Annual Report

2013-2014

Énergie NB Power

Mission
Proudly Serve our Customers

Vision
Sustainable Electricity

Values
Safety, Quality, Innovation

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How we power New Brunswick

NB Power has developed one of the most diverse generation fleets in North America to meet the very unique daily and seasonal power needs of New Brunswickers. As a "winter-peaking" province, we see big swings in energy usage between summer and winter. An average summer day might see a peak system load of 1,500 MW being required to meet the demand while a very cold January day might see this usage peak at near 3,000 MW. This huge swing in demand requires us to keep generation on stand-by to ensure New Brunswickers have the power they need when they want it.

We have a combined total generating capacity of 3,513 MW plus additional installed capacity of 294 MW of wind and 437 MW of other capacity provided by third parties through Power Purchase Agreements (PPA's). We also import electricity from Quebec or New England when electricity markets are favorable.

Most days, New Brunswickers receive their power from a combination of generation sources such as nuclear at Point Lepreau, thermal at Belledune, hydro generated from any or all of our 7 dams, wind from any or all of the 3 wind farms, natural gas from PPA's with Bayside and Grandview, biomass from a PPA with Twin Rivers and imports from New England and/or Quebec. As days get colder, additional capacity is likely to be added to the system from our oil-fired plant at Coleson Cove.

NB Power is working to find new ways of putting renewable energy sources onto the existing grid as Government has mandated a goal of having 40 per cent of our in-province energy come from renewable sources by 2020. Today renewable sources such as hydro, wind and biomass account for about 30 per cent of our energy.

In the past year, NB Power continued to make progress with our partner Siemens Canada on the building of an integrated smart grid in New Brunswick. This innovative strategy to overlay the communications grid on top of the electrical grid will help NB Power better optimize our assets, integrate more renewable energy, offer our customers more choice, convenience and control over their usage and help keep customer rates low and stable.

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

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

Generating Capacity Nuclear	
Point Lepreau	660 MW

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

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

Power Purchase Agreement (PPA)	
Wind	294 MW

Other Power Purchase Agreement (PPA)	
Bay Side (Natural Gas)	285 MW
Grand View (Natural Gas)	90 MW
Twin Rivers (Biomass)	39 MW
St George (Hydro)	15 MW
Edmunston Hydro	7 MW
Other Renewable	1 MW
Total	437 MW

Number of Lines	
Distribution Lines	20,815 km
Transmission Lines	6,849 km

Exporting and Importing Capacity	
Export Capicity	2,270 MW
Import Capicity	1,775 MW

Number of Customers	
# of Direct Customers	351,238
# of Indirect Customers	46,264
Total Customers	397,502

July 2014

To:
Honourable Craig Leonard
Minister of Energy and Mines
Province of New Brunswick
Fredericton, NB
E3B 5H1

Sir:

I am pleased to submit the Annual Report of New Brunswick Power Corporation for the fiscal year ended March 31, 2014 in compliance with Section 42 of the Electricity Act.

Ed Barrett,
Chairman, Board of Directors

Message from the Chairman

On behalf of everyone at NB Power, I'd like to thank New Brunswickers for their continued confidence as we work to achieve our vision of being one of North America's top performing utilities.

The last year has been tremendously successful as we continue to follow a deliberate path laid out by our strategic plan and the Province of New Brunswick's Energy Blueprint. These plans are aligned to ensure reliability of service, careful financial management and strategic investment in areas that will improve service to customers and enable the company to lead New Brunswick into the energy future.

The new *Electricity Act* was proclaimed in October 2013, re-uniting the former NB Power Group of Companies under a single corporate NB Power structure subject to regulatory oversight by the Energy and Utilities Board (EUB). This new approach allows us to be more efficient in our spending and more open and accountable in our decision-making, ultimately helping us to focus more on serving our customers better.

In addition, the last year saw us implement a new and independent process of choosing new members for the NB Power Board of Directors. This competitive process allows us to hire an independent search firm to recruit board members based on their skill set and experience, helping us to create a world-class group of professionals that can steer us toward the future.

Our vision is beginning to show results, and we are very pleased to report that NB Power posted positive financial results for the fourth consecutive year with net earnings of $55 million for the year end as of March 31, 2014.

Ed Barrett,
Chairman,
NB Power
Board of Directors

Also this year, we were able to reduce our net debt by $44 million. This was possible due to a significant increase in free cash flow resulting from a reduction in the current year's capital spending requirements and a year over year reduction in the need for replacement energy costs since the Point Lepreau Generating Station's return to service and its exceptional performance during the coldest winter in 30 years. This reduction allowed us to make progress on our strategy of eliminating $1 billion of debt by 2021.

Our commitment to customers was clear during the December 2013 ice storm, when NB Power employees worked long hours away from their families during the holiday season to restore power to tens of thousands of New Brunswickers in extreme weather conditions. Our crews, along with hundreds of employees who worked in support roles behind the scenes, put the needs of our customers first in ensuring power was restored as safely and quickly as possible.

We are proud of these financial and operational results in the first full year of amortizing the costs of the Point Lepreau refurbishment. We remain committed to building on the trust that New Brunswickers and our Shareholder, the Government of New Brunswick, have shown us in the last year by continuing to seek efficiencies and costs savings where possible, without compromising the high standards of reliability, safety and customer service that we've all come to expect from NB Power.

Message from the CEO

Thanks to the efforts of our staff, NB Power posted positive financial results for the fourth consecutive year with audited net earnings of $55 million for the year ending March 31, 2014.

These results saw revenues boosted by increased export energy sales and consistent performance at Point Lepreau Generating Station during the last three quarters of the year. This was the first full year of operation since the refurbishment of Point Lepreau and I am very proud that the station operated at or near 100 per cent net capacity factor for 19 consecutive weeks during the winter heating season (November to April). This was a crucial period for the utility when energy market prices in New England were often at record highs and Lepreau performed exceptionally well. This kind of dependability and performance during the coldest winter in 30 years were the key reasons we refurbished Point Lepreau and what we expect from Point Lepreau for the next 25 to 30 years.

We know that New Brunswickers expect their energy utility to be among the best in the world at what we do. We are rising to that challenge as we work to improve performance at our generating stations; as we integrate more renewable energy into our grid; as we help customers gain more control over their energy usage and as we improve how we communicate all aspects of our business.

We are building capacity within the utility as well by inviting key partners from the University of New Brunswick to help us better understand the impact of our operations on the environment, and how we can better protect it. With research funding from NB Power, the Canadian River Institute is conducting the largest ever ecosystem study of the St. John River to ensure good science is at the heart of our decisions about the future of the Mactaquac Generating Station. Through our work with PowerShift Atlantic, computer engineer Dr. Liuchen Chan is helping us make better use of wind power on our grid.

Gaëtan Thomas,
President and CEO,
NB Power

Also in the last year, we continued to work more efficiently, streamlining operations and improving productivity within the company in the following ways:

- eliminating unnecessary operational and administrative expenses,
- continuing to adopt Lean and Six Sigma process improvement methodologies,
- constantly identifying and pursuing cost-savings,
- implementing change while maintaining excellent safety and labour relations across our company.

These efficiency and process improvement efforts will continue as we pursue our commitment to government and to customers to reduce our debt and be responsible financial and environmental stewards.

We remain committed to the reliable service customers expect as we pursue our plans for reducing energy consumption and shifting peak energy demands. Finding ways to reduce and shift energy demand will ensure rate stability over time, a more reliable and greener grid for New Brunswickers and offer our customers more choice, convenience and control over their energy usage in the future.

Executive

Pursuant to the *Electricity Act* on October 1, 2013, the NB Power Group of Companies, with the exception of New Brunswick Power Generation Corporation, became a single, integrated crown corporation responsible for the generation, transmission and distribution of electricity throughout New Brunswick.

President
and
CEO

Gaëtan Thomas

Generation
and
Business
Development

Vice President
Keith Cronkhite

Corporate Services
and
Chief Financial
Officer

Vice President
Darren Murphy

Customer Service
and
Distribution

Vice President
Sherry Thomson

Transmission
and
System Operator

Executive Director
Alden Briggs

Nuclear

Site Vice President
and
Chief Nuclear Officer
Sean Granville

Corporate
Secretary
and
General Counsel

Wanda Harrison

Director of
Marketing and
Communications

Brent Staeben

Board of Directors

Effective March 31, 2014

Ed Barrett

Paul Beesley

Norm Betts

Phil Fontaine

John Mallory

Lise Ouellette

Robert Youden

Gaëtan Thomas

Photo missing: Michael Sellman

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

In 2013, NB Power implemented a new and independent process for identifying potential new board members. The process involves the use of an independent search firm to recruit board members through a competitive process, helping the company to build a roster of new board members with varied skills and experience to assist in leadership on the governance and strategic direction of the company. The Lieutenant-Governor of New Brunswick is responsible for approving new board members.

