New Brunswick Power Corporation

Consolidated Financial Statements

March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Honourable Brenda Murphy,
Lieutenant-Governor of New Brunswick
Fredericton, New Brunswick

Your Honour,

Opinion

We have audited the consolidated financial statements of New Brunswick Power Corporation (the Entity), which comprise:

- the consolidated statement of financial position as at March 31, 2023
- the consolidated statement of earnings for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2023, and its consolidated financial performance, and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Fredericton, Canada

June 19, 2023

Énergie NB Power | the power of possibility
débordant d'énergie

REPORT OF MANAGEMENT

The consolidated financial statements of New Brunswick Power Corporation (NB Power) are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the consolidated financial statements have been properly prepared within the framework of selected accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, information available up to May 31, 2023. The financial information presented in the Management's Discussion & Analysis (MD&A) and elsewhere in this report is consistent with that in the consolidated financial statements.

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

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

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

On behalf of management

Lori Clark

President and Chief Executive Officer
Lori Clark
June 19, 2023

Darren Murphy

CFO & SVP of Corporate Services and Major Projects
Darren Murphy
June 19, 2023

NEW BRUNSWICK POWER CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

March 31	Note	2023	2022
Assets			
Current			
Cash		**$ 3**	$ 52
Accounts receivable	5	**504**	395
Materials, supplies and fuel	6	**296**	276
Prepaid expenses		**21**	22
Derivative assets	28	**34**	187
Total current assets		**858**	932
Non-current assets			
Property, plant and equipment	7	**4,670**	4,645
Intangible assets	8	**56**	59
Nuclear decommissioning and used fuel management funds	9	**897**	881
Sinking fund receivable	10	**474**	500
Derivative assets	28	**105**	130
Non-current prepaid expenses		**19**	-
Other assets	11	**1**	1
Total non-current assets		**6,222**	6,216
Total assets		**7,080**	7,148
Regulatory balances	12	**1,021**	787
Total assets and regulatory balances		**$ 8,101**	$ 7,935

The accompanying notes form part of the consolidated financial statements

NEW BRUNSWICK POWER CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

March 31	Note	2023	2022
Liabilities and equity			
Current liabilities			
Short-term indebtedness	13	**$ 797**	$ 859
Accounts payable and accrued liabilities		**459**	376
Deferred revenue		**20**	-
Accrued interest on short and long-term debt		**30**	30
Current portion of long-term debt	14	**300**	225
Current portion of lease liabilities	15	**5**	5
Derivative liabilities	28	**185**	3
Total current liabilities		**1,796**	1,498
Non-current liabilities			
Long-term debt	14	**4,786**	4,406
Lease liabilities	15	**32**	33
Decommissioning and used fuel management liabilities	17	**987**	1,114
Post-employment benefits	18	**101**	108
Provisions for other liabilities and charges	19	**60**	57
Derivative liabilities	28	**5**	3
Total non-current liabilities		**5,971**	5,721
Total liabilities		**7,767**	7,219
Shareholder's equity			
Accumulated other comprehensive (loss) income		**(168)**	171
Retained earnings		**502**	545
Total equity		**334**	716
Total liabilities and equity		**$ 8,101**	$ 7,935

On behalf of New Brunswick Power Corporation

Chair

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	2023	2022
Revenue			
Sales of electricity			
In-province	20	**$ 1,543**	$ 1,502
Out-of-province	20	**1,234**	558
Miscellaneous	21	**134**	138
		2,911	2,198
Expenses			
Fuel and purchased power	22	**1,968**	983
Operations, maintenance and administration	23	**576**	537
Depreciation and amortization	24	**351**	344
Taxes	25	**50**	51
		2,945	1,915
Operating (loss) earnings		**(34)**	283
Finance costs	26	**(280)**	(248)
Sinking funds and other investment income		**21**	13
Mark-to-market of fair value through profit and loss investments	28	**16**	46
Net (loss) earnings before changes in regulatory balances		**(277)**	94
Net changes in regulatory balances	12	**234**	(14)
Net (loss) earnings		**$ (43)**	$ 80

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

For the year ended March 31	Note	2023	2022
Net (loss) earnings		**$ (43)**	$ 80
Other comprehensive income			
Items that may be reclassified subsequently to earnings			
Net changes in unrealized (loss) gain on derivatives designated as cash flow hedges	28	**(475)**	456
Amortization of interest settlement		**2**	2
Reclassification to earnings of settled derivatives designated as cash flow hedges	28	**127**	(154)
		(346)	304
Items that will not be reclassified to earnings			
Net actuarial gain on post-employment benefits	18	**7**	15
Other comprehensive (loss) income		**(339)**	319
Total comprehensive (loss) income		**$ (382)**	$ 399

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 (Note 28)	Amortization of interest settlement	Post-employment benefits actuarial (losses) gains (Note 18)	AOCI	Retained earnings	Total equity
Balance, April 1, 2021	$ (35)	$ (36)	$ (77)	$ (148)	$ 465	$ 317
Net earnings for the year	-	-	-	-	80	80
Other comprehensive income	302	2	15	319	-	319
Balance, March 31, 2022	267	(34)	(62)	171	545	716
Net (loss) for the year	-	-	-	-	(43)	(43)
Other comprehensive (loss) income	(348)	2	7	(339)	-	(339)
Balance, March 31, 2023	**$ (81)**	**$ (32)**	**$ (55)**	**$ (168)**	**$ 502**	**$ 334**

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	2023	2022
Operating activities			
Cash receipts from customers and counterparties		**$ 2,792**	$ 2,087
Cash paid to suppliers and employees		**(2,489)**	(1,551)
Customer contributions	19	**6**	4
Post-employment benefits	18	**(16)**	(11)
Interest paid		**(230)**	(208)
Interest received		**2**	-
Cash provided by operating activities		**65**	321
Investing activities			
Expenditures on property, plant and equipment and intangibles, net of proceeds		**(527)**	(334)
Used fuel management and decommissioning fund withdrawals		**-**	7
Cash expenditures on decommissioning	17	**(13)**	(10)
Cash (used in) investing activities		**(540)**	(337)
Financing activities	27		
Proceeds from long-term debt issuances	14	**677**	298
Debt retirements	14	**(228)**	(400)
(Decrease) increase in short-term indebtedness	13	**(62)**	251
Sinking fund installments	10	**(46)**	(121)
Sinking fund redemptions	10	**92**	44
Repayment of lease liabilities	15	**(7)**	(7)
Cash provided by financing activities		**426**	65
Net cash (outflow) inflow		**(49)**	49
Cash, beginning of year		**52**	3
Cash, end of year		**$ 3**	$ 52

The accompanying notes form part of the consolidated financial statements

1. DESCRIPTION OF BUSINESS

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

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

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

2. BASIS OF PREPARATION

NB Power's annual audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared on the historical cost basis except for derivative instruments (Note 28), the nuclear decommissioning and used fuel management funds (Note 9) and the post-employment benefits (Note 18) where the net defined benefit (asset) liability is the fair value of plan assets less present value of the defined benefit obligation. 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 19, 2023.

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 revenue 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.

2. BASIS OF PREPARATION (CONTINUED)

b. Estimates

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

Note reference	Estimate
Note 3.b	Recognition, measurement and recovery of regulatory balances
Note 3.d	Estimation of useful life of property, plant and equipment
Note 3.g	Recognition and measurement of decommissioning and used fuel management liabilities
Note 3.h	Measurement of defined benefit obligations: key actuarial assumptions
Note 3.i	Recognition and measurement of provisions and contingencies
Note 3.j	Measurement of unbilled revenue
Note 3.n	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 3.d	Property, plant and equipment: capitalization of costs
Note 3.m	Leases: whether an arrangement contains a lease and lease classification

d. New standards and interpretations adopted

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

The IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendments relate to the costs that should be included as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments clarify that the cost of fulfilling the contract comprises all costs that relate directly to the contract. Such costs include both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments apply to contracts existing at the date when the amendments are first applied. There was no impact on the financial statements that resulted from the application of this amendment.

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

2. BASIS OF PREPARATION (CONTINUED)

e. New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations not yet effective at March 31, 2023 and have not been applied in the preparation of the March 31, 2023 consolidated financial statements are summarized in the following table.

