



2017/18

ANNUAL REPORT



NEW BRUNSWICK
POWER CORPORATION



Énergie NB Power

SUBMISSION LETTER

July 2018

Honourable Rick Doucet
Minister of Energy and Resource Development
Province of New Brunswick
Fredericton, NB
E3B 5H1

Sir:

I am pleased to submit the Annual Report of New Brunswick Power Corporation for the fiscal year ended March 31, 2018 in compliance with Section 42 of the *Electricity Act*.

A handwritten signature in black ink, appearing to read 'Ed Barrett', enclosed within a large, loopy oval shape.

Ed Barrett
Chairman, Board of Directors

On the cover

In 2017/18, the Point Lepreau Nuclear Generating Station (PLNGS) had its best performance year in over two decades. This is a reflection of the PLNGS team's commitment to its new performance improvement program that focuses on safety, equipment reliability, training and building a culture of prevention.

PLNGS is a major component of NB Power's generating assets and a major contributor to the provincial goal of having as much as 75 per cent of the electricity used in New Brunswick coming from clean, renewable or non-emitting sources by 2020.

ABOUT NB POWER

NB Power is the largest electric utility in Atlantic Canada and is responsible for the generation, transmission and distribution of electricity throughout New Brunswick. Our more than 2,400 employees across the Province are dedicated to providing customer value to our more than 400,000 direct and indirect customers in New Brunswick.

As a provincial Crown Corporation, the Government of New Brunswick is the owner and sole shareholder of NB Power. NB Power reports to the Government through the Minister of Energy and Resource Development and the Government's expectations are expressed through legislation, policies and a mandate letter.

The *Electricity Act of New Brunswick (2013)* gives NB Power our 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. Our rates are regulated by the New Brunswick Energy and Utilities Board.

2,400 +
employees

400,000 +
direct and indirect
customers

TABLE OF CONTENTS

1	Message from the Chairman	33	Consolidated Financial Statements
2	Message from the President		
3	Report on Performance	92	Statistical Overview
17	Management's Discussion and Analysis	99	Governance



We are doing everything possible to control costs and deliver safe and reliable electricity – we know this is what New Brunswickers expect of us.

Ed Barrett
Chairman
Board of Directors

MESSAGE FROM THE CHAIRMAN

The Shareholder has given us a mandate to operate NB Power with best business practices, be fiscally responsible, be socially accountable, be an economic engine for the province, and provide low and stable rates while ensuring a safe, reliable and sustainable system.

We strive to meet our mandate in the context of a global energy sector that is rapidly changing, which makes for both exciting and challenging times. This extraordinary pace of change requires us to be forward thinking with a long-term vision where we anticipate future needs and future energy sources.

We face cost pressures and we know you do, too. We are working to keep your rates low and stable by gaining internal efficiencies and lasting cost reductions that counter the effects of external cost increases.

We stayed the course on investments in our infrastructure and the results were evident with less frequent power interruptions for our customers and the strong performance of our nuclear and generation fleet. Our continued investment in our systems means more reliable electricity for our customers.

We continue building our social license by being open and transparent with you, our Shareholder and our employees about our business. We have solicited input from all stakeholders into our planning process and we listened throughout our 2018 rate application hearing to your feedback on our plans and operations. We endeavour to continue building a relationship of trust to move our business forward for the benefit of all New Brunswickers.

We are doing everything possible to control costs and deliver safe and reliable electricity – we know this is what New Brunswickers expect of us. You can be confident that NB Power's Board of Directors, management team and employees will continue to strive for excellence in all that we do.



Our Point Lepreau Nuclear Generating Station continued to see strong turnaround results and achieved its best performance results since 1994.

Gaëtan Thomas
President and CEO

MESSAGE FROM THE PRESIDENT AND CEO

Throughout 2017/18, we saw a marked improvement in performance across our operations while keeping an eye to the future and advancing our efforts to provide sustainable energy for future generations.

Our Point Lepreau Nuclear Generating Station continued to see strong turnaround results and achieved its best performance results since 1994. After an almost year-long process, which included unprecedented community endorsement, we secured a new five-year Station operating license from the Canadian Nuclear Safety Commission.

We endeavoured to build trust with you, our customer, by improving reliability. We invested more than \$100 million in transmission and distribution infrastructure. We hardened our system for severe weather events. We implemented measures that improved customer communication and reduced outage response time.

Building trust is paramount to our strategic approach of working collaboratively with First Nations. Through formalized agreements with the consultative bodies, engagement, education and employment, we have realized opportunities and strengthened our collective capacity to secure a stable and sound energy future.

We have been very encouraged by our customers' participation in Smart Habits that achieve energy efficiency. Customers' active uptake of these

programs and services together with our continued investments in Smart Grid and Smart Solutions are moving New Brunswickers closer to realizing a cleaner and sustainable energy future.

In the face of our accomplishments, we were challenged by the uncontrollable effects of weather and external market prices that impacted our financial results, achieving \$23 million in net earnings. We were pleased to realize the benefits of a recent insurance settlement by paying down our debt and passing the benefit on to our customers through a reduced 2018/19 rate increase request.

I am proud of our team of hard-working employees who are more engaged than ever before, working on your behalf to achieve an enviable energy future for our province. We have been recognized externally for an award-winning culture and our renewed commitment to safety, health and wellness.

As we look ahead to 2018/19, we are focused on our continued progress and readying the organization for the evolving energy marketplace. We look forward to more open and transparent dialogue that demonstrates our accountability to our customers and all New Brunswickers.



OUR 2017/18 REPORT ON PERFORMANCE

We have a vision of sustainable energy for future generations. We are clear about our mission to be our customers' partner of choice for energy solutions. And we incorporate our values of safety, quality, diversity and innovation in all we do.

As a provincially-owned utility, NB Power operates to meet the Government of New Brunswick's expectations expressed through legislation, policies and a mandate letter.

It is clear that our financial health supports the overall financial well-being of New Brunswick. The decisions we make must also meet customers' needs for a reliable, safe and economically sustainable service for today and into the future.

We are working with our Board to chart a course that reduces debt and creates equity in order to provide the utility with some flexibility to manage operating and financial risk. We are preparing for our future so we are able to respond to changing markets and technologies and meet our future investment requirements.

Our Board has distilled the Shareholder's mandate into the strategic direction of the Corporation, taking into consideration emerging risks and opportunities. Our three strategic objectives provide the foundation for our business plans, investment decisions and business initiatives that will enable us to continue to provide sustainable energy for future generations.

Our Vision
Sustainable
energy for future
generations

Our Mission
To be our customers'
partner of choice for
energy solutions

Our Values
Safety, Quality,
Diversity and
Innovation



- **Become Among the Best at What We Do**
NB Power will target being a top performer (top 25 per cent) as compared to other similar public and private utilities in North America.
- **Reduce Our Debt so We can Invest in the Future**
Systematically reduce debt to ensure that NB Power is in a financial position to invest in new generation and transmission infrastructure when necessary to ensure stable rates for New Brunswickers.
- **Reduce and Shift Electricity Demand (Energy Smart NB)**
Invest in technology, educate customers and promote efficiencies that will help to reduce and shift demand for electricity and ultimately defer or remove required future investment in generation.

To successfully execute our strategies, we have a business plan that continues to strengthen performance in key areas of the organization. In 2017/18, we focused on delivering against our plan's five areas of excellence: Safety, Customer, Organizational, Reliability and Environmental.

Our excellence goals, initiatives, processes and measures focus our efforts on the requirements to achieve and sustain excellence at a level that can stand up to internal or external industry-based comparisons. This focus is improving our organizational alignment and employee engagement by providing a clear plan and outcomes that ensure we continue to be your partner of choice for energy solutions.



Safety
Excellence
Commit to Safety



Our focus on Safety Excellence reflects our commitment to maintaining the highest safety standards for employees, contractors and the public. Safety Excellence builds on our Shared Safety Commitment with the International Brotherhood of Electrical Workers (IBEW) and emphasizes engaging employees at all levels to focus on all aspects of safety and wellness.

Our Shared Safety Commitment makes clear how we safely approach everything we do. We will always follow the rules, plan safety into our work, say no to unsafe work, report so we can all get better, be a leader in safety and have the courage to speak when we see potential dangers.

At NB Power, we enjoy a strong safety culture that we continued to reinforce throughout the year by leveraging key safety program tools including workplace audits, site inspections,

monthly safety meetings, leadership field visits, Joint Health and Safety Committees and our employee-led Safety Team.

This past year, we embraced a total health strategy that incorporates the multifaceted components of safety by integrating physical, mental, work and life health. Our employee total health surveys provided valuable insights on where we needed to target our total health efforts to significantly impact our safety.



Milestones achieved in 2017/18 for no lost-time accidents

22 years	21 years	13 years	12 years
Millbank	Grand Falls & Tobique	Coleson Cove	Belledune

We continued to make important improvements through ongoing efforts to further strengthen our safety culture. We concentrated on increasing awareness of the psychological contributors to safety incidents, including stress and distractions. Our safety efforts built on our employees' increased awareness and highlighted our need to control distractions, improve focus and attention and to take the time to recognize potential hazards and then establish the controls needed to do the job safely.

Our safety programs extend beyond employee safety into customer and public safety. We continued our safety awareness campaigns through social media, radio and print to provide safety-related training, tips and support to both residential and commercial customers and the general public. Our *Stay Safe. Stay Alive. Respect the Power.* campaign provided information to help New Brunswickers stay safe during severe weather events, use generators safely, work around trees safely and be safe around our hydro system. We also worked with contractors to ensure safe practices when working around power lines.

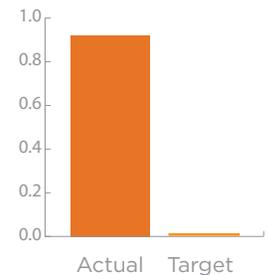
We are proud to say that our safety efforts and the safety accomplishments of our employees are being noticed. In 2017/18, the Canadian Electricity Association (CEA) awarded us with the President's Award of Excellence for Employee Safety - Generation. We were also recognized with the 2018 Employee Recommended Workplace Award for excellence in achieving a healthy, engaged and productive workforce, a result measured through our Total Health Index survey.

CEA also recognized heroic actions of 15 employees from utilities across Canada. Introduced in 1922, the Lifesaving awards recognize employees of CEA members whose actions helped save a life, or prevented further harm to someone in need. Keith Whitebone, a Supply Maintainer at Point Lepreau Nuclear Generating Station, and Trevor Munn, with Meter Services in Marysville, received CEA Lifesaving Awards for their outstanding efforts that resulted in saving two lives.

Our commitment to safety remains unwavering and we will remain diligent in our focus on safety.

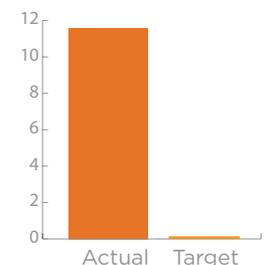
0.92

All-Injury Frequency Rate (#/200,000 work hours)



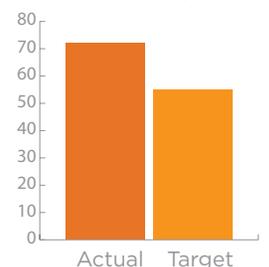
11.59

Lost-Time Injury Severity Rate (#/200,000 work hours)



72

Public/Contractor Contact with Facilities (# of incidents)





We focus our Customer Excellence on providing you value-added programs and services that are easy to participate in, build trust and are responsive to your needs. We are working to be your number one choice for energy solutions.

In 2017/18, we rebranded our former Reduce and Shift Demand program under the new banner Energy Smart NB. Energy Smart NB is built on three pillars: Smart Grid, Smart Habits and Smart Solutions.

Smart Grid provides the underpinning of Energy Smart NB, advancing our system so we can expand our customer programs and services. In 2017/18, we progressed a number of foundational activities including improvements to our digital communications network, the modernization of our technology to efficiently operate our system and preparations in anticipation of a positive Energy and Utilities Board decision for the development of our advanced metering infrastructure.

Our Smart Habits energy efficiency programs and services are aimed at helping you use energy more efficiently in your homes and businesses. Energy efficiency is inextricably linked to New Brunswick's economic prosperity, creating spinoff benefits in increased local spending while decreasing greenhouse gas emissions.

We continued to work closely with the provincial government to fulfill our mandate of being the primary provincial agent for energy efficiency. Together, we secured from the federal Low Carbon Economy Fund an additional \$50 million over the next four years to extend our energy efficiency programs to all fuel types including oil, natural gas and propane.

We began a study to determine the potential achievable energy efficiency savings in each sector and across all fuels. The study will inform our understanding of energy usage across the province and shape the development of effective energy efficiency programs for all New Brunswickers.

We want you to be able to effectively explore the energy efficient products and services currently available to you so we invested in making our website, home show and trade show materials more inviting and engaging.



Énergie NB Power
energy smart

smart grid
smart habits
smart solutions

We fully implemented our Home Energy Report and it launched a new conversation with you, our customers. Almost 125,000 customers translated the report information into action at a rate that exceeded our expectations and saved 22 GWh of electricity.

We also made our programs more accessible to low-income homeowners in New Brunswick. In 2017/18, we matched the Province's \$2 million investment in the Low Income Energy Savings Program. We served twice the number of participants and reduced wait times from 24 to 14 months. Participants reduced their energy consumption and are enjoying the cost savings provided by energy efficiency solutions such as insulation, air sealing, ductless heat pumps, compact fluorescent bulbs and water solutions.

We launched a new Small Business Lighting Program to help make incentives accessible to more New Brunswick businesses. More than 300 businesses registered for the program and will be undertaking the changes that will reduce their energy consumption and costs. We also launched Industrial Programs to help New Brunswick's manufacturers find and implement energy efficiency measures that improve their bottom line and make them more competitive. Our commercial customers also participated in our Commercial Building Retrofit Program, going beyond our expectations to realize 5 GWh in energy savings.

We ended our fiscal year with the launch of our flagship Total Home Energy Savings Program, replacing the former Home Insulation Program. The expanded program offers the national EnerGuide home evaluation and includes incentives for windows, doors, heating systems, insulations, air sealing and more. We are encouraged by your response to this program, with 500 registrations in the first two weeks.

Our Smart Habits demand response initiatives are designed to change energy routines by promoting beat-the-peak customer habits, testing more efficient technologies and developing NB Power-controlled systems that work in tandem with customer systems.

In 2017/18, we launched an early adopter program for commercial and industrial demand response to test the technical capabilities of our semi-automated smart domestic hot water heaters and smart thermostats and shift the demand away from peak system hours. We registered 4.5 MW and shifted 3.3 MW in the initial dispatch.

Throughout the year, we continued to develop new and enhanced products and service offerings through Smart Solutions. We look forward to bringing you more solutions that will save you time and energy, increase your comfort and enable your participation in future Smart Habits demand response programs.

We are encouraged by your commitment to reducing energy usage and moving away from peak power. Your actions avoid using the most expensive electricity in our supply, reduce emissions and minimize our environmental footprint while helping to keep rates low and stable for New Brunswickers.

smart grid

advancing our system so we can expand our customer programs and services

smart habits

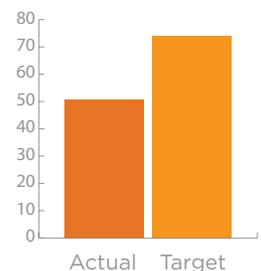
energy efficiency programs and services aimed at helping you use energy more efficiently in your homes and businesses

smart solutions

new and enhanced products and service offerings to help save you time, money while minimizing our environmental footprint

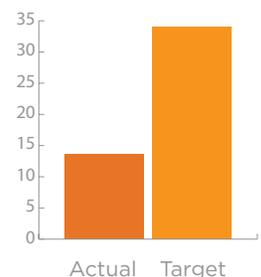
50.7

GWh Saved



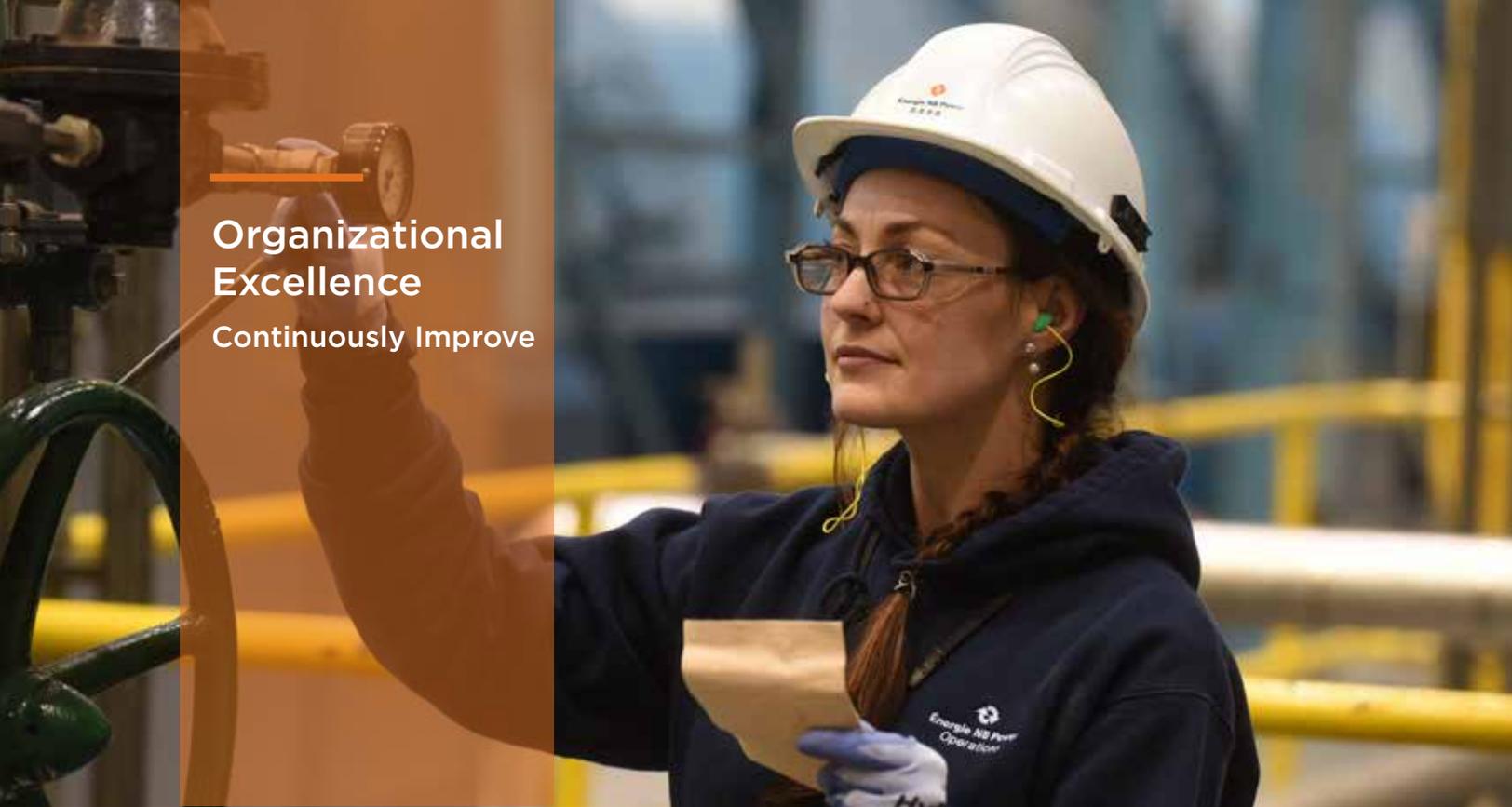
13.6

MW Saved



Organizational Excellence

Continuously Improve



Our Organizational Excellence focus ensures NB Power is financially sustainable over the long-term, meeting our financial obligations and supporting New Brunswick's economic prosperity.

We have committed to continuous improvement so that in the wake of increasing financial pressures in the energy sector, we can reduce our own costs to keep our customer rates low and stable while continuing to provide sustainable energy for future generations.

Our continuous improvement approach is permeating the mindset of employees in all corners of the company. In 2017/18, employees participated in formal process improvement projects, cost reduction challenges and implemented changes, demonstrating tangible results through avoided costs, reduced frustration and increased productivity that realized \$12.5 million in savings.

We realized an additional \$6 million in savings through our regional cooperation efforts with other utilities. We are sharing best practices and achieving success. This past year, we improved our distribution and transmission work planning and scheduling. We also continued our strategic sourcing approach that leverages our regional buying power to reduce our costs of goods and services. Our improvements are also directly benefiting customers. After an effective promotional campaign, more customers registered to receive electronic bills.

Our long-term financial health is a balance between these cost reductions, revenue growth and the need for strategic investments.



\$12.5
million
saved through
employee-driven
continuous improvement

\$6.0
million
saved through
regional cooperation
with other utilities

We continued to leverage our enviable geographic location and exceeded our 2017/18 targets for securing export sales contracts with Quebec, Maine and other Atlantic provinces.

Our financial realities include the fact that we operate in a very asset-intensive business that requires long-term investments in a rapidly changing environment. It is important that we have a very robust investment governance program to ensure we can effectively identify, plan and execute the necessary capital expenditures to keep our electrical system safe, reliable and cost-effective. It is clear we have improved the rigour of our capital investment decisions as evidenced in the successful execution of our capital plan. These prudent investments should serve to assure you that we are managing the system assets for today's customers and the generations to come.

