



# 2023/24 BUSINESS PLAN

June 2023



**Energie NB Power**

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## Submission Letter

June 2023

Honourable Mike Holland  
Minister of Natural Resources and Energy Development  
Province of New Brunswick  
PO Box 6000  
Fredericton NB E3B 5H1

Minister,

We are pleased to submit the 2023/24 Business Plan of New Brunswick Power Corporation for the fiscal year beginning April 1, 2023 in compliance with section 4 of the *Accountability and Continuous Improvement Act*. We are accountable for the preparation of this Business Plan and for achieving the specific goals and objectives contained herein.



Andrew MacGillivray  
Chair, Board of Directors



Lori Clark  
President & Chief Executive Officer

***NB Power's 2023/24 Business Plan has been prepared by management and reviewed and approved by the New Brunswick Power Corporation Board of Directors.***

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## FOREWORD

As the world is changing, NB Power is experiencing disruptive change that provides the opportunity to transform our business to focus on customer experience, energy security and a sustainable clean energy transition. The changes are resulting in shifts to how we see the future landscape and the paths we will pursue to be successful in this most likely future.

We have a long history and heritage as New Brunswick's power company, having served the province and our customers for more than 100 years. Our opportunity is to harvest the strong attributes and behaviours that have contributed to our success, determine what past strengths will no longer serve us in this new future, what we must change and what we need to develop to be successful. Doing this will allow us to transform to a more modern operation that is efficient, nimble, agile and ready for the future.

### Strategic Plan and Cost Optimization

At the same time, we are presenting our business plan, the Board and management are finalizing our new long-term strategic plan. We engaged PwC to guide us through the strategic planning process and we will use the strategic plan as our roadmap and a key tool to engage employees. It will also ensure we remain focused and committed to the right initiatives in alignment with our plans and that we advance our efforts.

PwC also led management through a cost optimization review to identify areas of the company where we need to become more efficient to improve our overall costs. Our cost optimization results will lead to more efficient operations and manage future rate increase requirements.

While we are finalizing our new strategic plan, we have ensured our business plan initiatives and targets for 2023/24 align with and support our long-term strategic objectives.

### Path to Transformation

This one-year Business Plan supports our path to transformation. It reflects our attention on areas that support our transformation and establishes the baseline to sustain the changes while keeping employees safe and meeting our customers' evolving expectations.

With over \$5 billion in debt, NB Power is challenged in being able to transition to a high-performing utility. The company is dealing with increased electrification, rising interest rates and fuel prices, aging assets, requirements to invest in assets and decarbonization requirements. Developing and executing a solid plan to improve the financial health of NB Power is a threshold issue that must be resolved. The status quo is not an option.

In a period where we are experiencing unprecedentedly high fuel costs, there is disruption in the industry, inflation is high and rate increases are above average, we owe it to our customers to ensure we are operating as efficiently, effectively and as leanly as possible. To be successful in optimizing our costs and service offerings, we must engage employees and the union leadership, build trust in the organization, unlock potential and enable culture change.

The industry is moving toward net zero to protect our environment. We need to establish our path and the timing to cost-effectively transition to net zero and more boldly communicate that we are embracing clean energy. While the shift to clean energy is likely to have increased pressure on rates for customers, we must plan now to avoid surprises and rate shock and maintain energy security while working to be

- off coal in Belledune by 2030
- net zero within the utility by 2035
- net zero as a country by 2050

Our stakeholders expect a reliable, friction-free interaction with us. They expect our services to be consistent or better than the other suppliers with whom they interact, while adapting and fitting into their busy lifestyles. In addition, they want to understand their energy consumption and, in some cases, be more self-sufficient. They also want us to provide more value and choice than ever.

To effectively transform the company, we need to ensure that we prioritize employee recruitment, development, engagement and retention. Employees are critical to our success and are our most important assets and our best ambassadors.

We are New Brunswick's power company and our team of New Brunswickers work every day to proudly deliver safe, reliable energy while remaining committed to affordability. To maintain and grow our position, we are challenging ourselves to ensure we are doing things smartly and efficiently. As we embark on this journey, we remain committed to significant and meaningful transformation that benefits our customers and the province.

## ABOUT NB POWER

For over 100 years, NB Power has been a part of the fabric of New Brunswick. Today, NB Power is responsible for the generation, transmission and distribution of electricity that powers the homes, businesses and communities of more than 400,000 customers.