Standard	Effective date
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2	April 1, 2023
IAS 1 Presentation of Financial Statements	April 1, 2023
IAS 1 Presentation of Financial Statements	April 1, 2024
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	April 1, 2023
IFRS 16 Leases	April 1, 2024

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2. The amendments help companies provide useful accounting policy disclosures. The key amendments include requiring companies to disclose their material accounting policies rather than their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other event or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments relate to the classification of liabilities as current or non-current. Specifically, the amendments clarify one of the criteria for classifying a liability as non-current is the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The IASB issued further amendments to IAS 1 Presentation of Financial Statements. The amendments affect only the presentation of liabilities in the balance sheet and seek to clarify that the classification of liabilities as current or non-current should be based on the rights that are in existence at the end of the reporting period. Further, the amendments make clear that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and that the settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The IASB issued amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The IASB also issued amendments to IFRS 16 Leases. The amendments provide subsequent measurement requirements for sale and leaseback transactions.

NB Power does not expect these amendments to have a material impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

a. Basis of consolidation

Subsidiary

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

b. Rate regulation

NB Power has adopted IFRS 14 as at March 31, 2016. Under IFRS 14, regulatory balances are recognized for rate setting and financial reporting purposes if the 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 customers at EUB approved rates. Regulatory credit balances represent amounts billed to customers 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 on an ongoing basis 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Rate regulation (Continued)

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,
- lawsuit settlement with Petroleos de Venezuela S.A. (PDVSA),
- Energy Supply Cost Variance,
- Electricity Sales and Margin Variance, and
- Energy Efficiency and Demand Response Deferral

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.

c. Materials, supplies and fuel inventory

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Property, plant and equipment

Property, plant and equipment (PP&E) is recorded at cost. If significant parts of PP&E have different useful lives they are recorded as separate components of PP&E.

Cost of additions

The cost of additions to PP&E includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes expenditures that are directly attributable to the construction of the asset including

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

less

- revenue generated during commissioning, and
- government 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 qualifying capital 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.

Right-of-use assets

The right-of-use assets represent the right to use the underlying asset. Right-of-use assets are measured at cost, which is based on the initial amount of the lease liability in addition to various adjustments. These adjustments include lease payments made at or before the commencement date, initial direct costs incurred, an estimate of costs to dismantle and remove the leased asset, restore the underlying asset, or the site on which it is located, less any lease incentives received. The right-of-use assets are subsequently depreciated over the earlier of the end of the useful life of the asset or the related lease term.

Borrowing costs on qualifying assets

Interest is capitalized if a project is six months or longer in duration. Borrowing costs are calculated monthly based on the weighted average cost of general borrowings.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Property, plant and equipment (Continued)

Subsequent expenditures

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

Depreciation

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

Estimated service lives

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

Assets	Years
Nuclear generating station	4 - 57
Hydro generating stations	4 - 100
Thermal generating stations	2 - 64
Combustion turbine generating stations	10 - 40
Transmission system	14 - 70
Terminals and substations	15 - 62
Distribution system	10 - 53
Buildings and properties	20 - 54
Computer systems	6
Motor vehicles	8 - 21
Miscellaneous assets	15
Right-of-use assets	1 - 20

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 potential impairment. If impairment is identified, an impairment loss will be recognized in earnings equal to the amount by which the carrying amount exceeds the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Intangible assets

Intangible assets are recorded at cost and amortized over their estimated useful lives.

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

f. Long-term debt

Long-term debt is recorded at amortized cost using the effective interest method. The estimated fair value of the long-term debt is disclosed in Note 28 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
- thermal generating stations and the Milltown hydro generating station,
- nuclear generating station,
- used nuclear fuel,
- water heaters,
- Fundy Isles undersea transmission cables, and
- other hydro generating stations, transmission and distribution assets.

Thermal generating stations and the Milltown hydro generating station

NB Power has recorded provisions for the estimated future costs of decommissioning thermal generating stations and the Milltown hydro generating station.

<u>Calculations of anticipated costs</u>

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 generating stations,
- estimates of inflation rates in the future.

NB Power reviews such calculations annually due to
- potential developments in the decommissioning technologies, and
- changes in the various assumptions and estimates inherent in the calculations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Decommissioning liabilities (Continued)

Thermal generating stations and the Milltown hydro generating station (Continued)

Costs recognized as liabilities

The estimated present values of the costs of decommissioning the generating stations at the end of their useful lives have been recognized as a liability as at March 31, 2023. The liability accounts are charged for current expenditures incurred related to 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. Specifically, the accretion expense is

- calculated using NB Power's credit adjusted risk-free rate, and
- classified as finance costs.

Nuclear generating station

NB Power has recorded provisions for the estimated future costs of decommissioning the nuclear generating station.

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 generating station, and
- estimates of inflation rates in the future.

NB Power reviews such calculations annually due to

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

Costs recognized as liabilities

The estimated present values of the following costs of decommissioning the nuclear generating station at the end of its useful life has been recognized as a liability as at March 31, 2023. The liability accounts are charged for current expenditures incurred related to nuclear plant decommissioning.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Decommissioning liabilities (Continued)

Nuclear generating station (Continued)

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 nuclear 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.

Used nuclear fuel
NB Power has recorded provisions for the estimated future costs of managing used nuclear fuel.

Calculations of anticipated costs

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

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

Calculation methodology

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

Costs recognized as liabilities

The estimated present values of the following costs have been recognized as a liability as at March 31, 2023, the

- fixed-cost portion of used nuclear fuel management activities, which is required regardless of the volume of fuel consumed, and
- variable-cost portion of used nuclear fuel management activities to take into account actual fuel volumes incurred up to March 31, 2023, and

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 used nuclear fuel management.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Decommissioning liabilities (Continued)

Used nuclear fuel (Continued)

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. 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.

Fundy Isles undersea transmission cables

NB Power has recorded a provision for the estimated future costs of decommissioning 17 kilometers for undersea cables serving the Fundy Isles.

Calculation of anticipated costs

The calculations of the anticipated future costs are based on engineering analysis that takes into account various assumptions regarding the method and timing of dismantling costs and include estimates for inflation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Decommissioning liabilities (Continued)

Other hydro generating stations, transmission and distribution assets

Without additional capital improvements, the Mactaquac Generating Station is expected to reach the end of its service life in 2030. NB Power has proposed a capital project that will ensure the station can operate to its intended 100-year lifespan to 2068 with the possibility of even further life extension. This will involve a modified approach to maintenance and adjustments and replacement of equipment over time, therefore there is no established end of life and as a result no liability.

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

NB Power will record a decommissioning liability if a constructive or legal obligation arises, for these hydro generating stations, transmission and distribution assets.

h. Post-employment benefits

NB Power’s post-employment programs include

- New Brunswick Public Service Pension Plan (NBPSPP),
- pension plan for NB Coal employees,
- retirement allowance program,
- early retirement program, and
- other long-term benefits.

NB Power employees are members of the NBPSPP.

The NBPSPP 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 NBPSPP 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 NBPSPP.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Post-employment benefits (Continued)

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 key 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 on the long-term disability plan are recognized in net earnings. The gains and losses on the remaining post-employment benefit programs are recognized 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.

The customer contributions, which represent NB Power's obligation to continue to provide the customers access to the supply of electricity, are recognized in earnings, as miscellaneous revenue on a straight-line basis over the estimated lives of the contracts with customers. Refundable contributions are recorded in current liabilities until such time they are no longer refundable.

j. Revenue

Performance obligation and revenue recognition policy

<u>In-province electricity sales</u>

In-province electricity sales are deemed to have a single performance obligation as they represent a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. These performance obligations are considered to be satisfied over time as electricity is transferred and used by the customer and measured using meters. Revenue recognition is based on the volume delivered to the customer and prices are based on a cost-of-service model which is reviewed and approved by the EUB. Customers have different billing dates and the month end date is not necessarily the billing date; therefore, a revenue accrual is recorded at the end of each month to account for the unbilled revenue. Sales that are deemed not collectible are not recorded as revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Revenue (Continued)

Performance obligation and revenue recognition policy (Continued)

<u>Out-of-province electricity sales</u>

Out-of-province electricity sales are recognized on a daily basis as the energy is transferred and used by customers and are based on either market price at the time of sale or contract prices for long-term contracts.

<u>Miscellaneous revenue</u>

Sales of natural gas

Sales are recognized as the natural gas is delivered to the customer and are based on the market price at the time of the sale.

Customer contributions

Customer contributions are recorded in the consolidated financial statements in provisions for other liabilities and charges and are recognized in earnings, as miscellaneous revenue on a straight-line basis over the estimated lives of the contracts with customers. When contracts with customers are perpetual and the related contributed asset is used to provide ongoing goods or services to customers, the life of the contract is estimated to be equivalent to the economical useful life of the asset to which the contribution relates. Refundable contributions are recorded in current liabilities until such time they are no longer refundable.

k. Government grants

Government grants are received to compensate for certain types of expenditures incurred. These grants are offset against expenses during the period in which the expense is recognized. Government grants related to PP&E are classified in PP&E and depreciated over the life of the related asset.

