

# **New Brunswick Power Holding 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 Holding 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.

### ***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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Fredericton, Canada

June 19, 2023

## REPORT OF MANAGEMENT

The consolidated financial statements of New Brunswick Power Holding Corporation (the Company) 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.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Company'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 Board of Directors.

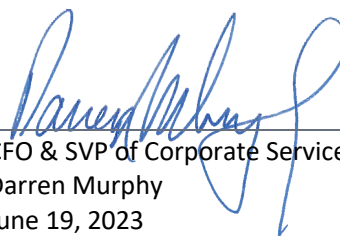
The Board of Directors, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The financial statements and the Independent Auditor's Report have been reviewed and approved by the Board of Directors.

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



President and Chief Executive Officer  
Lori Clark  
June 19, 2023



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

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

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

March 31	Note	2023
<b>Assets</b>		
<b>Current</b>		
Cash		\$ 3
Accounts receivable	5	504
Materials, supplies and fuel	6	296
Prepaid expenses		21
Derivative assets	28	34
<b>Total current assets</b>		<b>858</b>
<b>Non-current assets</b>		
Property, plant and equipment	7	4,670
Intangible assets	8	56
Nuclear decommissioning and used fuel management funds	9	897
Sinking fund receivable	10	474
Derivative assets	28	105
Non-current prepaid expenses		19
Other assets	11	1
<b>Total non-current assets</b>		<b>6,222</b>
<b>Total assets</b>		<b>7,080</b>
Regulatory balances	12	1,021
<b>Total assets and regulatory balances</b>		<b>\$ 8,101</b>

The accompanying notes form part of the consolidated financial statements

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

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

March 31	Note	2023
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Short-term indebtedness	13	\$ 797
Accounts payable and accrued liabilities		459
Deferred revenue		20
Accrued interest on short and long-term debt		30
Current portion of long-term debt	14	300
Current portion of lease liabilities	15	5
Derivative liabilities	28	185
<b>Total current liabilities</b>		<b>1,796</b>
<b>Non-current liabilities</b>		
Long-term debt	14	4,786
Lease liabilities	15	32
Decommissioning and used fuel management liabilities	17	987
Post-employment benefits	18	101
Provisions for other liabilities and charges	19	60
Derivative liabilities	28	5
<b>Total non-current liabilities</b>		<b>5,971</b>
<b>Total liabilities</b>		<b>7,767</b>
<b>Shareholder's equity</b>		
Accumulated other comprehensive (loss)		(168)
Retained earnings		502
<b>Total equity</b>		<b>334</b>
<b>Total liabilities and equity</b>		<b>\$ 8,101</b>

On behalf of New Brunswick Power Holding Corporation

  
 Chair

  
 President and Chief Executive Officer

The accompanying notes form part of the consolidated financial statements

## NEW BRUNSWICK POWER HOLDING CORPORATION CONSOLIDATED STATEMENT OF EARNINGS

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

For the year ended March 31	Note	2023
<b>Revenue</b>		
<b>Sales of electricity</b>		
In-province	20	\$ 1,543
Out-of-province	20	1,234
Miscellaneous	21	134
		<b>2,911</b>
<b>Expenses</b>		
Fuel and purchased power	22	1,968
Operations, maintenance and administration	23	576
Depreciation and amortization	24	351
Taxes	25	50
		<b>2,945</b>
<b>Operating (loss)</b>		<b>(34)</b>
Finance costs	26	(280)
Sinking funds and other investment income		21
Mark-to-market of fair value through profit and loss investments	28	16
<b>Net (loss) before changes in regulatory balances</b>		<b>(277)</b>
Net changes in regulatory balances	12	234
<b>Net (loss)</b>		<b>\$ (43)</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

For the year ended March 31	2023
Net (loss)	\$ (43)
<b>Other comprehensive income</b>	
<b>Items that may be reclassified subsequently to earnings</b>	
Net changes in unrealized (loss) on derivatives designated as cash flow hedges	28 (475)
Amortization of interest settlement	2
Reclassification to earnings of settled derivatives designated as cash flow hedges	28 127
	<b>(346)</b>
<b>Items that will not be reclassified to earnings</b>	
Net actuarial gain on post-employment benefits	18 7
<b>Other comprehensive (loss)</b>	<b>(339)</b>
<b>Total comprehensive (loss)</b>	<b>\$ (382)</b>