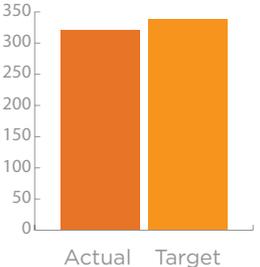
Our planning efforts extended into the development of a new Integrated Resource Plan. We evolved our historical approach based on overall cost effectiveness to adopt a sustainability model incorporating economic, environmental and social pillars. We asked New Brunswickers for their input into the province's energy future. Participants prioritized affordability and clean energy options that support New Brunswickers' responsibilities to the environment. First Nations reiterated these and brought forward additional priorities focused on the inclusion of First Nations, development in northern New Brunswick, an increase in open markets and incentives for wind and solar energy development. We endeavoured to incorporate these voices and presented to the Province a plan that we believe outlines the breadth of considerations in our decisions, including when setting future rates.

Finally, in 2017/18, we successfully reached a settlement with the nuclear insurers for challenges incurred during the refurbishment of Point Lepreau Nuclear Generating Station. We applied proceeds from this settlement to pay down some of our debt, reducing our exposure to the costs associated with rising interest rates and meeting our legislative obligation. We continued to pass our cost savings on to customers and were pleased to submit a reduced rate increase request for 2018/19, doing our part to reduce the financial pressures you face.

Our focus on Organizational Excellence challenges us to continuously improve. We have realized many successes in the past year and will build on these as we continue our pursuit of financial excellence in an ever-changing energy landscape.

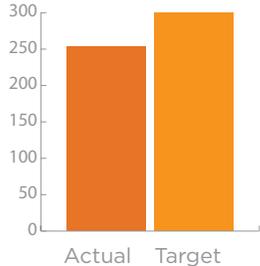
\$320.5

Capital Expenditures (\$millions)



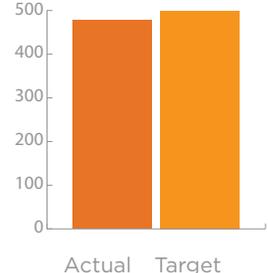
\$253.0

Operating Earnings (\$millions)



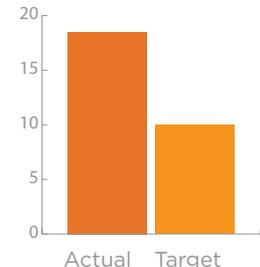
\$477.5

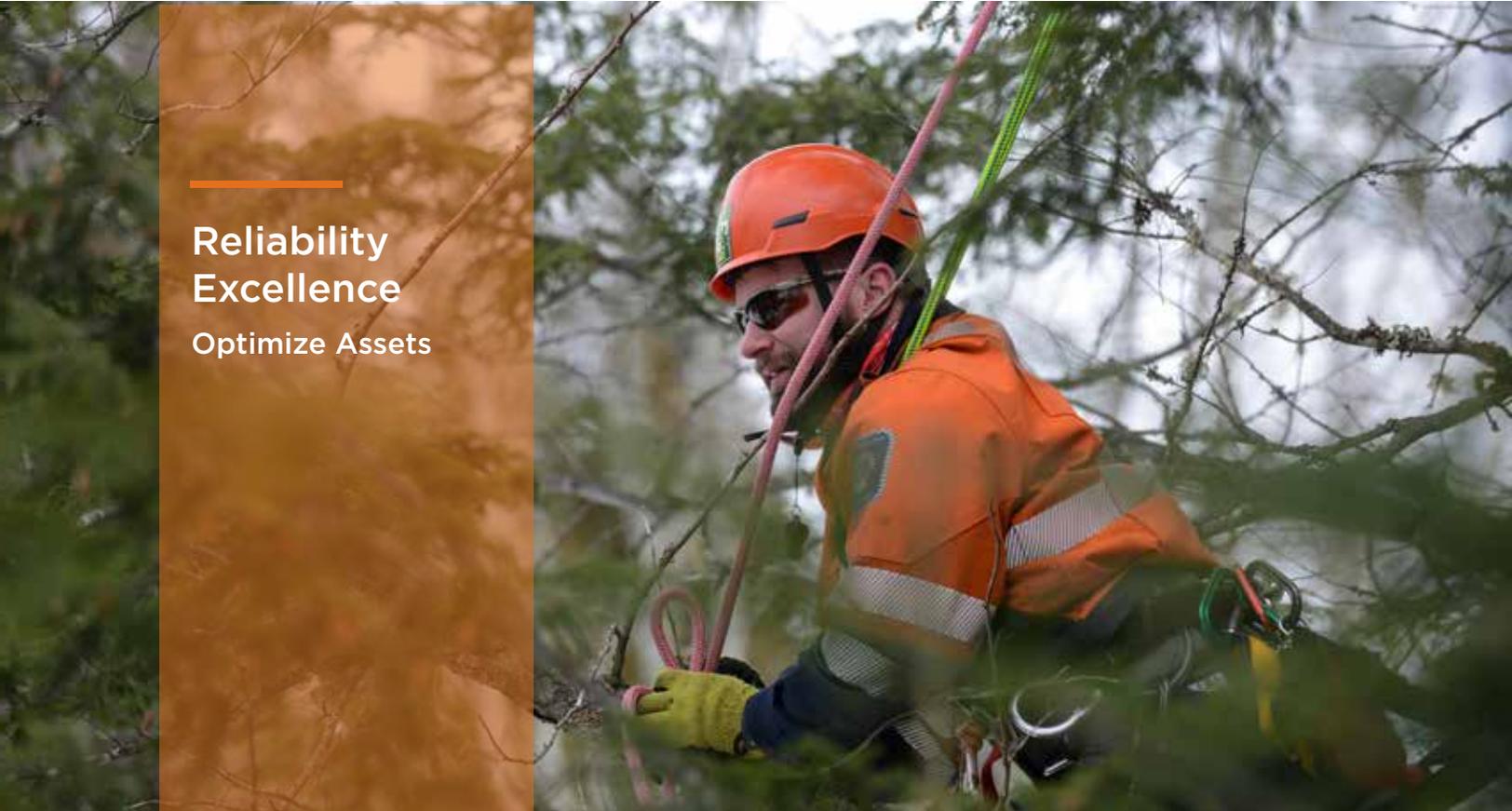
OM&A (\$millions)



\$18.5

Continuous Improvement Savings (\$millions)





Reliability Excellence

Optimize Assets

Our Reliability Excellence focus centres on optimizing our assets across our diverse generation, transmission, distribution and corporate infrastructure so we continue to deliver you safe and reliable energy at low and stable rates.

In 2017/18, we concentrated our capital investments on projects that support safety and regulatory compliance, asset reliability and asset optimization. We executed planned maintenance outages to upgrade our equipment and conduct regular and preventative maintenance activities that keep our systems across generation, nuclear, transmission and distribution operating reliably and into the future.

Point Lepreau Nuclear Generating Station achieved its best operational and reliability performance results since 1994, all while maintaining industry-based high standards of nuclear, employee and public safety. The

Station's improved operational performance contributed to the Canadian Nuclear Safety Commission's positive decision to grant a new five-year operating license for Point Lepreau Nuclear Generating Station. We are proud of Station employees who worked hard to reach this milestone and of the unprecedented community endorsement we received during the licensing process.

Our ongoing reliability investments in transmission and distribution infrastructure resulted in year-over-year reductions in both the severity and frequency of customer outages during normal weather conditions.



**VEGETATION
MANAGEMENT**

1,300 km
Distribution Lines
assessed and maintained by
vegetation crews

In 2017/18, we managed vegetation on over 1,300 km of distribution lines, using historical performance to prioritize work on our three-phase circuits. Customers saw results, experiencing fewer customer interruptions caused by vegetation.

We completed our asset health assessments on all major transmission assets including transmission lines, high voltage breakers and tie transformers. The resulting health indices continue to provide us greater insights into the status of our system and identify system components with deteriorated performance and/or poor health indicators. We invested our efforts where we would get the most value out of our programs and as a result, we decreased interruptions resulting from transmission loss of supply.

We also took many steps to harden our system to protect our electricity supply to customers during severe weather events. Building on our lessons learned from the Ice Storm 2017, we continued implementing many of our plans and significantly improved our storm performance in 2017/18.

We expanded the use of steel cross arms on transmission structures and rebuilt the causeway in Lamèque with steel towers. We also installed storm points in areas on the distribution system that experienced cascading pole failures. Our construction standards now go beyond the required standards for heavy ice loading to meet the CSA severe ice loading criteria, which we will apply to transmission line designs based on the location of the transmission line.

Our multi-year transmission line rebuild program, which includes \$20 to \$27 million annually in reliability improvements, is part of our more than \$100 million annual investment in transmission and distribution improvements.

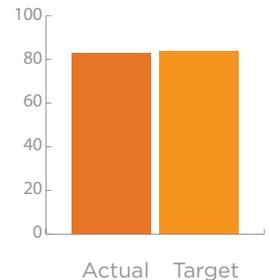
In addition to these changes, we implemented all of the *Ice Storm After Action Report* recommendations, including improved customer communication and reduced outage response time. We are also improving how we predict storms with enhanced data analytics and the support of IBM.

Our system reliability also depends on successfully managing the threat of potentially disabling cyberattacks. We continued to implement our cybersecurity strategy that is designed to proactively and preventatively protect our systems from cybersecurity events, detect and respond quickly to any emergent cybersecurity issues and continuously correct our short-term responses to threats or long-term cybersecurity strategies.

Reliability is at the core of our commitment to you. We will continue to invest in optimizing our assets so that you can continue to enjoy the comforts of life electricity affords.

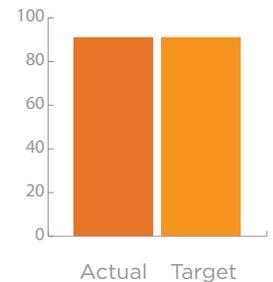
84%

Belledune Equivalent Availability



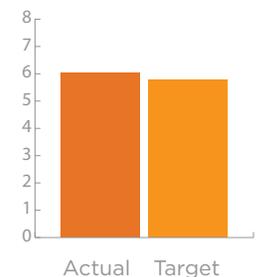
91%

Hydro Generation Equivalent Availability



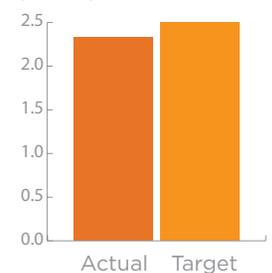
6.04

System Average Interruption Duration Index (SAIDI)



2.33

System Average Interruption Frequency Index (SAIFI)





**Environmental
Excellence**
Protect the Future

Our Environmental Excellence focus revolves around protecting the future. We are proactively developing and executing a strategy that meets your growing expectations related to mitigating climate change impacts and conducting all business operations in a manner that respects and protects the environment.

Throughout 2017/18, we continued to demonstrate our commitment to protecting the environment and providing sustainable energy solutions. We continued our efforts to reduce carbon emissions, providing 37 per cent of New Brunswickers' electricity needs from renewable generation and a total of 74 per cent from non-emitting sources of generation.

Mactaquac Generating Station safely generates renewable energy for New Brunswickers and we continued developing our engineering and construction planning to maintain reliable Station operations for the

long term. We will continue to engage with First Nations, the public and stakeholders to ensure our plans incorporate environmental impact considerations. Our efforts will be focused on improving fish passage on the Saint John River by working closely with First Nations, the Canadian Rivers Institute and Fisheries and Oceans Canada on identifying species for passage and methods to move them upstream and downstream.

We improved fish passage at the Tobique Generating Station, situated along the Tobique River. Almost 60 per cent of Atlantic Salmon in the New Brunswick portion of the



**SUSTAINABLE
ENERGY**

37%
Electricity from
Renewables

74%
Electricity from
Non-emitting

St. John River system are found in the Tobique River and its tributaries. In summer 2017, we constructed a new downstream passageway aimed at improving survival rates of wild Atlantic salmon and other fish species. The project was a joint effort among NB Power, the federal Department of Fisheries and Oceans, local conservation groups and First Nations.

We are working with New Brunswickers to develop more clean energy options. Through the Locally Owned Renewable Energy Project that are Small Scale, we invited First Nations, universities, non-profit organizations, associations, co-operatives, and municipalities to partner with us to install small scale renewable energy sources in their communities and sell it back to us. The program allows for the production of 20 MW of electricity from renewable resources like hydro, biomass, wind and solar energy. In certain instances two projects can co-locate to produce a maximum of 40 MW. In 2017/18, we signed a power purchase agreement with Wocawson Energy LP (affiliated with the Tobique First Nation) for the purchase of 18 MW of wind energy and continued other negotiations to secure additional supply.

Our environmental excellence depends on us leading by example. Point Lepreau Nuclear Generating Station became the first nuclear plant in Canada to achieve ISO 14001 environmental certification, an updated and more rigorous standard established in 2015 that ensures we address environmental issues relevant to our nuclear operations.

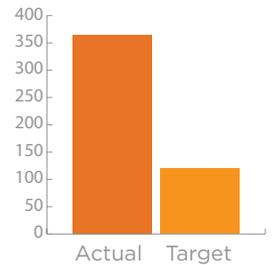
We also demonstrated our environmental commitment by improving the energy efficiency of our own operations. We are pleased to have reduced our internal energy usage by 1.41 MW, surpassing our reduction target by installing LED lighting, undertaking building maintenance and grouting to reduce air leaks, replacing old motors and turning off unnecessary heating.

In December 2017, the provincial government introduced legislation that would adopt the federal government’s intensity targets for large industrial emitters. We continue to work closely with the government to explore low carbon-emitting technologies and solutions. We are proud that in 2017/18, we secured provincial and federal investments to install strategic electric vehicle infrastructure that builds greener infrastructure and supports the low-carbon economy, while making New Brunswick the first fully-connected province for electric vehicles.

Looking to the future, we remain committed to environmentally-responsible energy solutions that develop cleaner energy and mitigate the impact of climate change.

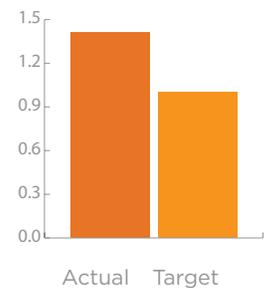
365

Days Between Environmental Incidents



1.41

Reduction in Internal Energy Usage (#MW)





SPOTLIGHT ON LEPREAU

Point Lepreau Nuclear Generating Station is a vital part of our generating system, providing clean, non-emitting baseload power so we efficiently and effectively meet our customers' energy needs.

It is a major component of the generating assets that will contribute to the provincial goal of having as much as 75 per cent of the electricity used in New Brunswick coming from clean, renewable or non-emitting sources by 2020. This past year, the Station recorded its best performance in more than 20 years, all while maintaining industry-based high standards of nuclear, employee and public safety.

We have seen significant improvements with tremendous results. The Station generated for customers 5.16 TWh of annual net electrical production, achieving its best production performance since 1994.

Net Capacity Factor is a measure of the megawatt-hour output compared to its maximum capacity. The Station achieved a Net Capacity Factor of 89.3 per cent, exceeding its target for 2017/18 and recording its best result since 2007.

The Station also achieved a 2.24 per cent Forced Loss Rate, reflecting a low ratio of all power reductions not scheduled 28 days in advance as compared to reference generation. The achievement is well-below target and the best result for the Station since 2006.

5.16 TWh
net electrical
production

89.3%
Net Capacity Factor

The Station uses an Equipment Reliability Index as an indicator of the health and status of the Station's operations and equipment reliability through 18 sub-indicators. This year, PLNGS scored a 91 on the nuclear industry's Equipment Reliability Index. This is the best Equipment Reliability Index score the Station has achieved since it started tracking the industry measure in 1995.

Employee performance was also evident in their demonstrated commitment to safety, reaching 7.8 million person hours without a lost-time accident. In January, the Station's Joint Health and Safety Committee (JHSC) was honoured with a Gold Award at the annual Corporate JHSC Co-Chair Meeting. It received the award for having met three Station-specific safety goals as well as the five corporate-wide safety goals.

The Station also became the first nuclear plant in Canada to achieve ISO 14001 certification to the updated and more rigorous standard established in 2015. Our environmental management system ensures we address all environmental issues relevant to our nuclear operations and speaks volumes about the workforce's commitment to environmental stewardship of the lands on which we operate.

Our Station employees are active in our communities. NB Power and IBEW Local 37 were recognized by the United Way of Saint John, Kings, and Charlotte counties with an award for being fourth of the Top 5 Employee Giving Campaigns. Our employees played a large role in the fundraising efforts. Employees also organized fundraising efforts in support of the Harbour City Lights campaign, various community food banks and local families.

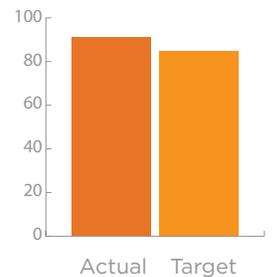
Point Lepreau Nuclear Generating Station staff also gave of their time to complete their second session of Elementary Literacy Friends Reading Buddy Program. Several PLNGS employees took part in the volunteer reading program by donating their lunch breaks for two hours a week for a 10-week period to read with Grade 2 students. The Literacy Coalition of New Brunswick recognized their efforts with its first-ever President's Award, which celebrates a special individual or organization that has gone out of its way to give the gift of literacy to the people of New Brunswick.

The performance of the Station and our employees has not gone unnoticed. The Station successfully earned a renewal of its five-year operating licence from the Canadian Nuclear Safety Commission after a rigorous and extensive public review process. Our workers' dedication to safety, our improved operational performance, our strong partnership with the New Brunswick Emergency Measures Organization and significant public and community support all contributed to this successful outcome.

We take great pride in our employees and their achievements. This high-performing team of nuclear professionals is returning the Station to reliable and predictable operations while maintaining high industry-based standards of nuclear, employee and public safety.

91

Point Lepreau
Reliability Index



7.8

million person hours
without a lost-time
accident



GOLD AWARD

for safety



ISO 14001:2015

certification



MANAGEMENT'S DISCUSSION AND ANALYSIS

Content	Purpose
Financial and operating performance factors	Identifies and explains the effect of factors contributing to variability in earnings
Financial performance	Provides a summary of the year's key financial results
Year-over-year financial results	Explains the financial results for 2017/18 including a year-over-year variance analysis
Regulatory balances	Explains the impact of the regulatory deferrals
Financial instruments	Explains how financial instruments impact financial results
Capital resources	Identifies and explains changes to capital resources
Capital management	Identifies and explains debt reduction objective and strategy
Critical accounting policy changes	Describes changes in accounting policies and their impact on the consolidated financial statements
Significant accounting estimates	Explains the estimates made and how they impact earnings
Risk management	Describes how NB Power manages risk in order to create, preserve and realize value

FINANCIAL AND OPERATING PERFORMANCE FACTORS

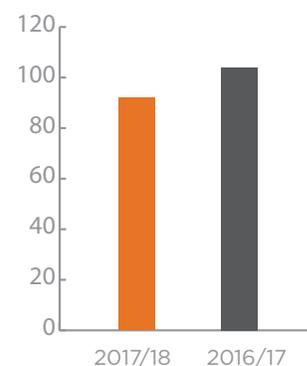
Variability In Earnings

In the normal course of operations, NB Power is subject to significant variability in earnings. Large components of operating earnings are outside management's direct control, resulting in the potential for significant swings in year-to-year results. For the impact to the 2017/18 results, please see the section on Fuel and Purchase Power on page 24.

Financial and operating performance factors	2017/18	2016/17
Hydro net generation as percentage of long-term average	92%	104%
Point Lepreau Nuclear Generating Station net capacity factor	89.3%	78.7%
Average New England on-peak prices (\$US/MWh)	\$45.84	\$36.74
Range of natural gas prices (\$US/mmbtu)	\$1.11-\$52.22	\$1.46-\$8.75
Average International Coal Report coal market price (\$US/ton)	\$84.92	\$69.18
Range of heavy fuel oil prices (\$US/bbl Platts NY 2.2%)	\$40-\$60	\$24-\$52
Range of Canadian dollar throughout the year (\$US equivalent)	\$1.21-\$1.37	\$1.25-\$1.36

92%

Hydro Net Generation (per cent of long-term average)



Hydro based generation

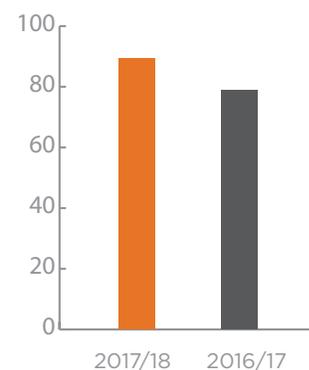
Hydro is NB Power's lowest-cost fuel for generating electricity. Hydro generation accounted for approximately 14 per cent of total production in 2017/18. Hydro net generation ranges year to year and has ranged from 92 to 132 per cent as a percentage of the long-term average over the past 10 years. This variability affects the cost of generation. When hydro flows are below anticipated levels, other more expensive fuels are used, increasing the cost of generation or purchased power costs. When hydro flows are higher than anticipated levels, hydro generation reduces the use of more expensive fuels and reduces the cost of generation.

Nuclear based generation

Nuclear is NB Power's second lowest-cost fuel for generating electricity. Effective operation of the Point Lepreau Nuclear Generating Station (PLNGS) is essential for NB Power's positive financial performance. When nuclear generation is below anticipated levels, other more expensive fuels are used, increasing the cost of generation or purchased power costs. Reliability risks are being addressed through PLNGS's excellence plan which focuses on leadership, process, equipment, safety, and operational excellence. PLNGS supplied approximately 29 per cent of total supply requirements in 2017/18, which represents approximately 5 per cent (\$36 million) of total fuel and purchased power costs.

89.3%

PLNGS Net Capacity Factor (percentage)



Electricity purchases

NB Power purchases electricity when lower cost energy is available. Purchases primarily displace internal fossil fuel generation, depending on world fossil fuel prices. Electricity purchases represented approximately 33 per cent of NB Power's total supply requirements in 2017/18, and approximately 58 per cent (\$411 million) of total fuel and purchased power costs. NB Power enters into forward purchase contracts for electricity purchases to supply 80-100 per cent of forecasted requirements.

