



# Second Quarter Report

Year-to-date results for the period ended September 30, 2023



**Énergie NB Power**

the power of possibility  
débordant d'énergie

## Message from the President



**Lori Clark**  
President and CEO

The last quarter was a productive one at NB Power as we continued to advance our efforts to implement transformative change at all levels of the utility.

Guided by our new Strategic Plan: *Energizing our Future*, we are leaving no stone unturned as we make the necessary changes to keep rates as low as possible while ensuring customers have access to a secure energy supply needed to fuel all aspects of their lives. We are also dedicated to responding to customers' changing expectations while we work hard to improve the utility's overall financial situation as well as meet federal government targets to produce cleaner, greener energy.

In August, we were excited to launch our new 2023 Integrated Resource Plan: Pathways to a Net-Zero Electricity System, a long-term plan that works in partnership with our Strategic Plan. This document, focused on New Brunswick's energy supply and demand, shows 16 different pathways for achieving a net-zero electricity system by 2035. It is an exciting roadmap that we update every three years to reflect new technology, new policies, and changes in customer expectations and demand, and identifies numerous pathways toward a net-zero electricity system.

Throughout the month of September, I was pleased to meet with stakeholder groups throughout the province to offer insight into what informs NB Power's decision-making processes and to provide more information on what's to come in the years ahead. Being able to speak directly to a host of thoughtful community and business leaders was an incredible opportunity to not only share the utility's vision for the future, but to receive feedback on our decisions to date. We will continue these meetings in the future.

We were well-prepared for the arrival of the 2023 hurricane season and closely monitored the approach of Hurricane Lee from our Emergency Operations Centre. This storm was of particular concern due to its forecasted strength as well as the degree of foliage remaining on trees. While more than 88,000 of our customers were impacted by the storm, our field resources and contractors were ready to safely and quickly restore power, resulting in limited widespread interruption overall.

On July 1, the Milltown Generating Station began decommissioning and the exciting project will unveil the beauty of the St. Croix River, offering approximately five million square metres of spawning habitat to various sea-run fish species, in addition to a host of recreational and cultural opportunities to community members.

In late-September we made the decision to delay filing a 2024/25 General Rate Application with the New Brunswick Energy and Utilities Board after news that the provincial government extended NB Power's 80/20 debt reduction target from 2027 to 2029. This directive offers an opportunity to look at the years between now and 2027 differently and provides us with increased flexibility to find ways to lessen the short-term impacts on our customers. This is a significant undertaking and we have notified the EUB that we will file a new application later this year.

At NB Power, we are staying focused on the future and are grateful for the continued support of our customers and community as we make the changes that are necessary to ensure uninterrupted supply for New Brunswickers at the most cost-effective prices.



## Strategic Transformers



### Transition to a cost-effective, clean and secure energy supply

NB Power must establish a path to achieve net-zero climate goals, while ensuring energy security and addressing its debt challenges.



### Modernize the grid

NB Power must accelerate grid modernization efforts supporting electrification, integration of renewables, mitigating the impacts of climate change and improving the customer experience.



### Electrify and grow load

NB Power must maximize revenue growth through electrification and safeguard against electricity load losses. This also includes realigning our rates to provide options for customers and support energy efficiency.



### Deliver competitive customer value

NB Power must respond to customer needs and generate new revenue streams by creating products and service offerings, using partnerships to balance the economic and capability requirements needed to succeed.



### Create a thriving workforce

NB Power must transform its workforce to be capable in a very different future. This requires new ways of working, new behavioural mindsets, new organizational structures, new talent sets, new rewards systems and effective recruitment and retention strategies.



### Align, engage and optimize

NB Power must effectively make the transition from strategy to execution. This requires establishing a clear plan for transformation and modernizing our governance, support processes, behaviours and technologies. This also includes ensuring all areas of the business are cost- sustainable through continuous improvement.