The accompanying notes form part of the consolidated financial statements



**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**CONSOLIDATED STATEMENT OF EQUITY**

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

	<b>Accumulated other comprehensive income (AOCI)</b>							
	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, 2022	\$ 267	\$ (34)	\$ (62)	\$ 171	\$ 545	\$ 716		
Net (loss) for the year	-	-	-	-	(43)	(43)		
Other comprehensive (loss) income	(348)	2	7	(339)	-	(339)		
<b>Balance, March 31, 2023</b>	<b>\$ (81)</b>	<b>\$ (32)</b>	<b>\$ (55)</b>	<b>\$ (168)</b>	<b>\$ 502</b>	<b>\$ 334</b>		

The accompanying notes form part of the consolidated financial statements

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

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

<b>For the Year Ended March 31</b>	<b>Note</b>	<b>2023</b>
<b>Operating activities</b>		
Cash receipts from customers and counterparties		\$ 2,792
Cash paid to suppliers and employees		(2,489)
Customer contributions	19	6
Post-employment benefits	18	(16)
Interest paid		(230)
Interest received		2
<b>Cash provided by operating activities</b>		<b>65</b>
<b>Investing activities</b>		
Expenditures on property, plant and equipment and intangibles, net of proceeds		(527)
Cash expenditures on decommissioning	17	(13)
<b>Cash (used in) investing activities</b>		<b>(540)</b>
<b>Financing activities</b>		
	27	
Proceeds from long-term debt issuances	14	677
Debt retirements	14	(228)
(Decrease) increase in short-term indebtedness	13	(62)
Sinking fund installments	10	(46)
Sinking fund redemptions	10	92
Repayment of lease liabilities	15	(7)
<b>Cash provided by financing activities</b>		<b>426</b>
<b>Net cash (outflow) inflow</b>		<b>(49)</b>
<b>Cash, beginning of year</b>		<b>52</b>
<b>Cash, end of year</b>		<b>\$ 3</b>

The accompanying notes form part of the consolidated financial statements

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 1. DESCRIPTION OF BUSINESS

The Company was established in the Province of New Brunswick on April 1, 2022 as a provincially owned Crown Corporation. Following its creation, the one common share in New Brunswick Power Corporation held by the Crown was transferred to the Company. These consolidated financial statements include NB Power Holding Corporation, its wholly owned subsidiary, New Brunswick Power Corporation (NB Power) and NB Power's wholly owned subsidiary New Brunswick Energy Marketing Corporation (NB Energy Marketing) from April 1, 2022, the date on which the Company was established.

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 Energy Marketing, 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 Company's head office is located in Fredericton, New Brunswick.

As provincial Crown Corporations, the Company and its subsidiaries are not subject to federal and provincial income taxes.

### 2. BASIS OF PREPARATION

The Company'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 the Company. 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.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2023

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

**2. BASIS OF PREPARATION (CONTINUED)**

**b. Estimates**

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

Note reference	Estimate
Note 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.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

(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
<i>IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2</i>	April 1, 2023
<i>IAS 1 Presentation of Financial Statements</i>	April 1, 2023
<i>IAS 1 Presentation of Financial Statements</i>	April 1, 2024
<i>IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i>	April 1, 2023
<i>IFRS 16 Leases</i>	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.

The Company does not expect these amendments to have a material impact on the financial statements.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

Note reference	Name
Note 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

##### Subsidiaries

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

#### b. Rate regulation

The Company's 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 the Company.

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.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 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.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 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

The Company 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.



**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2023

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**d. Property, plant and equipment (Continued)**

**Subsequent expenditures**

The Company 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.

<b>Assets</b>	<b>Years</b>
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**

The Company 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.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2023

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

**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**

The Company has recorded provisions for the estimated future costs of decommissioning thermal generating stations and the Milltown hydro 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 generating stations,
- estimates of inflation rates in the future.

The Company reviews such calculations annually due to

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

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 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 the Company's credit adjusted risk-free rate, and
- classified as finance costs.

###### **Nuclear generating station**

The Company 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.

The Company 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.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 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 the Company'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**

The Company 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.

The Company 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 the Company 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.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 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 the Company'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

The Company 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 the Company's history of water heater removal and include estimates for inflation. The Company revises the estimates and assumptions annually.

##### Fundy Isles undersea transmission cables

The Company 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.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 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. The Company 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.

The Company 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.

The Company 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

The Company'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.

