



# Third Quarter Report

Year-to-date results  
For the period ended  
December 31, 2020

NEW BRUNSWICK  
POWER CORPORATION



the power of possibility  
débordant d'énergie

# Message from the President and CEO

Like people and businesses across New Brunswick and around the world, NB Power continued to experience the consequences of COVID-19 in the third quarter of 2020/21. Though economic and financial environments have been unpredictable over the course of the pandemic, we have remained steadfast in our commitment to keeping our employees safe and providing our customers safe and reliable energy.

The milder winter weather in New Brunswick and neighbouring jurisdictions resulted in decreased electricity sales, while bringing customers some relief from higher heating bills. As the winter months continue, we will continue to support our customers who are struggling to pay bills in these unprecedented times – please reach out to us for assistance in these challenging times.

During the quarter, we continued to work with our business customers to find opportunities for them to reduce their energy bills in the long-term. We launched a Business Rebate Program, offering quick and simple rebates for businesses to help them offset the costs of becoming more energy efficient. Participating New Brunswick businesses can save money on their energy bills, create an improved working environment, and reduce greenhouse gases while supporting the provincial economy.

We also continue to explore partnerships and new technologies right here at home to build tomorrow's power grid in a way that provides the greatest benefits to our customers. We're looking for solutions that help the utility lower its costs while adding green-energy options for our customers.

In December, we launched a new project that will see up to 100 highly energy efficient and “zero energy-ready” homes built in Moncton's North Branch neighbourhood. With our North Branch partners, we will work with customers to better understand their evolving energy needs so that our future energy use is smarter, greener and more efficient.

Maintenance programs for our generating fleet, transmission and distribution systems ensure we continue to provide reliable energy to our customers. In November, the Point Lepreau Nuclear Generating Station successfully completed its planned maintenance Outage 2020. With help from approximately 600 contractors and tradespeople, the large majority of whom are from Atlantic Canada, activities included routine maintenance, repairs, system modifications, inspections and testing that can only be conducted when the unit is offline. As a result of expansive planning and preparation, the team implemented COVID mitigation protocols that kept all people onsite COVID-free.

This quarter, we continued to work collaboratively with ARC Canada and Moltex to develop the small modular reactor technology and supply chain network in New Brunswick. We believe nuclear energy in the form of small modular reactors is essential to achieving net zero by 2050.

In the midst of these unprecedented times, it is our adherence to employee safety and our focus on customers that will endure, allowing us to continue our development of a reliable, safe, efficient and greener energy future for New Brunswick.



# Financial Highlights<sup>1</sup>

## COVID-19 Pandemic

NB Power continues to be negatively impacted by the widespread outbreak of COVID-19, which has caused disruptions such as

- reduction in commercial electricity demand
- reduced ability for customers to pay their electricity bills
- delays to capital projects and key initiatives
- delays in regulatory hearings and decisions
- employee physical and mental well being
- productivity impacts due to adherence to new health and safety regulations
- supply chain disruptions and increased prices

The full extent of the impact will depend on the length and severity of the pandemic, potential government actions to aid economic recovery and other factors beyond NB Power's control.

## Electricity Operations

NB Power's operating earnings were \$158 million for the nine-month period ended December 31, 2020, which was \$53 million or 25 per cent lower than the same period last year. As the COVID-19 pandemic and associated economic uncertainty continues, NB Power may see continued volatility in quarterly earnings.

Revenue from electricity sales in New Brunswick totaled \$957 million, a decrease of \$21 million or two per cent from the same period last year. The economic shutdown in the first quarter caused by the COVID-19 global pandemic reduced commercial and industrial customer electricity requirements. In addition, overall warmer weather contributed further to load reductions. Offsetting this year-over-year decrease was increased revenue due to higher average rates in 2020/21 resulting from the last regulator-approved customer rate increase. Out-of-province revenue was \$255 million, a decrease of \$71 million or 22 per cent from the prior year. This was the result of fewer sales contracts with customers in the United States and Canada.