Natural gas based electricity purchases

A portion of the price of NB Power's purchased power contracts is based on natural gas prices. When there is certainty around specific market price exposures, NB Power enters into forward purchase contracts for 80-100 per cent of the forecasted natural gas requirements. In the Atlantic region, there is currently uncertainty around the future supply of natural gas due to the declining supply from off-shore natural gas facilities located off the Atlantic coast. Due to this uncertainty, NB Power has limited ability to mitigate the financial risk of price volatility, leaving NB Power exposed to natural gas price risk. These contracts represented approximately five per cent of total supply in 2017/18 and approximately 15 per cent (\$105 million) of the total fuel and purchased power costs.

Coal/petcoke based generation

Coal and petcoke are normally purchased through tendered contracts from a number of counterparties. Coal is purchased at indexed or firm fixed prices whereas a floating price component is typically built into petcoke contracts in which the purchase price is reflective of an index price at the time the petcoke is delivered. Coal and petcoke based generation represented approximately 17 per cent of total supply in 2017/18 and approximately 14 per cent (\$102 million) of the fuel and purchased power costs.

Heavy fuel oil based generation

Heavy fuel oil is subject to market price fluctuations. To minimize short-to-medium-term heavy fuel oil price exposure, NB Power typically enters into forward purchase contracts for its forecasted in-province and firm export heavy fuel oil requirements. Heavy fuel oil generation represented approximately two per cent of total supply in 2017/18 and approximately eight per cent of fuel and purchased power costs (\$60 million).

Exchange rates

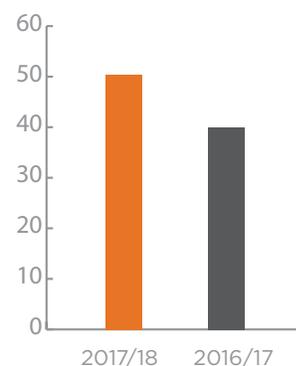
NB Power is exposed to foreign exchange risk when purchases of fuel and purchased power in US dollars are not offset by revenue received in US dollars. NB Power typically enters into forward purchase contracts for US dollar requirements net of expected US dollar revenue. There was a fair amount of volatility in the Canadian dollar during the past year. The value of the Canadian dollar, against the US dollar, varied between \$1.21 and \$1.37 at different times of the year.

Nuclear Investment Funds

NB Power has established the decommissioning segregated fund, used nuclear fuel segregated fund and nuclear fuel waste trust fund in order to meet the *Nuclear Fuel Waste Act* requirements. The investments in these funds are exposed to financial market risk and impact NB Power's results as described on page 27 under Other Expenses.

\$50.42

Heavy Fuel Oil Price
(\$US/bbl average)



FINANCIAL PERFORMANCE

Financial performance (in millions)	2017/18	2016/17
Operating earnings	\$253	\$235
Net earnings	23	27
Cash provided by operating activities	306	254
Expenditures on property, plant and equipment, net of proceeds on disposal	177	279
Total net debt at end of year	4,767	4,900
(Decrease) in net debt	\$(133)	\$(13)

Highlights

NB Power's net earnings were \$23 million for the year ended March 31, 2018. This is a reduction of \$4 million from the 2016/17 net earnings of \$27 million. Although NB Power realized higher operating earnings, net earnings was negatively impacted by less favourable financial market conditions which led to a decrease in the gains on the nuclear investment funds year over year.

NB Power generated earnings from operations of \$253 million for the year compared to \$235 million for the prior year.

Revenue from electricity sales within New Brunswick totaled \$1,405 million for the year, which was \$36 million or three per cent higher than the prior year. This increase is largely attributable to a system wide average rate increase of 1.77 per cent on April 1, 2017 as well as a small sales volume increase required to serve higher in-province customer loads. Out-of-province revenues of \$265 million were \$14 million or six per cent higher than the prior year as a result of higher standard offer service contract sales and higher sales from renewable energy credits.

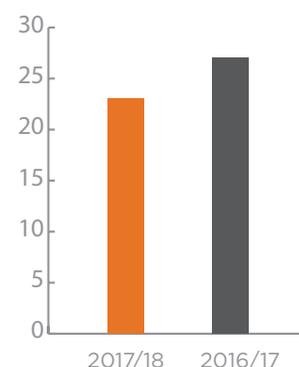
Expenses attributed to electricity operations were \$1,501 million for the year, an increase of \$40 million or three per cent from the prior year. This is mainly due to higher fuel and purchased power costs, higher depreciation and amortization costs, partially offset by lower operations, maintenance and administration expense (OM&A).

Other expenses (finance costs less investment income and mark-to-market of fair value through profit and loss investments) were \$21 million higher than the prior year. This is mainly due to less favourable financial market conditions which led to a decrease in the gains on the nuclear investment funds year over year.

Net debt as at March 31, 2018 was \$4,767 million, \$133 million lower than at the end of the year 2016/17. The reduction in net debt was \$120 million above the 2016/17 net debt reduction of \$13 million. This is primarily attributable to increased cash flow from operating activities as well as the receipt of insurance claim proceeds.

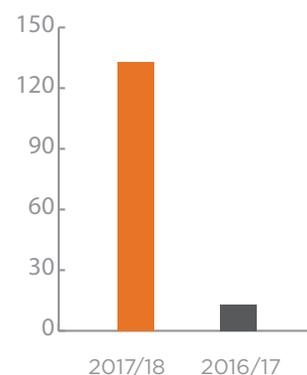
\$23

Net Earnings
(in millions of dollars)



\$133

Reduction in Net Debt
(in millions of dollars)



FINANCIAL RESULTS 2017/18

Revenues

Revenue overview (in millions)	2017/18	2016/17
Sales of electricity		
In-province	\$1,405	\$1,369
Out-of-province	265	251
Miscellaneous	84	76
Total revenues	1,754	\$1,696
Per cent increase (decrease) year over year	3%	(5%)

In-province sales of electricity

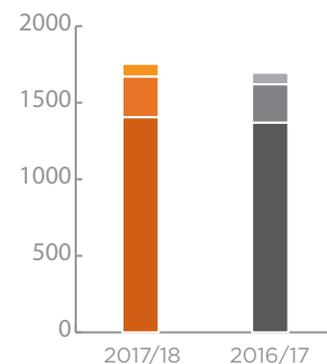
In-province sales of electricity represent the sale of electricity to all customer classes within New Brunswick. These sales are subject to changes in general economic conditions, number of customers, weather and electricity rates.

In-province sales of electricity (in millions)	2017/18	2016/17
Residential	\$638	\$628
Industrial	334	315
General service	294	289
Wholesale	113	112
Street lights	26	25
Total	\$1,405	\$1,369
Per cent increase year-over-year	3%	2%
GWh	13,170	13,039
Per cent increase year-over-year	1%	(-%)

In-province sales of electricity totaled \$1,405 million in 2017/18, representing a \$36 million or three per cent increase compared to 2016/17. The increase is mainly due to a system wide rate average increase of 1.77 per cent on April 1, 2017 as well as higher sales volumes. Electricity sales volumes to New Brunswick customers were 13,170 GWh, up 131 GWh or one per cent. The increase in sales volumes is attributable primarily to the industrial rate class.

\$1,754

Total Revenues
(in millions of dollars)



Revenue Analysis

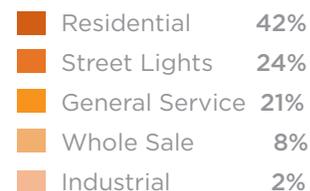


\$1,405

Total In-Province Sales of Power
(in millions of dollars)



Per-cent of total cost by Customer Class



Out-of-province sales of electricity

Out-of-province sales of electricity represent the sales outside New Brunswick to other neighbouring Canadian provinces and the United States. These sales are subject to general market conditions in other jurisdictions and local (provincial or state) energy policy mandates. The sales can be by way of contract awarded through a tendering process or through the daily open market bidding. The sales are dependent on New Brunswick surplus generation and transmission availability.

NB Power and NB Energy Marketing engage in the sale of electricity to external markets. The sales include long-term sales contracts as well as short-term sales in the US market and to other Canadian utilities. These sales are subject to

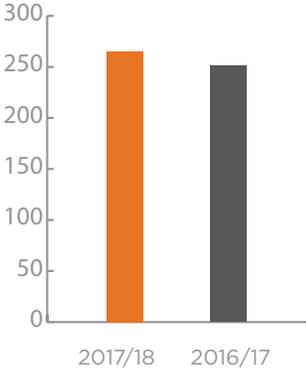
- availability of NB Power generation resources, based on in-province energy requirements and planned unit generator maintenance schedules
- availability of interconnection purchases
- market prices
- fuel prices
- foreign exchange rates
- availability of export sales contracts and competition for these contracts

Out-of-province sales of electricity (in millions)	2017/18	2016/17
Revenue	\$265	\$251
Per cent (decrease) increase year-over-year	6%	(32%)
GWh	3,491	3,360
Per cent (decrease) year-over-year	4%	(26%)

Out-of-province sales of electricity totaled \$265 million in 2017/18, representing \$14 million or six per cent increase over 2016/17. The increase is mainly due to the success of securing additional contracts to serve customer loads in Maine. Out-of-Province sales volumes were 3,491 GWh, up 131 GWh or 4 per cent.

\$265

Out-of-province Sales of Power (in millions of dollars)



Miscellaneous revenue

Miscellaneous revenue is the revenue generated from sources other than electricity sales.

Miscellaneous revenue (in millions)	2017/18	2016/17
Net transmission revenue and expense	\$25	\$25
Water heater rentals	21	20
Other miscellaneous income	24	18
Customer related revenue	10	10
Pole attachment fees	4	3
Total	\$84	\$76
Per cent increase (decrease) year-over-year	11%	(11%)

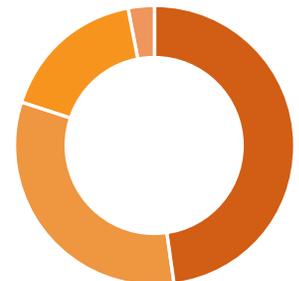
In 2017/18, miscellaneous revenue increased by \$8 million or 11 per cent compared to 2016/17. The increase is mainly due to revenue from a portion of PLNGS lawsuit settlement¹ as well as increases to pole attachment and water heater revenues.

Expenses

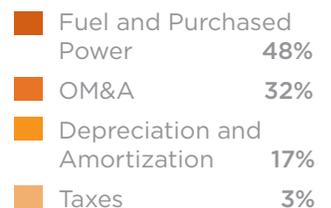
Expenses overview (in millions)	2017/18		2016/17	
	\$	%	\$	%
Fuel and purchased power	\$727	48	\$702	48
Operations, maintenance & administration	477	32	483	33
Depreciation and amortization	253	17	233	16
Taxes	44	3	43	3
Total	\$1,501	100%	\$1,461	100%
Per cent increase (decrease) year-over-year		3%		(6%)

\$1,501

Total Expenses
by Classification
(in millions of dollars)



Per cent of total cost



¹ On March 26, 2018, NB Power announced that it had reached a settlement with several insurers who underwrote a construction all risk insurance policy during the refurbishment project. The settlement is subject to a confidentiality agreement between NB Power and the Insurers.

Fuel and purchased power

NB Power optimizes a diverse portfolio of generation and external purchases to supply in-province and out-of-province customers. The cost of generation and the cost of purchases can vary significantly year-over-year. NB Power's generation facilities are fueled with the following types of fuel

- nuclear fuel (uranium)
- coal
- petcoke
- heavy fuel oil
- hydro

As well, NB Power purchases electricity from independent power producers by way of power purchase agreements. These agreements include purchases from

- hydro generation
- wind generation
- other renewable generation
- natural gas

Fuel and purchased power (in millions)	2017/18		2016/17	
	\$	%	\$	%
Hydro	-	-	-	-
Nuclear	36	5	33	5
Thermal	175	24	166	24
Purchases	516	71	503	71
Total	\$727	100%	\$702	100%
Per cent increase (decrease) year-over-year		4%		(15%)

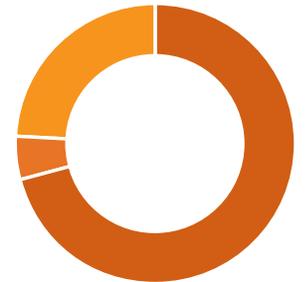
The cost of fuel and purchased power was \$727 million in 2017/18, an increase of \$25 million from 2016/17. The variance is largely the result of unfavourable volume and price variances partially offset by favourable supply mix variances.

Total generation and purchased power in 2017/18 was 17,677 GWh, an increase of 427 GWh from 2016/17 or 2.5 per cent. The increased generation is largely the result of higher loads supplied which resulted in an increase of \$25 million in additional fuel and purchased power costs.

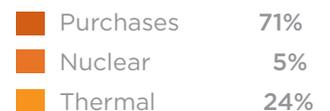
The higher prices of fuel and purchased power resulted in increased costs of \$8 million over 2016/17. The market prices for 2017/18 increased for purchased power, natural gas and heavy fuel oil. These increased costs were partially offset by lower coal prices, due to favourable pricing on fixed price coal contracts, and certain other fuels.

\$727

Fuel and Purchased Power
(in millions of dollars)



Per cent of total cost

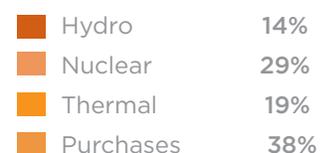


17,677 GWh

GWh Production



Per cent of total
GWh Production



The availability of generating stations, market conditions and prices of fuels has a significant impact on the generation supply mix utilized at any given time. NB Power strives to optimize the diversity of its portfolio to minimize the impact of these changes by balancing internal generation with external power purchases. The supply mix resulted in a favourable variance of \$8 million in 2017/18. PLNGS is one of NB Power's lowest cost generating stations. An increase in the generation from PLNGS in 2017/18 resulted in lowering costs by \$25 million from the previous year. The favourable variance was partially offset by lower hydro flows, which can have a big impact during periods when the cost to replace this energy with purchases or thermal generation is high, and other smaller generation mix variances.

Operations, maintenance and administration (OM&A)

These expenses are those costs related to the OM&A of NB Power's 13 generating facilities, the distribution and transmission infrastructure, which includes 21,000 km of distribution lines and 6,900 km of transmission lines as well as corporate services. OM&A also includes Energy Smart NB activities that support reducing and shifting demand through investments in technology, educating customers and promoting efficiencies, and offering new products and services.

NB Power has a proud history of realizing financial savings through its continuous improvement efforts. As NB Power moves forward with its program, employees from all corners of the company continue to exceed yearly targets in delivering greater value to its customers through improved work processes, and financial savings. Over the last three years, NB Power has realized over \$60 million (\$18 million in 2017/18) in savings resulting in both cash savings and other benefits such as avoided costs, reduced frustration and increased productivity. These savings are used to pay down NB Power's debt, fund new opportunities and offset additional unexpected costs. This work also includes regional cooperation efforts with other utilities aimed at realizing savings through the sharing of best practices.

In order to offset other cost pressures, significant efforts are being made to manage the OM&A costs, through continuous improvements. Continuous improvement is an integral part of NB Power's Corporate Excellence goals. NB Power is committed to creating a culture of continuous improvement and all employees are encouraged to suggest opportunities for improvement and participate in improvement initiatives.

See note 19 of NB Power's consolidated financial statements for OM&A by category.

Operations, maintenance and administration (in millions)	2017/18	2016/17
Operations, maintenance and administration expenses	\$477	\$483
Per cent increase (decrease) year-over-year	(1%)	7%

OM&A costs were \$477 million in 2017/18, a \$6 million or one per cent decrease compared to 2016/17.

The reduction in OM&A expenses in 2017/18 was due to fewer storms resulting in lower spending on emergency restoration efforts, reduced spending on incentives and rebates in the energy efficiency programs, reductions in the Energy Smart program as well as cost savings from continuous improvement initiatives. These savings contributed to a reduction of \$32 million over 2016/17. These reductions were largely offset by additional maintenance activities at PLNGS.

Depreciation and amortization

Depreciation and amortization expense is primarily driven by NB Power's capital investment in the generating, transmission and distribution systems. Depreciation and amortization in any given year is a function of the costs capitalized (additions) offset by property plant and equipment that have become fully depreciated during the year. The depreciation of property, plant and equipment is based on a straight-line method of depreciation over the estimated useful service lives of the assets. Useful lives are reviewed annually and external studies performed every five years and rates are updated as required.

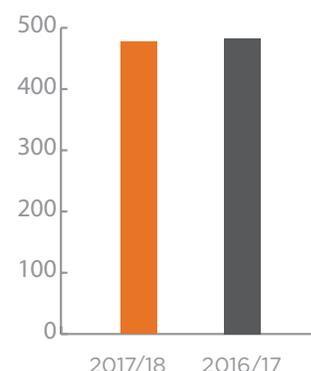
Depreciation and amortization (in millions)	2017/18	2016/17
Depreciation and amortization	\$253	\$233
Per cent increase year-over-year	9%	3%

Depreciation and amortization costs were \$253 million in 2017/18, a \$20 million or nine per cent increase compared to 2016/17. The increase was primarily due to higher depreciation of the PLNGS as a result of 2016/17 and 2017/18 planned outages as well as other increases to capital expenditures.

Also contributing to the change from 2016/17 was a decommissioning adjustment for the Dalhousie Generating Station which was reflected in 2016/17 depreciation expense; this adjustment reduced depreciation expense in that year.

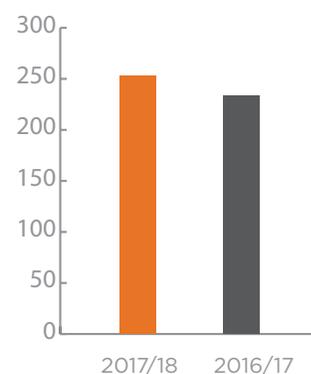
\$477

Operations,
Maintenance and
Administration
Expenses
(in millions of dollars)



\$253

Depreciation and
Amortization
(in millions of dollars)



Other Expenses

Other expenses include finance costs less investment income, and mark-to-market of investments. These expenses have the potential for variability due to changes in market values, discount rates, and interest rates.

See note 22 of NB Power's consolidated financial statements for the finance costs by category.

Other expenses (in millions)	2017/18		2016/17	
	\$	%	\$	%
Finance costs	\$264	122	\$280	143
Sinking funds and other investment income	(17)	(8)	(34)	(17)
Mark-to-market of fair value through profit or loss investments	(30)	(14)	(50)	(26)
Total	\$217	100%	\$196	100%
Per cent increase (decrease) year-over-year		11%		(11%)

Other expenses were \$217 million in 2017/18, a \$21 million or 11 per cent increase from 2016/17. The increase was mainly due to less favourable market conditions which led to a decrease in the gains on the investments year over year.

REGULATORY BALANCES

Regulatory balances (in millions)	2017/18		2016/17	
	\$	%	\$	%
PLNGS	\$814	91	\$939	93
PDVSA	76	9	67	7
AFUDC	4	-	3	-
Total	\$894	100%	\$1,009	100%
Per cent increase (decrease) year-over-year		(11%)		(1%)

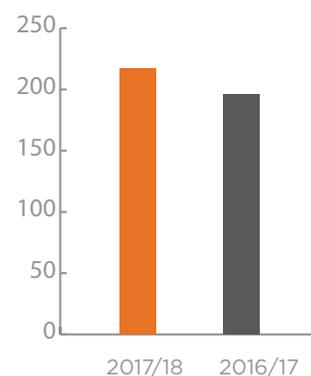
Regulatory Balance - PLNGS Refurbishment

Background

A legislated regulatory balance² was created for non-capital costs incurred during the refurbishment period of the PLNGS (March 28, 2008 through November 23, 2012). The refurbishment of the PLNGS enables electricity to be provided to future generations of customers. The deferral and amortization of these costs over the life of the Station allows the costs to be matched with the customers that will benefit from the use of the asset. The regulatory balance consists of the period costs of the nuclear division, net of any revenues, and the additional costs to supply energy during the period of refurbishment.

\$217

Finance Costs
Less Investment
Income
(in millions of dollars)



² Section 139 of the Electricity Act provides for the establishment of this regulatory deferral related to the refurbishment of the Point Lepreau Nuclear Generating Station.

Impact on earnings

These amounts are to be recovered over the operating life of the refurbished PLNGS and are to be reflected in the charges, rates and tolls charged to customers.

During 2017/18, (\$23) million in changes to regulatory balances were charged to earnings.

Regulatory Balance – Lawsuit Settlement With Petroleos De Venezuela S.A. (PDVSA)

Background

On August 23, 2007, the Energy and Utilities Board approved a regulatory balance for the purpose of returning the benefit of the lawsuit settlement with PDVSA to customers in a levelized manner. The levelized benefit is being paid to customers over 17 years (six years remaining as of March 31, 2018). NB Power is recovering the depreciation and interest savings over the life of the Coleson Cove Generating Station.

Impact on earnings

During 2017/18, \$9 million in changes to regulatory balances were made which comprised \$24 million of a levelized benefit to customers, \$3 million of interest charges partially offset by \$18 million in amortization and interest savings resulting from the lawsuit settlement.

Regulatory Balance – Allowance For Funds Used During Construction (AFUDC)

Background

As at March 31, 2018, NB Power has a regulatory balance related to AFUDC for transmission assets. AFUDC represents a notional cost of capital allowance allowed by the regulator to be capitalized into rate base. It is calculated monthly on capital construction projects and added to the regulatory balance. AFUDC is based on NB Power's weighted average cost of capital and is amortized over the future life of the related assets and is expected to be recoverable through the Open Access Transmission Tariff (OATT).