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Leases

NB Power as a lessee

NB Power considers whether a contract is, or contains a lease, based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. When a contract contains a lease, NB Power records a right-of-use asset and lease liability.

The lease liability represents the obligation to make future lease payments. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The discount rate used is the interest rate implicit in the lease to the extent that it can be readily determined. When the implicit interest rate is not readily determined, NB Power's incremental borrowing rate is used. In determining the lease term, renewal and termination options are taken into account if it is reasonably certain that they will be exercised. The lease liability is subsequently increased by interest costs and decreased by lease payments.

NB Power applies the following practical expedients permitted under IFRS 16

- elects to not recognize right-of-use assets and lease liabilities for short-term leases of 12 months or less and leases of low-value items (less than $5 thousand USD). NB Power recognizes the lease payments associated with these leases as an expense in the consolidated statement of earnings.

NB Power as a lessor

When acting as a lessor, NB Power classifies leases as either operating or finance leases. NB Power has determined all leases where NB Power is the lessor to be operating 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Financial instruments (Continued)

The classification of the financial instruments are outlined in the following table.

Financial instrument	Classification
Financial assets	
Cash	Amortized cost
Accounts receivable	Amortized cost
Sinking fund receivable	Amortized cost
Derivative assets	Fair value through profit or loss and fair value through OCI
Nuclear decommissioning and used fuel management funds	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
Lease liabilities	Other liabilities
Derivative liabilities	Fair value through profit or loss and fair value through OCI

Amortized cost

Financial assets classified as amortized cost are measured at the amount recognized at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and any loss allowance. Changes in fair value are recognized in earnings when the asset is derecognized or reclassified.

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 value according to NB Power's documented risk management of investment strategy. 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.

Fair value through OCI (FVOCI)

Financial instruments classified as fair value through OCI are subsequently measured at fair value, with changes in fair value recognized in other comprehensive income (loss). On derecognition, gains and losses accumulated in other comprehensive income (loss) are reclassified to the consolidated statement of income.

Other liabilities

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

Effective interest method and transaction costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Derivatives

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

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

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

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

Cash flow hedges

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

Documentation

To be eligible for hedge accounting, NB Power formally documents

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Derivatives (Continued)

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.

4. RATE REGULATION

NB Power is a rate-regulated utility and as such must submit to the NB Energy and Utilities Board (EUB)

- at least once every three years, a general rate application for approval of the schedules of rates it proposes to charge for its services,
- at least once every three years, an application for approval of its Transmission revenue requirements and rates,
    - this revenue requirement is intended to collect sufficient revenue to cover NB Power's costs and to provide a return of 10 to 12 per cent on a deemed capital structure of 65 per cent debt and 35 per cent equity,
- at least once every three years, an Integrated Resource Plan for information purposes,
- at least once every three years, a strategic, financial and capital investment plan covering the next three fiscal years,
- annually, an application for approval of the balance in the gross margin variance accounts and the applicable rate rider to collect (or refund) the variance account balances from (to) customers, and
- as required, an application for approval of capital projects of $50 million or more.

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.

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

5. ACCOUNTS RECEIVABLE

	Note	2023	2022
Trade receivables		$ 376	$ 259
Other receivables		10	26
Unbilled revenue		122	114
Expected credit loss allowance	29	(4)	(4)
		$ 504	$ 395

6. MATERIALS, SUPPLIES AND FUEL

	2023	2022
Materials and supplies	$ 46	$ 42
Nuclear fuel	53	57
Coal	17	15
Heavy fuel oil	113	114
Petroleum coke	24	9
Renewable energy credits	7	13
Other fuel	36	26
	$ 296	$ 276

During the year, inventories of $1 million (2022 - $nil million) were written down to net realizable value. Inventories recognized as an expense during the year amounted to $337 million (2022 - $255 million).

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

7. PROPERTY, PLANT AND EQUIPMENT

	Power generating stations	Transmission system	Terminals and substations	Distribution system	Other	Construction -in-progress	Total
Cost or deemed cost							
Balance, April 1, 2021	$ 4,374	$ 457	$ 496	$ 1,231	$ 297	$ 300	$ 7,155
Additions	-	-	-	-	13	322	335
Right-of-use additions	1	-	-	-	12	-	13
Decommissioning adjustments	(91)	(2)	-	-	-	-	(93)
Disposals	(95)	-	-	(17)	(3)	-	(115)
Right-of-use disposals	-	-	-	-	(2)	-	(2)
Transfers	69	29	23	61	17	(215)	(16)
Balance, March 31, 2022	4,258	484	519	1,275	334	407	7,277
Additions	**-**	**-**	**-**	**-**	**20**	**513**	**533**
Right-of-use additions	**2**	**-**	**-**	**-**	**3**	**-**	**5**
Decommissioning adjustments	**(175)**	**(2)**	**-**	**-**	**-**	**-**	**(177)**
Disposals	**(94)**	**-**	**(1)**	**(16)**	**(6)**	**-**	**(117)**
Right-of-use disposals	**(2)**	**-**	**-**	**-**	**(2)**	**-**	**(4)**
Transfers	**350**	**22**	**24**	**55**	**32**	**(482)**	**1**
Balance, March 31, 2023	**4,339**	**504**	**542**	**1,314**	**381**	**438**	**7,518**
Accumulated depreciation							
Balance, April 1, 2021	1,562	56	88	619	89	-	2,414
Depreciation expense	236	12	16	35	16	-	315
Right-of-use depreciation expense	4	-	-	-	2	-	6
Disposals	(83)	-	-	(16)	(2)	-	(101)
Right-of-use disposals	-	-	-	-	(2)	-	(2)
Balance, March 31, 2022	1,719	68	104	638	103	-	2,632
Depreciation expense	**245**	**13**	**16**	**36**	**18**	**-**	**328**
Right-of-use depreciation expense	**4**	**-**	**-**	**-**	**2**	**-**	**6**
Disposals	**(94)**	**-**	**-**	**(15)**	**(5)**	**-**	**(114)**
Right-of-use disposals	**(2)**	**-**	**-**	**-**	**(2)**	**-**	**(4)**
Balance, March 31, 2023	**1,872**	**81**	**120**	**659**	**116**	**-**	**2,848**
Carrying amount, right-of-use assets							
Balance, March 31, 2022	**26**	**-**	**-**	**-**	**14**	**-**	**40**
Balance, March 31, 2023	**24**	**-**	**-**	**-**	**15**	**-**	**39**
Carrying amount, total assets							
Balance, March 31, 2022	2,539	416	415	637	231	407	4,645
Balance, March 31, 2023	**$ 2,467**	**$ 423**	**$ 422**	**$ 655**	**$ 265**	**$ 438**	**$ 4,670**

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

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The amount of government grants classified as PP&E in 2023, was $2 million (2022 - $5 million). The contributions were received in support of the Smart Grid Atlantic Initiative and the Climate Change Fund. This grant is depreciated over the life of the associated assets.

The amount of interest capitalized to PP&E in 2023 is $14 million (2022 - $9 million) (Note 26) at the weighted average cost of borrowing of 4.31 per cent (2022 - 4.41 per cent).

8. INTANGIBLE ASSETS

	Nepisiguit Falls-statutory rights	Software	Other	Construction-in-progress	Total
Cost or deemed cost					
Balance, April 1, 2021	$ 19	$ 51	$ 4	$ 16	$ 90
Additions	-	-	-	10	10
Disposals	-	-	(1)	-	(1)
Transfers	-	4	-	(2)	2
Balance, March 31, 2022	19	55	3	24	101
Additions	**-**	**-**	**-**	**9**	**9**
Transfers	**-**	**25**	**-**	**(29)**	**(4)**
Balance, March 31, 2023	**19**	**80**	**3**	**4**	**106**
Accumulated amortization					
Balance, April 1, 2021	3	30	1	-	34
Amortization expense	1	7	1	-	9
Disposals and retirements	-	-	(1)	-	(1)
Balance, March 31, 2022	4	37	1	-	42
Amortization expense	**1**	**7**	**-**	**-**	**8**
Balance, March 31, 2023	**5**	**44**	**1**	**-**	**50**
Carrying amount					
Balance March 31, 2022	15	18	2	24	59
Balance March 31, 2023	**$ 14**	**$ 36**	**$ 2**	**$ 4**	**$ 56**

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.

