Third Quarter Report

Year-To-Date Results

For Period Ended December 31, 2014

Énergie NB Power

Operational Highlights

Point Lepreau Generating Station continues reliable and safe performance

The Point Lepreau Generating Station (PLGS) completed all required fire protection upgrades as mandated by the Canadian Nuclear Safety Commission as well as an updated evaluation of the seismic report on the station.

PLGS operated at 100 per cent reactor power for 160 consecutive days since successfully completing the maintenance outage earlier this summer. With an average net capacity factor of 99.75 per cent, PLGS is a base-load contributor to New Brunswick's grid.

Eel River Upgrades finish early and under budget

Major Upgrades on NB Power's interconnection with Quebec, the Eel River High-Voltage Direct Current (HVDC) Converter Station, finished two weeks ahead of schedule and more than $5 million under budget. The $85 million, 20-month project represents an investment in northern New Brunswick operations to ensure continued reliability and energy exchange of approximately 350 MW between the two provinces.

NB Power to serve Houlton Water Company

NB Power and Houlton Water Company in Houlton, ME have entered into a new partnership to build a 25 km, 138 kV transmission line and substation. Construction will begin once regulatory approvals have been received. The project will be 100 per cent funded by Houlton Water Company and final costs will be determined when environmental, engineering and design work is complete. This agreement is just the latest example of regional partners seeing the value in New Brunswick's low cost energy and extremely stable grid.

Public input sought for technical review of options for Mactaquac Generating Station

As NB Power considers three options for the future of Mactaquac Generating Station, members of the public were invited to comment on guidelines for a Comparative Environmental Review (CER) between November 25, 2014 and January 8, 2015. The CER is a technical review of the potential environmental impacts of the options, modelled on the Government of New Brunswick's Environmental Impact Assessment process.

Preventative tree trimming continues through winter

NB Power is spending an additional $5.1 million this fiscal year to bolster grid reliability by cutting and trimming thousands of trees weakened by last summer's post-tropical storm Arthur. This extra investment brings NB Power's 2014/2015 tree trimming expenditure to $12.1 million.

NB Power Employees Realize Historic Safety Achievement

NB Power employees realized a safety record in 2014. In terms of total numbers of injuries to employees, the utility achieved the best statistics in its history during a year with three major storm restoration efforts. During the year, employees at each of the Belledune, Coleson Cove and Point Lepreau generating stations achieved two million person hours with no lost-time injuries. Congratulations to all on this continued commitment to workplace safety.

Save Twice offers in-store rebates on energy efficient products

NB Power continued to help New Brunswickers save money with in-store discounts on selected energy-efficient products throughout October. The program is an important part of NB Power's long-term strategy to reduce future costs and reliance on fossil-fuel energy. It also provides customers with tools to better control their monthly bills.

Storm Preparedness Week 2014 includes new tools, web content and public info sessions

During November's Storm Preparedness Week, NB Power launched a new mobile-enabled outage mapping tool, safety-focused web content and invited customers to attend one of six "Let's Talk About Extreme Weather" information sessions hosted throughout the province.

Nor'Easter swept through southern New Brunswick in late November

A Nor'Easter brought heavy snow, ice pellets and high wind, and caused power outages for 52,000 customers in late November. With help from neighbouring utilities, crews restored nearly 95 per cent of customers within 24 hours. NB Power infrastructure performed very well during this weather event, with no blown transformers and just two broken poles.

New class cost allocation methodology filed with regulator

NB Power filed an updated methodology for a customer revenue-to-cost ratio with the New Brunswick Energy and Utilities Board (EUB) in mid-October. This filing, which follows the re-integration of NB Power as a single entity in October 2013, is the next step in a process that will allow for a transparent and fair method of establishing equitable rates across customer classes. The filing will allow the EUB and various stakeholders to review the methodology in preparation of a hearing expected in 2015.

For more information on the above Operational Highlights, please press the hyperlink imbedded in the above titles (where available).

Financial Highlights

The information provided in this report includes year-over-year financial variances for the year-to-date period. 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.[1] These should be read in conjunction with the audited financial statements.

Year-to-Date

Free Cash Flow[2] and Change in Net Debt[3]

The year-to-date free cash inflow was $62 million compared to the prior year's free cash inflow of $37 million, this resulted in a $25 million positive variance. The positive variance is mainly due to the collection of higher receivables in 2014/15 as a result of higher revenue in Q4 of 2013/14 due to colder weather, and higher current year gross margin, partially offset by increased capital spending. This year-to-date cash inflow of $62 million is reflected in a reduction of net debt (net debt at December 31, 2014 $4,956 million compared to $5,018 million at March 31, 2014).

Net Earnings

NB Power recorded net earnings for the period of $43 million, compared to net loss of $15 million for the same period in 2013/14. The following explains the $58 million positive variance.

