
FIRST QUARTER REPORT

YEAR-TO-DATE RESULTS

For the period ended
June 30, 2017



Énergie NB Power



OPERATIONAL HIGHLIGHTS

The CNSC staff assessed NB Power's licence application and confirmed that the safety measures in place at PLNGS meet the regulatory requirements of the *Nuclear Safety and Control Act* and associated regulations.

NB Power granted five-year operating licence for PLNGS

In June 2017, the Canadian Nuclear Safety Commission (CNSC) granted NB Power a five-year Power Reactor Operating Licence for its Point Lepreau Nuclear Generating Station (PLNGS).

The CNSC staff assessed NB Power's licence application and confirmed that the safety measures in place at PLNGS meet the regulatory requirements of the *Nuclear Safety and Control Act* and associated regulations. The CNSC also confirmed that the necessary safety measures and equipment are in place to protect the public, employees and the environment.

The decision came after a two-part public hearing process in Ottawa, ON, and Saint John, NB, involving NB Power, the CNSC and registered public intervenors. Approximately 94 intervenors provided written submissions about their views of PLNGS relicensing, with 40 of the 94 registered intervenors making presentations to the CNSC Commission at the Part 2 hearing in Saint John in May.

Public input sought for our energy future

NB Power invited all New Brunswickers to contribute ideas to the Integrated Resource Plan (IRP) 2017 through an online survey and a series of community conversations during April and May 2017. The IRP maps out the province's energy supply plan for the next 25 years. In the survey and in-person sessions, New Brunswickers were encouraged to identify shared priorities about clean energy, affordability and customer options for the future. The IRP will be provided to the Government of New Brunswick and filed with the New Brunswick Energy and Utilities Board in the fall of 2017.

Wind capacity being added to NB Power supplier at Kent Hill

NB Power and a subsidiary of TransAlta Renewables Inc. ("TransAlta") have reached an agreement to add 17.25 MW of wind generating capacity at its existing Kent Hills site.

The Kent Hills wind farm accounts for 150 MW of nameplate wind generating capacity and consists of two separate wind projects. This planned project is known as Kent Hills 3. Subject to regulatory approvals and the completion of successful engagement with First Nations and other stakeholders, Kent Hills 3 is expected to begin operations in late 2018.

Kent Hills 3 will supply additional generation and make up for lower than anticipated energy production at the existing Kent Hills wind farm. The energy from Kent Hills 3 is being sold to NB Power at competitive market rates.

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 incurred operating earnings of \$79 million for the three-month period, which is consistent with the same period last year.

Revenue from electricity sales within New Brunswick totaled \$307 million for the three-month period, which was \$8 million or three per cent higher than the same period last year. This increase in revenue was primarily as a result of the April 2017 rate increase. Out-of-province revenues of \$65 million were \$7 million or 12 per cent higher than the same period last year mainly due to higher volume export contracts and the sale of renewable energy credits.

Expenses attributed to electricity operations were \$312 million for the three-month period, an increase of \$16 million or 5 per cent higher than the same period last year. This increase was primarily a result of an \$11 million increase in OM&A, a \$4 million increase in depreciation and amortization and a \$1 million increase in fuel and purchased power costs.

The increase in OM&A was primarily due to a shorter outage at PLNGS in the current year, which resulted in more maintenance work being completed. Depreciation expense was also higher as a result of the 2016/17 PLNGS outage. Fuel and purchased power costs were higher as a result of higher supply prices due to increased purchase power prices and lower hydro flows.

Other income and expenses

NB Power's other income and expenses (finance costs, sinking funds and other investment income, and market value gains on investments) were \$53 million, an increase of \$8 million or 18 per cent higher than the same period last year. Less favourable market conditions led to a year-over-year decrease in the gains on the investments.

Financial overview

Net earnings for the period ended June 30, 2017 were \$23 million, which represents an \$8 million decrease in earnings compared to the same period last year. This decrease in earnings is largely the result of higher OM&A costs and lower gains on investments, partially offset by an increase in gross margin (in and out-of-province revenue less fuel and purchase power costs).

