



Énergie NB Power
Quarterly
Report

Year-To-Date Results

For Period Ended
September 2013

Message from the Chairman of the Board and the President and CEO

In its Shareholder's Mandate Letter of January 26, 2011, the Province of New Brunswick asked that NB Power make updated financial statements available to the public on a quarterly basis. This quarterly report contains unaudited financial highlights and discusses the primary factors that have an impact on the financial results and operations of the NB Power Group.

The information provided includes year-over-year financial variances for the year-to-date (April to September). The financial information contained in the report has not been audited, and it contains financial estimates that are subject to change.

In fall 2011, in response to the Shareholder's Mandate Letter, NB Power's Board of Directors and management developed a 30-year strategic plan. This plan, which is the foundation for all of NB Power's business plans, investment decisions and business initiatives, sets out the following three strategies:

1. NB Power will target being a top quartile performer as compared to public and private utilities in North America.
2. Systematically reduce debt to ensure that NB Power is in a financial position to invest in new generation that will ensure stable rates for New Brunswick.
3. Invest in technology, educate customers and incent consumption that will reduce and shift demand (RASD) for electricity and ultimately defer the next significant generation investment.

The operational and financial results contained within this report highlight initiatives implemented to realize the strategies outlined in the Strategic Plan and the key performance indicators at the back of the report reflect progress thus far.



Ed Barrett
Chairman, NB Power Board of Directors



Gaëtan Thomas
President and Chief Executive Officer

This Public Quarterly Report discusses the financial and operating results for the NB Power Holding Corporation (Holdco) and its subsidiary operating companies (collectively the NB Power Group or the Group).

The subsidiaries include:

- *New Brunswick Power Generation Corporation (Genco);*
- *including New Brunswick Power Coleson Cove Corporation (Colesonco) and Mine Reclamation Inc. (formerly NB Coal Limited);*
- *New Brunswick Power Nuclear Corporation (Nuclearco);*
- *New Brunswick Power Transmission Corporation (Transco); and*
- *New Brunswick Power Distribution and Customer Service Corporation (Disco).*

NB Power employees hosted a street booth at the Harvest Jazz and Blues Festival in downtown Fredericton, with support from our Smart Grid partner Siemens, and Plug'n'Drive, who put on an electric vehicle test drive event.

Quarterly Overview

NB Power experienced positive earnings in the second quarter as performance at Point Lepreau Generating Station (PLGS) continues to improve and flows on our hydro system were above historic averages. The utility finished the quarter with \$5 million in net earnings for year-to-date, making progress toward debt repayment with net repayment projected to continue throughout the remainder of the fiscal year.

Operational Highlights

Point Lepreau Generating Station Update

Point Lepreau Generating Station operated at or near target during the quarter, with a net capacity factor of between 90 and 94 per cent.

During the months of August and September, the nuclear plant produced nearly 50 per cent of the total net generation from NB Power generating stations.

On August 21, employees from the Point Lepreau Generating Station participated in a public Canadian Nuclear Safety Commission (CNSC) meeting in Ottawa where the 2012 Annual CNSC Staff Report on the Safety Performance of Canadian Nuclear Power Plants was discussed.

The Station's overall CNSC assessment was Satisfactory, with the highest rating of Fully Satisfactory declared for Conventional Health and Safety performance.

In early November, NB Power returned to service after completing a planned maintenance outage to repair one of the plant's four steam valves. Servicing the fourth valve should allow the generating station to safely increase to 100 per cent reactor power.

Trimming trees to maintain reliability

NB Power crews worked throughout the quarter to prepare New Brunswick for the fall and winter storm season by trimming low hanging branches around power lines to ensure safe and reliable delivery of electricity to urban and rural customers throughout the province.

Trees and branches falling into power lines during storms accounted for 36 per cent of the power outages in New Brunswick in 2012/2013. The preventative maintenance will help reduce the number of power outages customers may experience during storms.