NB Power's Funds

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

Fund	Trustee	Purpose	Funding requirement	2022/23 contributions	2021/22 contributions
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.	$ -	$ -
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.	$ 4	$ 5

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

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

Fair value of NB Power's Funds

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

	Decommissioning and used nuclear fuel segregated funds	Nuclear Fuel Waste Trust fund	Total 2023	Total 2022
Fixed income	$ 150	$ 193	$ 343	$ 352
International equity	144	-	144	142
Alternative investments	97	-	97	91
Canadian equity	54	-	54	64
Private real estate	78	-	78	60
Public real estate	30	-	30	47
Public infrastructure	5	-	5	12
Private infrastructure	55	-	55	42
Private equity	91	-	91	71
Total investments contained in established funds	$ 704	$ 193	$ 897	$ 881

The following table shows the activity of the Decommissioning and Used Fuel Segregated Funds and the Nuclear Fuel Waste Trust.

	Decommissioning and used nuclear fuel segregated fund	Nuclear fuel waste trust fund	Total 2023	Total 2022
Balance, beginning of year	$ 690	$ 191	$ 881	$ 843
Deposits	-	4	4	5
Market value changes	19	(2)	17	46
Withdrawals	(4)	-	(4)	(12)
Other charges	(1)	-	(1)	(1)
Balance, end of year	$ 704	$ 193	$ 897	$ 881

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

10. SINKING FUND RECEIVABLE

Pursuant to section 15 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.

	2023	2022
Sinking fund receivable, beginning of year	$ 500	$ 410
Sinking fund earnings	16	14
Foreign exchange gain (loss)	4	(1)
Installments	46	121
Redemptions	(92)	(44)
Sinking fund receivable, end of year	**$ 474**	$ 500

Refer to Note 28 Financial Instruments for fair value hierarchy information.

11. OTHER ASSETS

Funded defined benefit pension plan

The former Mine Reclamation Inc. employees are members of the Pension Plan for Employees of NB Coal Limited. NB Coal Limited ceased operations on December 31, 2009, with the Plan ceasing at the same date. The Plan has no active members. All members are retirees, survivors, or deferred pensioners. The pension assets and liabilities of this plan are measured as at March 31, 2023. The most recent actuarial valuation for funding purposes for the Pension Plan for Employees of NB Coal Limited was completed as at January 1, 2020. The valuation reported plan assets of approximately $1 million higher than the accrued benefit obligation of $3 million, as such, an asset is recognized as other assets on the consolidated statement of financial position.

12. REGULATORY BALANCES

NB Power has regulatory balances totaling $1,021 million at March 31, 2023 compared to $787 million at March 31, 2022.

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

	Remaining recovery period (years)	Interest rate	Balance April 1, 2021	Balances arising during the year	Interest	Recovery	Balance March 31, 2022
PLNGS	18	4.41%	$ 744	$ -	$ 32	$ (115)	$ 661
PDVSA	19	4.41%	107	22	5	(16)	118
AFUDC	50	0%	7	1	-	-	8
			$ 858	$ 23	$ 37	$ (131)	$ 787

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

12. REGULATORY BALANCES (CONTINUED)

	Remaining recovery period (years)	Interest rate	Balance April 1, 2022	Balances arising during the year	Interest	Recovery	Balance March 31, 2023
PLNGS	17	4.31%	$ 661	$ -	$ 28	$ (53)	**$ 636**
PDVSA	18	4.31%	118	22	5	(15)	**130**
AFUDC	50		8	-	-	-	**8**
Energy Supply Cost	2	1.78 - 5.22%	-	266	3	-	**269**
Electricity Sales and Margin	2	1.78 - 5.22%	-	(34)	(2)	-	**(36)**
Energy Efficiency and Demand Response	10	4.31%	-	14	-	-	**14**
			$ 787	$ 268	$ 34	$ (68)	**$ 1,021**

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

	2023	**2022**
Point Lepreau Nuclear Generating Station deferral	**$ (25)**	$ (26)
Lawsuit settlement with PDVSA	**12**	11
Allowance for funds used during construction	**-**	1
Energy Supply Cost Variance	**269**	-
Electricity Sales and Margin Variance	**(36)**	-
Energy Efficiency and Demand Response	**14**	-
Net change in regulatory balances	**$ 234**	$ (14)

Point Lepreau Nuclear Generating Station refurbishment (PLNGS)

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

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

less

- costs included in current rates.

The regulatory balance is being

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

12. REGULATORY BALANCES (CONTINUED)

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

This regulatory balance relates to the lawsuit settlement with PDVSA, and reflects the EUB's ruling as to how the settlement benefits would be passed on to customers.
In 2007/08 NB Power recognized a regulatory balance relating to a lawsuit settlement with PDVSA. The settlement's benefits are being

- amortized over the Coleson Cove Generating Station's remaining useful life (23 years at time of the settlement; 18 years as at March 31, 2023), and
- passed on to customers over 17 years (1 year as of March 31, 2023), as approved by the EUB, on a levelized basis.

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

Allowance for Funds Used During Construction (AFUDC)

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

Energy Supply Cost Variance

On April 1, 2022, the EUB authorized a regulatory asset to be established to track variances between actual and forecasted fuel and purchased power costs incurred to supply in-province customers. Variances are added to the account on a monthly basis along with the interest calculated using the average short-term debt rate. The balance in the account is then recovered or reimbursed to customers through the Variance Account Credit/Charge.

NB Power is required to file annually with the EUB a calculation of the variance account balance for the fiscal period November 1 to October 31, as well as the proposed number of fiscal years over which the balance will be recovered or reimbursed, the proposed amount to be recovered or reimbursed in the next fiscal year, and the calculation of the credit/charge by class.

The Energy Supply Cost Variance for the period April 1, 2022 to October 31, 2022 was submitted to the EUB in December 2022 and the combined Energy Supply Cost and Electricity Sales and Margin Variance will be reimbursed to customers through the Variance Account Credit/Charge over a two-year period.

12. REGULATORY BALANCES (CONTINUED)

Electricity Sales and Margin Variance

On April 1, 2022, the EUB authorized a regulatory asset to be established to track variances between actual and forecasted in-province electricity sales and out-of-province gross margin. Variances are added to the account on a monthly basis along with the interest calculated using the average short-term debt rate. The balance in the account is then recovered or reimbursed to customers through the Variance Account Credit/Charge.

NB Power is required to file annually with the EUB a calculation of the variance account balance for the fiscal period November 1 to October 31, as well as the proposed number of fiscal years over which the balance will be recovered or reimbursed, the proposed amount to be recovered or reimbursed in the next fiscal year, and the calculation of the credit/charge by class.

The Electricity Sales and Margin Variance for the period April 1, 2022 to October 31, 2022 was submitted to the EUB in December 2022 and the combined Energy Supply Cost and Electricity Sales and Margin Variance will be reimbursed to customers through the Variance Account Credit/Charge over a two-year period.

Energy Efficiency and Demand Response Deferral

The qualifying costs incurred in each fiscal year together with the related financing costs shall be recovered by NB Power on a straight-line basis over a ten-year period.

13. SHORT-TERM INDEBTEDNESS

NB Power borrows funds for temporary purposes from the Province of New Brunswick. The balance at March 31, 2023 is $797 million (2022 - $859 million) with maturities ranging from April 3, 2023 to May 10, 2023 and a weighted average interest rate of 4.57 per cent (2022 - 0.71 per cent).

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

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, 2021	$ 4,734
Debt retirements	(400)
Proceeds from long-term debt	298
Foreign exchange on long-term debt	(1)
Balance March 31, 2022	4,631
Debt retirement	**(228)**
Proceeds on long-term debt	**677**
Foreign exchange on long-term debt	**3**
Amortization of premiums and discounts on long-term debt	**3**
	5,086
Less current portion	**(300)**
Balance March 31, 2023	**$ 4,786**

