



Énergie NB Power



ANNUAL REPORT
2016/17





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SUBMISSION LETTER

July 2017

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, 2017 in compliance with Section 42 of the *Electricity Act*.

Ed Barrett
Chairman, Board of Directors



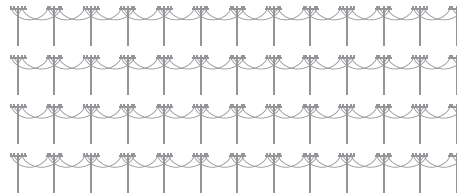
ABOUT NB POWER

As of March 31, 2017

NUMBER OF LINES

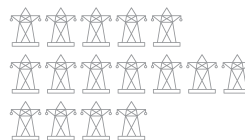
21,121 km

Distribution Lines



6,865 km

Transmission Lines



EXPORTING AND IMPORTING CAPACITY



2,385 MW

Export Capacity

2,248 MW

Import Capacity

NUMBER OF CUSTOMERS

45,248

Indirect Customers

355,918

Direct Customers

401,166

Total Customers

HOW WE POWER NEW BRUNSWICK

NB Power has developed one of the most diverse generation fleets in North America to meet the unique daily and seasonal power needs of New Brunswickers.

As a “winter-peaking” province, we see big swings in energy usage between summer and winter. An average summer day might see a peak system load of 1,500 MW being required to meet the demand, while a very cold January day might see this usage peak at near 3,000 MW. This huge swing in demand requires us to keep generation on standby to ensure New Brunswickers always have the power they need.

We have a combined total generating capacity of 3,513 MW plus additional installed capacity of 294 MW of wind and 441 MW of other capacity provided by third parties through power purchase agreements (PPAs). We also import electricity from Québec or New England when electricity markets are favourable.

Our ability to buy and sell electricity through the New Brunswick Energy Marketing Corporation at

favourable prices helps keep rates low and stable for in-province customers.

Most days, New Brunswickers receive their power from a combination of generation sources. This can include nuclear from Point Lepreau, thermal at Belledune, hydro from seven dams, wind, natural gas and imports from New England and/or Québec.

As days get colder, additional capacity can augment the system from our oil-fired plant at Coleson Cove.

We deliver safe, reliable and reasonably-priced energy to over 400,000 customers by way of 21,121 km of distribution lines, substations, terminals and switch-yards that are interconnected by over 6,865 km of transmission lines ranging in voltage from 69 kV to 345 kV.



NB Power provides valuable customer services through its customer interaction centres, business and residential customer advisors and field operations resources. It's also responsible for the development and implementation of Transmission and Distribution Asset Management strategies, System Planning, Protection and Control, Design Engineering, Information Technology, and the Corporate Project Management Office.

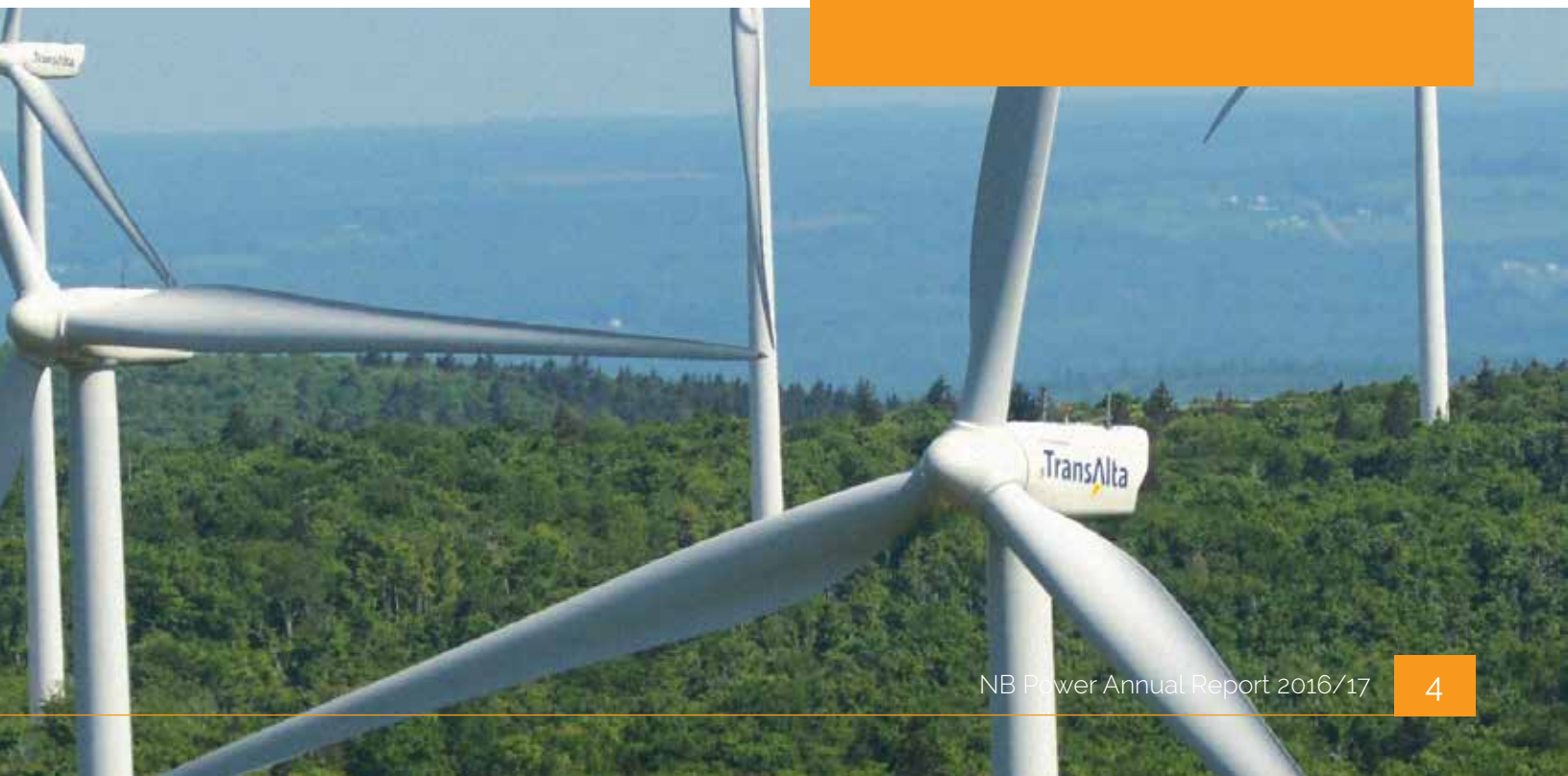
Business Development and Strategic Planning focuses on developing products and initiatives that align with our goals of reducing and shifting energy demand throughout the day to keep rates low and stable for New Brunswickers. They also focus on Strategic Planning, corporate businesses initiatives and developing new business opportunities and partnerships with neighboring jurisdictions to take advantage of new energy market opportunities.

The nuclear side of our business operates and maintains a CANDU-6 - 710 MW (gross capacity) reactor at the Point Lepreau Nuclear Generating Station (PLNGS). The Station provides approximately 30 per cent of New Brunswick's electrical energy requirements. It also sells five per cent of its energy production to Maritime Electric Company Limited.

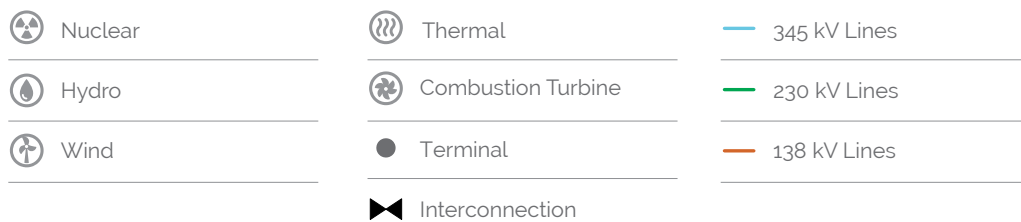
Corporate Services provides strategic direction, communications, finance, accounting, internal audit, human resources, environmental, compliance, legal, and supply chain support to the rest of the corporation.

NB Power also has one wholly-owned subsidiary known as New Brunswick Energy Marketing Corporation. New Brunswick Energy Marketing Corporation, a Crown Corporation, conducts energy trading activities in markets outside New Brunswick, both to purchase electricity to serve load in New Brunswick and to serve standard offer service outside New Brunswick, and to market excess energy generated in New Brunswick to other jurisdictions.

In the past year, NB Power made progress toward modernizing our power grid to be smarter and stronger in the decades to come. We are working toward a cleaner energy future by developing more locally-based renewable energy sources, and using technology to integrate more clean power on the grid. We are well on our way to achieve our goal of 40 per cent renewables for in-province energy demand by 2020.



System Map



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
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
Combustion 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	6 MW*
Total	738 MW

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

Message from the Chairman

“

On behalf of the Board
of Directors, I am pleased
to present New Brunswick
Power Corporation's 2016/17
Annual Report.

Ed Barrett,
Chairman, Board of Directors

”



Despite some challenges during the year, NB Power's financial and operating results demonstrate progress toward our goal of transforming NB Power. We are pleased that NB Power recorded \$27 million of net earnings for the province this past year; however, we realize the utility fell short of its yearly targets largely as a result of uncontrollable events.

The most significant uncontrollable event this past year occurred in January when the province was hit with an historic ice storm that, at its peak, knocked out power to more than 133,000 New Brunswickers. This storm cost NB Power nearly \$30 million and resulted in unprecedented damage to the utility's infrastructure.

The Board extends its deepest gratitude to the men and women of NB Power who worked in hazardous conditions to safely restore power to its customers. We are also extremely grateful for the support and spirit of cooperation shown by NB Power's industry partners from neighbouring jurisdictions, local municipal leaders, the Emergency Measures Organization and the Government of New Brunswick. Most importantly, we are grateful to NB Power's customers for their patience and understanding.

We know that NB Power must continue to challenge itself to do better as uncontrollable events such as severe storms are happening more frequently. One such way the utility is doing this is by modernizing the province's energy infrastructure.

The challenges of this past year remind us of the impact of NB Power on New Brunswick's economy. As we look to the year ahead, this is what drives us to take steps to keep rates as low as possible.

During the past year, NB Power made good progress in building a smarter, more efficient power grid that will allow

it to operate more efficiently, respond to outages more quickly, seamlessly connect with cleaner energy sources, and avoid the need to build new power plants.

Another important achievement for the year was the selection of a preferred option for the future of the Mactaquac Generating Station following an extensive, comprehensive review process. In December, we were pleased to recommend a project to achieve Mactaquac's intended 100-year lifespan and address ongoing challenges with concrete expansion at the station.

From a governance perspective, this year the Board established the position of Director of Internal Audit and Enterprise Risk Management. This Director will report functionally to the Audit Committee and is tasked with providing assurances to the Board of the effectiveness of the controls established to promote sound governance and manage risks.

As a Board, we are focused on the need to develop and execute a strategy to meet growing expectations related to mitigating climate change impacts. We are also committed to laying out a challenging vision for NB Power employees including the pursuit of the export market.

We will ensure NB Power operates efficiently while maintaining high standards of reliability, safety and customer service that customers expect and deserve.

Message from the President and CEO

“

It is often said that with every challenge comes opportunity. For NB Power, 2016/17 was a year marked with both challenge and opportunity.

Gaëtan Thomas,
President and CEO, NB Power

”



The biggest challenge of 2016/17 for NB Power and for people all across New Brunswick was the January 2017 historic ice storm, which impacted one third of our customers. In my 35 years in this industry, I have never seen a more devastating storm.

We must first thank our customers for their understanding and patience during this most challenging of times. In spite of the devastation, it was also a remarkable opportunity to witness New Brunswickers at their best with local communities and volunteers stepping up to help one another. We also saw representatives of all levels of government working together to support us and our customers.

Our crews worked shoulder-to-shoulder with partner agencies and neighbouring utilities for nearly two weeks to safely repair infrastructure and reconnect customers in extreme conditions. We completely rebuilt more than 52 km of distribution lines and replaced over 600 poles in treacherous cold winter conditions.

Across the province, we are seeing more of these severe weather events and as a utility we know that we need to continue to challenge ourselves to improve. As we have done with all recent severe weather events, we assessed our performance during this storm and we have begun to implement change in order to improve our customer service going forward.

As a result of this unprecedented ice storm, our financial results fell short of our original targets; however, we did achieve \$27 million in net earnings for the year ending March 31, 2017 and we decreased our net debt by \$13 million.

Our financial results were supported by our ongoing efforts to pursue internal savings through continuous improvement work. These efforts resulted in more than \$27 million in annualized savings during the year.

We are beginning to realize benefits from our increased investment at the Point Lepreau Nuclear Generating Station.

In 2016/17, the Station achieved its best operating performance since refurbishment.

After a comprehensive three-year review, we recommended a project to achieve the Mactaquac Generating Station's intended 100-year lifespan. We also began the process of exploring opportunities for more clean energy capacity at the Grand Falls Generating Station.

We are also helping our customers save energy and money at home through rebates on energy efficiency products, programs and services with more than \$17 million invested in these programs.

Before closing, I would like to congratulate all employees on a major achievement of 2016/17: NB Power was nationally recognized by Workplace Safety & Prevention Services as having the best psychological safety program in Canada as well as demonstrating the best overall health and safety culture. This earned us the title of Canada's Safest Employer.

The award reflects employees' dedication to going above and beyond the safety standards, adopting our 'We Don't Need a Better Hard Hat' strategy and adhering to our Shared Safety Commitment signed by NB Power and IBEW.

As we look forward to 2017/18, we will continue to find opportunities to increase our focus on safety, our customers and our ability to contribute to the financial viability of the province through reliable and environmentally sustainable operations.

BOARD OF DIRECTORS

Effective March 31, 2017

The Board of Directors is responsible for administering the business and affairs of the corporation on a commercial basis taking into consideration government policy. The President and Chief Executive Officer reports to the Board of Directors and, subject to the Board's direction, is charged with the general direction, supervision and control of the business of the Corporation.

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 2016/17, NB Power had five committees.

The **Audit Committee** is mandated to assist the Board in meeting its responsibilities with respect to financial reporting, internal control and risk management. The committee interacts directly with the internal and external auditors. Chair: Barbara Trenholm.

The **Capital Investment and Planning Committee** assists the Board in establishing and maintaining appropriate board policies that guide the company in respect to investment management decisions and business planning. Chair: Mark Reddemann.

The **Safety, Human Resources and Environment Committee** assist the Board of Directors in providing advice and direction on safety and environmental issues and performance as well as on human resource and compensation issues. Chair: Charles Firlotte.

The **Nominating, Governance and Shareholder Relations Committee** assists the Board 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. Chair: Andrew MacGillivray.

The **Nuclear Oversight Committee** is responsible for monitoring nuclear performance, particularly with respect to safety and operations issues, and nuclear risk. Chair: Michael Sellman.

Public Interest Disclosure Act (Whistleblower Protection)

In 2008, the Government of New Brunswick enacted the Public Interest Disclosure Act, which encourages employees in the public service to come forward if they believe that wrongdoing has occurred or is about to occur in the workplace. The Act protects against reprisal and provides a fair and objective process for those accused of wrongdoing. The Public Interest Disclosure Act is intended to apply to significant and serious wrongdoing in the New Brunswick public service that is potentially unlawful, dangerous to the public or injurious to the public interest. During 2016/17, NB Power's designated officer did not receive any disclosures as defined under the Act.



EDWARD BARRETT
CHAIRMAN



JUDITH ATHAIDE



ALAIN BOSSÉ



CHARLES FIRLOTTE



ANDREW
MACGILLIVRAY



PAUL MCCOY



MARK REDDEMANN



MICHAEL SELLMAN



BARBARA TRENHOLM



VICKI
WALLACE-GOUBOUT



MIKE WILSON



GAËTAN THOMAS

EXECUTIVE

Effective March 31, 2017



GAËTAN THOMAS
President & CEO



LORI CLARK
Senior Vice President
Generation, Transmission
& Distribution 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



LYNN ARSENAULT
Vice President,
Customer Service



TONY O'HARA
Chief Technology Officer
& Vice President of
Engineering



SHERRY THOMSON
Chief Human
Resources Officer



Report on Performance

NB Power continues to progress three key strategies which support our overall mandate provided by our shareholder, the Province of New Brunswick. In addition to our primary purpose, which is to provide safe and reliable services to customers, our mandate also includes: supporting economic development, exploring regional cooperation and protecting the environment, all to sustain value to the Province of New Brunswick.

Strategic Objectives

In support of our mission to Be Our Customers' Partner of Choice, NB Power's Board and management use these three key strategies as a foundation for determining our focused initiatives for the year.

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

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.

Become among the best at what we do

During fiscal 2016/17, NB Power made progress in a number of areas.

NB Power remains committed to providing value to customers by striving for excellence. This means excelling in safety, customer service, financial value, reliability and environment.

To strengthen our efforts on achieving excellence, NB Power established an overall Excellence Framework. While still in the early stages of implementation, this work builds on our existing government mandate, our three strategic objectives and other regulatory commitments. Our areas of excellence are identified as Safety, Customer, Organizational, Reliability and Environmental. In each excellence area, we are focused on establishing the goals, initiatives, processes and measures required to achieve and sustain excellence based on relevant internal or (where applicable) external industry-based comparisons. This framework is intended to improve our ability to deliver on our commitments through better alignment, focus and execution.

