

# Q2 | Second Quarter Report

Year-to-date results for the period ended  
September 30, 2024



**Énergie NB Power**

| the power of possibility  
| débordant d'énergie



## Message from the President

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**President and CEO  
Lori Clark**

This quarter, we continued to advance initiatives prioritizing reliability for our customers today and into the future. I also had the opportunity to participate in a variety of electricity sector events focused on the future. What I learned was that we are not alone – this is a common topic across utilities and there are many new technologies and partners that can support us in the future.

At NB Power, we're continuing to focus on improving reliability for all of our customers across the province.

At the community level, we've been meeting with communities that have experienced recent power outages. While many of the outages have been caused by wildlife, we're working to identify root causes and measures that can be put in place to prevent similar disruptions. Our community information sessions provide residents with an opportunity to ask questions and learn about what we're doing to address their concerns and improve regional reliability.

We're also working to improve performance at our generating stations across the province. Since April 6, Point Lepreau Nuclear Generating Station has been offline while our staff undertook a necessary planned 100-day maintenance outage. During start-up protocol, a critical issue was identified with the main generator, which is located on the non-nuclear side of the Station, that needed to be addressed prior to returning the Station online. Throughout this quarter, our team has been working diligently, with the support of national and international experts, to assess and address the situation. This has been a very complex task and we're currently anticipating a full return to service in December.

System-wide, we're continuing to learn from and prepare for the stronger storms that are impacting our area. Earlier this year, Environment and Climate Change Canada's Canadian Hurricane Centre and its United States counterparts announced we're facing a "significant" and "above average," respectively, hurricane season, with more storms than usual predicted for our region.

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Thankfully, New Brunswick has been spared so far, tragically unlike our neighbours to the south. Our hearts go out to those who've suffered the loss of loved ones, and damages to their homes, businesses and communities as a result of hurricanes. The devastation of these weather events continues to drive home the importance of preparation. This quarter, we've been continuing to strengthen our infrastructure, and review our internal response systems to help us prevent future outages and ensure we're better equipped to respond to localized weather events.

In July, I offered congratulations at an event in Shediac launching the municipality's plans to become the first net-zero community in Canada. Since 2018, NB Power has been working with the town as part of the Shediac Smart Energy Community Project. This project has a number of components, including a residential energy study, as well as NB Power's first grid-connected, 1.63 MW community solar farm. This innovative asset marked its one-year anniversary this quarter and is continuing to operate well.

In September I participated in an Atlantic Utilities Executive Panel as part of the 2024 Atlantic Indigenous-Led Energy Symposium held at the Fredericton Convention Centre. This annual event brings together leaders from First Nation communities, utilities, government and industry for conversation and collaboration. It was wonderful to hear from the participants about their successes to date, and their ideas for shaping the future and how to move forward collaboratively. The event also provided an opportunity for me to share NB Power's vision for First Nations involvement in the transition to net-zero, which is rooted in collaboration and respect.

Also in September, I had the opportunity to participate in another engaging panel discussion, this time a webinar presented by the Atlantic Economic Council. Joining my peers, representative of the other Atlantic Canadian electric utilities, we discussed the multitude of challenges, as well as opportunities, we're facing in our sector's net-zero transition.

In closing, I wanted to provide an update on our General Rate Application. Following the hearing held over the summer, the New Brunswick Energy and Utilities Board (EUB) issued a verbal decision on November 8, 2024. The EUB's decision approved the majority of what was requested in our application. We respect the EUB's decision and its commitment to ensuring a fair rate for electricity.

Thank you for reading, and I look forward to continued opportunities to connect.



**Lori Clark**  
**President and CEO**

# Year-over-Year Financial Highlights<sup>1</sup>

On March 15, 2024, the New Brunswick Energy and Utilities Board (EUB) granted NB Power's interim rate request and the impact of that interim rate is seen in the year-to-date results. NB Power appeared before the EUB regarding its two-year general rate application during the quarter with final arguments presented by all parties on August 26, 2024. Changing global market conditions had a positive impact on unrealized gain on investments during the first six months.

