

# Second Quarter Report

Year-to-date results for the period ended September 30, 2022



**Énergie NB Power**

the power of possibility  
débordant d'énergie

# Message from the President



**Lori Clark**  
President and CEO  
(Acting)

At NB Power, we know our customers are counting on us to provide them with safe, reliable power while keeping bills as low as possible. We are committed to improvements to customer service while challenging ourselves to do things smartly and efficiently.

NB Power offers many programs to help New Brunswickers manage their energy costs and make their homes and businesses more energy efficient. This quarter, we launched the new Enhanced Energy Savings Program in partnership with the provincial government. The new program offers a free mini-split heat pump and upgraded insulation, along with free installation of both, to qualifying homeowners who use electric baseboard heating and have a combined gross household income under \$70,000. Other homeowners in that income bracket with an alternate heating source are eligible for upgraded insulation free of charge. The response to the new program was unprecedented. NB Power received over 10,000 applications in a month. Homeowners participating in the program can expect to reduce their energy expenditures by about \$500 annually.

The Total Home Energy Savings Program and the New Home Energy Savings Program continue to offer incentives for energy saving renovations and updates. We also offer a Renter Energy Saving Kit as well as rebates and incentives for businesses and industry. Our revamped efficiency web site, [www.saveenergy.nb.ca](http://www.saveenergy.nb.ca) serves as a one-stop shop for all New Brunswicker's energy efficiency needs.

Recently, NB Power applied to the New Brunswick Energy and Utilities Board for an 8.9 per cent rate increase. We recognize that no one wants to see rising bills but the utility, like all New Brunswickers, is dealing with volatile fuel costs, rising interest rates, supply chain uncertainties and other commodity cost increases.

Part of the revenue generated from this increase will be used to strengthen and modernize the electricity grid and protect it against extreme weather events like Hurricane Fiona, which are projected to happen more often with climate change. Fiona had a major impact along the coastlines of the Northumberland Strait and the Gulf of St. Lawrence. Tens of thousands of New Brunswickers were without power, but our province fared better than the other Maritime provinces. Our crews worked diligently to restore power in our province and also provided support to harder hit provinces when our customers were restored.

In August, the Point Lepreau Nuclear Generating Station was reconnected to the New Brunswick grid following the completion of important maintenance activities. This was excellent news for the company as the cost of replacement power is a significant cost-driver for us, especially in this period of market volatility.

Management and the Board also continued to work with PwC on the strategic review to identify immediate ways to optimize our current cost structure and meet our debt obligations. We are also exploring alternative solutions that provide the best care for our customers and employees, meeting New Brunswickers' power needs in a cost-competitive, reliable and environmentally sustainable way.

NB Power is on the cusp of a transformation that will place us in a stronger financial position, allow us to meet customer needs in the future and continue our path to a cleaner, greener energy. Our team is committed to New Brunswick and I am looking forward to being part of that change.

A handwritten signature in blue ink that reads "Lori Clark". The signature is written in a cursive, flowing style.

# Year-over-Year Financial Highlights<sup>1</sup>

NB Power's year-to-date results are reflective of generating station outages and the current volatile economic conditions including lower investment yields, volatile commodity prices, rising interest rates and inflation.

On April 1, 2022, amendments to the *Electricity Act* and the new *Regulatory Variance Accounts* and *Deferral Account Regulation - Electricity Act* took effect. These changes allow for the recovery or reimbursement of variances from budget on electricity sales, fuel and purchased power supply costs.

## Electricity Operations

NB Power's operating earnings were \$102 million for the six-month period ended September 30, 2022, which was \$1 million or one per cent higher than the same period last year.

Revenue from electricity sales in New Brunswick totaled \$665 million, a \$66 million (11 per cent) increase from the same period last year. The primary driver was an increase in sales prices. Higher market-based interruptible electricity prices and average customer rates resulting from the rate increase effective April 2022 were the primary factors of the increase. Colder weather and other load growth also contributed to the increase in sales.

Out-of-province revenue was up 75 per cent to \$354 million, a \$152 million increase over the same period last year. This was a result of increased contracts and opportunity sales with customers in the United States.

Continued volatility in the markets caused higher fuel and purchased power costs. These costs were up by 80 per cent to \$533 million. This is a \$237 million increase over the same period last year. Increased power purchases were required to supply New Brunswick's load during Point Lepreau Nuclear Generating Station and Bayside Generating Station outages as well as to supply increased sales volumes. Unrealized hedge gains associated with proactive changes to energy supply contracts combined with higher hydro generation helped mitigate the upward cost pressures.

Operation, maintenance and administration costs were down by \$9 million to \$246 million, a four per cent decrease over the same period last year. The primary driver was the extended PLNGS planned capital maintenance outage.

