



**Énergie NB Power**

**For the Period Ended June 30, 2012**


# MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE PRESIDENT AND CEO

In its Shareholder's Mandate Letter of January 26, 2011, the Province of New Brunswick asked that NB Power make updated financial statements available to the public on a quarterly basis. This quarterly report contains unaudited financial highlights and discusses the primary factors that have an impact on the financial results and operations of the NB Power Group.

The information provided includes year-over-year financial variances for the year-to-date (April to June). The financial information contained in the report has not been audited, and it contains financial estimates that are subject to change. The audited financial statements for the year ended March 31, 2012 are available on the NB Power website ([www.nbpower.com](http://www.nbpower.com)).



Ed Barrett  
Chairman, NB Power Board of Directors



Gaëtan Thomas  
President and Chief Executive Officer

*This Public Quarterly Report discusses the financial and operating results for the NB Power Group of Companies (Holdco) and its subsidiary operating companies (collectively the NB Power Group or the Group). The subsidiaries include:*

- *New Brunswick Power Generation Corporation (Genco);*
  - *including New Brunswick Power Coleson Cove Corporation (Colesonco) and Mine Reclamation Inc. (formerly NB Coal Limited);*
- *New Brunswick Power Nuclear Corporation (Nuclearco);*
- *New Brunswick Power Transmission Corporation (Transco); and*
- *New Brunswick Power Distribution and Customer Service Corporation (Disco).*



## OPERATIONAL HIGHLIGHTS

### Point Lepreau Generating Station Update

During the quarter, the fuel load team at the Point Lepreau Generating Station (PLGS) completed the loading of the 4,560 new fuel bundles into the reactor following a detailed fuel accounting process in accordance with the International Atomic Energy Agency (IAEA) and the Canadian Nuclear Safety Commission (CNSC). NB Power also safely and successfully completed the hydrostatic pressure test of the primary heat transport system, bringing NB Power one step closer to restarting the Station by the fall of 2012.

Subsequent to the end of the quarter, the CNSC announced its decision authorizing NB Power to begin activities to restart PLGS. At this stage, the Station will not produce electricity, but will restart the reactor in order to perform several safety tests. The process to restart the reactor after completing a refurbishment consists of extensive testing of a large number of systems and components. The CNSC will continue to provide oversight in the form of on-site inspections and technical reviews of the remaining testing and commissioning activities.



### Edmundston Energy Agreement

On April 16, 2012, Edmundston Energy and NB Power announced that they have entered into an agreement which allows for the expansion of Edmundston Energy's customer boundary. The agreement also includes a 20-year power purchase agreement where NB Power purchases 100 per cent of Edmundston Energy's generation output from both the Madawaska and Green River hydro generation systems. In addition, the agreement includes a power supply agreement where NB Power supplies 100 per cent of Edmundston Energy's needs for the next 20 years.

### CEA's 2012 Sustainable Electricity Award for Economic Excellence

On June 13, 2012, NB Power received the Canadian Electricity Association's (CEA's) Sustainable Electricity Award for Economic Excellence in recognition of the PowerShift Atlantic initiative. PowerShift Atlantic is a customer engagement and research project focused on determining if load control can provide for a more economical and effective way to integrate wind energy into the electricity system. NB Power's project partners on this innovative initiative include Natural Resources Canada, the provinces of New Brunswick and Prince Edward Island, the New Brunswick System Operator, the University of New Brunswick, Nova Scotia Power, Maritime Electric Inc., and Saint John Energy.

### NB Power and Siemens Canada

On July 25, 2012, subsequent to the end of the quarter, NB Power entered into a multi-year agreement with Siemens Canada to integrate Smart Grid technology into the province's electrical system and create a Centre of Competence based in Fredericton, which will add approximately 40 new jobs to the province. This agreement allows NB Power to continue to offer its customers stable rates by modernizing the provincial electrical system.

As part of NB Power's Reduce and Shift Demand (RASD) strategy, implementing Siemens' Smart Grid methodology will allow NB Power to reduce peak demand and enable customers to better control and manage their energy usage. Customers will have more choices about how and when they use their electricity in the future. Improved technology will allow NB Power to understand customer usage in real time, and by collaborating with customers, the opportunity exists to reshape the demand on NB Power's electrical system. By automating and shifting electricity to times of day when there is less overall need, NB Power will be able to use lower-cost generating assets to meet its requirements.

# 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<sup>1</sup>. This financial information should be read in conjunction with the audited financial statements for the year ended March 31, 2012.