NB Power's Strategic Plan, Energizing our Future, was designed to ensure NB Power is making the right strategic decisions to meet customers' evolving expectations while placing NB Power in a stronger financial position and continuing the path to cleaner, greener energy.

Since April 6, 2024, the Point Lepreau Nuclear Generating Station has been offline while staff undertook a 100-day planned maintenance outage. During start-up protocol, a critical issue was identified with the main generator which is located on the non-nuclear side of the station—an area that was not worked on during the outage. This issue needed to be addressed prior to returning the Station online. Our expert team is working to resolve the issue, while maintain the highest level of safety at PLNGS.

## Electricity Operations

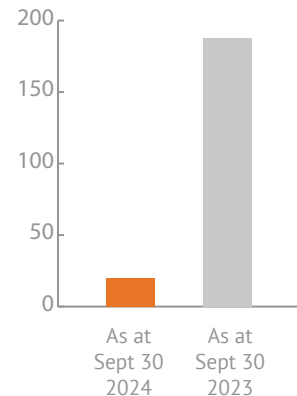
NB Power's operating earnings were \$20 million for the six-month period ended September 30, 2024, which was \$168 million or 89 per cent lower than the same period last year.

Revenue from electricity sales in New Brunswick totalled \$767 million, a \$88 million or 13 per cent increase from the same period last year. The primary driver was an increase in sales prices resulting from the interim rate increase effective April 2024. Other load growth also contributed to increased sales but was offset by warmer weather in the current year.

Out-of-province revenue was down 67 per cent to \$233 million, a \$466 million decrease from the same period last year. The market outside New Brunswick is a competitive market with inherent variability in sales opportunities and service contracts available at a given time. This will cause variability and results in swings in year-to-year out-of-province results. Export sales decreased by 3,983 GWh to 2,141 GWh in the current period. This was a result of decreased contracts with customers in both the United States and Canada.

\$20

Operating earnings  
(in millions of dollars)



<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.

Fuel and purchased power costs were down by \$242 million to \$513 million, a 32 per cent decrease from the same period last year. This was primarily due to the decrease in sales to customers in the United States and associated lower supply volumes. This was partially offset by the higher prices of fuel consumed in the production of electricity and the cost of replacement energy required during the extended outage of the PLNGS. Additionally, lower than average hydro generation for the period required the use of other higher cost fuels.

Operation, maintenance, and administration costs were up by \$13 million to \$295 million, a five per cent increase from the same period last year. This was primarily due to the repair of the generator at PLNGS, labour cost increases due to the addition of new positions, as well as higher energy efficiency expenditures. These increases were partially offset by increased labour being charged to the PLNGS capital maintenance project and lower storm costs compared to the same period last year.

Depreciation and amortization expense was \$199 million, a \$26 million or 15 per cent increase from the same period last year. Increased depreciation is a result of on-going investments in infrastructure to improve reliability and modernize the grid. Such investments include major maintenance outages at the generating stations, as well as expenditures to strengthen the transmission and distribution systems. The change of the economic life of the PLNGS generator is another contributor to increased depreciation.

**Finance Costs**

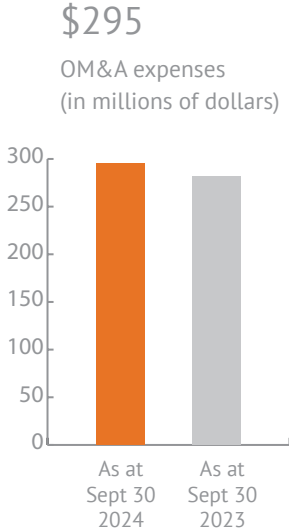
Finance costs were \$154 million, a \$1 million or one per cent decrease as compared to the same period last year. This is mainly due to changes in interest rates.

**Sinking Fund and Other Investment Income**

Sinking fund and other investment income were \$9 million, a \$2 million or 29 per cent increase from the same period last year due to an accounting adjustment in the prior year related to the amortization of premiums and discounts.