Debt management

NB Power is making continuous annual progress towards achieving a minimum debt/equity ratio of 80/20 as prescribed in the *Electricity Act*. Debt reduction is necessary so that NB Power has the flexibility to respond to changing markets and technologies and to better prepare for future investment requirements. The table below summarizes the net debt in capital structure.

(in millions)	30 June 2017	31 March 2017	Change
Total debt	\$5,408	\$5,404	\$4
Cash	2	1	1
Sinking fund receivable	520	503	17
Total net debt²	\$4,886	\$4,900	\$(14)

Debt reduction is achieved when there is surplus cash after providing for the day-to-day operating and investing requirements. NB Power had \$107 million from operating activities of which \$98 million was used to reinvest in needed property plant and equipment and the remaining \$9 million went to pay down debt.

¹The 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.

²Net 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)

	Three months ended June 30		
	2017	2016	Variance
Revenue			
In-province	\$307	\$299	\$8
Out-of-province	65	58	7
Miscellaneous	19	18	1
Total revenues	391	375	16
Expenses			
Fuel and purchased power	(128)	(127)	(1)
Operations, maintenance and administration	(113)	(102)	(11)
Taxes	(11)	(11)	-
Depreciation and amortization	(60)	(56)	(4)
Total operating expenses	(312)	(296)	(16)
Operating earnings	79	79	-
Finance costs	(60)	(65)	5
Sinking funds and other investment income	1	4	(3)
Unrealized gains on investments	6	16	(10)
Net earnings before changes in regulatory balances	26	34	(8)
Net changes in regulatory balances	(3)	(3)	-
Net earnings	\$23	\$31	\$(8)

OPERATING STATISTICS

(GWh)

	Three months ended June 30		
	2017	2016	Variance
In-province sales	2,897	2,913	(16)
Export sales	830	720	110
Peak load in-province (net MW)	5,580	5,960	(380)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of dollars (Unaudited)

Assets	As at June 30, 2017	As at June 30, 2016	As at March 31, 2017
Current assets			
Cash	\$2	\$2	\$1
Accounts receivable	189	165	255
Materials, supplies and fuel	151	187	168
Prepaid expenses	30	30	13
Current portion of long-term receivable	-	1	-
Derivative assets	1	5	7
Total current assets	373	390	444
Non-current assets			
Property, plant and equipment	4,318	4,300	4,280
Sinking fund receivable	520	486	503
Long-term and other assets	736	747	732
Total non-current assets	5,574	5,533	5,515
Total assets	5,947	5,923	5,959
Regulatory balances	1,006	1,018	1,009
Total assets and regulatory balances	\$6,953	\$6,941	\$6,968

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of dollars (Unaudited)

Liabilities and equity	As at June 30, 2017	As at June 30, 2016	As at March 31, 2017
Current liabilities			
Short-term indebtedness	\$889	\$806	\$977
Accounts payable and accrued interest	254	257	297
Current portion of long-term debt	550	400	420
Derivative liabilities	19	64	14
Total current liabilities	1,712	1,527	1,708
Non-current liabilities			
Long-term debt	3,969	4,219	4,007
Deferred liabilities and derivative liabilities	947	918	933
Total non-current liabilities	4,916	5,137	4,940
Total liabilities	6,628	6,664	6,648
Total equity	325	277	320
Total liabilities and equity	\$6,953	\$6,941	\$6,968

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of dollars (Unaudited)

	Three months ended June 30	
	2017	2016
Operating activities		
Cash receipts from customers	\$461	\$447
Cash paid to suppliers and employees	(300)	(307)
Interest paid	(54)	(51)
Cash provided by operating activities	\$107	\$89
Investing activities		
Cash invested in property, plant and equipment	\$(96)	\$(116)
Cash expenditure on decommissioning	(2)	(3)
Cash used in investing activities	\$(98)	\$(119)
Financing activities		
Cash from long-term debt	\$99	\$98
Repayment of short-term indebtedness	(88)	(49)
Sinking fund withdrawals and purchases (net)	(19)	(19)
Cash provided by (used in) financing activities	\$(8)	\$30
Net cash inflow	\$1	\$-
Cash, beginning of period	1	2
Cash, end of period	\$2	\$2