The Board establishes committees on an as needed basis where it believes they add value in assisting the Board in the discharge of its duties. During fiscal 2013/14, NB Power had the following committees:

- Audit Committee
- Environment, Health and Safety Committee
- Strategic Planning and Investment Committee
- Human Resources, Governance and Nominating Committee
- Nuclear Oversight Committee

The Year in Review

Point Lepreau Generating Station can power more than 333,000 homes annually

Consistent Performance at Point Lepreau Generating Station

Last year marked the first full year of commercial operation of the Point Lepreau Generating Station (PLGS) following a refurbishment that wrapped up in November 2012.

The 660 megawatt nuclear generating station, located in the southwest corner of New Brunswick, is a base load contributor to the province's electrical grid, and is expected to produce enough electricity to power more than 333,000 homes per year during the next 25 to 30 years. The station employs approximately 800 people in a variety of highly skilled professions and trades and is NB Power's only nuclear generating facility.

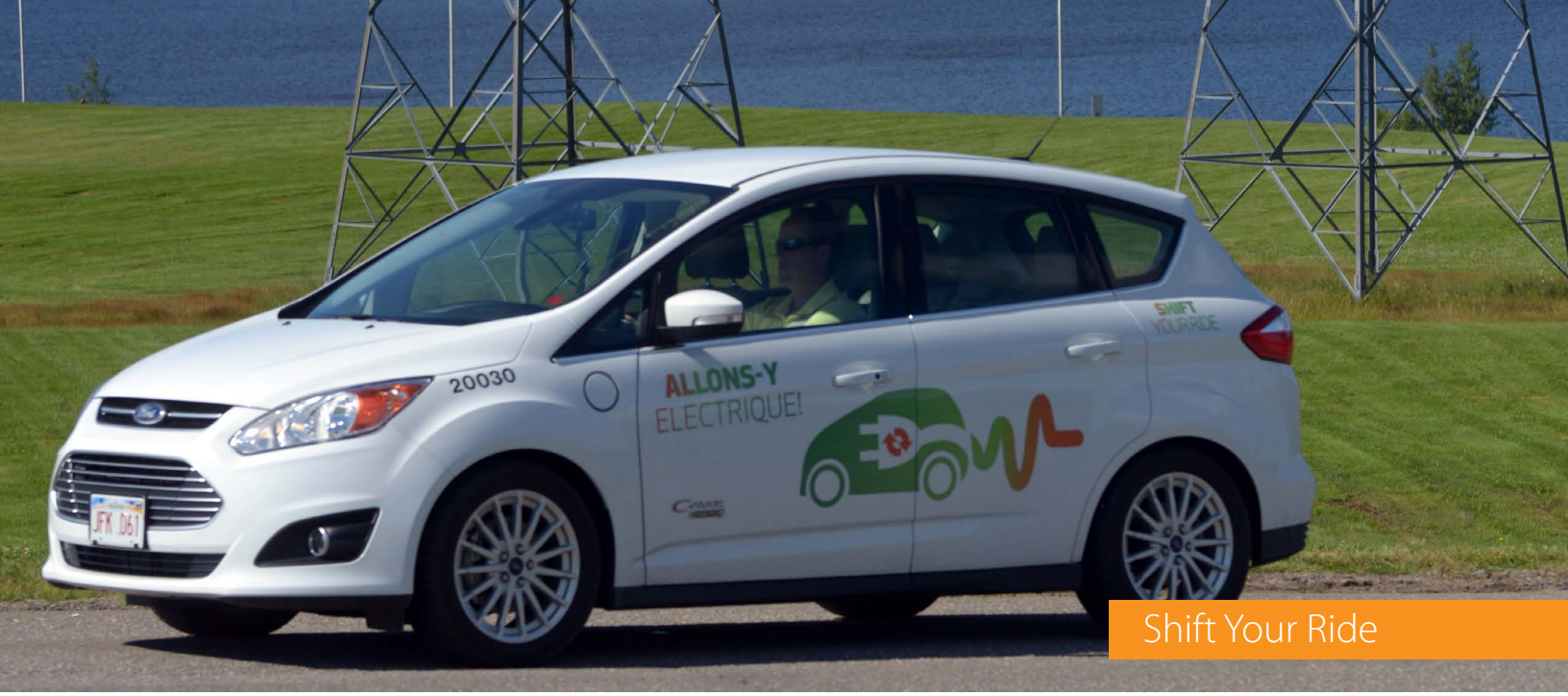
PLGS will play an essential role in ensuring 75 per cent of New Brunswick's electricity demand is met by non-emitting or renewable energy sources by 2020 as outlined in the Government of New Brunswick's Renewable Portfolio Standard under the Energy Blueprint.

Following a successful planned maintenance outage in October 2013 during which necessary repairs were made to one of the station's four steam valves, PLGS operated safely and consistently between 93-100 per cent throughout the remainder of the fiscal year.

Prior to the October outage, PLGS was operating at 93 per cent due to limits imposed by station management as a result of running in a three-valve configuration.

Between November 2013 and April 2014, the station operated for 19 consecutive weeks at or near full power, delivering consistent non-emitting electricity to the provincial electrical grid during record-setting cold temperatures and fierce winter storms.

On January 19 and February 2, 2014, two 130-tonne rotors were transported to PLGS on a specialized tractor trailer from the Port at West Saint John, along Route 1 and Route 790, where they will replace two of three rotors currently in service. The six-hour moves were completed safely and without incident in cooperation with provincial highway and police officials. The rotors will be installed during a future planned maintenance outage.



Shift Your Ride

Electric Vehicle Demonstration Project

On June 5, 2013, NB Power unveiled an electric vehicle demonstration project for the province as part of its 10-year Smart Grid strategy. The project will evaluate the suitability of electric vehicles and electric vehicle charging technologies for New Brunswick's geography, climate and telecommunications networks. It has the potential to accelerate electric vehicle market adoption in the province by ensuring customers have access to the right electric vehicle technology, products and services as they consider the purchase of an electric vehicle.

The electric vehicle demonstration project dubbed "Shift Your Ride" has three major components:

1. Evaluation of electric vehicle Technology and Programs
2. Engage and Inform New Brunswickers
3. A Fleet Review Service

NB Power is leading this effort by example by integrating five electric vehicles into its fleet and installing charging station in Fredericton, Moncton and Bouctouche that can be accessed by the driving public. The municipalities of Fredericton, Moncton have also partnered with NB Power's Electric Vehicle Demonstration project to install electric vehicle charging stations where drivers can charge their electric vehicles, free of charge.

Shift Your Ride and Siemens take to the road

NB Power showcased its electric vehicle project, Shift Your Ride, and its smart grid partner Siemens, in various major cultural events throughout New Brunswick in the summer of 2013.

In July, Shift Your Ride presented at the Atlantic Nationals Automobile Extravaganza in Moncton, NB. The four-day event showcases the best sport, vintage and modified cars Atlantic Canada has to offer.

In August, NB Power's Shift Your Ride also presented at Festival Acadien in Caraquet, a two-week arts and culture event that brought out thousands of Acadians to celebrate their heritage and the vitality of their culture.

From September 12-14, NB Power employees hosted a street booth at the Harvest Jazz and Blues Festival in downtown Fredericton, with support from our Smart Grid partner Siemens, and Plug'n'Drive, who put on an enormously successful electric vehicle test drive event.

NB Power staff, including President and CEO Gaëtan Thomas, invited festival patrons to learn more about the utility's efforts to conserve energy and provide more innovative services to customers through our LED Streetlight Replacement Program and the building of New Brunswick's Smart Grid.

Research partners for Mactaquac project

Future options being considered for Mactaquac Generating Station

This year, NB Power formed two partnerships to assist in the decision process for the future of the Mactaquac Generating Station. Due to problems with concrete expansion in some of the station structures, the facility is expected to reach the end of its service life by 2030.

NB Power has identified three possible options for the Station:

1. Rebuild the station with a new powerhouse and spillway
2. Maintain the earthen dam and spillway only
3. Restore the river to its natural state.

To assist in the decision process, the utility announced plans in October to invest $2.3 million in a three-year research project with the Canadian Rivers Institute (CRI) to provide insight into key environmental challenges related to the options, including river health, fish passage, and flow management.

In addition, NB Power named a partner to assist with First Nation engagements related to the project. New Brunswick-based Dillon Consulting and the Kingsclear First Nation Economic Development Corporation will help ensure the voices of First Nations can be heard in the proper cultural context, and also to provide community members with employment and learning opportunities while providing valued input on this project.

Save Twice - Our Energy Efficiency Program

In November, NB Power committed to working with customers to help them save money and energy on their home heating bills by offering approximately $95,000 worth of in-store and mail-in rebates on a range of energy-saving products. Each of the products offered as part of this program could result in energy savings for customers of between 25 and 260 kWh per year.

The 'Save Twice' program was delivered by Efficiency New Brunswick on behalf of NB Power throughout the month of November and again in February and March. 'Save Twice' aligns with the provincial mandate to invest in efficiency programs as part of the *Energy Blueprint*. Additional efficiency rebate programs will be designed and rolled out during the next three years.