## Year-To-Date

NB Power Group recorded net earnings for the period of \$33 million, compared to \$42 million for the same period in 2011/12. The \$9 million decrease in earnings was largely as a result of

### Revenues

In-province revenue was unchanged for the same period in 2011/12.

Out-of-province revenue was \$1 million lower than the same period in 2011/12 mainly due to the end of a major contract in 2011/12 partially offset by export market prices being lower in 2011/12 as a result of market conditions.

Miscellaneous revenue was \$2 million lower than the same period in 2011/12.

### Expenses

*Fuel and purchased power and transmission expense* increased \$26 million compared to the same period in 2011/12 mainly due to higher overall in-province generation costs and additional renewable energy purchases. Hydro flows were also lower in 2012/13.

*OM&A expense* increased \$7 million compared to the same period in 2011/12 mainly attributable to higher pension expense in 2012/13 as a result of financial market conditions and increased hired services related to a bi-annual planned outage at the Belledune Generating Station.

*Amortization and decommissioning expense* decreased \$21 million compared to the same period in 2011/12 mainly due to adjustments to the decommissioning at the Grand Lake Generating Station in 2011/12 and the amortization of the Dalhousie Generating Station during 2011/12.

*Finance charges* decreased by \$7 million mainly due to lower debt levels (other than debt associated with ongoing capital projects) and lower long-term interest rates.

*Special payments in lieu of income taxes* decreased \$4 million compared to the same period in 2011/12 due to higher earnings in 2011/12.

## Change in Debt<sup>2</sup>

Debt at June 30, 2012 was \$4,567 million compared to \$4,533 million at March 31, 2012, an increase of \$34 million mainly as a result of capital spending partially offset by positive cash flows from operating activities.

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<sup>1</sup> Certain comparative figures have been restated to reflect adjustments made to the period results subsequent to the issuance of the prior year quarterly report.

<sup>2</sup> Debt includes short-term debt, current portion of long-term debt and long-term debt.

**Combined Statement of Earnings  
In Millions of Dollars  
(Unaudited)**

Three months ended June 30

	2012	2011	Variance
<b>Revenues</b>			
In-province revenue	\$282	\$282	\$-
Out-of-province revenue	52	53	(1)
Transmission revenue	20	21	(1)
Miscellaneous revenue	11	13	(2)
	\$365	\$369	\$(4)
<b>Expenses</b>			
Fuel & purchased power	154	128	26
Transmission expense	20	20	-
Operations, maintenance and administration	107	100	7
Amortization and decommissioning	45	66	(21)
Taxes	10	10	-
Regulatory deferrals	(36)	(40)	4
Finance charges	21	28	(7)
	\$321	\$312	\$9
Earnings (loss) before special payment in lieu of income taxes	44	57	(13)
Special payments in lieu of income taxes	11	15	(4)
<b>Net earnings (loss)</b>	<b>\$33</b>	<b>\$42</b>	<b>\$(9)</b>



**Combined Balance Sheet**  
**In Millions of Dollars**  
**(Unaudited)**

	As at Jun 30 2012	As at Jun 30 2011	As at Mar 31 2012
<i>Assets</i>			
<b>Current assets</b>			
Cash and short-term investments	\$4	\$7	\$4
Accounts receivable	192	201	263
Materials, supplies and fuel	220	260	221
Prepaid expenses	36	26	15
Current portion of derivative assets	4	2	-
	<b>\$456</b>	<b>\$496</b>	<b>\$503</b>
<b>Property, plant and equipment</b>	<b>\$3,989</b>	<b>\$3,811</b>	<b>\$3,909</b>
<b>Long-term and other assets</b>	<b>1,654</b>	<b>1,372</b>	<b>1,594</b>
<b>Total Assets</b>	<b>\$6,099</b>	<b>\$5,679</b>	<b>\$6,006</b>
<i>Liabilities and Shareholders' Equity</i>			
<b>Current liabilities</b>			
Short-term indebtedness	\$632	\$359	\$583
Accounts payable and accrued interest	266	208	264
Current portion of long-term debt	630	551	481
Current portion of derivative liabilities	45	32	77
	<b>\$1,573</b>	<b>\$1,150</b>	<b>\$1,405</b>
<b>Long-term debt</b>	<b>\$3,305</b>	<b>\$3,535</b>	<b>\$3,469</b>
<b>Deferred liabilities</b>	<b>694</b>	<b>654</b>	<b>678</b>
<b>Shareholders' Equity</b>	<b>527</b>	<b>340</b>	<b>454</b>
	<b>\$6,099</b>	<b>\$5,679</b>	<b>\$6,006</b>