NB Power maintains one of the most diverse generation fleets in North America and is committed to enhancing New Brunswickers lives by providing clean, competitive and reliable energy solutions. Part of this commitment includes investments in energy efficiency programs, energy solutions, renewable energy sources and smart grid technology. Together, NB Power has a combined total generating capacity of 3,790 MW, with an additional installed generating capacity of 607 MW, including 512 MW of renewables, provided by third parties through power purchase agreements.

The *Electricity Act* gives NB Power the authority to sell electricity within the province and to manage and operate NB Power's resources and facilities for the supply, transmission and distribution of electricity within New Brunswick. The *Act* also establishes that, to the extent practicable, rates charged by NB Power shall be maintained as low as possible and changes in rates shall be stable and predictable from year to year. NB Power's rates are regulated by the New Brunswick Energy and Utilities Board.

### Mandate

As a provincial Crown Corporation, the Province of New Brunswick is the owner and sole shareholder of NB Power. NB Power reports to the Shareholder through the Minister of Natural Resources and Energy Development and the Shareholder's expectations are expressed through legislation, policies and a mandate letter. NB Power's most recent mandate letter calls for focus on expectations and priorities.

### Expectations

#### ***Reducing Greenhouse Gas***

NB Power is focused on several initiatives developed to lower its carbon footprint while remaining committed to affordability. NB Power is minimizing its greenhouse gas emissions by reducing its internal energy usage, diversifying and optimizing its generation mix with additional non-emitting sources and reducing its coal-fired generation. In addition, NB Power is exploring alternative non-emitting generation and technology options of the future such as small modular reactors.

#### ***Energy Efficiency***

NB Power continues to mature service offerings aimed at reducing the demand for energy and providing savings to customers. These services are available for all classes of customers and for all fuel types used in the province. Working with the Province, NB Power has developed targets and secured long-term funding for all-fuels energy efficiency programs to achieve further efficiency gains. NB Power will also continue as the delivery agent for the Plug-In NB electric vehicle rebate program, adapting the program to align with funding and direction from the province.

#### ***Climate Change Action Plan***

NB Power continues to support the Department of Environment and Local Government in achieving its Climate Change Action Plan goals including creating additional opportunities for clean electricity development. NB Power will reopen the Embedded Generation Program and create opportunities for additional community renewable energy projects.



### ***First Nations***

NB Power recognizes the distinct value, culture and significance of First Nations and is committed to fostering positive and productive relationships with First Nations in New Brunswick, including providing specific opportunities in First Nations employment and procurement. NB Power's First Nation Strategic Approach enhances and complements corporate policies and guides the utility in its relationships with First Nations. NB Power also works with the Department of Aboriginal Affairs and consultation staff regarding the duty to consult through the Initiative Intake Process.

### ***Community Collaboration***

NB Power actively works with communities throughout New Brunswick to provide opportunities to collaborate and partner in the electricity sector. This includes partnering to test advanced smart grid solutions. NB Power also works collaboratively to understand unique community needs, build capacity and advise or develop energy solutions. In addition, NB Power is committed to First Nations communities through on-going dialogue that supports the advancement of energy-related development projects such as renewable energy, small modular reactors and Mactaquac Life Achievement Project.

### ***Priority Areas***

#### ***Debt Reduction***

NB Power remains committed to meeting its mandate to achieve a capital structure of at least 20 per cent equity by 2027. NB Power has developed a three-year Strategic, Financial and Capital Investment Plan to reflect that commitment through cost reductions, the rationalization and prioritization of capital investment requirements, and required rate increases. These actions have been balanced with ensuring NB Power continues to deliver safe, reliable energy while remaining committed to affordability.

#### ***Point Lepreau Nuclear Generating Station (PLNGS) Improvement Plan***

Nuclear is a very important part of NB Power and New Brunswick's past, present and future. In order to maintain the confidence of the public, regulators and the industry, we must maintain strong, consistent performance of all assets including PLNGS. NB Power will develop a plan to improve the reliability of PLNGS, will execute the recovery plan and explore a partnership model to help resolve long-standing issues and improve performance.