HIGHLIGHTS FROM 2016/17 INCLUDE:

SAFETY

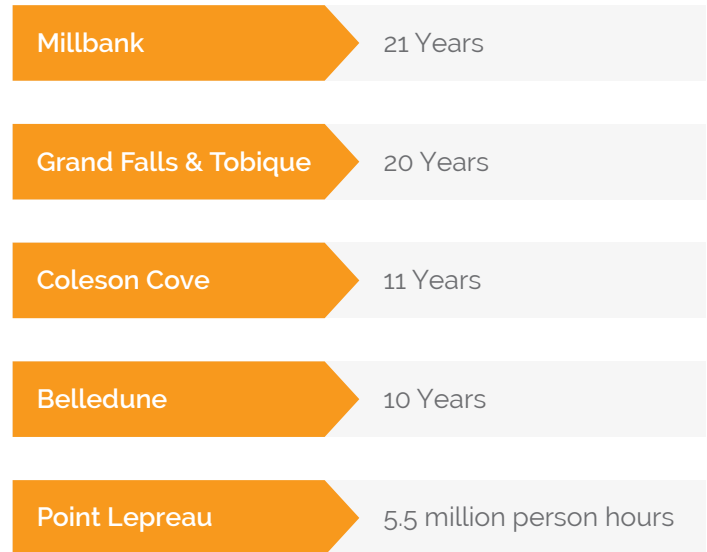
This year NB Power returned to top-quartile performance in All Injury Frequency Rate and improved performance in Lost Time Injury and Severity Rate. These achievements are the result of our unwavering commitment to safety, which is shared by our labour partner, International Brotherhood of Electrical Workers (IBEW) Local 37.

NB Power received Canada's Best Health and Safety Culture Award and Canada's Best Psychological Safety Award by the Canadian Occupational Safety magazine, a publication of Thomson Reuters. These awards were presented in Toronto at the Canada's Safest Employers awards gala in October 2016.

Canada's Safest Employers awards recognize companies from all across Canada with outstanding accomplishments in promoting the health and safety of their workers. The award boasts 10 industry-specific categories and companies are judged on a wide range of occupational health and safety elements. The awards portfolio also includes a Wellness Award, Psychological Safety Award, Young Worker Safety Award and the top prize of them all, Canada's Best Health + Safety Culture Award.



Milestones achieved in 2016/17 for no lost-time accidents:



NB Power also recognizes the need to achieve and promote nuclear safety excellence. We regularly monitor and report to the Canadian Nuclear Safety Commission on all aspects of nuclear safety; including assessments of our overall safety culture to ensure we continue to protect our employees and the public.

For our customers, NB Power continued to promote safety through awareness campaigns on the potential electrical hazards in the following areas:

- Staying safe during severe weather events
- Safe usage of generators
- Tree safety
- Hydro safety
- Contractor focused safety practices for working around power lines

Public contact incidents this past year were more than 50 per cent lower than the previous year.

RELIABILITY

In 2016/17, NB Power continued to invest in reliability. This included continued investments in the Point Lepreau Nuclear Generating Station (PLNGS) in pursuit of becoming a top-performing nuclear plant in Canada and among the best in the world. Point Lepreau is a critical asset

to ensure the overall supply and reliability of electricity for our customers. Additional investments have begun to demonstrate results as PLNGS achieved its highest annual capacity factor rate (79 per cent) since returning to service following refurbishment in 2012.

We continued to invest in the reliability of our infrastructure to minimize unplanned outages due to storms or equipment issues. The number of vegetation-related customer interruptions to the end of the third quarter compared to the same period in 2015 was down by 20 per cent demonstrating the strategies implemented around distribution vegetation are having a positive impact on reliability performance. Results for the fourth quarter were impacted by the significant ice storm in January 2017.

The ice storm in January 2017 caused outages for more than 133,000 customers at its peak. The Eastern and Northern areas of the province were the hardest hit. NB Power safely responded to all outages with support from neighboring contractors and utilities. Response efforts tested our overall Emergency Response Plans in coordination with the New Brunswick Emergency Measures Organization (NBEMO) and various Federal and Provincial Government agencies. We recognize the need for continuous improvement, knowing storms of this nature are extremely challenging for our customers. Lessons learned have been reviewed and improvement actions have been incorporated into 2017/18 initiatives.

Our capital investment program is focused on projects that support safety and regulatory compliance, asset reliability and asset optimization. Planned maintenance outages were conducted throughout our generation,

transmission, distribution and nuclear facilities to ensure safe and reliable energy. Outages focused on equipment upgrades, and regular and preventative maintenance activities.

ENVIRONMENTAL

In 2016/17 NB Power continued to demonstrate our commitment to protecting the environment and providing sustainable energy solutions. Our focus is aimed at meeting growing expectations related to mitigating climate change impacts and conducting all business operations in a manner that respects and protects the environment.

NB Power achieved 36 per cent of its in-province electricity from renewables and a total of 69 per cent from non-emitting sources of generation. We continue to explore renewable based options through our Community Energy Program and First Nation Renewable Energy programs launched last year. This program ensures broader inclusion and participation of diverse organizations in the energy sector and is intended to create business opportunities, jobs and expertise.

NB Power staff, in collaboration with the Department of Environment, successfully responded to environmental impacts which occurred during Ice Storm 2017.

Following significant consultation and research, NB Power is recommending a project to ensure the Mactaquac Generating Station can operate to its intended 100-year lifespan with a modified approach to maintenance and adjusting and replacing equipment over time. This recommendation follows three years of expert research, including input from science, engineers, the public and First Nations. This approach will meet all safety and environmental requirements. It will allow NB Power to take into account changes in cost, technology and electricity demand while ensuring a steady supply of clean, renewable power.



Reduce our debt so we can invest in the future

NB Power has a legislative obligation, as part of the *Electricity Act*, to reduce debt and achieve a minimum debt/equity capital structure of 80 per cent debt and 20 per cent equity (80/20). This reduction in debt will represent a significant improvement to NB Power's capital structure and better align with other top performing crown-owned utilities. Through this debt reduction, NB Power will reduce its risk to rising interest rates and help ensure there is financial flexibility to make necessary investment decisions in the future.

NB Power remains committed to meeting our financial commitments including debt reduction targets through sustained positive earnings and increasing its operating cash flow, effectively managing its capital spending and sustained cost reductions and small stable rate increases. NB Power recognizes that improving our financial health supports the overall prosperity of New Brunswick.

NB Power worked on a number of important initiatives this year aimed at improving its financial health.

NB Power began regional cooperation work with neighbouring utilities to improve services to customers and reduce costs. This work involves exploring best practices within utilities to streamline processes, pursue joint benefits and realize better value for customers. Areas of focus include: Customer Care, Strategic Procurement, System Operator, Asset Management and Service Delivery.

NB Power exceeded its continuous improvement savings targets; achieving \$27.2 million. These projects are focused on eliminating waste within processes or making enhancements to realize new revenue benefits. The benefits are realized in the current year or in future years depending on the timing of implementation of the project. Money saved is used to pay down debt and to fund other initiatives needed to improve our business and serve our customers.

NB Power continues to leverage our geographic location by pursuing opportunities with Quebec, Maine and other Atlantic provinces. This includes securing contracts of export energy. This focus supports our work to keep rates as low as possible for our customers by generating increased revenue opportunities.

NB Power's net debt as at March 31, 2017 was \$4,900 million. This is a reduction of \$13 million from 2015/16. Although we continue to make progress, we recognize significant work is left to be done to achieve our debt reduction objectives.

More detailed financial information can be found in the Liquidity and Capital Resources, and Capital Management sections of the Management Discussion and Analysis.

Reduce and shift electricity demand

The Reduce and Shift Demand (RASD) program supports our long-term energy need projections which are outlined in our Integrated Resource Plan (IRP). The IRP outlines our energy needs for the next 25 years. Current projections reflect a need to address supply and demand issues within this time frame. Emerging technology and environmental factors are also introducing significant changes to the energy industry and marketplace. This strategy and its associated initiatives are intended to help guide NB Power through this industry evolution and secure sustainable energy services for our customers.

In partnership with Siemens Canada, NB Power continues to modernize our infrastructure and processes in order to meet the current and emerging energy needs. Focus areas in 2016/17 included:

PROGRESSION OF OUR ENERGY EFFICIENCY PROGRAMS AND CAMPAIGNS

This year NB Power achieved an energy reduction of 39 GWh and a Peak Reduction of 5.4 MW through various efficiency and Smart Habits programs such as Heat Pump Rebates, Smart Water Heater and Smart Thermostat programs. This will save our customers more than \$45 million over the lifetime of the energy saving measures installed. NB Power also doubled its participation in our Commercial Energy Smart Retrofit program. All of these programs are aimed at reducing and eliminating our long-term projected energy gap and providing energy savings for customers.

INTRODUCTION OF THE HOME ENERGY REPORT

Building on best practices from other utilities, the home energy report is a tool used by many energy providers and utilities to educate customers on their energy usage. This tool provides customers with information on their usage habits, allowing people to make better decisions on where they can make reductions and save money on their power bill. While still in the early stages of implementation, NB Power expects to leverage this tool for customers as a primary information tool, as we continue to offer new efficiency related products and services.

2016/17 marked the mid-point of our current 10-year partnership with Siemens Canada. A number of significant projects such as Advanced Metering Infrastructure and the introduction of new products and services are planned for 2017-18.

SMART HABITS REBATES

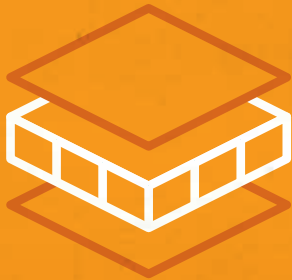
In-store savings every April and October on energy efficient products

13.5 GWh
13.5 million kWh/year



HOMES UPGRADED

Through targeted air sealing and insulation upgrades



497

1.5 GWh
net energy savings/year*



LED bulbs
857,178

water-efficient showerheads

342



Smart Strip Power Bars
268



Programmable Thermostats
5,541

DUCTLESS HEAT PUMPS INSTALLED

7,317 **7.2 GWh**
saved**



COMMERCIAL BUILDINGS RETRO FIT Program



52 completed projects
(48 buildings)

6.2 GWh
for electricity

LED STREET LIGHTS Program

over
12,500
LED street lights installed

4.9 GWh



HOME ENERGY REPORT



a personalized energy tool for customers to understand energy use, get personalized insights and energy-saving tips

125,000

NB Power customers received the Home Energy Report

LOW INCOME ENERGY SAVINGS Program ***

263 low income homes received energy efficiency upgrades and/or products

.87 GWh total net electricity savings (198 homes)



NET TOTAL SAVINGS

This is the equivalent of taking nearly **1,800 passenger vehicles** off the road each year.

34.3 GWh

*From 304 electrically heated homes

**With .5 net to gross ratio

***Program funded 100 per cent by Social Development and the Government of New Brunswick, administered by NB Power



Our Commitment to Sustainable Energy

NB Power is committed to a vision of sustainable energy for future generations. Defined as reasonably priced, socially responsible and environmentally friendly, this vision is driven by our corporate strategic objectives. These strategic objectives enable NB Power to provide value to the province of New Brunswick and its customers while positioning itself as a North American leader in innovation in our industry.

NB Power is a member of the Canadian Electricity Association (CEA) and actively participates in the Sustainable Electricity Program. Sustainable Electricity is an industry-wide sustainability initiative developed and implemented by the electric utility members of the CEA. The Sustainable Electricity Program - as shaped by the CEA, is organized around the following pillars: Low-Carbon Future, Risk Management Systems, Building Relationships, Business Innovation and Infrastructure.

In alignment with the pillars defined by the Sustainable Electricity Program, NB Power is committed to a holistic approach to sustainability, taking into consideration:



Caring for the environment using a managed, risk-based process that avoids or minimizes impacts on the environment.



Communicating and engaging with stakeholders and partners in an open and transparent manner for all proposed and established operations and activities.



Providing economic benefits to our shareholder and the citizens of the province.

CARING FOR THE ENVIRONMENT

HELPING SALMON ON THE ST. JOHN RIVER

NB Power is working to improve survival rates of wild Atlantic salmon and other fish species on the Saint John River watershed with new facilities at Trouser Lake and the installation of downstream fish passage at the Tobique Generating Station during the fall of 2016 and spring of 2017.

The \$9 million project is a joint effort between NB Power, the federal Department of Fisheries and Oceans, local conservation groups and First Nations. It is part of a larger plan aimed at improving the protection of fish and fish habitat near NB Power hydro facilities on the Saint John River watershed.

ENVIRONMENTAL, RISK MANAGEMENT SYSTEMS

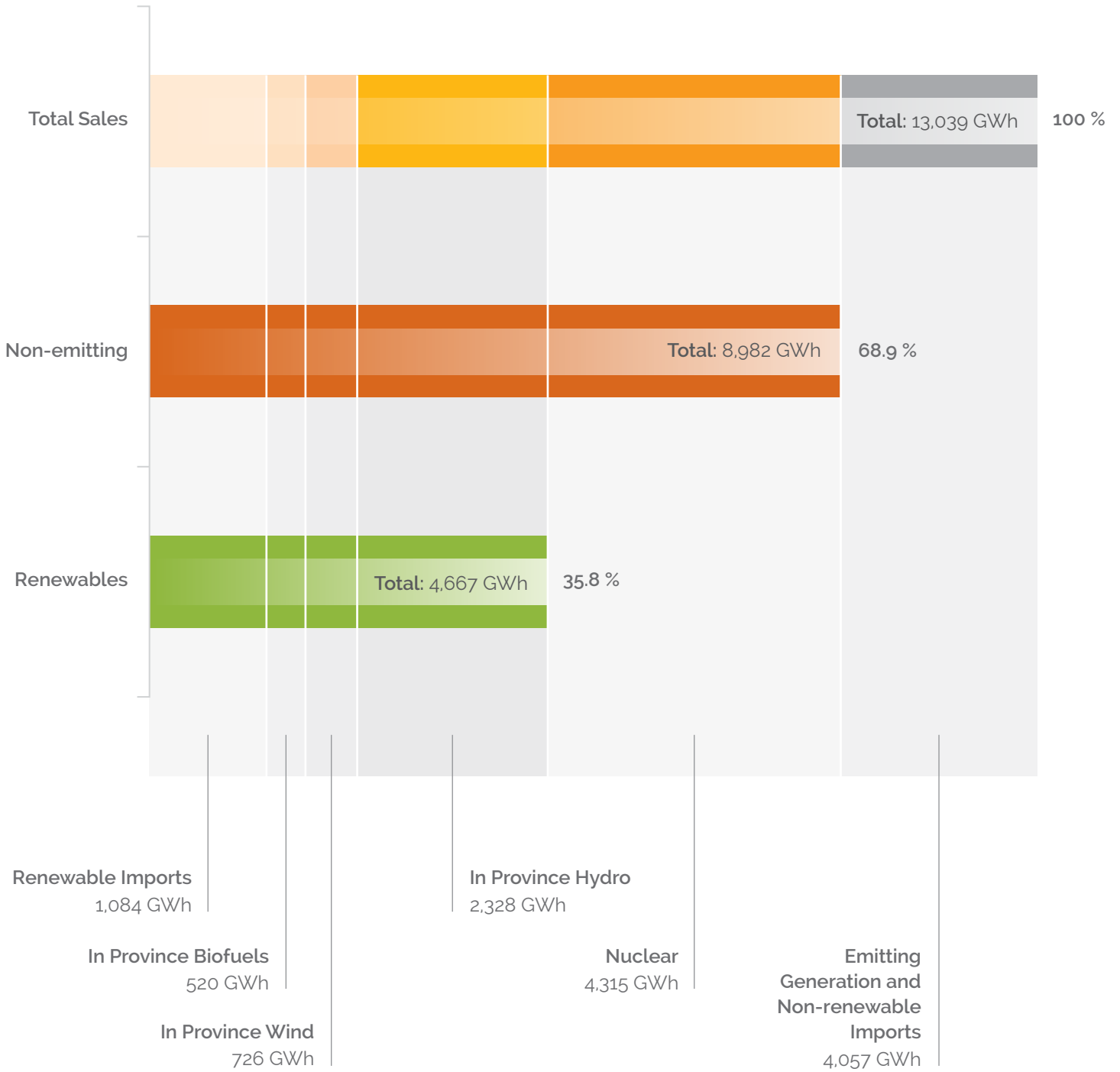
At NB Power, caring for the environment is integrated into long-term decision making and daily activities through the existing environmental management systems, balancing generating needs with environmental impact and interest groups' concerns, and reducing internal energy use.

Environmental risks are managed by following ISO 14001-2004 environmental management systems. These systems, once implemented at the facility or business level, are transitioning to additionally include and align with a single, corporate environmental management system (EMS). In 2016/17 the new version of the ISO 14001 standard was reviewed, assessed and new roles and responsibilities documented in order to ensure effective implementation and maintenance of the EMS.

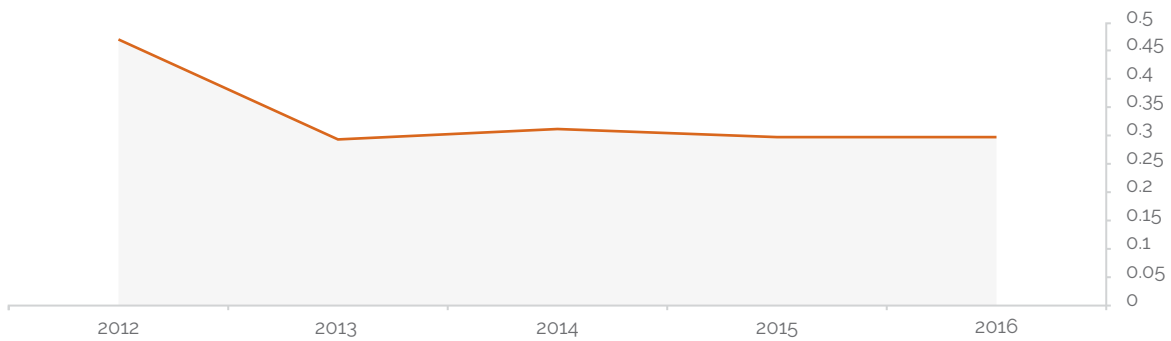
INTERNAL ENERGY EFFICIENCY

In 2016/17, NB Power staff identified and implemented 10 energy saving opportunities at Belledune Generating Station resulting in a .72 MW reduction of station service, in addition to piloting an internal "green team" concept. An energy management program model was also developed, to be used in efforts going forward at NB Power to achieve further energy savings.

