



# First Quarter Report

Year-To-Date Results

For the Period Ended June 30, 2016



**Énergie NB Power**

# Operational Highlights

## **NB Power's Smart Habits campaign captures two national ENERGY STAR® awards**

NB Power's Smart Habits campaign was a double winner in Natural Resources Canada's awards honouring organizations that demonstrate excellence in offering Canadian consumers the most energy-efficient products and technology available on the market. NB Power was named a winner in promotional campaign of the year and campaign of the year - social media categories, two of 14 ENERGY STAR® Market Transformation Awards for advancing energy efficiency in Canada.

NB Power was chosen for both its marketing campaign and social media efforts that promoted the smart habits rebate program which offered in-store and mail-in rebates for energy efficient, ENERGY STAR® certified products. These awards are NB Power's first ENERGY STAR® awards.

## **NB Power Chairman receives national recognition for Board leadership**

NB Power's board chair Edward (Ed) Barrett was one of this year's recipients of the prestigious ICD Fellowship Award. Mr. Barrett's strength in, and commitment to, best practices in corporate governance has helped transform the relationship between NB Power and its shareholder since assuming his responsibilities as Board Chair in 2010.

Soon after Mr. Barrett's appointment, NB Power's Board of Directors engaged external expertise to design an improved governance model for the utility. This new model established the flow of authority and accountability at the leadership level of NB Power and outlined the interrelationship and responsibilities among the three decision-making parties: the shareholder, the board, and management.

## **Energy and Utilities Board approves 1.66 per cent rate increase**

The Energy and Utilities Board (EUB) rendered its written decision regarding the 2016/17 rate increase application made by NB Power. On Thursday June 30, the EUB approved a revised rate increase of 1.66 per cent across all customer classes effective July 1, 2016. The decision follows four days of public hearings conducted in May 2016, during which NB Power responded to detailed questions about the utility's rationale for the rate increase from EUB members, public and private interveners and members of the public.

## **Point Lepreau Nuclear Generating Station update**

The Point Lepreau Nuclear Generating Station (PLNGS) is operating at 100 per cent reactor power, putting approximately 660 megawatts on the New Brunswick grid.

The Station was taken offline April 1 to perform scheduled maintenance. More than 600 contractors and tradespeople worked with NB Power staff during the 72 day outage. They worked on 15,000 planned technical maintenance activities on the conventional and nuclear Station's components. Since the return to service, the net capacity factor for June 2016 was 53 per cent. Capacity factor is the megawatt-hour output of a generating station compared to the maximum that could be produced. PLNGS produced approximately 34 per cent of the total net generation from NB Power generating stations during the month.

Adjustments have been made to NB Power's multi-year maintenance strategy at PLNGS with a concentrated focus on equipment reliability to ensure the most safe and predictable performance of the Station in the years ahead. Changes include the addition of a three-week maintenance outage in April 2017, and adjusting the duration of the 2018 maintenance. These changes have been filed with the Energy and Utilities Board (EUB).

## **New Brunswickers share views on future of Mactaquac**

Between September 21, 2015 to May 31, 2016, New Brunswickers were invited to help shape the future of the Mactaquac Generating station through an online survey, open house events, presentations, workshops, three community sessions and two stakeholder sessions. More than 10,000 New Brunswickers participated online and in person. Members of the public were also invited to comment on draft reports examining social and environmental aspects of the project. NB Power will recommend a preferred option for the station in late 2016.

## **New measures keep boaters safe on Mactaquac Headpond**

NB Power installed a safety boom above the Mactaquac dam to keep boaters and swimmers safe. The installation took place during May. The boom is located just upstream of the generating station, near the bridge crossing, and prevents boaters from approaching the strong currents and fast-moving water that can occur near the facility. NB Power also installed signage, booms and buoys, fencing, video cameras and audible alarms at all hydro facilities, along with a portage route for kayakers and canoeists at the Beechwood station to help protect the public and raise awareness about the dangers on the water near hydro facilities.

