First Quarter Report

Year-to-date results for the period ended June 30, 2022

Énergie NB Power | the power of possibility
débordant d'énergie

Message from the President

Lori Clark
President and CEO
(Acting)

At NB Power, we are evolving to ensure that we are able to deliver reasonable and competitive pricing as well as clean energy for future generations. As we embark on this journey, we remain committed to significant and meaningful transformation that benefits our customers and the province.

Nuclear is key in our long-term strategy to generate reliable, safe power that avoids carbon emissions. In June, the Canadian Nuclear Safety Commission announced that a 10-year Power Reactor Operating Licence has been granted to NB Power for Point Lepreau Nuclear Generating Station.

During the quarter, we undertook our planned maintenance outage to ensure the long-term reliability of the Station so that it can continue to meet the needs of New Brunswickers. While we planned for and completed more than 30,000 technical maintenance activities on equipment systems, on both the nuclear and conventional parts of the Station, the outage identified unexpected maintenance activities that could only be completed while the Station was offline. The additional activity resulted in an extended outage and increased supply costs while the Station was unavailable.

The continued volatility in the markets and the concerns of a global economic downturn, which are signalling a period of change that could become a way of life, also impacted our financial performance. Following the province's recent amendments to the *Electricity Act*, we established the regulatory variance accounts to allow us to provide greater predictability to our operating and financial results. We are turning our attention to focus on debt reduction and reducing costs for our customers while providing reliable electricity to meet your needs.

PwC is leading management and the Board through a strategic review that will identify immediate ways to optimize our current cost structure and meet our debt obligations. We are also exploring alternative solutions that provide the best care for our customers and employees, meeting New Brunswickers' power needs in a cost-competitive, reliable and environmentally sustainable way.

Despite these challenges, we enjoyed throughout the spring the opportunity to connect face-to-face again with our customers and partners to discuss approaches that help build a more sustainable energy future for all New Brunswickers. At home shows around the province, our Energy Efficiency Conference, public information sessions and events like Plug'n Drive, we were able to hear what matters most to you, answer your questions and spread the word about electric vehicles, energy efficiency, energy upgrades, carbon reduction and smart energy communities.

We also received $13 million in funding from the provincial government that will extend our customer reach. The funding allows us to deliver initiatives that support income-qualified New Brunswickers, efficiency initiatives for First Nations communities, new small business and residential energy advisors and the continued growth of New Brunswick's EV-charging infrastructure.

With change comes opportunity. I am confident that our employees will seize this opportunity to explore what New Brunswickers need now and in the future, while continuing to safely and reliably power our homes, businesses and hospitals around the province.

Lori Clark

Year-over-Year Financial Highlights[1]

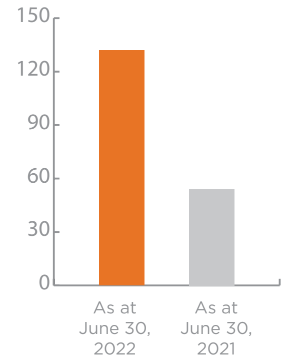
NB Power's first quarter results are reflective of the current volatile economic conditions. Lower investment yields, volatile commodity prices, rising interest rates and inflation have had an impact on results. On April 1, 2022, amendments to the *Electricity Act* and the introduction of the *Regulatory Variance Accounts and Deferral Account Regulation – Electricity Act* took effect. The impact of these changes resulted in an accounting change whereby variances from budget on sales of electricity and fuel and purchased power supply costs are reclassified monthly to Regulatory balances. This change will lead to variances in this account in year-over-year comparisons.

Electricity Operations

NB Power's operating earnings were $132 million for the three-month period ended June 30, 2022, which was $78 million or 144 per cent higher than the same period last year.

$132

Operating earnings
(in millions of dollars)



Revenue from electricity sales in New Brunswick totalled $344 million, a $32 million or 10 per cent increase from the same period last year. This increase is mainly the result of higher market-based interruptible electricity prices and higher average customer rates in 2022/23 resulting from the rate increase effective April 2022.

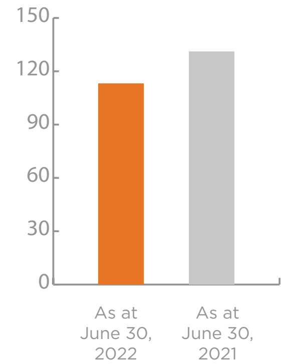
Out-of-province revenue was $161 million, a $69 million or 43 per cent increase over the prior year, as a result of increased contracts and opportunity sales with customers in the United States.

