

# **NB Power Quarterly Report**

## **Year-To-Date Results**



**Énergie NB Power**

**For the Period Ended December 31, 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 December). 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)).

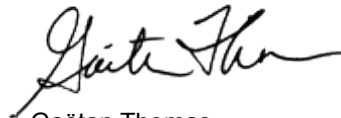
In fall 2011, in response to the Shareholder's Mandate Letter, NB Power's Board of Directors and management developed a 30-year strategic plan. This plan, which is the foundation for all of NB Power's business plans, investment decisions and business initiatives, sets out the following three strategies:

1. NB Power will target being a top quartile performer as compared to public and private utilities in North America.
2. Systematically reduce debt to ensure that NB Power is in a financial position to invest in new generation that will ensure stable rates for New Brunswick.
3. Invest in technology, educate customers and incent consumption that will reduce and shift demand (RASD) for electricity and ultimately defer the next significant generation investment.

The operational and financial results contained within this report highlight initiatives implemented to realize the strategies outlined in the Strategic Plan and the key performance indicators at the back of the report reflect progress thus far.



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

On November 23, 2012, the Point Lepreau Generating Station returned to commercial operations, marking what is projected to be the beginning of 25 to 30 years of providing safe, reliable and non-emitting power for New Brunswickers and our export customers.

Starting on November 28, 2012, NB Power and the New Brunswick System Operator supported upgrades to the New England Power Grid and the Maine Power Reliability Program by adjusting power generation. During that two-week period, the amount of power output that the NBSO could dispatch to the electrical grid from the Point Lepreau Generating Station was limited. There are two high-voltage transmission lines that connect New Brunswick and New England. Electricity flows back and forth through the lines supporting the stability of both the New England and New Brunswick electrical grids and ensuring reliability for customers on both sides of the border.



### NB Power Responds to Winter Storms

In late December, NB Power crews restored power to thousands of customers after a series of winter storms. The most affected areas were Moncton, Sussex, Woodstock and Fredericton. NB Power crews were dispatched from other areas of the province. Saint John Energy, Edmundston Energy, line contractors and tree trimming crews also assisted with restoration.

NB Power employees also had a busy few days from January 31 to February 4 as one of the most severe winter storms in years hit the province causing a significant number of power outages. The southern region of New Brunswick was hit hardest, with 50 per cent of the outages occurring in Rothesay, Quispamsis and Sussex. At the peak of the storm, some 39,000 customers were without power. Given the severity of the storm, NB Power requested help from over 65 line and tree trimming crews from private contractors and other utilities, including Emera, Maritime Electric, Saint John Energy and Hydro Quebec. By the evening of February 3, an overwhelming majority of customers were restored.

### NB Power Appears Before the EUB on the Point Lepreau Generating Station Deferral Account

In early 2013, NB Power presented its case to the New Brunswick Energy and Utilities Board over a five-day period on matters relating to the Point Lepreau Generating Station Deferral Account Balance and Estimated Life. During the hearings, NB Power presented a case based on evidence submitted and explained by various internal and external witnesses. This included foundational evidence for NB Power's estimate of the expected 27 year life of the refurbished plant. It also included internal and expert evidence confirming that NB Power has taken many measures to ensure incurred costs were accurate and appropriately allocated and that accumulated costs included in the PLGS deferral account were necessary and recorded in compliance with regulations.



The EUB will schedule hearings at a later date to cover the appropriate financing and amortization methodology to be used to determine the amount to be recovered and the reflection of this recovery on NB Power's rates. NB Power is confident that the current 10-year forecast of modest two per cent rate increases it has set out is adequate to recover the deferral account balance.

### PowerShift Atlantic and NB Power win national wind energy award

On October 16, 2012, PowerShift Atlantic and NB Power received the R.J. Templin Award from the Canadian Wind Energy Association for significantly advancing the wind energy industry in Canada. NB Power accepted the award on behalf of all the partners in the PowerShift Atlantic team. The R.J. Templin Award recognizes any individual or organization who has undertaken scientific, technical, engineering or policy work that has significantly advanced the wind energy industry in Canada. This is the second national award for the PowerShift Atlantic project having won a 2012 Canadian Electricity Association Sustainable Electricity award earlier in 2012.