# Year-over-Year Financial Highlights<sup>1</sup>

NB Power's year-to-date results are reflective of improving global market conditions. There have been improvements in commodity prices and investment yields leading to a positive impact on purchased power costs, and improvements in investment fund performance. NB Power has also been able to benefit from increased in-province loads and export sales with customers in the United States. However, NB Power continues to have cost pressure challenges as a result of inflation and higher interest rates.

NB Power released its strategic plan, *Energizing our Future*, in the first quarter of 2023/24, which lays out an action plan for the future and ensures that continuous improvement remains a priority in all areas of the business.

## Electricity Operations

NB Power's operating earnings were \$188 million for the six-month period ended September 30, 2023, which was \$97 million or 108 per cent higher than the same period last year.

Revenue from electricity sales in New Brunswick totalled \$679 million, a \$14 million or two per cent increase from the same period last year. The primary driver was an increase in the average regulator-approved customer rates effective April 2023. Other load growth combined with colder weather also contributed to the increase in sales. These increases were partially offset by lower interruptible sales prices.

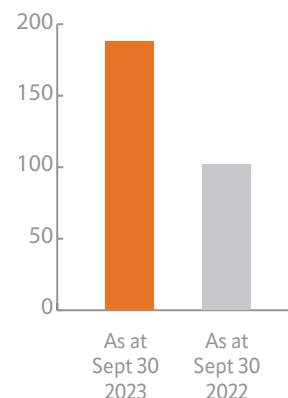
Out-of-province revenue was up 97 per cent to \$699 million, a \$345 million increase over the same period last year. This was a result of increased sales at higher prices with customers in the United States and Canada.

Miscellaneous revenue was down 17 per cent to \$44 million, a \$9 million decrease over the same period last year. NB Power was able to arbitrage natural gas in the prior period as a result of the outage at the Bayside Generating Station. These sales have decreased in the current year since the Station is now back online.

Fuel and purchased power costs were up by \$211 million to \$755 million, a 39 per cent increase over the same period last year. Increased electricity and fuel purchases were required to supply increased sales volumes.

**\$188**

Operating earnings  
(in millions of dollars)



<sup>1</sup> The financial information contained in the report includes abbreviated and condensed financial statements that have not been audited and contains financial estimates that are subject to change.

Additionally, in the second quarter of 2022/23 supply costs were lower as a result of unrealized hedge gains recognized in the prior period. The lower electricity market prices combined with higher hydro generation and a shorter planned capital maintenance outage at Point Lepreau Nuclear Generating Station helped mitigate the upward cost pressures.

Operation, maintenance, and administration costs were up by \$36 million to \$282 million, a 15 per cent increase over the same period last year. A Point Lepreau Nuclear Generating Station planned capital maintenance outage was shorter in 2023/24 compared to the previous year which resulted in an increase in other maintenance activities at the generating station. Year to date small modular reactors related expenses will be recovered through third party financing by year-end. There continues to be a significant focus on cost optimization activities and minimizing expenditures where possible.

Depreciation and amortization expense was \$173 million, a \$7 million or four per cent increase over the same period last year. The additional costs associated with the current and prior years planned capital maintenance outages resulted in higher depreciation expense. Milltown Generating Station reached the end of its economic life in July 2022, resulting in lower depreciation.

### Finance Costs

Finance costs were \$155 million, a \$23 million or 17 per cent increase as compared to the same period last year. The increase is primarily due to higher long-term debt levels and short-term interest rates.

### Sinking Fund and Other Investment Income

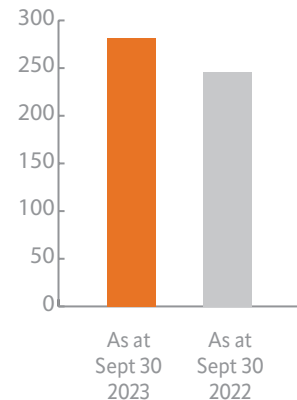
Sinking fund and other investment income were \$7 million, a \$4 million decrease from the same period last year. The decrease is primarily due to foreign exchange gains on US dollar investments that were previously held in the sinking fund. The investment matured in the first quarter of 2022/23.

