



Second Quarter Report

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

NEW BRUNSWICK
POWER CORPORATION



the power of possibility
débordant d'énergie

Message from the President and CEO

While NB Power continued to navigate unprecedented times during the second quarter of the 2020/21 fiscal year, our primary focus remained on the safety of our employees and providing safe and reliable service to customers' homes, businesses and communities.

After temporarily suspending our energy efficiency services earlier in the year based on provincial pandemic guidelines, we were pleased to relaunch these services for our customers in June with the appropriate safety measures in place. Many customers took advantage of the programs with registrations over the first two quarters increasing by more than 30 per cent year over year.

As we moved back into a modified state of operations, we continued to support our customers by deferring payments and suspending disconnection for non-payment. As we move into the winter heating season, we will continue to be there for our customers through these difficult times and encourage them to reach out to us if they are struggling to pay their power bills to set up a payment plan.

During the quarter, we welcomed the decision of the New Brunswick Energy and Utilities Board (EUB) when they agreed with our recommendation to delay the implementation of any rate increase until March 31, 2021. We know that during these challenging times a delay in the rate increase will help all New Brunswickers this year as we work together toward our recovery from the pandemic.

We were also pleased that the EUB gave us a positive decision on our application for an Advanced Metering Infrastructure (AMI) capital project. This fall, we are focusing on developing the full implementation plan, including details around building the communications network and integrating the necessary systems. We expect to begin the meter upgrade in early 2022 with completion in 2024. Smart meters are essential to building a smarter, cleaner, more reliable and efficient power grid and will bring important benefits to all New Brunswickers. As we move forward with this investment, we will do so with our customers' expectations in mind, to maintain competitive rates. Throughout the quarter our customers continued to enjoy a safe, reliable energy supply.

In September, we began our annual maintenance outage at the Point Lepreau Nuclear Generating Station after deferring it in April in response to the pandemic. I am so proud of the entire NB Power team for the cross-corporate support for the outage during these challenging and difficult times. As a result of expansive planning and preparation, the team implemented COVID mitigation protocols that kept all people onsite COVID-free. These extensive COVID mitigation protocols were effective in preventing any cases at the Station but also made it challenging to execute outage activities at a predictable pace.

At NB Power, we recognize our critical role as an essential service provider and our entire team remains committed to serving and supporting our customers as we move forward together.



Financial Highlights¹

COVID-19 Pandemic

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

- reduction in commercial 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 \$85 million for the six-month period ended September 30, 2020, which was \$22 million or 20 per cent lower than the same period last year. As the COVID-19 pandemic and associated economic uncertainty continues, NB Power may see continued volatility in quarterly earnings.

Revenue from electricity sales in New Brunswick totalled \$587 million, a decrease of \$3 million or one 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, warmer weather contributed further to load reductions. Offsetting this decrease was an increase in regulator-approved customer rates year over year, which went into effect July 2019. Out-of-province revenue was \$162 million, a decrease of \$47 million or 22 per cent from the prior year. This was the result of fewer sales contracts with customers in the United States and Canada.

Fuel and purchased power costs were \$269 million, a decrease of \$35 million or 12 per cent. The reduction in commercial and industrial customer loads as a result of the COVID-19 pandemic led to reduced in-province supply volumes. In addition, there were fewer export contracts leading to lower out-of-province volumes. Supply costs for in-province customers were favourable because of the availability of Point Lepreau Nuclear Generating Station (PLNGS) in April and May. The planned spring maintenance outage at PLNGS was postponed to the fall of 2020 as a result of the COVID-19 pandemic. These reductions were partially offset by higher purchased power prices and lower hydro.

Operation, maintenance and administration (OM&A) costs were \$238 million, a decrease of \$16 million or six per cent for the six-month period. The primary driver of the decrease was a reduction in non-critical work due to the COVID-19 pandemic.

Depreciation and amortization expense was \$165 million, an increase of \$13 million or nine per cent for the six-month period. An increase in the decommissioning cost estimates in 2019/20 resulted in increased depreciation expense over the prior period.

¹The financial information contained in the report includes abbreviated and condensed financial statements that 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 \$50 million, a net decrease in costs of \$49 million or 49 per cent from prior year. The increase in the market value of the investments contributed to a \$42 million or 150 per cent increase over the prior period. The investment market values are subject to market conditions, which continue to be volatile and there could be continued volatility through the COVID-19 pandemic. The increase in the current year reflects a partial recovery of 2019/20 unrealized investment losses. 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 September 30, 2020, were \$28 million, which represents a \$26 million increase compared to the same period last year. The large variance to prior year was due to the rebound of the financial markets. While the results improved year over year, the financial markets continue to be uncertain. As the COVID-19 pandemic continues, NB Power will continue to see fluctuations in the market values of the investments throughout the fiscal year and NB Power's quarterly earnings will continue to be impacted.