LED street light project ahead of schedule

NB Power replaced more than 17,000 high-pressure sodium (HPS) light bulbs with brighter, more efficient light-emitting diode (LED) fixtures this year, helping municipalities save money and energy.

The first phase of the project was initially scheduled to be completed by October 2013, but finished ahead of schedule in September.

To date, lights have been installed in municipalities including Riverview, Miramichi, Grand Falls, Fredericton, Dieppe, St Stephen, St. George, St. Andrews, Shediac, Kedgwick to Charlo, Grand Manan to Campobello Island, and Moncton. By the end of the year, there will have been approximately 22,000 LED lights installed in these areas.

These lights use significantly less energy each year and are an important part of NB Power's strategy to reduce energy demand in the province. This strategy is aimed at keeping rates low and stable for our customers by reducing the need to build new generation facilities in the future.

NB Power is moving forward with this ambitious project after seeing a strong business case which forecasts about \$6 million in savings over the 20 year lifespan of these lights. They are less expensive to operate, more reliable and will last 14 years longer than the current HPS bulbs. The LED street light replacements will continue over the next five years and will take place between April and November of each year, with a goal of replacing approximately 72,000 street lights across New Brunswick.

Support for New Brunswick arts and culture

NB Power supported the growth and development of arts and culture in New Brunswick by sponsoring major events in Moncton, Caraquet and Fredericton between July and September 2013.

From September 12-14, NB Power employees hosted a street booth at the Harvest Jazz and Blues Festival in downtown Fredericton, with support from our Smart Grid partner Siemens, and Plug'n'Drive, who put on an electric vehicle test drive event. NB Power staff, including CEO Gaëtan Thomas, invited festival patrons to learn more about the utility's efforts to conserve energy and provide more services to customers through the LED street light project and Smart Grid.

In August, NB Power's electric vehicle project Shift Your Ride presented at Festival Acadien in Caraquet, a two-week arts and culture event that brought out thousands of Acadians to celebrate their heritage and the vitality of their culture.

In July, Shift Your Ride also presented at the Atlantic Nationals Automobile Extravaganza in Moncton, NB. The four-day event showcases the best sport, vintage and modified cars Atlantic Canada has to offer. This year, among the crowd of specialty cars were NB Power's own Shift Your Ride electric vehicles.

For more information on any of the above Operational Highlights, please press the hyperlink imbedded in the above titles.



NB Power prepares New Brunswick for the fall and winter storm season by trimming low hanging branches around power lines to ensure safe and reliable delivery of electricity.



Financial Highlights

The information provided in this report includes year-over-year financial variances for the period April 1, 2013 to September 30, 2013. 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 change¹. These should be read in conjunction with the audited financial statements.

Free Cash Flow² and Change in Net Debt³

Free cash flow is used to measure the change in the company's cash available for debt reduction and/or dividends. Year-to-date free cash flow generated was \$45 million compared to (\$137) million in the previous year. The \$182 million increase in free cash flow is a result of a reduction in capital spending and a reduction in replacement fuel and purchase power primarily as a result of the completion of the Point Lepreau Refurbishment project in November 2012.

The year-to-date free cash flow has been used to reduce net debt by \$39 million since April 2013. Net debt was \$4,675 million at September 30, 2013 compared to \$4,714 million March 31, 2013.

Year-To-Date

NB Power Group recorded net earnings for the period of \$5 million, compared to net earnings of \$46 million for the same period in 2012/13. The following explains the \$41 million decrease in earnings.

Revenues

In-province revenue decreased \$8 million compared to the same period in 2012/13 mainly due to decreased industrial load and scheduling differences with the New Brunswick System Operator partially offset by increased residential and general service load.

Out-of-province revenue was \$32 million higher than the same period in 2012/13 mainly due to higher volumes as a result of successfully acquiring additional export contracts partially offset by lower export prices.