The Company 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 the Company's portion of the obligation, the Company 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. The Company 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. The Company uses defined benefit accounting to account for these plans.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 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 the Company 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 the Company's credit adjusted risk-free rate.

The customer contributions, which represent the Company'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

##### In-province electricity sales

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.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### j. Revenue (Continued)

##### Performance obligation and revenue recognition policy (Continued)

##### Out-of-province electricity sales

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.

##### Miscellaneous revenue

##### 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

The Company'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.



# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### m. Leases

##### The Company as a lessee

The Company 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, the Company 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, the Company'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.

The Company 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). The Company recognizes the lease payments associated with these leases as an expense in the consolidated statement of earnings.

##### The Company as a lessor

When acting as a lessor, the Company classifies leases as either operating or finance leases. The Company has determined all leases where the Company 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.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2023

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

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**n. Financial instruments (Continued)**

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

<b>Financial instrument</b>	<b>Classification</b>
<b>Financial assets</b>	
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
<b>Financial liabilities</b>	
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.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### n. Financial instruments (Continued)

##### Fair value through profit or loss (FVTPL)

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

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

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

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

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### o. Derivatives

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

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

Under derivative contracts, the Company 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

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

#### Documentation

To be eligible for hedge accounting, the Company 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.

<b>This portion</b>	<b>is recognized in</b>
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.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### o. Derivatives (Continued)

##### Discontinuing hedge accounting

If a forecasted transaction is no longer expected to occur, the Company 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

#### Regulatory balances

Regulatory balances relate to NB Power and 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.

### 5. ACCOUNTS RECEIVABLE

	Note	2023
Trade receivables		\$ 376
Other receivables		10
Unbilled revenue		122
Expected credit loss allowance	29	(4)
		\$ 504

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
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For the Year Ended March 31, 2023

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**6. MATERIALS, SUPPLIES AND FUEL**

	<b>2023</b>
Materials and supplies	\$ 46
Nuclear fuel	53
Coal	17
Heavy fuel oil	113
Petroleum coke	24
Renewable energy credits	7
Other fuel	36
	<b>\$ 296</b>

During the year, inventories of \$1 million were written down to net realizable value. Inventories recognized as an expense during the year amounted to \$337 million.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2023

(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
<b>Cost or deemed cost</b>							
<b>Balance, April 1, 2022</b>	\$ 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
<b>Balance, March 31, 2023</b>	<b>4,339</b>	<b>504</b>	<b>542</b>	<b>1,314</b>	<b>381</b>	<b>438</b>	<b>7,518</b>
<b>Accumulated depreciation</b>							
<b>Balance, April 1, 2022</b>	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)
<b>Balance, March 31, 2023</b>	<b>1,872</b>	<b>81</b>	<b>120</b>	<b>659</b>	<b>116</b>	<b>-</b>	<b>2,848</b>
<b>Carrying amount, right-of-use assets</b>							
<b>Balance, March 31, 2023</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>39</b>
<b>Carrying amount, total assets</b>							
<b>Balance, March 31, 2023</b>	<b>\$ 2,467</b>	<b>\$ 423</b>	<b>\$ 422</b>	<b>\$ 655</b>	<b>\$ 265</b>	<b>\$ 438</b>	<b>\$ 4,670</b>

The amount of government grants classified as PP&E in 2023, was \$2 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 (Note 26) at the weighted average cost of borrowing of 4.31 per cent.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2023

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

**8. INTANGIBLE ASSETS**

	Nepisiguit Falls- statutory rights	Software	Other	Construction- in-progress	Total
<b>Cost or deemed cost</b>					
<b>Balance, April 1, 2022</b>	\$ 19	\$ 55	\$ 3	\$ 24	\$ 101
Additions	-	-	-	9	9
Transfers	-	25	-	(29)	(4)
<b>Balance, March 31, 2023</b>	<b>19</b>	<b>80</b>	<b>3</b>	<b>4</b>	<b>106</b>
<b>Accumulated amortization</b>					
<b>Balance, April 1, 2022</b>	4	37	1	-	42
Amortization expense	1	7	-	-	8
<b>Balance, March 31, 2023</b>	<b>5</b>	<b>44</b>	<b>1</b>	<b>-</b>	<b>50</b>
<b>Carrying amount</b>					
<b>Balance March 31, 2023</b>	<b>\$ 14</b>	<b>\$ 36</b>	<b>\$ 2</b>	<b>\$ 4</b>	<b>\$ 56</b>



# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 9. NUCLEAR DECOMMISSIONING AND USED FUEL MANAGEMENT FUNDS

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

- fund requirements,
- the Company's funds, and
- status of the Company'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 the Company 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.

