

THIRD QUARTER REPORT

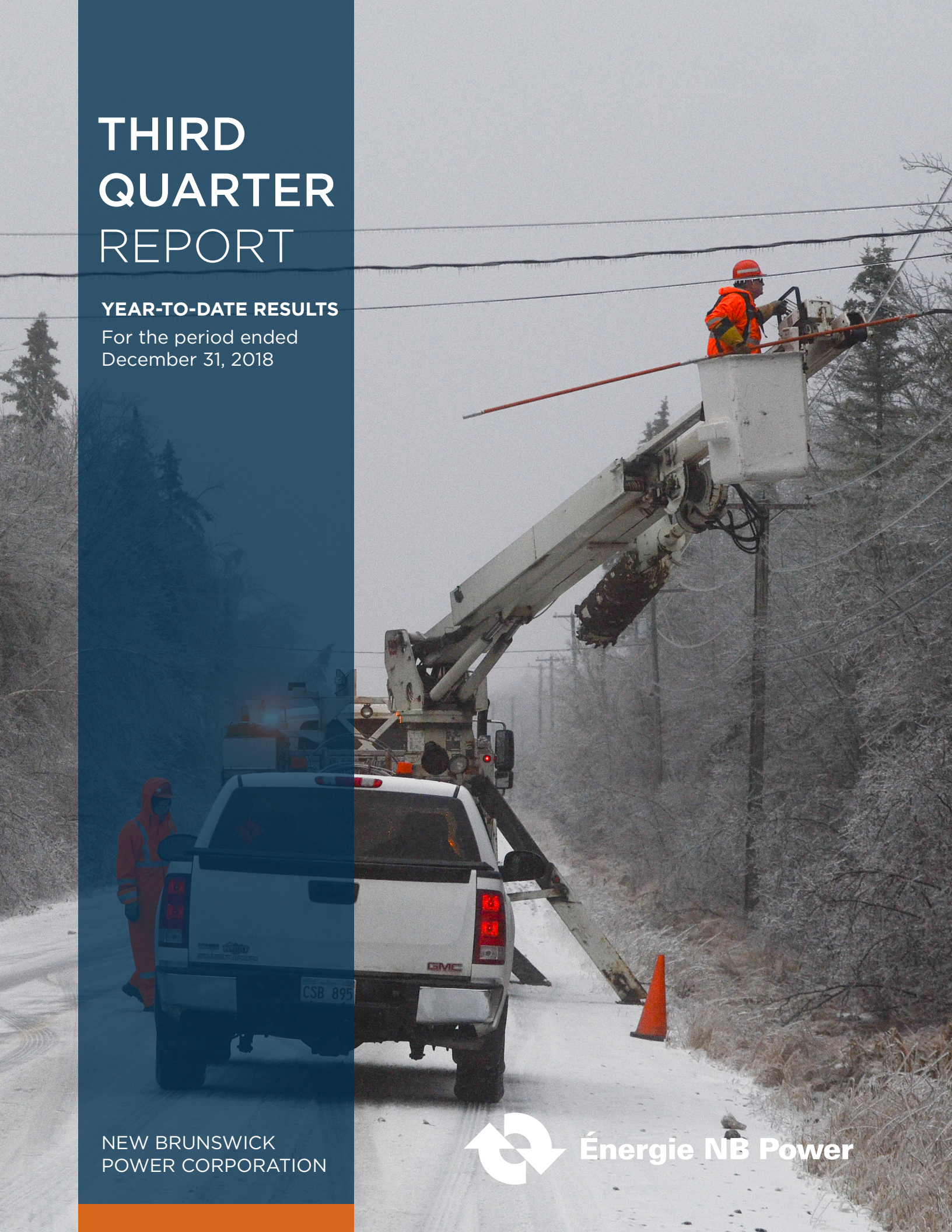
YEAR-TO-DATE RESULTS

For the period ended
December 31, 2018

NEW BRUNSWICK
POWER CORPORATION



Énergie NB Power



OPERATIONAL HIGHLIGHTS

Fundy Isles Submarine Cable Project proceeding as planned

In November, NB Power was given the green light by the New Brunswick Department of Environment and Local Government to install new submarine cables between Deer Island, Campobello and Grand Manan, which would allow the utility to continue to provide the Fundy Isles with safe and reliable power.

The original cables that are supplying power to the islands were installed in 1978, with an anticipated service life of 40 years, and therefore are nearing the end of their useful life. The new cables will be placed adjacent to the existing cables in accordance with feedback obtained during the public consultation period with various stakeholders and First Nations.

NB Power will launch an information program to ensure that all stakeholders are aware of the construction details and schedule in advance of commencement of work for each phase of the project and will continue to engage First Nations on this front as part of the established communication process. In addition to this, NB Power will be contacting local fishing associations and aboriginal communities regarding the best methods to mitigate against future cable strikes and unplanned outages.