Let's Talk Energy

In late February, NB Power offered educational seminars in various municipalities across the province to help customers better understand and manage their energy use. These seminars were offered as part of *Let's Talk Energy Week*, a national awareness campaign spearheaded by the Canada Science and Technology Museums Corporation. As part of the seminars, NB Power energy experts took participants through each part of their energy bill and demonstrated how different appliances and weather conditions may affect their usage. 'Save Twice' and *Let's Talk Energy Week* are important initiatives in NB Power's long-term strategy to reduce future costs, reliance on fossil-fuel energy, and providing customers with tools to control their monthly bills. These efforts will continue in 2014-2015.

Crews worked 75,000 person hours in response to ice storm 2013-2014

Storm Preparedness

NB Power's first priority is to provide safe and reliable electricity to customers, and to restore power safely and quickly when power interruptions happen. Our staff work year round to make sure the system is reliable and resilient, and are always ready to respond when unplanned outages occur.

As a result of record-setting winter storms the previous year, NB Power engaged in a significant effort to encourage customers to be prepared for the possibility of winter storm-related outages through an emergency preparedness initiative in late November 2013.

NB Power's Storm Preparedness Week included the launch of an emergency preparedness guide, social media campaign and a demonstration of power restoration to help customers understand the breadth of efforts involved in restoring power during severe weather events.

Responding to Ice Storm 2013-2014

In late December and early January, a series of fierce winter storms and bitter cold hit New Brunswick in an 11-day period, bringing freezing rain, heavy snowfall and extended cold weather that knocked out power to approximately 88,000 NB Power customers. Many lost power more than once, and some as many as six times. At the peak of the storms, 54,000 people were without power at the same time.

These storms impacted more customers than the most severe weather event in recent history, the ice storm of 1998, which at its peak knocked out power to 28,000 customers.

Two hundred and sixty-two NB Power crews, neighbouring utilities, private contractors and vegetation management companies worked about 75,000 person hours to restore power to approximately 24 per cent of our total customer base between December 23 and January 3 without a single safety incident.

In total, more than 600 employees worked throughout the holiday period, including about 100 staff working behind the scenes to answer calls in the customer contact centre, manage logistics and schedules and coordinate restoration progress.

The entire restoration process cost NB Power approximately $12 million including estimated costs for a spring clean-up of debris. This figure includes nearly $9 million for contracted crews from within and outside New Brunswick, and $3 million in extra costs for utility crews and materials along with meals, travel, vehicles, and lodging.

Strengths were identified in the areas of safety, resiliency of infrastructure and customer communications. Specific measures for improvement have also been identified and commitments have been made to close gaps and improve customer service in the areas of vegetation management, communications and emergency response.

Report on Performance

In October 2011, the Province of New Brunswick gave NB Power a clear mandate to operate like a commercial enterprise, to provide safe and reliable service, to operate in a manner that secures competitive rates for customers, and to maintain and enhance shareholder value through efficient operations and long-term debt and asset management.

In response, NB Power's management and board immediately agreed to pursue three key strategies to support this mandate.

Strategy #1

Become among the best at what we do
NB Power will target being a top Quartile (in the top 25 per cent) performer as compared to public and private utilities in North America.

Strategy #2

Reduce our debt so we can invest in the future
Systematically reduce debt to ensure that NB Power is in a financial position to invest in new generation when necessary to ensure stable rates for New Brunswick.

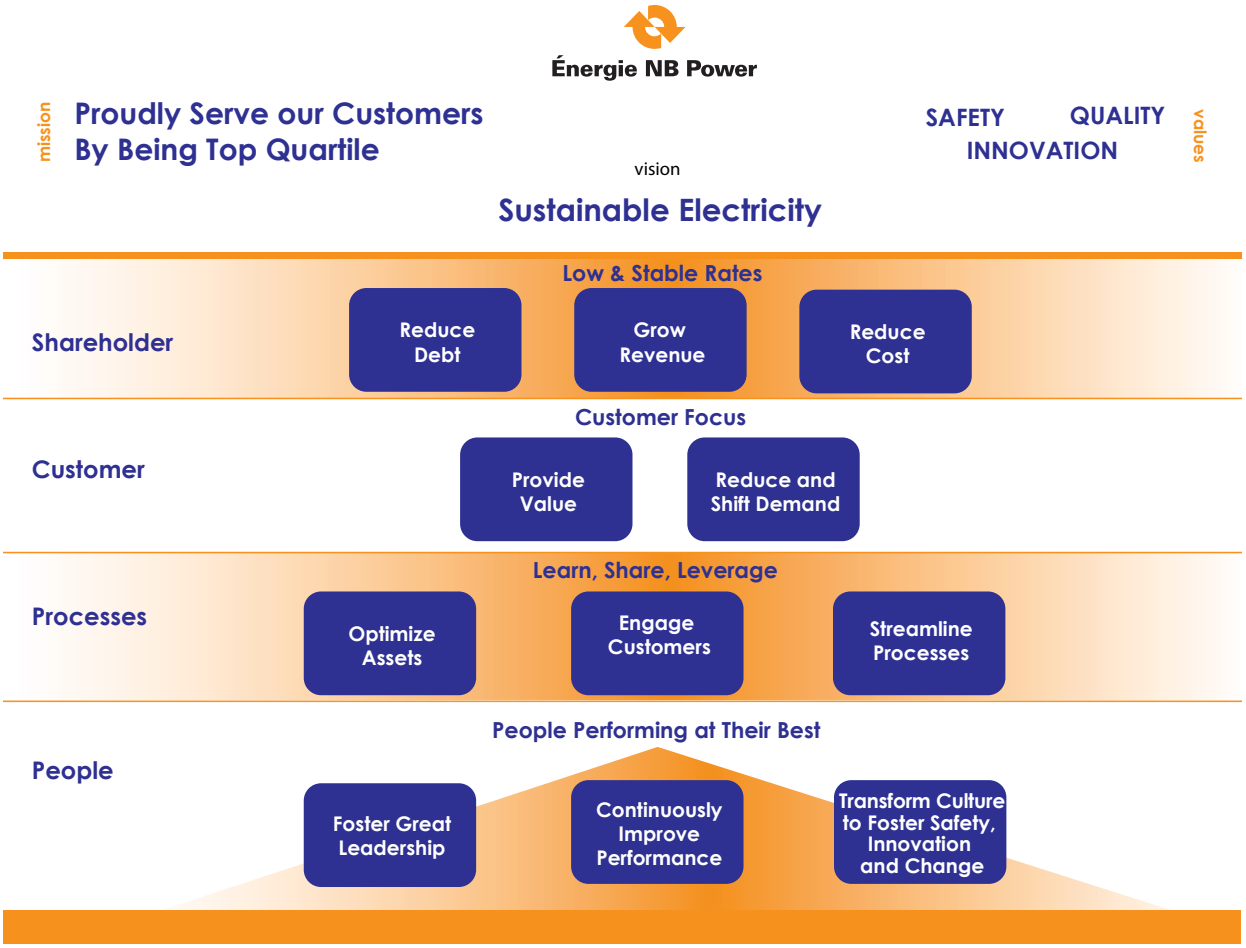
Strategy #3

Reduce and shift electricity demand
Invest in technology, educate customers and incent consumption that will reduce and shift demand for electricity and ultimately defer the next significant generation investment.

These strategies are intended to allow NB Power to replace future generation as needed while taking advantage of future energy options and operating as efficiently as possible. They are also intended to help New Brunswickers understand how to reduce electricity consumption and shift consumption patterns without affecting personal comfort.

During fiscal 2013-2014, the third year of aligning its work in support of these three strategies, NB Power continued to make progress with a series of large and small projects, along with structural and operational changes and improvements.

The operational results contained within this section highlight initiatives implemented to realize the three key strategies that are also outlined in NB Power's 30 Year Strategic Plan.



Strategy #1 Become among the best at what we do

A single, integrated company

On October 1, 2013 NB Power ended nearly a decade of operations as five separate companies by merging into a single, vertically integrated company responsible for system operations, generation, transmission and distribution of electricity throughout New Brunswick. In addition, NB Power created a subsidiary known as the New Brunswick Energy Marketing Corporation, responsible for buying and selling electricity on the North American market. The new structure allows the company to reduce costs and increase transparency.

The entire New Brunswick Power Corporation is now subject to regulatory oversight and review by the Province of New Brunswick's Energy and Utilities Board, enhancing transparency and ensuring the involvement of customers and stakeholders in major decisions facing the utility.

Belledune Generating Station top performance

NB Power employees at the Belledune Generating Station were honoured in September 2013 by the U.S.-based Energy Utilities Cost Group (EUCG) for their exceptional work in helping the station become one of North America's top performing plants in non-fuel and O&M costs.

NB Power has invested in Belledune to ensure it can be environmentally sustainable and provide reliable service to customers.

Belledune Generating Station was ranked second of 27 power plants in the "large plant" category (average unit net capacity of 250 MW and greater).

Monitoring supply spending

In July 2013, NB Power implemented a new tool to enable in-depth analysis of its corporate-wide spending from all sources to support business decisions and strategic sourcing. It provides NB Power with the ability to uncover trends, spot potential savings and make recommendations to improve supply chain performance.