# 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 financial statements for the year ended March 31, 2012.

## Year-To-Date

NB Power Group recorded net earnings for the period of \$56 million, compared to \$121 million for the same period in 2011/12. The following explains the overall \$65 million decrease in earnings

### Revenues

*In-province revenue* increased \$8 million compared to the same period in 2011/12 mainly due to colder weather and increased industrial sales partially offset by lower residential sales.

*Out-of-province revenue* was \$9 million higher than the same period in 2011/12 mainly due to higher export prices and higher volumes.

### Expenses

*Fuel and purchased power and transmission expense* increased \$84 million compared to the same period in 2011/12 mainly due to lower hydro flows in 2012/13 and increased volumes required. It was also impacted by the planned, extended outage at Belledune and the purchase of additional renewable energy in 2012/13.

*OM&A expense* increased \$36 million compared to the same period in 2011/12 mainly attributable to increased hired services and labour related to the Point Lepreau Generating Station restart activities, higher pension expense in 2012/13 as a result of financial market conditions, and the planned outages at Belledune and Coleson Cove.

*Amortization and decommissioning expense* decreased \$22 million compared to the same period in 2011/12 mainly due to adjustments to the decommissioning costs at the Grand Lake Generating Station in 2011/12 and the amortization of the Dalhousie Generating Station during 2011/12 partially offset by increased amortization due to the return to service of Point Lepreau Generating Station.

*Finance charges* decreased by \$9 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 \$20 million compared to the same period in 2011/12 due to lower earnings in 2012/13.

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

Debt at December 31, 2012 was \$4,707 million compared to \$4,532 million at March 31, 2012, an increase of \$175 million which was mainly due to capital spending for PLGS and funding of the regulatory deferral of PLGS, and regular capital spending partially offset by positive operating cash flows.

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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)**

	Nine months ended Dec. 31		
	2012	2011	Variance
<b>Revenues</b>			
In-province revenue	\$873	\$865	\$8
Out-of-province revenue	167	158	9
Transmission revenue	65	65	0
Miscellaneous revenue	53	53	0
	<b>\$1,158</b>	<b>\$1,141</b>	<b>\$17</b>
<b>Expenses</b>			
Fuel & purchased power	\$549	\$465	\$84
Transmission expense	63	64	(1)
Operations, maintenance and administration	336	300	36
Amortization and decommissioning	140	162	(22)
Taxes	30	29	1
Regulatory deferrals	(100)	(113)	13
Finance charges	65	74	(9)
	<b>\$1,083</b>	<b>\$981</b>	<b>\$102</b>
Earnings before special payment in lieu of income taxes	75	160	(85)
Special payments in lieu of income taxes	19	39	(20)
<b>Net earnings</b>	<b>\$56</b>	<b>\$121</b>	<b>(\$65)</b>



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

	As at Dec. 31, 2012	As at Dec. 31, 2011	As at Mar. 31, 2012
<i>Assets</i>			
<b>Current assets</b>			
Cash and short-term investments	\$5	\$4	\$4
Accounts receivable	237	230	263
Materials, supplies and fuel	197	268	221
Prepaid expenses	20	21	15
Current portion of long-term receivable	1	-	-
Current portion of regulatory deferral	20	-	-
Current portion of derivative assets	0	-	-
	\$480	523	503
<b>Property, plant and equipment</b>	\$4,072	3,875	3,909
<b>Long-term and other assets</b>	\$1,733	1,527	1,594
<b>Total Assets</b>	<b>\$6,285</b>	<b>\$5,925</b>	<b>\$6,006</b>
<i>Liabilities and Shareholders' Equity</i>			
<b>Current liabilities</b>			
Short-term indebtedness	\$769	\$671	\$583
Accounts payable and accrued interest	267	227	264
Current portion of long-term debt	494	177	481
Current portion of derivative liabilities	27	44	77
	\$1,557	\$1,119	\$1,405
<b>Long-term debt</b>	3,444	3,684	3,469
<b>Deferred liabilities</b>	724	681	678
<b>Shareholders' Equity</b>	560	441	454
	<b>\$6,285</b>	<b>5,925</b>	<b>\$6,006</b>

