



Énergie NB Power

NB Power Quarterly Report - Year-To-Date Results

2011-2012

Q2

For the Period Ended September 30, 2011

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 September). 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, 2011 are available on the NB Power website (www.nbpower.com).



A handwritten signature in black ink, appearing to read 'Ed Barrett'.

Ed Barrett
Chairman, NB Power Board of Directors



A handwritten signature in black ink, appearing to read 'Gaëtan Thomas'.

Gaëtan Thomas
President and Chief Executive Officer

This public quarterly report discusses the operating and financial results for the NB Power Group of Companies which include the accounts for the New Brunswick Power Holding Corporation (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 Refurbishment Project

The Refurbishment Project team continues to progress on the fuel channel installation sequence and at quarter end approximately 48 per cent of the 380 installations were successfully completed. The project team is working diligently to complete this sequence in advance of the December 2011 target. Up-to-date monthly information on the Refurbishment Project is published on www.nbpower.com

PLGS License Renewal and Fuel Load Hearings

NB Power is required to seek Canadian Nuclear Safety Commission (CNSC) approval before reloading fuel in the reactor and proceeding with the restart following the refurbishment outage.

In September, both NB Power and CNSC staff separately issued material to the Commission in support of the day-1 hearing. In their report, CNSC staff identified activities that will have to be completed prior to commissioning. The day-1 hearing for license renewal and fuel load took place on October 6, 2011 in Ottawa. The commission requested that a number of follow-up actions be presented at the day-2 hearing. The day-2 hearing will take place on December 1 and 2, 2011 in Saint John.

Fire Protection Program

In late June, the CNSC issued its 2010 Staff Report on the Safety Performance of Canadian Nuclear Power Reactors. The overall performance of the Point Lepreau Generating Station was satisfactory with one exception. The Station was rated below expectations in the area of Emergency Management and Fire Protection due to issues related to Emergency Response Team performance. Subsequent CNSC reports related to the Station's license renewal process have identified other areas of the Station's fire protection program that need improvement.

A protocol document has been signed between the CNSC and NB Power to address the issues. In addition, the specific fire protection program improvements identified by the CNSC are now included in the licensing document as a prerequisite for return to service. Work continues to address the required improvements.

Dalhousie Generating Station

In mid-July, NB Power issued a Request for Expression of Interest to determine if there were parties who might have an interest in operating a business within the Dalhousie Generating Station facility or who might be interested in purchasing the facility. NB Power received five submissions and they are currently under evaluation.

Hurricane Irene

The remnants of Hurricane Irene hit New Brunswick in the evening of August 28 and continued to damage facilities until late in the morning on August 29. The strongest winds and most damage occurred in the southern half of the province. Crews responded to over 1,000 outages impacting 98,288 customers. Approximately 28 per cent of customers were without power at some point during the storm.

E Source Review of North American Electric and Gas Company Websites: 2011

NB Power tied for third place in a recent study of 100 US and Canadian electric and gas company websites. This is a significant improvement since 2007, when NB Power was ranked 67 out of the 100 companies that were evaluated. NB Power ranked well above other Canadian utilities that were included in the study.

A team of residential customers accessed and used the top 29 web and mobile features, both informational and self-service tasks, identified by E Source market research as the features residential customers most want to see on their utility's website. NB Power's ranking reflects efforts made in recent years to increase access to information and service options.

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. These should be read in conjunction with the audited financial statements for year ended March 31, 2011.

Year-To-Date

Net Earnings

The NB Power Group recorded net earnings for the period of \$86 million, compared to \$4 million for the same period in 2010/11. Higher hydro generation was a significant factor contributing to the \$82 million increase in earnings, as noted in the following variance analysis:

Revenues

In-province revenue was \$19 million higher than the same period in 2010/11 mainly due to colder weather in 2011/12, increased residential load, and a rate increase implemented in June 2010.

Out-of-province revenue was \$7 million lower than the same period in 2010/11 mainly due to export market prices being lower in 2011/12 as a result of market conditions partially offset by higher volumes exported due to higher-than-average hydro flows.

As all fuel shipments related to the Petroleos de Venezuela S.A (PDVSA) settlement have been received by NB Power, there is no longer a receivable to mark-to-market (\$22 million mark-to-market loss in prior year).

Expenses

Fuel and purchased power and transmission expense decreased \$80 million compared to the same period in 2010/11 mainly due to a 61 per cent increase in hydro generation and lower overall generation costs as a result of economic energy purchases.