Impact on earnings

During 2017/18, \$1 million in changes to regulatory balance were recorded.

FINANCIAL INSTRUMENTS

NB Power enters into forward contracts for commodities. The accounting impacts of these financial instruments can be found in Note 24 of the consolidated financial statements.

CAPITAL RESOURCES

NB Power raises its capital through operating activities and through short and long-term borrowings. NB Power borrows from the Province of New Brunswick in order to take advantage of the Province of New Brunswick's credit rating. NB Power pays an annual debt portfolio fee and interest on short and long-term debt to the Province of New Brunswick. Interest rates on short-term debt ranged from a low of 0.5 per cent to a high of 1.3 per cent during the year. Interest rates on long-term debt ranged from a low of 1.6 per cent to a high of 9.8 per cent. NB Power's ability to pay down debt (financing activities) is impacted by operating and investing activities.

Cash Flow Highlights

Cash flow highlights (in millions)	2017/18	2016/17	Change
Cash provided by operating activities	\$306	\$254	\$52
Cash used in investing activities	(192)	(262)	70
Cash (used in) provided by financing activities	(109)	7	(116)
Increase (decrease) in cash	\$5	\$(1)	\$6

Operating activities

Cash provided by operating activities is the cash generated by NB Power's core business activities. These activities include the sale of electricity and miscellaneous revenues less the cost to generate revenue.

Cash provided by operating activities was \$306 million in 2017/18; a \$52 million or 20 per cent increase from 2016/17. This increase was primarily the result of higher cash receipts from customers and decreased post-employment benefits payments.

Investing activities

Cash used in investing activities are those cash flows generated or used in the purchase or sale of long-term assets and investments. Utilities are a capital intensive industry. NB Power continues to invest in its system to ensure high system reliability. NB Power has also invested in new technologies in order to ensure the most reliable and efficient electricity grid. This includes investments in the planning of advanced metering infrastructure and Energy Smart NB as well as expanding investments in its network of eCharge points for electric vehicles.

Cash used in investing activities were \$(192) million in 2017/18; a \$70 million or 27 per cent decrease from 2016/17. The decrease is mainly due to lower capital expenditures net of proceeds.

Financing activities

Financing activities result from external sources and allow NB Power to raise capital (short and long-term borrowings) to fund operations or capital investment.

Financing activities (in millions)	2017/18	2016/17	Change
Proceeds from long-term debt	\$408	\$295	\$113
Debt retirements	(420)	(400)	(20)
Increase (decrease) in short-term indebtedness	(106)	122	(228)
Sinking fund installments	(44)	(46)	2
Sinking fund redemptions	53	36	17
Cash (used in) provided by financing activities	\$(109)	\$ 7	\$116

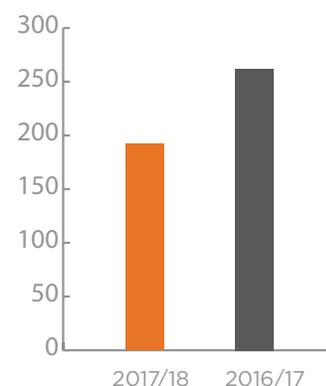
Financing activities were \$(109) million in 2017/18; a \$116 million decrease from 2016/17. The change is largely attributable to a decrease in short-term indebtedness in 2017/18.

CAPITAL MANAGEMENT

NB Power is making gradual progress towards achieving a minimum debt/equity ratio of 80/20 as prescribed in the Electricity Act. Debt reduction is necessary so that NB Power has the flexibility to respond to changing markets and technologies and to better prepare for future investment requirements. The NB Power 10-Year Plan 2019-2028, focuses on NB Power making steady annual progress towards this goal. NB Power anticipates reaching its long-term debt/equity target in the 2024/25 range while still maintaining NB Power's commitment to low and stable rate increases.

\$192

Investing Activities
(in millions of dollars)



Net Debt

Net debt (in millions)	2017/18	2016/17
Long-term debt	\$3,997	\$4,007
Current portion of long-term debt	410	420
Short-term indebtedness	871	977
Sinking fund receivable	(505)	(503)
Cash	(6)	(1)
Total net debt	\$4,767	\$4,900

Net debt decreased by \$133 million in 2017/18 compared to a decrease of \$13 million in 2016/17. This is a favourable variance of \$120 million. This is largely attributable to a decrease in short-term debt.

Capital Structure

Capital structure (in millions)	2017/18	2016/17
Total net debt	\$4,767	\$4,900
Retained earnings	470	447
Accumulated other comprehensive income (AOCI)	(132)	(127)
Total capital	\$5,105	\$5,220
Percentage of net debt in capital structure	93%	94%

CRITICAL ACCOUNTING POLICY CHANGES

Adoption Of Accounting Standards And Changes In Accounting Policies

IAS 7 Statement of Cash Flows. The amendments are intended to improve information provided to users of financial statements about an entity's financing activities and are effective for the March 31, 2018 annual financial statements. As a result of these amendments, NB Power has provided additional disclosure relating to financing activities, including reconciliation between the beginning and closing balances of financial liabilities arising from financing activities. Refer to note 23 *Loans and Borrowing* in the consolidated financial statements.

There were no changes to accounting policies in the 2017/18 year.

Future Changes

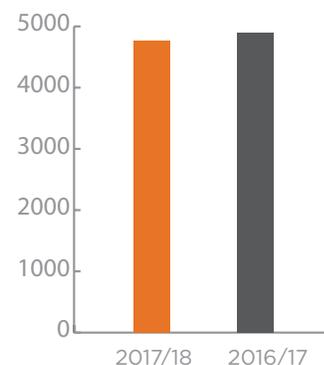
Please refer to note 2(e) of the Financial Statements for a listing of new standards to be implemented.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Please refer to note 2(b) and 2(c) of the Financial Statements for a listing of NB Power's significant accounting estimates and judgments.

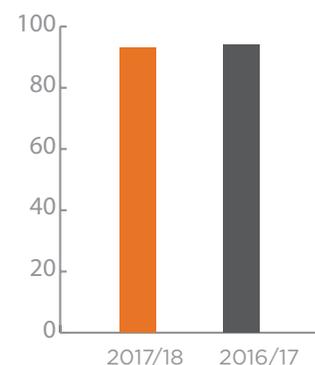
\$4,767

Total Net Debt
in millions of dollars)



93%

Net debt
in capital structure
(percentage)



RISK MANAGEMENT

NB Power faces a number of risks in the fulfillment of its mission and mandate. These include a number of market-driven financial risks such as energy and commodity prices and foreign exchange and interest rates. They also include enterprise threats or possibilities such as: aging infrastructure renewal and replacement; weather impact on both supply and demand and equipment; skilled labour availability and costs; increasing regulatory, environmental and legal requirements; and accelerated technological change. These risks can influence cash flow, earnings and the ability to provide value to stakeholders.

Effective risk management is a necessity and an integral part of good business practices. NB Power manages its risks through systematic, proactive and integrated processes to identify, understand, manage and communicate risks that may impact NB Power's ability to achieve its strategic objectives. These integrated processes are designed to balance the objectives of

- identifying threats that affect the achievement of NB Power's mission and mandate
- mitigating the consequences of negative occurrences
- prioritizing initiatives and detecting and responding to changes in the business environment
- balancing the upside of opportunity and the downside of risk to optimize returns from risk taking activities
- taking advantage of opportunities to provide benefits to all stakeholders

Market-driven financial risk is managed through NB Power's Financial Risk Management policies. As such, NB Power undertakes to complete financial risk management activities where possible such as the use of physical and financial instruments like forward purchase contracts to help improve the predictability of the underlying commodity costs and foreign exchange rates.

Other risks are managed through NB Power's Enterprise Risk Management Policy. Enterprise risk processes are implemented to help ensure risk that could prevent achieving other organization goals are identified, evaluated, and managed through the implementation of response plans and process controls.

NB Power manages these risks through an integrated control framework, senior management oversight and effective Board governance.



CONSOLIDATED STATEMENT OF FINANCIALS



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INDEPENDENT AUDITORS' REPORT

To the Honourable Jocelyne Roy-Vienneau,
Lieutenant-Governor of New Brunswick
Fredericton, New Brunswick

Your Honour,

We have audited the accompanying consolidated financial statements of New Brunswick Power Corporation, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of earnings, comprehensive income (loss), equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of New Brunswick Power Corporation as at March 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
June 15, 2018
Fredericton, Canada

REPORT OF MANAGEMENT

The consolidated financial statements of New Brunswick Power (NB Power) are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the consolidated financial statements have been properly prepared within the framework of selected accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, information available up to May 31, 2018. The financial information presented in the Management's Discussion & Analysis (MD&A) and elsewhere in this report is consistent with that in the consolidated financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate, and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit Committee consists entirely of outside Directors. At regular meetings, the Committee reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the Independent Auditor's Report have been reviewed by the Audit Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit Committee with and without the presence of management.

The consolidated financial statements have been examined by KPMG LLP, Chartered Professional Accountants. The external auditor's responsibility is to express its opinion on whether the consolidated financial statements are fairly presented in accordance with International Financial Reporting Standards.



President and Chief Executive Officer



CFO & Senior Vice President, Corporate Services

NEW BRUNSWICK POWER CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Amounts are expressed in millions of Canadian dollars except where indicated)

March 31	Note	2018	2017
Assets			
Current			
Cash		\$ 6	\$ 1
Accounts receivable	5	248	255
Materials, supplies and fuel	6	166	168
Prepaid expenses		14	13
Derivative assets	24	-	7
Total current assets		434	444
Non-current assets			
Property, plant and equipment	7	4,337	4,280
Intangible assets	8	46	37
Nuclear decommissioning and used fuel management funds	9	722	690
Sinking fund receivable	10	505	503
Derivative assets	24	1	4
Other assets		1	1
Total non-current assets		5,612	5,515
Total assets		6,046	5,959
Regulatory balances	11	894	1,009
Total assets and regulatory balances		\$ 6,940	\$ 6,968

The accompanying notes form part of the consolidated financial statements

NEW BRUNSWICK POWER CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Amounts are expressed in millions of Canadian dollars except where indicated)

March 31	Note	2018	2017
Liabilities and equity			
Current liabilities			
Short-term indebtedness	12	\$ 871	\$ 977
Accounts payable and accrued liabilities		271	257
Accrued interest on short and long-term debt		43	40
Current portion of long-term debt	13	410	420
Derivative liabilities	24	13	14
Total current liabilities		1,608	1,708
Non-current liabilities			
Long-term debt	13	3,997	4,007
Decommissioning and used fuel management liability	15	825	764
Post-employment benefits	16	115	119
Provisions for other liabilities and charges	17	45	34
Derivative liabilities	24	12	16
Total non-current liabilities		4,994	4,940
Total liabilities		6,602	6,648
Shareholder's equity			
Accumulated other comprehensive (loss)		(132)	(127)
Retained earnings		470	447
Total equity		338	320
Total liabilities and equity		\$ 6,940	\$ 6,968

On behalf of New Brunswick Power Corporation:



Chairman



President and Chief Executive Officer

The accompanying notes form part of the consolidated financial statements

NEW BRUNSWICK POWER CORPORATION CONSOLIDATED STATEMENT OF EARNINGS

(Amounts are expressed in millions of Canadian dollars except where indicated)

For the year ended March 31	Note	2018	2017
Revenue			
Sales of electricity			
In-province		\$ 1,405	\$ 1,369
Out-of-province		265	251
Miscellaneous	18	84	76
		1,754	1,696
Expenses			
Fuel and purchased power		727	702
Operations, maintenance and administration	19	477	483
Depreciation and amortization	20	253	233
Taxes	21	44	43
		1,501	1,461
Operating earnings		253	235
Finance costs	22	264	280
Sinking funds and other investment income		(17)	(34)
Mark-to-market of fair value through profit and loss investments		(30)	(50)
Net earnings before changes in regulatory balances		36	39
Net changes in regulatory balances	11	(13)	(12)
Net earnings		\$ 23	\$ 27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions)

For the year ended March 31	2018	2017
Net earnings	\$ 23	\$ 27
Other comprehensive income (loss)		
Items that may be reclassified subsequently to earnings		
Net unrealized loss on derivatives designated as cash flow hedges	(18)	(5)
Amortization of interest settlement	3	3
Net unrealized gain on mark-to-market of nuclear funds	2	-
Reclassification to income of earnings on nuclear funds	(5)	(3)
Reclassification to income of settled derivatives designated as cash flow hedges	15	98
	24	(3)
Items that will not be reclassified to earnings		
Net actuarial (loss) on post-employment benefits	16	(2)
Other comprehensive income (loss)	(5)	86
Total comprehensive income	\$ 18	\$ 113

The accompanying notes form part of the consolidated financial statements

NEW BRUNSWICK POWER CORPORATION CONSOLIDATED STATEMENT OF EQUITY

(Amounts are expressed in millions of Canadian dollars except where indicated)

	Accumulated other comprehensive income (AOCI)							Retained earnings	Total equity
	Cash flow hedges	Amortization of Interest settlement	Post-employment benefits actuarial gains (losses)	Nuclear investment funds	AOCI	Retained earnings	Total equity		
Balance, April 1, 2016	\$ (113)	\$ (48)	\$ (63)	\$ 11	\$ (213)	\$ 420	\$ 207		
Net earnings for the year	-	-	-	-	-	27	27		
Other comprehensive income (loss)	93	3	(7)	(3)	86	-	86		
Balance, March 31, 2017	(20)	(45)	(70)	8	(127)	447	320		
Balance, April 1, 2017	(20)	(45)	(70)	8	(127)	447	320		
Net earnings for the year	-	-	-	-	-	23	23		
Other comprehensive income (loss)	(3)	3	(2)	(3)	(5)	-	(5)		
Balance, March 31, 2018	\$ (23)	\$ (42)	\$ (72)	\$ 5	\$ (132)	\$ 470	\$ 338		

The accompanying notes form part of the consolidated financial statements

NEW BRUNSWICK POWER CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts are expressed in millions of Canadian dollars except where indicated)

For the Year Ended March 31	Note	2018	2017
Operating activities			
Cash receipts from customers		\$ 1,760	\$ 1,692
Cash paid to suppliers and employees		(1,219)	(1,187)
Customer contributions		12	16
Post-employment benefits		(13)	(31)
Interest paid		(234)	(237)
Interest received		-	1
Cash provided by operating activities		306	254
Investing activities			
Expenditures on property, plant and equipment, net of proceeds		(177)	(279)
Used fuel management and decommissioning fund withdrawals		-	35
Cash expenditures on decommissioning		(15)	(18)
Cash used in investing activities		(192)	(262)
Financing activities			
	23		
Proceeds on long-term debt	13	408	295
Debt retirements	13	(420)	(400)
Increase (decrease) in short-term indebtedness		(106)	122
Sinking fund installments	10	(44)	(46)
Sinking fund redemptions	10	53	36
Cash used (provided) by financing activities		(109)	7
Net cash inflow (outflow)		5	(1)
Cash, beginning of year		1	2
Cash, end of year		\$ 6	\$ 1

The accompanying notes form part of the consolidated financial statements

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

1. DESCRIPTION OF BUSINESS

New Brunswick Power Corporation (NB Power) is a provincially owned Crown Corporation and was established in the Province of New Brunswick in 1920. NB Power generates, purchases, transmits, distributes and sells electricity and operates under the mandate and authority of the *New Brunswick Electricity Act*. The *New Brunswick Electricity Act* gives the New Brunswick Energy and Utilities Board (EUB) the power to regulate NB Power to ensure customers receive safe, reliable energy services at fair rates and the Province, as shareholder, is afforded a reasonable opportunity to earn a fair return on investment. NB Power has one wholly owned subsidiary, New Brunswick Energy Marketing Corporation (NB Energy Marketing). NB Energy Marketing, also a provincial Crown Corporation, conducts energy trading activities in markets outside of New Brunswick. Its mandate is to purchase electricity to serve load in New Brunswick and outside New Brunswick and to market excess energy generated to other jurisdictions. The financial results of NB Energy Marketing are included in the consolidated financial statements of NB Power.

NB Power and NB Energy Marketing's head offices are located in Fredericton, New Brunswick.

As provincial Crown Corporations, NB Power and NB Energy Marketing are not subject to federal and provincial income taxes.

2. BASIS OF PREPARATION

NB Power's annual audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared on the historical cost basis except for derivative instruments (Note 24) and the nuclear decommissioning and used fuel management funds (Note 9). These consolidated financial statements are presented in millions of Canadian dollars, which is the functional currency of NB Power. These consolidated financial statements were authorized for issue by the Board of Directors on June 15, 2018.

a. Assumptions and estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the

- application of accounting policies,
- reported amounts of assets and liabilities at the date of the financial statements,
- reported amounts of revenues and expenses during the reporting period, and
- disclosure of contingent assets and liabilities.

Actual results could differ from the estimates.

Estimates and assumptions are reviewed on an ongoing basis. Any revisions to these estimates or assumptions are recognized in the period of the change and any future period as applicable.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

2. BASIS OF PREPARATION (CONTINUED)

b. Estimates

The following lists the notes that refer to the significant estimates.

Note reference	Estimate
Note 3b	Recognition, measurement and recovery of regulatory balances
Note 3d	Estimation of useful life of property, plant and equipment
Note 3g	Recognition and measurement of decommissioning and used fuel management liabilities
Note 3h	Measurement of defined benefit obligations: key actuarial assumptions
Note 3i	Recognition and measurement of provisions and contingencies
Note 3j	Measurement of unbilled revenue
Note 3n	Financial instruments: fair value measurement

c. Judgments

The following lists the notes where judgment is applied in accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements.

Note reference	Judgment
Note 3d	Property, plant and equipment: capitalization of costs
Note 3l	Determination of the functional currency of the subsidiary
Note 3m	Leases: whether and arrangement contains a lease and lease classification

d. New standards and interpretations adopted

IAS 7 Statement of Cash Flows. The amendments are intended to improve information provided to users of financial statements about an entity's financing activities and are effective for the March 31, 2018 annual financial statements. As a result of these amendments, NB Power has provided additional disclosure relating to financing activities, including a reconciliation between the beginning and closing balances of financial liabilities arising from financing activities. Refer to note 23.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

2. BASIS OF PREPARATION (CONTINUED)

e. New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations not yet effective at March 31, 2018 and have not been applied in the preparation of the March 31, 2018 consolidated financial statements are summarized in the following table.

Standard	Effective date
<i>IFRS 9 Financial Instruments</i>	April 1, 2018
<i>IFRS 15 Revenue from Contracts with Customers</i>	April 1, 2018
<i>IFRS 16 Leases</i>	April 1, 2019
<i>IFRS 19 Employee Benefits</i>	April 1, 2019

IFRS 9 Financial Instruments replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

The adoption of IFRS 9 will not have a significant effect of the accounting policies related to the classification and measurement of financial liabilities and derivative financial instruments. It will impact the classification of cash, accounts receivable, long-term receivable and sinking fund receivable. The classification will change from loans and receivables to amortized cost. The nuclear decommissioning and used fuel management funds' investments in the NBP Canadian Long-Term Bond Fund will change from available for sale to fair value through OCI for debt instruments. There will be no change to the carrying amounts of the financial assets due to these changes.

A new expected credit loss model was introduced in IFRS 9 for the impairment of financial assets. This new model applies to financial assets classified as amortized cost. NB Power will measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses. For other financial assets NB Power will use the 12 month expected credit loss model as it was determined these have low credit risk. The presentation of the impairment will be to record the loss allowance net against the financial assets. Impairment losses will be presented in NB Power's statement of earnings. NB Power does not expect any material change to impairment losses.

NB Power is adopting the general hedge accounting model. NB Power does not expect any material change to accounting for derivative instruments or in the consolidated financial statements as a result of this change.

IFRS 15 Revenue from Contracts with Customers established a comprehensive framework to determine whether, how much and when revenue is recognized. NB Power has assessed the new standard on its consolidated financial statements and determined that there will be an impact on some in-province and miscellaneous revenue. These changes will include changes in the timing of the recognition and measurement of certain in-province and miscellaneous revenue. Certain revenues that were reported net of costs previously will now be recognized gross. The transition will be retrospectively applied with the cumulative effect of initial application recognized as an opening adjustment to retained earnings. At this time, NB Power expects there to be no cumulative retained earnings adjustment. The change is limited to the classification of revenue.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

2. BASIS OF PREPARATION (CONTINUED)

e. New standards and interpretations not yet adopted (continued)

IFRS 16 *Leases* introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. NB Power is currently assessing the potential impact of IFRS 16 on its consolidated financial statements.

The IASB issued amendments to IAS 19 *Employee Benefits*. These amendments apply to plan amendments, curtailments or settlements that occur on or after January 1, 2019. Companies will now use updated actuarial assumptions to determine its current service cost and net interest for the period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan. NB Power does not expect the amendments to have a material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

This describes the accounting policies used in preparing the consolidated financial statements. It contains the following sections.

Note reference	Name
Note 3a	Basis of consolidation
Note 3b	Rate regulation
Note 3c	Materials, supplies and fuel inventory
Note 3d	Property, plant and equipment
Note 3e	Intangible assets
Note 3f	Long-term debt
Note 3g	Decommissioning liabilities
Note 3h	Post-employment benefits
Note 3i	Provisions
Note 3j	Revenues
Note 3k	Government grants
Note 3l	Foreign exchange transactions
Note 3m	Leases
Note 3n	Financial Instruments
Note 3o	Derivatives

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Basis of consolidation

NB Power's consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary. All inter-company transactions and balances have been eliminated on consolidation.