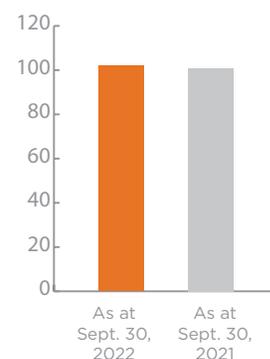
Depreciation and amortization expense was \$166 million, a \$3 million or two per cent increase over the same period last year. Higher depreciation associated with the increased cost estimate to decommission Milltown Generating Station were partially offset by a reduction in depreciation in the nuclear division as assets were fully depreciated in 2021/22.

## Finance Costs

Finance costs were \$132 million, a \$5 million or four per cent increase as compared to the same period last year. The increase is primarily due to higher interest rates on short-term debt. Foreign exchange changes on US dollar debt also contributed to the increase. These increases were partially offset by lower interest costs due to the redemption of high interest US debentures.

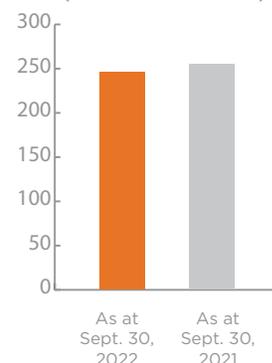
**\$102**

Operating earnings  
(in millions of dollars)



**\$246**

Operations, maintenance and administration expenses  
(in millions of dollars)



<sup>1</sup>The 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.

## Sinking Funds and Other Investment Income

Sinking fund and other investment income were \$11 million, a \$3 million increase from the same period last year. The increase is primarily due to the stronger foreign exchange on US dollar investments held in the sinking fund.

## Unrealized Losses on Investments

Unrealized losses on investments were \$33 million, a \$73 million decrease compared to the same period last year. The investment market values are subject to market conditions, which continue to be volatile given higher interest rates, high inflation and concerns of global economic downturn.

## Net Changes in Regulatory Balances

Net changes in regulatory balances were \$23 million, a \$16 million increase compared to the same period last year. During the six-month period there was a \$25 million favourable gross margin variance reclassified to the regulatory account. Partially offsetting this increase is the deferral of energy efficiency and demand response expenses of \$8 million.

## Net Loss

The above variances resulted in a \$75 million net loss for the period ended September 30, 2022, compared to net earnings of \$15 million in the same period last year, which represents a \$90 million unfavourable variance.

## Debt Management

Net debt is \$5,201 million as at September 30, 2022, a \$263 million increase since March 31, 2022. PLNGS planned major maintenance outage and Bayside Generating Station's turbine replacement were the primary contributors to the increased capital spend. Higher supply costs due to higher fuel and purchased power prices as well as an increase in power purchases during the outages at PLNGS and Bayside Generating Station, also contributed to the increase in net debt.

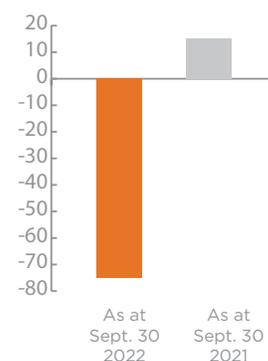
## Consolidated Net Debt

In millions of dollars (Unaudited)

	30 Sept. 2022	31 March 2022	Variance
Total debt	\$5,684	\$5,490	\$194
Cash <sup>2</sup>	39	52	(13)
Sinking fund receivable	444	500	(56)
Total net debt	\$5,201	\$4,938	\$263

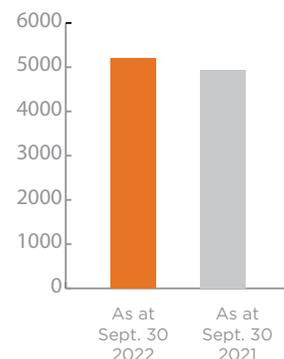
**\$75**

Net loss  
(in millions of dollars)



**\$5,201**

Total net debt  
(in millions of dollars)



<sup>2</sup>Includes \$42 million (March 31, 2022 - \$56 million) in cash held for collateral

# Consolidated Statement of Earnings

In millions of dollars (Unaudited)

