First Quarter Report

Year-To-Date Results

For Period Ended June 30, 2014

Énergie NB Power

Message from
the Chairman of the Board and the President and CEO

NB Power remains focused on its goals of keeping customer rates low and stable while reducing debt by $1 billion in the next decade. During the first quarter, the Point Lepreau Generating Station underwent a planned maintenance outage and hydro flows were lower than anticipated resulting in a loss. The utility made progress toward debt repayment in the quarter.

Just past the end of the quarter, New Brunswickers experienced Post-tropical storm Arthur's record high winds and heavy rainfall, which caused more damage to the power grid than any other storm in our history. We want to take a moment to thank you – our customers – for your support and patience during this most-challenging time.

Your kindness and generosity towards our crews was a testament to the New Brunswick character. It was also remarkable to see the tremendous community spirit with friends and neighbours reaching out to help one another by sharing power, sharing food and working together to clean up debris and fallen trees after the storm passed. Together, we weathered this record-breaking storm.

Ed Barrett
Chairman, NB Power Board of Directors

Gaëtan Thomas
President and Chief Executive Officer

Cover:
The Point Lepreau Generating Station underwent a planned maintenance outage during the first quarter.

Operational Highlights

NB Power reconnects thousands following spring storm

A slow-moving spring storm with freezing rain, ice pellets, heavy snow and high winds moved in the province and hit particularly the Bouctouche, Moncton and Shediac areas. Ice-covered trees and branches leaned and fell on power lines, causing outages to more than 75,000 homes. Customers were back on the grid after five days of work by 100 NB Power crews and contractors.

Point Lepreau planned maintenance outage

Throughout the winter of 2013/14, the Point Lepreau Generating Station continued to operate at or near 100 per cent, producing up to 660 megawatts for New Brunswick's power grid. By April 5, the plant had been online for 150 consecutive days.

A planned maintenance outage started on May 3 during which approximately 250 contract workers supported the various outage activities, including the shutdown, completion of planned maintenance activities, restart of the Station and synchronization of the unit. During the outage, staff identified an opportunity to perform work on station transformers, which triggered an extension of the outage from 45 to 59 days.

Point Lepreau is a major component of the generating assets that will contribute to the provincial goal of having as much as 75 per cent of the electricity used in New Brunswick coming from clean, renewable or non-emitting sources by 2020.

Coleson Cove achieves major safety milestone

On April 24, 2014, employees at the Coleson Cove Generating Station achieved a major milestone by working two million person hours without a lost-time injury.

Innovative wind energy research in partnership with the University of New Brunswick

NB Power partnered with the University of New Brunswick in efforts to further develop wind energy solutions for utilities around the world and incorporate renewable energy onto the utility's grid. The project allows heating and cooling systems at the WU Conference Centre on the university's Fredericton campus to be powered by wind energy.

This technology pilot is part of NB Power-led Powershift Atlantic- the research and development arm of the Reduce and Shift Demand program. In April at the 11th annual Peak Load Management Alliance (PLMA) awards in Denver, Colorado, NB Power was awarded the Innovative Application of Technology Award for its innovative research.

New members join NB Power Board of Directors

NB Power's Board of Directors welcomed five new members with a wealth of experience in energy sector, nuclear industry and finance. The new directors are Judith Athaide, Charles Firlotte, Mark Reddemann, Barbara Trenholm and Mike Wilson.

NB Power celebrates National Electricity Month

NB Power raised awareness about renewable energy and the future of electricity in New Brunswick through a series of educational events across the province in June as part of National Electricity Month. With its education partners The Gaia Project, NB Power visited the Boyce Farmers Market in Fredericton, invited the public to an open house at the Mactaquac Generating Station and joined Grand Falls during its annual Potato Blossom Festival.

Edmundston Energy to provide power to Madawaska Maliseet First Nation

As part of an agreement between NB Power and Edmundston Energy, 108 customers living on Madawaska Maliseet First Nation were transferred from NB Power over to Edmundston Energy as of April 14, 2014. NB Power will continue to provide water heater service to these customers, in addition to the 3100 customers in Edmundston previously transferred over from NB Power in 2012.

The two utilities worked closely with the Madawaska Maliseet First Nation on the development of this agreement. This customer transfer is in addition to the 20-year power purchase agreement agreed upon by both utilities in 2012.

NB Power invests in tree trimming, emergency response and customer communications following storm review

The utility has committed to improvements in tree trimming, emergency planning and customer communications following a review conducted in the months following the December 2013 ice storms. A **lessons learned document**, which outlines key areas for improvement can be found on NB Power's website.

Work has already begun on many of these enhancements. In addition, some key learnings from the December storms were immediately integrated into practice, which supported NB Power's performance during a second serious storm that caused widespread power outages in southeastern New Brunswick on March 31, 2014 and during post-tropical Storm Arthur in early July.