NB Power's nuclear fund investments, the nuclear decommissioning and used fuel management funds include an investment in a unit trust, the "NBP Canadian Long-Term Bond Fund", of which NB Power is the primary beneficiary of the fund. As a result, NB Power has consolidated the underlying investments in this fund.

b. Rate regulation

IFRS 14 *Regulatory Deferral Accounts* (IFRS 14) permits an entity to continue to account for regulatory balances in its financial statements in accordance with its previous generally accepted accounting principles (GAAP) when it adopts IFRS. It is available to first-time adopters of IFRS and is effective from periods beginning on or after January 1, 2016; however, early adoption is permitted. NB Power has early adopted IFRS 14 in its first set of IFRS financial statements as at March 31, 2016.

Regulatory balances can be recognized for rate setting and financial reporting purposes if the New Brunswick Energy and Utilities Board (EUB) approves the regulatory treatment or if management believes the regulatory treatment is probable. Regulatory debit balances represent costs incurred in excess of amounts billed to the customer at EUB approved rates. Regulatory credit balances represent amounts billed to the customer at EUB approved rates in excess of costs incurred by NB Power.

Regulatory debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred costs will result from inclusion of that cost in allowable costs for rate-making purposes. The regulatory debit balances are assessed annually for recoverability and should management no longer consider it probable that an asset will be recovered, the deferred costs are charged to earnings in that period.

The following items have resulted in accounting treatments which differ from IFRS for entities operating in an unregulated environment and regulated entities that did not adopt IFRS 14

- allowance for funds used during construction (AFUDC),
- Point Lepreau Nuclear Generating Station (PLNGS) refurbishment, and
- lawsuit settlement with Petroleos de Venezuela S.A. (PDVSA).

Regulatory balances that do not meet the definition of an asset or liability under any other standard are segregated on the consolidated statement of financial position as regulatory balances and on the consolidated statement of earnings as net changes in regulatory balances.

The measurement of regulatory balances is subject to certain estimates and assumptions, including assumptions made in the interpretation of the EUB's decisions.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Materials, supplies and fuel inventory

Inventories are recorded at the lower of cost or net realizable value. Inventories of materials, supplies, and fuel other than nuclear fuel are valued at average cost. Nuclear fuel is valued at cost using the first-in, first-out method. The cost of inventory includes directly attributable costs of bringing the inventory to the location and condition necessary to be used.

Renewable energy credits are valued at average cost. Qualifying renewable energy projects receive renewable energy credits for the generation and delivery of renewable energy. These credits can be traded and are primarily sold under fixed contracts. Revenue for these contracts is recognized at a point in time, upon generation of the associated electricity. Any credits generated above contracted amounts are held in inventory, with the offset recorded as a decrease in operating expenses.

d. Property, plant and equipment

Property, plant and equipment (PP&E) is recorded at cost or deemed cost (cost less accumulated depreciation at April 1, 2014). If significant parts of PP&E have different useful lives they are recorded as separate components of PP&E.

Cost of additions

The cost of additions to PP&E includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes expenditures that are directly attributable to the construction of the asset including

- contracted services,
- direct labour and material,
- borrowing costs on qualifying assets,
- estimated costs of decommissioning,
- estimated costs of the removal of used nuclear fuel,
- corporate overhead directly attributable to the constructed asset, and
- other expenses directly related to capital projects,

less

- revenue generated during commissioning, and
- research and development grants.

Major inspections and overhauls

NB Power incurs costs at its generating stations for major inspections and overhauls. These costs are capitalized if they are considered major and occur in regular intervals of at least two years. They are capitalized as separate components and depreciated over the period to the next major inspection or overhaul. Day-to-day maintenance costs are expensed as incurred.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Property, plant and equipment (continued)

Borrowing costs on qualifying assets

Interest is capitalized if a project is six months or longer in duration. These costs are calculated monthly based on the weighted average cost of long-term debt.

Subsequent expenditures

NB Power assesses subsequent expenditures related to PP&E to determine if they are capital or operating in nature. Subsequent expenditures are capitalized if they increase the future economic benefits of the asset.

Depreciation

Depreciation is provided for all assets on a straight-line basis over the estimated useful life of each component of PP&E. Depreciation commences when the asset is available for use.

Estimated service lives

The estimated service lives of PP&E are reviewed annually and any changes are applied prospectively.

The following are the categories of PP&E and estimated service lives of the components.

Assets	Years
Nuclear generating stations	10 - 57
Hydro generating stations	9 - 100
Thermal generating stations	6 - 53
Combustion turbine generating stations	10 - 40
Transmission system	10 - 60
Terminals and substations	17 - 56
Distribution system	16 - 48
Buildings and properties	45 - 50
Computer systems	6
Motor vehicles	8 - 20
Miscellaneous assets	15

Derecognition

A component of PP&E is derecognized when it is taken out of service or if there is no future economic benefit expected from its use. When a component is derecognized the cost and accumulated depreciation are written off with the gain or loss on disposal recognized as depreciation expense.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Property, plant and equipment (continued)

Impairment

NB Power evaluates its PP&E annually to assess indicators of potential impairment. If impairment is identified, an impairment loss will be recognized in earnings equal to the amount by which the carrying amount exceeds the recoverable amount.

e. Intangible assets

Intangible assets are recorded at cost or deemed cost (cost less accumulated amortization as at April 1, 2014, which was the date of adoption of IFRS) and amortized over their estimated useful lives.

Assets	Years
Nepisiguit Falls (statutory right)	50
Software	6
Other	6 - 20

f. Long-term debt

Long-term debt is recorded at amortized cost using the effective interest method. The estimated fair value of the long-term debt is disclosed in Note 24 using market values or estimates of market values based on debt with similar terms and maturities. The unamortized balance of the discounts and premiums are included in long-term debt and amortized over the term of the debt issue to which they pertain on an effective interest basis.

g. Decommissioning liabilities

Assets for which decommissioning liabilities are, or could be, recorded include

- nuclear and thermal generating stations,
- water heaters, and
- hydro generating stations, transmission and distribution assets.

Nuclear and thermal generating stations

NB Power has recorded provisions for the estimated future costs of managing used nuclear fuel, and decommissioning the nuclear and thermal generating stations.

Calculations of anticipated costs

The calculations of the anticipated future costs are based on detailed studies that take into account various assumptions regarding

- the method and timing of dismantling the nuclear and thermal generating stations,

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Decommissioning liabilities (continued)

Nuclear and thermal generating stations (continued)

- the cost of transporting nuclear material to permanent storage facilities, and
- estimates of inflation rates in the future.

NB Power reviews such calculations annually due to

- potential developments in the decommissioning and used nuclear fuel management technologies, and
- changes in the various assumptions and estimates inherent in the calculations.

Calculation methodology

The Nuclear Waste Management Organization was established by the *Nuclear Fuel Waste Act*. The methodology used by NB Power to calculate the liability for used nuclear fuel management is consistent with the Nuclear Waste Management Organization's recommendations as approved by Natural Resources Canada.

Costs recognized as liabilities

The estimated present values of the following costs have been recognized as a liability as at March 31, 2018, the

- fixed-cost portion of used nuclear fuel management activities, which is required regardless of the volume of fuel consumed,
- variable-cost portion of used nuclear fuel management activities to take into account actual fuel volumes incurred up to March 31, 2018, and
- costs of decommissioning the nuclear and thermal generating stations at the end of their useful lives.

The liability for used nuclear fuel management is increased for the cost of disposing the nuclear fuel bundles used each year with the corresponding amounts charged to operations through fuel expense.

The liability accounts are charged for current expenditures incurred related to the following

- used nuclear fuel management, and
- nuclear and thermal plant decommissioning.

Accretion expense

Accretion is the increase in the carrying amount of the liability due to the passage of time at the discount rate used in determining the amount of the provision.

Accretion is calculated on the liabilities for used nuclear fuel management and nuclear and thermal plant decommissioning. Specifically, the accretion expense is

- calculated using NB Power's credit adjusted risk-free rate and a duration spread to take into consideration the long-term nature of these liabilities, and
- classified as finance costs.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Decommissioning liabilities (continued)

Water heaters

NB Power has recorded a provision for the estimated future costs of permanently removing rented water heaters from customers' homes.

Calculations of anticipated costs

The calculations are based on NB Power's history of water heater removal and include estimates for inflation. NB Power revises the estimates and assumptions annually.

Hydro generating stations, transmission and distribution assets

NB Power has not recognized decommissioning liabilities for its hydro generating stations or transmission and distribution assets. NB Power expects to use the majority of its hydro generating stations, transmission and distribution assets for an indefinite period of time, and with either maintenance efforts or rebuilding, the assets are expected to be used for the foreseeable future. As a result, the present value of any obligation is immaterial. If, at some future date, it is determined that a particular asset will not meet this perpetuity assumption, it will be reviewed to determine whether an estimable decommissioning liability exists, at which time an obligation would be recorded.

NB Power will record an obligation for these assets, if at some point in the future, a removal date becomes certain and the present value of the obligation is no longer immaterial.

Without additional capital improvements, the Mactaquac Generating Station is expected to reach the end of its service life in 2030. NB Power has proposed a capital project that will ensure the station can operate at its intended 100-year lifespan of 2068 with the possibility of even further life extension. This will involve a modified approach to maintenance and adjustments and replacement of equipment over time. The project continues to be evaluated and once finalized will be presented to the EUB for approval.

NB Power will record a decommissioning liability if a constructive or legal obligation arises.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Post-employment benefits

NB Power's post-employment programs include

- Province of New Brunswick Public Service Shared Risk Plan (PSSRP),
- pension plan for NB Coal employees,
- retirement allowance program,
- early retirement program, and
- other long-term benefits.

NB Power employees are members of the PSSRP.

The PSSRP was established on January 1, 2014 for the employees of the Province of New Brunswick, its crown corporations and provincial agencies. Contributions are made by both participating employers and the employees and these are generally fixed; however, base benefits are not guaranteed. The PSSRP is a multi-employer, shared risk plan. The plan assets and liabilities are not segregated in separate accounts for each member entity. Since it is not practicable or feasible to obtain all of the information required for a materially precise attribution of NB Power's portion of the obligation, NB Power uses defined contribution accounting to account for its portion of the PSSRP.

The pension plan for NB Coal employees is a defined benefit pension plan for its former employees. There are no active members. NB Power makes special contributions annually to maintain the funding position.

The remaining plans are unfunded post-employment plans and are only funded in the year the expenditures are made. NB Power uses defined benefit accounting to account for these plans.

The post-employment benefit obligations are determined by actuarial valuations. The valuations use assumptions to determine the present value of the defined benefit obligations. The assumptions are

- determined at March 31,
- based on market interest rates of high quality corporate bonds, that match the timing of the expected benefit payments, and
- management's best estimate on salary and wage projections to expected retirement dates.

Current service costs are charged to earnings as an operations, maintenance and administration (OM&A) expense. Interest expense is calculated by applying the same discount rate as used to measure the defined benefit obligation. Net interest is charged to finance costs. Actuarial gains and losses are recognized immediately in other comprehensive income. A curtailment occurs if there is a significant reduction in the benefits related to future service. A curtailment is recognized when the event giving rise to the change has occurred.

i. Provisions

A provision is recognized if NB Power has a present legal or constructive obligation as a result of a past event, it can be measured reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions that are long-term in nature are measured at their present value by discounting the expected future cash flows using NB Power's credit adjusted risk-free rate.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Revenues

Recognizing revenues

Revenue from the sale of electricity is recognized as electricity is delivered to customers. Miscellaneous revenue is recognized as services are rendered.

Billing schedule

Billing occurs monthly, according to the table below. Revenue in respect of items not billed at the end of a fiscal period is estimated and accrued as unbilled revenue.

Customer type	Billing schedule
- residential - general service - small industrial customers	on a cyclical basis (that is, the date on which a customer is billed each month varies from one customer to the next)
- industrial distribution - industrial transmission - wholesale - out-of-province customers	at the end of each month

Customer contributions

NB Power receives contributions towards certain costs of construction. The contributions are recorded in the consolidated financial statements in provisions for other liabilities and charges. The customer contributions, which represent NB Power's obligation to continue to provide the customers access to the supply of electricity, are recognized into earnings, as miscellaneous income, on a straight-line basis over the remaining estimated service lives of the related assets. Refundable contributions are recorded as liabilities until such time they are no longer refundable.

k. Government grants

Government grants are received to compensate for expenditures incurred. These grants are recognized as revenue in the period in which the expense is recognized. Government grants related to PP&E are included in PP&E and depreciated over the life of the related asset. During the year ended March 31, 2018, \$3 million (2017, \$8 million) was received in government grants. In 2018, a grant of \$2 million was received to provide efficiency programs to residents of New Brunswick, and has been recorded in miscellaneous revenue. A grant of \$1 million was received as contribution towards the cost of electric vehicle charging stations, this is recorded in PP&E and depreciated over the life of the asset.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Foreign exchange transactions

NB Power's functional currency is the Canadian dollar. Transactions in currencies other than the functional currency are translated based on the nature of the item.

- Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at the statement of financial position date.
- Non-monetary items denominated in foreign currencies are translated to Canadian dollars at the historical exchange rate. Gains and losses on translation are recorded in earnings.
- For transactions qualifying for hedge accounting, the gains and losses from effective cash flow hedges are recognized in other comprehensive income.

m. Leases

Leases are classified as either a finance lease or operating lease. A finance lease is a lease when substantially all the benefits and risks of ownership of the leased asset reside with NB Power.

NB Power has long-term energy purchase agreements where judgment has been applied in the determination of whether these contracts contain a lease. In making these determinations, judgment is required to determine whether the fulfillment of an arrangement is dependent on the use of a specific asset, and whether the arrangement conveys a right to use the asset. For those arrangements considered to be leases, or which contain an embedded lease, further judgment is required to determine whether to account for the agreement as either a finance or operating lease by assessing whether substantially all of the significant risks and rewards of ownership are transferred to the Corporation or remain with the counterparty to the agreement. The measurement of finance leases requires estimations of the amounts and timing of future cash flows and the determination of an appropriate discount rate. Management has determined that none of these contracts contain a finance lease.

NB Power has operating leases and payments made under these contracts are expensed over the term of the leases.

n. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity (for example, accounts receivable / accounts payable).

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued and their characteristics.

The nuclear decommissioning and used fuel management funds are managed by Vestcor Investment Management Corporation.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Financial instruments (continued)

NB Power has classified its financial instruments as follows.

Financial instrument	Classification
Financial assets	
Cash	Loans and receivables
Accounts receivable	Loans and receivables
Sinking fund receivable	Loans and receivables
Derivative assets	Fair value through profit or loss and fair value hedging instruments
Nuclear decommissioning and used fuel management funds	
NBP Canadian Long-Term Bond Fund	Available for sale
Investments in various unit trusts, and direct interests in private real estate and infrastructure investments	Fair value through profit or loss
Financial liabilities	
Short-term indebtedness	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Accrued interest	Other liabilities
Long-term debt	Other liabilities
Derivative liabilities	Fair value through profit or loss and fair value hedging instruments

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Fair value through profit or loss (FVTPL)

Financial assets and liabilities in this category are typically acquired principally for the purpose of selling in the short-term or are designated as such upon initial recognition. Financial instruments are designated as FVTPL if NB Power manages these investments and makes purchase and sale decisions based on their fair value according to NB Power's documented risk management of investment strategy.

Accounting for assets and liabilities at FVTPL

These assets and liabilities are measured at fair value at the statement of financial position date. Changes in fair value are included in net earnings. These include

- realized gains and losses, and
- unrealized gains and losses.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Financial instruments (continued)

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables, held-to-maturity, or financial assets at FVTPL.

The table below describes the accounting treatment for available-for-sale assets.

Asset	Accounting treatment
with quoted market prices in an active market	carried at fair value with - unrealized gains and losses, other than impairment losses and foreign exchange differences, recognized outside net earnings, in other comprehensive income - gains and losses transferred to net earnings when they are realized
without quoted market prices in an active market and whose fair value cannot be reliably determined	carried at cost

Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method.

Other liabilities

All NB Power's financial liabilities, except for derivative liabilities designated as fair value through profit or loss, are included in this category. They are recorded at amortized cost, using the effective interest method.

Effective interest method and transaction costs

NB Power uses the effective interest method to recognize interest income or expense on the above-noted financial instruments. The effective interest method discounts estimated future cash payments over an instrument's expected life, or a shorter period if appropriate, down to the net carrying amount at the statement of financial position date. The calculation includes earned or incurred

- transaction costs,
- fees,
- premiums, and
- discounts.

Transaction costs associated with fair value through profit or loss instruments are expensed as they are incurred.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Derivatives

A derivative is a financial instrument or other contract with all three of the characteristics below

- value changes with underlying variable (for example, market index),
- little or no initial investment required, and
- settled at a future date.

Under derivative contracts, NB Power settles amounts based on the difference between an index-based monthly cumulative floating price and a fixed price. The resultant fixed price is reflected in net earnings.

Derivatives are recognized on the statement of financial position at their fair value. Changes in fair value are recognized in earnings unless the instrument meets the criteria for hedge accounting.

Cash flow hedges

NB Power uses derivatives to manage or "hedge" certain exposures. It does not use them for speculative or trading purposes. Certain derivative financial instruments held by NB Power are eligible for hedge accounting.

Documentation

To be eligible for hedge accounting, NB Power formally documents

- all relationships between hedging instruments and hedged items at their inception,
- its assessment of the effectiveness of the hedging relationship, and
- its hedging objectives and strategy underlying various hedge transactions.

This process includes linking all derivatives to specific assets and liabilities on the consolidated statement of financial position or to specific forecasted transactions.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Derivatives (continued)

Accounting for cash flow hedges

Derivatives eligible for hedge accounting are recognized on the consolidated statement of financial position at their fair value. The accounting for changes in fair value depends on their effectiveness as hedges. In broad terms, a derivative is an effective hedge of another item when changes in their fair value or cash flows closely offset each other. Due to the nature of some of the hedging relationships, the fair values or cash flows do not perfectly offset, which represents the ineffective portions.

The following table describes how the changes in a derivative's fair value are recognized.

This portion	is recognized in
effective	other comprehensive income, outside net earnings for the year
ineffective	net earnings

The amounts accumulated in other comprehensive income are reclassified to earnings in the same period during which the hedged forecasted cash transaction affects earnings.

Discontinuing hedge accounting

If a forecasted transaction is no longer expected to occur, NB Power ceases hedge accounting at that point and any gains or losses previously accumulated in other comprehensive income are then recognized immediately in net earnings.

If a hedging instrument is sold or terminated before it matures, it ceases to be effective as a hedge, or designation is revoked, hedge accounting is discontinued prospectively. Gains or losses up to the date the hedge was discontinued remain in other comprehensive income and will be recognized in earnings in the period the forecasted cash transaction impacts earnings. Gains and losses after discontinuance of hedge accounting are recognized in earnings at that time.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

4. RATE REGULATION

NB Power is a rate-regulated utility. The following are the key components of NB Power's regulation.

- Commencing on April 1, 2015 and for each subsequent fiscal year, NB Power shall make an application to the EUB for approval of its schedules of rates it proposes to charge for its services.
- NB Power must make an application with the EUB for the approval of the Open Access Transmission Tariff, or for any changes to the Transmission Tariff. NB Power shall, at least once every three years, make an application to the EUB for approval of its transmission revenue requirements. This revenue requirement is intended to collect sufficient revenues to cover its costs and to provide a return of 10 to 12 per cent on a deemed capital structure of 65 % debt and 35 % capital.
- NB Power submitted to the EUB for information purposes the 2017 Integrated Resource Plan, and must continue to submit one at least once every three years thereafter.
- NB Power shall submit, annually, to the EUB for information purposes a strategic, financial and capital investment plan covering the next 10 fiscal years.
- NB Power shall make application to the EUB for approval of capital projects exceeding \$50 million.

Regulatory balances

Regulatory balances may arise as a result of the rate-setting process.

All amounts recognized as regulatory balances are subject to legislation or regulatory approval. As such

- the regulatory authorities could alter the amounts recognized as a regulatory balance, at which time the change would be reflected in the financial statements, and
- certain remaining recovery and settlement periods are those expected by management and the actual recovery or settlement periods could differ based on regulatory approval.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

5. ACCOUNTS RECEIVABLE

	2018	2017
Trade receivables	\$ 196	\$ 188
Allowance for doubtful accounts	(7)	(6)
Other receivables	3	8
Unbilled revenue	56	65
	\$ 248	\$ 255

6. MATERIALS, SUPPLIES AND FUEL

	2018	2017
Materials and supplies	\$ 28	\$ 25
Nuclear fuel	22	36
Coal	20	27
Heavy fuel oil	50	44
Petroleum coke	14	1
Renewable energy credits	7	11
Other fuel	25	24
	\$ 166	\$ 168

During the year, inventories of \$1 (2017 - \$4) were written down to net realizable value. Inventories recognized as an expense during the year amounted to \$232 (2017 - \$228).

