



First Quarter Report

Year-To-Date Results

For the Period Ended June 30, 2015



Énergie NB Power

Operational Highlights

Technology innovation awarded

NB Power was named to Greentech Media's Grid Edge 20 as one of the 20 most innovative firms working to architect the future of the electric power industry in North America, along with such world leading innovators as Tesla, Solar City, O-Power and Enbala. NB Power was awarded this prestigious title for leading the PowerShift Atlantic project and its creation of the Virtual Power Plant to manage increasing amounts of intermittent renewable resources like wind.

In May, New Brunswick's River Watch organization won a Knowledge Industry Recognition and Achievement (KIRA) Award, in the Public Sector Category, for developing monitoring technology for river ice movement during spring runoff on the St. John River. The award honours organizations that have adopted innovative new solutions or approaches for the delivery of new or existing services in the last year. NB Power worked closely with New Brunswick Emergency Measures Organization to assist the Department of Environment and Local Government for the development of this observation and reporting system.

Mactaquac Project receives boost to engagement and scientific studies

The Mactaquac Visitor Centre and Station tour was renovated to tell the story of the Station- from its creation, to its potential future- to help support the public engagement surrounding the Mactaquac Project.

The renovation and design was a collaborative effort, featuring a large panel focusing on the relationship of First Nations with the St. John River, with photos and text provided by members of Kingsclear First Nation. Other groups, including the St. John River Society, Friends of Mactaquac Lake, the Nackawic Historical Society, the Provincial Archives of New Brunswick, Harvey Studios and the Canadian Rivers Institute provided photos, text and assistance with this project.

Dr. Allen Curry of its Canadian Rivers Institute at the University of New Brunswick was awarded \$2.8 million from the Natural Sciences and Engineering Research Council to conduct an aquatic ecosystem study on the St. John River to support NB Power's future decision on the Mactaquac Generating Station.

Point Lepreau Generating Station performance

Point Lepreau Generating Station (PLGS) operated at approximately 80 per cent reactor power for the last 24 days of June, putting approximately 550 megawatts on the New Brunswick grid.

The Station reconnected to the grid on Friday, June 5, after temporarily going offline May 28, to facilitate testing and analysis of the turbine system in the non-nuclear section of the Station. Prior to this outage, the Station operated at 100 per cent reactor power, putting approximately 660 megawatts on the New Brunswick grid since reconnecting to the grid on April 19, following another unplanned outage due to equipment issues with its fuel handling machine and heat transport system.

Since coming online in June, PLGS produced 51.6 per cent of the total net generation from NB Power generating stations, with a net generation of 58.8 per cent.

NB Power helping customers save money with Smart Habits

Following the integration of the Government of New Brunswick's former Efficiency New Brunswick staff and programs into NB Power, new energy-saving programs were launched to help New Brunswickers save on their energy use. The Smart Habits in-store rebates ran throughout the month of April on LED light bulbs and water-efficient showerheads. A mail-in rebate on clothes washers and refrigerators continues through the year.

In June, the Home Insulation Savings Program launched to help customers make their homes more efficient through air-sealing and insulation upgrades. This program joins the low-income energy savings program and the commercial buildings retrofit program- all designed to help customers save on their energy bills.

Improved customer experience with new web tools

The launch of two new web tools will help improve a customer's online experience with NB Power. The launch of a new blog is a way to engage in two-way conversation with customers, give them a behind-the-scenes look at how power is generated and to provide helpful answers to questions related to NB Power and NB Power's strategic direction.

In addition to the blog, NB Power launched a new website in June, which includes improved better outage viewing and reporting, a new self-service option for customers to pay bills and is responsive to mobile devices.

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

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.

International Financial Reporting Standards (IFRS)

The current-year balances are in accordance with IFRS and prior-year balances have been restated to be in accordance with IFRS. As a result of the transition to IFRS, retained earnings and accumulated other comprehensive income (AOCI) were adjusted. Neither cash nor debt balances were impacted by the transition to IFRS. The major variances related to change in the discount rate of the decommissioning liabilities and the fair-value measurement of employee future benefits. The adjustments as a result of transitioning to IFRS are in the process of being audited and may be subject to change.

Year-to-Date

Free Cash Flow² and Change in Net Debt³

Year-to-date free cash inflow was \$17 million compared to the prior year's free cash inflow of \$57 million; the \$40 million negative variance is a result of higher operations, management and administration (OM&A) and lower change in non-cash working capital. This year-to-date cash inflow of \$17 million is reflected in a reduction of net debt (net debt at June 30, 2015 \$4,899 million compared to \$4,915 million at March 31, 2015).