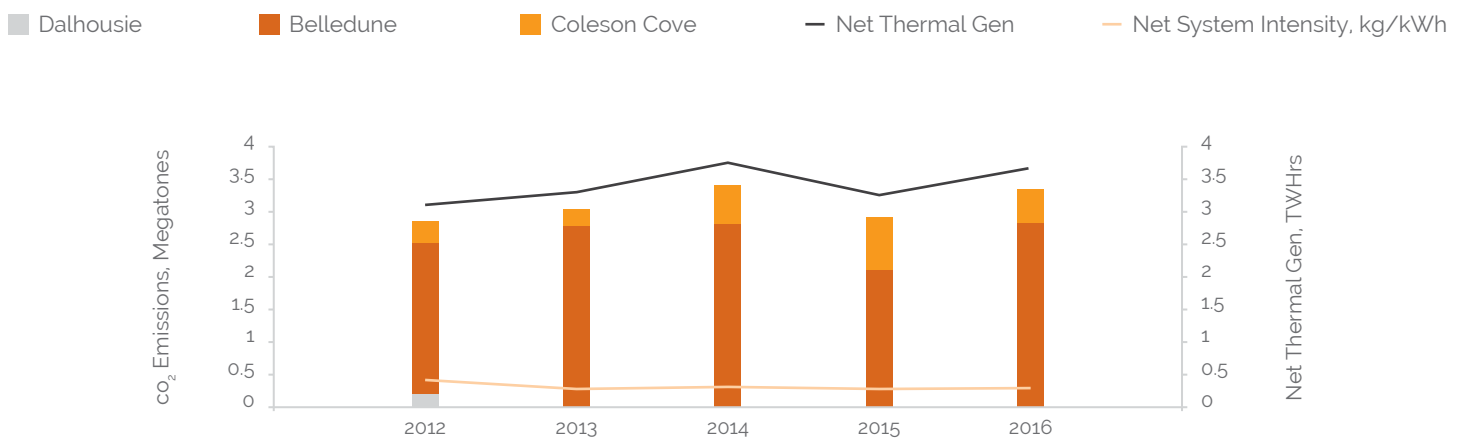
NB POWER GENERATION MIX CHART 2016/17



NB POWER GENERATION – CARBON DIOXIDE NET SYSTEM INTENSITY RATES 2012 – 2016
 (Based on Mass Calculations) in kilograms/kWh



NB POWER GENERATION - CARBON DIOXIDE EMISSIONS 2012-2016
 (Based on Mass Balance Calculations)



CARBON DIOXIDE EMISSIONS

In 2016, the total annual carbon equivalent emissions from operations were 3.31 megatonnes. This represents an increase of 13 per cent when compared to 2015. Net thermal generation was 3.64 terawatt hours. Emissions were higher as result of a 30 per cent increase in emissions from Belledune Generating Station when compared to the previous year.

FACTORS CONTRIBUTING TO PERFORMANCE

Emission rates vary due to several factors including fuel utilization and blend, boiler condition, operating load, and hours of operation. The availability of hydro and nuclear generation influences the capacity factor of fossil-fired units on an annual basis.

The emission intensity rates vary during operation of the fossil-fired generating stations. During times of electricity purchases and / or decreased energy demand, lower operating loads can result in less-efficient generation from fossil-fired stations. This is a function of the physical nature of the boilers and the thermodynamics under which they operate.



COMMUNICATING AND ENGAGING WITH STAKEHOLDERS AND PARTNERS

BUILDING RELATIONSHIPS

NB Power is committed to communicating and engaging with our customers, stakeholders and partners.

The 2016/17 fiscal year saw continued communication and engagement through social media, public consultations, engagement and public events. Work continued with community liaison committees at the following generating stations: Dalhousie, Belledune, Point Lepreau, Coleson Cove, and Mactaquac. These committees include a cross section of individuals and are an important two-way dialogue with community members that allow NB Power to communicate initiatives and address issues of concern.



MACTAQUAC PUBLIC ENGAGEMENT

In late 2016, NB Power made a recommendation on the future of the Mactaquac Generating Station after an extensive public engagement seeking New Brunswickers' input. Between September 2015 and May 2016, more than 7,000 New Brunswickers directly engaged online and more than 3,000 directly shared their views in a series of community meetings, at presentations or via an online survey. NB Power's recommendation to achieve the original lifespan of the station follows a fact-based decision process, informed by experts along with the many thousands of customers, First Nations and stakeholders who took part in the public engagement and consultation process.

NB Power's expert research and public engagement resulted in a number of detailed reports containing information that will form the foundation of NB Power's regulatory applications.



POINT LEPREAU RELICENSING RENEWAL

The process to renew the Power Reactor Operating Licence for the Point Lepreau Nuclear Generating Station got underway in 2016/17. To engage the public about this regulatory process, NB Power hosted public information sessions in Dipper Harbour, Saint John and St. George.

In addition to hosting information sessions and public hearings as part of the relicensing process for Point Lepreau Nuclear Generating Station, NB Power also participated in approximately 100 community events throughout the year and began public engagement to identify shared priorities about clean energy, affordability, and customer options to support its 2017 Integrated Resource Plan.

ABORIGINAL ENGAGEMENT

NB Power's relationship with First Nations is based on supporting the pillars of engagement, education and employment. In 2016/17, NB Power continued regular engagement with representatives from Maliseet and Mi'kmaq First Nations and began discussions regarding formalizing agreements with both groups to address engagement, consultation and capacity funding. Additionally, NB Power has been working with the University of New Brunswick, the College of Extended Learning and the Mi'kmaq-Wolastoqey Centre to develop an online cultural awareness course.

NB Power continues to support various education initiatives for communities, agencies and educational institutions. In addition, one aboriginal participant was sponsored for a national three-week program focused on building leadership skills for clean community energy projects.

Work has also continued with First Nations organizations and agencies to provide direct and indirect employment opportunities. Two projects, in close proximity to First Nations' communities, resulted in over 40 per cent participation.



PROVIDING ECONOMIC BENEFITS

NB Power is committed to evolving as our customers' service provider of choice by offering rebates and programs to help our residential and commercial customers reduce their energy consumption, while diversifying our product and service offerings. NB Power continues to realize results from energy-efficiency investments. Thanks to energy efficiency programs and rebates, customers are realizing a net annual energy savings of 34,300,000 kWh.

NB Power's annual Smart Habits rebates helped customers save on energy-efficient LED bulbs, programmable thermostats, smart-strip power bars, low-flow showerheads and LED fixtures

The campaigns resulted in an estimated net energy savings of 13.5 million kilowatt hours (kWh) annually. This is the equivalent of taking 831 cars off the road each year.

In May 2016, NB Power's Smart Habits campaign was named a double winner in Natural Resources Canada's ENERGY STAR® awards which honour organizations that demonstrate excellence in offering Canadian consumers the most energy-efficient products and technology available on the market.

NB Power was named a winner in promotional campaign of the year and campaign of the year - social media categories, two of 14 ENERGY STAR® Market Transformation Awards for advancing energy efficiency in Canada.



NB Power provided incentives of \$3.7 million to customers for approximately 7,400 energy-saving heat pumps in 2016/17. NB Power moved the rebate to its Home Insulation Energy Savings Program on October 1, 2016 to drive even greater efficiency savings in New Brunswick homes. Homeowners who do one major insulation upgrade through the Home Insulation Energy Savings Program can receive a \$500 heat pump bonus on eligible

heat pump models purchased from one of NB Power's approved heat pump contractors. The standalone rebate ended on September 30, 2016.

ELECTRIC VEHICLES

NB Power is proud to support the electrification of transportation in New Brunswick by developing a public electric vehicle (EV) charging network, a foundation piece of our long-term EV strategy. In 2016/17, NB Power partnered with a leading Canadian charger manufacturer to establish the "eCharge Network." By working with municipalities, businesses and institutions, NB Power aims to establish a comprehensive network offering level 2 (240-V) charging across the province.

Additionally, in 2016/17 NB Power was successful in its funding application to receive financial help from Natural Resources Canada to establish a corridor of 10 direct current fast chargers along the TransCanada highway. These 480-V fast chargers enable all-electric vehicles to recharge to approximately 80 per cent in as little as 20-30 minutes.



POINT LEPREAU NUCLEAR GENERATING STATION

FOCUS ON SAFETY AND COMMUNITY ENGAGEMENT

Employees and leadership at Point Lepreau Nuclear Generating Station (PLNGS) pride themselves on being a responsible community member, while operating the station safely and efficiently.

The safe and predictable operation of PLNGS aligns with the three pillars of sustainable electricity: environment, social and economic.

ENVIRONMENT

As a responsible neighbour, the station prioritizes its role of environmental steward. This respect for the environment is reflected in all aspects of plant operation, and is something that employees are proud of.

Greenhouse gas emissions from nuclear power operations are very low and are comparable to renewable energy sources such as solar and wind. PLNGS is a major contributor to having as much as 75 per cent of the electricity used in New Brunswick by non-emitting sources by 2020. Its existence enhances NB Power's flexibility to utilize and explore renewable options. The station's Radiological Environmental Monitoring Program results continue to demonstrate that there are no negative health impacts to the public or negative environmental impacts as a result of station operations. These results are validated by the Canadian Nuclear Safety Commission's Independent Environmental Monitoring Program. The Station also maintains a comprehensive Environmental Management System, the results of which show that plant operation continues to have minimal environmental impact.



SOCIAL

The people who live and work near PLNGS are as important to its success as the people who work at the plant. Helping the public understand nuclear power and keeping the communities around the station informed of what's happening at the station is a key part of how NB Power does business.

In alignment with Canadian Nuclear Safety Commission regulatory requirements, PLNGS maintains a Public Information Program, which includes the Nuclear Public Disclosure Protocol and ensures that public communications on nuclear operations are timely, informative and accurate. An important aspect of the program is meetings with interested stakeholders and federal, provincial and municipal government representatives to share information about the station and answer the questions that matter most to them.

The PLNGS Community Relations Liaison Committee was formed in 1999 as a vehicle to exchange information with nearby communities.

The committee is comprised of 10 members representing various communities, industries and organizations, and meets with the senior management team and other subject matter experts on a quarterly and as-needed basis.

The two-way dialogue supported by the committee allows the station to gain valuable feedback, and provides the representatives with information to share.

PLNGS is also committed to fostering positive

relationships with First Nations individuals and communities through regular meetings and sharing information with representatives for the Maliseet, Mi'kmaq and Passamaquoddy.

The station has nurtured a strong relationship with Fundy Shores School, a rural K-5 school located near the plant in Dipper Harbour. Annual events with students including planting a marigold garden at the station, and an environmental awareness and clean-up day.

Last year, PLNGS became an Elementary Literacy Friends partner by establishing a reading program for Grade 2 students with employee volunteers. For an hour, twice per week, volunteers work with students to improve their literacy skills.



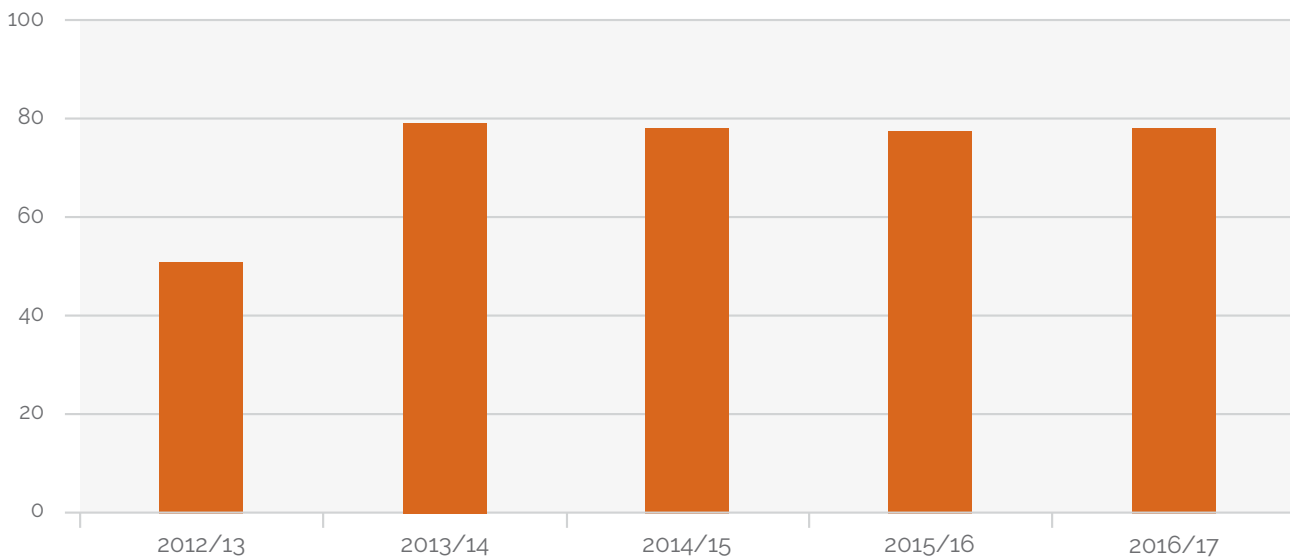
ECONOMIC

When operating at full power, the plant's output represents between 40 and 60 per cent of the total power generated at NB Power facilities each month (varies due to demand related to the seasons and other grid conditions). NB Power's financial performance is dependent on PLNGS operating safely and reliably to provide base load power for New Brunswick. The operational performance of the station has improved significantly over the past few years due to a concentrated focus on equipment reliability. These improvement efforts are beginning to pay off, with higher capacity factors being recorded.

Point Lepreau is a foundational piece of NB Power's domestic energy supply and export sales, and provides rate stability for customers and the financial flexibility to reduce NB Power debt.

The station's workforce provides major economic benefits to the province with more than 800 full-time highly skilled employees living in communities in southwestern New Brunswick. Economic spin offs are also felt during planned maintenance outages that involve hundreds of contractors from this region.

POINT LEPREAU NUCLEAR GENERATING STATION NET CAPACITY FACTOR
(percentage)





Management's Discussion and Analysis

Management's discussion and analysis reviews the financial and operational results for the fiscal year ended March 31, 2017, relative to the previous year. This section should be read in conjunction with the Consolidated Financial Statements and the accompanying notes.

Contents of Management's Discussion and Analysis

Topic	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
Significant events	Highlights significant events impacting the statement of financial position and earnings results in the past year
Year over year financial results	Explains the financial results for 2016/17 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
Liquidity and capital resources	Identifies and explains changes to liquidity and 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 and judgments	Explains the estimates and judgments made and how they impact earnings

FINANCIAL AND OPERATING PERFORMANCE FACTORS

This explains why NB Power earnings are subject to significant variability under normal operations.

IMPACT OF FINANCIAL AND OPERATING PERFORMANCE FACTORS

There are many factors that impact earnings that are outside the control of management. These factors result in significant swings in year-over-year earnings because they affect the cost of generation or price competitiveness in export markets.

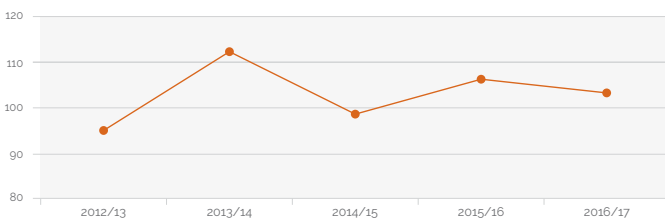
FACTORS THAT AFFECT FINANCIAL AND OPERATING PERFORMANCE

These are the major factors that have historically affected NB Power's variability in earnings. The following table explains how each factor can affect the variability of revenue and expenses.

