



First Quarter Report

Year-to-date results for the period ended June 30, 2023



Énergie NB Power

the power of possibility
débordant d'énergie

Message from the President



Lori Clark
President and CEO

During the first quarter of 2023/24, we were pleased to release our new strategic plan, Energizing our Future! We designed this strategic plan to guide us as we transform to meet evolving customer expectations, while placing the utility in a stronger financial position and continuing our path to cleaner, greener energy. Energizing our Future is built on six strategic transformers

- transition to a cost-effective, clean and secure energy supply
- modernize the grid
- electrify and grow load
- deliver competitive customer value
- create a thriving workforce
- align, engage and optimize

Over the life of the strategic plan, we will explore new, cleaner ways of delivering energy to customers and seek new partnerships to improve our service delivery and financial position. We will continue developing tools to help you improve your energy efficiency and we will develop a stronger, smarter grid. We will also pursue small modular nuclear reactors and find new revenue opportunities. You can expect to hear more about the strategic plan as we focus on in-year initiatives to advance our goals.

In May, we hosted our fourth energy efficiency conference, Building Momentum, which brought together international energy experts to help New Brunswickers learn how to adopt energy efficient attitudes and behaviours that are critical for future energy security. More than 300 delegates, sponsors and showcase participants shared key learnings, strategies and new technologies to help individuals and organizations reach their sustainability goals.

With our strategic plan's focus on phasing out coal by 2030 and achieving net-zero supply by 2035, nuclear power continues to be an important resource for New Brunswickers.

This spring, we undertook our annual planned maintenance outage to ensure the long-term reliability of the Point Lepreau Nuclear Generating Station so that it can continue to meet the needs of New Brunswickers. During the outage, our team completed over 6000 activities including equipment and systems work on both the nuclear and conventional parts

of the Station such as routine maintenance, repairs, system modifications, inspections and testing that can only be done when the Station is offline.

In order to keep the cost of these annual outages as low as possible, we schedule them in the spring to coincide with seasonal increases in water flows in the hydro system and with lower seasonal electricity demand to help offset the temporary loss of PLNGS' contribution to provincial energy needs.

In June, we partnered with ARC Clean Technology Canada, Inc. to submit an Environmental Impact Assessment registration document to the Department of Environment and Local Government and a Licence to Prepare Site Application to the Canadian Nuclear Safety Commission on the advanced small modular reactor project. Small modular reactors are part of the solution to reach our strategic plan target of being net-zero by 2035 and ensure that we are meeting the needs of New Brunswickers today and into the future.

Providing you with energy security during this time of transition and change is mission critical. That is why we also continue to invest and perform maintenance on our generation, transmission and distribution assets.

We take our responsibility to you, our customers, very seriously. Our strategic plan will guide us as we work to meet your needs in the future. The transformation we are proposing in our strategic plan will allow us to keep providing you services, while improving those services by making them more flexible.



Strategic Transformers



Transition to a cost-effective, clean and secure energy supply

NB Power must establish a path to achieve net-zero climate goals, while ensuring energy security and addressing its debt challenges.



Modernize the grid

NB Power must accelerate grid modernization efforts supporting electrification, integration of renewables, mitigating the impacts of climate change and improving the customer experience.



Electrify and grow load

NB Power must maximize revenue growth through electrification and safeguard against electricity load losses. This also includes realigning our rates to provide options for customers and support energy efficiency.



Deliver competitive customer value

NB Power must respond to customer needs and generate new revenue streams by creating products and service offerings, using partnerships to balance the economic and capability requirements needed to succeed.



Create a thriving workforce

NB Power must transform its workforce to be capable in a very different future. This requires new ways of working, new behavioural mindsets, new organizational structures, new talent sets, new rewards systems and effective recruitment and retention strategies.



Align, engage and optimize

NB Power must effectively make the transition from strategy to execution. This requires establishing a clear plan for transformation and modernizing our governance, support processes, behaviours and technologies. This also includes ensuring all areas of the business are cost- sustainable through continuous improvement.

Year-over-Year Financial Highlights¹

NB Power's first quarter net earnings reflect the continually changing global market conditions. There have been improvements in investment yields and commodity prices leading to higher investment income and a positive impact on fuel and purchased power costs. However, NB Power continues to have cost pressure challenges as a result of inflation and higher interest rates.

NB Power released its strategic plan in the first quarter of 2023/24, which lays out an action plan for the future and will ensure all areas of the business are cost sustainable through continuous improvement. A first wave of cost saving initiatives have been identified and executed in 2023/24.

Electricity Operations

NB Power's operating earnings were \$95 million for the three-month period ended June 30, 2023, which was \$37 million or 28 per cent lower than the same period last year.