Revenues

In-province revenue increased $11 million compared to the same period in 2013/14 mainly due to the impact of a two per-cent rate increase in October 2013, and increased weather adjusted residential sales partially offset by warmer weather in 2014/15.

Out-of-province revenue was $2 million lower than the same period in 2013/14 mainly due to lower volumes partially offset by higher export prices.

Expenses

Fuel and purchased power expense decreased $17 million compared to the same period in 2013/14 mainly due to lower overall generation costs as a result of meeting load requirement with the Point Lepreau Generating Station as opposed to the Coleson Cove Generating Station in 2014/15, and lower volumes required partially offset by lower hydro flows in 2014/15.

OM&A expense increased $3 million compared to the same period in 2013/14 mainly attributable to planned outage costs associated with the Point Lepreau Generating Station, and Tropical Storm Arthur costs offset by reduced pension related expenses due to the conversion to the shared risk pension model.

Amortization and decommissioning expense increased $17 million compared to the same period in 2013/14 mainly due to shortened life of Point Lepreau Generating Station closure plugs, the replacement of streetlights with LED lights, and write off of obsolete generation technology and equipment.

Finance charges decreased by $8 million mainly due to lower debt levels outstanding and higher interest charged to PLGS regulatory deferral due to higher interest rates on deferral.

Sinking funds and other investment earnings increased by $44 million mainly due to higher earnings from nuclear trust funds and sinking funds.

[1] Certain comparative figures have been restated to reflect adjustments made to the period results subsequent to the issuance of the prior year quarterly report.

[2] Free cash flow is defined as the net cash flow from operating activities and investing activities..

[3] Net Debt includes short-term debt, current portion of long-term debt and long-term debt, sinking funds, and cash.

Consolidated Statement of Earnings

In Millions of Dollars
(Unaudited)

	Nine months ended December 31		
	2014	**2013**	**Variance**
Revenues			
In-province revenue	$908	$897	$11
Out-of-province revenue	221	223	(2)
Miscellaneous revenue	56	54	2
	1,185	1,174	11
Expenses			
Fuel & purchased power	444	461	(17)
Operations, maintenance and administration	362	359	3
Amortization and decommissioning	188	171	17
Taxes	27	27	0
Regulatory deferrals	55	53	2
Finance charges	153	161	(8)
Sinking funds and other investment earnings	(69)	(43)	(26)
Mark-to-market of held-for-trading investments	(18)	-	(18)
	1,142	1,189	(47)
Net earnings (loss)	**$43**	**$(15)**	**$58**

Consolidated Balance Sheet

In Millions of Dollars
(Unaudited)

Assets	As at Dec. 31, 2014	As at Dec. 31, 2013	As at March 31, 2014
Current assets			
Cash and short-term investments	$2	$8	$3
Accounts receivable	212	247	305
Materials, supplies and fuel	215	207	211
Prepaid expenses	17	16	8
Current portion of long-term receivable	-	-	1
Current portion of regulatory deferral	21	20	21
Current portion of derivative assets	59	79	132
	526	577	681
Property, plant and equipment	4,084	4,059	4,072
Long-term and other assets	2,183	2,138	2,110
Total Assets	**$6,793**	**$6,774**	**$6,863**

Liabilities and Shareholder's Equity			
Current liabilities			
Short-term indebtedness	$808	$852	$858
Accounts payable and accrued interest	260	274	282
Current portion of long-term debt	400	-	-
Current portion of derivative liabilities	60	1	13
	1,528	1,127	1,153
Long-term debt	4,179	4,557	4,567
Deferred liabilities	787	749	744
Shareholder's Equity	299	341	399
Total Liabilities and Shareholder's Equity	**$6,793**	**$6,774**	**$6,863**

Consolidated Statement of Cash Flows

In Millions of Dollars
(Unaudited)

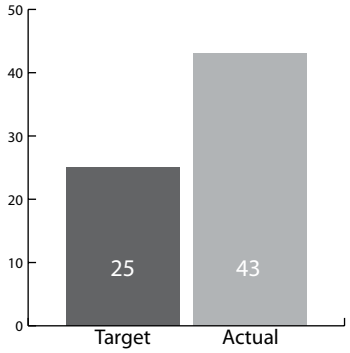
	Nine months ended December 31	
Operating Activities	**2014**	**2013**
Net (loss) for the year	$ 43	$ (15)
Amounts not requiring a current cash payment	211	214
Nuclear decommissioning and used fuel management funds installments and earnings	(66)	(19)
Decommissioning liability expenditures	(9)	(12)
Retirement allowance payout	(5)	-
Net change in non-cash working capital	60	(1)
	$ 234	**$ 167**
Investing Activities		
Expenditure on property, plant and equipment, net of customer contributions and proceeds on disposal	(172)	(130)
	(172)	**(130)**
Financing Activities		
Debt retirements	-	(379)
Proceeds from long-term debt obligations	-	179
Sinking fund installments and earnings	(12)	5
Increase (decrease) in short-term debt	(50)	166
	($ 62)	**($ 29)**
Net Cash (outflow) inflow	-	8
Cash, beginning of period	2	-
Cash, end of period	**$ 2**	**$ 8**