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

14. LONG-TERM DEBT (CONTINUED)

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

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Principal amount CAD$	Unamortized (discounts) premiums	Outstanding amount
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	4.86 %	4.80 %	160	(1)	**159**
October 1, 2013	September 26, 2034	5.49 %	5.00 %	150	(1)	**149**
October 1, 2013	March 19, 2034	7.02 %	5.15 %	50	-	**50**
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 3, 2055	3.48 %	3.55 %	150	2	**152**
October 1, 2013	June 3, 2065	3.56 %	3.55 %	200	(1)	**199**
June 14, 2015	June 3, 2024	2.32 %	3.65 %	50	1	**51**
December 17, 2015	August 14, 2045	3.78 %	3.80 %	250	8	**258**
August 14, 2016	August 14, 2048	3.16 %	3.10 %	200	(2)	**198**
June 16, 2017	August 14, 2027	2.42 %	2.35 %	100	-	**100**
November 26, 2017	August 14, 2048	3.21 %	3.10 %	200	(4)	**196**
March 20, 2018	August 14, 2027	3.03 %	2.35 %	120	(3)	**117**
April 30, 2018	August 14, 2028	3.21 %	3.10 %	100	(1)	**99**
June 30, 2018	August 14, 2048	3.33 %	3.10 %	250	(10)	**240**
December 13, 2018	December 13, 2023	2.70 %	2.70 %	200	-	**200**
January 18, 2019	June 3, 2065	3.38 %	3.55 %	60	2	**62**
May 7, 2019	August 14, 2050	3.11 %	3.05 %	300	(3)	**297**
May 29, 2019	June 3, 2065	3.01 %	3.55 %	150	19	**169**
October 2, 2019	June 3, 2065	2.53 %	3.55 %	100	27	**127**
December 6, 2019	June 3, 2065	2.71 %	2.71 %	50	-	**50**
April 15, 2020	August 14, 2050	2.95 %	3.05 %	150	3	**153**
June 3, 2020	October 16, 2057	2.34 %	2.34 %	150	-	**150**
November 24, 2021	August 14, 2052	2.94 %	2.90 %	300	(2)	**298**
April 29, 2022	August 14, 2025	3.10 %	1.80 %	200	(6)	**194**
October 24, 2022	August 14, 2028	4.15 %	3.10 %	200	(10)	**190**
March 14, 2023	August 14, 2032	4.16 %	3.95 %	300	(5)	**295**
Total				$ 5,075	$ 11	**$ 5,086**

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

14. LONG-TERM DEBT (CONTINUED)

Debt portfolio management fee

NB Power pays an annual debt portfolio management fee to the Province of New Brunswick amounting to 0.65 per cent (2022 - 0.65 per cent) of the total long-term debt and short-term indebtedness, net of the balance held in sinking funds receivable (Note 10), measured as at the beginning of the fiscal year. The management fee is included as a component of finance costs and accounted for as interest expense, refer to Note 26.

Principal repayments

Long-term debt principal repayments are due as follows.

Year Ending	Principal Repayment
March 31, 2024	**$ 300**
March 31, 2025	**50**
March 31, 2026	**200**
March 31, 2027	**-**
March 31, 2028	**220**
Thereafter	**4,305**
Total	**$ 5,075**

15. LEASE LIABILITIES

Lease liabilities represent NB Power's obligation to make payments arising from a lease. Lease payments are represented as liabilities on a discounted basis. The table below is a reconciliation between the opening and closing lease liability.

Balance April 1, 2021	$ 30
Additions (new leases)	13
Interest expense	2
Lease payments	(7)
Balance March 31, 2022	38
Additions (new leases)	**5**
Interest expense	**1**
Lease payments	**(7)**
	37
Less: current portion of lease liabilities	**(5)**
Balance March 31, 2023	**$ 32**

The above lease liabilities include leases for generation assets, IT equipment, and a variety of real estate locations primarily for storage and office space.

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

15. LEASE LIABILITIES (CONTINUED)

During the year, no expenses or revenues were incurred in relation to variable lease payments, subleasing or sale and leaseback transactions.

During the year, there were no leases that met the investment property definition in IFRS 16. NB Power has included renewal options in calculating the liability for certain real estate leases.

The following table details the scheduled future minimum lease payments and the present value of lease liabilities.

	1 year	2-5 years	Greater than 5 years
Future minimum lease payments	$ 6	$ 20	$ 16
Present value of lease payments	$ 5	$ 17	$ 15

Lease payments not recognized as a liability

NB Power has elected to not recognize a lease liability for low-value assets or short-term leases (expected term of 12 months or less). Payments under these leases are expensed on a straight-line basis. During the year, short-term and low-value leases of $3 million, were recognized as an expense in the consolidated statement of earnings in operations, maintenance and administration expenses.

16. CAPITAL MANAGEMENT

NB Power raises its capital predominantly through short and long-term borrowings from the Province of New Brunswick in accordance with the *Provincial Loans Act*. This type of borrowing allows NB Power to take advantage of the Province of New Brunswick's credit rating. NB Power's target debt/equity ratio is 80/20 as prescribed in the *Electricity Act*.

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

As at March 31	2023	2022
Long-term debt	**$ 5,086**	$ 4,631
Short-term indebtedness	**797**	859
Total debt	**5,883**	5,490
Sinking fund receivable	**(474)**	(500)
Cash	**(3)**	(52)
Total net debt	**5,406**	4,938
Retained earnings	**502**	545
Accumulated other comprehensive (loss) income	**(168)**	171
Total capital	**5,740**	5,654
Per cent net debt in capital structure	**94 %**	87 %

17. DECOMMISSIONING AND USED FUEL MANAGEMENT LIABILITY

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

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

Nature of the liability

The following table provides details on the decommissioning liabilities.

Liability	Nature	Funding details
Hydro and thermal generating station decommissioning	Cost of decommissioning the hydro and 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
Fundy Isles undersea transmission cables	Cost of decommissioning Fundy Isles undersea transmission cables after the end of their service lives. This includes both the spare cable and the in-service asset.	The liability is not funded

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

17. DECOMMISSIONING AND USED FUEL MANAGEMENT LIABILITY (CONTINUED)

Assumptions used for the liabilities

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

	Hydro and thermal decommissioning	Nuclear decommissioning	Used nuclear fuel management	Water heaters	Fundy Isles undersea transmission cables
Amount of estimated cash flows to settle liability in					
- 2023 dollars	$204	$1,202	859	$3	$33
- 2022 dollars	$186	$1,183	$841	$3	$30
Reason for the increase or decrease to the liabilities	Changes to the liability resulting from changes in discount rates, changes in cost estimates and escalation offset by decommissioning spending	Changes to the liability resulting from changes in discount rates, changes in cost estimates and decommissioning spending offset by escalation	Changes to the liability resulting from changes in discount rates, changes in cost estimates and decommissioning spending offset by escalation	No change	Changes to the liability resulting from a change in discount rate offset by escalation
Cash expenditures required until the year	2049	2078	2188	2038	2060
Rate used to discount cash flows					
- 2023	4.15 - 4.97%	4.94%	5.62%	4.72%	4.15-4.75%
- 2022	2.60 - 4.06%	4.32%	4.84%	3.98%	3.78 - 3.80%
Escalation rate to determine decommissioning liabilities	0.07 - 7.24%	2.0%	1.97 - 3.38%	2.0 - 2.87%	2.0 - 2.87%

NB Power expects decommissioning of the Milltown Generating Station to begin in the spring of 2023 and reach completion by June 2024.

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

17. DECOMMISSIONING AND USED FUEL MANAGEMENT LIABILITY (CONTINUED)

Liabilities at year-end

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

	2023	2022
Hydro and thermal generating station decommissioning liability		
Balance, beginning of year	$ 139	$ 138
Add: Change to discount rate and change in cost estimates	1	(1)
Add: Accretion on thermal decommissioning liability	5	4
Less: Expenditures	(5)	(2)
Balance, end of year	140	139
Nuclear generating station decommissioning liability		
Balance, beginning of year	551	571
Add: Change to discount rate and change in cost estimate	(93)	(41)
Add: Accretion on nuclear decommissioning liability	24	23
Less: Expenditures	(1)	(2)
Balance, end of year	481	551
Used fuel management liability		
Balance, beginning of year	401	427
Add: Change to discount rate and change in cost estimate	(70)	(39)
Add: Accretion on used fuel management liability	20	19
Less: Expenditures	(7)	(6)
Balance, end of year	344	401
Water heaters		
Balance, beginning of year	2	3
Add: Change to discount rate and change in cost estimate	-	(1)
Balance, end of year	2	2
Fundy Isles undersea transmission cables		
Balance, beginning of year	21	22
Add: Change to discount rate and change in cost estimate	(2)	(2)
Add: Accretion expense	1	1
Balance, end of year	20	21
Total decommissioning and used fuel management liability	$ 987	$ 1,114

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

18. POST-EMPLOYMENT BENEFITS

Unfunded benefit plans

Unfunded post-employment benefit plans include an early retirement plan, retirement allowances, and other future employee benefits.

The table below summarizes these plans.