Earnings before Depreciation, Interest and Investment Earnings⁴

NB Power recorded earnings before depreciation, interest and investment earnings for the period of \$121 million, compared to \$137 million for the same period in 2014/15. The following explains the \$16 million variance. The main driver for this variance is the unplanned outage at PLGS. The following provides further details:

Revenues

In-province revenue increased \$4 million compared to the same period in 2014/15 mainly due to the impact of a two per-cent rate increase in October 2014, and colder weather partially offset by decreased weather adjusted sales.

Out-of-province revenue was \$7 million higher than the same period in 2014/15 mainly due to higher volumes partially offset by lower export prices.

Expenses

Fuel and purchased power expense remained the same compared to the same period in 2014/15 mainly due to increased output from the Point Lepreau Generating Station in 2015/16 offset by higher volumes and by lower hydro flows in 2015/16

OM&A expense increased \$27 million compared to the same period in 2014/15 mainly attributable to current year unplanned PLGS outage costs and regular PLGS running maintenance costs.

Depreciation, Interest and Investment Earnings

Higher depreciation and interest expense and lower investment earnings further impacted total net earnings for the period compared to the prior year mainly as a result of poor market conditions impacting the nuclear investment funds. The following provides further details:

Depreciation expense increased \$5 million compared to the same period in 2014/15 mainly due to capitalization of PLGS planned outage costs, and shortened life of Point Lepreau Generating Station closure plugs.

Finance charges increased by \$7 million mainly due to the impact of the decline in the Canadian dollar on long-term US\$ debt levels outstanding (offset in

sinking funds and other investment earnings) partially offset by lower debt levels outstanding and lower interest rates.

Sinking funds and other investment earnings decreased by \$20 million mainly due to lower earnings from nuclear investment funds partially offset by foreign exchange gains (offset in finance charges).

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.

⁴ Earnings before depreciation, interest and investment earnings is commonly used as a proxy for a company's current operating profitability.

Consolidated Statement of Earnings

In Millions of Dollars
(Unaudited)

	Three months ended June 30		
	2015	2014	Variance
Revenues			
In-province revenue	\$299	\$295	\$4
Out-of-province revenue	80	73	7
Miscellaneous revenue	19	18	1
	398	386	12
Expenses			
Fuel & purchased power	152	152	-
Operations, maintenance and administration	115	88	27
Taxes	10	9	1
Earnings before depreciation, interest and investment earnings	121	137	(16)
Depreciation	60	55	5
Finance charges	52	45	7
Sinking funds and other investment earnings	(5)	(9)	4
Mark-to-market of held-for-trading investments	11	(5)	16
	395	335	60
Net earnings (loss)	\$3	\$51	(\$48)
Regulatory deferral - PLGS refurbishment	17	17	-
Regulatory deferral - PDVSA	1	1	-
Net earnings (loss) after net movements in regulatory balances	(\$15)	\$33	(\$48)

Consolidated Balance Sheet

In Millions of Dollars
(Unaudited)

Assets	As at June 30, 2015	As at June 30, 2014	As at March 31, 2015
Current assets			
Cash and short-term investments	\$1	\$3	\$3
Accounts receivable	177	195	269
Materials, supplies and fuel	184	163	153
Prepaid expenses	23	22	9
Current portion of long-term receivable	1	1	1
Current portion of derivative assets	54	119	67
	440	503	502
Property, plant and equipment	4,440	4,208	4,446
Sinking fund receivable	459	419	471
Long-term and other assets	729	707	764
Total Assets	\$6,068	\$5,837	\$6,183
Regulatory deferral	1,029	1,047	1,033
	\$7,097	\$6,884	\$7,216

Liabilities and Shareholder's Equity

Current liabilities			
Short-term indebtedness	\$859	\$817	\$784
Accounts payable and accrued interest	260	263	303
Current portion of long-term debt	480	-	580
Current portion of derivative liabilities	56	11	73
	1,655	1,091	1,740
Long-term debt	4,020	4,557	4,025
Deferred liabilities and derivative liabilities	1,187	873	1,180
Shareholder's Equity	235	363	271
Total Liabilities and Shareholder's Equity	\$7,097	\$6,884	\$7,216

Consolidated Statement of Cash Flows

In Millions of Dollars
(Unaudited)