During March 2014, barcoding technology was implemented in our Central Stores as a pilot project. This provides an enhanced method of tracking inventory in stores and ensures a more efficient process. The goal is to implement this in other key areas across the company at a future date.

Generation corporate modelling improvements

NB Power successfully implemented the GenOps resource optimization system to make the best use of our generation and interconnection purchases and sales, improving efficiency and reducing costs in daily operations and short and medium-term planning. This state-of-the-art system replaced a system that had been in use for the last 31 years.

Implementation of a state-of-the-art resource optimizer, capable of ensuring the best use of Smart Grid in the portfolio, will enable NB Power to fully capture the benefits of this emerging technology.

Belledune Generating Station: Top Perfomer

Eel River Converter Station Life Extension Project

Essential equipment upgrades are underway to extend the life of the Eel River High-Voltage Direct Current (HVDC) Converter Station near Dalhousie, NB.

Work began on site in spring 2013 and is expected to be complete in November 2014. The upgrades will include replacing original equipment in the station, which came online in 1972 and was the first of its kind to be built in the world. The specialized HVDC equipment was designed and manufactured by ABB Inc., a global company with expertise in electric power systems.

The $90 million project represents a major investment in NB Power's northern New Brunswick operations, and will ensure continued reliability and annual import and export of approximately 350 MW of transfer capability between Quebec and New Brunswick.

The project is an important investment for the future of NB Power as the station is a critical link to the Quebec market, and these upgrades will ensure access to competitively priced renewable energy long into the future.

The Eel River facility is one of two interconnects with Quebec that allow the utility to buy and sell energy on the North American market and ensure secure and reliable access to electricity when domestic plants require maintenance.

Eel River is a critical link to the Quebec market

Strategy #2 Reduce our debt so we can invest in the future

Point Lepreau Deferral Account

In January 2014 the EUB accepted NB Power's financing costs and amortization methodology for the Point Lepreau Deferral Account.

This ruling allows NB Power to recover costs related to the Lepreau refurbishment in equal monthly payments during the next 27 years, protecting customers from future rate increases related to the project and to continue with its debt repayment plan while maintaining low and stable rates.

In its ruling, the EUB accepted NB Power's evidence demonstrating that its current budgeted net earnings are adequate for the recovery of the PLGS deferral account.

The EUB accepted NB Power's position that this cost recovery method would ensure stability and predictability of rates, provide for intergenerational equity among customers, ensure simplicity and transparency in accounting and allow NB Power to continue with its long term financial goals.

Managing Risk

To ensure alignment with best practices and industry standards, NB Power has revised its financial risk management policies for NB Power and the NB Energy Marketing Corporation. These policies will be submitted to the EUB for review and approval in summer 2014. In addition, investment funds in place to support the Point Lepreau Generating Station decommissioning and long-term used fuel management have been transitioned to a revised investment strategy with improved inflation protection and greater potential to earn higher rewards, with low contributions anticipated for the future.

Continuous Improvement

NB Power continues to achieve cost reductions and business efficiencies through the implementation of a performance excellence program supported by a formal management system aligned with all three key strategies. This program fosters continuous improvement through process reviews, measurements and training, leveraging cost savings and best practices while striving to excel in operations, customer service and financial performance.

In 2013-14 this program was advanced with the initiation of 12 projects that supported the certification of 12 employees in Lean Six Sigma Black Belt training. The projects included process improvements in the areas of meter validations, line truck shift readiness, fuels transport, billing, outage planning and the return of re-usable power poles, helping NB Power identify $3.1 million in cost savings or new revenues.

Point Lepreau Generating Station

Strategy #3 Reduce and Shift Demand for Electricity

Building our Smart Grid

NB Power continued to work with Siemens Canada to integrate Smart Grid into the provincial electrical system. Together, we are building Canada's first fully-integrated 'energy internet' enabling communications between customers and their homes, power plants and distribution systems.

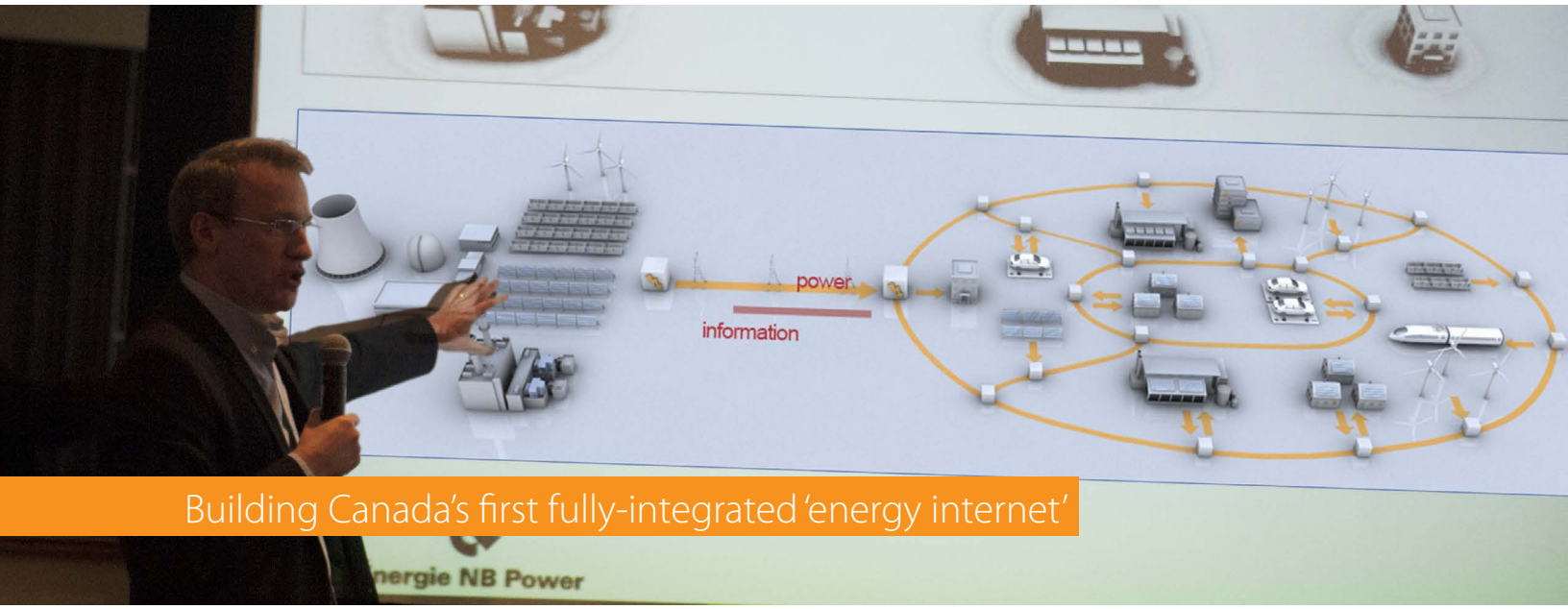
Together we have launched two research projects with the University of New Brunswick to reduce the province's electricity consumption and better manage peak demand during the cold winter months, with the aim to pilot new smart grid technology in homes.

The two projects will look to develop programs to help reduce electricity consumption or shift it from on-peak to off-peak times of the day. The first will develop technology for smart water heaters that are programmed to heat when power consumption in the province is low. A second project aims to find ways to alert customers about how much energy they are using in near real time, to gain insight into how they can curb usage.

UNB, Siemens and NB Power have also begun work on the development of a virtual "Living Lab" that will bring together stakeholders to work with, test, and enhance smart grid technologies.

In the last year, NB Power conducted site visits to other utilities to learn about their smart grid programs and to learn about best practices. These insights are influencing the design of our own smart grid program.

In addition, NB Power engaged New Brunswick's Information, Communications and Technology Sector by presenting our Reduce and Shift Demand strategy, with the goal of creating opportunities for local tech companies in the new energy reality.



Building Canada's first fully-integrated 'energy internet'

LED street light replacement program

NB Power is helping municipalities across New Brunswick save money and energy by replacing thousands of conventional street lights with Light-Emitting Diode (LED) fixtures. By the end of fiscal 2013-2014, more than 22,000 LED lights were installed in municipalities throughout the province. The LED street light replacements will continue during the next five years, between April and November of each year, with the goal of replacing approximately 72,000 street lights across New Brunswick. These lights use 50-60 per cent less energy than the existing lights and will reduce energy use by 27,000,000 kilowatt hours each year.

Making the most of wind energy

Last year, wind power helped energize the University of New Brunswick through an innovative partnership with NB Power that will help New Brunswickers make better use of green energy. The project is allowing heating and cooling systems at the WU Conference Centre on the university's Fredericton campus to be powered by wind energy.

This technology pilot is part of an international award-winning project led by NB Power called Powershift Atlantic. Nearly 1200 customers from around the Maritimes are already piloting intelligent technology that helps NB Power incorporate that forecasted wind onto the grid, maximizing the potential of a renewable resource known for its intermittent challenges.

This is resulting in one-of-a-kind research creating wind energy solutions for utilities around the world. It has helped NB Power to better understand how to incorporate renewable energy onto the grid more effectively, reducing reliance on fossil fuels.