**Unrealized Gains on Investments**

Unrealized gains on investments were \$58 million, a \$61 million increase over the unrealized loss of \$3 million from the same period last year. Markets continued their momentum into the current fiscal year as a result of interest rate cuts and central bank commentary that future rate decreases are expected.



## Net Changes in Regulatory Balances

Net changes in regulatory balances of \$140 million was recognized in earnings, a \$143 million increase compared to the same period last year. During the six-month period, the unfavourable gross margin variance compared to plan, variance account charge and associated interest were reclassified to the regulatory account. The increase in the current year is also being impacted by two new deferral accounts currently before the Energy and Utilities Board for approval.

## Net Earnings

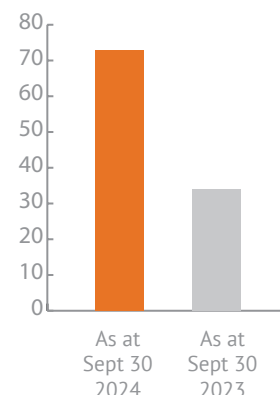
The above variances resulted in \$73 million net earnings for the period ended September 30, 2024, compared to net earnings of \$34 million in the same period last year, which represents a \$39 million favourable variance.

## Debt Management

Net debt is \$5,557 million as at September 30, 2024, a \$209 million increase since March 31, 2024. As a result of lower operating earnings additional debt was required to fund capital spending on major projects in the current period. This was partially offset by positive working capital changes including increased payments from customers.

**\$73**

Net earnings  
(in millions of dollars)



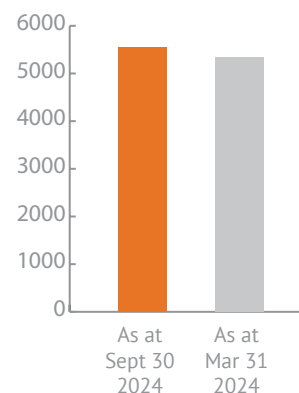
## Consolidated Net Debt

In millions of dollars (Unaudited)

	As at Sept 30, 2024	As at Mar 31, 2024	Variance
Total debt	\$6,104	\$5,859	\$245
Cash	9	10	(5)
Sinking fund receivable	538	502	37
Total net debt	\$5,557	\$5,347	\$209

**\$5,557**

Total net debt  
(in millions of dollars)



## Consolidated Statement of Earnings

In millions of dollars (Unaudited)

Period ended September 30

	2024	2023	Variance
<b>Revenue</b>			
Sales of electricity			
In-province	\$767	\$679	\$88
Out-of-province	233	699	(466)
Miscellaneous	51	44	7
<b>Total revenue</b>	<b>1,051</b>	<b>1,422</b>	<b>(371)</b>
<b>Expenses</b>			
Fuel and purchased power	513	755	(242)
Operations, maintenance and administration	295	282	13
Depreciation and amortization	199	173	26
Taxes	24	24	0
<b>Total operating expenses</b>	<b>1,031</b>	<b>1,234</b>	<b>(203)</b>
<b>Operating earnings</b>	<b>20</b>	<b>188</b>	<b>(168)</b>
<b>Finance costs and investment income</b>			
Finance costs	(154)	(155)	1
Sinking fund and other investment income	9	7	2
Unrealized gains on investments	58	(3)	61
<b>Total finance costs and investment income</b>	<b>(87)</b>	<b>(151)</b>	<b>64</b>
<b>Net earnings before changes in regulatory balances</b>	<b>(67)</b>	<b>37</b>	<b>(104)</b>
Net changes in regulatory balances	140	(3)	143
<b>Net earnings</b>	<b>\$73</b>	<b>\$34</b>	<b>\$39</b>

## Operating Statistics

Period ended September 30

	2024	2023	Variance
In-province sales (GWh)	5,800	5,823	(23)
Heating degree days	763	852	(89)
Export sales (GWh)	2,141	6,034	(3,893)
Hydro flows below long-term average %	(16.0%)	14%	(30.0%)
PLNGS net capacity factor (%)	2%	77%	(75.0%)
Return on nuclear investment funds (%)	6.4%	1.4%	5.0%
Return on nuclear investment funds (\$)	15	3	12