#### ***Small Modular Reactors***

The Province of New Brunswick has identified small modular reactors (SMR) as a future industry for New Brunswick and a key part of a net-zero electric grid. NB Power will continue to support the advancement of the SMR cluster with the various counterparties and support efforts to acquire federal funding for first-of-a-kind reactor(s) at the Point Lepreau Nuclear Generating Station site.

#### ***New Brunswick Energy Marketing***

New Brunswick Energy Marketing continues to be active in the business of importing and exporting electricity and related products and services to help NB Power meet its commitment to affordability for New Brunswickers. It remains focused on preserving existing customers while exploring opportunities to expand in other evolving energy-related markets.

## 2023/24 BUSINESS PLAN

In alignment with the mandate provided by the Province, the NB Power Board of Directors and management are finalizing the strategic direction and plan. The strategic plan identifies transformational change required at NB Power to meet the changing energy landscape, customers and industry expectations.

With this in mind, NB Power's 2023/24 business plan has been developed to meet customers' evolving expectations while placing us in a stronger financial position and continuing our path to cleaner, greener energy.

In doing so, NB Power must continue to improve on the services and value its customers are expecting. Ensuring the utility is responsive to customers' changing expectations will transform NB Power's organizational culture to one that is more customer centric.

Working together, NB Power has made every effort to reduce controllable costs, rationalize capital investment requirements and minimize upward rate pressure while working towards a debt/equity ratio of 80/20 by 2027. The cost optimization review has identified savings that allows the company to become more efficient, effective and lean.

The energy sector is in a period of transition. Recent amendments to the *Electricity Act* led to regulatory modernization and put NB Power on a new course. The changes strengthen NB Power's ability to improve its financial health and create efficiencies.

NB Power works hard every day to provide safe, reliable and sustainable electricity for customers. Throughout 2023/24, NB Power will continue to perform scheduled maintenance outages within its conventional and nuclear generation fleets. Investments will be made in generating stations to replace or refurbish major components which will result in improved reliability of our generation fleets. NB Power will also continue modernizing and strengthening the distribution and transmission systems to ensure customers have the power they need when they need it.

Critical to New Brunswick's energy future is a modern grid that is multi-directional and capable of accommodating connected renewable energy resources such as solar and wind. Modernizing the grid to implement improvements such as Advanced Metering Infrastructure, Smart Grid Atlantic and the Advanced Distribution Management System projects will provide customers real-time information to help guide their energy usage, increase customers' options to best use energy in the future, help the region reduce emissions and allow NB Power to shift to clean energy options while managing and maintaining a safe and reliable grid. NB Power is testing and evolving flexible strategies such as demand response to offset variability associated with renewables instead of using fossil-fuelled power plants to steady the power grid.

The shift to green energy is a key area of focus for all utilities. NB Power maintains a robust and diverse energy system that is approximately 80 per cent non-emitting.



To achieve these objectives, NB Power will provide an enviable customer experience as customers' needs evolve and change with the evolving energy landscape. NB Power is evolving its employee working model to attract and retain top talent and support employee well-being while enhancing its culture to support safe, productive and engaged employees.

NB Power is also managing risks that may impact its ability to achieve the utility's strategic objectives through its Enterprise Risk Management Program, which consists of systematic, proactive and integrated processes to identify, understand, manage and communicate risks. Corporate strategy and goals serve as the foundation of all risk management activities and the Board of Directors sets the overall risk appetite and tolerances for the Corporation.

The Enterprise Risk Management process employs a consistent methodology across the organization that results in a comprehensive view of risk that is regularly reported to management and the Board. By embedding risk management techniques in day-to-day operations, NB Power is better equipped to identify risks affecting its goals and to manage risks in ways that are consistent with the company strategy.

## STRATEGIC TRANSFORMERS

Transforming the utility to energize the future of NB Power will take the collective will and hard work of our entire team. Every employee will have a role to play in NB Power's transformation. This strategic plan will build on a thriving workforce, improved customer experience and stronger engagement with rights holders and stakeholders. Our team will achieve our plan by being open, honest and transparent with each other to build trust. By embracing diversity, we will create an inclusive culture that supports employee well-being, encourages continuous learning and drives high performance for the benefit of our customers and our collective future.

We will transform the utility over the next 10 to 15 years by using our team's collective enthusiasm to turn it into even greater success for our customers. This document represents the incremental goals and initiatives needed to demonstrate progress towards the longer-term objectives set out in the strategic plan.