### Unrealized Gains on Investments

Unrealized losses on investments were \$3 million, a \$30 million decrease compared to the same period last year. Markets were impacted in the prior period by geopolitical conflicts, which caused disruptions throughout the global markets. The current period losses are mainly attributable to poor performance in the fixed income portfolios as a result of numerous interest rate hikes by the global central banks.

**\$282**

OM&A expenses  
(in millions of dollars)



## Net Changes in Regulatory Balances

Net changes in regulatory balances of \$3 million was recognized in the period, a \$9 million decrease compared to the same period last year. During the six-month period the favourable gross margin variance compared to plan, variance account credit and associated interest were reclassified to the regulatory account.

## Net Earnings

The above variances resulted in \$34 million net earnings for the period ended September 30, 2023, compared to a net loss of \$75 million in the same period last year, which represents a \$109 million favourable variance.

## Debt Management

Net debt is \$5,379 million as at September 30, 2023, a \$27 million decrease since March 31, 2023. The primary contributor to debt reduction was operating cashflow. New and renewed export contracts at higher prices combined with higher average customer rates due to the rate increase, and lower commodity prices combined with positive working capital changes were all positive impacts to the operating results. This was partially offset by capital spend related to the PLNGS and Belledune Generating Station planned capital maintenance outages.

## Consolidated Net Debt

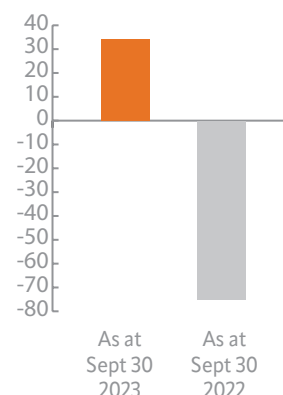
In millions of dollars (Unaudited)

	30 Sept 2023	31 Mar 2023	Variance
Total debt	\$5,894	\$5,883	\$11
Cash <sup>2</sup>	4	3	1
Sinking fund receivable	511	474	37
Total net debt	\$5,379	\$5,406	\$(27)

<sup>2</sup>Includes \$5 million (March 31, 2023 - \$7 million) in cash held for collateral

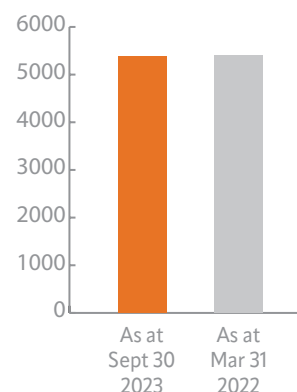
**\$34**

Net earnings  
(in millions of dollars)



**\$5,379**

Total net debt  
(in millions of dollars)





# Consolidated Statement of Earnings

In millions of dollars (Unaudited)

Period ended September 30

	2023	2022	Variance
<b>Revenue</b>			
Sales of electricity			
In-province	\$679	\$665	\$14
Out-of-province	699	354	345
Miscellaneous	44	53	(9)
<b>Total revenue</b>	<b>1,422</b>	<b>1,072</b>	<b>350</b>
<b>Expenses</b>			
Fuel and purchased power	755	544	211
Operations, maintenance and administration	282	246	36
Depreciation and amortization	173	166	7
Taxes	24	25	(1)
<b>Total operating expenses</b>	<b>1,234</b>	<b>981</b>	<b>253</b>
<b>Operating earnings</b>	<b>188</b>	<b>91</b>	<b>97</b>
<b>Finance costs and investment income</b>			
Finance costs	(155)	(132)	(23)
Sinking fund and other investment income	7	11	(4)
Unrealized (losses) on investments	(3)	(33)	30
<b>Total finance costs and investment income</b>	<b>(151)</b>	<b>(154)</b>	<b>3</b>
<b>Net earnings before changes in regulatory balances</b>	<b>37</b>	<b>(63)</b>	<b>100</b>
Net changes in regulatory balances	(3)	(12)	9
<b>Net earnings (loss)</b>	<b>\$34</b>	<b>\$(75)</b>	<b>\$109</b>