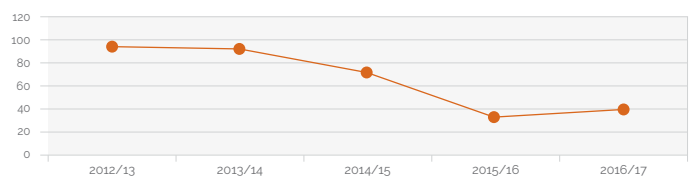
Factor	Description
Energy purchases	<p>Represents</p> <ul style="list-style-type: none"> • approximately 30 per cent of total supply requirements, and • approximately 54 per cent of total fuel and purchased power costs. <p>Depending on world oil prices, lower cost energy is purchased to displace primarily internal oil-fired generation. Typically, NB Power enters into forward purchase contracts for energy to supply forecasted requirements.</p>
Nuclear based generation	<p>Represents</p> <ul style="list-style-type: none"> • approximately 26 per cent of total supply requirements, and • approximately 5 per cent of total fuel and purchased power costs. <p>Effective operation of the Point Lepreau Nuclear Generating Station (PLNGS) is essential for NB Power's positive financial performance. Reliability risks are being addressed through PLNGS's excellence plan which focuses on leadership, process, equipment, safety, and operational excellence.</p>
Purchased power contracts based on natural gas	<p>Represents</p> <ul style="list-style-type: none"> • approximately 6 per cent of total supply, and • approximately 17 per cent of the total fuel and purchased power costs. <p>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 natural gas.</p>
Coal/petcoke based generation	<p>Represents</p> <ul style="list-style-type: none"> • approximately 20 per cent of total supply, and • approximately 17 per cent of the fuel and purchased power costs. <p>Coal is normally purchased through tendered contracts. As a mixture of coal types are blended and burned, coal is procured from a number of counterparties, at indexed or firm fixed prices.</p> <p>Petcoke is normally purchased through tendered contracts. 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.</p>

Factor (Con't)	Description						
Hydro based generation	<p>Represents</p> <ul style="list-style-type: none"> approximately 16 per cent of total production. <p>Hydro is NB Power's lowest-cost fuel for generating electricity. The table below describes how hydro flows can increase or decrease generation costs.</p> <table border="1"> <thead> <tr> <th>If hydro flows are</th> <th>then NB Power</th> </tr> </thead> <tbody> <tr> <td>below anticipated levels</td> <td>uses other more expensive fuel to make up the shortfall and increases its generation costs</td> </tr> <tr> <td>higher than anticipated</td> <td>reduces the use of expensive fuels and decreases its generation costs</td> </tr> </tbody> </table> <p>Hydro net generation as a percentage of the long-term average over the past 10 years has ranged from 95 to 132 per cent.</p>	If hydro flows are	then NB Power	below anticipated levels	uses other more expensive fuel to make up the shortfall and increases its generation costs	higher than anticipated	reduces the use of expensive fuels and decreases its generation costs
If hydro flows are	then NB Power						
below anticipated levels	uses other more expensive fuel to make up the shortfall and increases its generation costs						
higher than anticipated	reduces the use of expensive fuels and decreases its generation costs						
Heavy fuel oil based generation	<p>Represents</p> <ul style="list-style-type: none"> approximately 2 per cent of total supply, and 7 per cent of fuel and purchased power costs. <p>Heavy fuel oil (HFO) 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.</p>						
Out-of-province margins	<p>NB Power is a price-taker in regional energy markets. Market prices in the surrounding regions are typically driven by the cost of natural gas generation.</p> <p>In the normal course of business, the lowest cost or must-take energy is directed to in-province use and any remaining energy is available for out-of-province sales.</p> <p>Subject to operating conditions, NB Power enters into forward electricity sales contracts which provides for more predictable out-of-province margins.</p>						
Exchange rates	<p>NB Power is exposed to foreign exchange risk when purchases of fuel and purchased power in US dollars are not offset by the revenue received in US dollars.</p> <p>NB Power typically enters into forward purchase contracts for US dollar requirements net of expected US dollar revenue.</p> <p>There was slight volatility in the Canadian dollar during the past year. The value of the Canadian dollar, against the US dollar, varied between \$1.25 and \$1.36 at different times of the year.</p>						

HYDRO NET GENERATION
(per cent of long-term average)



HEAVY FUEL OIL PRICE
(\$US/bbl average)

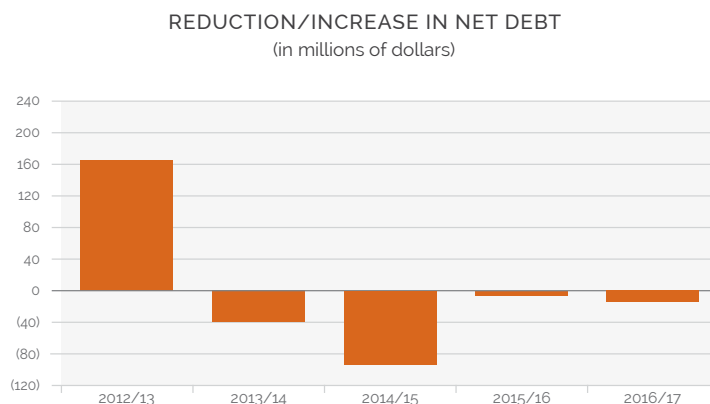
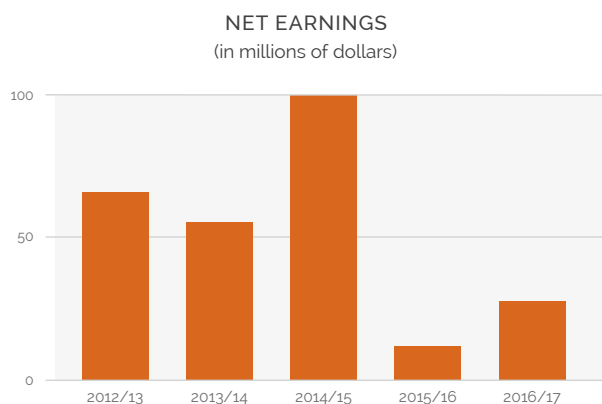


FINANCIAL PERFORMANCE

This provides an overview of NB Power's financial performance for the year.

KEY MEASURES OF FINANCIAL PERFORMANCE

Financial Performance (in millions)	2016/17	2015/16
Operating earnings	\$ 235	\$ 244
Net earnings	27	12
Cash provided by operating activities	253	183
Expenditures on property, plant and equipment, net proceeds on disposal	278	231
Total net debt at end of year	4,900	4,913
(Decrease) in net debt	\$ (13)	\$ (2)



FINANCIAL RATIOS AND PERCENTAGES

Financial Ratios and Percentages	2016/17	2015/16
Gross margin	57%	51%
Operating cash flow/capital expenditures	0.91	0.79
Operating cash flow/total debt	0.05	0.04
Capital expenditures/carrying amount of property, plant and equipment	0.06	0.05
Per cent of debt in capital structure	94%	96%
Interest coverage ratio	1.14	1.32

HIGHLIGHTS

CHANGE IN NET DEBT

Net debt decreased by \$13 million in 2016/17, compared to a decrease of \$2 million in 2015/16. This is a favourable variance of \$11 million. The favourable variance was largely attributable to changes in non-cash working capital balances mainly related to reduction in fuel inventory, higher gross margin, receipt of long term receivable, and withdrawals from the nuclear investment fund, partially offset by higher capital expenditures, higher operations, maintenance and administration expense (OM&A), and higher payments for post-employment benefits (see Liquidity and Capital Resources section for more detail).

FINANCIAL OVERVIEW

NB Power's net earnings were \$27 million for the year ended March 31, 2017, compared to \$12 million in the prior year. The increase in net earnings of \$15 million was largely attributable to higher gains on mark-to-market of fair value through profit and loss investments, and increases in gross margin, partially offset by decreased income on nuclear fund investments and higher OM&A.

ELECTRICITY OPERATIONS

NB Power incurred earnings from operations of \$235 million for the year compared to \$244 million for the prior year.

Revenue from electricity sales within New Brunswick totaled \$1,369 million for the year, which was \$33 million or 2 per cent higher than the prior year. The increase was primarily attributed to the colder temperatures and change in rates in October 2015 and July 2016 partially offset by lower industrial load. Out-of-province revenues of \$251 million were \$119 million or 32 per cent lower than the prior year as a result of lower volumes resulting from fewer standard offer service contracts.

Expenses attributed to electricity operations were \$1,461 million for the year, a decrease of \$86 million or 6 per cent lower than the prior year. This is mainly due to lower volumes and lower overall supply costs. Operations, maintenance and administration (OM&A) costs were \$33 million higher mainly due to storm costs and Reduce and Shift Demand (RASD) costs related to research and marketing.

OTHER EXPENSES

Other expenses (finance costs less investment income and mark-to-market of fair value through profit and loss investments) have the potential for variability due to changes in market values, discount rates, and interest rates.

In 2016/17 other expenses were \$23 million lower than the prior year. This is mainly due to gains on mark-to-market of fair value through profit and loss investments versus losses in prior year partially offset by decreased income on nuclear fund investments.

See Year-over-Year Financial Results section for more detail.

SIGNIFICANT EVENTS

The following significant events impacted NB Power's financial results.

POINT LEPREAU NUCLEAR GENERATING STATION

NB Power has continued to invest in PLNGS in pursuit of becoming a top-performing nuclear plant in Canada and among the best in the world. Point Lepreau is a critical asset to ensure the overall supply and reliability of electricity for our customers. Additional investments have begun to demonstrate results as PLNGS achieved its highest annual capacity factor rate of 79 per cent since returning to service following the refurbishment in 2012.

RATE INCREASE

NB Power applied for a 2% rate increase to begin July 1st, 2016. A rate increase of 1.6% beginning July 1st, 2016 was granted by the Energy Utilities Board (EUB).

STORM COSTS

The ice storm in January 2017 had a devastating impact on over 133,000 customers at its peak and resulted in costs of \$30 million.

EXPORTS

NB Power secured fewer standard offer service contracts in the 2016/17 fiscal year. The decline in contracts combined with lower average out-of-province export prices due to markets resulted in a decline in the out of province gross margin of \$30 million.

YEAR-OVER-YEAR FINANCIAL RESULTS

NB Power incurred operating earnings of \$235 million for the year compared to \$244 million for the prior year. The following discusses the contributing factors that impacted electricity operations in 2016/17 compared to the prior year.

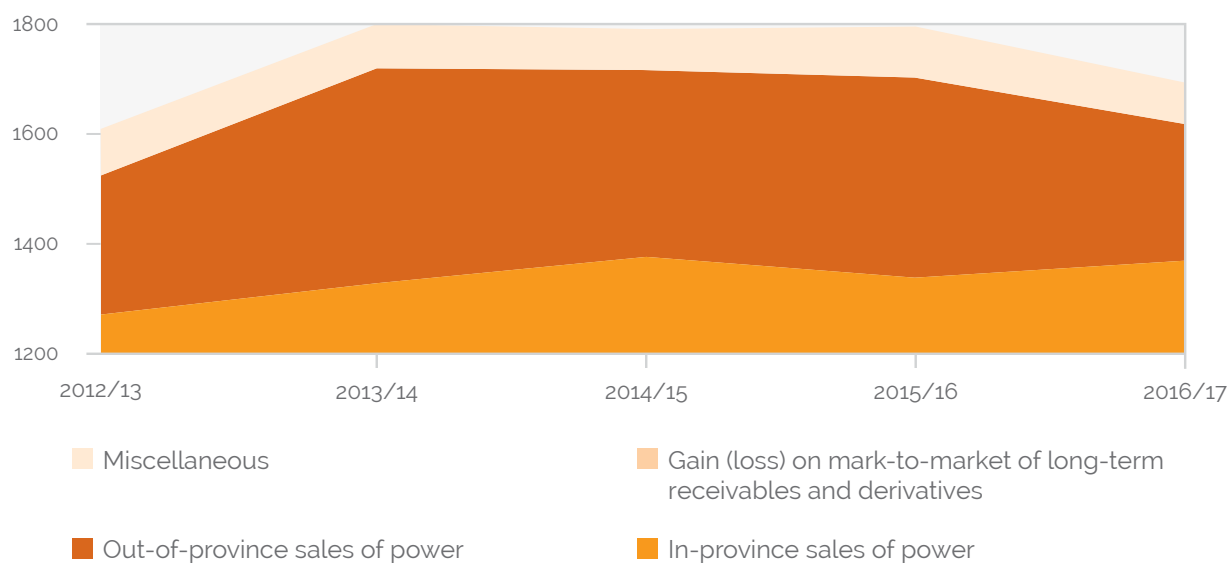
YEAR-OVER-YEAR FINANCIAL RESULTS - REVENUES

This provides an overview of NB Power's revenues for the year and compares them with the previous year.

REVENUE OVERVIEW

Revenue Overview (in millions)	2016/17	2015/16
Sales of power		
In-province	\$ 1,369	\$ 1,336
Out-of-province	251	370
Miscellaneous	76	85
Total revenues	\$ 1,696	\$ 1,791
Per cent (decrease) year-over-year	(5%)	(-%)

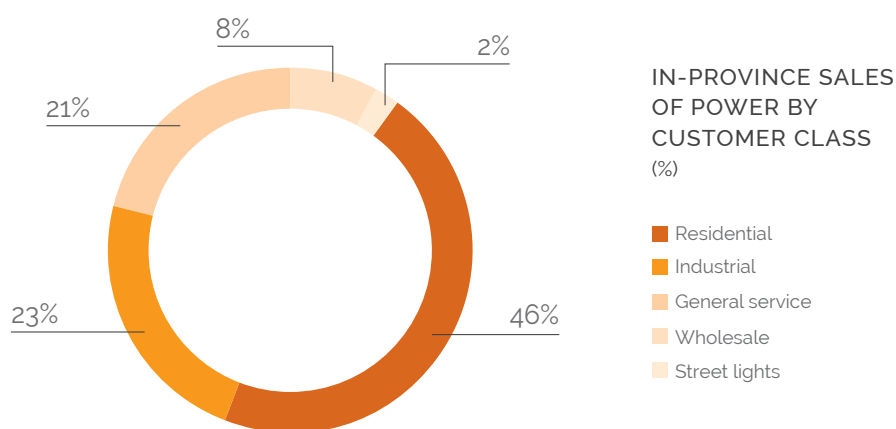
REVENUE ANALYSIS (in millions of dollars)



YEAR-OVER-YEAR FINANCIAL RESULTS – REVENUES RELATED TO ELECTRICITY OPERATIONS

IN-PROVINCE SALES OF POWER

In-province sales of power (in millions)	2016/17	2015/16
Residential	\$ 628	\$ 601
Industrial	315	322
General service	289	280
Wholesale	112	109
Street lights	25	24
Total	\$ 1,369	\$ 1,336
Per cent increase (decrease) year-over-year	2%	(3%)
GWh	13,039	13,090
Per cent (decrease) year-over-year	(-)%	(3%)



Major contributors to year-over-year in-province sales variance

In-province sales of power totaled \$1,369 million in 2016/17, representing a \$33 million or two per cent increase compared to 2015/16. The table below describes the main contributors to the year-over-year variance.

Revenues	By this amount	Due to
Contributing factors		
increased	\$ 28 million	October 2015 and July 2016 rate increases
increased	\$ 16 million	colder weather in 2016/17
(decreased)	\$ (6) million	load reduction (industrial partially offset by increased residential and general service)
(decreased)	\$ (4) million	lower load related to large Industrial Renewable Energy Purchase Program (LIREPP)
(decreased)	\$ (1) million	interruptible sales

OUT-OF-PROVINCE SALES OF POWER

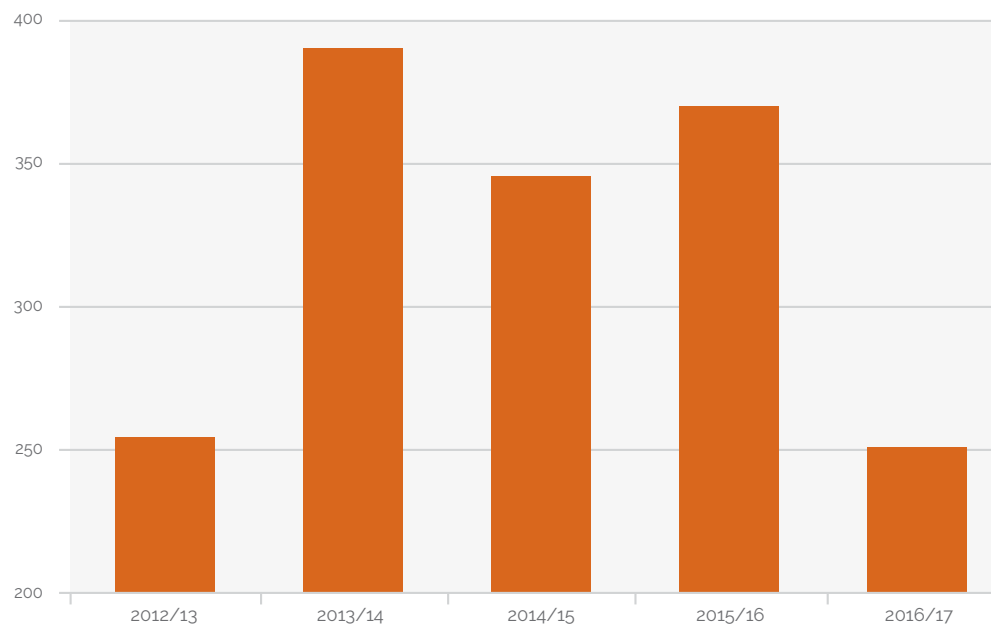
Out-of-province sales of power (in millions)	2016/17	2015/16
Revenue	\$ 251	\$ 370
Per cent (decrease) increase year-over-year	(32%)	7%
MWh	3,360	4,533
Per cent (decrease) year-over-year	(26%)	(1%)

Major contributors to year-over-year out-of-province sales variance

In 2016/17, out-of-province sales of power decreased by \$119 million or 32 per cent compared to 2015/16. The table below describes the main contributors to the year-over-year variance.

Revenues	By this amount	Due to
Contributing factors		
(decreased)	\$ (94 million)	lower volumes as a result of loss of standard offer service contracts
(decreased)	\$ (14 million)	lower market prices
(decreased)	\$ (11 million)	lower renewable energy credit sales due to market conditions

OUT-OF-PROVINCE SALES OF POWER
(in millions of dollars)



YEAR-OVER-YEAR FINANCIAL RESULTS - MISCELLANEOUS REVENUE

Miscellaneous revenue (in millions)	2016/17	2015/16
Net transmission revenue and expense	\$ 25	\$ 26
Water heater rentals	20	21
Other miscellaneous income	18	27
Customer related revenue	10	8
Pole attachment fees	3	3
Total	\$ 76	\$ 85
Per cent (decrease) increase year-over-year	(11%)	20%

Major contributors to year-over-year miscellaneous revenue variance

In 2016/17, miscellaneous revenue decreased by \$9 million or 11 per cent compared to 2015/16. The table below describes the main contributors to the year-over-year variance.