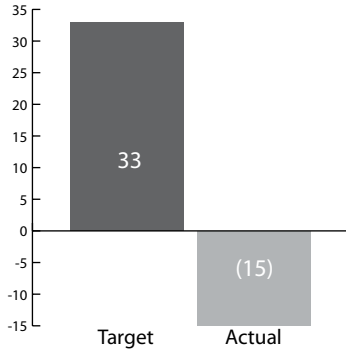
	Three months ended June 30	
	2015	2014
Operating Activities		
Net earnings (loss) for the year	\$ (15)	\$ 33
Amounts not requiring a current cash payment	101	46
Nuclear decommissioning and used fuel management funds installments and earnings	(5)	-
Retirement allowance payout	-	(3)
Net change in non-cash working capital	(5)	83
	\$ 76	\$ 159
Investing Activities		
Cash expenditure on decommissioning	(3)	1
Expenditure on property, plant and equipment, net of customer contributions and proceeds on disposal	(56)	(103)
	(59)	(102)
Financing Activities		
Debt retirements	(100)	-
Sinking fund installments and earnings	7	(15)
Increase (decrease) in short-term debt	74	(41)
	(\$ 19)	(\$ 56)
Net cash (outflow) inflow	(2)	1
Cash, beginning of period	3	2
Cash, end of period	\$ 1	\$ 3

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.

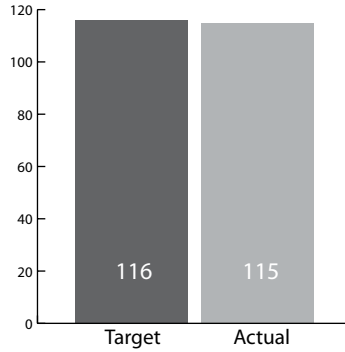
Financial Results

Net Earnings (loss) (\$ millions)



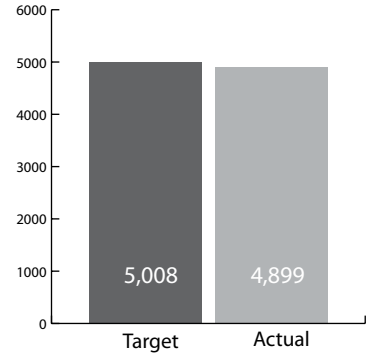
Net earnings (loss) is a measure of our profitability.

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.

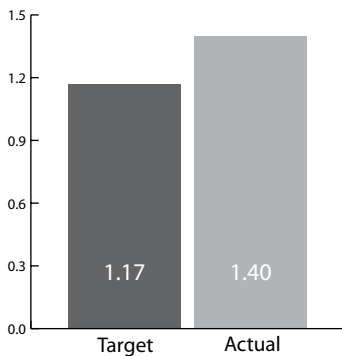
Net Debt (\$ millions)



The total amount of short and long-term debt outstanding less deferred debt charges and cash.

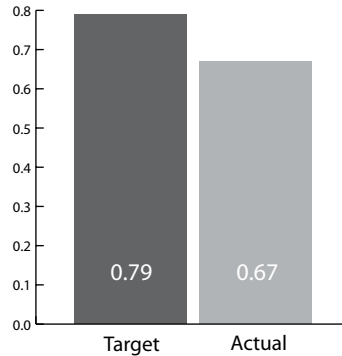
Reliability

SAIDI



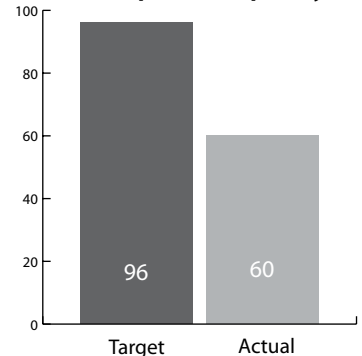
System Average Interruption Duration Index (SAIDI) is a standard utility indice that measures average total outage duration

SAIFI



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

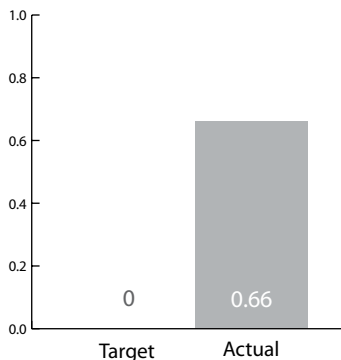
Point Lepreau Capacity Factor (%)



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.

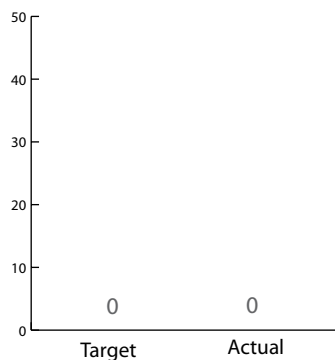
Safety

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 severity rate represents the total number of work days lost per each 200,000 hours of actual hours worked.