OM&A expense decreased \$17 million compared to the same period in 2010/11 mainly attributable to ongoing cost reductions which include staff reductions, reduced overtime and hired services partially offset by higher pension expense in 2011/12 as a result of financial market conditions.

Amortization expense decreased \$5 million compared to the same period in 2010/11 mainly due to changes in the expected service life of certain pieces of equipment in some of the generating stations.

Regulatory deferrals – NB Power is a rate regulated entity, which can apply regulatory accounting. This is related to non-capital costs associated with the Point Lepreau refurbishment project, both replacement energy costs and period costs and the costs/savings related to the PDVSA lawsuit settlement which are incurred during the year being removed/deferred from earnings. These deferred costs will be expensed over the remaining lives of the assets.

The year-to-date variance of \$33 million is mainly related to a mark-to-market accounting adjustment in 2010/11 of the PDVSA settlement and lower costs to supply energy during the Lepreau Refurbishment in 2011/12.

Finance charges decreased \$6 million compared to the same period in 2010/11 primarily due to lower interest rates.

Special payments in lieu of income taxes increased \$29 million compared to the same period in 2010/11 due to higher earnings in 2011/12.

Change in Debt¹

Debt at September 30, 2011 was \$4,515 million compared to \$4,450 million at March 31, 2011, an increase of \$65 million which was comprised of an increase in short-term debt (\$143 million), increase in new long-term debt issues (\$130 million) partially offset by debt retirements (\$208 million).

NB Power's debt increased by \$65 million as a result of capital spending partially offset by positive cash flows from operating activities.

¹Debt includes short-term debt, current portion of long-term debt and long-term debt.

Combined Statement of Earnings
In Millions of Dollars
(Unaudited)

	Six months ended September 30		
	2011	2010	Variance
Revenues			
In-province revenue	534	515	19
Out-of-province revenue	110	117	(7)
Transmission revenue	42	41	1
Miscellaneous revenue	26	25	1
(Loss) gain on mark-to-market of long-term receivable and associated contracts	-	(22)	22
	712	676	36
Expenses			
Fuel & purchased power	263	343	(80)
Transmission expense	41	41	0
Operations, maintenance and administration	198	215	(17)
Amortization and decommissioning	96	101	(5)
Taxes	20	20	0
Regulatory deferrals	(74)	(107)	33
Finance charges	51	57	(6)
	595	670	(75)
Earnings (loss) before special payment in lieu of income taxes	117	6	111
Special payments in lieu of income taxes	31	2	29
Net earnings (loss)	\$86	\$4	\$82

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

	As at Sep 30 2011	As at Sep 30 2010	As at Mar 31 2011
<i>Assets</i>			
Current assets			
Cash and short-term investments	2	5	10
Accounts receivable	176	178	266
Materials, supplies and fuel	276	238	252
Prepaid expenses	40	33	9
Current portion of derivative assets	5	6	5
	499	460	542
Property, plant and equipment	3,826	3,743	3,773
Long-term and other assets	1,467	1,219	1,317
Total Assets	\$5,792	\$5,422	\$5,632
<i>Liabilities and Shareholders' Equity</i>			
Current liabilities			
Short-term indebtedness	626	488	483
Accounts payable and accrued interest	188	218	237
Current portion of long-term debt	363	226	550
Current portion of derivative liabilities	3	87	27
	1,180	1,019	1,297
Long-term debt	3,526	3,591	3,417
Deferred liabilities	643	598	612
Shareholders' Equity	443	214	306
	\$5,792	5,422	5,632

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

	Six months ended September 30	
	2011	2010
<i>Operating Activities</i>		
Net earnings (loss) for the year	86	4
Amounts not requiring a current cash payment	108	110
Nuclear decommissioning and used fuel management funds installments and earnings	(11)	(10)
Decommissioning liability expenditures	(7)	(3)
Regulatory deferrals excluding mark-to-market adjustments	(93)	(98)
Net change in non-cash working capital	(14)	22
	\$69	\$25
<i>Investing Activities</i>		
Expenditure on property, plant and equipment, net of proceeds on disposal and customer contributions	(134)	(127)
Recovery of capital	-	55
	(\$134)	(\$72)
<i>Financing Activities</i>		
Debt retirements	(208)	(80)
Proceeds from long-term debt obligations	130	318
Increase (decrease) in short-term debt	143	(185)
Dividends paid	(8)	(5)
	\$57	\$48
Net Cash (outflow) inflow	(8)	1
Cash, beginning of period	10	4
Cash, end of period	\$2	\$5