#### The Company's Funds

The Company has established the following funds, each held in a custodial account.

Fund	Trustee	Purpose	Funding requirement	2022/23 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

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2023

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

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

**Fair value of the Company'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
Fixed income	\$ 150	\$ 193	\$ 343
International equity	144	-	144
Alternative investments	97	-	97
Canadian equity	54	-	54
Private real estate	78	-	78
Public real estate	30	-	30
Public infrastructure	5	-	5
Private infrastructure	55	-	55
Private equity	91	-	91
<b>Total investments contained in established funds</b>	<b>\$ 704</b>	<b>\$ 193</b>	<b>\$ 897</b>

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
Balance, beginning of year	\$ 690	\$ 191	\$ 881
Deposits	-	4	4
Market value changes	19	(2)	17
Withdrawals	(4)	-	(4)
Other charges	(1)	-	(1)
<b>Balance, end of year</b>	<b>\$ 704</b>	<b>\$ 193</b>	<b>\$ 897</b>

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2023

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**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. The Company pays the Province of New Brunswick one per cent of its outstanding debt annually; this will be returned to the Company when the corresponding debt issues mature.

The following table shows the activity in the sinking fund.

	<b>2023</b>
Sinking fund receivable, beginning of year	\$ 500
Sinking fund earnings	16
Foreign exchange gain (loss)	4
Installments	46
Redemptions	(92)
<b>Sinking fund receivable, end of year</b>	<b>\$ 474</b>

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.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2023

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**12. REGULATORY BALANCES**

The Company has regulatory balances totaling \$1,021 million at March 31, 2023.

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

	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
Point Lepreau Nuclear Generating Station deferral	\$ (25)
Lawsuit settlement with PDVSA	12
Allowance for funds used during construction	-
Energy Supply Cost Variance	269
Electricity Sales and Margin Variance	(36)
Energy Efficiency and Demand Response	14
<b>Net change in regulatory balances</b>	<b>\$ 234</b>

**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*).

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### 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 the Company 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 the Company.

#### 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 the Company'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.

The Company 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.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 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.

The Company 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 the Company on a straight-line basis over a ten-year period.

### 13. SHORT-TERM INDEBTEDNESS

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

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**14. LONG-TERM DEBT**

The Company borrows funds from the Province of New Brunswick to finance long-term requirements. This note provides details around the Company'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.

<b>Long-term debt</b>	
<b>Balance April 1, 2022</b>	\$ 4,631
Debt retirement	<b>(228)</b>
Proceeds on long-term debt	<b>677</b>
Foreign exchange on long-term debt	<b>3</b>
Amortization of premiums and discounts on long-term debt	<b>3</b>
	<b>5,086</b>
Less current portion	<b>(300)</b>
<b>Balance March 31, 2023</b>	<b>\$ 4,786</b>

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**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
<b>Total</b>				<b>\$ 5,075</b>	<b>\$ 11</b>	<b>\$ 5,086</b>



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**14. LONG-TERM DEBT (CONTINUED)**

**Debt portfolio management fee**

The Company pays an annual debt portfolio management fee to the Province of New Brunswick amounting to 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
<b>Total</b>	<b>\$ 5,075</b>

**15. LEASE LIABILITIES**

Lease liabilities represent the Company'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.

<b>Balance April 1, 2022</b>	<b>\$ 38</b>
Additions (new leases)	5
Interest expense	1
Lease payments	(7)
	<b>37</b>
Less: current portion of lease liabilities	(5)
<b>Balance March 31, 2023</b>	<b>\$ 32</b>

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

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

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**15. LEASE LIABILITIES (CONTINUED)**

During the year, there were no leases that met the investment property definition in IFRS 16. NB. The Company 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**

The Company 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**

The primary objective of the Company's capital management is to ensure that it maintains adequate capital resources to support operations and growth. The Company raises its capital through operating activities as well as through short and long-term borrowings from the Province of New Brunswick in accordance with the *Provincial Loans Act*. This type of borrowing allows the Company to take advantage of the Province of New Brunswick's credit rating.

The Company's capital structure consists of long-term debt, short-term indebtedness, retained earnings and Accumulated other comprehensive (loss) income.

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**17. DECOMMISSIONING AND USED FUEL MANAGEMENT LIABILITY**

This note provides details of the Company'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.