Expenses

Fuel and purchased power and transmission expense decreased \$90 million compared to the same period in 2012/13 mainly due to lower overall generation costs due to the return to service of the Point Lepreau Generating Station and higher hydro flows in 2013/14 partially offset by higher overall volumes and higher natural gas prices.

OM&A expense increased \$12 million compared to the same period in 2012/13 mainly attributable to increased labour and overtime at the Point Lepreau Generating Station and higher pension expense in 2013/14 as a result of changes in mortality assumptions and financial market conditions. This was partially offset by lower hired services and materials as a result of management actions to compensate for lower than expected earnings.

Amortization and decommissioning expense increased \$23 million compared to the same period in 2012/13 mainly due to the return to service of the Point Lepreau Generating Station partially offset by lower amortization as a result of increased service lives of transmission and distribution assets.

Regulatory deferral reduced net earnings by \$35 million due to the commencement of amortization of the deferral upon the return to service of the Point Lepreau Generating Station. In prior year, \$84 million of expenses were deferred as legislated by the *Electricity Act*.

Finance charges increased by \$25 million mainly due to less interest capitalized in 2013/14 due to the return to service of the Point Lepreau Generating Station partially offset by lower debt levels compared to the same period in 2012/13, and lower long-term interest rates.

Special payments in lieu of income taxes decreased \$24 million compared to the same period in 2012/13 due to lower earnings in 2013/14 and the reversal of a prior year tax asset write down.



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 operations activities and investing activities.

³ Net Debt includes short-term debt, current portion of long-term debt and long-term debt and cash.



Combined Statement of Earnings

In Millions of Dollars
(Unaudited)

	Six months ended September 30		
	2013	2012	Variance
Revenues			
In-province revenue	\$529	\$537	\$(8)
Out-of-province revenue	138	106	32
Transmission revenue	46	41	5
Miscellaneous revenue	32	39	(7)
	\$745	\$723	\$22
Expenses			
Fuel & purchased power	\$241	\$335	\$(94)
Transmission expense	44	40	4
Operations, maintenance and administration	232	220	12
Amortization and decommissioning	113	90	23
Taxes	18	20	(2)
Regulatory deferrals	35	(84)	119
Finance charges	65	40	25
	\$748	\$661	\$87
Earnings before special payments in lieu of income taxes	(3)	62	(65)
Special payments in lieu of income taxes	(8)	16	(24)
Net earnings	\$5	\$46	(\$41)



Combined Balance Sheet

In Millions of Dollars
(Unaudited)

Assets	As at Sept. 30, 2013	As at Sept. 30, 2012	As at March 31, 2013
Current assets			
Cash and short-term investments	\$2	\$1	\$0
Accounts receivable	202	176	280
Materials, supplies and fuel	215	222	206
Prepaid expenses	27	34	11
Current portion of long-term receivable	-	1	1
Current portion of regulatory deferral	20	-	20
Current portion of derivative assets	24	-	18
	\$490	434	536
Property, plant and equipment	\$4,051	4,067	4,069
Long-term and other assets	\$1,700	1,734	1,732
Total Assets	\$6,241	\$6,235	\$6,337
Liabilities and Shareholders' Equity			
Current liabilities			
Short-term indebtedness	\$751	\$745	\$792
Accounts payable and accrued interest	223	259	291
Current portion of long-term debt	40	630	192
Current portion of derivative liabilities	3	35	1
	\$1,017	\$1,669	\$1,276
Long-term debt	3,886	3,297	3,730
Deferred liabilities	743	718	727
Shareholders' Equity	595	551	604
	\$6,241	6,235	\$6,337



Combined Statement of Cash Flows

In Millions of Dollars
(Unaudited)