# Consolidated Statement of Financial Position

In millions of dollars (Unaudited)

	As at Sept 30, 2023	As at Sept 30, 2022	As at Mar 31, 2023
<b>Assets</b>			
<b>Current</b>			
Cash <sup>3</sup>	\$4	\$39	\$3
Accounts receivable	289	268	504
Materials, supplies and fuel	304	298	296
Prepaid expenses	49	60	21
Derivative assets	47	183	34
<b>Total current assets</b>	<b>693</b>	<b>848</b>	<b>858</b>
<b>Non-current assets</b>			
Property, plant and equipment	4,739	4,828	4,670
Nuclear decommissioning and used fuel management funds	886	848	897
Sinking fund receivable	511	444	474
Other non-current assets	185	288	181
<b>Total non-current assets</b>	<b>6,321</b>	<b>6,408</b>	<b>6,222</b>
<b>Total assets</b>	<b>7,014</b>	<b>7,256</b>	<b>7,080</b>
Regulatory balances	1,018	775	1,021
<b>Total assets and regulatory balances</b>	<b>\$8,032</b>	<b>\$8,031</b>	<b>\$8,101</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short-term indebtedness	\$606	\$1,085	\$797
Accounts payable and accrued interest	363	365	509
Current portion of long-term debt	350	-	300
Current portion of lease liabilities	6	5	5
Derivative liabilities	69	41	185
<b>Total current liabilities</b>	<b>1,394</b>	<b>1,496</b>	<b>1,796</b>
<b>Non-current liabilities</b>			
Long-term debt	4,938	4,599	4,786
Lease liabilities	38	32	32
Decommissioning and used fuel management liability	1,000	1,137	987
Other non-current liabilities	164	176	166
<b>Total non-current liabilities</b>	<b>6,140</b>	<b>5,944</b>	<b>5,971</b>
<b>Total liabilities</b>	<b>7,534</b>	<b>7,440</b>	<b>7,767</b>
<b>Total equity</b>	<b>498</b>	<b>591</b>	<b>334</b>
<b>Total liabilities and equity</b>	<b>\$8,032</b>	<b>\$8,031</b>	<b>\$8,101</b>

<sup>3</sup>Includes \$5 million (September 30, 2022 - \$43 million; March 31, 2023 - \$7 million) in cash held for collateral



## Consolidated Statement of Cash Flows

In millions of dollars (Unaudited)

	Period ended September 30	
	2023	2022
<b>Operating activities</b>		
Cash receipts from customers	\$1,636	\$1,198
Cash paid to suppliers and employees	(1,236)	(1,000)
Interest paid	(145)	(122)
Cash provided by operating activities	\$255	\$76
<b>Investing activities</b>		
Expenditures on property, plant and equipment	\$(223)	\$(340)
Used fuel management and decommissioning fund withdrawals	7	-
Cash expenditure on decommissioning	(15)	(4)
Cash used in investing activities	\$(231)	\$(344)
<b>Financing activities</b>		
Proceeds from long-term debt	\$199	\$192
Debt retirements	-	(228)
Increase (decrease) in short-term indebtedness	(191)	225
Sinking fund changes	(31)	67
Principal repayment of lease obligation	-	(1)
Cash (used in) provided by financing activities	\$(23)	\$255
Net cash inflow	\$1	\$(13)
Cash, beginning of period	3	52
Cash, end of period <sup>4</sup>	\$4	\$39

## Operating Statistics

	Period ended September 30		
	2023	2022	Variance
In-province sales (GWh)	5,823	5,737	86
Heating degree days	852	820	32
Export sales (GWh)	6,034	2,983	3,051
Hydro flows above (below) long-term average (%)	14%	7%	7%
PLNGS net capacity factor (%)	77%	34%	43%

<sup>4</sup>Includes \$5 million (September 30, 2022 - \$43 million) in cash held for collateral