Fuel and purchased power costs were \$465 million, a decrease of \$32 million or six per cent. The reduction in commercial and industrial customer loads as a result of the COVID-19 pandemic and the warmer weather led to reduced in-province supply volumes. In addition, there were fewer export contracts leading to lower out-of-province volumes. Lower purchased power and natural gas prices also contributed to the decrease. These reductions were partially offset by reduced availability of the Point Lepreau Generating Station due to the planned maintenance outage, and lower hydro.

Operation, maintenance and administration (OM&A) costs were \$363 million, a decrease of \$28 million or seven per cent for the nine-month period. The primary driver was the longer planned maintenance outage at Point Lepreau Generating Station which resulted in a reduction in other maintenance activities being completed at the station. In addition, there was a reduction in non-critical work due to the COVID-19 pandemic.

Depreciation and amortization expense was \$242 million, an increase of \$12 million or five per cent for the nine-month period. An increase in the decommissioning cost estimates in 2019/20 resulted in increased depreciation expense over the prior period.

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

## Finance Costs and Investment Income

Total finance costs and investment income were \$84 million, a net decrease of \$65 million or 44 per cent from prior year. Growth in the market value of the investments contributed to a \$56 million or 137 per cent increase over the prior period. The unrealized investment losses sustained in the fourth quarter of 2019/20 have now been fully recovered however, the investment market values are subject to market conditions, and there could be continued volatility through the COVID-19 pandemic. The remaining decrease in finance costs is due to lower interest costs as a result of a lower debt balance and interest rates.

## Financial Overview

Net earnings for the period ended December 31, 2020 were \$64 million, which represents an \$11 million increase compared to the same period last year. The variance to prior year was due to the rebound of the financial markets. Other contributors to the increase were a decrease in operations, maintenance, and administration expenses partially offset by a decrease in gross margin.

While the results improved year over year, the financial markets continue to be uncertain. As the COVID-19 pandemic continues, NB Power will continue to see fluctuations in the market values of the investments throughout the fiscal year and NB Power's quarterly earnings will continue to be impacted.

## Debt Management

The table below summarizes the net debt in NB Power's capital structure. Net debt is \$4,939 million as at December 31, 2020, an increase of \$19 million for the nine-month period. The increase in total debt was primarily driven by a lower gross margin due to a reduction in electricity requirements as a result of the COVID-19 global pandemic and the warmer weather. Also contributing to the increase was significant capital investments for the Point Lepreau Generating Station. The reduction in the sinking fund receivable was due to a withdrawal to fully finance a debt maturity.

## Consolidated Net Debt

In millions of dollars (Unaudited)

	31 Dec 2020	31 Mar 2020	Variance
Total debt	\$5,335	\$5,516	\$(181)
Cash	(1)	3	(4)
Sinking fund	397	593	(196)
Total net debt	\$4,939	\$4,920	\$19

# Consolidated Statement of Earnings

In millions of dollars (Unaudited)

Period Ended December 31

<b>Revenue</b>	2020	2019	Variance
Sales of electricity			
In-province	\$957	\$978	\$(21)
Out-of-province	255	326	(71)
Miscellaneous	52	60	(8)
<b>Total revenue</b>	<b>1,264</b>	<b>1,364</b>	<b>(100)</b>
<b>Expenses</b>			
Fuel and purchased power	465	497	(32)
Operations, maintenance and administration	363	391	(28)
Depreciation and amortization	242	230	12
Taxes	36	35	1
<b>Total operating expenses</b>	<b>1,106</b>	<b>1,153</b>	<b>(47)</b>
<b>Operating earnings</b>	<b>158</b>	<b>211</b>	<b>(53)</b>
<b>Finance costs and investment income</b>			
Finance costs	175	200	(25)
Sinking fund and other investment income	6	(10)	16
Unrealized (gains) on investments	(97)	(41)	(56)
<b>Total finance costs and investment income</b>	<b>84</b>	<b>149</b>	<b>(65)</b>
<b>Net earnings before changes in regulatory balances</b>	<b>74</b>	<b>62</b>	<b>12</b>
Net changes in regulatory balances	(10)	(9)	(1)
<b>Net earnings</b>	<b>\$64</b>	<b>\$53</b>	<b>\$11</b>