Point Lepreau Nuclear Generating Station Update

During the quarter, the Point Lepreau Nuclear Generating Station (PLNGS) produced nearly 1.5 million net megawatt-hours of non-emitting electricity. PLNGS production represented approximately 47% of the total net generation from all NB Power generating stations in this period, with a net capacity factor of more than 99%. Capacity factor is the megawatt-hour output of a generating station compared to the maximum that could be produced.

PLNGS is currently operating at high power and has continuously operated at high power following its return to service from a planned maintenance outage on May 31, 2018. The focus for the fourth quarter will be on finalizing preparations for the Station's next planned maintenance outage which begins April 5, 2019.

PLNGS marked the completion of 2018 with no forced outages and a forced loss rate of 0.41 per cent, which is top quartile worldwide for CANDU plants.

Severe November storm hits New Brunswick

A severe wind and rain storm hit much of New Brunswick in early November resulting in more than 105,000 customers losing power at its peak. The storm brought with it as much as 97 mm of rain in many parts of the province, making the ground extremely soggy and affecting the root integrity of trees. On top of the heavy rain, the province also saw wind gusts as high as 119 kilometres per hour.

Hundreds of trees and branches broke and fell onto transmission and distribution lines. This prompted the launch of a multi-day operation to restore power with local command centres established in Fredericton, Sussex and St. Stephen. All available resources including approximately 300 crews from NB Power, contractors and neighbouring mutual aid partners were mobilized across the province to restore power as quickly and safely as possible. Despite these harsh conditions, 94 per cent of New Brunswickers had power restored within 72 hours.

NB Power customers have options to manage winter power bills

During the quarter, NB Power reminded customers who are having difficulty paying their power bills that there are several options available to help them this winter.

NB Power encouraged customers who are struggling financially at this time of year to maintain contact with the utility to avoid a disruption in service. Any customers having trouble keeping up with bill payments were encouraged to call the NB Power contact centre at 1-800-663-6272, where agents have the flexibility to make payment arrangements based on individual circumstances. The utility can also refer customers to agencies that can help.

The utility also has a number of programs available to customers who wish to wish to control their bills and reduce their energy use including the Total Home Energy Savings Program, the Low-Income Program, the Commercial Building Retrofits Program and the Small Business Lighting Program.

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

FINANCIAL HIGHLIGHTS¹

Electricity operations

NB Power's operating earnings were \$170 million for the nine-month period, which was \$15 million or eight per cent lower than the same period last year.

Revenue from electricity sales within New Brunswick totaled \$991 million, which was an increase of \$29 million or three per cent for the nine-month period. The increase in revenue was primarily due to colder-than-expected weather resulting in an increased electric heating load. Out-of-province revenue was \$171 million, which was \$24 million or 12 per cent lower year over year due to a decrease in United States sales both under contract and from the short-term markets.

Fuel and purchase power costs were \$452 million, a decrease of \$7 million or two per cent for the nine-month period. The primary reason for this decrease was lower out-of-province supply costs primarily due to lower United States sales. This was partially offset by an increase in the cost to supply in-province load due to a complex planned maintenance outage at the Point Lepreau Nuclear Generating Station and lower hydro flows leading to the use of more expensive replacement energy.

OM&A costs were \$373 million, an increase of \$20 million or six per cent for the nine-month period. The increase is primarily due to additional maintenance activity at our generation, transmission and distribution facilities and the emergency response to the spring flood and fall/winter storms. These costs are partially offset by miscellaneous revenue.

Depreciation and amortization expense was \$203 million, an increase of \$16 million or nine per cent for the nine-month period. Generation maintenance outages resulted in an increase in capital-related expenditures increasing depreciation expense.

Other expenses and income

NB Power's other expenses and income was \$171 million, an increase of \$15 million or 10 per cent for the nine-month period. This is mainly due to a decrease in the unrealized gains on investments year over year due to unfavourable financial market conditions. Increased finance costs related to foreign exchange fluctuations and higher short-term debt rates were fully offset by the foreign exchange impact on sinking fund income.

Financial overview

Net loss for the period ended December 31, 2018 was \$9 million, which represents a \$28 million decrease in net earnings compared to the same period in the prior year.

Debt management

The table below summarizes the net debt² in NB Power's capital structure. Net debt for the period has increased \$115 million as illustrated in the table below. This is primarily due to NB Power's requirement for capital investments during the first nine months of the year exceeding the cash flow generated from NB Power operating activities.

| (in millions) | 31 Dec. 2018 | 31 March 2018 | Change |
|-----------------------|-----------------|------------------|--------------|
| Total debt | \$5,449 | \$5,278 | \$171 |
| Cash | 8 | 6 | 2 |
| Sinking fund | 559 | 505 | 54 |
| Total net debt | \$4,882 | \$4,767 | \$115 |

¹ 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. 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 Net debt includes short-term debt, current portion of long-term debt and long-term debt, less sinking funds and cash.