<b>Liability</b>	<b>Nature</b>	<b>Funding details</b>
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

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**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.

	<b>Hydro and thermal decommissioning</b>	<b>Nuclear decommissioning</b>	<b>Used nuclear fuel management</b>	<b>Water heaters</b>	<b>Fundy Isles undersea transmission cables</b>
Amount of estimated cash flows to settle liability in					
- 2023 dollars	\$204	\$1,202	859	\$3	\$33
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%
Escalation rate to determine decommissioning liabilities	0.07 - 7.24%	2.0%	1.97 - 3.38%	2.0 - 2.87%	2.0 - 2.87%

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

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**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
<b>Hydro and thermal generating station decommissioning liability</b>	
Balance, beginning of year	\$ 139
Add: Change to discount rate and change in cost estimates	1
Add: Accretion on thermal decommissioning liability	5
Less: Expenditures	(5)
<b>Balance, end of year</b>	<b>140</b>
<b>Nuclear generating station decommissioning liability</b>	
Balance, beginning of year	551
Add: Change to discount rate and change in cost estimate	(93)
Add: Accretion on nuclear decommissioning liability	24
Less: Expenditures	(1)
<b>Balance, end of year</b>	<b>481</b>
<b>Used fuel management liability</b>	
Balance, beginning of year	401
Add: Change to discount rate and change in cost estimate	(70)
Add: Accretion on used fuel management liability	20
Less: Expenditures	(7)
<b>Balance, end of year</b>	<b>344</b>
<b>Water heaters</b>	
Balance, beginning of year	2
<b>Balance, end of year</b>	<b>2</b>
<b>Fundy Isles undersea transmission cables</b>	
Balance, beginning of year	21
Add: Change to discount rate and change in cost estimate	(2)
Add: Accretion expense	1
<b>Balance, end of year</b>	<b>20</b>
<b>Total decommissioning and used fuel management liability</b>	<b>\$ 987</b>

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**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.

	<b>2023</b>
Early retirement obligation	\$ 69
Retirement allowance obligation	7
Other future employee benefits obligation	29
	<b>105</b>
Current portion of early retirement obligation, recorded in accounts payable and accrued liabilities	<b>(4)</b>
<b>Post-employment benefits</b>	<b>\$ 101</b>

<b>Assumptions</b>	<b>2023</b>
	<b>%</b>
Discount rate, beginning of year	4.35
Discount rate, end of year	4.95
Long-term rate of compensation increases	2.50
Assumptions for benefit increases (percentage of Consumer Price Index)	2.00

**a. Early retirement obligation**

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

<b>Accrued benefit obligation</b>	<b>2023</b>
Balance, beginning of year	\$ 67
Employee benefit expense	12
Benefits paid	(4)
Actuarial (gain) recognized in other comprehensive income	(6)
<b>Balance, end of year</b>	<b>\$ 69</b>

<b>Cost</b>	<b>2023</b>
Past service cost	\$ 9
Interest on early retirement obligation	3
<b>Total benefit expense for the year</b>	<b>\$ 12</b>

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**18. POST-EMPLOYMENT BENEFITS (CONTINUED)**

**b. Retirement allowance obligation**

The Company 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.

The Company 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.

<b>Accrued benefit obligation</b>	<b>2023</b>
Balance, beginning of year	\$ 15
Employee benefit expense	2
Benefits paid	(10)
<b>Balance, end of year</b>	<b>\$ 7</b>

<b>Cost</b>	<b>2023</b>
Settlement	\$ 1
Interest on retirement allowance obligation	1
<b>Total benefit expense for the year</b>	<b>\$ 2</b>

**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.

<b>Accrued benefit obligation</b>	<b>2023</b>
Balance, beginning of year	\$ 29
Employee benefit expense	2
Benefits paid	(2)
Actuarial (gain) recognized in other comprehensive income	(1)
Actuarial loss recognized in earnings	1
<b>Balance, end of year</b>	<b>\$ 29</b>

<b>Cost</b>	<b>2023</b>
Current service cost	\$ 1
Interest on other post-employment benefits	1
<b>Total benefit expense for the year</b>	<b>\$ 2</b>

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**18. POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Cumulative actuarial losses**

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

	<b>2023</b>
Balance, beginning of year	\$ (62)
Actuarial gains (losses) on accrued benefit obligation	
- experience adjustments	7
<b>Balance, end of year</b>	<b>\$ (55)</b>

**Multi-employer pension plan**

The Company 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. 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.