Debt Management

The table below summarizes the net debt in NB Power's capital structure. Net debt is \$4,899 million as at September 30, 2020, a decrease of \$21 million for the six-month period. The decrease in total debt was primarily driven by lower capital spending for major projects in the current year, and timing of expenditures due to the delay of the PLNGS planned outage. The reduction in the sinking fund receivable was due to a withdrawal to fully finance a debt maturity.

Consolidated Net Debt

In millions of dollars (Unaudited)

	30 Sept. 2020	31 March 2020	Variance
Total debt	\$5,288	\$5,516	\$(228)
Cash	(1)	3	(4)
Sinking fund	390	593	(203)
Total net debt	\$4,899	\$4,920	\$(21)

Consolidated Statement of Earnings

In millions of dollars (Unaudited)

Period Ended Sept. 30

	2020	2019	Variance
Revenue			
Sales of electricity			
In-province	\$587	\$590	\$(3)
Out-of-province	162	209	(47)
Miscellaneous	32	41	(9)
Total revenue	781	840	(59)
Expenses			
Fuel and purchased power	269	304	(35)
Operations, maintenance and administration	238	254	(16)
Depreciation and amortization	165	152	13
Taxes	24	23	1
Total operating expenses	696	733	(37)
Operating earnings	85	107	(22)
Finance costs and investment income			
Finance costs	118	137	(19)
Sinking fund and other investment income	2	(10)	12
Unrealized (gains) on investments	(70)	(28)	(42)
Total finance costs and investment income	50	99	(49)
Net earnings before changes in regulatory balances	35	8	27
Net changes in regulatory balances	(7)	(6)	(1)
Net earnings	\$28	\$2	\$26

Operating Statistics

Period Ended Sept. 30

	2020	2019	Variance
In-province sales (GWh)	5,403	5,518	(115)
Export sales (GWh)	2,053	2,377	(324)
Hydro flows (below) long-term average (%)	(24)%	(12)%	(12)%
PLNGS net capacity factor (%)	86%	74%	12%

Consolidated Statement of Financial Position

In millions of dollars (Unaudited)

	As at Sept. 30, 2020	As at Sept. 30, 2019	As at March 31, 2020
Assets			
Current			
Cash	\$(1)	\$2	\$3
Accounts receivable	181	199	279
Materials, supplies and fuel	226	239	223
Prepaid expenses	45	44	17
Derivative assets	5	17	24
Total current assets	456	501	546
Non-current assets			
Property, plant and equipment	4,685	4,581	4,679
Sinking fund receivable	390	538	593
Other non-current assets	877	860	827
Total non-current assets	5,952	5,979	6,099
Total assets	6,408	6,480	6,645
Regulatory balances	865	878	872
Total assets and regulatory balances	\$7,273	\$7,358	\$7,517
Liabilities and equity			
Current liabilities			
Short-term indebtedness	\$547	\$945	\$691
Accounts payable and accrued interest	299	266	337
Current portion of long-term debt	-	363	378
Current portion of lease liability	2	-	3
Derivative liabilities	45	12	91
Total current liabilities	893	1,586	1,500
Non-current liabilities			
Long-term debt	4,741	4,260	4,447
Lease liability	2	6	2
Other non-current liabilities	1,278	1,133	1,277
Total non-current liabilities	6,021	5,399	5,726
Total liabilities	6,914	6,985	7,226
Total equity	359	373	291
Total liabilities and equity	\$7,273	\$7,358	\$7,517

Consolidated Statement of Cash Flows

In millions of dollars (Unaudited)

Period Ended Sept. 30

	2020	2019
Operating activities		
Cash receipts from customers	\$878	\$951
Cash paid to suppliers and employees	(564)	(680)
Interest paid	(130)	(143)
Cash provided by operating activities	\$184	\$128
Investing activities		
Expenditures on property, plant and equipment	\$(166)	\$(216)
Used fuel management and decommissioning fund withdrawals	-	-
Cash expenditure on decommissioning	(4)	(8)
Cash used in investing activities	\$(170)	\$(224)
Financing activities		
Proceeds on long-term debt	\$303	\$466
Debt retirement	(376)	(450)
(Decrease) increase in short-term indebtedness	(145)	48
Sinking fund changes	201	32
Principal repayment of lease obligation	(1)	(2)
Cash (used in) provided by financing activities	\$(18)	\$94
Net cash (outflow)	\$(4)	\$(2)
Cash, beginning of period	3	4
Cash, end of period	\$(1)	\$2