Revenue from electricity sales in New Brunswick totaled \$351 million, a \$7 million or two per cent increase from the same period last year. The primary driver was an increase in sales prices resulting from the rate increase effective April 2023. Other load growth combined with colder weather also contributed to the increase in sales. These increases were partially offset by lower interruptible sales prices and volume.

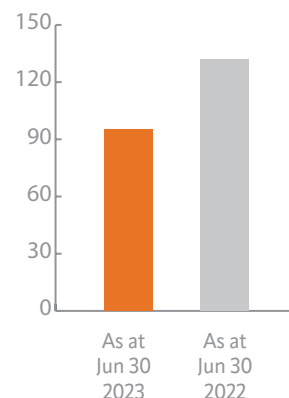
Out-of-province revenue was up 114 per cent to \$345 million, a \$184 million increase over the same period last year. This was a result of increased contracts and opportunity sales at higher prices with customers in the United States.

Miscellaneous revenue was down 10 per cent to \$19 million, a \$2 million decrease over the same period last year. NB Power was able to arbitrage natural gas in the prior period as a result of the outage at the Bayside Generating Station. These sales have decreased in the current year since the Station is now back online.

Fuel and purchased power costs were up by \$201 million to \$386 million, a 109 per cent increase over the same period last year. Increased electricity and fuel purchases were required to supply increased sales

\$95

Operating earnings
(in millions of dollars)



¹ 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.

volumes and replace lower hydro generation. Additionally, in the first quarter of 2022/23 supply costs were lower as a result of unrealized hedge gains recognized in the prior period. The lower electricity market prices combined with a shorter planned capital maintenance outage at PLNGS helped mitigate the upward cost pressures.

Operation, maintenance, and administration (OM&A) costs were up by \$22 million to \$135 million, a 19 per cent increase over the same period last year. PLNGS planned capital maintenance outage was shorter in 2023/24 compared to the previous year which resulted in an increase in other maintenance activities at the generating station.

Depreciation and amortization expense was \$87 million, a \$4 million or five per cent increase over the same period last year. The additional costs associated with the prior years planned capital maintenance outages resulted in higher depreciation expense. Milltown Generating Station reached the end of its economic life in July 2022 resulting in lower depreciation.

Finance Costs

Finance costs were \$79 million, a \$13 million or 20 per cent increase as compared to the same period last year. The increase is primarily due to higher long-term debt levels and short-term interest rates.

Sinking Fund and Other Investment Income

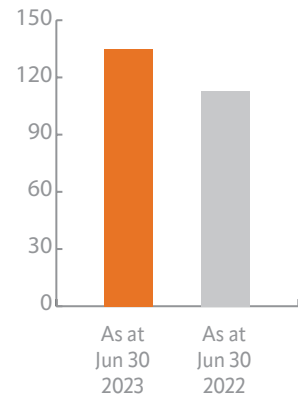
Sinking fund and other investment income were \$2 million, a \$5 million decrease from the same period last year. The decrease is primarily due to foreign exchange gains on US dollar investments that were previously held in the sinking fund. The investment matured in the first quarter of 2022/23.

Unrealized Gains on Investments

Unrealized gains on investments were \$3 million, a \$40 million increase compared to the same period last year. The investment market values are subject to market conditions which have started to rebound as inflationary fears subside.

\$135

OM&A expenses
(in millions of dollars)



Net Changes in Regulatory Balances

Net changes in regulatory balances of \$9 million was recognized in earnings, a \$83 million increase compared to the same period last year. During the three-month period the unfavourable gross margin variance compared to plan, variance account credit and associated interest were reclassified to the regulatory account.

Net Earnings

The above variances resulted in \$30 million net earnings for the period ended June 30, 2023, compared to a net loss of \$38 million in the same period last year, which represents a \$68 million favourable variance.

Debt Management

Net debt is \$5,380 million as at June 30, 2023, a \$26 million decrease since March 31, 2023. The primary contributor to debt reduction was operating cashflow. New and renewed export contracts at higher prices combined with higher average customer rates due to the rate increase, and lower commodity prices were all positive impacts to the operating results. This was partially offset by capital spend related to the PLNGS and Belledune Generating Station planned capital maintenance outages.

