



Second Quarter Report

Year-To-Date Results

For Period Ended September 30, 2014



Énergie NB Power

Operational Highlights

Power restored to 195,000 customers after Post-Tropical Storm Arthur

Post-tropical storm Arthur lasted for 27 hours on the weekend of July 5-6, 2014 and affected a 400-km-wide area of New Brunswick, parts of Nova Scotia and Prince Edward Island. With over 100 km/h strong wind gusts and up to 143 mm of rain, it became the most damaging storm in NB Power's history with a total cost of \$23 million.

Thousands of large trees fell on power lines and poles and damaged NB Power's transmission and distribution system, which includes high-voltage lines that carry electricity between communities and the secondary lines that supply homes and businesses. The heavy rain and high water level in the river blocked and destroyed roads. The severity and complexity of damage meant repairs took much longer in many cases.

Approximately 195,000 customers - 60 per cent of NB Power's customer base - were affected by the storm damage in 5,900 separate incidents. More than 75,000 customers were affected by multiple outages. The hardest hit areas of the province were Fredericton, Rothesay, St. Stephen, Woodstock and Miramichi.

For more than two weeks, approximately 300 NB Power crews - joined by Hydro Quebec, Central Maine Power, Emera Maine, Edmundston Energy, Saint John Energy, Maritime Electric and JD Irving Ltd. - worked through daylight hours to remove trees and safely restore as many customers as possible. All customers who could accept power (those that did not have damage) were restored by July 14, 2014, with the majority (80 per cent) restored within five days of Arthur.

NB Power files 10-Year Plan with Energy and Utilities Board

NB Power filed its strategic, financial and capital investment Plan for the next 10 years with the New Brunswick Energy and Utilities Board in September. This is an annual requirement as set out in the *Electricity Act*.

The plan provides New Brunswickers with the key components of NB Power's planning, load forecast, the impacts of the Reduce and Shift Demand strategy, and NB Power's forecast for low and stable rates over the next decade.

NB Power charts long-term energy supply plan

In July, NB Power released the Integrated Resource Plan (IRP)- a strategic planning document that identifies how the utility will meet projected customer demand for electricity during the next 25 years.

The IRP process is a long-term planning tool that is standard across utilities. While the IRP is forecast for 25 years, NB Power updates the plan every three years to reflect new technology, changes in customer demand and updated fuel price forecasts. Each iteration of the IRP will involve input from the utility's customers and will be submitted to the Energy and Utilities Board.

The development of the IRP required in-depth analysis in three key areas:

1. Energy efficiency and demand considerations as well as supply considerations,
2. Reliability and security of supply,
3. Policy and regulatory considerations including encouraging the development of locally owned small-scale renewable projects to help meet the 40 per cent Renewable Portfolio Standard requirement.

Electricity Efficiency Plan Completed

A three-year Electricity Efficiency Plan, designed to maximize benefits in the short term and establish a solid foundation for increased electricity efficiency investments in the future, was finalized during the quarter. The Plan requires an investment of \$57 million in electricity efficiency programs and will save 106 GWh and 18 MW of electricity annually by 2016/17, which is equivalent to the annual electricity consumption of 6,500 households.

Consistent performance at Point Lepreau Generating Station continues

Since returning from a planned maintenance outage in the first quarter, the Point Lepreau Generating Station (PLGS) has operated at 100 per cent reactor power, putting approximately 660 megawatts on the New Brunswick grid. By the end of this quarter, Point Lepreau Generating Station has been online for 90 consecutive days since the planned outage, with a net capacity factor of 99.66 per cent.

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

Financial Highlights¹

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.

Year-to-Date

Free Cash Flow² and Change in Net Debt³

Year-to-date free cash inflow was \$37 million compared to the prior year's free cash inflow of \$5 million; the \$32 million positive variance is a result of lower receivables and higher payables in 2014/15 partially offset by increased capital spending. This year-to-date cash inflow of \$37 million is reflected in a reduction of net debt (net debt at September 30, 2014 of \$4,982 million compared to \$5,018 million at March 31, 2014).

Net (Loss)

NB Power recorded net loss for the period of \$19 million, compared to net loss of \$17 million for the same period in 2013/14. The following explains the \$2 million negative variance.