Key Performance Indicators

One of the three key strategies of NB Power's Strategic Plan is that NB Power will target being a top-quartile performer as compared to public and private utilities in North America. The Targets shown in the key performance indicators below are in-year targets toward achieving our ultimate goal of top-quartile performance. These key performance indicators were selected to reflect our core areas of focus: financial results, reliability and safety. These year-to-date measures will be monitored on a quarterly basis.

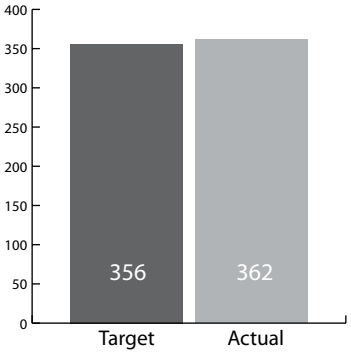
Financial Results

Net Earnings (loss) ($ millions)



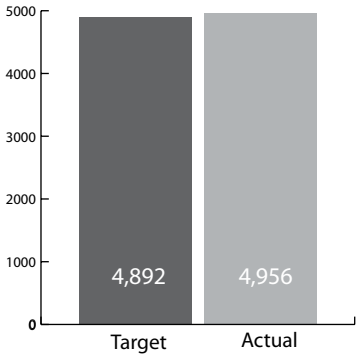
Net earnings (loss) is a measure of our profitability.

OM&A ($ millions)



Operations, maintenance and administration (OM&A) costs are largely controllable by management over the medium term and are an important measure of financial success.

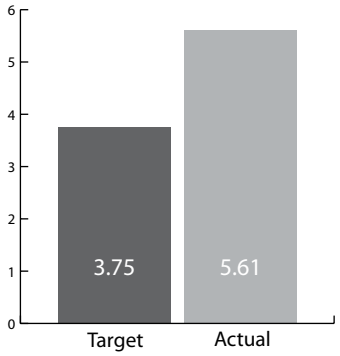
Net Debt ($ millions)



Net Debt includes short-term debt, current portion of long-term debt and long-term debt, sinking funds, and cash.

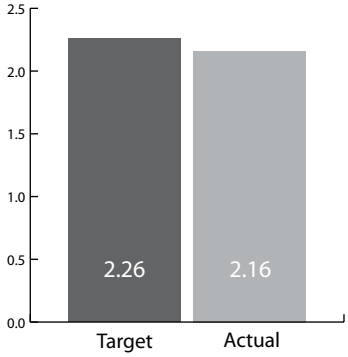
Reliability

SAIDI



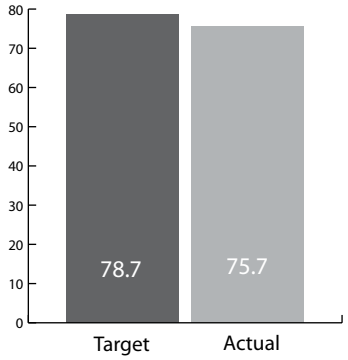
System Average Interruption Duration Index (SAIDI) is a standard utility indice that measures average total outage duration

SAIFI



System Average Interruption Frequency Index (SAIFI) is a standard utility indice that measures the average frequency of interruption per customer served.

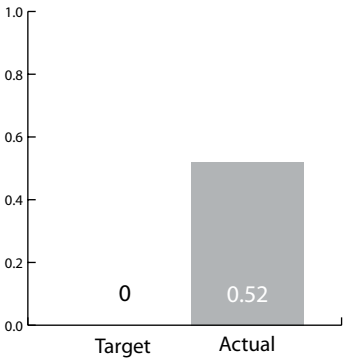
Point Lepreau Capacity Factor (%)



Capacity factor is the total amount of energy Point Lepreau produced during the year divided by the amount of energy the Station would have produced at full capacity.

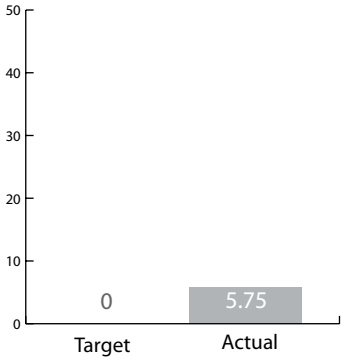
Safety

All Injury Frequency Rate



The all injury frequency rate represents a summary of all injuries per each 200,000 hours of actual hours worked.

Lost-Time Injury Severity Rate



The lost-time injury rate represents the total number of work days lost per each 200,000 hours of actual hours worked.