# Consolidated Statement of Financial Position

In millions of dollars (Unaudited)

	As at Sept 30, 2024	As at Sept 30, 2023	As at Mar 31, 2024
<b>Assets</b>			
<b>Current</b>			
Cash	\$9	\$4	\$10
Accounts receivable	321	289	412
Materials, supplies and fuel	302	304	326
Prepaid expenses	31	49	25
Derivative assets	31	47	29
<b>Total current assets</b>	<b>694</b>	<b>693</b>	<b>802</b>
<b>Non-current assets</b>			
Property, plant and equipment	4,970	4,739	4,810
Nuclear decommissioning and used fuel management funds	998	886	941
Sinking fund receivable	538	511	502
Other non-current assets	100	185	125
<b>Total non-current assets</b>	<b>6,606</b>	<b>6,321</b>	<b>6,378</b>
<b>Total assets</b>	<b>7,300</b>	<b>7,014</b>	<b>7,180</b>
Regulatory balances	1,047	1,018	907
<b>Total assets and regulatory balances</b>	<b>\$8,347</b>	<b>\$8,032</b>	<b>\$8,087</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short-term indebtedness	\$862	\$606	\$570
Accounts payable and accrued interest	395	363	443
Current portion of long-term debt	200	350	50
Current portion of lease liabilities	7	6	7
Derivative liabilities	27	69	57
<b>Total current liabilities</b>	<b>1,491</b>	<b>1,394</b>	<b>1,127</b>
<b>Non-current liabilities</b>			
Long-term debt	5,042	4,938	5,274
Lease liabilities	38	38	39
Decommissioning and used fuel management liability	1,080	1,000	1,069
Other non-current liabilities	204	164	172
<b>Total non-current liabilities</b>	<b>6,364</b>	<b>6,140</b>	<b>6,554</b>
<b>Total liabilities</b>	<b>7,855</b>	<b>7,534</b>	<b>7,681</b>
<b>Total equity</b>	<b>492</b>	<b>498</b>	<b>406</b>
<b>Total liabilities and equity</b>	<b>\$8,347</b>	<b>\$8,032</b>	<b>\$8,087</b>



# Consolidated Statement of Cash Flows

In millions of dollars (Unaudited)

Period ended September 30

	2024	2023
<b>Operating activities</b>		
Net Income	\$73	\$34
Adjustments to reconcile net income to cash provided by operating activities		
Finance costs	154	155
Depreciation & Amortization, net of gain and loss on disposal	198	173
Change in market value of derivatives	(4)	(11)
Net changes in regulatory balances	(140)	1
Investment fund earnings	(66)	(4)
Used nuclear fuel	0	3
Net Changes in non-cash working capital balances	80	51
Interest paid	(147)	(146)
Net post-employment benefits	(1)	(4)
Net Customer contributions	1	2
Change in long-term pre-paids	0	1
<b>Cash provided by operating activities</b>	<b>\$148</b>	<b>\$255</b>
<b>Investing activities</b>		
Expenditures on property, plant and equipment, net of proceeds of disposal	\$(346)	\$(223)
Cash expenditures on decommissioning	(15)	(15)
Nuclear investment funds withdrawals	0	7
<b>Cash used in investing activities</b>	<b>\$(361)</b>	<b>\$(231)</b>
<b>Financing activities</b>		
Proceeds from long-term debt	\$ -	\$200
Debt retirements	(50)	0
Increase in short-term indebtedness	292	(191)
Sinking fund installments	(32)	(31)
Sinking fund withdrawals	5	0
Principle repayment of lease obligation	(3)	(1)
<b>Cash provided by financing activities</b>	<b>\$212</b>	<b>\$(23)</b>
Net cash (outflow)	\$(1)	\$1
Cash, beginning of year	10	3
<b>Cash, end of year</b>	<b>\$9</b>	<b>\$4</b>