Period Ended Sept. 30

	2022	2021	Variance
<b>Revenue</b>			
Sales of electricity			
In-province	\$665	\$599	\$66
Out-of-province	354	202	152
Miscellaneous	53	39	14
<b>Total revenue</b>	<b>1,072</b>	<b>840</b>	<b>232</b>
<b>Expenses</b>			
Fuel and purchased power	533	296	237
Operations, maintenance and administration	246	255	(9)
Depreciation and amortization	166	163	3
Taxes	25	25	-
<b>Total operating expenses</b>	<b>970</b>	<b>739</b>	<b>231</b>
<b>Operating earnings</b>	<b>102</b>	<b>101</b>	<b>1</b>
<b>Finance costs and investment income</b>			
Finance costs	132	127	5
Sinking fund and other investment income	(11)	(8)	(3)
Unrealized losses (gains) on investments	33	(40)	73
<b>Total finance costs and investment income</b>	<b>154</b>	<b>79</b>	<b>75</b>
<b>Net (loss) earnings before changes in regulatory balances</b>	<b>(52)</b>	<b>22</b>	<b>(74)</b>
Net changes in regulatory balances	(23)	(7)	(16)
<b>Net (loss) earnings</b>	<b>\$(75)</b>	<b>\$15</b>	<b>\$(90)</b>

# Consolidated Statement of Financial Position

In millions of dollars (Unaudited)

	As at Sept. 30, 2022	As at Sept. 30, 2021	As at March 31, 2022
<b>Assets</b>			
<b>Current</b>			
Cash <sup>3</sup>	\$39	\$71	\$52
Accounts receivable	268	187	395
Materials, supplies and fuel	298	219	276
Prepaid expenses	60	50	22
Derivative assets	183	190	187
<b>Total current assets</b>	<b>848</b>	<b>717</b>	<b>932</b>
<b>Non-current assets</b>			
Property, plant and equipment	4,828	4,754	4,645
Nuclear decommissioning and used fuel management funds	848	882	881
Sinking fund receivable	444	445	500
Other non-current assets	288	162	190
<b>Total non-current assets</b>	<b>6,408</b>	<b>6,243</b>	<b>6,216</b>
<b>Total assets</b>	<b>7,256</b>	<b>6,960</b>	<b>7,148</b>
Regulatory balances	764	851	787
<b>Total assets and regulatory balances</b>	<b>\$8,020</b>	<b>\$7,811</b>	<b>\$7,935</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short-term indebtedness	\$1,085	\$639	\$859
Accounts payable and accrued interest	365	387	406
Current portion of long-term debt	-	628	225
Current portion of lease liability	5	5	5
Derivative liabilities	41	10	3
<b>Total current liabilities</b>	<b>1,496</b>	<b>1,669</b>	<b>1,498</b>
<b>Non-current liabilities</b>			
Long-term debt	4,599	4,108	4,406
Lease liabilities	32	35	33
Decommissioning and used fuel management liability	1,137	1,183	1,114
Other non-current liabilities	176	182	168
<b>Total non-current liabilities</b>	<b>5,944</b>	<b>5,508</b>	<b>5,721</b>
<b>Total liabilities</b>	<b>7,440</b>	<b>7,177</b>	<b>7,219</b>
<b>Total equity</b>	<b>580</b>	<b>634</b>	<b>716</b>
<b>Total liabilities and equity</b>	<b>\$8,020</b>	<b>\$7,811</b>	<b>\$7,935</b>

<sup>3</sup>Includes \$42 million (September 30, 2021 - \$70 million; March 31, 2022 - \$56 million) in cash held for collateral

# Consolidated Statement of Cash Flows

In millions of dollars (Unaudited)

	Period Ended Sept. 30	
	2022	2021
<b>Operating activities</b>		
Cash receipts from customers and counterparties	\$1,198	\$923
Cash paid to suppliers and employees	(1,000)	(580)
Interest paid	(122)	(116)
<b>Cash provided by operating activities</b>	<b>\$76</b>	<b>\$227</b>
<b>Investing activities</b>		
Expenditures on property, plant and equipment, net of proceeds	\$(340)	\$(157)
Cash expenditure on decommissioning	(4)	(5)
<b>Cash used in investing activities</b>	<b>\$(344)</b>	<b>\$(162)</b>
<b>Financing activities</b>		
Proceeds from long-term debt issuances	\$192	\$-
Debt retirements	(228)	-
Increase in short-term indebtedness	225	31
Sinking fund changes	67	(27)
Principal repayment of lease obligation	(1)	(1)
<b>Cash provided by financing activities</b>	<b>\$255</b>	<b>\$3</b>
Net cash (outflow) inflow	\$(13)	\$68
Cash, beginning of period	52	3
<b>Cash, end of period<sup>4</sup></b>	<b>\$39</b>	<b>\$71</b>

<sup>4</sup>Includes \$42 million (September 30, 2021 - \$70 million) in cash held for collateral

# Operating Statistics

Period Ended Sept. 30

	2022	2021	Variance
In-province sales (GWh)	5,737	5,463	274
Heating degree days	820	835	(15)
Export sales (GWh)	2,983	2,864	119
Hydro flows above (below) long-term average (%)	7%	(23)%	30%
PLNGS net capacity factor (%)	34%	91%	(58)%