Fuel and purchased power costs were $185 million, a $41 million or 29 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 increased supply costs due to the planned outage at the Point Lepreau Nuclear Generating Station (PLNGS) and the unplanned outage at Bayside Generating Station. Unrealized hedge gains associated with changes to energy supply contracts combined with higher hydro generation helped mitigate the upward cost pressures.

Operation, maintenance and administration costs were $113 million, an $18 million or 14 per cent decrease over the same period in 2021/22. The primary driver was the planned capital maintenance outage at PLNGS that resulted in a reduction in other maintenance activities completed at the Station.

$113

Operations, maintenance and administration expenses
(in millions of dollars)



Depreciation and amortization expense was $83 million, consistent with the same period in 2021/22. Higher depreciation associated with the increased cost estimate of decommissioning Milltown Generating Station were offset by reduced depreciation associated with assets that became fully depreciated in 2021/22.

Finance Costs

Finance costs were $66 million, a $5 million or eight per cent increase as compared to the same period last year. The increase is primarily due to the foreign exchange changes on US dollar debt, and higher interest costs on short-term debt due to the increase in interest rates.

[1]The 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.

Sinking Funds and Other Investment Income

Sinking funds and other investment income were $7 million, a $6 million increase from the same period in 2021/22. The increase is primarily due to the stronger foreign exchange on US dollar investments held in the sinking funds.

Unrealized Losses on Investments

Unrealized losses on investments were $37 million, a $64 million or 237 per cent decrease compared to the same period last year. The investment market values are subject to market conditions, which continue to be volatile given high inflation and concerns of global economic downturn.

Net Changes in Regulatory Balances

Net changes in regulatory balances were $74 million, a $71 million decrease compared to the same period last year. During the first quarter there was a $75 million favourable gross margin variance resulting from increased sales of electricity and lower supply costs that has been reclassified to the regulatory account. Partially offsetting this was the creation of the Energy Efficiency and Demand Response Deferral Account that allows qualifying expenditures to be recovered over a 10-year period, which resulted in a decrease of $4 million.

Net Loss

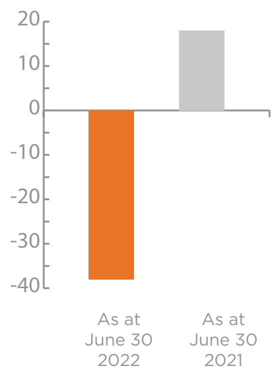
The above variances resulted in a $38 million net loss for the period ended June 30, 2022, compared to net earnings of $18 million in the same period in 2021/22, which represents a $56 million unfavourable variance.

Debt Management

Net debt is $4,945 million as at June 30, 2022, a $7 million increase since March 31, 2022. Capital spending was the main driver of the increase due to the PLNGS capital outage and Bayside Generating Station's turbine replacement. Partially offsetting the increase was cash collateral received from counterparties in order to mitigate risk resulting from the large swings in market prices on derivative contracts.

$38

Net loss
(in millions of dollars)

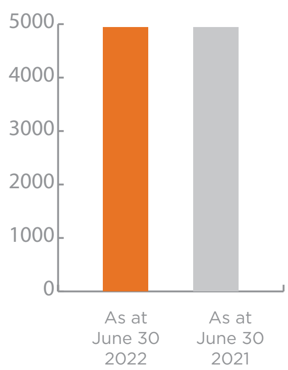


Consolidated Net Debt

In millions of dollars (Unaudited)	30 June 2022	31 March 2022	Variance
Total debt	$5,468	$5,490	$(22)
Cash[2]	94	52	42
Sinking fund receivable	429	500	(71)
Total net debt	$4,945	$4,938	$7

$4,945

Total net debt
(in millions of dollars)



[2]Includes $100 million (March 31, 2022 - $56 million) in cash held for collateral

Consolidated Statement of Earnings

In millions of dollars (Unaudited)

	Period Ended June 30		
	2022	2021	Variance
Revenue			
Sales of electricity			
In-province	$344	$312	$32
Out-of-province	161	92	69
Miscellaneous	21	20	1
Total revenue	526	424	102
Expenses			
Fuel and purchased power	185	144	41
Operations, maintenance and administration	113	131	(18)
Depreciation and amortization	83	83	-
Taxes	13	12	1
Total operating expenses	394	370	24
Operating earnings	132	54	78
Finance costs and investment income			
Finance costs	66	61	5
Sinking fund and other investment income	(7)	(1)	(6)
Unrealized losses (gains) on investments	37	(27)	64
Total finance costs and investment income	96	33	63
Net earnings before changes in regulatory balances	36	21	15
Net changes in regulatory balances	(74)	(3)	(71)
Net (loss) earnings	$(38)	$18	$(56)