Revenues	By this amount	Due to
Contributing factors		
(decreased)	\$ (9 million)	reduction in contribution from Province for Efficiency NB integration; decline in LED street light sales to third parties
(decreased)	\$ (2 million)	reduction in net transmission revenue and expense and water heater rentals
increased	\$ 2 million	storm cost recovery from joint use partner

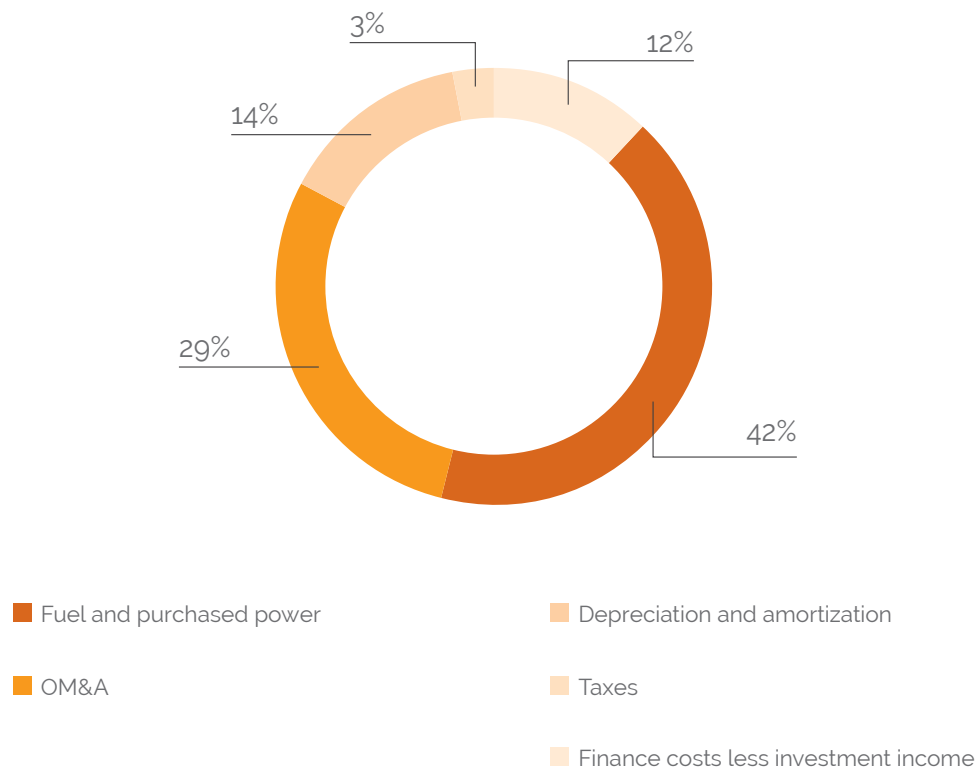
YEAR-OVER-YEAR FINANCIAL RESULTS - EXPENSES

This provides an overview of NB Power's expenses for the year and compares them with the previous year.

EXPENSES OVERVIEW

Expenses Overview (in millions)	2016/17		2015/16	
	\$	%	\$	%
Fuel and purchased power	\$ 702	48%	\$ 830	53%
Operations, maintenance & administration	483	33	450	29
Depreciation and amortization	233	16	226	15
Taxes	43	3	41	3
Total	\$ 1,461	100%	\$ 1,547	100%
Per cent (decrease) increase year-over-year		(6%)		2%

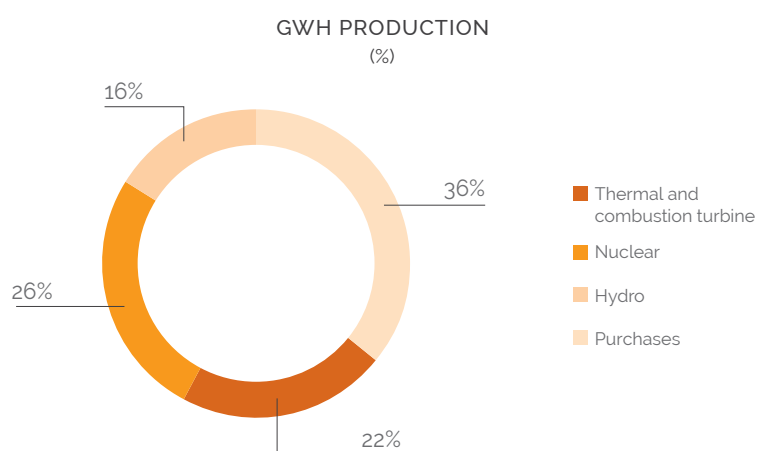
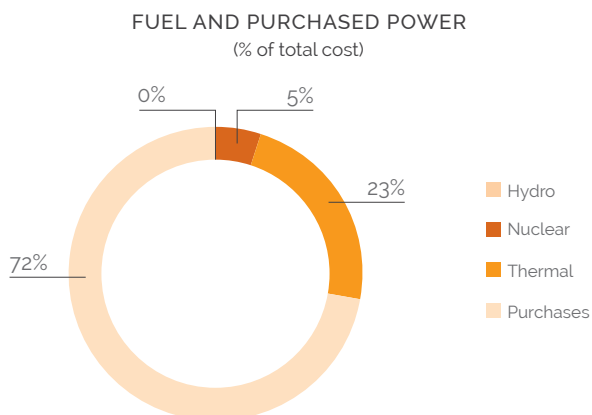
TOTAL EXPENSES BY CLASSIFICATION
(%)



YEAR-OVER-YEAR FINANCIAL RESULTS – EXPENSES RELATED TO ELECTRICITY OPERATIONS

FUEL AND PURCHASED POWER

Fuel and purchased power (in millions)	2016/17		2015/16	
	\$	%	\$	%
Hydro	\$ -	-	\$ -	-
Nuclear	33	5	29	3
Thermal	166	24	114	14
Purchases	503	71	687	83
Total	\$ 702	100%	\$ 830	100%
Per cent (decrease) year-over-year		(15%)		(-%)



Major contributors to year-over-year fuel and purchased power expense variance

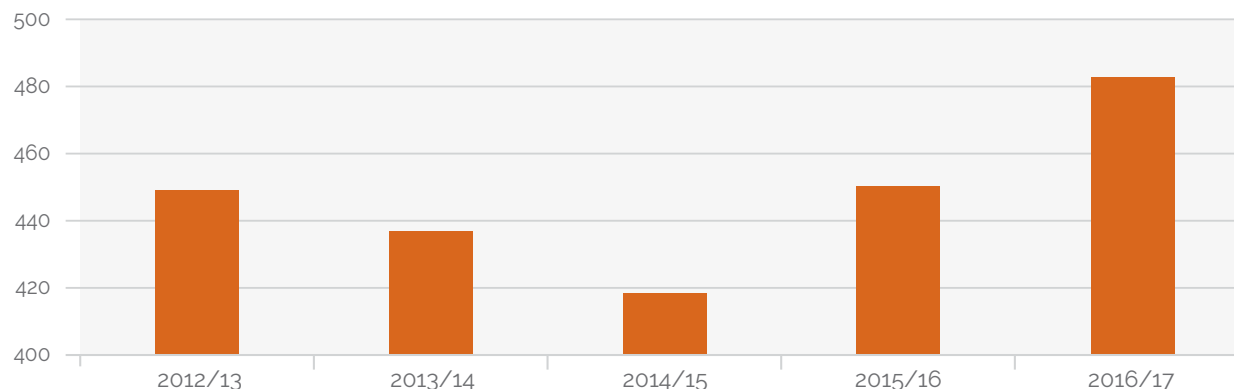
The cost of fuel and purchased power was \$702 million in 2016/17, a decrease of \$128 million from 2015/16. The table below describes the main contributors to the year-over-year variance.

Fuel and purchased power expenses	By this amount	Due to
Contributing factors		
(decreased)	\$ (77 million)	lower overall volumes required as there were less in-province and export sales
(decreased)	\$ (51 million)	lower overall supply costs (lower purchase power prices, higher hydro flows, higher production at PLNGS, and lower heavy fuel oil and coal costs)

OPERATIONS, MAINTENANCE AND ADMINISTRATION

Operations, maintenance and administration (in millions)	2016/17	2015/16
Operations, maintenance and administration expenses	\$ 483	\$ 450
Per cent increase year-over-year	7%	7%

OPERATIONS, MAINTENANCE AND ADMINISTRATION EXPENSES (in millions of dollars)



Major contributors to year-over-year operations, maintenance and administration variance

Operations, maintenance and administration costs were \$483 million in 2016/17, a \$33 million or seven per cent increase compared to 2015/16. The table below describes the main contributors to the year-over-year variance.

Operations, maintenance and administration expenses	By this amount	Due to
Contributing factors		
increased	\$ 20 million	higher costs associated with major ice storm in 2016/17
increased	\$ 20 million	RASD costs related to research and marketing, increase in professional services (efficiency services, and Kingsclear bank remediation project), and increase in customer incentives and rebates (smart habits and ductless heat pump)
(decreased)	\$ (7 million)	capitalizing labour costs associated with PLNGS planned outage in 2016/17

DEPRECIATION AND AMORTIZATION

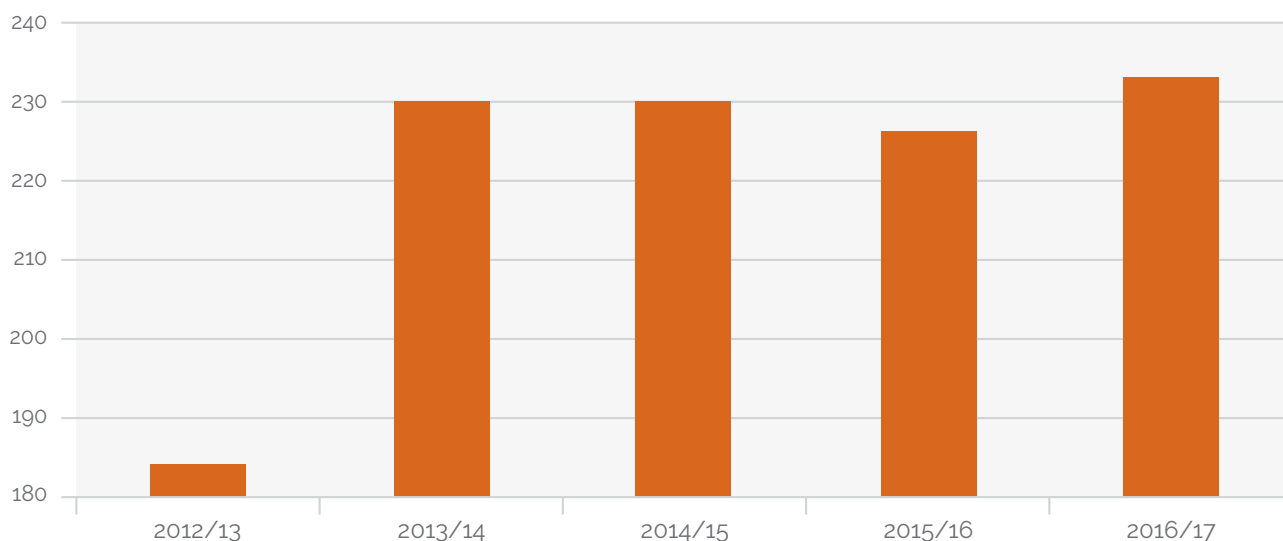
Depreciation and amortization (in millions)	2016/17	2015/16
Depreciation and amortization	\$ 233	\$ 226
Per cent increase (decrease) year-over-year	3%	(2%)

Major contributors to year-over-year depreciation and amortization variance

Depreciation and amortization costs were \$233 million in 2016/17, a \$7 million or three per cent increase compared to 2015/16. The table below describes the main contributors to the year-over-year variance.

Depreciation and amortization expenses	By this amount	Due to
Contributing factors		
increased	\$ 13 million	additional costs associated with outage at PLNGS
increased	\$ 6 million	increase associated with various capital projects
(decreased)	\$ (7 million)	Dalhousie decommissioning adjustment as costs are lower than anticipated
(decreased)	\$ (5 million)	used fuel management (UFM) and decommissioning rate change and change in estimated cost of UFM

DEPRECIATION AND AMORTIZATION (in millions of dollars)



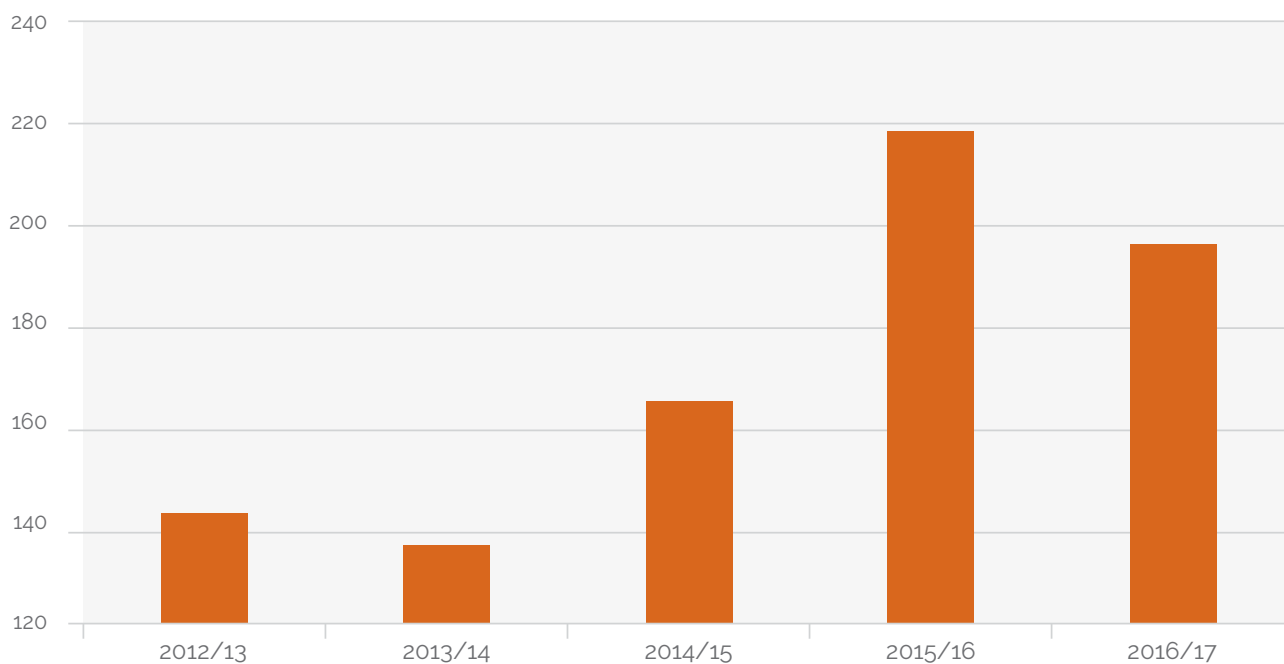
YEAR-OVER-YEAR FINANCIAL RESULTS – OTHER EXPENSES

This provides an overview of NB Power's other expenses (finance costs less investment income, and mark-to-market of fair value through profit and loss investments) for the year and compares them with previous years. These expenses have the potential for variability due to changes in market values, discount rates, and interest rates.

YEAR-OVER-YEAR RESULTS - FINANCE COSTS LESS INVESTMENT INCOME

Expenses (in millions)	2016/17		2015/16	
	\$	%	\$	%
Finance costs	\$ 280	143	\$ 285	130
Sinking funds and other investment income	(34)	(17)	(67)	(30)
Mark-to-market of fair value through profit or loss investments	(50)	(26)	1	-
Total	\$ 196	100%	\$ 219	100%
Per cent (decrease) increase year-over-year		(11%)		34%

FINANCE COSTS LESS INVESTMENT INCOME (in millions of dollars)



Major contributors to year-over-year finance costs less investment income variance

Finance costs less investment income were \$196 million in 2016/17 a \$23 million or 11 per cent decrease from 2015/16. The table below describes the main contributors to the year-over-year variance.

Finance charges less investment income	By this amount	Due to
Contributing factors		
(decreased)	(\$51 million)	higher gains on mark-to-market of fair value through profit and loss investments due to changes in market conditions
(decreased)	(\$7 million)	lower interest on long-term debt
increased	\$35 million	lower income on nuclear fund investments

REGULATORY BALANCES

REGULATORY BALANCE – POINT LEPREAU NUCLEAR GENERATING STATION REFURBISHMENT

BACKGROUND

A legislated regulatory balance¹ was created for non-capital costs incurred during the refurbishment period of the Point Lepreau Nuclear Generating Station (March 28, 2008 through November 23, 2012). The refurbishment of the Point Lepreau Nuclear Generating Station enables electricity to be provided to future generations of customers. The deferral and amortization of these costs over the life of the Station provides for inter-generational equity. 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.

IMPACT ON EARNINGS

These amounts are to be recovered over the operating life of the refurbished Point Lepreau Nuclear Generating Station and are to be reflected in the charges, rates and tolls charged to customers.

During 2016/17, \$22 million in changes to regulatory balances were made to earnings (\$70 million amortization of deferral offset by \$48 million interest on deferral).

REGULATORY BALANCE – LAWSUIT SETTLEMENT WITH PETROLEOS DE VENEZUELA S.A. (PDVSA)

BACKGROUND

On August 23, 2007, the EUB 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 (seven years remaining as of March 31, 2017). NB Power is recovering the depreciation and interest savings over the life of the Coleson Cove Generating Station.

IMPACT ON EARNINGS

During 2016/17, (\$9) million in changes to regulatory balances were made as follows:

- \$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

¹ Section 139 of the Electricity Act provides for the establishment of this regulatory deferral related to the refurbishment of the Point Lepreau Generating Station.

