



# Third Quarter Report

Year-to-date results for the period ended December 31, 2022



**Énergie NB Power**

the power of possibility  
débordant d'énergie

# Message from the President



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

The winter months remind us of how much New Brunswickers depend on NB Power for safe, reliable energy to power our province's hospitals, homes and businesses. As temperatures drop and thermostats get turned up, customers are counting on us to safely and efficiently manage our operations so bills are as low as possible.

We continue to provide New Brunswickers tools to manage their energy usage. This quarter, the Enhanced Energy Savings Program (EESP) was expanded to help even more New Brunswickers with a combined income under \$70,000 deal with rising energy costs by making their homes more energy efficient. We expanded the number of approved contractors to deliver the program, which will result in 3,000 mini-split heat pumps being installed in homes with electric baseboard heating and 700 central heat pumps installed in homes that have been heated with oil. In addition, we provided 9,800 energy efficiency kits to renters.

We also encouraged customers to access programs like our Business Rebate Program, Commercial Buildings Retrofit Program and Industrial Energy Efficiency Program, with incentives that encourage energy-saving renovations and updates. And in November, 110 New Brunswickers received a rebate on a new or used electric vehicle.

We are proud to participate in the 12 Neighbours Community project in Fredericton where over 70 tiny homes have been registered with the New Home Energy Savings Program. We provided energy efficient kits and advice tailored to the unique energy needs of tiny homes and \$10,000 in incentives for each home.

Over the quarter, we have been responding to intervenors' questions pertaining to our general rate application to the New Brunswick Energy and Utilities Board for an 8.9 per cent increase. While difficult, this increase is required to ensure the utility remains financially healthy for our customers and the future.

We also submitted a variance account recovery filing as required by the *Electricity Act* which would reduce customer bills by one per cent as a result of lower costs in the previous fiscal year. If the Energy and Utilities Board approves both asks, customers' bills will increase by 7.9 per cent for one year starting in April 2023.

The Point Lepreau Nuclear Generating Station experienced an unplanned outage in December. While the unit was offline, repairs were made to electrical cables that caused a loss of power to the Station and a break to a small instrument line associated with the heat transport system inside the reactor building. Throughout the outage, Station personnel responded as per their procedures and training and there were no safety impacts on employees, the public and environment.

Unplanned outages present significant challenges, especially in severe winter weather. Our field staff work in inherently dangerous and challenging conditions to ensure customers are comfortable in their homes. Recently, we experienced the tragic loss of one of our lineworkers and a second employee was seriously injured. The loss continues to be felt across the organization and incidents like this serve as a tragic reminder of the consequences our employees face. Safety is and must be at the forefront of everything we do every day. A full investigation is underway.

We are New Brunswick's power company. Our employees are proud New Brunswickers, committed to providing safe, reliable power to our friends and neighbours. Even as we address the challenges of today, we are keeping one eye on a cleaner, greener future that meets the needs of our ratepayers in a cost-competitive and reliable way.

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 continued challenges with generation reliability and the current volatile economic conditions resulting in 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. As a result, variances from budget on sales of electricity and fuel and purchased power supply costs are reclassified monthly to regulatory balances.

## Electricity Operations

NB Power's operating earnings were \$80 million for the nine-month period ended December 31, 2022, which was \$71 million or 47 per cent lower than the same period last year.

Revenue from electricity sales in New Brunswick totaled \$1,064 million, a \$72 million (seven 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 higher average customer rates resulting from the rate increase effective April 2022 were the primary factors of the price increases. Other load growth partially offset by warmer weather also contributed to the increase in sales.

Out-of-province revenue was up 69 per cent to \$557 million, a \$228 million increase over the same period last year. This was a result of increased contracts and opportunity sales with customers in the United States.

Miscellaneous revenue was up 83 per cent to \$110 million, a \$50 million increase over the same period last year. Bayside Generating Station experienced an unplanned outage and went offline in February 2022. NB Power was able to arbitrage the natural gas and generated sales of \$41 million. This mitigated the cost of replacement energy associated with the outage.