The Company accounts for this multi-employer plan as a defined contribution pension plan.

**Costs**

Under the NBPSPP, the Company'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). The Company'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.

	<b>2023</b>
Current service cost	\$ 32

The Company expects to contribute approximately \$37 million in contributions in 2024.



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**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
<b>Provisions for other liabilities and charges</b>			
<b>Balance, April 1, 2022</b>	\$ 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	-	-	-
<b>Balance, March 31, 2023</b>	<b>\$ 7</b>	<b>\$ 53</b>	<b>\$ 60</b>

**Environmental liability**

The Company has a long-term plan to treat acidic water drainage from an inactive mine. The Company 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.

The total undiscounted amount of the estimated cash flows required to settle the liability is \$9 million.

**Customer contributions obligation**

The Company 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**

	<b>2023</b>
Sales of electricity	\$ 2,777
Miscellaneous contract revenue	91
<b>Total contract revenue</b>	<b>\$ 2,868</b>

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**20. REVENUE (CONTINUED)**

**b. Contract balances**

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

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

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 the Company 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.

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**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
<b>Sales of electricity - In-Province</b>	
Residential	\$ 703
Industrial	396
General Service	301
Wholesale	115
Streetlights	23
Unmetered	5
	<b>1,543</b>
<b>Sales of electricity - Out-of-Province</b>	
<b>Canadian sales</b>	
Long-term contracts	137
Short-term contracts	46
<b>USA sales</b>	
Long-term contracts	861
Short-term contracts	159
Short-term renewable energy credits	31
	<b>1,234</b>
<b>Total sales of electricity</b>	<b>2,777</b>
<b>Miscellaneous</b>	
Customer related revenue	20
Pole attachments	5
Transmission revenue	14
Sales of natural gas	45
Other contract revenue	7
	<b>91</b>
<b>Total contract revenue</b>	<b>\$ 2,868</b>

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**21. MISCELLANEOUS REVENUE**

	2023
Net transmission revenue	\$ 14
Customer related revenue	20
Water heater rental	24
Pole attachment revenue	5
Sales of natural gas	45
Other miscellaneous income	26
	\$ 134

**22. FUEL AND PURCHASED POWER**

	2023
Purchases	\$ 1,619
Heavy fuel oil	155
Coal	91
Natural Gas	53
Petcoke	45
Nuclear	23
Other fuel	14
Carbon Tax	7
Foreign exchange on fuel and purchased power	(39)
	\$ 1,968

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
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For the Year Ended March 31, 2023

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**23. OPERATIONS, MAINTENANCE AND ADMINISTRATION**

	<b>2023</b>
Salaries and benefits	\$ 322
Hired services	136
Materials and supplies	42
Vehicles and equipment	34
Provision for losses	5
Other	37
	<b>\$ 576</b>

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.

	<b>2023</b>
Efficiency programs to residents of New Brunswick	\$ 41
Small Modular Reactors (SMR)	10
Electric vehicle and charger rebate program	4
Strategic Inertie Predevelopment Project (SIPP)	4
Smart Grid Atlantic initiative	4
	<b>\$ 63</b>

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
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**24. DEPRECIATION AND AMORTIZATION**

	2023
Property, plant and equipment	\$ 328
Right-of-use assets	6
Intangible assets	8
Loss on disposal of assets	9
	<b>\$ 351</b>

**25. TAXES**

	2023
Property tax	\$ 24
Utility and right of way taxes	26
	<b>\$ 50</b>

**26. FINANCE COSTS**

	Note	2023
Interest on long-term and short-term debt		\$ 202
Accretion	17	50
Debt portfolio management fee		32
Foreign exchange on long-term debt	14	3
Interest on post-employment benefits	18	5
Foreign exchange translation gains and losses		(1)
Amortization of premiums and discounts on long-term debt	14	3
		<b>294</b>
Interest capitalized during construction	7	(14)
		<b>\$ 280</b>

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
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**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
<b>Balance at April 1, 2022</b>	\$ (500)	\$ 4,631	\$ 38	\$ 859	\$ 5,028
<b>Changes from financing cash flows</b>					
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)
<b>Total changes from financing cash flows</b>	46	449	(7)	(62)	426
<b>Other changes</b>					
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
<b>Total other changes</b>	(20)	6	6	-	(8)
<b>Balance at March 31, 2023</b>	\$ (474)	\$ 5,086	\$ 37	\$ 797	\$ 5,446

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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### 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.