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

Financial Highlights[1]

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 . These should be read in conjunction with the audited financial statements. The audited financial statements for the year ended March 31, 2014 are available on the NB Power website (www.nbpower.com).

Year-to-Date

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

Year-to-date free cash inflow was $66 million compared to the prior year's free cash inflow of $25 million; the $41 million positive variance is a result of reductions in outstanding receivables in 2014/15, higher gross margin partially offset by higher costs associated with PLGS outage, and increased capital spending. This year-to-date cash inflow is reflected in a reduction of net debt (net debt at June 30, 2014 of $4,952 million compared to $5,018 million at March 31, 2014).

Net (Loss)

NB Power recorded net loss for the period of $8 million, compared to net loss of $15 million for the same period in 2013/14. The following explains the $7 million positive variance.

Revenues

In-province revenue increased $20 million compared to the same period in 2013/14 mainly due to colder weather, two per-cent in-province rate increase and increased weather-adjusted residential and general service load.

Out-of-province revenue was $4 million higher than the same period in 2013/14 mainly due to higher export prices.

Expenses

Fuel and purchased power expense increased $13 million compared to the same period in 2013/14 mainly due to higher overall generation costs due to 2014/15 planned maintenance outage at Point Lepreau Generating Station and lower hydro flows in 2014/15 partially offset by lower overall volumes due to higher transmission losses in prior years associated with unplanned outages at PLGS.

OM&A expense increased $10 million compared to the same period in 2013/14 mainly attributable to outage costs associated with the Point Lepreau Generating Station offset by reduced pension expenses as a result of the conversion to the shared risk pension model.

Amortization and decommissioning expense increased $3 million compared to the same period in 2013/14 mainly due to the replacement of streetlights with LED lights.

Income from investments increased by $9 million mainly due to higher earnings from nuclear trust funds and higher mark-to-market gains on investments.

[1] As not all amalgamating entities were required in their past existence to prepare quarterly financial results, NB Power was unable to fully re-state June 2013 using the continuity of interest method of accounting. However; all material changes have been reflected in the comparative statements. In particular this would include changes to debt as a result of debt transfer, elimination of payments in lieu of taxes (no longer required to pay PILS), and elimination of dividends (no longer have requirement for Transco dividends).

[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.

Combined Statement of Earnings

In Millions of Dollars
(Unaudited)

	Three months ended June 30		
	2014	**2013**	**Variance**
Revenues			
In-province revenue	$295	$275	$20
Out-of-province revenue	73	69	4
Miscellaneous revenue	17	16	1
	385	360	25
Expenses			
Fuel & purchased power	152	139	13
Operations, maintenance and administration	130	120	10
Amortization and decommissioning	61	58	3
Taxes	9	9	-
Regulatory deferrals	18	17	1
Finance charges	46	43	(6)
Sinking funds and other investment earnings	(18)	(11)	2
Mark-to-market of held-for-trading investments	(5)	-	(5)
	393	375	18
Net earnings (loss)	**($8)**	**$(15)**	**$7**

Combined Balance Sheet

In Millions of Dollars
(Unaudited)

Assets	As at June 30, 2014	As at June 30, 2013	As at March 31, 2014
Current assets			
Cash and short-term investments	$3	$4	$3
Accounts receivable	196	185	305
Materials, supplies and fuel	196	212	211
Prepaid expenses	22	26	8
Current portion of long-term receivable	1	1	1
Current portion of regulatory deferral	21	20	21
Current portion of derivative assets	119	17	132
	558	465	681
Property, plant and equipment	4,079	4,055	4,072
Long-term and other assets	2,152	2,071	2,110
Total Assets	**$6,789**	**$6,591**	**$6,863**

Liabilities and Shareholders' Equity			
Current liabilities			
Short-term indebtedness	$817	$762	$858
Accounts payable and accrued interest	264	225	282
Current portion of long-term debt	-	38	-
Current portion of derivative liabilities	11	5	13
	1,092	1,030	1,153
Long-term debt	4,557	4,648	4,567
Deferred liabilities	750	701	744
Shareholders' Equity	390	212	399
Total Liabilities and Shareholders' Equity	**$6,789**	**$6,591**	**$6,863**

Combined Statement of Cash Flows

In Millions of Dollars
(Unaudited)