CONSOLIDATED STATEMENT OF EARNINGS

In millions of dollars (Unaudited)

| | Nine months ended December 31 | | |
|--|-------------------------------|----------------|---------------|
| | 2018 | 2017 | Variance |
| Revenue | | | |
| In-province | \$991 | \$962 | \$29 |
| Out-of-province | 171 | 195 | (24) |
| Miscellaneous | 69 | 60 | 9 |
| Total revenue | 1,231 | 1,217 | 14 |
| Expenses | | | |
| Fuel and purchased power | (452) | (459) | 7 |
| Operations, maintenance and administration | (373) | (353) | (20) |
| Depreciation and amortization | (203) | (187) | (16) |
| Taxes | (33) | (33) | - |
| Total operating expenses | (1,061) | (1,032) | (29) |
| Operating earnings | 170 | 185 | (15) |
| Other expenses and income | | | |
| Finance costs | (224) | (186) | (38) |
| Sinking fund and other investment income | 39 | 1 | 38 |
| Unrealized gains on investments | 14 | 29 | (15) |
| Total other expenses and income | (171) | (156) | (15) |
| Net (loss) earnings before changes in regulatory balances | (1) | 29 | (30) |
| Net changes in regulatory balances | (8) | (10) | 2 |
| Net (loss) earnings | \$(9) | \$19 | \$(28) |

OPERATING STATISTICS

| | Nine months ended December 31 | | |
|--|-------------------------------|-------|----------|
| | 2018 | 2017 | Variance |
| In-province sales (GWh) | 9,247 | 9,045 | 202 |
| Export sales (GWh) | 2,090 | 2,747 | (657) |
| Hydro flows (below) long-term average (%) ³ | (25) | (16) | (9) |
| PLNGS net capacity factor (%) ⁴ | 79 | 86 | (7) |

³ Although the province experienced unprecedented spring flooding, the spring runoff started later than usual with high flows over a shorter period of time resulting in lower power production by NB Power.

⁴ The current year PLNGS net capacity factor was impacted by a complex planned maintenance outage in the first quarter of 2018/19.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of dollars (Unaudited)

| | As at Dec. 31, 2018 | As at Dec. 31, 2017 | As at March 31, 2018 |
|---|---------------------------|---------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | \$ 8 | \$4 | \$6 |
| Accounts receivable | 248 | 252 | 248 |
| Materials, supplies and fuel | 193 | 148 | 166 |
| Prepaid expenses | 26 | 24 | 14 |
| Derivative assets | 19 | 17 | - |
| Total current assets | 494 | 445 | 434 |
| Non-current assets | | | |
| Property, plant and equipment | 4,391 | 4,337 | 4,337 |
| Sinking fund | 559 | 534 | 505 |
| Long-term and other assets | 833 | 758 | 770 |
| Total non-current assets | 5,783 | 5,629 | 5,612 |
| Total assets | 6,277 | 6,074 | 6,046 |
| Regulatory balances | 886 | 999 | 894 |
| Total assets and regulatory balances | \$7,163 | \$7,073 | \$6,940 |

| | As at Dec. 31, 2018 | As at Dec. 31, 2017 | As at March 31, 2018 |
|---------------------------------------|---------------------------|---------------------------|----------------------------|
| Liabilities and equity | | | |
| Current liabilities | | | |
| Short-term indebtedness | \$715 | \$732 | \$871 |
| Accounts payable and accrued interest | 296 | 316 | 314 |
| Current portion of long-term debt | 630 | 650 | 410 |
| Derivative liabilities | 31 | 12 | 13 |
| Total current liabilities | 1,672 | 1,710 | 1,608 |
| Non-current liabilities | | | |
| Long-term debt | 4,104 | 4,054 | 3,997 |
| Other non-current liabilities | 1,009 | 953 | 997 |
| Total non-current liabilities | 5,113 | 5,007 | 4,994 |
| Total liabilities | 6,785 | 6,717 | 6,602 |
| Total equity | 378 | 356 | 338 |
| Total liabilities and equity | \$7,163 | \$7,073 | \$6,940 |

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of dollars (Unaudited)

| | Nine months ended Dec. 31 | |
|---|---------------------------|----------------|
| | 2018 | 2017 |
| Operating activities | | |
| Cash receipts from customers | \$1,229 | \$1,233 |
| Cash paid to suppliers and employees | (906) | (811) |
| Interest paid | (188) | (186) |
| Cash provided by operating activities | \$135 | \$236 |
| Investing activities | | |
| Cash invested in property, plant and equipment | \$(261) | \$(237) |
| Used fuel management and decommissioning fund withdrawals | 4 | - |
| Cash expenditure on decommissioning | (9) | (12) |
| Cash used in investing activities | \$(266) | \$(249) |
| Financing activities | | |
| Cash from long-term debt | \$538 | \$295 |
| Debt retirements | (230) | - |
| Repayment of short-term indebtedness | (156) | (245) |
| Sinking fund withdrawals and purchases (net) | (19) | (34) |
| Cash provided by financing activities | \$133 | \$16 |
| Net cash (outflow) inflow | \$2 | \$3 |
| Cash, beginning of period | 6 | 1 |
| Cash, end of period | \$8 | \$4 |