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

7. PROPERTY, PLANT AND EQUIPMENT

	Power generating stations	Transmission system	Terminals and substations	Distribution system	Other	Construction- in- progress	Total
Cost or deemed cost							
Balance, April 1, 2016	\$ 3,587	\$ 221	\$ 372	\$ 1,042	\$ 163	160	\$ 5,545
Additions	1	-	-	-	12	261	274
Decommissioning adjustments	11	-	-	-	-	-	11
Disposals	(32)	(1)	(3)	(17)	(3)	-	(56)
Transfers	150	7	23	58	12	(255)	(5)
Balance, March 31, 2017	3,717	227	392	1,083	184	166	5,769
Additions and transfers, net of proceeds	74	45	21	47	21	63	271
Decommissioning adjustments	35	-	-	-	-	-	35
Disposals	(13)	(1)	(2)	(14)	(3)	-	(33)
Balance, March 31, 2018	3,813	271	411	1,116	202	229	6,042
Accumulated depreciation							
Balance, April 1, 2016	715	14	16	521	42	-	1,308
Depreciation expense	174	7	13	31	9	-	234
Disposals	(32)	(1)	(3)	(14)	(3)	-	(53)
Balance, March 31, 2017	857	20	26	538	48	-	1,489
Depreciation expense	184	8	14	32	10	-	248
Disposals	(12)	(1)	(2)	(14)	(3)	-	(32)
Balance, March 31, 2018	1,029	27	38	556	55	-	1,705
Carrying amount							
Balance, March 31, 2017	2,860	207	366	545	136	166	4,280
Balance, March 31, 2018	\$ 2,784	\$ 244	\$ 373	\$ 560	\$ 147	\$ 229	\$ 4,337

The amount of interest capitalized to PP&E in 2018 is \$6 (2017 - \$4) at the weighted average cost of borrowing of 4.93% (2017 - 5.02%) (Note 22).

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

8. INTANGIBLE ASSETS

	Nepisiguit Falls- statutory rights	Software	Other	Construction- in-progress	Total
Cost or deemed cost					
Balance, April 1, 2016	\$ 19	\$ 17	\$ 2	\$ 5	\$ 43
Additions	-	-	-	3	3
Transfers	-	6	-	(1)	5
Balance, March 31, 2017	19	23	2	7	51
Additions	-	-	-	13	13
Transfers	-	12	-	(11)	1
Balance, March 31, 2018	19	35	2	9	65
Accumulated depreciation					
Balance, April 1, 2016	1	8	1	-	10
Depreciation expense	-	4	-	-	4
Balance, March 31, 2017	1	12	1	-	14
Depreciation expense	1	4	-	-	5
Balance, March 31, 2018	2	16	1	-	19
Carrying amount					
Balance March 31, 2017	18	11	1	7	37
Balance March 31, 2018	\$ 17	\$ 19	\$ 1	\$ 9	\$ 46

9. NUCLEAR DECOMMISSIONING AND USED FUEL MANAGEMENT FUNDS

This note describes the segregated funds established by NB Power as security for its nuclear decommissioning and used fuel management obligations. It contains information on the following

- fund requirements,
- NB Power's funds, and
- status of NB Power's funds.

Fund Requirements

The *Nuclear Fuel Waste Act* requires owners of used nuclear fuel in Canada to establish trust funds to finance the long-term management of used nuclear fuel. The Canadian Nuclear Safety Commission (CNSC) requires NB Power to maintain certain segregated funds to meet license conditions for the Point Lepreau Nuclear Generating Station. The investments contained in these established funds will be used to meet the *Nuclear Fuel Waste Act* requirements.

NEW BRUNSWICK POWER CORPORATION NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

9. NUCLEAR DECOMMISSIONING AND USED FUEL MANAGEMENT FUNDS (CONTINUED)

NB Power's Funds

NB Power has established the following funds, each held in a custodial account.

Fund	Trustee	Purpose	Funding requirement
Decommissioning segregated fund and used nuclear fuel segregated fund	Provincial Minister of Finance	To meet the license conditions for the Point Lepreau Nuclear Generating Station set by the CNSC	Determined annually based on the current obligations and market value of the funds. The amount of the contribution in the 2017/18 year was \$nil (2016/17- \$nil)
Nuclear Fuel Waste Trust fund	BNY Mellon	To meet the Nuclear Fuel Waste Act and to meet the CNSC requirements	The Nuclear Fuel Waste Act requires NB Power to deposit to the trust fund an amount based on the approved funding formula. The amount of the contribution in the 2017/18 year was \$11 million (2016/17 - \$10 million)

Fair value of NB Power's Funds

The fair value of the investments contained in the established funds is outlined in the table below.

	2018	2017
Fixed income	\$ 305	\$ 296
International equity	175	165
Alternative investments	72	69
Canadian equity	49	48
Private real estate	38	22
Public real estate	37	48
Public infrastructure	22	27
Private infrastructure	22	15
Private equity	2	-
Total investments contained in established funds	\$ 722	\$ 690

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

10. SINKING FUND RECEIVABLE

Pursuant to section 12 of the *Provincial Loans Act*, the Minister of Finance maintains a general sinking fund for the repayment of funded debt. NB Power pays the Province of New Brunswick one per cent of its outstanding debt annually; this will be returned to NB Power when the corresponding debt issues mature.

The following table shows the activity in the sinking fund.

	2018	2017
Sinking fund receivable, beginning of year	\$ 503	\$ 464
Sinking fund earnings	21	21
Foreign exchange (losses) gains	(10)	8
Installments	44	46
Redemptions	(53)	(36)
Sinking fund receivable, end of year	\$ 505	\$ 503

Refer to Note 24 Financial Instruments for fair value hierarchy information.

11. REGULATORY BALANCES

NB Power has regulatory balances totaling \$894 at March 31, 2018 compared to \$1,009 at March 31, 2017.

The following tables disclose the activity of the regulatory balances accounts.

	Remaining recovery period (years)	Interest rate	Balance April 1, 2016	Balances arising during the year	Interest	Recovery	Balance March 31, 2017
PLNGS	23	5.01%	\$ 961	\$ -	\$ 48	\$ (70)	\$ 939
PDVSA	24	5.02%	58	24	3	(18)	67
AFUDC	50	0%	2	1	-	-	3
			\$ 1,021	\$ 25	\$ 51	\$ (88)	\$ 1,009

	Remaining recovery period (years)	Interest rate	Balance April 1, 2017	Balances arising during the year	Interest	Recovery	Balance March 31, 2018
PLNGS	22	4.92%	\$ 939	\$ -	\$ 46	\$ (171)	\$ 814
PDVSA	23	4.92%	67	24	3	(18)	76
AFUDC	50	0%	3	1	-	-	4
			\$ 1,009	\$ 25	\$ 49	\$ (189)	\$ 894

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

11. REGULATORY BALANCES (CONTINUED)

The following table details the net changes in regulatory balances recognized in the statement of earnings.

	2018	2017
Point Lepreau Nuclear Generating Station deferral	\$ (23)	\$ (22)
Lawsuit settlement PDVSA	9	9
Allowance for funds used during construction	1	1
Net change in regulatory balances	\$ (13)	\$ (12)

Point Lepreau Nuclear Generating Station refurbishment (PLNGS)

The regulatory balance related to PLNGS refurbishment, the EUB authorized a regulatory asset be established to capitalize period costs during the refurbishment period. These costs would be then recovered in rates over the remaining useful life of the refurbished station. This account accumulated the following costs over the refurbishment period (March 28, 2008 to November 23, 2012)

- the normal period costs (net of any revenues) incurred by PLNGS, and
- the costs of replacement power incurred during the refurbishment period,

less

- costs included in current rates.

The regulatory balance is being

- amortized over the refurbished station's operating life, and
- reflected in charges, rates and tolls to customers (section 139.4 of the *Electricity Act*).

Lawsuit settlement with Petroleos de Venezuela S.A. (PDVSA)

This regulatory balance relates to the lawsuit settlement with PDVSA, and reflects the EUB's ruling as to how the settlement benefits would be passed on to customers.

In 2007/08 NB Power recognized a regulatory balance relating to a lawsuit settlement with PDVSA. The settlement's benefits are being

- amortized over the Coleson Cove Generating Station's remaining useful life (23 years at time of the settlement; 23 years as at March 31, 2018), and
- passed on to customers over 17 years (6 years as of March 31, 2018), as approved by the EUB, on a levelized basis.

The regulatory deferral is in a debit position because the settlement's net benefits are passed on to customers faster than they are recognized by NB Power.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

11. REGULATORY BALANCES (CONTINUED)

Allowance for Funds Used During Construction (AFUDC)

As at March 31, 2018, NB Power has a regulatory balance related to AFUDC for transmission assets. AFUDC represents a notional cost of capital allowance allowed by the EUB to be capitalized into rate base. It is calculated monthly on capital construction projects and added to the regulatory balance, with an offsetting amount recorded as a reduction of finance costs. AFUDC is based on NB Power's weighted average cost of capital and is amortized over the future life of the related assets and is expected to be recoverable through the Open Access Transmission Tariff.

12. SHORT-TERM INDEBTEDNESS

NB Power borrows funds for temporary purposes from the Province of New Brunswick. The balance at March 31, 2018 is \$871 (2017 - \$977) with maturities ranging from April 1, 2018 to April 27, 2018 and a weighted average interest rate of 1.26% (2017 - 0.60%).

13. LONG-TERM DEBT

NB Power borrows funds from the Province of New Brunswick to finance long-term requirements. This note provides details around NB Power's long-term debt. It contains information on

- year-end long-term debt,
- terms,
- interest rates,
- debt portfolio management fee, and
- principal repayments.

A reconciliation between the opening and closing long-term debt balance is provided below.

Long-term debt	
Balance, April 1, 2016	\$ 4,524
Debt retirements	(400)
Proceeds from long-term debt	295
Foreign exchange on long-term debt	8
Balance March 31, 2017	4,427
Debt retirement	(420)
Proceeds on long-term debt	408
Foreign exchange on long-term debt	(10)
Amortization of premiums and discounts	2
Less amount reallocated to current portion	(410)
Balance March 31, 2018	\$ 3,997

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

13. LONG-TERM DEBT (CONTINUED)

The following table details the outstanding debt from the Province of New Brunswick.

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Par value	Foreign exchange	Unamortized (discounts) premiums	Outstanding amount
October 1, 2013	May 15, 2020	9.96 %	9.75 %	\$ 150	USD \$ 43	\$ (1)	192
October 1, 2013	May 1, 2022	8.88 %	8.75 %	100	USD 29	-	129
October 1, 2013	December 15, 2029	6.47 %	6.29 %	50	-	(1)	49
October 1, 2013	March 31, 2024	4.67 %	4.67 %	100	-	-	100
October 1, 2013	September 26, 2035	4.77 %	4.65 %	360	-	3	363
October 1, 2013	March 26, 2037	4.74 %	4.55 %	100	-	(1)	99
October 1, 2013	March 26, 2037	4.98 %	4.55 %	25	-	(1)	24
October 1, 2013	September 26, 2039	4.80 %	4.80 %	160	-	(1)	159
October 1, 2013	September 24, 2034	5.49 %	5.00 %	150	-	(1)	149
October 1, 2013	March 19, 2034	7.02 %	5.15 %	50	-	-	50
October 1, 2013	June 3, 2019	4.68 %	4.40 %	150	-	-	150
October 1, 2013	June 3, 2019	4.85 %	4.40 %	300	-	-	300
October 1, 2013	September 26, 2039	5.46 %	4.80 %	100	-	-	100
October 1, 2013	June 3, 2041	4.87 %	4.80 %	200	-	(2)	198
October 1, 2013	June 2, 2020	4.12 %	4.50 %	165	-	1	166
October 1, 2013	June 15, 2018	3.35 %	3.35 %	130	-	-	130
October 1, 2013	December 3, 2021	3.44 %	3.35 %	200	-	(1)	199
October 1, 2013	December 3, 2021	3.31 %	3.35 %	100	-	-	100
October 1, 2013	December 3, 2021	3.07 %	3.35 %	100	-	1	101
October 1, 2013	June 3, 2055	3.48 %	3.55 %	150	-	2	152
October 1, 2013	June 3, 2065	3.56 %	3.55 %	200	-	(1)	199
October 1, 2013	September 26, 2018	2.23 %	2.15 %	100	-	-	100
June 14, 2015	June 3, 2024	2.32 %	3.65 %	50	-	4	54
December 17, 2015	August 14, 2045	3.78 %	3.80 %	250	-	9	259
February 12, 2016	February 12, 2019	1.11 %	1.09 %	180	-	-	180
May 4, 2016	June 03, 2022	1.93 %	1.55 %	100	-	(1)	99
August 14, 2016	August 14, 2048	3.16 %	3.10 %	200	-	(2)	198
June 16, 2017	August 14, 2027	2.42 %	2.35 %	100	-	(1)	99
November 26, 2017	August 14, 2048	3.21 %	3.10 %	200	-	(4)	196
March 20, 2018	August 14, 2048	3.03 %	2.35 %	120	-	(7)	113
Total				\$ 4,340	\$ 72	\$ (5)	4,407

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

13. LONG-TERM DEBT (CONTINUED)

Debt portfolio management fee

NB Power pays an annual debt portfolio management fee to the Province of New Brunswick amounting to 0.65% (2017-0.65%) of the total long-term debt and short-term indebtedness, net of the balance held in sinking funds receivable (Note 10), measured as at the beginning of the fiscal year.

Principal repayments

Long-term debt principal repayments are due as follows.

Year Ending	Principal Repayment
March 31, 2019	\$ 410
March 31, 2020	450
March 31, 2021	358
March 31, 2022	400
March 31, 2023	229
Thereafter	2,565
Total	\$ 4,412

14. CAPITAL MANAGEMENT

NB Power is predominantly debt financed.

The percentage of net debt in capital structure is outlined in the table below.

As at March 31	2018	2017
Long-term debt	\$ 4,407	\$ 4,427
Short-term indebtedness	871	977
Total debt	5,278	5,404
Sinking fund receivable	(505)	(503)
Cash	(6)	(1)
Total net debt	4,767	4,900
Retained earnings	470	447
Accumulated other comprehensive (loss)	(132)	(127)
Total capital	5,105	5,220
Per cent net debt in capital structure	93 %	94 %

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

15. DECOMMISSIONING AND USED FUEL MANAGEMENT LIABILITY

This note provides details of NB Power's decommissioning liabilities. It contains information on

- nature of the liabilities,
- assumptions used for the liabilities, and
- liability balances at year-end dates.

Nature of the liability

The following table provides details on the decommissioning liabilities.

Liability	Nature	Funding Details
Thermal generating station decommissioning	Cost of decommissioning the thermal generating stations after the end of their service lives	The liability is not funded
Nuclear generating station decommissioning	Cost of decommissioning the nuclear generating station after the end of its service life	See Note 9 for details on the funding of this liability
Used nuclear fuel management	Cost of interim and long-term management of used nuclear fuel bundles generated by the nuclear generating station	See Note 9 for details on the funding of this liability
Water heaters	Cost of the removal of water heaters from the customer's homes	The liability is not funded

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

15. DECOMMISSIONING AND USED FUEL MANAGEMENT LIABILITY (CONTINUED)

Assumptions used for the liabilities

The following are the key assumptions on which the decommissioning liabilities were based.

	Thermal decommissioning	Nuclear decommissioning	Used nuclear fuel management	Water heaters
Undiscounted amount of estimated cash flows to settle liability				
- 2018	\$170	\$1,073	\$715	\$3
- 2017	\$169	\$1,053	\$626	\$3
Reason for the increase or decrease to the liabilities	Decommissioning spending and changes to the liability resulting from updated cost estimates, changes to the timing of cash flows, and changes in discount rates offset by escalation	Decommissioning spending and changes to the liability resulting from updated cost estimates, changes to the timing of cash flows, and change in discount rate offset by escalation	Decommissioning spending and changes to the liability resulting from updated cost estimates, changes to timing of cash flows, and change in discount rate offset by escalation	No change
Cash expenditures required until the year	2049	2082	2185	2033
Rate used to discount cash flows				
- 2018	3.10 - 3.83%	4.51%	4.83%	3.73%
- 2017	2.39 - 4.01%	4.56%	4.81%	3.82%
Escalation rate to determine decommissioning liabilities	2.0%	2.0%	1.9% to 3.5%	2.0%

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

15. DECOMMISSIONING AND USED FUEL MANAGEMENT LIABILITY (CONTINUED)

Liabilities at year-end

The following is a continuity schedule for each of the decommissioning liabilities.

	2018	2017
Thermal generating station decommissioning liability		
Balance, beginning of year	126 \$	134
Add: Change to discount rate and change in cost estimates	1	(6)
Add: Accretion on thermal decommissioning liability	4	4
Less: Expenditures	(2)	(6)
Balance, end of year	129	126
Nuclear generating station decommissioning liability		
Balance, beginning of year	358	331
Add: Change to discount rate and change in cost estimate	9	14
Add: Accretion on nuclear decommissioning liability	17	15
Less: Expenditures	(3)	(2)
Balance, end of year	381	358
Used fuel management liability		
Balance, beginning of year	278	271
Add: Change to discount rate and change in cost estimate	30	2
Add: Accretion on used fuel management liability	13	13
Less: Expenditures	(8)	(8)
Balance, end of year	313	278
Water heaters		
Balance, beginning of year	2	3
Add: Change to discount rate and change in cost estimate	-	(1)
Balance, end of year	2	2
Total decommissioning and used fuel management liability	\$ 825	\$ 764

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

16. POST-EMPLOYMENT BENEFITS

Unfunded benefit plans

Unfunded benefit plans include an early retirement plan, retirement allowance, and other future employee benefits.

The table below summarizes these plans.

	2018	2017
Early retirement obligation	\$ 81	\$ 83
Retirement allowance obligation	16	21
Other future employee benefits obligation	23	20
	120	124
Current portion of early retirement obligation, recorded in accounts payable and accrued liabilities	(5)	(5)
Post-employment benefits	\$ 115	\$ 119

Assumptions

	2018	2017
	%	%
Discount rate, beginning of year	3.65	3.80
Discount rate, end of year	3.65	3.65
Long-term rate of compensation increases	2.50	2.50
Assumptions for benefit increases (percentage of Consumer Price Index)	2.00	2.00

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

16. POST-EMPLOYMENT BENEFITS (CONTINUED)

a. Early retirement obligation

NB Power has an unfunded early retirement program. NB Power has had several programs in the past to incent employees to retire early. The early retirement program represents the obligation for those costs.

Accrued benefit obligation	2018	2017
Balance, beginning of year	\$ 83	\$ 85
Employee benefit expense	3	3
Benefits paid	(4)	(5)
Actuarial (gain)	(1)	-
Balance, end of year	\$ 81	\$ 83

Cost	2018	2017
Interest on early retirement obligation	\$ 3	\$ 3
Total benefit expense for the year	\$ 3	\$ 3

b. Retirement allowance obligation

NB Power has an unfunded retirement allowance program. The program provides a benefit of one week of salary per year of service up to a maximum of 26 weeks, when the employee retires. The latest actuarial calculation to estimate the liability was completed as at April 1, 2012.

In 2013, NB Power announced that it would be phasing out the retirement allowance. The retirement allowance program was eliminated for non-union employees and the employees in the corporate service union in 2013, which resulted in a settlement in 2015.

In 2016, the Transmission and Distribution division employees were offered voluntary payouts of the accumulation of service.

In 2017, the retirement allowance program was eliminated for the Generation and Nuclear division employees.

Accrued benefit obligation	2018	2017
Balance, beginning of year	\$ 21	\$ 39
Employee benefit expense	2	2
Benefits paid	(7)	(25)
Actuarial loss	-	5
Balance, end of year	\$ 16	\$ 21

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

16. POST-EMPLOYMENT BENEFITS (CONTINUED)

b. Retirement allowance obligation (continued)

Cost	2018	2017
Current service cost	\$ 1	\$ 1
Interest on retirement allowance obligation	1	1
Total benefit expense for the year	\$ 2	\$ 2

c. Other future employee benefits obligation

Other future employee benefits include future payments to long-term disability plan for employees and the pension plan for executives.

Accrued benefit obligation	2018	2017
Balance, beginning of year	\$ 20	\$ 18
Employee benefit expense	1	1
Benefits paid	(1)	(1)
Actuarial loss	3	2
Balance, end of year	\$ 23	\$ 20

Cost	2018	2017
Current service cost	\$ 1	\$ -
Interest on other post-employment benefits	-	1
Total benefit expense for the year	\$ 1	\$ 1

Cumulative actuarial losses

The cumulative actuarial losses recorded in other comprehensive income for NB Power's defined benefit plans are summarized in the following table.

	2018	2017
Balance, beginning of year	\$ (70)	\$ (63)
Actuarial losses on accrued benefit obligation		
- experience adjustments	(2)	(7)
Balance, end of year	\$ (72)	\$ (70)

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

16. POST-EMPLOYMENT BENEFITS (CONTINUED)

Funded defined benefit pension plan

The former Mine Reclamation Inc. employees are members of the Pension Plan for Employees of NB Coal Limited. The pension assets and liabilities of this plan are measured as at March 31, 2018. The most recent actuarial valuation for funding purposes for the Pension Plan for Employees of NB Coal Limited was completed as at January 1, 2017. The valuation reported plan assets equal to the accrued benefit obligation of \$5 million. The next valuation for funding purposes is required to be completed as at January 1, 2020.

Multi-employer pension plan

NB Power employees are members of the Province of New Brunswick Public Service Shared Risk Plan (PSSRP), a multi-employer shared risk pension plan, as described in Note 3h. The most recent actuarial valuation was completed January 1, 2017. As at January 1, 2017, the PSSRP was 108.8% funded (January 1, 2016 - 106.9%). The valuation reported plan assets in excess of the accrued benefit obligation of \$6,656 million by \$585 million. The next valuation is required to be completed as at January 1, 2018.

NB Power accounts for this multi-employer plan as a defined contribution pension plan.

Costs

Under the PSSRP, NB Power's obligations are limited to the contributions for current service. The total contributions of all participating employers and employees were approximately \$244 million (January 1, 2016 - \$236 million). NB Power's contributions are charged to earnings when due. The employee benefits expense for the PSSRP plan recorded in OM&A expense is summarized in the following table.