	2023	2022
Early retirement obligation	**$ 69**	$ 67
Retirement allowance obligation	**7**	15
Other future employee benefits obligation	**29**	29
	105	111
Current portion of early retirement obligation, recorded in accounts payable and accrued liabilities	**(4)**	(3)
Post-employment benefits	**$ 101**	$ 108

Assumptions	**2023 %**	**2022 %**
Discount rate, beginning of year	4.35	3.25
Discount rate, end of year	4.95	4.35
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	**2023**	**2022**
Balance, beginning of year	**$ 67**	$ 79
Employee benefit expense	**12**	3
Benefits paid	**(4)**	(4)
Actuarial (gain) recognized in other comprehensive income	**(6)**	(11)
Balance, end of year	**$ 69**	$ 67

Cost	**2023**	**2022**
Past service cost	**$ 9**	$ -
Interest on early retirement obligation	**3**	3
Total benefit expense for the year	**$ 12**	$ 3

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

18. POST-EMPLOYMENT BENEFITS (CONTINUED)

b. Retirement allowance obligation

NB Power had an unfunded retirement allowance program. The program provided 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, 2022.

NB Power has phased out all the retirement allowance programs. Employees will no longer accrue retirement allowance benefits and employees have been offered a payout of the accumulation of service. The remaining balance is employees who have chosen to wait until retirement to receive their payout.

Accrued benefit obligation	**2023**	2022
Balance, beginning of year	**$ 15**	$ 19
Employee benefit expense	**2**	2
Benefits paid	**(10)**	(6)
Balance, end of year	**$ 7**	$ 15

Cost	**2023**	2022
Current service cost	**$ -**	$ 1
Settlement	**1**	-
Interest on retirement allowance obligation	**1**	1
Total benefit expense for the year	**$ 2**	$ 2

c. Other future employee benefits obligation

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

Accrued benefit obligation	**2023**	2022
Balance, beginning of year	**$ 29**	$ 32
Employee benefit expense	**2**	2
Benefits paid	**(2)**	(1)
Actuarial (gain) recognized in other comprehensive income	**(1)**	(4)
Actuarial loss recognized in earnings	**1**	-
Balance, end of year	**$ 29**	$ 29

Cost	**2023**	2022
Current service cost	**$ 1**	$ 1
Interest on other post-employment benefits	**1**	1
Total benefit expense for the year	**$ 2**	$ 2

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

18. POST-EMPLOYMENT BENEFITS (CONTINUED)

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.

	2023	2022
Balance, beginning of year	$ (62)	$ (77)
Actuarial gains (losses) on accrued benefit obligation		
- experience adjustments	7	15
Balance, end of year	**$ (55)**	$ (62)

Multi-employer pension plan

NB Power employees are members of the New Brunswick Public Service Pension Plan (NBPSPP), a multi-employer shared risk pension plan, as described in Note 3.h. The most recent actuarial valuation was completed as at January 1, 2022, when the NBPSPP was 120 per cent funded (January 1, 2021 - 115 per cent). The valuation reported plan assets in excess of the accrued benefit obligation of $7,839 (January 1, 2021 - $7,626) million by $1,531 (January 1, 2021 - $1,137) million. The next valuation is as at January 1, 2023 which will be completed in September 2023.

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

Costs

Under the NBPSPP, NB Power's obligations are limited to the contributions for current service. The total contributions of all participating employers and employees were approximately $276 million (January 1, 2021 - $267 million). NB Power's contributions are charged to earnings when due. The employee benefits expense for the NBPSPP plan recorded in OM&A expense is summarized in the following table.

	2023	2022
Current service cost	$ 32	$ 31

NB Power expects to contribute approximately $37 million in contributions in 2024.

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

19. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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

	Environmental liability	Customer contributions obligation	Total
Provisions for other liabilities and charges			
Balance, April 1, 2021	$ 10	$ 47	$ 57
Provisions made during the year	1	4	5
Provisions used during the year	-	(2)	(2)
Change to discount rate and change in cost estimate	(3)	-	(3)
Balance, March 31, 2022	8	49	57
Provisions made during the year	**-**	**6**	**6**
Provisions used during the year	**(1)**	**(2)**	**(3)**
Change to discount rate and change in cost estimate	**-**	**-**	**-**
Balance, March 31, 2023	**$ 7**	**$ 53**	**$ 60**

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 4.37 per cent (2022 - 3.98 per cent).
The total undiscounted amount of the estimated cash flows required to settle the liability is $9 million (2022 - $9 million).

Customer contributions obligation

NB Power has received non-refundable customer contributions in aid of construction of physical assets to connect these customers to the utility network and provide future energy requirements. These contributions are recognized as deferred revenue and recognized in earnings as miscellaneous revenue as described in Note 3.j.

20. REVENUE

a. Revenue from contracts

	2023	2022
Sales of electricity	**$ 2,777**	$ 2,060
Miscellaneous contract revenue	**91**	99
Total contract revenue	**$ 2,868**	$ 2,159

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

20. REVENUE (CONTINUED)

b. Contract balances

The following table provides information about receivables, contracts assets and contract liabilities from contracts with customers.

	Note	2023	2022
Accounts receivable, included in trade or other receivables	**5**	**$ 377**	$ 261
Contract assets - unbilled revenue		**122**	114
Contract liabilities	**19**	**(53)**	(49)

The contract assets represent unbilled revenue and relate to the rights to consideration for electricity transferred and used by the customer but not billed at the reporting date.

There were no contract assets impaired during the year, refer to Note 29. The contract assets are transferred to accounts receivable when the rights become unconditional. This generally occurs when an invoice is issued to the customer.

The contract liabilities primarily relate to customer contributions that NB Power receives towards certain costs of construction. This liability is recognized in earnings, as miscellaneous revenue, on a straight-line basis over the estimated lives of the contracts with customers. When contracts with customers are perpetual and the related contributed asset is used to provide ongoing goods or services to customers, the life of the contract is estimated to be equivalent to the economical useful life of the asset to which the contribution relates. The amount of customer contributions recognized as revenue for the year ended March 31, 2023 is $2 million (2022 - $2 million).

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

20. REVENUE (CONTINUED)

c. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by revenue stream. The in-province stream is further disaggregated by customer type, the out-of-province stream by contract type and miscellaneous revenue by major product and service.

	2023	2022
Sales of electricity - In-Province		
Residential	**$ 703**	$ 701
Industrial	**396**	364
General Service	**301**	294
Wholesale	**115**	116
Streetlights	**23**	22
Unmetered	**5**	5
	1,543	1,502
Sales of electricity - Out-of-Province		
Canadian sales		
Long-term contracts	**137**	115
Short-term contracts	**46**	58
USA sales		
Long-term contracts	**861**	275
Short-term contracts	**159**	92
Short-term renewable energy credits	**31**	18
	1,234	558
Total sales of electricity	**2,777**	2,060
Miscellaneous		
Customer related revenue	**20**	17
Pole attachments	**5**	4
Transmission revenue	**14**	18
Sales of natural gas	**45**	54
Other contract revenue	**7**	6
	91	99
Total contract revenue	**$ 2,868**	$ 2,159

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

21. MISCELLANEOUS REVENUE

	2023	2022
Net transmission revenue	**$ 14**	$ 18
Customer related revenue	**20**	17
Water heater rental	**24**	23
Pole attachment revenue	**5**	4
Sales of natural gas	**45**	54
Other miscellaneous income	**26**	22
	$ 134	$ 138

22. FUEL AND PURCHASED POWER

	2023	2022
Purchases	**$ 1,619**	$ 707
Heavy fuel oil	**155**	88
Coal	**91**	66
Natural Gas	**53**	47
Petcoke	**45**	16
Nuclear	**23**	33
Other fuel	**14**	10
Carbon Tax	**7**	2
Foreign exchange on fuel and purchased power	**(39)**	14
	$ 1,968	$ 983

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

23. OPERATIONS, MAINTENANCE AND ADMINISTRATION

	2023	2022
Salaries and benefits	$ 322	$ 321
Hired services	136	129
Materials and supplies	42	35
Vehicles and equipment	34	29
Provision for losses	5	2
Other	37	21
	$ 576	$ 537

The following table summarizes the government grants received or receivable during the year. The grants have been offset against operations, maintenance and administration expense primarily in the other account.