# 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>. These should be read in conjunction with the audited annual financial statements.

## Free Cash Flow<sup>2</sup> and Change in Net Debt<sup>3</sup>

During the first quarter cash flow requirements led to temporarily increasing net debt by \$24 million, this was primarily due to necessary investments made during the PLNGS planned maintenance outage, and payouts of retirement allowances. Net debt balance at June 30, 2016 was \$4,937 compared to \$4,913 at March 31, 2016.

## Financial Overview

NB Power's net earnings were \$31 million for the first three months of the 2016/17 fiscal year compared to net loss of \$14 million for the same period last year. The increase in net earnings of \$45 million was largely attributable to an unrealized gain in investment market value of the nuclear funds and decreased OM&A expenses due to costs being capitalized during the extended PLNGS outage.

## Electricity Operations

NB Power incurred earnings before depreciation, finance charges and other earnings of \$135 million for the three-month period compared to \$122 million for the same period last year.

Revenue from electricity sales within New Brunswick totaled \$299 million for the three-month period, which was \$1 million or 0.3 per cent higher than the same period last year. The increase was primarily attributed to the rate increase in October 2015 partially offset by reduced revenues due to warmer than anticipated weather. Out-of-province revenues of \$58 million were \$22 million or 28 per cent lower than the same period last year mainly due to lower volumes related to serving fewer standard offer service contracts partially offset by higher prices due to market conditions.

Expenses attributed to electricity operations were \$240 million for the three-month period, a decrease of \$35 million or 12.7 per cent lower than the same period last year. The decrease was primarily a result of a \$24 million decrease in fuel and purchased power costs and a \$12 million decrease in operations, maintenance and administration (OM&A) costs. The decrease in fuel and purchased power costs was primarily due to lower volumes required as there were less export sales and lower supply costs. The decrease in OM&A was mainly due to costs being capitalized associated with the extended Point Lepreau Generating Station outage partially offset by increased hired services and labour and benefits.

## Other

Depreciation expense was \$56 million for the three-month period, a decrease of \$5 million or 8.2 per cent lower than the same period last year. The decrease was mainly due to the life extensions of Coleson Cove and Belledune Generating Stations. Finance charges and other income are \$27 million or 37.5 per cent lower than the same period last year. The decrease is primarily due to investment market gains in the current fiscal year, versus losses in prior fiscal year.

<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> Free cash flow is defined as the net cash flow from operating activities and investing activities less earnings on sinking funds, foreign exchange on debt, and deferred debt costs.

<sup>3</sup> 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)

	Three months ended June 30		
	2016	2015	Variance
<b>Revenues</b>			
In-province	\$299	\$298	\$1
Out-of-province	58	80	(22)
Miscellaneous	18	19	(1)
	375	397	(22)
<b>Expenses</b>			
Fuel and purchased power	(127)	(151)	24
Operations, maintenance and administration	(102)	(114)	12
Taxes	(11)	(10)	(1)
<b>Earnings before depreciation, interest and investment earnings</b>	<b>135</b>	<b>122</b>	<b>13</b>
Depreciation and amortization	(56)	(61)	5
Finance charges and other income	(61)	(61)	-
Unrealized gains (losses) on investments	16	(11)	27
<b>Net earnings (loss) before changes in regulatory balances</b>	<b>\$34</b>	<b>(\$11)</b>	<b>\$45</b>
Net changes in regulatory balances	(3)	(3)	-
<b>Net earnings (loss)</b>	<b>\$31</b>	<b>(\$14)</b>	<b>\$45</b>

# Consolidated Balance Sheet

In Millions of Dollars  
(Unaudited)