**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended March 31, 2023

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**28. FINANCIAL INSTRUMENTS (CONTINUED)**

**Fair Value of Financial Instruments (Continued)**

The following table is a summary of the Company's outstanding financial instruments.

		March 31, 2023	
	Level	Carrying Amount	Fair Value
<b>Financial assets</b>			
Cash	1	\$ 3	\$ 3
Accounts receivable	1	504	504
Nuclear decommissioning and used fuel management fund	2-3	897	897
Sinking fund receivable	1	474	474
Derivative assets	2	139	139
<b>Total financial assets</b>		<b>2,017</b>	<b>2,017</b>
<b>Financial liabilities</b>			
Short-term indebtedness	1	797	797
Accounts payable and accrued liabilities	1	459	459
Accrued interest on short and long-term debt	1	30	30
Long-term debt	2	5,086	4,760
Derivative liabilities	2	190	190
<b>Total financial liabilities</b>		<b>\$ 6,562</b>	<b>\$ 6,236</b>

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
Level 2	\$ 674
Level 3	223
	<b>\$ 897</b>

**Transfers between levels 1 and 2**

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

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
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**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.

<b>Balance, April 1, 2022</b>	\$	173
Purchases		45
Sales		(11)
Gains recognized in net earnings - mark-to-market of fair value through profit and loss investments		16
<b>Balance, March 31, 2023</b>	<b>\$</b>	<b>223</b>
<hr/>		
Unrealized gains recognized in net earnings on Level 3 investments	\$	16

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**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.

<b>March 31, 2023</b>					
	<b>Unit of measure</b>	<b>Maturing over (months)</b>	<b>Committed purchases (in millions)</b>	<b>Weighted average price</b>	
Foreign exchange derivatives (1)	USD	51	410.0	\$ 1.26	CAD
Heavy fuel oil derivatives (2)	barrels	23	1.4	\$ 83.74	USD
Natural gas derivatives (3)	GJ	43	52.0	2.96	CAD
Coal derivatives (4)	MT	23	0.2	155.48	USD
Electricity derivatives (5)	MWh	45	4.5	69.90	USD
Uranium derivatives (6)	LB	24	0.3	\$ 57.36	USD

(1) The Company 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) The Company hedges its anticipated exposure to changes in the cost of heavy fuel oil.

(3) The Company hedges its anticipated exposure to changes in natural gas prices.

(4) The Company hedges its anticipated exposure to changes in the cost of coal.

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

(6) The Company hedges its anticipated exposure to changes in uranium prices.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
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**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
Current derivative assets	\$ 30	\$ 2	\$ 2	\$ -	\$ -	\$ -	\$ 34
Non-current derivative assets	5	45	53	2	-	-	105
Current derivative liabilities	-	(7)	(159)	(18)	-	(1)	(185)
Non-current derivative liabilities	-	-	(1)	-	(4)	-	(5)
<b>Total assets (liabilities)</b>	<b>\$ 35</b>	<b>\$ 40</b>	<b>\$ (105)</b>	<b>\$ (16)</b>	<b>\$ (4)</b>	<b>\$ (1)</b>	<b>\$ (51)</b>

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
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**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
<b>Derivative asset (liability) balance, April 1, 2022</b>	\$ (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
<b>Derivative asset (liability) balance, March 31, 2023</b>	<b>\$ 14</b>	<b>\$ 26</b>	<b>\$ (10)</b>	<b>\$ -</b>	<b>\$ 30</b>

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
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**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
<b>Balance, April 1, 2022</b>	\$ (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
<b>Balance, March 31, 2023</b>	\$ 21	\$ 40	\$ (131)	\$ (6)	\$ (4)	\$ (1)	\$ (81)

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 29. FINANCIAL INSTRUMENT RISK MANAGEMENT

The Company is exposed to a number of risks arising from its use of financial instruments. The Company 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 the Company's risk management framework. Financial instrument risk management strategies may expose the Company 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 the Company'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, the Company

- 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 the Company's financial instruments that are exposed to credit risk.

	2023
Financial assets	Fair value
Cash	\$ 3
Accounts receivable	504
Nuclear decommissioning and used fuel management funds	897
Sinking fund receivable	474
Derivative assets	139
	<b>\$ 2,017</b>

#### 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, the Company monitors outstanding receivables and pursues collection of overdue amounts.