REGULATORY BALANCE – ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

BACKGROUND

As at March 31, 2017, 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. 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.

IMPACT ON EARNINGS

During 2016/17, (\$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 26 of the Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

This section provides an overview of NB Power's liquidity and capital resources. NB Power's capital is raised through operating activities and debt financing. NB Power borrows funds from the Province of New Brunswick to finance short and long-term requirements.

TOTAL NET DEBT

NB Power's net debt is outlined in the following table.

Total net debt (in millions)	2016/17	2015/16
Long-term debt	\$ 4,007	\$ 4,124
Current portion of long-term debt	420	400
Short-term indebtedness	977	855
Sinking fund receivable	(503)	(464)
Cash	(1)	(2)
Total net debt	\$ 4,900	\$ 4,913

YEAR-OVER-YEAR CHANGE TO NET DEBT LEVEL

NB Power's net debt is impacted by cash used in investing activities and cash flow from operating activities.

CHANGE IN NET DEBT

Decrease in net debt (in millions)	2016/17	2015/16
Cash provided by operating activities	\$ 253	\$ 183
Add back non-cash component of net debt	21	23
Cash used in investing activities	(261)	(204)
Decrease in net debt	\$ 13	\$ 2

Major contributors to year-over-year net debt variance

Net debt decreased by \$13 million in 2016/17 compared to a decrease of \$2 million in 2015/16. This is a favourable variance of \$11 million. The favourable variance is due to the net favourable variance in operating activities and investing activities.

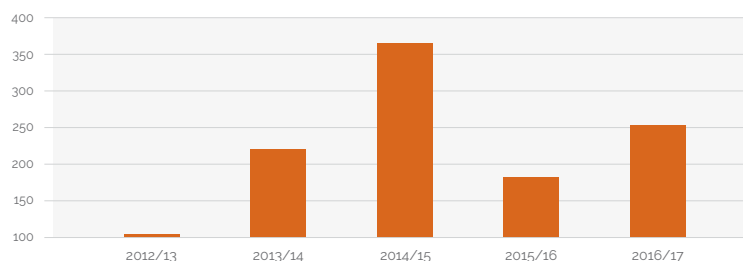
OPERATING AND INVESTING ACTIVITIES

Major contributors to year-over-year operating activities variance

Operating activities were \$253 million in 2016/17, a 470 million or 38 per cent increase from 2015/16. The table below describes the main contributors to the year-over-year variance.

Operating activities	By this amount	Due to
Contributing factors		
increased	\$49 million	higher gains on mark-to-market of fair value through profit and loss investments due to changes in market conditions
increased	\$16 million	receipt of long-term receivable
increased	\$12 million	increased customer contributions
increased	\$8 million	decrease in interest paid
(decreased)	(\$15 million)	increased post-employment benefits payouts

CASH PROVIDED BY OPERATING ACTIVITIES
(in millions of dollars)

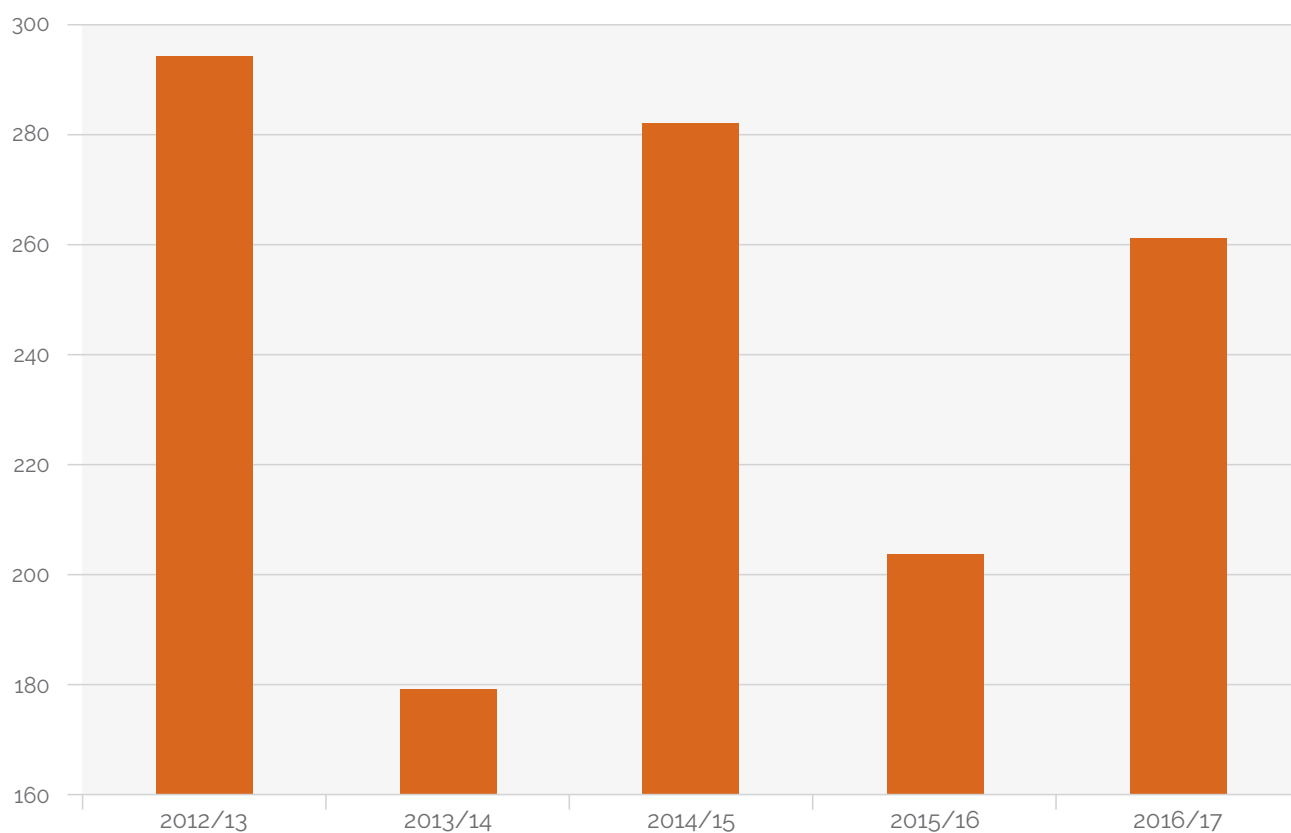


Major Contributors to year-over-year investing activities variance

Investing activities were \$261 million in 2016/17 a \$57 million or 28 per cent increase from 2015/16. The table below describes the main contributors to the year-over-year variance.

Investing activities	By this amount	Due to
Contributing factors		
increased	\$ 47 million	increased spending on PLNGS planned outage and other projects at Lepreau
increased	\$ 22 million	increased spending on corporate, transmission, and distribution projects partially offset by decreased spending on RASD
increased	\$ 5 million	increased spending on decommissioning
increased	\$ 5 million	decreased nuclear fund withdrawals
(decreased)	\$ (24 million)	decreased spending on Generation projects including Mactaquac

INVESTING ACTIVITIES (in millions of dollars)

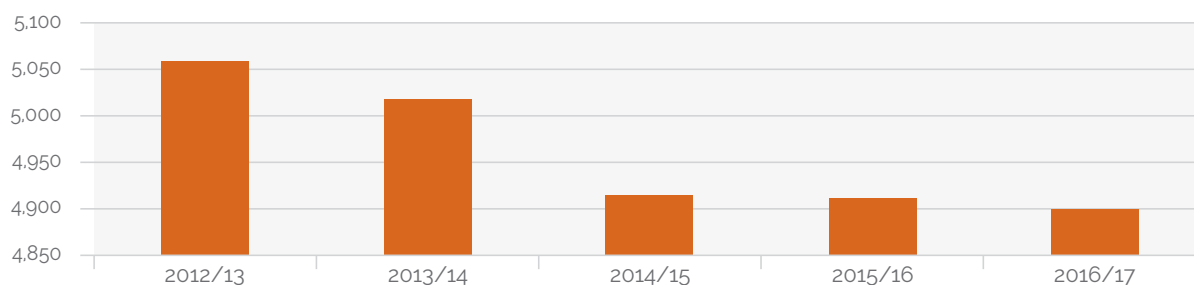


CAPITAL MANAGEMENT

NB Power is making continuous annual 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 table below summarizes the percentage of net debt in capital structure.

	2016/17	2015/16
Total net debt	\$ 4,900	\$ 4,913
Retained earnings	447	420
Accumulated other comprehensive income (AOCI)	(127)	(213)
Total capital	\$ 5,220	\$ 5,120
Percentage of net debt in capital structure	94%	96%
Percentage of net debt in capital structure (excluding AOCI)	92%	92%

TOTAL NET DEBT
(in millions of dollars)



CRITICAL ACCOUNTING POLICY CHANGES

This section provides an overview of NB Power's accounting policies that have changed.

Topic	Purpose
Change in accounting policies for fiscal 2016/17	Describes changes required by the Corporation.
Future change	Describes future changes required by the Corporation.

CHANGES IN ACCOUNTING POLICIES

There were no changes in the 2016/17 fiscal year.

FUTURE CHANGES

New standards to be implemented are summarized in the following table.

Standard	Effective Date
IAS 7 <i>Statement of Cash Flows</i>	April 1, 2017
IFRS 9 <i>Financial Instruments</i>	April 1, 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	April 1, 2018
IFRS 16 <i>Leases</i>	April 1, 2019

In January 2016, the International Accounting Standards Board (IASB) issued amendments to IAS 7, *Statement of Cash Flows*. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between opening and closing balances for liabilities from financing activities. NB Power is currently assessing the potential impact of IFRS7 *Statement of Cash Flows* on its consolidated financial statements.

IFRS 9 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. NB Power is currently assessing the potential impact of IFRS9 *Financial Instruments* on its consolidated financial statements.

IFRS 15 established a comprehensive framework to determine whether, how much and when revenue is recognized. NB Power is currently assessing the potential impact of IFRS15 *Revenue from Contracts with Customers* on its consolidated financial statements.

IFRS 16 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 IFRS16 *Leases* on its consolidated financial statements.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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.



Consolidated Financial Statements

March 31st, 2017



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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, 2017, 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, 2017, 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 13, 2017
Fredericton, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

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

March 31	Note	2017	2016
Assets			
Current			
Cash		\$ 1	\$ 2
Accounts receivable	5	255	235
Materials, supplies and fuel	6	168	204
Prepaid expenses		13	11
Current portion of long-term receivable	10	-	1
Derivative assets	26	7	16
Total current assets		444	469
Non-current assets			
Property, plant and equipment	7	4,280	4,237
Intangible assets	8	37	33
Nuclear decommissioning and used fuel management funds	9	690	673
Long-term receivable	10	-	16
Sinking fund receivable	11	503	464
Derivative assets	26	4	1
Other assets		1	2
Total non-current assets		5,515	5,426
Total assets		5,959	5,895
Regulatory balances	12	1,009	1,021
Total assets and regulatory balances		\$ 6,968	\$ 6,916

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

March 31	Note	2017	2016
Liabilities and equity			
Current liabilities			
Short-term indebtedness	13	\$ 977	\$ 855
Accounts payable and accrued liabilities		257	255
Accrued interest on short and long-term debt		40	41
Current portion of long-term debt	14	420	400
Derivative liabilities	26	14	95
Total current liabilities		1,708	1,646
Non-current liabilities			
Long-term debt	14	4,007	4,124
Decommissioning and used fuel management liability	16	764	739
Post-employment benefits	17	119	137
Provisions for other liabilities and charges	18	34	21
Derivative liabilities	26	16	42
Total non-current liabilities		4,940	5,063
Total liabilities		6,648	6,709
Shareholder's equity			
Accumulated other comprehensive (loss)		(127)	(213)
Retained earnings		447	420
Total equity		320	207
Total liabilities and equity		\$ 6,968	\$ 6,916

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	2017	2016
Revenue			
Sales of power			
In-province		\$ 1,369	\$ 1,336
Out-of-province		251	370
Miscellaneous	19	76	85
		1,696	1,791
Expenses			
Fuel and purchased power		702	830
Operations, maintenance and administration	20	483	450
Depreciation and amortization	21	233	226
Taxes	22	43	41
		1,461	1,547
Operating earnings		235	244
Finance costs	23	280	285
Sinking funds and other investment income		(34)	(67)
Mark-to-market of fair value through profit and loss investments		(50)	1
Net earnings before changes in regulatory balances		39	25
Net changes in regulatory balances	12	(12)	(13)
Net earnings		\$ 27	\$ 12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

(in millions)

For the year ended March 31		2017	2016
Net earnings		\$ 27	\$ 12
Other comprehensive income (loss)			
Items that may be reclassified subsequently to earnings			
Net unrealized loss on derivatives designated as cash flow hedges		(5)	(252)
Amortization of interest settlement		3	2
Net unrealized (loss) on mark-to-market of nuclear funds		-	(15)
Reclassification to income of settlement on interest rate hedge		-	(8)
Reclassification to income of earnings on nuclear funds		(3)	(30)
Reclassification to income of settled derivatives designated as cash flow hedges		98	153
	26	93	(150)
Items that will not be reclassified to earnings			
Net actuarial gain (loss) on post-employment benefits	17	(7)	9
Other comprehensive income (loss)		86	(141)
Total comprehensive income (loss)		\$ 113	\$ (129)

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)							
	Cash flow hedges	Amortization of Interest settlement	Post- employment benefits actuarial gains (losses)	Nuclear investment funds	AOCI	Retained earnings	Total equity	
Balance, April 1, 2015	\$ (14)	\$ (42)	\$ (72)	\$ 56	\$ (72)	\$ 408	\$ 336	
Net earnings for the year	-	-	-	-	-	12	12	
Other comprehensive income (loss)	(99)	(6)	9	(45)	(141)	-	(141)	
Balance, March 31, 2016	(113)	(48)	(63)	11	(213)	420	207	
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	

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	2017	2016
Operating activities			
Net earnings		\$ 27	\$ 12
Finance costs	23	280	285
Depreciation and amortization	21	233	226
Adjustments for non-cash items	24	(63)	(47)
		477	476
Net change in non-cash working capital balances	25	16	(33)
Interest paid		(240)	(248)
Post-employment benefits		(31)	(15)
Customer contributions		15	3
Change in long-term receivable		16	-
Cash provided by operating activities		253	183
Investing activities			
Expenditures on property, plant and equipment, net of proceeds on disposal		(278)	(231)
Cash expenditures on decommissioning		(18)	(13)
Nuclear investment funds withdrawals		35	40
Cash used in investing activities		(261)	(204)
Financing activities			
Proceeds from long-term debt	14	295	494
Debt retirements	14	(400)	(580)
Increase in short-term indebtedness		122	71
Sinking fund redemptions	11	36	80
Sinking fund installments	11	(46)	(45)
Cash provided by financing activities		7	20
Net cash (outflow)		(1)	(1)
Cash, beginning of year		2	3
Cash, end of year		\$ 1	\$ 2

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, 2017

(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*. 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) as issued by the International Accounting Standards Board. These consolidated financial statements have been prepared on the historical cost basis except for the derivative instruments (Note 26) 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 13, 2017.

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, 2017

(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

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

2. BASIS OF PREPARATION (CONTINUED)

d. New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations not yet effective at March 31, 2017 and have not been applied in the preparation of the March 31, 2017 consolidated financial statements are summarized in the following table.

Standard	Effective date
<i>IAS 7 Statement of Cash Flows</i>	April 1, 2017
<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

In January 2016, the International Accounting Standards Board (IASB) issued amendments to IAS 7, Statement of Cash Flows. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between opening and closing balances for liabilities from financing activities. NB Power is currently assessing the potential impact of the changes to IAS 7 *Statement of Cash Flows* on its consolidated financial statements.

IFRS 9 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. NB Power is currently assessing the potential impact of IFRS 9 *Financial Instruments* on its consolidated financial statements.

IFRS 15 established a comprehensive framework to determine whether, how much and when revenue is recognized. NB Power is currently assessing the potential impact of IFRS 15 *Revenue from Contracts with Customers* on its consolidated financial statements.

IFRS 16 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 *Leases* on its consolidated financial statements.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

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

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.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

c. Materials, supplies and fuel inventory

Inventories are recorded at the lower of cost or net realizable value. Inventories of materials, supplies, renewable energy credits 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.

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.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Property, plant and equipment (continued)

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.

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.

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Property, plant and equipment (continued)

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.

Impairment

NB Power evaluates its PP&E annually to assess indicators of 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) and amortized over their estimated useful lives.

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

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 26 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,
- 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.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

(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)

Costs recognized as liabilities

The estimated present values of the following costs have been recognized as a liability as at March 31, 2017, 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, 2017, 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.

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.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Decommissioning liabilities (continued)

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.

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.

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 to its intended 100-year lifespan. This will involve a modified approach to maintenance and adjustments and replacement of equipment over time. The project will be presented to the EUB in 2018 for approval.

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

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.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Post-employment benefits (continued)

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.

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.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Revenues (continued)

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, 2017, \$2 million (2016, \$8 million) was received in government grants to provide efficiency programs to residents of New Brunswick, and has been recorded in miscellaneous revenue.

l. 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.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (previously New Brunswick Investment Management Corporation (NBIMC)).

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

(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
Long-term 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 NBIMC 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.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Financial instruments (continued)

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.

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 <ul style="list-style-type: none"> - 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.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Financial instruments (continued)

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.

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.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Derivatives (continued)

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.