	2018	2017
Current service cost	\$ 27	\$ 26

NB Power expects to contribute approximately \$30 million in contributions in 2019.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

17. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

A reconciliation between the opening and closing provisions for other liabilities and charges is provided below.

	Land reclamation	Environmental liability	Customer contributions	Total
Provisions for other liabilities and charges				
Balance, April 1, 2016	\$ 3	\$ 12	\$ 6	\$ 21
Provisions made during the year	-	-	15	15
Provisions used during the year	(1)	(1)	-	(2)
Balance, March 31, 2017	2	11	21	34
Provisions made during the year	-	1	13	14
Provisions used during the year	(1)	(1)	(1)	(3)
Balance, March 31, 2018	\$ 1	\$ 11	\$ 33	\$ 45

Land reclamation

NB Power has an obligation to reclaim crown land as a result of NB Coal operations. The unfunded liability is equal to the net present value of the expected future costs, using a discount rate of 2.36% (2017 - 1.40%).

The total undiscounted amount of the estimate cash flows required to settle the liability is \$1 million.

Environmental liability

NB Power has a long-term plan to treat acidic water drainage from an inactive mine. NB Power has recognized an unfunded environmental liability equal to the net present value of the expected future costs using a discount rate of 3.81% (2017 - 4.08%).

The total undiscounted amount of the estimated cash flows required to settle the liability is \$13 million.

Customer contributions

NB Power has received non-refundable customer contributions in aid of construction of physical assets to connect these customers to a utility network and provide future energy requirements. These contributions are deferred and amortized to other revenue over the life of the related asset.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

18. MISCELLANEOUS REVENUE

	2018	2017
Transmission revenue	\$ 25	\$ 25
Customer related revenues	10	10
Water heater rental	21	20
Pole attachment revenue	4	3
Other miscellaneous income	24	18
	\$ 84	\$ 76

19. OPERATIONS, MAINTENANCE AND ADMINISTRATION

	2018	2017
Salaries and benefits	\$ 236	\$ 223
Hired services	129	150
Materials and supplies	34	30
Vehicles and equipment	25	24
Other	53	56
	\$ 477	\$ 483

20. DEPRECIATION AND AMORTIZATION

	2018	2017
Property, plant and equipment	\$ 248	\$ 234
Amortization of intangible assets	5	4
Loss (gain) on disposal of assets	-	(5)
	\$ 253	\$ 233

21. TAXES

	2018	2017
Property tax	\$ 22	\$ 22
Utility and right of way taxes	22	21
	\$ 44	\$ 43

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

22. FINANCE COSTS

	2018	2017
Interest on long-term and short-term debt	\$ 206	\$ 207
Accretion	35	33
Debt portfolio management fee	32	32
Foreign exchange on long-term debt	(10)	8
Interest on post-employment benefits	4	5
Foreign exchange gains and losses	1	(1)
Amortization of premiums and discounts	2	-
	270	284
Interest capitalized during construction	(6)	(4)
	\$ 264	\$ 280

23. LOANS AND BORROWING

A reconciliation of movements of liabilities to cash flows arising from financing activities is provided below

	Sinking funds	Long-term debt	Short-term debt	Total
Balance at April 1, 2017	\$ (503)	\$ 4,427	\$ 977	\$ 4,901
Changes from financing cash flows				
Sinking Fund Installments	(44)	-	-	(44)
Withdrawal from Sinking Fund	53	-	-	53
Increase (decrease) in short-term indebtedness	-	-	(106)	(106)
Proceeds of long-term debt	-	408	-	408
Repayment of borrowings	-	(420)	-	(420)
Total changes from financing cash flows	9	(12)	(106)	(109)
Other changes liability related				
Sinking Fund earnings	(21)	-	-	(21)
Finance costs	10	(8)	-	2
Total other changes liability related	(11)	(8)	-	(19)
Balance at March 31, 2018	\$ (505)	\$ 4,407	\$ 871	\$ 4,773

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

24. FINANCIAL INSTRUMENTS

A financial instrument (Note 3n) is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity (for example, accounts receivable/accounts payable).

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A financial instrument's fair value at a given date (including fair values of forward contracts used for hedging purposes, and other derivative positions) reflects, among other things, differences between the instrument's contractual terms and the terms currently available in the market.

The financial instruments carried at fair value are classified using a fair value hierarchy which has three levels. These are as follows

- Level 1: Fair value determination is based on inputs that are quoted prices in active markets for identical assets or liabilities.
- Level 2: Fair value is determined using inputs, other than quoted prices in Level 1 that are observable for the financial asset or financial liability, either directly or indirectly. These inputs include quoted prices for similar financial instruments in active markets, quoted price for similar instruments that are not active, and inputs other than quoted prices that are observable for the instrument. These are inputs that are derived principally from, or corroborated by, observable market data.
- Level 3: Fair value is determined based on valuation models using inputs that are not based on observable market data. Unobservable inputs reflect subjective assumptions that market participants may use in pricing the investments. The investments classified as Level 3 include private real estate and private infrastructure investments. Real estate and infrastructure valuations are reported by the fund managers and are based on the valuation of the underlying investments which includes inputs such as cost, operating results, capitalization rates, discounted future cash flows and market-based comparable data.

Refer to Note 25 Financial Instrument Risk Management, Market risk for the sensitivity analysis.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value of Financial Instruments (continued)

The following table is a summary of NB Power's outstanding financial instruments.

	Level	March 31, 2018		March 31, 2017	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash	1	\$ 6	\$ 6	\$ 1	1
Accounts receivable	1	248	248	255	255
Nuclear decommissioning and used fuel management fund FVTPL investments	2 - 3	696	696	640	640
Nuclear decommissioning and used fuel managements funds available for sale investments	2	26	26	50	50
Sinking fund receivable	1	505	505	503	503
Derivative assets	2	1	1	11	11
Total financial assets		1,482	1,482	1,460	1,460
Financial liabilities					
Short-term indebtedness	1	871	871	977	977
Accounts payable and accrued liabilities	1	271	271	257	257
Accrued interest on short and long-term debt	1	43	43	40	40
Long-term debt	2	4,407	4,838	4,427	4,869
Derivative liabilities	2	25	25	30	30
Total financial liabilities		\$ 5,617	\$ 6,048	\$ 5,731	\$ 6,173

The fair value hierarchy for the nuclear decommissioning and used fuel management funds is outlined in the following table.

Hierarchy	2018	2017
Level 2	\$ 660	\$ 653
Level 3	62	37
	\$ 722	\$ 690

Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 in 2018.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Hierarchy Level 3 Investment Continuity

The nuclear decommissioning and used fuel management funds have investments carried at fair value hierarchy Level 3. The following table is the investment continuity of Level 3.

Balance April 1, 2016	\$	28
Purchases		21
Sales		(12)
Balance, March 31, 2017		37
Purchases		22
Sales		(2)
Gains (losses) recognized in earnings		5
Balance, March 31, 2018	\$	62

Derivative Financial Instruments Summary

Derivative financial instruments are recorded on the balance sheet at fair value. The following table summarizes the classification and fair values of the derivative financial instruments as at March 31.

	March 31, 2018			March 31, 2017		
	Unit of measure	Maturing over (months)	Committed purchases	Weighted average price	Committed purchases	Weighted average price
Foreign exchange derivatives (1)	USD	72	546.2	\$ 1.28	419.9	\$ 1.30
Heavy fuel oil derivatives (2)	barrels	22	0.5	54.66	0.5	61.46
Natural gas derivatives (3)	mmbtu	11	0.5	8.14	2.0	5.51
Coal derivatives (4)	MT	6	-	-	-	-
Electricity derivatives (5)	MWh	77	6.2	45.29	2.9	50.28
Uranium derivatives (6)	LB	52	0.8	\$ 29.45	-	\$ -

(1) NB Power hedges exchange risk relating to net forecasted US dollar requirements, by entering into forward contracts to sell Canadian dollars and to acquire US dollars.

(2) NB Power hedges its anticipated exposure to changes in the cost of heavy fuel oil.

(3) NB Power hedges its anticipated exposure to changes in natural gas prices.

(4) NB Power hedges its anticipated exposure to changes in coal prices.

(5) NB Power hedges its anticipated exposure relating to changes in electricity prices. This is done through both sale contracts and purchase contracts.

(6) NB Power hedges its anticipated exposure to changes in uranium prices.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Derivatives Reconciliation to Statement of Financial Position

The following table summarizes the position of the derivative financial instruments recorded on the statement of financial position at March 31, 2018. These include

- the fair value of derivative instruments in hedging relationships, and
- the fair value of derivative instruments that do not qualify for hedge accounting.

The derivative financial instruments had a total net asset impact of \$(24) million at March 31, 2018. Of the \$(24) million, the retained earnings impact is \$(1) million and the accumulated other comprehensive income impact is \$(23) million.

	Foreign exchange contracts	Natural gas contracts	Electricity contracts	Heavy fuel oil contracts	Coal contracts	Uranium contracts	Total
Long-term derivative assets	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Current derivative liabilities	(4)	(1)	(5)	(1)	(2)	-	(13)
Long-term derivative liabilities	2	-	(9)	(1)	-	(4)	(12)
Total assets (liabilities)	\$ (1)	\$ (1)	\$ (14)	\$ (2)	\$ (2)	\$ (4)	\$ (24)

Financial Instrument Impact on Equity

a. Derivative financial instrument impact on retained earnings

The following table illustrates the impact on retained earnings for derivative instruments that do not qualify for hedge accounting.

	Foreign exchange contracts	Electricity contracts	Total
Balance, April 1, 2016	\$ 3	\$ (10)	\$ (7)
Current year adjustments	(3)	2	(1)
Hedge ineffectiveness	-	9	9
Balance, March 31, 2017	-	1	1
Current year adjustments	-	(1)	(1)
Hedge ineffectiveness	-	(1)	(1)
Balance, March 31, 2018	\$ -	\$ (1)	\$ (1)

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

24. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial instrument impact on accumulated other comprehensive income

The impact of financial instruments on accumulated other comprehensive income is comprised of

- the fair value of the derivative financial instruments that qualify for hedge accounting,
- the fair value of the nuclear decommissioning and used fuel management funds classified as available for sale,
- the settlement of the interest rate swaps which are amortized over the life of the corresponding debt, and
- the actuarial gains (losses) on defined pension plans.

The following table illustrates the impact of the cash flow hedges on accumulated other comprehensive income.

	Foreign exchange contracts	Natural gas contracts	Electricity contracts	Heavy fuel oil contracts	Coal contracts	Uranium contracts	AOI - derivative financial instruments
Balance, April 1, 2016	\$ 12	\$ (28)	\$ (64)	\$ (28)	\$ (5)	-	\$ (113)
Impact of mark-to- market adjustments	(3)	26	52	18	-	-	93
Balance, March 31, 2017	9	(2)	(12)	(10)	(5)	-	(20)
Impact of mark-to- market adjustments	(10)	1	(1)	8	3	(4)	(3)
Balance, March 31, 2018	\$ (1)	\$ (1)	\$ (13)	\$ (2)	\$ (2)	\$ (4)	(23)

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

24. FINANCIAL INSTRUMENTS (CONTINUED)

Financial instrument impact on accumulated other comprehensive income (continued)

The following table illustrates total accumulated other comprehensive income.

	Cash-flow hedges	Amortization interest settlement	Post- employment benefits actuarial gains (losses)	Nuclear investment funds	Total AOCI
Balance, April 1, 2016	\$ (113)	\$ (48)	\$ (63)	11	\$ (213)
Impact of mark-to-market adjustments	93	3	(7)	(3)	86
Balance, March 31, 2017	(20)	(45)	(70)	8	(127)
Impact of mark-to-market adjustments	(3)	3	(2)	(3)	(5)
Balance, March 31, 2018	\$ (23)	\$ (42)	\$ (72)	5	\$ (132)

25. FINANCIAL INSTRUMENT RISK MANAGEMENT

This Note describes the following types of risk

- credit risk,
- market risk, and
- liquidity risk.

Credit Risk

Credit risk is a risk that a financial loss will occur due to a counterparty failing to perform its obligations under the terms of a financial instrument.

Managing credit risk

To manage credit risk, NB Power

- conducts a thorough assessment of counterparties prior to granting credit, and
- actively monitors the financial health of its significant counterparties, and the potential exposure to them on an on-going basis.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

25. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

The following is a summary of the fair value of NB Power's financial instruments that are exposed to credit risk.

Financial assets	2018	2017
	Fair value	Fair value
Cash	\$ 6	\$ 1
Accounts receivable	248	255
Nuclear decommissioning and used fuel management funds	722	690
Sinking fund receivable	505	503
Derivative assets	1	11
	\$ 1,482	\$ 1,460

Cash

The credit risk associated with cash is considered to be low as the funds are deposited with Canadian chartered banks.

Accounts receivable

Accounts receivable are largely a combination of receivables from residential and commercial in-province and out-of-province customers. To reduce credit risk, NB Power monitors outstanding receivables and pursues collection of overdue amounts.

Certain derivative financial instruments contracts require NB Power to provide collateral when the fair value of the obligation is in excess of the credit limit.

Accounts receivable	2018	2017
Trade		
Trade receivables - current	\$ 180	\$ 166
61 - 90 days	10	17
Greater than 90 days	6	5
	196	188
Allowance for doubtful accounts	(7)	(6)
Unbilled revenue	56	65
Other receivables	3	8
	\$ 248	\$ 255

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

25. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Allowance for doubtful accounts

The allowance for doubtful accounts is

- reviewed on a regular basis, and
- based on the estimate of outstanding accounts that are at risk of being uncollectible.

Reconciliation of allowance for doubtful accounts	2018	2017
Balance, beginning of year	\$ 6	\$ 6
Increase during the year	10	6
Bad debts recovery during the year	(1)	-
Bad debts written off during the year	(8)	(6)
	\$ 7	\$ 6

Concentration of credit risk

No significant concentration of credit risk exists within accounts receivable as the receivables are spread across numerous in-province and out-of-province customers. In certain circumstances NB Power holds deposits or requires letters of credit.

Sinking fund receivable

NB Power pays the Province of New Brunswick one per cent of its outstanding debt annually. The amount will be received from the Province when the corresponding debt issues mature.

Concentration of credit risk

There is a high concentration of credit risk at March 31, 2018 in relation to the sinking fund receivable, as the receivable is from one counterparty. Since the counterparty is the Province of New Brunswick, which is the Shareholder of NB Power, the associated credit risk is considered to be low.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

25. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Derivative assets

NB Power only enters into derivative financial instrument transactions with highly credit-worthy counterparties. All of the counterparties with which NB Power has outstanding positions have investment grade credit ratings assigned to them by external rating agencies.

NB Power

- monitors counterparty credit limits on an ongoing basis, and
- requests collateral for exposures that exceed assigned credit limits.

Concentration of credit risk

There is a concentration of credit risk at March 31, 2018 in relation to derivative assets, as the bulk of the derivative asset balance is tied to a small number of counterparties. However, since the majority of the amount is associated with counterparties that are Canadian chartered banks and other reputable financial institutions the associated credit risk is considered to be low.

Nuclear decommissioning and used fuel management funds

NB Power limits its credit risk associated with the bonds held in the nuclear decommissioning, used fuel management funds and the nuclear fuel waste trust fund. The current portfolio is comprised of investment grade ratings of BBB or above for longer-term securities and R-1 for short-term debt. The following table outlines the allocation of the maximum credit exposure by investment grade ratings.

Maximum credit exposure	AAA	AA	A	BBB	R - 1	Other	Total
Used fuel management fund	\$ 6	\$ 5	\$ 16	\$ 6	\$ 3	\$ 2	38
Nuclear decommissioning fund	25	15	55	14	5	3	117
Nuclear fuel waste trust	34	22	77	25	1	-	159
	\$ 65	\$ 42	\$ 148	\$ 45	\$ 9	\$ 5	314

Market Risk

Market risk is the risk that NB Power's earnings or financial instrument values will fluctuate due to changes in market prices.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

25. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

NB Power is exposed to a variety of market price risks such as changes in

- foreign exchange rates,
- interest rates,
- commodity prices,
- private real estate capitalization rates,
- changes in per unit net asset values in private equity funds, and
- changes in valuations in infrastructure funds.

NB Power manages these exposures through the use of forwards and other derivative instruments in accordance with Board approved policies.

The nuclear decommissioning and used fuel management funds are managed by Vestcor Investment Management Corporation. The funds are invested in NBIMC unit trusts and direct interests in private real estate and infrastructure investments. The nuclear fuel waste trust is invested in NBIMC unit trusts. The NBIMC unit trusts contain fixed income securities, and domestic and international equities. These are subject to market risk and will fluctuate in value due to changes in market prices. These funds are in place to cover the expected expenditures related to the nuclear decommissioning and used fuel management obligations. The nature of the investments and level of market risk are consistent with the long-term nature of the related liability.

The following table provides a sensitivity analysis which shows the dollar value impact of small changes in various market rates and prices. The amounts shown are derived from outstanding volumes of financial instruments that existed at March 31, 2018.

	Impact on earnings	Impact on other comprehensive earnings
Exchange and interest rates		
1 cent change in CAD/USD exchange rate	\$	2 \$
0.25% change in short-term debt rates		2
1 % change in investment yields		20
Commodity prices		
\$5/bbl change in the price of heavy fuel oil		-
\$5/ LB change in Uranium prices		-
\$5/MWh changes in electricity prices		1
Private real estate, infrastructure and private equity investments		
0.25% change in capitalization rate		2
infrastructure valuation range	\$	2 \$

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

25. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

For private infrastructure investments, the most significant input into the calculation of fair value level 3 investments is the discount rate applied to expected future cash flows. Where such investments are held within managed funds, the discount rate assumptions are not readily available. The table above discloses the impact on earnings based on the difference between the estimated fair value of the funds between the low and high end of possible values.

Liquidity Risk

Liquidity risk is a risk that NB Power will have difficulty or be unable to meet its financial obligations associated with financial liabilities.

NB Power forecasts its financing requirements on a consistent basis so that it can plan and arrange for financing to meet financial obligations as they come due. The following table summarizes the contractual maturities of NB Power's financial liabilities at March 31, 2018 and in future years.

Financial liability	Carrying amount	Contractual cash flows	Timing of contractual cash flows					
			< 2 months	2 - 12 months	2020	2021 - 2023	2024 and thereafter	
Short-term indebtedness	\$ 871	\$ 871	\$ 871	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	271	271	271	-	-	-	-	-
Accrued interest	43	43	1	42	-	-	-	-
Derivative liabilities	25	25	2	14	3	5	1	
Long-term debt	4,407	4,412	-	410	450	987	2,565	
Interest on long-term debt	-	2,575	1	180	166	383	1,845	
	\$ 5,617	\$ 8,197	\$ 1,146	\$ 646	\$ 619	\$ 1,375	\$ 4,411	

NB Power believes it has the ability to generate sufficient funding to meet these financial obligations.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

26. RELATED PARTY TRANSACTIONS

The Province of New Brunswick is a related party of NB Power as outlined in Note 1.

Sinking Fund Receivable

At March 31, 2018 NB Power has a sinking fund receivable from the Province of New Brunswick of \$505 million as compared to \$503 million in 2017 (Note 10).

Debt

NB Power has debt payable to the Province of New Brunswick (Notes 12 and 13).

Payments to the Province of New Brunswick

During the year NB Power made payments to the Province of New Brunswick for property taxes, utility taxes, and right of way taxes of \$44 million, as compared to \$43 million in 2017 (Note 21).

Key Management Personnel Compensation

Key management personnel include board members and executive officers. The compensation paid to key management for employee services is shown below.

	2018	2017
Salaries and short-term employee benefits	\$ 4	\$ 4
Post-employment benefits	1	1
	\$ 5	\$ 5

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

27. COMMITMENTS, CONTINGENCIES AND GUARANTEES

This details the commitments, contingencies and guarantees in place at NB Power.

	2019	2020	2021	2022	2023	2024 and thereafter
Fuel contracts	\$ 114	\$ 77	\$ 57	\$ -	\$ -	\$ -
Committed capital	48	5	1	-	-	-
Operating leases	10	8	4	3	4	-
	\$ 172	\$ 90	\$ 62	\$ 3	\$ 4	\$ -

Power purchase agreements

NB Power has entered into power purchase arrangements to purchase power at predetermined rates. These arrangements are assessed as to whether they contain leases that convey the right to NB Power to use the projects' property, plant and equipment in return for future payments. Such arrangements are classified as either finance or operating leases. As NB Power's arrangements do not transfer substantially all of the benefits and risks of ownership of the property to NB Power, all such power purchase arrangements are accounted for as operating leases. They are described below.

Initial duration of agreement	End date	Amount of energy	Agreement to purchase
2 years	2019	90 MW	90 MW of the total 99 MW of electrical energy of a wind generation facility
3 years	2020	42 MW	all the electrical energy of a wind generation facility
10 years	2021	280 MW	all the electrical energy produced by a combined natural gas unit during the winter period, November 1 to March 31
20 years	2024	90 MW	all the capacity and electrical energy produced by a co-generation facility
30 years	2027	38.5 MW	all the capacity and electrical energy from a co-generation facility
20 years	2029	48 MW	all the electrical energy of a wind generation facility
20 years	2029	51 MW	all the electrical energy of a wind generation facility
20 years	2032	8.8 MW	all of the capacity, energy, and environmental attributes generated by the generating stations
25 years	2033	96 MW	all the electrical energy of a wind generation facility
25 years	2034	45 MW	all the electrical energy of a wind generation facility
25 years	2035	54 MW	all the electrical energy of a wind generation facility

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

(Amounts are expressed in millions of Canadian dollars except where indicated)

27. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTINUED)

Power purchase agreements (continued)

During the year, NB Power has signed two power purchase agreements. One contract will commence on or before November 1, 2019 and the second will commence on or before December 31, 2019. Under the terms of the agreements, NB Power is committed to purchasing annually, 18 MW of electrical energy under the first agreement and 20 MW electrical energy under the second, for a period of 30 years.