**Combined Statement of Cash Flows**  
**In Millions of Dollars**  
**(Unaudited)**

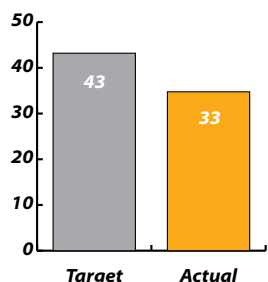
	Three months ended June 30	
	2012	2011
<i>Operating Activities</i>		
Net earnings (loss) for the year	\$33	\$42
Amounts not requiring a current cash payment	56	72
Nuclear decommissioning and used fuel management funds installments and earnings	(6)	(6)
Decommissioning liability expenditures	(2)	(2)
Deferred charges	(1)	-
Regulatory deferrals excluding mark-to-market adjustments	(47)	(49)
Net change in non-cash working capital	52	9
	<b>\$85</b>	<b>\$66</b>
<i>Investing Activities</i>		
Expenditure on property, plant and equipment, net of customer contributions	\$(118)	\$(59)
Recovery of capital	2	-
	<b>(\$116)</b>	<b>(\$59)</b>
<i>Financing Activities</i>		
Debt retirements	\$(15)	\$(12)
Proceeds from long-term debt obligations	-	130
Increase (decrease) in short-term debt	49	(123)
Dividends paid	(3)	(4)
	<b>\$31</b>	<b>\$(9)</b>
Net Cash (outflow) inflow	\$-	\$(2)
Cash, beginning of period	4	9
<b>Cash, end of period</b>	<b>\$4</b>	<b>\$7</b>

# 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. By measuring performance against the top-quartile of North American utilities NB Power will provide the most cost-effective generation and delivery to its customers.

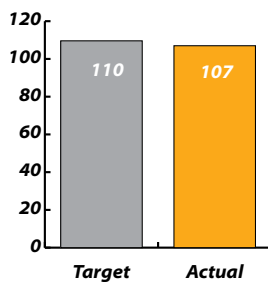
Top-quartile performance is a mid-to long-term target. NB Power's Board and management established in-year measures to help the utility move to achieve this mid-to long-term target. The time frame for achieving top-quartile performance varies by key performance indicator. The targets shown in the graphs 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, safety and reliability. These measures will be monitored on a quarterly basis.

## Net Earnings (\$ millions)



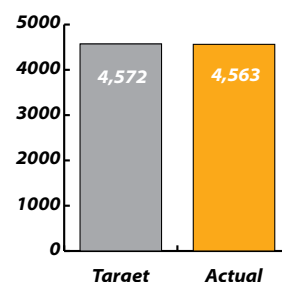
Net earnings is a measure of our profitability.

## OM&A (\$ millions)



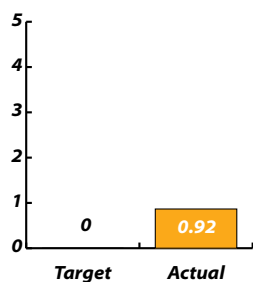
Operations, maintenance and administration (OM&A) costs are largely controllable by management over the medium term and are an important measure of financial success.

## Net Debt (\$ millions)



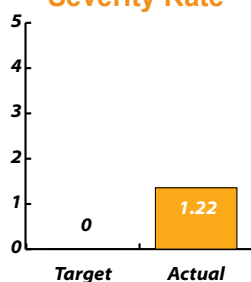
The total amount of short and long-term debt outstanding less deferred debt charges and cash.

## All Injury Frequency Rate



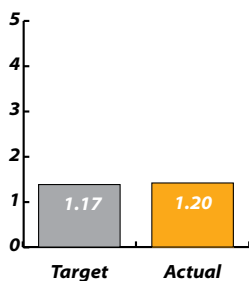
The all injury rate represents a summary of all injuries per each 200,000 hours of actual hours worked.

## Lost-Time Injury Severity Rate



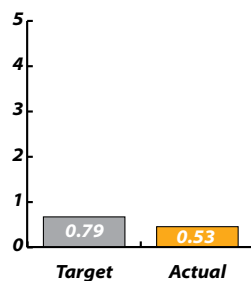
The lost-time injury rate represents the total number of work days lost per each 200,000 hours of actual hours worked.

## 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.