The project is also pioneering industry-leading wind forecasting research created by UNB's Dr. Liuchen Chang. This forecasting will identify the best opportunities to use wind energy in homes and businesses.

Last year, wind power helped energize the University of New Brunswick

Stakeholder input to Integrated Resource Plan

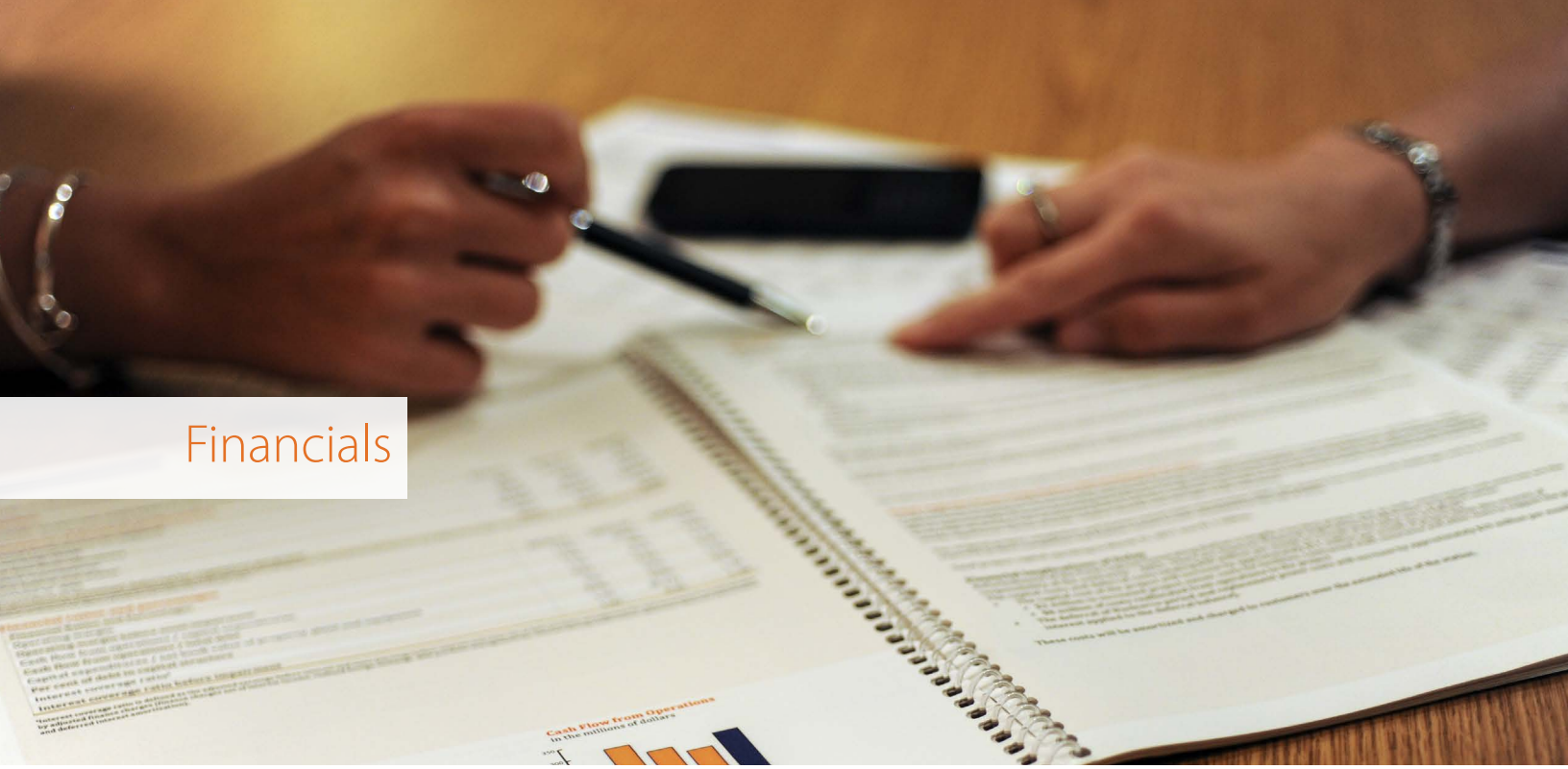
In January 2014, NB Power hosted stakeholders at a full-day workshop in Fredericton to seek input into the development of the utility's long-term electricity supply plan for the Province of New Brunswick.

NB Power's Integrated Resource Plan (IRP) is a strategic planning document that identifies how the utility can meet projected customer demand for electricity during the next 25 years, while respecting its mandate to provide reliable, accessible service at low and stable rates. While the IRP is forecast for 25 years, NB Power will update it every three years to reflect new technology, changes in customer demand and current fuel pricing.

Individuals representing the spectrum of NB Power's customer base contributed ideas to the workshop, including residential, small business and industrial, non-profit sectors and municipalities. The *Electricity Act* requires that NB Power submit the IRP to the Energy and Utilities Board in 2014 with input from our stakeholders.

The IRP assists with achieving NB Power's goals around Reduce and Shift Demand by providing the targets and costs necessary. From this, an implementation schedule through an electricity efficiency plan can be developed. This plan will be measured and verified to ensure targets are met and to ensure cost effectiveness. Also integrated in the electricity efficiency plan is the implementation strategy for smart grid development. The electricity efficiency plan and smart grid strategy together make up the Reduce and Shift Demand strategy.

NB Power worked with stakeholders to develop our long-term energy supply plan



Financials

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Management's Discussion and Analysis

Introduction

Management's discussion and analysis reviews the financial and operational results for the fiscal year ended March 31, 2014, relative to the previous year. This section should be read in conjunction with the Consolidated Financial Statements and the accompanying notes.

On October 1, 2013, New Brunswick Power Corporation (NB Power) became a single, integrated Crown Corporation. By enactment of the New Brunswick Electricity Act, the former NB Power Group of Companies, Electric Finance Corporation (EFC), and the New Brunswick System Operator (NBSO) were amalgamated into a new vertically integrated Corporation. New Brunswick Power Generation Corporation remained a wholly owned subsidiary of NB Power, with a name change to New Brunswick Energy Marketing Corporation (NB Energy Marketing).

Prior year comparatives have been restated to reflect the results of integration (continuity of interest accounting).

Contents of Management's Discussion and Analysis

Topic	Purpose
Financial and operating performance factors	Identifies and explains the effect of factors contributing to variability in earnings
Financial performance summary	Provides a summary of the year's key financial results
Significant events	Highlights significant events impacting the balance sheet and earnings results in the past year
Year over year financial results	Explains the financial results for 2013/14 including a year- over-year variance analysis
Regulatory deferrals	Explains the impact of the regulatory deferrals
Financial instruments	Explains how financial instruments impact financial results
Liquidity and capital resources	Identifies and explains changes to liquidity and capital resources
Critical accounting policies	Describes changes in accounting policies and their impact on the combined financial statements
Significant accounting estimates	Explains the estimates made and how they impact earnings

Financial and Operating Performance Factors

Introduction

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

Impact of Financial and Operating Performance Factors

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

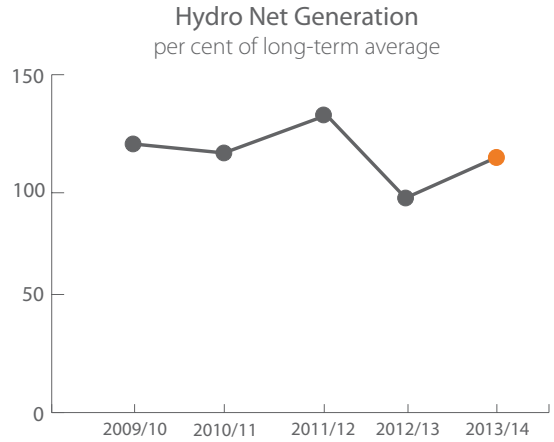
Factors that Affect Financial and Operating Performance

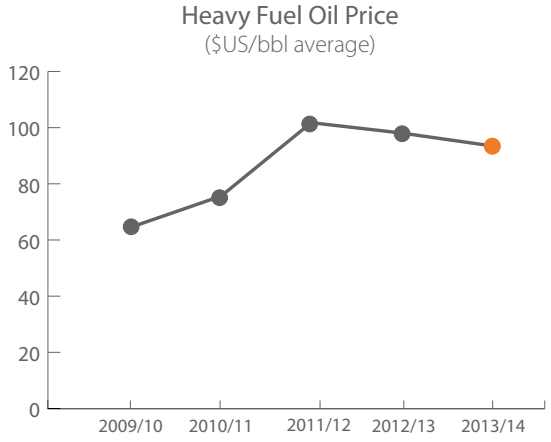
These are the major factors that have historically affected NB Power's variability in earnings. This table explains how each factor can affect the variability of revenue and expenses.