Consolidated Net Debt

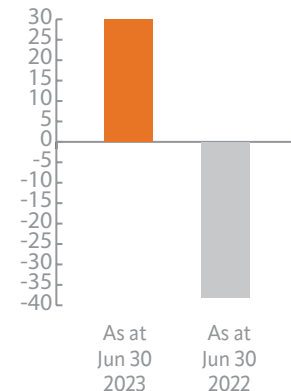
In millions of dollars (Unaudited)

	30 Jun 2023	31 Mar 2023	Variance
Total debt	\$5,876	\$5,883	\$(7)
Cash ²	4	3	1
Sinking fund receivable	492	474	18
Total net debt	\$5,380	\$5,406	\$(26)

²Includes \$5 million (March 31, 2023 - \$7 million) in cash held for collateral

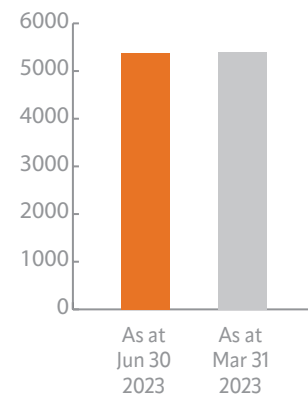
\$30

Net earnings
(in millions of dollars)



\$5,380

Total net debt
(in millions of dollars)



Consolidated Statement of Earnings

In millions of dollars (Unaudited)

Period ended June 30

	2023	2022	Variance
Revenue			
Sales of electricity			
In-province	\$351	\$344	\$7
Out-of-province	345	161	184
Miscellaneous	19	21	(2)
Total revenue	715	526	189
Expenses			
Fuel and purchased power	386	185	201
Operations, maintenance and administration	135	113	22
Depreciation and amortization	87	83	4
Taxes	12	13	(1)
Total operating expenses	620	394	226
Operating earnings	95	132	(37)
Finance costs and investment income			
Finance costs	(79)	(66)	(13)
Sinking fund and other investment income	2	7	(5)
Unrealized gains (losses) on investments	3	(37)	40
Total finance costs and investment income	(74)	(96)	22
Net earnings before changes in regulatory balances	21	36	(15)
Net changes in regulatory balances	9	(74)	83
Net earnings (loss)	\$30	\$(38)	\$68

Consolidated Statement of Financial Position

In millions of dollars (Unaudited)

	As at Jun 30, 2023	As at Jun 30, 2022	As at Mar 31, 2023
Assets			
Current			
Cash ³	\$4	\$94	\$3
Accounts receivable	326	270	504
Materials, supplies and fuel	311	284	296
Prepaid expenses	45	41	21
Derivative assets	26	206	34
Total current assets	712	895	858
Non-current assets			
Property, plant and equipment	4,706	4,802	4,670
Nuclear decommissioning and used fuel management funds	893	844	897
Sinking fund receivable	492	429	474
Other non-current assets	163	222	181
Total non-current assets	6,254	6,297	6,222
Total assets	6,966	7,192	7,080
Regulatory balances	1,030	713	1,021
Total assets and regulatory balances	\$7,996	\$7,905	\$8,101
Liabilities and equity			
Current liabilities			
Short-term indebtedness	\$688	\$869	\$797
Accounts payable and accrued interest	403	479	509
Current portion of long-term debt	350	-	300
Current portion of lease liabilities	5	5	5
Derivative liabilities	120	3	185
Total current liabilities	1,566	1,356	1,796
Non-current liabilities			
Long-term debt	4,838	4,599	4,786
Lease liabilities	31	32	32
Decommissioning and used fuel management liability	997	1,125	987
Other non-current liabilities	174	164	166
Total non-current liabilities	6,040	5,920	5,971
Total liabilities	7,606	7,276	7,767
Total equity	390	629	334
Total liabilities and equity	\$7,996	\$7,905	\$8,101

³Includes \$5 million (June 30, 2022 - \$100 million; March 31, 2023 - \$7 million) in cash held for collateral

Consolidated Statement of Cash Flows

In millions of dollars (Unaudited)

	Period ended June 30	
	2023	2022
Operating activities		
Cash receipts from customers	\$892	\$650
Cash paid to suppliers and employees	(717)	(390)
Interest paid	(36)	(32)
Cash provided by operating activities	\$139	\$228
Investing activities		
Expenditures on property, plant and equipment	\$(117)	\$(236)
Used fuel management and decommissioning fund withdrawals	7	-
Cash expenditure on decommissioning	(3)	(2)
Cash used in investing activities	\$(113)	\$(238)
Financing activities		
Proceeds from long-term debt	\$100	\$192
Debt retirements	-	(228)
(Decrease) increase in short-term indebtedness	(109)	10
Sinking fund changes	(16)	78
Principal repayment of lease obligation	-	-
Cash (used in) provided by financing activities	\$(25)	\$52
Net cash inflow	\$1	\$42
Cash, beginning of period	3	52
Cash, end of period ⁴	\$4	\$94

Operating Statistics

	Period ended June 30		
	2023	2022	Variance
In-province sales (GWh)	2,988	2,954	34
Heating degree days	751	689	62
Export sales (GWh)	2,952	1,390	1,562
Hydro flows above (below) long-term average (%)	(16)%	13%	(29)%
PLNGS net capacity factor (%)	54%	8%	46%

⁴Includes \$5 million (June 30, 2022 - \$100 million) in cash held for collateral