	2023	2022
Efficiency programs to residents of New Brunswick	$ 41	$ 20
Small Modular Reactors (SMR)	10	3
Electric vehicle and charger rebate program	4	2
Strategic Intertie Predevelopment Project (SIPP)	4	-
Smart Grid Atlantic initiative	4	3
	$ 63	$ 28

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

24. DEPRECIATION AND AMORTIZATION

	2023	2022
Property, plant and equipment	$ 328	$ 315
Right-of-use assets	6	6
Intangible assets	8	9
Loss on disposal of assets	9	14
	$ 351	$ 344

25. TAXES

	2023	2022
Property tax	$ 24	$ 24
Utility and right of way taxes	26	27
	$ 50	$ 51

26. FINANCE COSTS

	Note	2023	2022
Interest on long-term and short-term debt		$ 202	$ 178
Accretion	17	50	47
Debt portfolio management fee		32	32
Foreign exchange on long-term debt	14	3	(1)
Interest on post-employment benefits	18	5	5
Foreign exchange translation gains and losses		(1)	(4)
Amortization of premiums and discounts on long-term debt	14	3	-
		294	257
Interest capitalized during construction	7	(14)	(9)
		$ 280	$ 248

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

27. LOANS AND BORROWING

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

	Sinking funds	Long-term debt	Lease liability	Short-term debt	Total
Balance at April 1, 2021	$ (410)	$ 4,734	$ 30	$ 608	$ 4,962
Changes from financing cash flows					
Sinking fund installments	(121)	-	-	-	(121)
Sinking fund redemptions	44	-	-	-	44
Increase in short-term indebtedness	-	-	-	251	251
Proceeds on long-term debt	-	298	-	-	298
Debt retirements	-	(400)	-	-	(400)
Principal repayment of finance lease obligation	-	-	(7)	-	(7)
Total changes from financing cash flows	(77)	(102)	(7)	251	65
Other changes					
Sinking fund earnings	(14)	-	-	-	(14)
Foreign exchange (gains) losses	1	(1)	-	-	-
Asset additions	-	-	13	-	13
Interest expense	-	-	2	-	2
Total other changes	(13)	(1)	15	-	1
Balance at March 31, 2022	(500)	4,631	38	859	5,028
Changes from financing cash flows					
Sinking fund installments	(46)	-	-	-	(46)
Sinking fund redemptions	92	-	-	-	92
(Decrease) in short-term indebtedness	-	-	-	(62)	(62)
Proceeds on long-term debt	-	677	-	-	677
Debt retirements	-	(228)	-	-	(228)
Principal repayment of finance lease obligation	-	-	(7)	-	(7)
Total changes from financing cash flows	46	449	(7)	(62)	426
Other changes					
Sinking fund earnings	(16)	-	-	-	(16)
Foreign exchange (gains) losses	(4)	3	-	-	(1)
Amortization of Premiums and discounts	-	3	-	-	3
Asset additions	-	-	5	-	5
Interest expense	-	-	1	-	1
Total other changes	(20)	6	6	-	(8)
Balance at March 31, 2023	$ (474)	$ 5,086	$ 37	$ 797	$ 5,446

28. FINANCIAL INSTRUMENTS

A financial instrument (Note 3.n) 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.

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

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value of Financial Instruments (Continued)

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

			March 31, 2023		March 31, 2022
	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash	1	**$ 3**	**$ 3**	$ 52	$ 52
Accounts receivable	1	**504**	**504**	395	395
Nuclear decommissioning and used fuel management fund	2-3	**897**	**897**	881	881
Sinking fund receivable	1	**474**	**474**	500	500
Derivative assets	2	**139**	**139**	317	317
Total financial assets		**2,017**	**2,017**	2,145	2,145
Financial liabilities					
Short-term indebtedness	1	**797**	**797**	859	859
Accounts payable and accrued liabilities	1	**459**	**459**	376	376
Accrued interest on short and long-term debt	1	**30**	**30**	30	30
Long-term debt	2	**5,086**	**4,760**	4,631	4,699
Derivative liabilities	2	**190**	**190**	6	6
Total financial liabilities		**$ 6,562**	**$ 6,236**	$ 5,902	$ 5,970

The estimated fair value of the long-term debt is categorized within Level 2 of the fair value hierarchy. The fair value estimate has been determined based current market rates for publicly traded bonds. Bonds not traded in an active market they are based on current market rates for bonds with similar maturities.

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

Hierarchy	2023	2022
Level 2	**$ 674**	$ 708
Level 3	**223**	173
	$ 897	$ 881

Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 in 2023.

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

28. 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, 2021	$ 123
Purchases	57
Sales	(27)
Gains recognized in net earnings - mark-to-market of fair value through profit and loss investments	20
Balance, March 31, 2022	173
Purchases	**45**
Sales	**(11)**
Gains recognized in net earnings - mark-to-market of fair value through profit and loss investments	**16**
Balance, March 31, 2023	**$ 223**

Unrealized gains recognized in net earnings on Level 3 investments	$ 16

28. FINANCIAL INSTRUMENTS (CONTINUED)

Derivative Financial Instruments Summary

Derivative financial instruments are recorded on the balance sheet at fair value. The following table summarizes the committed purchases as at March 31.

			March 31, 2023			March 31, 2022		
	Unit of measure	Maturing over (months)	Committed purchases (in millions)	Weighted average price		Committed purchases (in millions)	Weighted average price	
Foreign exchange derivatives (1)	USD	51	410.0	$ 1.26	CAD	567.3	$ 1.26	CAD
Heavy fuel oil derivatives (2)	barrels	23	1.4	83.74	USD	1.7	75.04	USD
Natural gas derivatives (3)	GJ	43	52.0	2.96	CAD	51.3	2.32	CAD
Coal derivatives (4)	MT	23	0.2	155.48	USD	-	-	
Electricity derivatives (5)	MWh	45	4.5	69.90	USD	5.3	50.85	USD
Uranium derivatives (6)	LB	24	0.3	$ 57.36	USD	0.4	$ 40.25	USD

(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 the cost of coal.

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

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

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

28. 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, 2023. These include

- the fair value of fixed price derivative instruments,
- 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 liability fair value of $(51) million at March 31, 2023 from cumulative changes in fair value since inception of the instruments. Of the $(51) million, $(81) million of cumulative losses on derivative financial instruments accounted for as hedges, have been recorded in accumulated other comprehensive income and $30 million has been recorded through net earnings since inception, and is reflected in retained earnings.

	Foreign exchange contracts	Natural gas contracts	Electricity contracts	Heavy fuel oil contracts	Coal contracts	Uranium contracts	**2023**	**2022**
Current derivative assets	$ 30	$ 2	$ 2	$ -	$ -	$ -	**$ 34**	$ 187
Non-current derivative assets	5	45	53	2	-	-	**105**	130
Current derivative liabilities	-	(7)	(159)	(18)	-	(1)	**(185)**	(3)
Non-current derivative liabilities	-	-	(1)	-	(4)	-	**(5)**	(3)
Total assets (liabilities)	$ 35	$ 40	$ (105)	$ (16)	$ (4)	$ (1)	**$ (51)**	$ 311

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Instrument Impact on Equity

a. Derivative financial instruments impact on retained earnings

The following table illustrates the impact on retained earnings for the derivative instruments.

	Foreign exchange contracts	Electricity contracts	Heavy fuel oil contracts	Coal contracts	Total
Derivative (liability) balance, April 1, 2021	$ (2)	$ (2)	$ -	$ (1)	$ (5)
Impact of mark-to-market gain (loss) recorded in earnings	1	8	(2)	2	9
Hedge ineffectiveness	-	2	-	-	2
Settlements	-	33	6	(1)	38
Derivative asset (liability) balance, March 31, 2022	(1)	41	4	-	44
Impact of mark-to-market gain (loss) recorded in earnings	**4**	**(165)**	**(3)**	**-**	**(164)**
Hedge ineffectiveness	**-**	**(5)**	**-**	**-**	**(5)**
Settlements	**11**	**155**	**(11)**	**-**	**155**
Derivative asset (liability) balance, March 31, 2023	**$ 14**	**$ 26**	**$ (10)**	**$ -**	**$ 30**

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

b. Derivative financial instrument that qualify for hedge accounting 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, and
- the settlement of the interest rate swaps which are amortized over the life of the corresponding debt.

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

	Foreign exchange contracts	Natural gas contracts	Electricity contracts	Heavy fuel oil contracts	Coal contracts	Uranium contracts	AOCI - derivative financial instruments
Balance, April 1, 2021	$ (17)	$ (2)	$ (21)	$ 5	$ -	$ -	$ (35)
Impact of mark-to-market gains	3	106	267	68	-	12	456
Reclassification to income of settled derivatives designated as cash flow hedges	12	(6)	(116)	(41)	-	(3)	(154)
Balance, March 31, 2022	(2)	98	130	32	-	9	267
Impact of mark-to-market gains (losses)	**37**	**(29)**	**(453)**	**(22)**	**(4)**	**(4)**	**(475)**
Reclassification to income of settled derivatives designated as cash flow hedges	**(14)**	**(29)**	**192**	**(16)**	**-**	**(6)**	**127**
Balance, March 31, 2023	**$ 21**	**$ 40**	**$ (131)**	**$ (6)**	**$ (4)**	**$ (1)**	**$ (81)**

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

29. FINANCIAL INSTRUMENT RISK MANAGEMENT

NB Power is exposed to a number of risks arising from its use of financial instruments. NB Power is or may be subject to certain risks including credit, market, and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of NB Power’s risk management framework. Financial instrument risk management strategies may expose NB Power to further gains or losses, but serve to stabilize future cash flows, reduce the volatility of operating results, and increase overall financial strength. Individual risks and NB Power’s approach to managing such risks are discussed as below.