Factor	Description
Nuclear based generation	Nuclear generation represents up to 25 per cent of total production through the Point Lepreau Generating Station, of which effective operation is essential for NB Power's positive financial performance. Represents • approximately 20 to 25 per cent of total supply requirements, and • approximately 0 to 5 per cent of total fuel and purchased power costs.
Purchased power contracts based on natural gas	Represents • approximately 8 to 10 per cent of total supply, and • approximately 15 to 20 per cent of the total fuel and purchased power costs. A portion of the price of NB Power's purchased power contracts is based on natural gas prices. When possible, NB Power manages this exposure by entering into forward purchase contracts for natural gas. During the 2013/14 year, NB Power was not able to enter into forward contracts due to uncertainty of source of supply.
Short-term energy purchases	Represents • approximately 25 to 35 per cent of total supply requirements, and • approximately 50 to 55 per cent of total fuel and purchased power costs. Depending on world oil prices, lower cost energy is purchased to displace internal oil-fired generation. Typically, NB Power enters into forward purchase contracts for energy to supply forecasted requirements.
Coal/petcoke based generation	Represents • approximately 15 to 20 per cent of total supply, and • approximately 15 to 20 per cent of the fuel and purchased power costs Coal is normally purchased through tendered contracts of one- to two-year terms. As a mixture of coal types are blended and burned, coal is procured from a number of counterparties, at indexed or firm fixed prices. Petcoke is also normally purchased through tendered contracts of one- to two-year terms. A floating price component is typically built into petcoke contracts in which the purchase price is reflective of an index price at the time the petcoke is delivered.

Financial and Operating Performance Factors

Factor	Description
Hydro based generation	Represents NB Power's lowest-cost fuel for generating electricity. It typically represents • 15 to 20 per cent of total production. The table below describes how hydro flows can increase or decrease generation costs. If hydro flows are / then NB Power below anticipated levels / uses other more expensive fuel to make up the shortfall and increases its generation costs higher than anticipated / reduces the use of expensive fuels and decreases its generation costs Hydro net generation as a percentage of the long-term average over the past 10 years has ranged from 95 to 143 per cent.
Heavy fuel oil based generation	Heavy fuel oil subject to market price fluctuations represent • approximately 0 to 5 per cent of total supply, and • 10 to 15 per cent of fuel and purchased power costs. To minimize short- to medium-term heavy fuel oil price exposure, NB Power typically enters into forward purchase contracts for its forecasted in-province and firm export heavy fuel oil requirements.
Out-of-province margins	NB Power is a price-taker in regional energy markets. Market prices in the surrounding regions are typically driven by the cost of natural gas generation. In the normal course of business, the lowest cost or must-take energy is directed to in-province use and any remaining energy is available for out-of-province sales. Subject to operating conditions, NB Power enters into forward out-of-province sales contracts which enable more predictable out-of-province margins.
Exchange rates	NB Power is exposed to foreign exchange risk when purchases of fuel and purchased power in US dollars are not offset by the revenue received in US dollars. NB Power typically enters into forward purchase contracts for US dollar requirements net of expected US dollar revenue. There was a fair amount of volatility in the Canadian dollar during the past year. The value of the Canadian dollar, against the US dollar, varied between parity and $1.12 at different times of the year. Overall though, the dollar incurred a fairly steady depreciation against the US dollar, increasing from $1.03 at the start of the year to close at $1.10 by the end of the year.





Financial Performance

Introduction

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

Key Measures of Financial Performance

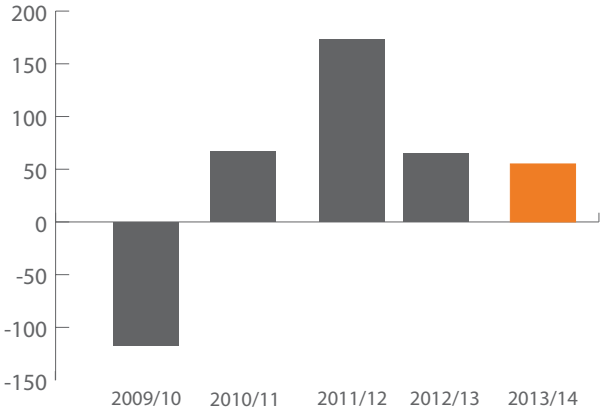
Financial Performance (in millions)	2013/14	2012/13
Net earnings	$ 55	$ 65
Cash flow from operations	$ 328	$ 254
Net capital expenditures	$179	$ 294
Total net debt at end of year	$ 5,018	$ 5,062
(Decrease) increase in net debt	($44)	$ 240
Net change in regulatory deferrals	($69)	$ 82

Financial Ratios and Percentages

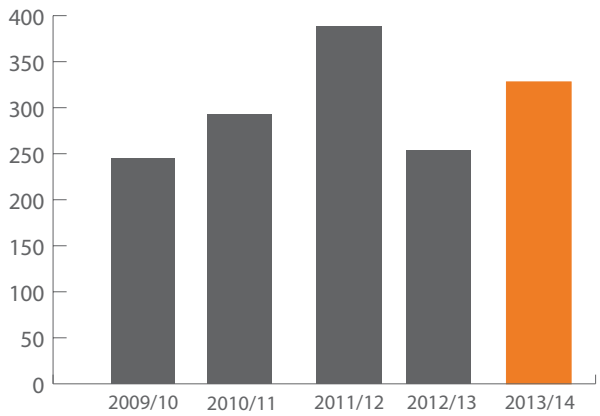
Financial Ratios and Percentages	2013/14	2012/13
Operating margin	8.8%	11%
Cash flow from operations/capital expenditures	1.83	0.86
Cash flow from operations/total debt	0.07	0.05
Capital expenditures/net book value of property, plant and equipment	4%	7%
Per cent of debt in capital structure	95%	96%
Interest coverage ratio[1]	1.12	0.82

[1] *Interest coverage ratio is defined as the adjusted earnings before interest (earnings before interest net of debt portfolio management fee and investment income) divided by adjusted finance charges (finance charges net of interest income and sinking fund earnings, realized foreign exchange, debt portfolio management fee, interest during construction, debenture discount amortization and deferred interest amortization).*

Net Earnings (Loss)
in millions of dollars



Cash Flow from Operations
in millions of dollars



Financial Performance

Highlights

NB Power's net earnings were $55 million for the year ended March 31, 2014, compared to $65 million in the prior year. The significant factors that contributed to the $10 million year-over-year variance were

- change in deferral costs of $151 million due to the return to service of PLGS
- increased amortization and decommissioning expense of $46 million in 2013/14 mainly due to the commencement of amortization of Lepreau's refurbished asset

partially offset by

- increased gross margin of $169 million mainly due to
    - lower overall generation costs as a result of the return to service of PLGS partially offset by natural gas curtailments and higher volumes
    - higher hydro flows in 2013/14 (113 per cent of the long-term average compared to 95 per cent of the long-term average in 2012/13)
    - higher in-province revenue due to colder weather, and two per cent rate increase partially offset by lower industrial transmission load
    - higher out-of-province revenue due to new contracts
- decreased operations maintenance and administration expense of $12 million in 2013/14 mainly due to lower pension costs, and productivity and process improvement initiative savings; partially offset, by higher labour costs associated with the ice storm, retirement allowance losses, and reduced labour allocated to capital
- decreased finance charges of $7 million mainly related to gain on nuclear investment funds partially offset by lower interest capitalized due to return to service of PLGS.

(see Year-over-Year Results section for more detail)

Net Debt

In 2013/14, the NB Power's net debt decreased by $44 million. The decrease was mainly due to cash flow from operations partially offset by capital spending (see Liquidity and Capital Resources section for more detail).

Significant Events

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

Integration of NB Power Group of Companies, Electric Finance Corporation and New Brunswick System Operator

On October 1, 2013, New Brunswick Power Corporation (NB Power) became a single, integrated Crown Corporation. By enactment of the New Brunswick Electricity Act, the former NB Power Group of Companies, Electric Finance Corporation (EFC), and the New Brunswick System Operator (NBSO) were amalgamated into a new vertically integrated Corporation. New Brunswick Power Generation Corporation remained a wholly owned subsidiary of NB Power, with a name change to New Brunswick Energy Marketing Corporation (NB Energy Marketing).

NB Power's financial statements have been prepared using continuity of interest accounting as a result of amalgamating entities under common control. As a result, NB Power's current year and prior year financial statement balances have been consolidated with Electric Finance Corporation's (EFC) and New Brunswick System Operator's (NBSO) financial results. Essentially, debt balances now reflect EFC's debt and sinking funds. Special payments in lieu of taxes, dividends, contributed surplus and capital stock have been eliminated, and finance charges now reflect interest on EFC's debt.

Transition to Shared Risk Pension Plan

In January 2014, the Province of New Brunswick changed the public service superannuation plan (PSSA) to a shared risk plan, Public Service Shared Risk Plan (PSSRP). Previously, NB Power had accounted for the PSSA on its financial statements under defined benefit accounting. This resulted in NB Power reflecting its portion of the pension obligation partially offset by its portion of the pension assets on its balance sheet and pension expense included both the current service cost and amortization of experience gains or losses.