Revenues

In-province revenue increased \$24 million compared to the same period in 2013/14 mainly due to colder weather in the spring of 2014, the impact of a two per cent rate increase in October 2013, and increased weather adjusted residential sales.

Out-of-province revenue was \$2 million higher than the same period in 2013/14 mainly due to higher export prices partially offset by lower volumes.

Expenses

Fuel and purchased power expense increased \$26 million compared to the same period in 2013/14 mainly due to higher overall generation costs due to lower hydro flows in 2014/15 and the 2014/15 planned outage at Point Lepreau Generating Station partially offset by lower overall volumes required.

OM&A expense increased \$19 million compared to the same period in 2013/14 mainly attributable to planned outage costs associated with the Point Lepreau Generating Station, and Post-Tropical Storm Arthur costs offset by reduced pension related expenses due to the conversion to the shared risk pension model.

Amortization and decommissioning expense increased \$10 million compared to the same period in 2013/14 mainly due to the replacement of streetlights with LED lights, and write off of obsolete generation technology and equipment.

Sinking funds and other investment earnings increased by \$20 million mainly due to higher earnings from nuclear trust funds and sinking funds.

¹ 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 Free cash flow is defined as the net cash flow from operating activities and investing activities.

³ Net Debt includes short-term debt, current portion of long-term debt and long-term debt, sinking funds, and cash.

Combined Statement of Earnings

In Millions of Dollars
(Unaudited)

	Six months ended September 30		
	2014	2013	Variance
Revenues			
In-province revenue	\$553	\$529	\$24
Out-of-province revenue	140	138	2
Miscellaneous revenue	36	38	(2)
	<u>729</u>	<u>705</u>	<u>24</u>
Expenses			
Fuel & purchased power	267	241	26
Operations, maintenance and administration	253	234	19
Amortization and decommissioning	123	113	10
Taxes	18	18	0
Regulatory deferrals	37	35	2
Finance charges	98	102	(4)
Sinking funds and other investment earnings	(41)	(21)	(20)
Mark-to-market of held-for-trading investments	(7)	-	(7)
	<u>748</u>	<u>722</u>	<u>26</u>
Net earnings (loss)	(\$19)	\$(17)	(\$2)

Combined Balance Sheet

In Millions of Dollars
(Unaudited)

Assets	As at Sept. 30, 2014	As at Sept. 30, 2013	As at March 31, 2014
Current assets			
Cash and short-term investments	\$1	\$2	\$3
Accounts receivable	160	161	305
Materials, supplies and fuel	210	215	211
Prepaid expenses	29	28	8
Current portion of long-term receivable	-	-	1
Current portion of regulatory deferral	21	20	21
Current portion of derivative assets	164	24	132
	585	450	681
Property, plant and equipment	4,092	4,054	4,072
Long-term and other assets	2,175	2,074	2,110
Total Assets	\$6,852	\$6,578	\$6,863
Liabilities and Shareholder's Equity			
Current liabilities			
Short-term indebtedness	\$820	\$861	\$858
Accounts payable and accrued interest	251	215	282
Current portion of long-term debt	100	-	-
Current portion of derivative liabilities	21	3	13
	1,192	1,079	1,153
Long-term debt	4,470	4,549	4,567
Deferred liabilities	760	698	744
Shareholder's Equity	430	252	399
Total Liabilities and Shareholder's Equity	\$6,852	\$6,578	\$6,863

Combined Statement of Cash Flows

In Millions of Dollars
(Unaudited)

Six months ended September 30

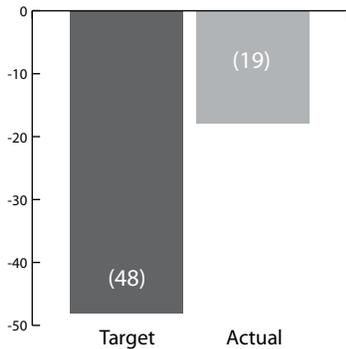
Operating Activities	2014	2013
Net (loss) for the year	\$ (19)	\$ (17)
Amounts not requiring a current cash payment	134	144
Nuclear decommissioning and used fuel management funds installments and earnings	(4)	(13)
Decommissioning liability expenditures	(41)	(8)
Retirement allowance payout	(5)	-
Net change in non-cash working capital	96	(21)
	\$ 161	\$ 85
Investing Activities		
Expenditure on property, plant and equipment, net of customer contributions and proceeds on disposal	(124)	(80)
	(124)	(80)
Financing Activities		
Debt retirements	-	(382)
Proceeds from long-term debt obligations	-	180
Sinking fund installments and earnings	-	(1)
Increase (decrease) in short-term debt	(38)	200
	(\$ 38)	(\$ 3)
Net Cash (outflow) inflow	(1)	2
Cash, beginning of period	2	-
Cash, end of period	\$ 1	\$ 2

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. The Targets shown in the key performance indicators 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, reliability and safety. These year-to-date measures will be monitored on a quarterly basis.