Six months ended September 30

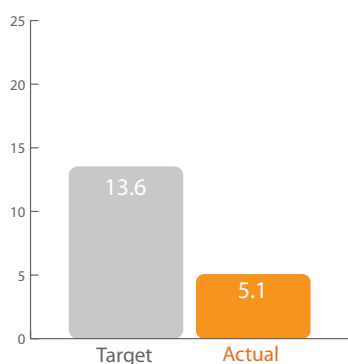
Operating Activities	2013	2012
Net earnings for the year	\$5	\$46
Amounts not requiring a current cash payment	147	92
Nuclear decommissioning and used fuel management funds installments and earnings	(13)	(12)
Decommissioning liability expenditures	(8)	(7)
Deferred charges	(1)	(1)
Regulatory deferrals	10	(107)
Net change in non-cash working capital	(15)	61
	\$125	\$72
Investing Activities		
Expenditure on property, plant and equipment, net of customer contributions	(80)	(209)
Proceeds on disposal		
	(\$80)	(\$209)
Financing Activities		
Debt retirements	(176)	(23)
Proceeds from long-term debt obligations	180	-
Increase (decrease) in short-term debt	(41)	162
Dividends paid	(5)	(5)
	(\$42)	\$134
Net Cash (outflow) inflow	3	(3)
Cash, beginning of period	(1)	4
Cash, end of period	\$2	\$1

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. By measuring performance against the top-quartile of North American utilities NB Power will provide the most cost-effective generation and delivery of electricity to its customers.

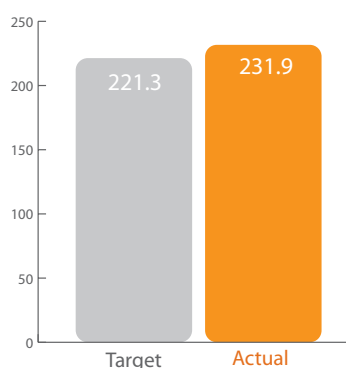
Top-quartile performance is a mid-to long-term target. NB Power's Board and management established in-year measures to help the utility move to achieve this mid-to long-term target. The time frame for achieving top-quartile performance varies by key performance indicator. The targets shown in the graphs 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, safety and reliability. These year-to-date measures will be monitored on a quarterly basis.

Net Earnings (\$ millions)



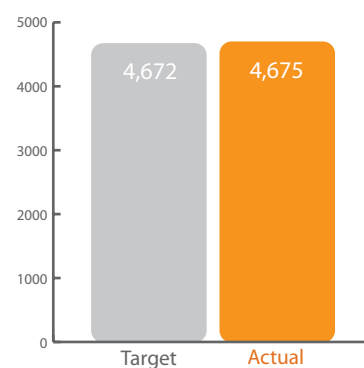
Net earnings is a measure of our profitability.

OM&A (\$ millions)



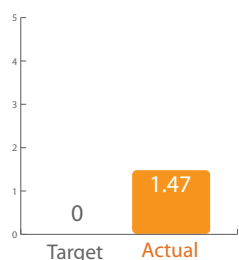
Operations, maintenance and administration (OM&A) costs are largely controllable by management over the medium term and are an important measure of financial success.

Net Debt (\$ millions)



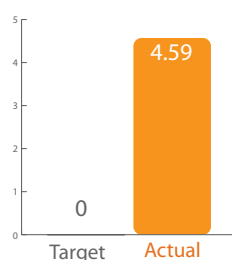
The total amount of short and long-term debt outstanding less deferred debt charges and cash.

All Injury Frequency Rate



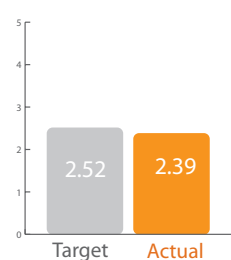
The all injury frequency rate represents a summary of all injuries per each 200,000 hours of actual hours worked.

Lost-Time Injury Severity Rate



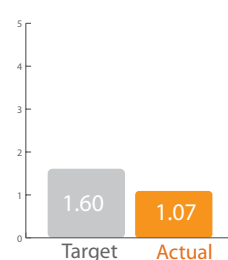
The lost-time injury rate represents the total number of work days lost per each 200,000 hours of actual hours worked.

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.