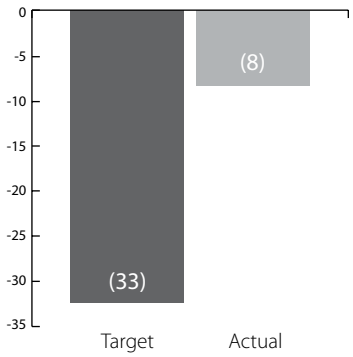
	Three months ended June 30	
Operating Activities	**2014**	**2013**
Net (loss) for the year	$ (8)	$ (15)
Amounts not requiring a current cash payment	53	74
Nuclear decommissioning and used fuel management funds installments and earnings	(25)	(7)
Decommissioning liability expenditures	(2)	(4)
Regulatory deferrals	5	5
Mark-to-market derivative assets not eligible for hedge accounting	9	1
Net change in non-cash working capital	92	5
	$ 124	**$ 59**
Investing Activities		
Expenditure on property, plant and equipment, net of customer contributions	(58)	(34)
	(58)	**(34)**
Financing Activities		
Debt retirements	-	(168)
Proceeds from long-term debt obligations	-	180
Sinking fund installments and earnings	(24)	-
Increase (decrease) in short-term debt	(41)	(32)
	($ 65)	**($ 20)**
Net Cash (outflow) inflow	1	5
Cash, beginning of period	2	(1)
Cash, end of period	**$ 3**	**$ 4**

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.

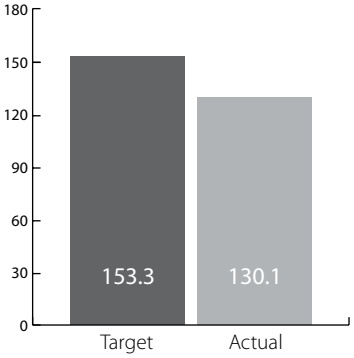
Financial Results

Net Earnings (loss) ($ millions)



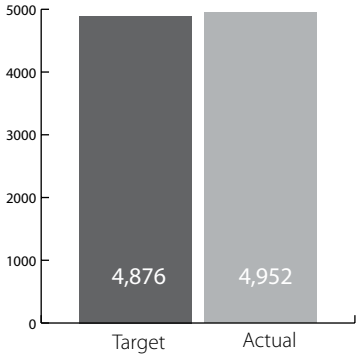
Net earnings (loss) is a measure of our profitability.

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.

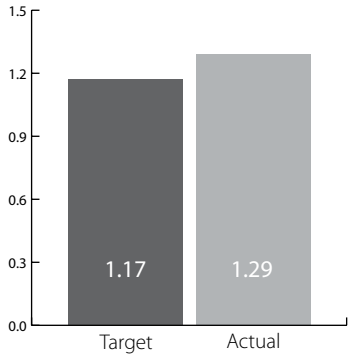
Net Debt ($ millions)



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

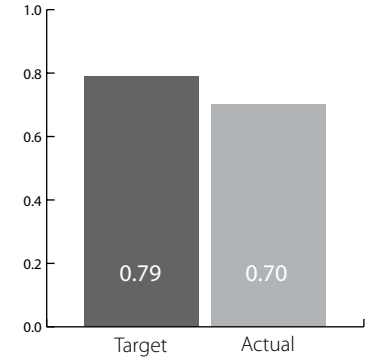
Reliability

SAIDI



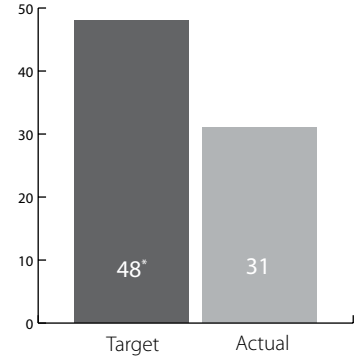
System Average Interruption Duration Index (SAIDI) is a standard utility indice that measures average total outage duration

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 (%)

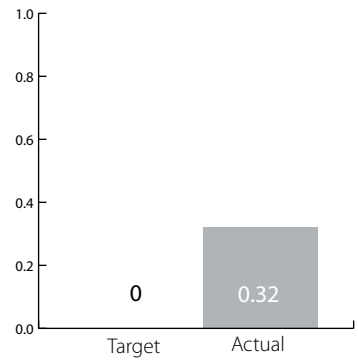


Capacity factor is the total amount of energy Point Lepreau produced during the year divided by the amount of energy the Station would have produced at full capacity.

** The Point Lepreau Generating Station had a planned outage period during the first quarter.*

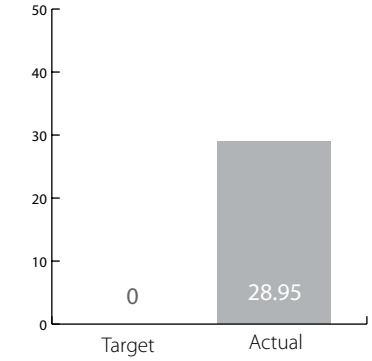
Safety

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 totalnumber of work days lost per each 200,000 hours of actual hours worked.