



Second Quarter Report

Year-to-date results
For the period ended
September 30, 2021

NEW BRUNSWICK
POWER CORPORATION



the power of possibility
débordant d'énergie

Message from the President

We continue to monitor the impact of the COVID-19 pandemic and, like many others, we are seeing disruptions in our supply chain. While the situation continues to unfold, our efforts are on minimizing the impact on service to our customers. We are closely monitoring inventory and lead times and planning in advance to help ensure that we have the supplies we need when we need them to continue delivering you reliable energy and service. We are also working with our suppliers to pre-order materials when we can and to manage the cost increases to the best of our ability.

Recent global energy news has focused on increasing oil prices and natural gas with the energy crunch being seen around the world. While we are not immune to these pressures, we are using the tools we have to minimize the impact of these cost increases. Part of NB Energy Marketing Corporation's function is to purchase fuel for the stations. The contracts Energy Marketing has in place provide a level of stability and predictability for generating fuel prices into the future, making sure we have a reliable fuel supply for the stations where we generate electricity at a predictable cost.

As summer continued and fall arrived, we were well into preparing our diverse generating fleet to be ready and available to meet your winter needs. In September, Belledune Generating Station successfully completed its planned outage. At Coleson Cove Generating Station, crews continue in planned outage mode, preparing the largest station in the Maritime provinces to be ready on short notice to meet peak customer demand or provide back-up capacity through the winter months. Getting stations ready now means New Brunswickers can rely on energy that provides comfort and warmth through the winter.

This fall, we partnered with New Brunswick Emergency Measures Organization to conduct a successful simulated nuclear emergency exercise called Synergy Challenge 2021. The Challenge tested our multi-tiered and multi-jurisdictional response to an emergency with implications beyond the Point Lepreau Nuclear Generating Station site. We exercised the Station's multi-faceted emergency response program and practiced our roles across NB Power and the provincial government to confirm we are well-aligned and well-rehearsed in emergency response activities.

We recently celebrated Customer Service Week at NB Power with a focus on providing quality customer service. Across NB Power, we are proud to serve you in many ways every day. In these unprecedented times, customers have been able to rely on energy to power New Brunswickers' homes, businesses and hospitals because our employees on the front lines and behind the scenes have worked safely with a commitment to serve you at a time when you need it most. As we continue to evolve, we remain committed to working with you to deliver quality customer service and products.



Year-over-Year Financial Highlights¹

NB Power continues its journey along the path towards a post-pandemic recovery. The September 2021 results and resulting year-over-year comparison reflect these gradual improvements in provincial conditions. As a result, the second quarter of 2021/22 reflects these economic conditions whereas the previous year's second quarter results were significantly impacted by the need to temporarily shut down non-essential businesses.

Electricity Operations

NB Power's operating earnings were \$101 million for the six-month period ended September 30, 2021, which was \$16 million or 19 per cent higher than the same period last year.

Revenue from electricity sales in New Brunswick totalled \$599 million, a \$12 million or two per cent increase over the same period last year. This increase is mainly due to an increase in regulator-approved customer rates that went into effect March 2021. Offsetting this year-over-year increase was a reduction in weather-sensitive loads due to warmer weather.

Out-of-province revenue was \$202 million, an increase of \$40 million or 25 per cent over the prior year, resulting from increased opportunity sales to customers in Canada.

Fuel and purchased power costs were \$296 million, a \$27 million or 10 per cent increase over the same period last year. The increase is primarily due to the higher generation requirements to meet increased sales volumes, as well as rising natural gas prices. The generation portfolio was optimized by balancing internal generation with external electricity purchases, which mitigated the upward cost pressures.

Operation, maintenance and administration costs were \$255 million, an increase of \$17 million or seven per cent over the same period in 2020/21. The primary drivers were the unplanned maintenance outage at Point Lepreau Nuclear Generating Station, increased planned maintenance activities, and a return to pre-COVID-19 field work activities.

Depreciation and amortization expense was \$163 million, a \$2 million or one per cent decrease over the same six-month period in 2020/21.

Finance Costs

Finance costs were \$127 million, an increase of \$9 million or eight per cent as compared to the same period last year. The increase is primarily due to the impact of the depreciation of the Canadian dollar on U.S. debentures held in the sinking fund. Partially offsetting this is lower interest costs due to the redemption of U.S. debentures.

¹The 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. Certain comparative figures have been restated to reflect adjustments made to the period results subsequent to the issuance of the prior year quarterly report.

Sinking Funds and Other Investment Income

Sinking funds and other investment income were \$8 million, a \$10 million increase as compared to the same period in 2020/21. The increase is primarily due to the impact of the depreciation of the Canadian dollar on U.S. sinking fund investments.

Unrealized Gains on Investments

Unrealized gains on investments were \$40 million, a decrease of \$30 million or 43 per cent compared to the same period last year. The previous year's results were significantly impacted by the financial market rebound. The investment market values are subject to market conditions, which continue to be volatile.