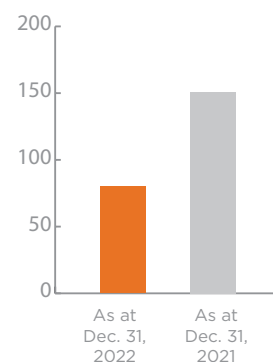
Continued volatility in the markets caused higher fuel and purchased power costs. These costs were up by 69 per cent to \$935 million. This is a \$380 million increase over the same period last year. Increased electricity and fuel purchases were required to supply New Brunswick's load during Point Lepreau Nuclear Generating Station (PLNGS) and Bayside Generating Station outages as well as to supply increased sales volumes. The replacement power for the winter unplanned outage at PLNGS was purchased at a time when electricity prices were higher than typically seen due to a scarcity event. This led to a higher per day replacement cost than has been seen in the past. Higher hydro generation combined with unrealized hedge gains associated with proactive changes to energy supply contracts helped mitigate the upward cost pressures.

Operation, maintenance, and administration costs were up by \$33 million to \$426 million, an eight per cent increase over the same period last year. The primary driver was the cost of the workforce optimization initiative as well as higher storm costs. OM&A also increased due to unplanned outages and higher incentive and rebates associated with increased uptake in the Total Home Program. These increases were partially offset by the extended PLNGS planned capital maintenance outage.

Depreciation and amortization expense was \$252 million, an \$8 million or three per cent increase over the same period last year. Higher depreciation associated with the increased cost estimate to decommission Milltown Generating Station and higher depreciation of planned maintenance outages.

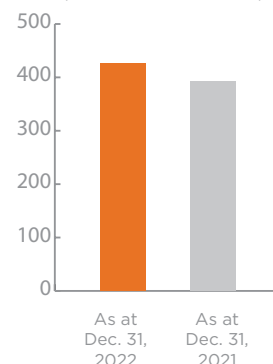
**\$80**

Operating earnings  
(in millions of dollars)



**\$426**

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.

## Finance Costs

Finance costs were \$201 million, an \$11 million or six per cent increase as compared to the same period last year. The increase is primarily due to higher debt levels and short-term interest rates. The increase was partially offset by lower average long-term interest costs due to the redemption of high interest US debentures.

## Sinking Funds and Other Investment Income

Sinking fund and other investment income were \$15 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 \$6 million, an \$81 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 of \$50 million was recognized in earnings, a \$60 million increase compared to the same period last year. During the nine-month period there was a \$47 million unfavourable gross margin variance compared to plan that has been reclassified to the regulatory account. As well, the deferral of \$13 million in energy efficiency and demand response expenses.

## Net Loss

The above variances resulted in a \$62 million net loss for the period ended December 31, 2022, compared to net earnings of \$38 million in the same period last year, which represents a \$100 million unfavourable variance.

## Debt Management

Net debt is \$5,318 million as at December 31, 2022, a \$380 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 commodity prices as well as replacement power costs during the outages at PLNGS and Bayside Generating Station, also contributed to the increase in net debt.

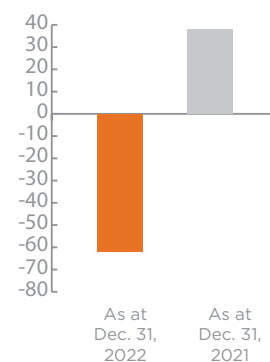
## Consolidated Net Debt

In millions of dollars (Unaudited)

|                         | 31 Dec.<br>2022 | 31 March<br>2022 | Variance |
|-------------------------|-----------------|------------------|----------|
| Total debt              | \$5,788         | \$5,490          | \$298    |
| Cash <sup>2</sup>       | 13              | 52               | (39)     |
| Sinking fund receivable | 457             | 500              | (43)     |
| Total net debt          | \$5,318         | \$4,938          | \$380    |