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.

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

Financial assets	2023 Fair value	2022 Fair value
Cash	**$ 3**	$ 52
Accounts receivable	**504**	395
Nuclear decommissioning and used fuel management funds	**897**	881
Sinking fund receivable	**474**	500
Derivative assets	**139**	317
	$ 2,017	$ 2,145

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 the customer to provide NB Power collateral when the fair value of the obligation is in excess of the credit limit.

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

29. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

The following table provides information about the exposure to credit risk and expected credit losses for trade and unbilled revenue from individual customers at March 31, 2023.

	Weighted-average loss rate 2023	Weighted-average loss rate 2022	Carrying amount	Loss allowance
Trade				
Current	0.32%	0.44%	$ 369	$ 1
31 - 60 days	8.86%	8.04%	4	-
61 - 90 days	35.10%	31.46%	1	-
91 - 365 days	47.29%	22.33%	1	1
Greater than 365 days	-%	-%	1	-
			376	2
Unbilled revenue	0.64%	0.65%	122	1
Other receivables			10	1
Expected credit loss allowance			(4)	-
			$ 504	$ 4

Loss rates are based on actual credit loss past experience and are adjusted to reflect differences between current and historical economic conditions. The expected credit loss has been adjusted to reflect current assumptions on expected customer defaults. Economic factors such as high inflation, uncertainty due to world events, and possible changes to customer spending were taken into consideration in this assessment. There are no expected credit losses for out-of-province and transmission receivables as there are no significant write-offs nor is there any expectation of any.

Expected credit loss allowance is reviewed on a regular basis and based on the estimate of outstanding accounts that are at risk of being uncollectable.

29. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

The movement in the expected credit loss, in respect to trade receivables and contract assets, during the year is described in the following table.

Reconciliation of expected credit loss		**2023**		**2022**
Balance at April 1	**$**	**4**	$	4
Amounts written off		**(5)**		(2)
Net measurement of loss allowance		**5**		3
Bad debts recovery during the year		**-**		(1)
Balance at March 31	**$**	**4**	$	4

Concentration of credit risk

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

Sinking fund receivable

NB Power pays one per cent of its outstanding debt annually into a sinking fund administered by the Province of New Brunswick. These payments are invested in cash and fixed income securities and managed by the Province of New Brunswick. 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, 2023 in relation to the sinking fund receivable, as the receivable is from one counterparty. Since the counterparty is the Province of New Brunswick, which is the Shareholder of NB Power, the associated credit risk is considered to be low. The Province of New Brunswick bears the credit risk for the investments.

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.

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

29. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Concentration of credit risk

There is a concentration of credit risk at March 31,2023 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. In certain circumstances, NB Power holds deposits or requires letters of credit. At March 31, 2023, NB Power held collateral of $7 million (2022 - $56 million).

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	2023	2022
Used fuel management fund	$ 3	$ 6	$ 6	$ 6	$ 3	$ 3	**$ 27**	$ 34
Nuclear decommissioning fund	27	38	31	28	5	4	**133**	135
Nuclear Fuel Waste Trust	45	60	46	40	1	-	**192**	190
	$ 75	$ 104	$ 83	$ 74	$ 9	$ 7	**$ 352**	$ 359

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

NB Power manages the foreign exchange rates, interest rates, and commodity price exposures through the use of forwards and other derivative instruments in accordance with Board approved policies. Higher commodity prices and supply disruptions have resulted in high inflation rates and increased volatility in the markets. The fair values at March 31, 2023 for level 1 and level 2 investments, reflect the market rates and prices at that date.

29. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

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 invest in 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 financial instruments that existed at March 31, 2023.

	Impact on earnings	Impact on other comprehensive income
Exchange and interest rates		
1% change in CAD/USD exchange rate	$ 3	$ 4
0.25% change in short-term debt rates	2	-
1 % change in investment yields	24	-
Commodity prices		
$5/bbl change in the price of heavy fuel oil	-	7
$1/GJ change in natural gas prices	-	46
$5/metric tonne change in coal prices	-	1
$5/ LB change in Uranium prices	-	2
$5/MWh changes in electricity prices	-	22
Private real estate, infrastructure and private equity investments		
0.25% change in discount rate	5	-
infrastructure valuation range	$ 3	$ -

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

Liquidity risk

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

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

29. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

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, 2023 and in future years.

			Timing of contractual cash flows				
Financial liability	**Carrying amount**	**Contractual cash flows**	**< 2 months**	**2 - 12 months**	**2025**	**2026 - 2028**	**2029 and thereafter**
Short-term indebtedness	**$ 797**	**$ 797**	$ 797	$ -	$ -	$ -	$ -
Accounts payable and accrued liabilities	**459**	**459**	459	-	-	-	-
Accrued interest	**30**	**30**	5	25	-	-	-
Derivative liabilities	**190**	**190**	61	124	5	-	-
Long-term debt	**5,086**	**5,075**	-	300	50	420	4,305
Interest on long-term debt	**-**	**3,468**	2	178	169	492	2,627
	$ 6,562	**$10,019**	$ 1,324	$ 627	$ 224	$ 912	$ 6,932

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

30. RELATED PARTY TRANSACTIONS

The Province of New Brunswick and NB Power Holding are related parties of NB Power as outlined in Note 1. NB Power is related through common ownership with all provincial departments, agencies, and Crown Corporations.

Sinking Fund Receivable

At March 31, 2023 NB Power has a sinking fund receivable from the Province of New Brunswick of $474 million (2022 - $500 million) (Note 10).

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 $50 million (2022 - $51 million) (Note 25).

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

30. RELATED PARTY TRANSACTIONS (CONTINUED)

Key Management and Board Compensation

The compensation paid or payable to key management (defined as executive officers) and the Board of Directors is shown below.

	2023	2022
Salaries and short-term employee benefits	$ 5	$ 4
Post-employment expense	2	2
	$ 7	$ 6

31. COMMITMENTS, CONTINGENCIES AND GUARANTEES

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

	2024	2025	2026	2027	2028	2029 and thereafter
Fuel contracts	$ 404	$ 106	$ 92	$ 125	$ 125	$ 1,138
Committed capital expenditures	181	39	9	-	-	-
Operating leases	1	1	-	-	-	-
Other commitments	17	17	13	12	13	5
	$ 603	$ 163	$ 114	$ 137	$ 138	$ 1,143

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

31. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTINUED)

Power purchase agreements

NB Power has entered into power purchase arrangements to purchase electricity 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. They are described below.

Duration of agreement (years)	End date	Amount of energy	Agreement to purchase
7	2026	99 MW	all the electrical energy of a wind generation facility
5	2023	42 MW	all the electrical energy of a wind generation facility
20	2024	90 MW	all the capacity and electrical energy produced by a co-generation facility
30	2027	39 MW	all the capacity and electrical energy from a co-generation facility
20	2029	48 MW	all the electrical energy of a wind generation facility
20	2029	51 MW	all the electrical energy of a wind generation facility
20	2032	9 MW	all of the capacity, energy, and environmental attributes generated by the generating stations
37	2045	96 MW	all the electrical energy of a wind generation facility
25	2034	45 MW	all the electrical energy of a wind generation facility
35	2045	54 MW	all the electrical energy of a wind generation facility
35	2045	17 MW	all the electrical energy of a wind generation facility
25	2044	18 MW	all the electrical energy of a wind generation facility
30	2049	20 MW	all the electrical energy of a wind generation facility
Various	Various	20 MW	all the electrical energy of other renewables - Canada
Various	Various	24 MW	all the electrical energy of other renewables - United States

Energy Sales and Transmission Rights Assignment Agreement

NB Power entered into an energy sales and transmission rights assignment agreement which expires in 2040. NB Power is committed to purchase 2 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.

31. 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. There are four program agreements in place. From April 1, 2022 to March 31, 2023, 328 GWh (2022 - 310 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.

Legal proceedings

There are ongoing legal proceedings in which NB Power has been named as one of the defendants related to a land claim filed by the members of the Wolastoqey Nation declaring that the Wolastoqey Nation has Aboriginal title to the lands identified in the claim as the traditional lands of the Wolastoqey in New Brunswick. It is expected that Statement of Defences will be filed by all Defendants by the end of 2023.

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