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

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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 2014 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, 2017

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5. ACCOUNTS RECEIVABLE

	2017	2016
Trade receivables	\$ 188	\$ 176
Allowance for doubtful accounts	(6)	(6)
Other receivables	8	10
Unbilled revenue	65	55
	\$ 255	\$ 235

6. MATERIALS, SUPPLIES AND FUEL

	2017	2016
Materials and supplies	\$ 25	\$ 20
Nuclear fuel	36	37
Coal	27	31
Heavy fuel oil	44	63
Petroleum coke	1	20
Renewable energy credits	11	11
Other fuel	24	22
	\$ 168	\$ 204

During the year, inventories of \$4 (2016 - \$1) were written down to net realizable value. Inventories recognized as an expense during the year amounted to \$228 (2016 - \$207).

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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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, 2015	\$ 3,927	\$ 213	\$ 339	\$ 1,005	\$ 133	\$ 120	\$ 5,737
Additions	-	-	-	-	10	230	240
Decommissioning adjustments	(147)	-	-	-	-	-	(147)
Disposals	(266)	-	(2)	(14)	(3)	-	(285)
Transfers	73	8	35	51	23	(190)	-
Balance, March 31, 2016	3,587	221	372	1,042	163	160	5,545
Additions	1	-	-	-	12	261	274
Decommissioning adjustments	11	-	-	-	-	-	11
Disposals and/or retirements	(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
Accumulated depreciation							
Balance, April 1, 2015	803	7	4	504	37	-	1,355
Depreciation expense	163	7	13	30	7	-	220
Disposals	(251)	-	(1)	(13)	(2)	-	(267)
Balance, March 31, 2016	715	14	16	521	42	-	1,308
Depreciation expense	174	7	13	31	9	-	234
Disposals and/or retirements	(32)	(1)	(3)	(14)	(3)	-	(53)
Balance, March 31, 2017	857	20	26	538	48	-	1,489
Carrying amount							
Balance, March 31, 2016	2,872	207	356	521	121	160	4,237
Balance, March 31, 2017	\$ 2,860	\$ 207	\$ 366	\$ 545	\$ 136	\$ 166	\$ 4,280

The amount of interest capitalized to PP&E in 2017 is \$4 (2016 - \$5) at the weighted average cost of borrowing of 5.02% (2016 - 5.09%) (Note 23).

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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8. INTANGIBLE ASSETS

	Nepisiguit Falls- statutory rights	Software	Other	Construction- in-progress	Total
Cost or deemed cost					
Balance, April 1, 2015	\$ 19	\$ 11	\$ 2	\$ 7	\$ 39
Additions	-	-	-	4	4
Disposals and retirements	-	-	-	-	-
Transfers	-	6	-	(6)	-
Balance, March 31, 2016	19	17	2	5	43
Additions	-	-	-	3	3
Disposals and retirements	-	-	-	-	-
Transfers	-	6	-	(1)	5
Balance, March 31, 2017	19	23	2	7	51
Accumulated amortization					
Balance, April 1, 2015	1	5	-	-	6
Amortization expense	-	3	1	-	4
Balance, March 31, 2016	1	8	1	-	10
Amortization expense	-	4	-	-	4
Balance, March 31, 2017	1	12	1	-	14
Carrying amount					
Balance March 31, 2016	18	9	1	5	33
Balance March 31, 2017	\$ 18	\$ 11	\$ 1	\$ 7	\$ 37

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

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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 2016/17 year was \$nil (2015/16- \$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 2016/17 year was \$10 million (2015/16 - \$9 million)

Fair value of NB Power's Funds

The fair value of each fund is outlined in the table below.

	2017	2016
Nuclear Decommissioning Fund		
Decommissioning	\$ 335	\$ 308
Used Nuclear Fuel Management Funds		
Used fuel management	200	224
Nuclear Fuel Waste Trust	155	141
	355	365
Total nuclear decommissioning and used fuel management funds	\$ 690	\$ 673

10. LONG-TERM RECEIVABLE

In 2013, NB Power sold certain distribution assets to a third party. This transaction was partially offset by a purchase of rental water heater assets from the same third party. In 2015, NB Power sold additional distribution assets to the same third party. These transactions resulted in a long-term receivable with a net balance of \$19 million. As at March 31, 2017 the majority of the balance has been repaid with a small balance still outstanding that will be collected over 15 years with interest at a rate of 3.85% per annum.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

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11. 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.

	2017	2016
Sinking fund receivable, beginning of year	\$ 464	\$ 471
Sinking fund earnings	21	21
Foreign exchange gains	8	7
Installments	46	45
Redemptions	(36)	(80)
Sinking fund receivable, end of year	\$ 503	\$ 464

Refer to Note 26 Financial Instruments for fair value hierarchy information.

12. REGULATORY BALANCES

NB Power has regulatory balances totaling \$1,009 at March 31, 2017 compared to \$1,021 at March 31, 2016.

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

	Remaining recovery period (years)	Interest rate	Balance April 1, 2015	Balances arising during the year	Interest	Recovery	Balance March 31, 2016
PLNGS	24	5.09%	\$ 981	\$ -	\$ 50	\$ (70)	\$ 961
PDVSA	25	5.09%	51	23	3	(19)	58
AFUDC	50	0%	2	-	-	-	2
			\$ 1,034	\$ 23	\$ 53	\$ (89)	\$ 1,021

	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

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

12. REGULATORY BALANCES (CONTINUED)

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

	2017	2016
Point Lepreau Nuclear Generating Station Deferral	\$ (22)	\$ (20)
Lawsuit settlement PDVSA	9	7
Allowance for funds used during construction	1	-
Net change in regulatory balances	\$ (12)	\$ (13)

Point Lepreau Nuclear Generating Station refurbishment (PLNGS)

For the regulatory balance related to PLNGS refurbishment, the project was deemed to be prudent and the costs and expenses recorded were deemed to be prudent and necessary to carry out the project, under the *Electricity Act*. 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.

These amounts will be

- recovered from customers 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)

For the regulatory balance related to the lawsuit settlement with PDVSA, the EUB ruled 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 will be

- amortized over the Coleson Cove Generating Station's remaining useful life (23 years at time of the settlement; 24 years as at March 31, 2017), and
- passed on to customers over 17 years (7 years as of March 31, 2017), as approved by the EUB, on a levelized basis.

The regulatory balance reflects NB Power's obligation to pass the settlement's net benefits on to customers. 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

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12. REGULATORY BALANCES (CONTINUED)

Allowance for Funds Used During Construction (AFUDC)

As at March 31, 2017, 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. 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.

13. SHORT-TERM INDEBTEDNESS

NB Power borrows funds for temporary purposes from the Province of New Brunswick. The balance at March 31, 2017 is \$977 (2016 - \$855) with maturities ranging from April 1, 2018 to June 20, 2018 and a weighted average interest rate of 0.60% (2016 - 0.63%).

14. 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, 2015	\$ 4,605
Debt retirements	(580)
Net proceeds from long-term debt	494
Foreign exchange on long-term debt	8
Amortization of premiums and discounts	(3)
Balance March 31, 2016	4,524
Debt retirement	(400)
Net proceeds from long-term debt	295
Foreign exchange on long-term debt	8
Less amount reallocated to current portion	(420)
Balance March 31, 2017	\$ 4,007

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14. 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 \$	49 \$	(1) \$ 198
October 1, 2013	May 1, 2022	8.88 %	8.75 %	100	USD	33	(1) 132
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	March 14, 2018	4.36 %	4.36 %	120	-	-	- 120
October 1, 2013	September 24, 2034	5.49 %	5.00 %	150	-	(1)	149
October 1, 2013	March 26, 2018	5.10 %	4.45 %	300	-	(2)	298
October 1, 2013	March 19, 2034	7.02 %	5.15 %	50	-	-	- 50
October 1, 2013	June 3, 2019	4.68 %	4.40 %	150	-	(1)	149
October 1, 2013	June 3, 2019	4.85 %	4.40 %	300	-	1	301
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	-	2	167
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	-	-	- 200
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	-	(2)	98
August 14, 2016	August 14, 2048	3.16 %	3.10 %	200	-	(2)	198
Total				\$ 4,340	\$ -	82 \$	5 \$ 4,427

Debt portfolio management fee

NB Power pays an annual debt portfolio management fee to the Province of New Brunswick amounting to 0.65% of the total long-term debt and short-term indebtedness, net of the balance held in sinking funds receivable (Note 11), measured as at the beginning of the fiscal year.

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14. LONG-TERM DEBT (CONTINUED)

Principal repayments

Long-term debt principal repayments are due as follows.

Year Ending	Principal Repayment
March 31, 2018	\$ 420
March 31, 2019	410
March 31, 2020	450
March 31, 2021	364
March 31, 2022	400
Thereafter	2,378
Total	\$ 4,422

15. 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	2017	2016
Long-term debt	\$ 4,427	\$ 4,524
Short-term indebtedness	977	855
Total debt	5,404	5,379
Sinking fund receivable	(503)	(464)
Cash	(1)	(2)
Total net debt	4,900	4,913
Retained earnings	447	420
Accumulated other comprehensive (loss)	(127)	(213)
Total capital	5,220	5,120
	94 %	96 %

16. 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.

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16. DECOMMISSIONING AND USED FUEL MANAGEMENT LIABILITY (CONTINUED)

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

Assumptions used for the liabilities

The following are the 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				
- 2017	\$169	\$1,053	\$626	\$3
- 2016	\$180	\$1,034	\$598	\$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	2102	2030
Rate used to discount cash flows				
- 2017	2.39 - 4.01%	4.56%	4.81%	3.82%
- 2016	1.74 - 4.09%	4.67%	4.91%	3.77%
Escalation rate to determine decommissioning liabilities	2.0%	2.0%	1.9% to 3.5%	2.0%

NEW BRUNSWICK POWER CORPORATION
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16. DECOMMISSIONING AND USED FUEL MANAGEMENT LIABILITY (CONTINUED)

Liabilities at year-end

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

	2017	2016
Thermal generating station decommissioning liability		
Balance, beginning of year	134 \$	166
Add: Change to discount rate and change in cost estimates	(6)	(24)
Add: Accretion on thermal decommissioning liability	4	4
Less: Expenditures	(6)	(12)
Balance, end of year	126	134
Nuclear generating station decommissioning liability		
Balance, beginning of year	331	362
Add: Change to discount rate and change in cost estimate	14	(45)
Add: Accretion on nuclear decommissioning liability	15	16
Less: Expenditures	(2)	(2)
Balance, end of year	358	331
Used fuel management liability		
Balance, beginning of year	271	335
Add: Change to discount rate and change in cost estimate	2	(74)
Add: Accretion on used fuel management liability	13	16
Less: Expenditures	(8)	(6)
Balance, end of year	278	271
Water heaters		
Balance, beginning of year	3	3
Add: Change to discount rate and change in cost estimate	(1)	-
Balance, end of year	2	3
Total decommissioning and used fuel management liability	\$ 764	\$ 739

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17. 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.

	2017	2016
Early retirement obligation	\$ 83	\$ 85
Retirement allowance obligation	21	39
Other future employee benefits obligation	20	18
	124	142
Current portion of early retirement obligation	(5)	(5)
Post-employment benefits	\$ 119	\$ 137

Assumptions

	2017	2016
	%	%
Discount rate, beginning of year	3.80	3.40
Discount rate, end of year	3.65	3.80
Long-term rate of compensation increases	2.50	2.50
Assumptions for benefit increases (percentage of Consumer Price Index)	2.00	2.00

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	2017	2016
Balance, beginning of year	\$ 85	\$ 95
Employee benefit expense	3	2
Benefits paid	(5)	(5)
Actuarial (gain)	-	(7)
Balance, end of year	\$ 83	\$ 85

Cost	2017	2016
Interest on early retirement obligation	\$ 3	\$ 2
Total benefit expense for the year	\$ 3	\$ 2

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17. POST-EMPLOYMENT BENEFITS (CONTINUED)

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. The payouts for these employees will continue into 2018.

Accrued benefit obligation	2017	2016
Balance, beginning of year	\$ 39	\$ 47
Employee benefit expense	2	4
Benefits paid	(25)	(10)
Actuarial loss (gain)	5	(2)
Balance, end of year	\$ 21	\$ 39

Cost	2017	2016
Current service cost	\$ 1	\$ 2
Settlement	-	1
Interest on retirement allowance obligation	1	1
Total benefit expense for the year	\$ 2	\$ 4

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	2017	2016
Balance, beginning of year	\$ 18	\$ 18
Employee benefit expense	1	1
Benefits paid	(1)	(1)
Actuarial loss (gain)	2	-
Balance, end of year	\$ 20	\$ 18

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17. POST-EMPLOYMENT BENEFITS (CONTINUED)

c. Other future employee benefits obligation (continued)

Cost	2017	2016
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.

	2017	2016
Balance, beginning of year	\$ (63)	\$ (72)
Actuarial losses on accrued benefit obligation		
- experience adjustments	(7)	1
- changes in actuarial assumptions	-	8
Balance, end of year	\$ (70)	\$ (63)

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, 2017. The most recent actuarial valuation for funding purposes for the Pension Plan for Employees of NB Coal Limited was completed as at January 1, 2014. 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, 2017.

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, 2016. As at January 1, 2016, the PSSRP was 106.9% funded (January 1, 2015 - 104.6%) The valuation reported plan assets exceeding the accrued benefit obligation of \$6,477 million by \$450 million. The next valuation is required to be completed as at January 1, 2017.

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

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17. POST-EMPLOYMENT BENEFITS (CONTINUED)

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 \$236 million (January 1, 2015 - \$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.

	2017	2016
Current service cost	\$ 26	\$ 25

NB Power expects to contribute approximately \$28 million in contributions in 2017.

18. 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, 2015	\$ 1	\$ 12	\$ 3	\$ 16
Provisions made during the year	3	-	4	7
Provisions used during the year	(1)	-	(1)	(2)
Balance, March 31, 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

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 1.40% (2016 - 1.54%).

The total undiscounted amount of the estimate cash flows required to settle the liability is \$2 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 4.08% (2016 - 4.03%).

NEW BRUNSWICK POWER CORPORATION

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18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (CONTINUED)

Environmental liability (continued)

The total undiscounted amount of the estimated cash flows required to settle the liability is \$14 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.

19. MISCELLANEOUS REVENUE

	2017	2016
Transmission revenue	\$ 25	\$ 26
Customer related revenues	10	8
Water heater rental	20	21
Pole attachment revenue	3	3
Other miscellaneous income	18	27
	\$ 76	\$ 85

20. OPERATIONS, MAINTENANCE AND ADMINISTRATION

	2017	2016
Salaries and benefits	\$ 223	\$ 220
Hired services	150	117
Materials and supplies	30	31
Vehicles and equipment	24	26
Other	56	56
	\$ 483	\$ 450

21. DEPRECIATION AND AMORTIZATION

	2017	2016
Property, plant and equipment	\$ 234	\$ 220
Amortization of intangible assets	4	4
Loss (gain) on disposal of assets	(5)	2
	\$ 233	\$ 226

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22. TAXES

	2017	2016
Property tax	\$ 22	\$ 22
Utility and right of way taxes	21	19
	\$ 43	\$ 41

23. FINANCE COSTS

	2017	2016
Interest on long-term and short-term debt	\$ 207	\$ 212
Accretion	33	36
Debt portfolio management fee	32	32
Foreign exchange on long-term debt	8	7
Interest on post-employment benefits	5	3
Foreign exchange gains and losses	(1)	3
Amortization of premiums and discounts	-	(3)
	284	290
Interest capitalized during construction	(4)	(5)
	\$ 280	\$ 285

24. ADJUSTMENTS FOR NON-CASH ITEMS

	2017	2016
Net changes in regulatory balances	\$ 12	\$ 13
Other non-cash adjustments	10	-
Nuclear fuel - used fuel management variable expense	6	7
Post-employment benefits expense	1	4
Nuclear decommissioning and used fuel management fund earnings	(55)	(38)
Sinking funds	(29)	(28)
Change in market value of derivatives	(6)	(7)
Change to provisions for other liabilities and charges	(2)	2
	\$ (63)	\$ (47)

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25. NET CHANGE IN NON-CASH WORKING CAPITAL

	2017	2016
Accounts receivable	\$ (20)	\$ 34
Materials, supplies and fuel	36	(56)
Prepaid expenses	(2)	(1)
Accounts payable and accrued liabilities	2	(10)
	\$ 16	\$ (33)

26. 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 27 Financial Instrument Risk Management, Market risk for the sensitivity analysis.

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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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26. 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, 2017		March 31, 2016	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash	1	\$ 1	\$ 1	\$ 2	2
Accounts receivable	1	255	255	235	235
Long-term receivable	1	-	-	17	17
Nuclear decommissioning and used fuel management fund FVTPL investments	2 - 3	640	640	606	606
Nuclear decommissioning and used fuel managements funds available for sale investments	2	50	50	67	67
Sinking fund receivable	1	503	503	464	464
Derivative assets	2	11	11	17	17
Total financial assets		1,460	1,460	1,408	1,408
Financial liabilities					
Short-term indebtedness	1	977	977	855	855
Accounts payable and accrued liabilities	1	257	257	255	255
Accrued interest on short and long-term debt	1	40	40	41	41
Long-term debt	2	4,427	4,869	4,524	5,063
Derivative liabilities	2	30	30	137	137
Total financial liabilities		\$ 5,731	\$ 6,173	\$ 5,812	\$ 6,351

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

Hierarchy	2017	2016
Level 2	\$ 653	\$ 645
Level 3	37	28
	\$ 690	\$ 673

Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 in 2017.

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26. 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, 2015	\$	7
Purchases		29
Sales		(9)
Gains (losses) recognized in earnings		1
Balance, March 31, 2016		28
Purchases		21
Sales		(12)
Balance, March 31, 2017	\$	37

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.