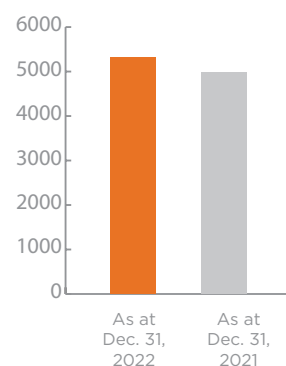
**\$62**

Net loss  
(in millions of dollars)



**\$5,318**

Total net debt  
(in millions of dollars)



<sup>2</sup>Includes \$14 million (March 31, 2022 - \$56 million) in cash held for collateral

# Consolidated Statement of Earnings

In millions of dollars (Unaudited)

Period Ended Dec. 31

|  | 2022          | 2021         | Variance       |
|--|---------------|--------------|----------------|
| <b>Revenue</b>   |               |              |                |
| Sales of electricity   |               |              |                |
| In-province  | \$1,064       | \$992        | \$72           |
| Out-of-province  | 557           | 329          | 228            |
| Miscellaneous  | 110           | 60           | 50             |
| <b>Total revenue</b>   | <b>1,731</b>  | <b>1,381</b> | <b>350</b>     |
| <b>Expenses</b>  |               |              |                |
| Fuel and purchased power   | 935           | 555          | 380            |
| Operations, maintenance and administration                       | 426           | 393          | 33             |
| Depreciation and amortization                                    | 252           | 244          | 8              |
| Taxes  | 38            | 38           | -              |
| <b>Total operating expenses</b>                                  | <b>1,651</b>  | <b>1,230</b> | <b>421</b>     |
| <b>Operating earnings</b>  | <b>80</b>     | <b>151</b>   | <b>(71)</b>    |
| <b>Finance costs and investment income</b>                       |               |              |                |
| Finance costs  | 201           | 190          | 11             |
| Sinking fund and other investment income                         | (15)          | (12)         | (3)            |
| Unrealized losses (gains) on investments                         | 6             | (75)         | 81             |
| <b>Total finance costs and investment income</b>                 | <b>192</b>    | <b>103</b>   | <b>89</b>      |
| <b>Net (loss) earnings before changes in regulatory balances</b> | <b>(112)</b>  | <b>48</b>    | <b>(160)</b>   |
| Net changes in regulatory balances                               | 50            | (10)         | 60             |
| <b>Net (loss) earnings</b>                                       | <b>\$(62)</b> | <b>\$38</b>  | <b>\$(100)</b> |

# Consolidated Statement of Financial Position

In millions of dollars (Unaudited)

|  | As at<br>Dec 31,<br>2022 | As at<br>Dec. 31,<br>2021 | As at<br>March 31,<br>2022 |
|--|--------------------------|---------------------------|----------------------------|
| <b>Assets</b>  |                          |                           |                            |
| <b>Current</b>   |                          |                           |                            |
| Cash <sup>3</sup>                                      | \$13                     | \$52                      | \$52                       |
| Accounts receivable                                    | 430                      | 295                       | 395                        |
| Materials, supplies and fuel                           | 294                      | 183                       | 276                        |
| Prepaid expenses                                       | 49                       | 37                        | 22                         |
| Derivative assets                                      | 87                       | 78                        | 187                        |
| <b>Total current assets</b>                            | <b>873</b>               | <b>645</b>                | <b>932</b>                 |
| <b>Non-current assets</b>                              |                          |                           |                            |
| Property, plant and equipment                          | 4,834                    | 4,755                     | 4,645                      |
| Nuclear decommissioning and used fuel management funds | 875                      | 914                       | 881                        |
| Sinking fund receivable                                | 457                      | 416                       | 500                        |
| Other non-current assets                               | 230                      | 151                       | 190                        |
| <b>Total non-current assets</b>                        | <b>6,396</b>             | <b>6,236</b>              | <b>6,216</b>               |
| <b>Total assets</b>                                    | <b>7,269</b>             | <b>6,881</b>              | <b>7,148</b>               |
| Regulatory balances                                    | 837                      | 847                       | 787                        |
| <b>Total assets and regulatory balances</b>            | <b>\$8,106</b>           | <b>\$7,728</b>            | <b>\$7,935</b>             |
| <b>Liabilities and equity</b>                          |                          |                           |                            |
| <b>Current liabilities</b>                             |                          |                           |                            |
| Short-term indebtedness                                | \$999                    | \$804                     | \$859                      |
| Accounts payable and accrued interest                  | 427                      | 331                       | 406                        |
| Current portion of long-term debt                      | 200                      | 227                       | 225                        |
| Current portion of lease liability                     | 5                        | 5                         | 5                          |
| Derivative liabilities                                 | 126                      | 8                         | 3                          |
| <b>Total current liabilities</b>                       | <b>1,757</b>             | <b>1,375</b>              | <b>1,498</b>               |
| <b>Non-current liabilities</b>                         |                          |                           |                            |
| Long-term debt   | 4,589                    | 4,406                     | 4,406                      |
| Lease liability  | 28                       | 30                        | 33                         |
| Decommissioning and used fuel management liability     | 1,146                    | 1,194                     | 1,114                      |
| Other non-current liabilities                          | 185                      | 177                       | 168                        |
| <b>Total non-current liabilities</b>                   | <b>5,948</b>             | <b>5,807</b>              | <b>5,721</b>               |
| <b>Total liabilities</b>                               | <b>7,705</b>             | <b>7,182</b>              | <b>7,219</b>               |
| <b>Total equity</b>                                    | <b>401</b>               | <b>546</b>                | <b>716</b>                 |
| <b>Total liabilities and equity</b>                    | <b>\$8,106</b>           | <b>\$7,728</b>            | <b>\$7,935</b>             |