As a result of changing to the PSSRP, NB Power's attribution of the assets and liabilities is no longer valid and thus the information required to account for the pension plan using defined benefit accounting is no longer available. Since the information is no longer available the PSSRP is accounted for using defined contribution accounting.
The impacts on the 2013/14 financial statements include a write -off of the pension asset of $19 million and expensing the current year employer contributions of $18 million for a total income statement impact of $37 million.

Point Lepreau Generating Station Regulatory Deferral

In 2013, the New Brunswick Energy and Utilities Board (EUB) ruled in NB Power's favour on matters relating to the Point Lepreau Generating Station (PLGS) Deferral Account. In its ruling, the Board accepted NB Power's financing costs and amortization methodology of the account and the recovery of the balance in charges, rates and tolls.

NB Power presented its case to the EUB on matters relating to the appropriate financing and amortizing methodology for the PLGS deferral account balance. This methodology will be used to determine the amount to be recovered and the reflection of this recovery on NB Power's rates. NB Power is confident that the current 10-year forecast of modest two per cent increases it has set out is adequate to recover the costs of refurbishment.

Material Damage and Delay in Start-up Legal Action

In August 2011, Lloyds Underwriting denied insurance claims by NB Power and Atomic Energy of Canada Limited, stating that the claims did not fall within the coverage afforded each company's Construction All Risk policy. In February 2012, NB Power and Atomic Energy of Canada Limited each commenced separate legal actions against Lloyds Underwriting, claiming coverage under each company's policy related to damage incurred and delays associated with the calandria tube activities. NB Power has claimed approximately $65 million under the material damage section of the policy and $255 million under the delay in start-up section.

Year-Over-Year Results - Revenues

Introduction

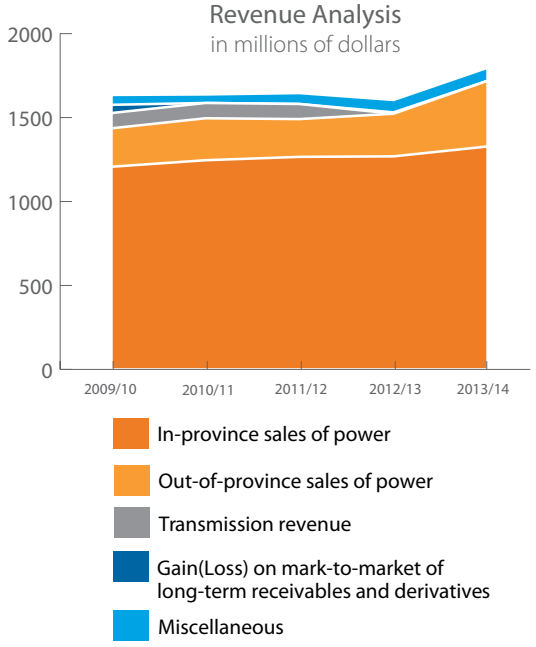
This provides an overview of NB Power's revenues for the year and compares them with previous years.

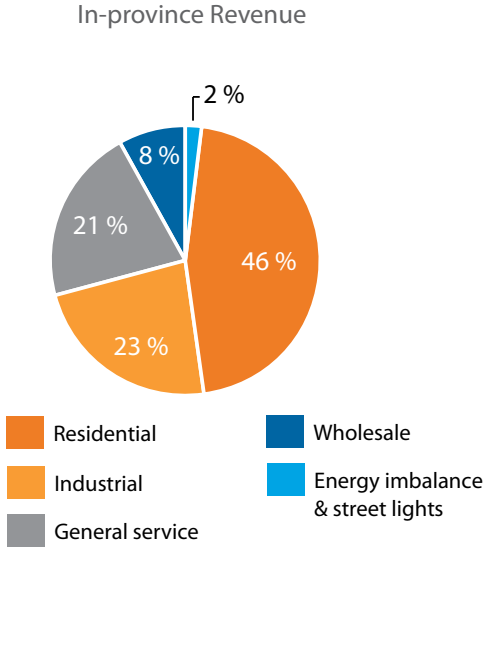
Revenue Overview

(in millions)	2013/14	2012/13
Sales of power		
In-province	$1,328	$1,269
Out-of-province	391	254
Gains and changes in market value of derivatives	-	8
Miscellaneous	78	74
Total revenues	$1,797	$1,605
Per cent increase (decrease) year-over-year	12%	(2)%

In-province Sales of Power

(in millions)	2013/14	2012/13
Residential	$607	$564
Industrial	310	321
General service	278	257
Wholesale	109	103
Street lights	24	24
Total	$1,328	$1,269
Per cent increase year-over-year	5%	1%
GWh	13,388	13,163
Per cent increase year-over-year	2%	2%





Year-Over-Year Results - Revenues

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

In-province sales of power totaled $1,328 million in 2013/14, representing a $59 million or five per cent increase compared to 2012/13. The main contributors to the year-over-year variance were as follows

Revenues	By this amount	Due to
Contributing factors		
increased	$56 million	colder weather, October 1, 2013 two per cent rate increase, increased residential, wholesale and general service load
Offsetting factors		
(decreased)	($2 million)	decreased industrial transmission load and large industrial renewable energy purchase program sales (LIREPP)

Out-of-province Sales of Power

Out-of-province Sales of Power

(in millions)	2013/14	2012/13
Revenue	$391	$254
Per cent increase	54%	13%
GWh	4,966	3,525
Per cent increase year-over-year	41%	13%

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

In 2013/14, out-of-province sales of power increased by $137 million or 54 per cent compared to 2012/13. The main contributors to the year-over-year variance were:

Revenues	By this amount	Due to
Contributing factors		
increased	$88 million	higher volumes mainly due to new contracts to sell energy during the year and return to service of the Point Lepreau Generating Station presented more market opportunities
increased	$51 million	higher market prices

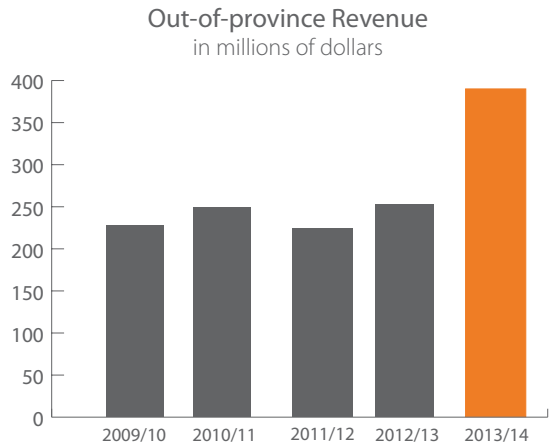
Miscellaneous Revenue

Normally, miscellaneous revenue consists primarily of

- water heater rentals
- pole attachment fees
- point-to-point tariff
- net transmission revenue and expense
- generation by-products

Major contributors to miscellaneous revenue variance

Miscellaneous revenue was $78 million in 2013/14, an increase of $4 million compared to 2012/13. This increase was mainly due to an increase in net transmission revenue and expense, and transmission resale revenue as well as warranty revenue partially offset by a one-time gain on sale of distribution assets to a third party in prior year.



Year-Over-Year Results - Expenses

Introduction

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

Expenses Overview

(in millions)	2013/14		2012/13	
	$	%	$	%
Fuel and purchased power	$ 834	50%	$ 807	50%
Operations, maintenance & administration	437	26	449	28
Amortization and decommissioning	230	14	184	11
Taxes	36	2	39	2
Finance charges	136	8	143	9
Total	$1,673	100%	$1,622	100%
Per cent increase (decrease) year-over-year		3%		(2)%

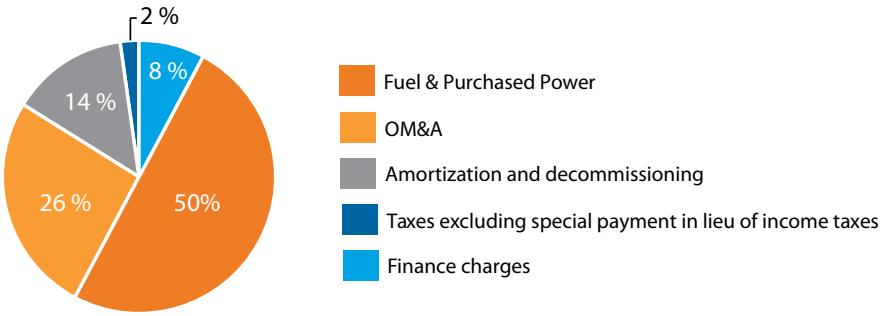
Major contributors to year-over-year expense variance

Total expenses increased by $51 million to $1,673 million in 2013/14. The variances are as follows:

Fuel and Purchased Power

(in millions)	2013/14		2012/13	
	$	%	$	%
Hydro	0	0	0	0
Nuclear	23	3	9	1
Thermal	231	28	159	20
Purchases	580	69	639	79
Total	$834	100%	$807	100%
Per cent increase year-over-year		3%		8%

Total Expenses



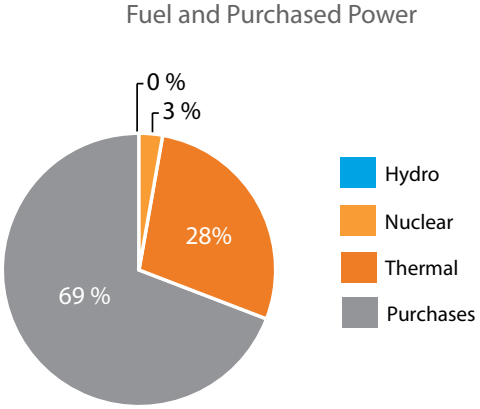
Year-Over-Year Results - Expenses

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

The cost of fuel and purchased power was $834 million in 2013/14, an increase of $27 million or three per cent from 2012/13.