## Operating Statistics

Period Ended December 31

	2020	2019	Variance
In-province sales (GWh)	8,763	9,054	(291)
Heating degree days	2,295	2,531	(236)
Export sales (GWh)	3,270	3,762	(492)
Hydro flows (below) long-term average (%)	(10)%	(5)%	(5)%
PLNGS net capacity factor (%)	77%	83%	(6)%

# Consolidated Statement of Financial Position

In millions of dollars (Unaudited)

	As at Dec 31, 2020	As at Dec 31, 2019	As at Mar 31, 2020
<b>Assets</b>			
<b>Current</b>			
Cash	\$(1)	\$2	\$3
Accounts receivable	240	263	279
Materials, supplies and fuel	252	220	223
Prepaid expenses	29	26	17
Derivative assets	1	3	24
<b>Total current assets</b>	<b>521</b>	<b>514</b>	<b>546</b>
<b>Non-current assets</b>			
Property, plant and equipment	4,723	4,585	4,679
Sinking fund receivable	397	547	593
Other non-current assets	894	855	827
<b>Total non-current assets</b>	<b>6,014</b>	<b>5,987</b>	<b>6,099</b>
<b>Total assets</b>	<b>6,535</b>	<b>6,501</b>	<b>6,645</b>
Regulatory balances	861	875	872
<b>Total assets and regulatory balances</b>	<b>\$7,396</b>	<b>\$7,376</b>	<b>\$7,517</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short-term indebtedness	\$600	\$744	\$691
Accounts payable and accrued interest	310	279	337
Current portion of long-term debt	400	360	378
Current portion of lease liability	5	-	3
Derivative liabilities	62	43	91
<b>Total current liabilities</b>	<b>1,377</b>	<b>1,426</b>	<b>1,500</b>
<b>Non-current liabilities</b>			
Long-term debt	4,335	4,434	4,447
Lease liability	25	4	2
Other non-current liabilities	1,305	1,142	1,277
<b>Total non-current liabilities</b>	<b>5,665</b>	<b>5,580</b>	<b>5,726</b>
<b>Total liabilities</b>	<b>7,042</b>	<b>7,006</b>	<b>7,226</b>
<b>Total equity</b>	<b>354</b>	<b>370</b>	<b>291</b>
<b>Total liabilities and equity</b>	<b>\$7,396</b>	<b>\$7,376</b>	<b>\$7,517</b>

# Consolidated Statement of Cash Flows

In millions of dollars (Unaudited)

	Period Ended December 31	
	2020	2019
<b>Operating activities</b>		
Cash receipts from customers	\$1,300	\$1,411
Cash paid to suppliers and employees	(907)	(981)
Interest paid	(169)	(193)
<b>Cash provided by operating activities</b>	<b>\$224</b>	<b>\$237</b>
<b>Investing activities</b>		
Expenditures on property, plant and equipment	\$(245)	\$(293)
Used fuel management and decommissioning fund withdrawals	2	7
Cash expenditure on decommissioning	(7)	(10)
<b>Cash used in investing activities</b>	<b>\$(250)</b>	<b>\$(296)</b>
<b>Financing activities</b>		
Proceeds on long-term debt	\$303	\$644
Debt retirement	(376)	(450)
(Decrease) in short-term indebtedness	(91)	(154)
Sinking fund changes	191	22
Principal repayment of lease obligation	(5)	(5)
<b>Cash provided by financing activities</b>	<b>\$22</b>	<b>\$57</b>
Net cash (outflow)	\$(4)	\$(2)
Cash, beginning of period	3	4
<b>Cash, end of period</b>	<b>\$(1)</b>	<b>\$2</b>