Energy Sales and Transmission Rights Assignment Agreement

NB Power entered into an energy sales and transmission rights assignment agreement which expires in November 2025. NB Power is committed to purchase 1.5 million MWh a year at the market price at the time of the purchase.

Gypsum Contract

NB Power entered into a 21.5 year contract expiring in 2026 to supply specified quantities of synthetic gypsum to a third party. In the event of a production shortfall, NB Power must compensate the third party for any shortfall. The compensation paid, if required, is based on the contracted quantity of gypsum at fixed price. The fixed price is escalated each year by the Consumer Price Index.

Large Industrial Renewable Energy Purchases Program

NB Power purchases electricity from renewable sources, such as biomass and river hydro, from qualifying large industrial customers who have renewable electricity generating facilities located in New Brunswick.

The program is included in the *Electricity Act* under the renewable portfolio standard regulation and commenced January 1, 2012. There are four program agreements in place. From April 1, 2017 to March 31, 2018, 465 GWh of qualified renewable energy was purchased under the program.

The Large Industrial Renewable Energy Purchase Program allows NB Power to purchase renewable energy generated by its largest customers at a set rate. This renewable energy will count towards meeting the Province of New Brunswick's renewable energy targets at a purchase price at or below the current market price for most forms of renewable energy.

Legal Proceedings

NB Power may, from time-to-time, be involved in legal proceedings, claims and litigations that arise in the ordinary course of business which NB Power believes would not reasonably be expected to have a material adverse effect on the financial condition of NB Power.



STATISTICAL OVERVIEW

STATEMENT OF GENERATION¹

(millions of kWh)

	2017/18	2016/17	2015/16	2014/15	2013/14
Hydro	2,541	2,848	2,920	2,690	3,079
Thermal	3,620	3,992	2,844	4,103	4,020
Nuclear	5,531	4,860	4,869	4,863	4,881
Combustion turbine	6	2	3	4	5
Purchases	6,643	6,206	8,655	8,057	7,989
Gross generation and purchases	18,341	17,908	19,291	19,717	19,974
Station service	664	658	638	675	684
Net generation and purchases	17,677	17,250	18,653	19,042	19,290
Losses - transformer and transmission	664	518	708	487	596
Total energy available for distribution	17,013	16,732	17,945	18,555	18,694

¹ Certain comparative figures have been reclassified to conform to the current year's presentation

STATEMENT OF SALES

(millions of kWh)

	2017/18	2016/17	2015/16	2014/15	2013/14
Wholesale	1,215	1,225	1,224	1,291	1,263
Industrial	4,479	4,315	4,515	4,456	4,365
General service	2,332	2,320	2,295	2,392	2,396
Residential	5,100	5,134	5,008	5,442	5,291
Street lights	44	45	48	67	73
Total in-province sales	13,170	13,039	13,090	13,648	13,388
Interconnections	3,491	3,360	4,533	4,575	4,966
Total sales	16,660	16,399	17,623	18,223	18,354
Distribution losses	352	333	322	332	340
Total energy distributed and sold	17,013	16,732	17,945	18,555	18,694

STATEMENT OF REVENUE¹

(in millions)

	IFRS				CGAAP ²
	2017/18	2016/17	2015/16	2014/15	2013/14
Wholesale	\$ 113	\$ 112	\$ 109	\$ 112	\$ 109
Industrial	334	315	322	318	310
General service	294	289	280	285	278
Residential	638	628	601	635	607
Street lights	26	25	24	24	24
Total in-province sales of power	1,405	1,369	1,336	1,374	1,328
Interconnections	265	251	370	346	391
Sales of power	1,670	1,620	1,706	1,720	1,719
Miscellaneous	84	76	85	71	78
Total revenue	\$ 1,754	\$ 1,696	\$ 1,791	\$ 1,791	\$ 1,797

STATEMENT OF IN-PROVINCE GENERATION¹

(millions of kWh)

	2017/18	2016/17	2015/16	2014/15	2013/14
Hydro	2,318	2,685	2,738	2,504	2,667
Coal and petroleum coke	2,517	2,753	1,759	2,635	2,733
Heavy fuel oil	286	266	206	459	391
Nuclear	4,922	4,315	4,286	4,308	4,302
Purchases	4,053	3,780	5,023	4,472	4,025
Net generation and purchases	14,096	13,799	14,012	14,378	14,118
Losses - transformer and transmission	665	518	708	487	596
Total energy available for distribution	13,431	13,281	13,304	13,891	13,522

OPERATING STATISTICS

	2017/18	2016/17	2015/16	2014/15	2013/14
Transmission lines - km	6,900	6,865	6,830	6,863	6,863
Distribution lines - km	21,215	21,121	21,050	20,972	20,887
Residential customers	327,281	325,329	323,530	322,052	321,132
Industrial customers	1,747	1,745	1,729	1,744	1,813
General service customers	26,377	26,025	25,676	25,531	25,494
Non-metered customers	2,833	2,819	2,878	2,881	2,799
Direct customers	358,238	355,918	353,813	352,208	351,238
Indirect customers	45,230	45,248	45,242	45,425	46,350
Total customers	403,468	401,166	399,055	397,633	397,588
Positions - regular	2,497	2,462	2,403	2,395	2,349
Positions - temporary	85	81	65	58	49
Positions - Mine Reclamation Inc.	-	-	-	-	-
Total positions	2,582	2,543	2,468	2,453	2,398

STATEMENT OF EARNINGS SUMMARY¹

(in millions)

	IFRS				CGAAP
	2017/18	2016/17	2015/16	2014/15	2013/14
Sale of power - In-province	\$ 1,405	\$ 1,369	\$ 1,336	\$ 1,374	\$ 1,328
Sale of power - Out-of-province	265	251	370	346	391
Miscellaneous revenue	84	76	85	71	78
Fuel and purchased power	(727)	(702)	(830)	(825)	(834)
Operations, maintenance and administration	(477)	(483)	(450)	(419)	(437)
Depreciation and amortization	(253)	(233)	(226)	(230)	(230)
Taxes, other than special payments in lieu of income taxes	(44)	(43)	(41)	(37)	(36)
Finance costs	(264)	(280)	(285)	(327)	(223)
Sinking funds and other investment income	17	34	67	123	87
Mark-to-market of fair value through profit and loss investments	30	50	(1)	41	-
Net changes in regulatory balances	(13)	(12)	(13)	(17)	(69)
Net earnings	\$ 23	\$ 27	\$ 12	\$ 100	\$ 55

¹ Certain comparative figures have been reclassified to conform to the current year's presentation

STATEMENT OF FINANCIAL POSITION SUMMARY MARCH 31¹

(in millions)

Assets

	IFRS				CGAAP
	2017/18	2016/17	2015/16	2014/15	2013/14
Current assets	\$ 434	\$ 444	\$ 469	\$ 498	\$ 681
Property, plant and equipment	4,337	4,280	4,237	4,382	4,072
Other non-current assets	1,275	1,235	1,189	1,248	2,110
Total assets	6,046	5,959	5,895	6,128	6,863
Regulatory balances	894	1,009	1,021	1,034	-
Total assets and regulatory balances	\$ 6,940	\$ 6,968	\$ 6,916	\$ 7,162	\$ 6,863

Liabilities And Shareholder's Equity

	IFRS				CGAAP
	2017/18	2016/17	2015/16	2014/15	2013/14
Current liabilities	\$ 1,608	\$ 1,708	\$ 1,646	\$ 1,746	\$ 1,153
Long-term debt	3,997	4,007	4,124	4,025	4,567
Other non-current liabilities	997	933	939	1,055	744
Shareholder's equity	338	320	207	336	399
Total liabilities and shareholder's equity	\$ 6,940	\$ 6,968	\$ 6,916	\$ 7,162	\$ 6,863

¹ Certain comparative figures have been reclassified to conform to the current year's presentation

CASH FLOW SUMMARY^{1,2}

(in millions)

	IFRS				CGAAP
	2017/18	2016/17	2015/16	2014/15	2013/14
Cash receipts from customers	\$ 1,760	\$ 1,692	n/a	n/a	n/a
Cash paid to suppliers and employees	(1,219)	(1,187)	n/a	n/a	n/a
Interest paid and other	(235)	(251)	(261)	(261)	(28)
Cash flow from operations	n/a	n/a	477	538	296
Net change in non-cash working capital balances	n/a	n/a	(33)	88	(45)
Operating activities	306	254	183	365	223
Investing activities	(192)	(262)	(204)	(282)	(179)
Financing activities	(109)	7	20	(83)	(42)
Net cash inflow (outflow)	5	(1)	(1)	-	2
Cash					
Beginning of year	1	2	3	3	1
End of year	\$ 6	\$ 1	\$ 2	\$ 3	\$ 3

FINANCE COSTS¹

(in millions)

	IFRS				CGAAP
	2017/18	2016/17	2015/16	2014/15	2013/14
Interest on long-term and short-term debt	\$ 206	\$ 207	\$ 212	\$ 221	\$224
Accretion	35	33	36	36	-
Debt portfolio management fee	32	32	32	33	32
Foreign exchange	(9)	7	10	39	22
Interest on post-employment benefits	4	5	3	6	-
Interest capitalized during construction	(6)	(4)	(5)	(6)	(55)
Amortization of premiums and discounts	2	-	(3)	(2)	2
Amortization of deferred interest	-	-	-	-	(2)
Finance costs	264	280	285	327	223
Sinking funds, and other investments income	(17)	(34)	(67)	(123)	(87)
Mark-to-market of fair value through profit and loss investments	(30)	(50)	1	(41)	-
Finance costs less associated earnings	\$217	\$196	\$219	\$163	\$136

¹ Certain comparative figures have been reclassified to conform to the current year's presentation

² Beginning with fiscal year 2017/18 NB Power transitioned from the indirect cash flow method to the direct cashflow method. Operating activities have been restated in 2016/17 to conform with the new presentation. The years 2013/14 to 2015/16 are presented based on the indirect cash flow method.

FINANCIAL RATIOS¹

	IFRS				CGAAP
	2017/18	2016/17	2015/16	2014/15	2013/14
Gross margin	56%	57%	51%	52%	51%
Operating cash flow / total debt	0.06	0.05	0.04	0.07	0.04
Per cent of debt in capital structure ²	93%	94%	96%	94%	93%
Interest coverage ratio ³	1.05	0.98	1.02	1.11	1.02

OTHER STATISTICS

	2017/18	2016/17	2015/16	2014/15	2013/14
Rate increase	1.8%	1.6%	1.6%	2.0%	2.0%
CPI (New Brunswick)	2.3%	2.2%	0.5%	1.5%	0.8%
GDP increases (New Brunswick) ⁴	1.9%	1.2%	2.4%	0.1%	(0.3%)
Capital expenditures (millions) ⁵	\$ 313	\$ 279	\$ 231	\$ 264	\$ 179
Change in total debt (millions)	\$ (133)	\$ (13)	\$ (2)	\$ (103)	\$(42)
Per cent breakdown of long-term debt					
Canadian dollar	92.7%	92.5%	92.8%	93.1%	93.9%
US dollar	7.3%	7.5%	7.2%	6.9%	6.1%
Weighted average coupon interest rate	4.2%	4.4%	4.4%	4.6%	4.6%
Canadian Dollar - March 31	0.776	0.752	0.771	0.7885	0.9047

¹ Certain comparative figures have been reclassified to conform to the current year's presentation

² Debt ratio = debt / (debt + equity), where debt = (long-term debt + short-term indebtedness - sinking funds receivable - cash)

³ Interest coverage ratio = operating earnings / interest expense

⁴ The Provincial Government restated its GDP growth rates for the past years

⁵ Capital expenditures are net of proceeds on disposal

CAPITAL MANAGEMENT

	IFRS				CGAAP
	2017/18	2016/17	2015/16	2014/15	2013/14
Long-term debt	\$4,407	\$4,427	\$4,524	\$4,605	\$4,567
Short-term debt	871	977	855	784	858
Deferred liability debt	-	-	-	-	-
Total debt	\$5,278	\$5,404	\$5,379	\$5,389	\$5,425
Sinking fund receivable	(\$505)	(\$503)	(\$464)	(\$471)	(\$404)
Cash	(6)	(1)	(2)	(3)	(3)
Total net debt	\$4,767	\$4,900	\$4,913	\$4,915	\$ 5,018
Retained earnings	\$470	\$447	\$420	\$408	\$ 252
Accumulated other comprehensive loss (income) (AOCI)	(132)	(127)	(213)	(72)	147
Total capital	\$5,105	\$5,220	\$5,120	\$5,251	\$ 5,417
Total Capital excluding AOCI	\$5,237	\$5,347	\$5,333	\$5,323	\$ 5,270
Percentage of net debt in capital structure	93%	94%	96%	94%	93%
Percentage of net debt in capital structure (excluding AOCI)	91%	92%	92%	92%	95%

Beginning in fiscal year 2014/15 the financial results are in accordance with IFRS. Previous years numbers are in accordance with Canadian GAAP.



GOVERNANCE

At NB Power, we have a strong commitment to best practices in governance on behalf of our Shareholder, customers and other stakeholders. NB Power reports to its Shareholder, the Government of New Brunswick, through the Minister of Energy and Resource Development. The Government's expectations are expressed through legislation, policies and a mandate letter.

NB Power's Board of Directors is responsible for directing the affairs of the Corporation consistent with the *Electricity Act*, which mandates that "the board of directors of the Corporation shall administer the business and affairs of the Corporation on a commercial basis, taking into consideration government policy". NB Power's governance model ensures that the Board acts as a governing/oversight body rather than a managing board.

As a result, the Board is responsible for setting and monitoring the strategic direction of the Corporation and providing oversight over its operations taking into consideration emerging risks and opportunities. The President and CEO, who is an ex-officio member of the Board, is responsible for the day-to-day leadership and management of the Corporation. This model provides NB Power's senior executives with the guidance and space to operate effectively, while ensuring that the Board is able to execute its core responsibilities.

Independence

The Lieutenant-Governor in Council appoints NB Power's Board members which is comprised of the President and CEO, who is a non-voting member, and not more than 14 independent directors.

The Shareholder requires NB Power to have an independent board of directors. All of NB Power's Board members, including the Chair, are independent of management. NB Power further ensures Board independence by including in-camera discussions by the board members without the management team being present at every board and committee meeting.

NB Power Board members are expected to conduct themselves with honesty and integrity throughout the course of performing their duties for the Corporation. On an annual basis, Board members signify compliance with NB Power's Code of Ethics by filing a Declaration and a Conflict of Interest Questionnaire. The NB Power Board regularly monitors potential conflicts of interest among Board members and works diligently to manage any conflicts that may arise and ensure transparency to the Shareholder and general public.

Committees

The Board establishes committees on an as-needed basis where it believes they add value in assisting the Board in the discharge of its duties. During fiscal 2017/18, NB Power had five committees focused on areas critical to the success of the Corporation.

Audit Committee

Barbara Trenholm (Chair), Judith Athaide, Ed Barrett (ex-officio), Alain Bossé, Paul McCoy, Vicki Wallace-Godbout

The Audit Committee assists the Board of Directors in overseeing

- the quality and integrity of the Corporation's financial statements
- the Corporation's compliance with legal and regulatory requirements
- the qualifications, independence and performance of the external auditor
- the qualifications, independence and performance of the internal auditor
- the Corporation's systems of disclosure controls and procedures, internal controls over financial reporting and compliance with ethical standards
- the Corporation's enterprise risk management program

Capital Investment and Planning Committee

Mark Reddemann (Chair), Judith Athaide, Ed Barrett (ex-officio), Alain Bossé, Andrew MacGillivray, Paul McCoy, Mike Wilson

The Capital Investment and Planning Committee assists the Board of Directors in establishing and maintaining appropriate board policies that guide the Corporation in respect to investment management decisions and business planning.

Nominating, Governance and Shareholder Relations Committee

Andrew MacGillivray (Chair), Ed Barrett, Alain Bossé, Barbara Trenholm

The Nominating, Governance and Shareholder Relations Committee assists the Board of Directors in establishing and maintaining an effective system of corporate governance, ensuring NB Power's communications with the Shareholder are consistent with expectations and delivered in a professional and timely manner and in maintaining a full slate of directors with the appropriate personal characteristics, experience and skill sets that provide for a mix of competencies on the Board.

Nuclear Oversight Committee

Michael Sellman (Chair), Judith Athaide, Ed Barrett (ex-officio), Chuck Firlotte, Mark Reddemann, Barbara Trenholm, Mike Wilson

The Nuclear Oversight Committee advises and assists the Board of Directors in developing and implementing long-term policies and strategies to ensure safe and efficient operation of the Point Lepreau Nuclear Generating Station. The Committee is responsible for monitoring nuclear performance, particularly with respect to safety and operations issues, and nuclear risk.

Safety, Human Resources and Environment Committee

Chuck Firlotte (Chair), Ed Barrett, Andrew MacGillivray, Paul McCoy, Michael Sellman, Vicki Wallace-Godbout

The Safety, Human Resources and Environment Committee assists the Board of Directors in providing advice and direction on safety and environmental issues and performance as well as on human resources and compensation issues.

Skills and Expertise

NB Power's Board of Directors is made up of individuals with expertise and experience in owning and managing businesses, starting new businesses, managing and operating nuclear stations, strategic planning, marketing and communications, accounting and finance and overseeing human resource, regulatory, and stakeholder relations. In addition, the majority of NB Power's Board members have acquired their ICD.D designation through the Directors Education Program, which was jointly developed by the Institute of Corporate Directors and the University of Toronto's Rotman School of Management.

NB Power's Board maintains a Skills Matrix as a tool to assist it in seeking the optimum mix of experience, competency and specific expertise as it chooses future Board candidates for recommendation to the Shareholder. The Nominating, Governance and Shareholder Relations Committee reviews the Skills Matrix on an annual basis and updates it as required.

Diversity

NB Power's Board highly values diversity and supports the appointment to the Board of diverse candidates who reflect New Brunswick's population demographic. The Board believes that candidate diversity, along with varied skills and experiences, contributes to a balanced and effective Board.

Continuous Improvement

NB Power Board members receive a comprehensive orientation, are encouraged to visit NB Power sites and attend external seminars to maintain or enhance their skills and/or to ensure their knowledge and understanding of NB Power's business remains current.

NB Power's Board conducts, on a recurring basis, an evaluation of board and director effectiveness. The Board uses insights gained through these assessments to make improvements to board process and structure and to facilitate individual director development.

Board of Directors

Effective
March 31, 2018



Ed Barrett
Chairman



Gaëtan Thomas
(ex-officio)



Judith Athaide



Alain Bossé



Chuck Firlotte



Andrew MacGillivray



Paul McCoy



Mark Reddemann



Michael Sellman



Barbara Trenholm



Vicki Wallace-Godbout



Mike Wilson

Executive

Effective
March 31, 2018



Gaëtan Thomas
President & CEO



Lori Clark
Senior Vice President
Operations



Keith Cronkhite
Senior Vice President
Business Development &
Strategic Planning



Darren Murphy
Chief Financial Officer &
Senior Vice President
Corporate Services



Brett Plummer
Vice President
Nuclear &
Chief Nuclear Officer



Wanda Harrison
Chief Legal Officer



Sherry Thomson
Chief Human Resources
Officer



Tony O'Hara
Chief Technology
Officer &
Vice President
Engineering

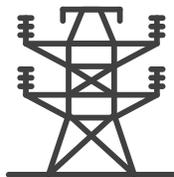


Lynn Arsenault
Vice President,
Customer Service

Amount of Lines



21,215 km
Distribution Lines



6,900 km
Transmission Lines

Exporting and Importing Capacity



2,328 MW
Export Capacity



2,378 MW
Import Capacity

Number of Customers



358,238
Direct Customers

45,230
Indirect Customers

403,468
Total Customers

POWERING NEW BRUNSWICK



Thermal

1,439 MW



Hydro

889 MW



Nuclear

660 MW



Combustion Turbine

525 MW



Wind

294 MW



Terminal



Interconnection



345 kV Lines



230 kV Lines



138 kV Lines

Net generating capacity

Thermal

Coleson Cove	972 MW
Belledune	467 MW
Total Thermal	1,439 MW

Hydro

Mactaquac	668 MW
Beechwood	112 MW
Grand Falls	66 MW
Tobique	20 MW
Nepisiguit Falls	11 MW
Sisson	9 MW
Milltown	3 MW
Total Hydro	889 MW

Nuclear

Point Lepreau	660 MW
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Combustion Turbine

Millbank	397 MW
Ste.-Rose	99 MW
Grand Manan	29 MW
Total Combustion Turbine	525 MW

Total Generating Capacity

Thermal	1,439 MW
Hydro	889 MW
Nuclear	660 MW
Cumbustion Turbine	525 MW
Total Generating Capacity	3,513 MW

Power Purchase Agreements (PPAs)

Kent Hills (Wind)	150 MW*
Caribou Mountain (Wind)	99 MW*
Lamèque (Wind)	45 MW*
Bayside (Natural Gas)	277 MW
Grandview (Natural Gas)	95 MW
Twin Rivers (Biomass)	39 MW
St George (Hydro)	15 MW
Edmunston Hydro	9 MW*
Other Renewable	7 MW*
Total	736 MW

*Nameplate Capacity: This capacity may not be fully available during times of peak demand



This annual report is also available
in French and on our website
www.nbpower.com

Ce rapport est également publié
en français sur notre site Web
www.energie.com

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NEW BRUNSWICK
POWER CORPORATION