Consolidated Statement of Financial Position

In millions of dollars (Unaudited)

Assets	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022
Current			
Cash[2]	$94	$(1)	$52
Accounts receivable	270	210	395
Materials, supplies and fuel	284	223	276
Prepaid expenses	41	44	22
Derivative assets	206	70	187
Total current assets	895	546	932
Non-current assets			
Property, plant and equipment	4,802	4,731	4,645
Sinking fund receivable	429	427	500
Other non-current assets	1,066	959	1,071
Total non-current assets	6,297	6,117	6,216
Total assets	7,192	6,663	7,148
Regulatory balances	713	854	787
Total assets and regulatory balances	$7,905	$7,517	$7,935

Liabilities and equity	As at June 30, 2022	As at June 30, 2021	As at March 31, 2022
Current liabilities			
Short-term indebtedness	$869	$626	$859
Accounts payable and accrued interest	479	296	406
Current portion of long-term debt	-	624	225
Current portion of lease liability	5	5	5
Derivative liabilities	3	19	3
Total current liabilities	1,356	1,570	1,498
Non-current liabilities			
Long-term debt	4,599	4,108	4,406
Lease liabilities	32	26	33
Other non-current liabilities	1,289	1,359	1,282
Total non-current liabilities	5,920	5,493	5,721
Total liabilities	7,276	7,063	7,219
Total equity	629	454	716
Total liabilities and equity	$7,905	$7,517	$7,935

[2]Includes $100 million (March 31, 2022 - $56 million) in cash held for collateral

Consolidated Statement of Cash Flows

In millions of dollars (Unaudited)	Period Ended June 30	
	2022	2021
Operating activities		
Cash receipts from customers and counterparties	$650	$486
Cash paid to suppliers and employees	(390)	(387)
Interest paid	(32)	(36)
Cash provided by operating activities	$228	$63
Investing activities		
Expenditures on property, plant and equipment, net of proceeds	$(236)	$(68)
Cash expenditure on decommissioning	(2)	(2)
Cash used in investing activities	$(238)	$(70)
Financing activities		
Proceeds from long-term debt issuances	$192	$-
Debt retirements	(228)	-
Increase in short-term indebtedness	10	19
Sinking fund changes	78	(15)
Principal repayment of lease obligation	-	(1)
Cash provided by financing activities	$52	$3
Net cash inflow (outflow)	$42	$(4)
Cash, beginning of period	52	3
Cash, end of period[2]	$94	$(1)

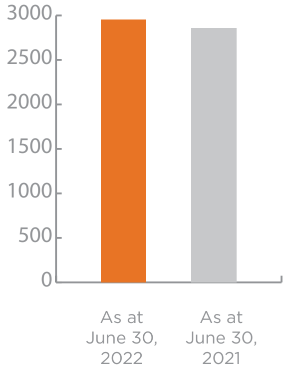
[2]Includes $100 million (March 31, 2022 - $56 million) in cash held for collateral

Operating Statistics

	Period Ended June 30		
	2022	2021	Variance
In-province sales (GWh)	2,954	2,857	97
Heating degree days	689	686	3
Export sales (GWh)	1,390	1,346	44
Hydro flows above (below) long-term average (%)	13%	(20)%	33%
PLNGS net capacity factor (%)	8%	85%	(77)%

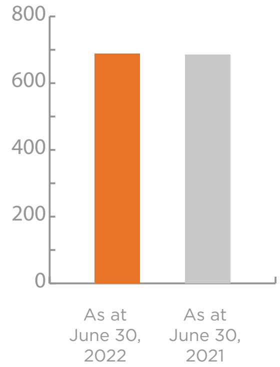
2,954

In-province sales of electricity (in GWh)



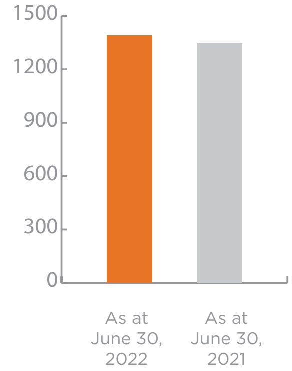
689

Heating degree days



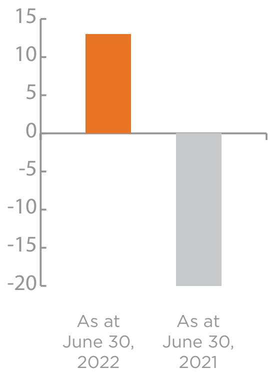
1,390

Out-of-province sales of electricity (in GWh)



13%

Hydro flows above (below) long-term average



8%

PLNGS net capacity factor