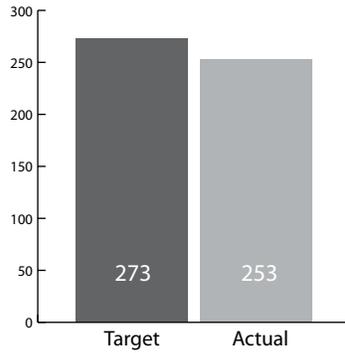
Financial Results

Net Earnings (loss) (\$ millions)



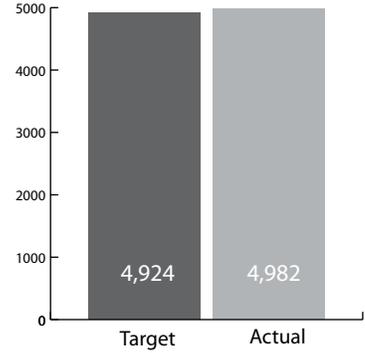
Net earnings (loss) is a measure of our profitability.

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.

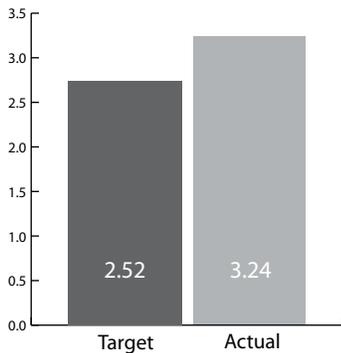
Net Debt (\$ millions)



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

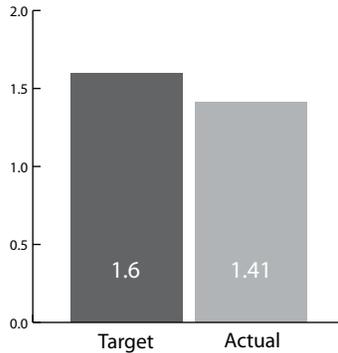
Reliability

SAIDI



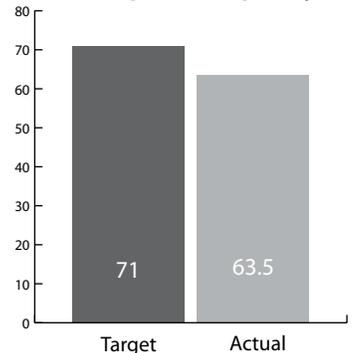
System Average Interruption Duration Index (SAIDI) is a standard utility indice that measures average total outage duration

SAIFI



System Average Interruption Frequency Index (SAIFI) is a standard utility indice that measures the average frequency of interruption per customer served.

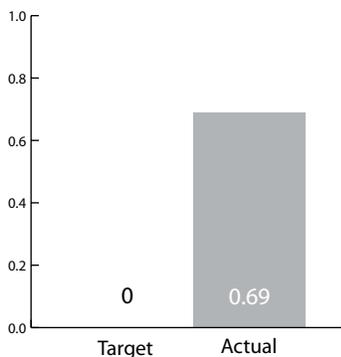
Point Lepreau Capacity Factor (%)



Capacity factor is the total amount of energy Point Lepreau produced during the year divided by the amount of energy the Station would have produced at full capacity.

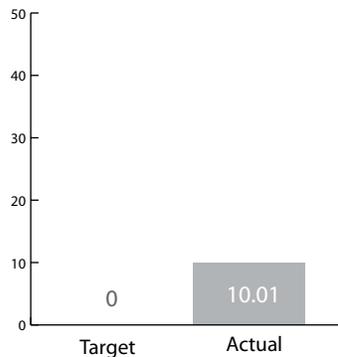
Safety

All Injury Frequency Rate



The all injury frequency 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.