### **Transformer: Transition to Cost Effective, Clean and Secure Supply – Transition**

NB Power must establish a path to achieve net-zero climate goals, while ensuring energy security and addressing its debt challenges.

#### **Strategic Approach**

NB Power's strategic approach to achieving net-zero supply goals by 2035 includes progressing planning work on several key supply assets and pursuing partners that can enhance experience and help share the costs and risks of the transition.

#### **2023/24 Initiatives**

- modernizing the Integrated Resource Plan
- securing approvals, environmental impact assessment and detailed engineering for the Mactaquac Life Achievement Project (MLAP)
- evaluating alternative fuel at Belledune Generating Station
- finalizing financial construct and site licensing gate for small modular reactors
- pursuing partnerships and financial restructuring options
- executing Point Lepreau Nuclear Generating Station (PLNGS) improvement plan
- completing Request for Expression of Interest on renewables and storage (solar, wind, tidal, batteries)

## Transformer: Modernize the Grid – *Modernize*

NB Power must accelerate grid modernization efforts supporting electrification, integration of renewables, mitigating the impacts of climate change and improving the customer experience.

### Strategic Approach

NB Power operates and maintains a diverse transmission and distribution infrastructure. To sustain high levels of safe and reliable performance, NB Power needs to ensure preventive maintenance activities are completed and regularly and strategically invest in infrastructure.

### 2023/24 Initiatives

- beginning mass deployment of advanced metering infrastructure meters
- progressing the implementation of advanced distribution management systems (ADMS)
- continuing construction of alternate Energy Control Centre to enable ADMS implementation, meet regulatory requirements and integrate grid modernization
- completing the Smart Grid Atlantic project
- enhancing cyber monitoring on critical infrastructure
- improving transmission reliability by replacing or upgrading end-of-life equipment
- installing online monitoring sensors to provide real-time health information
- constructing new grid components that will enable electrification

## Transformer: Electrify and Grow Load – *Electrify*

NB Power must maximize revenue growth through electrification and safeguard against load losses. This also includes realigning our rates to provide options for customers and support energy efficiency.

### Strategic Approach

As NB Power transitions to a cleaner supply, energy demand will also evolve and electrification is a critical enabler to realizing net-zero goals by 2035. This includes electrifying customers as they transition toward cleaner electricity production, including renewables, to reduce their carbon emissions and promoting efficient use of electricity through internal and external programs. Targets include short-, medium- and long-term actions to ensure sustainable operations for future generations.

### 2023/24 Initiatives

- completing an electrification roadmap
- executing efficiency programs and helping New Brunswickers
- with energy efficiency programs, with specific programs developed for those most in need
- investing in efficiency incentives for non-electric fuel and electricity customers
- continuing to offer programs that incent New Brunswickers to purchase new or used electric vehicles
- modernizing rate design

## Transformer: Deliver Competitive Customer Value – *Compete*

NB Power must respond to customer needs and create new revenue streams by creating products and service offerings, using partnerships to balance the economic and capability requirements needed to succeed.

### Strategic Approach

NB Power's approach to improving the experience and increasing the overall value for customers is focused on enhancements to existing customer-facing processes and establishing the ability for NB Power to offer new products and services to meet customers' needs.

### 2023/24 Initiatives

- evaluating alternatives for new customer product and services offerings, such as launching an in-home EV charging solution
- implementing a modern customer care platform and enhancing our customer-facing websites
- enhancing Energy Efficiency program offerings for customers
- increasing revenue from existing customer product and service offerings

## Transformer: Create a Thriving Workforce – *Thrive*

### Strategic Approach

NB Power must transform its workforce to be capable in a very different future. This requires new ways of working, new behavioural mindsets, new organizational structures, new talent sets, new rewards systems and effective recruitment and retention strategies.

### 2023/24 Initiatives

- understanding and improving employee engagement
- developing an employee value proposition
- aligning performance management program with vision, mission and values
- inspiring and enabling employee learning development and growth
- aligning core policies and program with vision, mission and values

## Transformer: Align, Engage and Optimize – Organize

### Strategic Approach

NB Power must effectively make the transition from strategy to execution. This requires establishing a clear plan for transformation and modernizing our governance, processes, behaviours and technologies. This also includes ensuring all areas of the business are cost-sustainable through continuous improvement.

