. This decrease was primarily driven by a temporary decrease in capital investments in the current period as a result of the delay of the PLNGS planned outage and timing of receipt of expected customer payments.

## Consolidated Net Debt

In millions of dollars (Unaudited)

	30 June 2020	31 March 2020	Variance
Total debt	\$5,278	\$5,516	\$238
Cash	(2)	3	(5)
Sinking fund	378	593	(215)
Total net debt	\$4,902	\$4,920	\$18

# Consolidated Statement of Earnings

In millions of dollars (Unaudited)

Period Ended June 30,

	2020	2019	Variance
<b>Revenue</b>			
Sales of electricity			
In-province	\$299	\$306	\$(7)
Out-of-province	88	99	(11)
Miscellaneous	16	18	(2)
<b>Total revenue</b>	<b>403</b>	<b>423</b>	<b>(20)</b>
<b>Expenses</b>			
Fuel and purchased power	125	151	(26)
Operations, maintenance and administration	128	124	4
Depreciation and amortization	85	75	10
Taxes	12	11	1
<b>Total operating expenses</b>	<b>350</b>	<b>361</b>	<b>(11)</b>
<b>Operating earnings</b>	<b>53</b>	<b>62</b>	<b>(9)</b>
<b>Finance costs and investment income</b>			
Finance costs	59	65	(6)
Sinking fund and other investment income	3	2	1
Unrealized (gains) on investments	(54)	(13)	(41)
<b>Total finance costs and investment income</b>	<b>8</b>	<b>54</b>	<b>(46)</b>
<b>Net earnings before changes in regulatory balances</b>	<b>45</b>	<b>8</b>	<b>37</b>
Net changes in regulatory balances	(3)	(3)	-
<b>Net earnings</b>	<b>\$42</b>	<b>\$5</b>	<b>\$37</b>

## Operating Statistics

Period Ended June 30,

	2020	2019	Variance
In-province sales (GWh)	2,765	2,898	(133)
Export sales (GWh)	1,063	1,110	(47)
Hydro flows (below) long-term average (%)	(6)%	(5)%	(1)%
PLNGS net capacity factor (%)	100%	56%	44%

# Consolidated Statement of Financial Position

In millions of dollars (Unaudited)

	As at June 30, 2020	As at June 30, 2019	As at March 31, 2020
<b>Assets</b>			
<b>Current</b>			
Cash	\$(2)	\$8	\$3
Accounts receivable	196	219	279
Materials, supplies and fuel	233	222	223
Prepaid expenses	40	36	17
Derivative assets	11	9	24
<b>Total current assets</b>	<b>478</b>	<b>494</b>	<b>546</b>
<b>Non-current assets</b>			
Property, plant and equipment	4,645	4,561	4,679
Sinking fund receivable	378	517	593
Other non-current assets	867	840	827
<b>Total non-current assets</b>	<b>5,890</b>	<b>5,918</b>	<b>6,099</b>
<b>Total assets</b>	<b>6,368</b>	<b>6,412</b>	<b>6,645</b>
Regulatory balances	868	881	872
<b>Total assets and regulatory balances</b>	<b>\$7,236</b>	<b>\$7,293</b>	<b>\$7,517</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short-term indebtedness	\$534	\$875	\$691
Accounts payable and accrued interest	262	295	337
Current portion of long-term debt	-	361	378
Current portion of lease liability	3	-	3
Derivative liabilities	62	33	91
<b>Total current liabilities</b>	<b>861</b>	<b>1,564</b>	<b>1,500</b>
<b>Non-current liabilities</b>			
Long-term debt	4,744	4,257	4,447
Lease liability	2	7	2
Other non-current liabilities	1,279	1,125	1,277
<b>Total non-current liabilities</b>	<b>6,025</b>	<b>5,389</b>	<b>5,726</b>
<b>Total liabilities</b>	<b>6,886</b>	<b>6,953</b>	<b>7,226</b>
<b>Total equity</b>	<b>350</b>	<b>340</b>	<b>291</b>
<b>Total liabilities and equity</b>	<b>\$7,236</b>	<b>\$7,293</b>	<b>\$7,517</b>

# Consolidated Statement of Cash Flows

In millions of dollars (Unaudited)

Period Ended June 30,

	2020	2019
<b>Operating activities</b>		
Cash receipts from customers	\$483	\$513
Cash paid to suppliers and employees	(373)	(358)
Interest paid	(48)	(59)
<b>Cash provided by operating activities</b>	<b>\$62</b>	<b>\$96</b>
<b>Investing activities</b>		
Expenditures on property, plant and equipment	\$(47)	\$(122)
Used fuel management and decommissioning fund withdrawals	-	-
Cash expenditure on decommissioning	(1)	(4)
<b>Cash used in investing activities</b>	<b>\$(48)</b>	<b>\$(126)</b>
<b>Financing activities</b>		
Proceeds on long-term debt	\$138	\$466
Debt retirement	(122)	(450)
(Decrease) in short-term indebtedness	(157)	(23)
Sinking fund changes	212	44
Principal repayment of lease obligation	(1)	(3)
<b>Cash (used in) provided by financing activities</b>	<b>\$(19)</b>	<b>\$34</b>
Net cash (outflow) inflow	\$(5)	\$4
Cash, beginning of period	3	4
<b>Cash, end of period</b>	<b>\$(2)</b>	<b>\$8</b>