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

**Nine months ended Dec. 31**

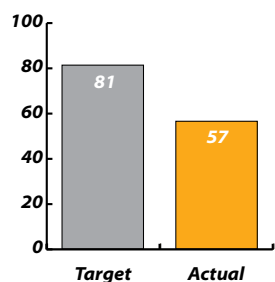
<i>Operating Activities</i>	<b>2012</b>	<b>2011</b>
Net earnings for the year	\$56	\$121
Amounts not requiring a current cash payment	154	164
Nuclear decommissioning and used fuel management funds installments and earnings	(17)	(17)
Decommissioning liability expenditures	(11)	(11)
Deferred charges	1	-
Regulatory deferrals excluding mark-to-market adjustments	(135)	(143)
Net change in non-cash working capital	48	(2)
<b>\$96</b>	<b>\$112</b>	<b>\$112</b>
<i>Investing Activities</i>		
Expenditure on property, plant and equipment, net of customer contributions	(257)	(203)
Proceeds on disposal	-	15
<b>(\$257)</b>	<b>(\$257)</b>	<b>(\$188)</b>
<i>Financing Activities</i>		
Debt retirements	(165)	(535)
Proceeds from long-term debt obligations	150	429
Increase (decrease) in short-term debt	185	188
Dividends paid	(8)	(12)
<b>\$162</b>	<b>\$162</b>	<b>\$70</b>
Net Cash (outflow) inflow	1	(6)
Cash, beginning of period	4	10
<b>Cash, end of period</b>	<b>\$5</b>	<b>\$4</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 of electricity to its customers.

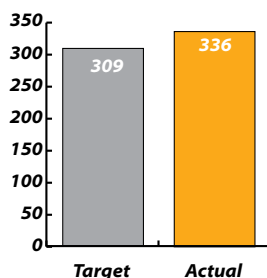
Top-quartile performance is a mid-to long-term target. NB Power's Board and management established in-year measures to help the utility move to achieve this mid-to long-term target. The time frame for achieving top-quartile performance varies by key performance indicator. The targets shown in the graphs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

## Net Earnings (\$ millions)



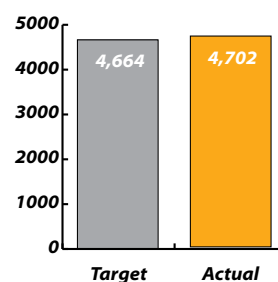
Net earnings is a measure of our profitability.

## OM&A (\$ millions)



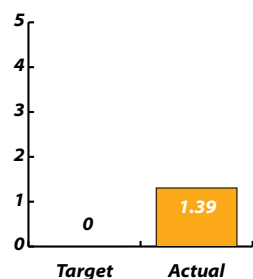
Operations, maintenance and administration (OM&A) costs are largely controllable by management over the medium term and are an important measure of financial success.

## Net Debt (\$ millions)



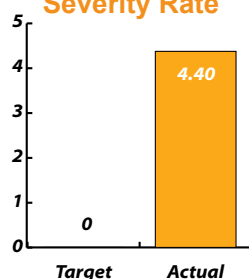
The total amount of short and long-term debt outstanding less deferred debt charges and cash.

## All Injury Frequency Rate



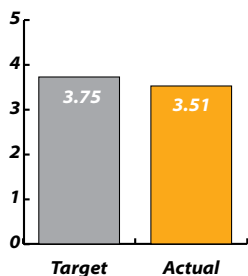
The all injury rate represents a summary of all injuries per each 200,000 hours of actual hours worked.

## Lost-Time Injury Severity Rate



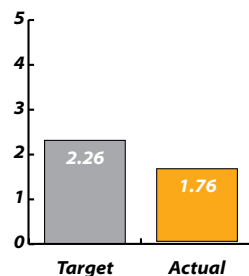
The lost-time injury rate represents the total number of work days lost per each 200,000 hours of actual hours worked.

## 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.