### 2023/24 Initiatives

- launching the transformation of NB Power
- executing wave one of cost optimization improvements
- finalizing technology roadmap
- finalizing customer roadmap
- implementing an employees-first communications approach
- continuing to foster strong partnerships with Indigenous communities

## KEY PERFORMANCE INDICATORS

In order to evaluate progress against the longer-term objectives of the strategic plan and the near-term objectives and goals set out in the business plan, NB Power will maintain enterprise key performance indicators to provide visibility into NB Power's performance.

In 2023-24, NB Power will measure and report performance against the following key performance indicators on a quarterly basis.

Key Performance Indicators	2023/24 Target
Net Earnings (\$ millions)	16
Net Capital Expenditures (\$ millions)	395
Change in Net Debt (\$ millions)	25
Customer Satisfaction Score	≥725
System Average Interruption Duration Index (SAIDI)	5.4
System Average Interruption Frequency Index (SAIFI)	2.15
Nuclear Net Capacity Factor (%)	89
Percent Renewables (Renewable Portfolio) (%)	35
Investments in Critical Grid Modernization Projects (\$ millions)	42
Electricity savings from energy efficiency programs (GWh)	69
Total Recordable Injury Frequency Rate	0

Attachment A contains definitions for each of the key performance indicators.

## FINANCIAL HIGHLIGHTS

NB Power is committed to improving its financial health. It will implement cost optimization efforts to manage costs for customers and ensure reliable station performance to provide cost-effective energy for customers while generating export energy sales. All of this will support NB Power to achieve its 80/20 debt/equity ratio by 2027 while maintaining the lowest possible rates for customers.

In 2023-24, NB Power will measure and report performance against the following financial targets on a quarterly basis.

Financial Highlights (\$ millions) Fiscal Year Ending March 31	Budget 2023/24
(1) In-province revenue	\$1,639
(2) Out-of-province revenue	1,380
(3) Fuel & purchased power expense	1,890
(4) Gross margin (row 1+2-3)	1,129
(5) Miscellaneous revenue	92
(6) Operation, maintenance & administration	594
(7) Depreciation and amortization	365
(8) Taxes	54
(9) Operating earnings (Row 4 + 5 - 6 - 7 - 8)	207
(10) Finance charges & other income	(291)
(11) Mark-to-market of fair value through profit and loss investments	48
(12) Net earnings before adjustments in regulatory balances (row 9 + 10 +11)	(36)
(13) Net changes in regulatory balances	52
(14) Net earnings (loss) (row 12 + 13)	16
(15) Capital expenditures (net)	395
(16) Net debt	5,373
(17) Change in net debt	25
(18) Per cent debt in capital structure	91%

*\*Financial table sums may reflect differences due to rounding*

## ATTACHMENT A – KEY PERFORMANCE INDICATOR DEFINITIONS

Key Performance Indicator	Definition
Net Earnings (\$ millions)	Revenue less fuel and purchased power, OM&A, depreciation and amortization, taxes, finance charges, other income, profit/loss investments and regulatory balances
Net Capital Expenditures (\$ millions)	Capital investments less customer contributions and grants
Change in Net Debt (\$ millions)	Tracks the increase or decrease in the net debt balance
Customer Satisfaction Score	<b>Residential</b> Customer Satisfaction Index. East Midsize category. The index measures the following factors: power quality and reliability, price, billing and payment, corporate citizenship, communications, customer service
System Average Interruption Duration Index (SAIDI)	Average number of hours customers were without power (based on three-year average 2021-23)
System Average Interruption Frequency Index (SAIFI)	Average Number of Interruptions in power (based on three-year average 2021-23)
Nuclear Net Capacity Factor (%)	The ratio of the energy which the nuclear power reactor unit has produced over a specific period divided by the energy it would have produced at its reference power capacity over that period
Per cent Renewables (Renewable Portfolio) (%)	The total of all renewable resources as defined in NB regulation 2015-60 renewable generation and qualified renewable purchases (as a percentage of in-province load)
Investments in Critical Grid Modernization Projects (\$ millions)	Total dollars invested in critical upgrades to improve the grid.
Electricity savings from energy efficiency programs (GWh)	The total Gigawatt hours saved from energy efficiency programs
Total Recordable Injury Frequency	(Number of Fatalities + Number of Lost-time Injuries + Number of Medical Aids) X 200,000 / Exposure Hours



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