Net Earnings

Net earnings for the period ended September 30, 2021 were \$15 million, which represents a \$13 million decrease compared to the same period in 2020/21. This variance was primarily due to the lower unrealized gains on investments and higher operations, maintenance and administration costs. A higher gross margin partially mitigated some of the volatility caused by the investments.

Debt Management

Net debt is \$4,859 million as at September 30, 2021, a \$70 million reduction since March 31, 2021. NB Power received \$70 million in cash collateral from counterparties in order to mitigate risk, resulting from the large swings in market prices on derivative contracts. This was included in cash on September 30. Without this temporary impact, net debt would have increased by \$30 million for the period as there were several large payments including carbon tax and fuel payments paid in the first quarter of 2021/22.

Consolidated Net Debt

In millions of dollars (Unaudited)

	30 Sept. 2021	31 March 2021	Variance
Total debt	\$5,375	\$5,342	\$33
Cash ²	71	3	68
Sinking fund receivable	445	410	35
Total net debt	\$4,859	\$4,929	\$(70)

²Includes \$70 million in cash held for collateral.

Consolidated Statement of Earnings

In millions of dollars (Unaudited)

Period Ended Sept. 30

	2021	2020	Variance
Revenue			
Sales of electricity			
In-province	\$599	\$587	\$12
Out-of-province	202	162	40
Miscellaneous	39	32	7
Total revenue	840	781	59
Expenses			
Fuel and purchased power	296	269	27
Operations, maintenance and administration	255	238	17
Depreciation and amortization	163	165	(2)
Taxes	25	24	1
Total operating expenses	739	696	43
Operating earnings	101	85	16
Finance costs and investment income			
Finance costs	127	118	9
Sinking fund and other investment income	(8)	2	(10)
Unrealized (gains) on investments	(40)	(70)	30
Total finance costs and investment income	79	50	29
Net earnings before changes in regulatory balances	22	35	13
Net changes in regulatory balances	(7)	(7)	-
Net earnings	\$15	\$28	\$13

Operating Statistics

Period Ended September 30

	2021	2020	Variance
In-province sales (GWh)	5,463	5,403	60
Heating degree days	835	984	(149)
Export sales (GWh)	2,864	2,053	811
Hydro flows (below) long-term average (%)	(23)%	(24)%	1%
PLNGS net capacity factor (%)	91%	85%	6%

Consolidated Statement of Financial Position

In millions of dollars (Unaudited)

	As at Sept. 30, 2021	As at Sept. 30, 2020	As at March 31, 2021
Assets			
Current			
Cash ²	\$71	\$(1)	\$3
Accounts receivable	187	181	272
Materials, supplies and fuel	219	226	222
Prepaid expenses	50	45	20
Derivative assets	190	5	5
Total current assets	717	456	522
Non-current assets			
Property, plant and equipment	4,754	4,685	4,741
Sinking fund receivable	445	390	410
Other non-current assets	1,044	877	903
Total non-current assets	6,243	5,952	6,054
Total assets	6,960	6,408	6,576
Regulatory balances	851	865	858
Total assets and regulatory balances	\$7,811	\$7,273	\$7,434

	As at Sept. 30, 2021	As at Sept. 30, 2020	As at March 31, 2021
Liabilities and equity			
Current liabilities			
Short-term indebtedness	\$639	\$547	\$608
Accounts payable and accrued interest	387	299	353
Current portion of long-term debt	628	-	400
Current portion of lease liability	5	2	5
Derivative liabilities	10	45	19
Total current liabilities	1,669	893	1,385
Non-current liabilities			
Long-term debt	4,108	4,741	4,334
Lease liability	35	2	25
Other non-current liabilities	1,365	1,278	1,373
Total non-current liabilities	5,508	6,021	5,732
Total liabilities	7,177	6,914	7,117
Total equity	634	359	317
Total liabilities and equity	\$7,811	\$7,273	\$7,434

²Includes \$70 million in cash held for collateral.

Consolidated Statement of Cash Flows

In millions of dollars (Unaudited)

Period Ended Sept. 30

	2021	2020
Operating activities		
Cash receipts from customers	\$923	\$878
Cash paid to suppliers and employees	(580)	(564)
Interest paid	(116)	(139)
Cash provided by operating activities	\$227	\$175
Investing activities		
Expenditures on property, plant and equipment	\$(157)	\$(166)
Cash expenditure on decommissioning	(5)	(4)
Cash used in investing activities	\$(162)	\$(170)
Financing activities		
Proceeds on long-term debt	\$-	\$303
Debt retirement	-	(367)
(Decrease) in short-term indebtedness	31	(145)
Sinking fund changes	(27)	201
Principal repayment of lease obligation	(1)	(1)
Cash (used in) provided by financing activities	\$3	\$(9)
Net cash inflow (outflow)	\$68	\$(4)
Cash, beginning of period	3	3
Cash, end of period²	\$71	\$(1)

²Includes \$70 million in cash held for collateral.