<sup>3</sup>Includes \$14 million (December 31, 2021 - \$57 million; March 31, 2022 - \$56 million) in cash held for collateral

# Consolidated Statement of Cash Flows

In millions of dollars (Unaudited)

|   | Period Ended Dec. 31 |                |
|---|----------------------|----------------|
|   | 2022                 | 2021           |
| <b>Operating activities</b>                               |                      |                |
| Cash receipts from customers                              | \$1,694              | \$1,355        |
| Cash paid to suppliers and employees                      | (1,488)              | (1,005)        |
| Interest paid   | (1,562)              | (155)          |
| <b>Cash provided by operating activities</b>              | <b>\$50</b>          | <b>\$195</b>   |
| <b>Investing activities</b>                               |                      |                |
| Expenditures on property, plant and equipment             | \$(426)              | \$(236)        |
| Used fuel management and decommissioning fund withdrawals | -                    | 4              |
| Cash expenditure on decommissioning                       | (8)                  | (9)            |
| <b>Cash used in investing activities</b>                  | <b>\$(434)</b>       | <b>\$(241)</b> |
| <b>Financing activities</b>                               |                      |                |
| Proceeds from long-term debt                              | \$381                | \$298          |
| Debt retirements  | (228)                | (400)          |
| Increase in short-term indebtedness                       | 140                  | 196            |
| Sinking fund changes                                      | 58                   | 6              |
| Principal repayment of lease obligation                   | (6)                  | (5)            |
| <b>Cash provided by financing activities</b>              | <b>\$345</b>         | <b>\$95</b>    |
| Net cash (outflow) inflow                                 | \$(39)               | \$49           |
| Cash, beginning of period                                 | 52                   | 3              |
| <b>Cash, end of period<sup>4</sup></b>                    | <b>\$13</b>          | <b>\$52</b>    |

<sup>4</sup>Includes \$14 million (December 31, 2021 - \$57 million) in cash held for collateral

# Operating Statistics

Period Ended Dec. 31

|   | 2022  | 2021  | Variance |
|---|-------|-------|----------|
| In-province sales (GWh)                         | 9,140 | 8,906 | 234      |
| Heating degree days                             | 2,083 | 2,203 | (120)    |
| Export sales (GWh)                              | 4,671 | 4,378 | 293      |
| Hydro flows above (below) long-term average (%) | 14%   | (18)% | 32%      |
| PLNGS net capacity factor (%)                   | 49%   | 84%   | (35)%    |