	Unit of measure	Maturing over (months)	March 31, 2017		March 31, 2016	
			Committed purchases	Weighted average price	Committed purchases	Weighted average price
Foreign exchange derivatives (1)	USD	39	419.9	\$1.30	394.3	\$1.26
Heavy fuel oil derivatives (2)	barrels	23	0.5	61.46	0.7	63.74
Natural gas derivatives (3)	mmbtu	23	2.0	5.51	10.4	6.57
Coal derivatives (4)	MT	18	-	-	0.2	67.31
Electricity derivatives (5)	MWh	35	2.9	\$50.28	3.6	\$55.60

(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.

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26. 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, 2017. 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 \$(19) million at March 31, 2017. Of the \$(19) million, the retained earnings impact is \$1 million and the accumulated other comprehensive income impact is \$(20) million.

	Foreign exchange contracts	Natural gas contracts	Electricity contracts	Heavy fuel oil contracts	Coal contracts	Total
Current derivative assets	\$ 6	\$ -	\$ 1	\$ -	\$ -	\$ 7
Long-term derivative assets	4	-	-	-	-	4
Current derivative liabilities	(1)	(1)	(4)	(6)	(2)	(14)
Long-term derivative liabilities	-	(1)	(8)	(4)	(3)	(16)
Total assets (liabilities)	\$ 9	\$ (2)	\$ (11)	\$ (10)	\$ (5)	\$ (19)

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, 2015	\$ 4	\$ (10)	\$ (6)
Current year adjustments	(1)	-	(1)
Balance, March 31, 2016	3	(10)	(7)
Current year adjustments	(3)	2	(1)
Hedge ineffectiveness	-	9	9
Balance, March 31, 2017	\$ -	\$ 1	\$ 1

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

26. 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	Interest rate contracts	AOI - derivative financial instruments
Balance, April 1, 2015	\$ 39	\$ (17)	\$ (4)	\$ (13)	\$ (1)	\$ (18)	\$ (14)
Impact of mark-to- market adjustments	(27)	(11)	(60)	(15)	(4)	18	(99)
Balance, March 31, 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)

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

26. 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, 2015	\$ (14)	\$ (42)	\$ (72)	56	\$ (72)
Impact of mark-to-market adjustments	(99)	(6)	9	(45)	(141)
Balance, March 31, 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)

27. 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, 2017

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

27. 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	2017	2016
	Fair value	Fair value
Cash	\$ 1	\$ 2
Accounts receivable	255	235
Long-term receivable	-	17
Nuclear decommissioning and used fuel management funds	690	673
Sinking fund receivable	503	464
Derivative assets	11	17
	\$ 1,460	\$ 1,408

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	2017	2016
Trade		
Trade receivables - current	\$ 166	\$ 168
61 - 90 days	17	2
Greater than 90 days	5	6
	188	176
Allowance for doubtful accounts	(6)	(6)
Unbilled revenue	65	55
Other receivables	8	10
	\$ 255	\$ 235

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

27. 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	2017	2016
Balance, beginning of year	\$ 6	\$ 5
Increase during the year	6	6
Bad debts recovery during the year	-	1
Bad debts written off during the year	(6)	(6)
	\$ 6	\$ 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.

Long-term receivable

The long-term receivable is due from one party for the purchase of distribution assets. The receivable is collected over 15 years.

Concentration of credit risk

There is a high concentration of credit risk at March 31, 2017 in relation to the long-term receivable, as the receivable is from one counterparty. The associated credit risk is considered to be low as the majority of the balance was collected in 2017.

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, 2017 in relation to the sinking fund receivable, as the receivable

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

27. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

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.

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, 2017 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	\$ 5	\$ 7	\$ 17	\$ 6	\$ 3	\$ 1	39
Nuclear decommissioning fund	20	20	54	11	6	2	113
Nuclear fuel waste trust	27	27	75	20	1	-	150
	\$ 52	\$ 54	\$ 146	\$ 37	\$ 10	\$ 3	302

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

27. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Market Risk

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

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

- foreign exchange rates,
- interest rates,
- commodity prices, and
- private real estate capitalization rates.

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, 2017.

	Impact on earnings	Impact on other comprehensive
Exchange and interest rates		
1 cent change in CAD/USD exchange rate	\$ 2	\$ 4
0.25% change in short-term debt rates	2	-
0.25% change in investment yields	21	3
Commodity prices		
\$5/bbl change in the price of heavy fuel oil	-	2
\$1/mmbtu change in natural gas prices	-	2
\$5/MWh changes in electricity prices	-	15
Private real estate investments		
0.25% change in capitalization rate	\$ 2	\$ -

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For the Year Ended March 31, 2017

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

27. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

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, 2017 and in future years.

Financial liability	Carrying amount	Contractual cash flows	Timing of contractual cash flows				
			< 2 months	2 - 12 months	2019	2020 - 2022	2023 and thereafter
Short-term indebtedness	\$ 977	\$ 977	\$ 947	\$ 30	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	257	257	257	-	-	-	-
Accrued interest	40	40	8	32	-	-	-
Derivative liabilities	30	30	1	13	15	1	-
Long-term debt	4,427	4,422	-	420	410	1,214	2,378
Interest on long-term debt	-	2,532	16	176	171	407	1,762
	\$ 5,731	\$ 8,258	\$ 1,229	\$ 671	\$ 596	\$ 1,622	\$ 4,140

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, 2017

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

28. 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, 2017 NB Power has a sinking fund receivable from the Province of New Brunswick of \$503 million as compared to \$464 million in 2016 (Note 11).

Debt

NB Power has debt payable to the Province of New Brunswick (Notes 13 and 14).

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 \$43 million, as compared to \$41 million in 2016 (Note 22).

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.

	2017	2016
Salaries and short-term employee benefits	\$ 4	\$ 4
Post-employment benefits	1	1
	\$ 5	\$ 5

29. COMMITMENTS, CONTINGENCIES AND GUARANTEES

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

	2018	2019	2020	2021	2022	2023 and thereafter
Fuel contracts	\$ 86	\$ 87	\$ 88	\$ 59	\$ 25	-
Committed capital	41	6	3	-	-	-
Operating leases	9	8	4	3	3	4
	\$ 136	\$ 101	\$ 95	\$ 62	\$ 28	\$ 4

NEW BRUNSWICK POWER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

29. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTINUED)

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
3 years	2020	42 MW	all the electrical energy of a wind generation facility
2 years	2019	90 MW	90 MW of the total 99 MW of 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

Energy Sales and Transmission Rights Assignment Agreement

NB Power entered into an energy sales and transmission rights assignment agreement in November 2012 which expired in 2017. The agreement was extended to 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.

NEW BRUNSWICK POWER CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

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

29. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTINUED)

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, 2016 to March 31, 2017, 320 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.

30. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year presentation.



Statistical Overview

STATEMENT OF GENERATION¹

<i>(millions of kWh)</i>	2016/17	2015/16	2014/15	2013/14	2012/13
Hydro	2,848	2,920	2,690	3,079	2,585
Thermal	3,992	2,844	4,103	4,020	3,273
Nuclear	4,860	4,869	4,863	4,881	1,598
Combustion turbine	2	3	4	5	7
Purchases	6,206	8,655	8,057	7,989	10,595
Gross generation and purchases	17,908	19,291	19,717	19,974	18,058
Station service	658	638	675	684	515
Net generation and purchases	17,250	18,653	19,042	19,290	17,543
Losses - transformer and transmission	518	708	487	596	539
Total energy available for distribution	16,732	17,945	18,555	18,694	17,004

STATEMENT OF SALES

<i>(millions of kWh)</i>	2016/17	2015/16	2014/15	2013/14	2012/13
Wholesale	1,225	1,224	1,291	1,263	1,186
Industrial	4,315	4,515	4,456	4,365	4,382
General service	2,320	2,295	2,392	2,396	2,310
Residential	5,134	5,008	5,442	5,291	4,932
Street lights	45	48	67	73	75
Total in-province sales	13,039	13,090	13,648	13,388	12,885
Interconnections	3,360	4,533	4,575	4,966	3,725
Total sales	16,399	17,623	18,223	18,354	16,610
Distribution losses	333	322	332	340	394
Total energy distributed and sold	16,732	17,945	18,555	18,694	17,004

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

STATEMENT OF REVENUE¹

<i>(in millions)</i>	IFRS			CGAAP ²	
	2016/17	2015/16	2014/15	2013/14	2012/13
Wholesale	\$ 112	\$ 109	\$ 112	\$ 109	\$ 103
Industrial	315	322	318	310	321
General service	289	280	285	278	257
Residential	628	601	635	607	564
Street lights	25	24	24	24	24
Total in-province sales of power	1,369	1,336	1,374	1,328	1,269
Interconnections	251	370	346	391	254
Sales of power	1,620	1,706	1,720	1,719	1,523
Mark to market gain or (loss)	-	-	-	-	8
Miscellaneous	76	85	71	78	74
Total revenue	\$ 1,696	\$ 1,791	\$ 1,791	\$ 1,797	\$ 1,605

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

² Canadian Generally Accepted Accounting Principles

STATEMENT OF IN-PROVINCE GENERATION¹

<i>(millions of kWh)</i>	2016/17	2015/16	2014/15	2013/14	2012/13
Hydro	2,685	2,738	2,504	2,667	2,550
Coal and petroleum coke	2,753	1,759	2,635	2,733	2,326
Heavy fuel oil	266	206	459	391	224
Nuclear	4,315	4,286	4,308	4,302	1,312
Purchases	3,780	5,023	4,472	4,025	7,456
Net generation and purchases	13,799	14,012	14,378	14,118	13,868
Losses - transformer and transmission	518	708	487	596	539
Total energy available for distribution	13,281	13,304	13,891	13,522	13,329

OPERATING STATISTICS

	2016/17	2015/16	2014/15	2013/14	2012/13
Transmission lines - km	6,865	6,830	6,863	6,863	6,849
Distribution lines - km	21,121	21,050	20,972	20,887	20,815
Residential customers	325,329	323,530	322,052	321,132	318,834
Industrial customers	1,745	1,729	1,744	1,813	1,840
General service customers	26,025	25,676	25,531	25,494	25,400
Non-metered customers	2,819	2,878	2,881	2,799	2,717
Direct customers	355,918	353,813	352,208	351,238	348,791
Indirect customers	45,248	45,242	45,425	46,350	45,794
Total customers	401,166	399,055	397,633	397,588	394,585
Positions - regular	2,462	2,403	2,395	2,349	2,276
Positions - temporary	81	65	58	49	77
Positions - Mine Reclamation Inc.	-	-	-	-	8
Total positions	2,543	2,468	2,453	2,398	2,361

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

STATEMENT OF EARNINGS SUMMARY

<i>(in millions)</i>	IFRS			CGAAP	
	2016/17	2015/16	2014/15	2013/14	2012/13
Sale of power - In-province	\$ 1,369	\$ 1,336	\$ 1,374	\$ 1,328	\$ 1,269
Sale of power - Out-of-province	251	370	346	391	254
Miscellaneous revenue	76	85	71	78	74
Mark-to-market gain on derivatives	-	-	-	-	8
Fuel and purchased power	(702)	(830)	(825)	(834)	(807)
Operations, maintenance and administration	(483)	(450)	(419)	(437)	(449)
Depreciation and amortization	(233)	(226)	(230)	(230)	(184)
Taxes, other than special payments in lieu of income taxes	(43)	(41)	(37)	(36)	(39)
Finance costs	-	-	-	-	-
Earnings	\$ 27	\$ 12	\$ 100	\$ 55	\$ 65

STATEMENT OF FINANCIAL POSITION SUMMARY MARCH 31

ASSETS

<i>(in millions)</i>	IFRS			CGAAP	
	2016/17	2015/16	2014/15	2013/14	2012/13
Current assets	\$ 444	\$ 469	\$ 498	\$ 681	\$ 511
Property, plant and equipment	4,280	4,237	4,382	4,072	4,072
Other non-current assets	1,235	1,189	1,248	2,110	2,106
Total assets	5,959	5,895	6,128	6,863	6,689
Regulatory balances	1,009	1,021	1,034	-	-
Total assets and regulatory balances	\$ 6,968	\$ 6,916	\$ 7,162	\$ 6,863	\$ 6,689

LIABILITIES AND SHAREHOLDER'S EQUITY¹

<i>(in millions)</i>	IFRS			CGAAP	
	2016/17	2015/16	2014/15	2013/14	2012/13
Current liabilities	\$ 1,708	\$ 1,646	\$ 1,746	\$ 1,153	\$ 1,346
Long-term debt	4,007	4,124	4,025	4,567	4,370
Other non-current liabilities	933	939	1,055	744	696
Shareholder's equity	320	207	336	399	277
Total liabilities and shareholder's equity	\$ 6,968	\$ 6,916	\$ 7,162	\$ 6,863	\$ 6,689

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

CASH FLOW SUMMARY¹

<i>(in millions)</i>	IFRS			CGAAP	
	2016/17	2015/16	2014/15	2013/14	2012/13
Cash flow from operations	\$ 477	\$ 477	\$ 538	\$ 296	\$ 102
Net change in non-cash working capital balances	15	(33)	88	(45)	19
Interest paid and other	(239)	(261)	(261)	(28)	(17)
Operating activities	253	183	365	223	104
Investing activities	(261)	(204)	(282)	(179)	(294)
Financing activities	7	20	(83)	(42)	185
Net cash (outflow) inflow	\$ (1)	\$ (1)	-	2	(5)
Cash					
Beginning of year	2	3	3	1	6
End of year	\$ 1	\$ 2	\$ 3	\$ 3	\$ 1

FINANCE COSTS¹

<i>(in millions)</i>	IFRS			CGAAP	
	2016/17	2015/16	2014/15	2013/14	2012/13
Interest on long-term and short-term debt	\$ 207	\$ 212	\$ 221	\$ 224	\$ 249
Accretion	33	36	36	0	0
Debt portfolio management fee	32	32	33	32	31
Foreign exchange	7	10	39	22	2
Interest on post-employment benefits	5	3	6	-	-
Interest capitalized during construction	(4)	(5)	(6)	(55)	(99)
Amortization of premiums and discounts	-	(3)	(2)	2	(2)
Amortization of deferred interest	-	-	-	(2)	-
Finance charges	280	285	327	223	181
Sinking funds, and other investments income	(34)	(67)	(123)	(87)	(38)
Mark to market of fair value through profit and loss investments	(50)	1	(41)	-	-
Finance costs less associated earnings	\$ 196	\$ 219	\$ 163	\$ 136	\$ 143

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

FINANCIAL RATIOS¹

<i>(in millions)</i>	IFRS			CGAAP	
	2016/17	2015/16	2014/15	2013/14	2012/13
Cash flow from operating activities / capital expenditures ²	0.91	0.79	1.38	1.25	0.35
Cash flow from operating activities / total debt	0.05	0.04	0.07	0.04	0.02
Debt / capital ³	94%	96%	94%	93%	96%
Interest coverage ratio ⁴	1.14	1.32	1.68	1.11	0.86

OTHER STATISTICS

<i>(in millions)</i>	2016/17	2015/16	2014/15	2013/14	2012/13
Rate increase	1.6%	1.6%	2.0%	2.0%	0.0%
CPI (New Brunswick)	2.2%	0.5%	1.5%	0.8%	1.7%
GDP increases (New Brunswick) ⁵	1.4%	2.3%	(0.1%)	(0.3%)	(1.0%)
Capital expenditures (millions) ²	\$ 278	\$ 231	\$ 264	\$ 179	\$ 296
Change in total debt (millions)	\$ (13)	\$ (2)	\$ (103)	\$ (42)	\$ 185
Per cent breakdown of long-term debt					
Canadian dollar	92.5%	92.8%	93.1%	93.9%	100.0%
US dollar	7.5%	7.2%	6.9%	6.1%	0.0%
Weighted average coupon interest rate	4.4%	4.4%	4.6%	4.6%	4.8%
Canadian Dollar - March 31	\$ 0.752	\$ 0.771	\$ 0.7885	\$ 0.9047	\$ 1.016

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

² Capital expenditures are net of proceeds on disposal

³ Debt ratio = debt / (debt + equity), where debt = (long-term debt + short-term indebtedness - sinking funds receivable - cash)

⁴ Interest coverage ratio = [net income before finance charges + (income from sinking funds, trust funds, and other investments - debt portfolio management fee)] / interest expense

⁵ The Provincial Government restated its GDP growth rates for the past years

CAPITAL MANAGEMENT

	IFRS			CGAAP	
	2016/17	2015/16	2014/15	2013/14	2012/13
Long-term debt	\$ 4,427	\$ 4,524	\$ 4,605	\$ 4,567	\$ 4,692
Short-term debt	977	855	784	858	687
Deferred liability debt	-	-	-	-	60
Total debt	\$ 5,404	\$ 5,379	\$ 5,389	\$ 5,425	\$ 5,439
Sinking fund receivable	\$ (503)	\$ (464)	\$ (471)	\$ (404)	\$ (376)
Cash	(1)	(2)	(3)	(3)	(3)
Total net debt	\$ 4,900	\$ 4,913	\$ 4,915	\$ 5,018	\$ 5,060
Retained earnings	\$ 447	\$ 420	\$ 408	\$ 252	\$ 197
Accumulated other comprehensive income (loss)	(127)	(213)	(72)	147	80
Total capital	\$ 5,220	\$ 5,120	\$ 5,251	\$ 5,417	\$ 5,337
Total Capital excluding AOCI	\$ 5,347	\$ 5,333	\$ 5,323	\$ 5,270	\$ 5,257
Percentage of net debt in capital structure	94%	96%	94%	93%	95%
Percentage of net debt in capital structure (excluding AOCI)	92%	92%	92%	95%	96%



Énergie NB Power

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