Assets	As at June 30, 2016	As at June 30, 2015	As at March 31, 2016
<b>Current assets</b>			
Cash	\$2	\$1	\$2
Accounts receivable	165	177	235
Materials, supplies and fuel	187	183	204
Prepaid expenses	30	23	11
Current portion of long-term receivable	1	1	1
Derivative assets	5	55	16
<b>Total Current Assets</b>	<b>390</b>	<b>440</b>	<b>469</b>
Property, plant and equipment	4,300	4,382	4,237
Sinking fund receivable	486	459	464
Long-term and other assets	747	735	725
<b>Total Assets</b>	<b>\$5,923</b>	<b>\$6,016</b>	<b>\$5,895</b>
Regulatory balances	1,018	1,031	1,021
<b>Total Assets and Regulatory Balances</b>	<b>\$6,941</b>	<b>\$7,047</b>	<b>\$6,916</b>

## Liabilities and Shareholder's Equity

<b>Current liabilities</b>			
Short-term indebtedness	\$806	\$859	\$855
Accounts payable and accrued interest	257	267	296
Current portion of long-term debt	400	480	400
Derivative liabilities	64	57	95
<b>Total Current Liabilities</b>	<b>1,527</b>	<b>1,663</b>	<b>1,646</b>
Long-term debt	4,219	4,020	4,124
Deferred liabilities and derivative liabilities	918	1,062	939
Shareholder's equity	277	302	207
<b>Total Liabilities and Equity</b>	<b>\$6,941</b>	<b>\$7,047</b>	<b>\$6,916</b>

# Consolidated Statement of Cash Flows

In Millions of Dollars  
(Unaudited)

Three months ended June 30

Operating Activities	2016	2015
Net earnings (loss)	\$ 31	(\$14)
Finance costs	66	67
Depreciation and amortization	56	61
Amounts charged or credited to operations not requiring a cash payment	(21)	13
Net change in non-cash working capital balances	22	5
Interest paid	(53)	(62)
Post-employment benefits	(15)	-
Customer contributions	2	-
<b>Cash Provided by Operating Activities</b>	<b>\$88</b>	<b>\$70</b>
<b>Investing Activities</b>		
Expenditure on property, plant and equipment, net of proceeds on disposal	(115)	(54)
Cash expenditure on decommissioning	(2)	(4)
<b>Cash Used in Investing Activities</b>	<b>(\$117)</b>	<b>(\$58)</b>
<b>Financing Activities</b>		
Proceeds from long-term debt	98	-
(Decrease) increase in short-term indebtedness	(49)	75
Sinking fund installments/redemptions	(19)	11
Debt retirements	-	(100)
<b>Cash Provided by (used in) Financing Activities</b>	<b>\$30</b>	<b>(\$14)</b>
Net cash (outflow) inflow	\$ 1	(\$2)
Cash, beginning of period	1	3
<b>Cash, end of period</b>	<b>\$ 2</b>	<b>\$1</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. 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.

Measures	Target	Actual	Description
<b>Financial Results</b>			
Net Earnings (\$ millions)	36.5	30.7	Net earnings is a measure of our profitability.
OM&A (\$ millions)	100.7	102.2	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)	4,890	4,937	The total amount of short and long-term debt outstanding less deferred debt charges and cash.
<b>Reliability</b>			
System Average Interruption Duration Index (SAIDI)	1.17	1.83	System Average Interruption Duration Index (SAIDI) is a standard utility indice that measures average total outage duration.
System Average Interruption Frequency Index (SAIFI)	0.79	1.03	System Average Interruption Frequency Index (SAIFI) is a standard utility indice that measures the average frequency of interruption per customer served.
*Point Lepreau Nuclear Generating Station (PLNGS) Capacity Factor (%)	35.9	17.97	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.
<b>Safety</b>			
All Injury Frequency Rate	0	0.30	The all injury rate represents a summary of all injuries per each 200,000 hours of actual hours worked.
Lost-Time Injury Severity Rate	0	8.24	The lost-time injury rate represents the total number of work days lost per each 200,000 hours of actual hours worked.

\*Note: Quarterly target for PLNGS capacity factor was based on planned spring outage. Actuals reflect the outage extending longer than planned.