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

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
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**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	Carrying amount	Loss allowance
<b>Trade</b>			
Current	0.32%	\$ 369	\$ 1
31 - 60 days	8.86%	4	-
61 - 90 days	35.10%	1	-
91 - 365 days	47.29%	1	1
Greater than 365 days	-%	1	-
		376	2
Unbilled revenue	0.64%	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.



# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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### 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
Balance at April 1	\$ 4
Amounts written off	(5)
Net measurement of loss allowance	5
<b>Balance at March 31</b>	<b>\$ 4</b>

#### 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, the Company holds deposits or requires letters of credit.

#### Sinking fund receivable

The Company 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 the Company, the associated credit risk is considered to be low. The Province of New Brunswick bears the credit risk for the investments.

#### Derivative assets

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

The Company

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

# NEW BRUNSWICK POWER HOLDING CORPORATION

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### 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, the Company holds deposits or requires letters of credit. At March 31, 2023, the Company held collateral of \$7 million.

#### Nuclear decommissioning and used fuel management funds

The Company 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
Used fuel management fund	\$ 3	\$ 6	\$ 6	\$ 6	\$ 3	\$ 3	27
Nuclear decommissioning fund	27	38	31	28	5	4	133
Nuclear Fuel Waste Trust	45	60	46	40	1	-	192
	\$ 75	\$ 104	\$ 83	\$ 74	\$ 9	\$ 7	352

#### Market risk

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

The Company 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.

The Company 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.

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**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
<b>Exchange and interest rates</b>		
1% change in CAD/USD exchange rate	\$ 3	\$ 4
0.25% change in short-term debt rates	2	-
1 % change in investment yields	24	-
<b>Commodity prices</b>		
\$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
<b>Private real estate, infrastructure and private equity investments</b>		
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 the Company will have difficulty or be unable to meet its financial obligations associated with financial liabilities.

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
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**29. FINANCIAL INSTRUMENT RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (Continued)**

The Company 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 the Company's financial liabilities at March 31, 2023 and in future years.

Financial liability	Carrying amount	Contractual cash flows	Timing of 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
	<b>\$ 6,562</b>	<b>\$10,019</b>	<b>\$ 1,324</b>	<b>\$ 627</b>	<b>\$ 224</b>	<b>\$ 912</b>	<b>\$ 6,932</b>

The Company believes it has the ability to generate sufficient funding to meet these financial obligations.

**30. RELATED PARTY TRANSACTIONS**

The Province of New Brunswick is a related party to the Company as outlined in Note 1. The Company is related through common ownership with all provincial departments, agencies, and Crown Corporations.

**Sinking Fund Receivable**

At March 31, 2023 the Company has a sinking fund receivable from the Province of New Brunswick of \$474 million (Note 10).

**Debt**

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

**Payments to the Province of New Brunswick**

During the year the Company made payments to the Province of New Brunswick for property taxes, utility taxes, and right of way taxes of \$50 million (Note 25).

**NEW BRUNSWICK POWER HOLDING CORPORATION**  
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**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.

	<b>2023</b>
Salaries and short-term employee benefits	\$ 5
Post-employment expense	2
	<b>\$ 7</b>

**31. COMMITMENTS, CONTINGENCIES AND GUARANTEES**

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

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029 and thereafter</b>
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
	<b>\$ 603</b>	<b>\$ 163</b>	<b>\$ 114</b>	<b>\$ 137</b>	<b>\$ 138</b>	<b>\$ 1,143</b>

# NEW BRUNSWICK POWER HOLDING CORPORATION

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### 31. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTINUED)

#### Power purchase agreements

The Company 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 the Company 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

The Company entered into an energy sales and transmission rights assignment agreement which expires in 2040. The Company is committed to purchase 2 million MWh a year at the market price at the time of the purchase.

#### Gypsum Contract

The Company 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, the Company must compensate the third party for any shortfall. The compensation paid, if required, is based on the contracted quantity of gypsum at fixed price. The fixed price is escalated each year by the Consumer Price Index.

# NEW BRUNSWICK POWER HOLDING CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2023

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

### 31. COMMITMENTS, CONTINGENCIES AND GUARANTEES (CONTINUED)

#### Large Industrial Renewable Energy Purchases Program

The Company 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 of qualified renewable energy was purchased under the program.

The Large Industrial Renewable Energy Purchase Program allows the Company 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 the Company 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.

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