The year-over-year increase in fuel and purchased power costs was mainly attributable to:

Fuel and purchased power expenses	By this amount	Due to
Contributing factors		
increased	$123 million	higher overall volumes required
increased	$22 million	natural gas curtailment
Offsetting factors		
(decreased)	($76 million)	lower generating costs mainly due to return to service of PLGS partially offset by higher volumes at Belledune
(decreased)	($40 million)	higher hydro flows



Operations, Maintenance and Administration

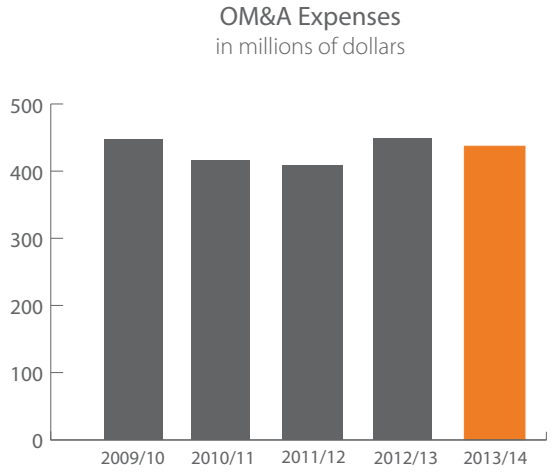
The table below shows the operations, maintenance and administration expenses compared with previous year.

Operations, maintenance and administration (in millions)	2013/14	2012/13
Operations, maintenance and administration expenses	$437	$449
Per cent increase (decrease) year-over-year	(3%)	10%

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

Operations, maintenance and administration costs were $437 million in 2013/14, a $12 million or three per cent decrease compared to 2012/13. The significant changes were

Operations, maintenance and administration expenses	By this amount	Due to
Contributing factors		
(decreased)	$16 million	lower pension expense due to change to shared risk model
(decreased)	$15 million	lower hired services and materials due to the productivity and process improvement initiative savings realized, completion of PLGS restart activities, prior year outage at Belledune, reduced Coleson Cove outage partially offset by hired services at PLGS and December 2013 ice storm.
Offsetting factors		
increased	$9 million	higher retirement allowance costs due to curtailment and settlement losses on cessation of benefit to certain employees
increased	$7 million	higher labour due to more labour allocated to capital in current year partially offset by savings from efficiencies



Finance Charges

Finance Charges (in millions)	2013/14	2012/13
Finance charges	$136	$143
Per cent increase (decrease) year-over-year	(5%)	51%

Contributing factors to changes in finance charges

Finance charges were $136 million in 2013/14 a $7 million or five per cent decrease from 2012/2013. This was mainly due to

Finance charges	By this amount	Due to
Contributing factors (decreased)	$7 million	lower long-term interest rates, higher income on sinking funds and realised gain on nuclear trust fund partially offset by less interest being capitalized due to return to service of PLGS in November 2012

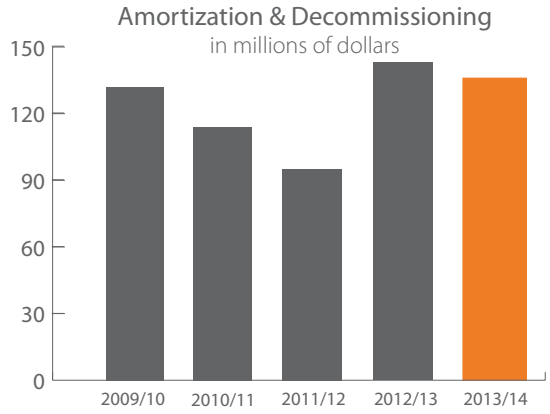
Amortization and Decommissioning

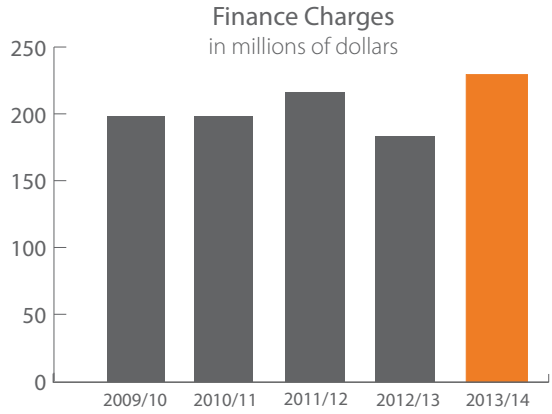
Amortization and Decommissioning (in millions)	2013/14	2012/13
Amortization and decommissioning	$230	$184
Per cent (decrease) increase year-over-year	25%	(15%)

Contributing factors to changes in amortization and decommissioning

Amortization and decommissioning costs were $230 million in 2013/14, a $46 million or 25 per cent increase compared to 2012/13. The significant changes were

Amortization and decommissioning expenses	By this amount	Due to
Contributing factors increased	$36 million	increased amortization at PLGS as the Station returned to service in November 2012
increased	$6 million	adjustment to the decommissioning asset at Courtenay Bay and Grand Lake Generating Station during 2013/14





Regulatory Deferrals

Regulatory Deferral – Point Lepreau Generating Station Refurbishment

Background

A legislated regulatory deferral[2] was created for non-capital costs incurred during the refurbishment period of the Point Lepreau Generating Station (March 28, 2008 through November 23, 2012). The refurbishment of the Point Lepreau Generating Station enables electricity to be provided to future generations of customers. The deferral and amortization of these costs over the life of the Station provides for inter-generational equity. The deferral consists of the period costs of the Nuclear division, net of any revenues, and the additional costs to supply energy during the period of refurbishment.

Impact on earnings

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

During 2013/14, $66 million of deferred costs were recognized, of which $47 million were interest costs.

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

Background

On August 23, 2007, the Energy and Utilities Board (EUB) approved a regulatory deferral for the purpose of returning the benefit of the lawsuit settlement with PDVSA to customers in a levelized manner. The deferral is being allocated to customers over 17 years in order to best match the benefit from the settlement to the customers that will pay for the Coleson Cove Generating Station refurbishment.

Impact on earnings

During 2013/14, $3 million in cost adjustments from the lawsuit settlement were recognized. The deferral adjustment consisted of

- $26 million in amortization and interest savings resulting from the lawsuit settlement (the interest savings will increase as the fuel value of the settlement is received)

partially offset by

- $23 million of a levelized benefit to customers

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

Net earnings adjusted to remove the effects of regulatory accounting

As a rate regulated entity NB Power applies regulatory accounting. If NB Power did not apply regulatory accounting then net earnings (loss) would be as follows:

	2013/14	2012/13
Net earnings	55	65
Remove regulatory deferral adjustment to earnings	69	(82)
Less interest on deferral (reduction to finance charges)	(49)	(47)
Net earnings (loss) adjusted to remove the effects of regulatory accounting	75	(64)

Financial Instruments

NB Power enters into forward contracts for commodities. The accounting impacts of these financial instruments can be found in Note 25 of the Financial Statements.

Liquidity and Capital Resources

Introduction

This provides an overview of NB Power's liquidity and capital resources. The two main items which impact NB Power's net debt are capital expenditures and cash flow from operating activities.

As a result of integration NB Power's debt balances (current and prior year) reflect EFC's debt and sinking funds, which are the balances that have always been factored into the 10-year financial forecast and future rate plans of the company.

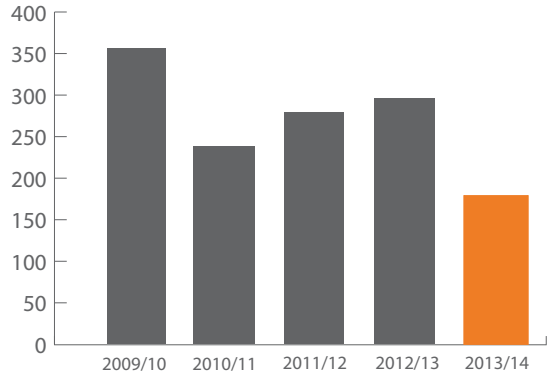
Total Net Debt

Total Net Debt (in millions)	2013/14	2012/13
Long-term debt	$4,567	$4,692
Short-term indebtedness	858	687
Derivative liability associated with debt	-	60
Sinking Funds receivable and cash	(407)	(377)
Total net debt	$5,018	$5,062
Net Debt/capital	95%	96%
Cash flow from operations/total net debt	0.07	0.05

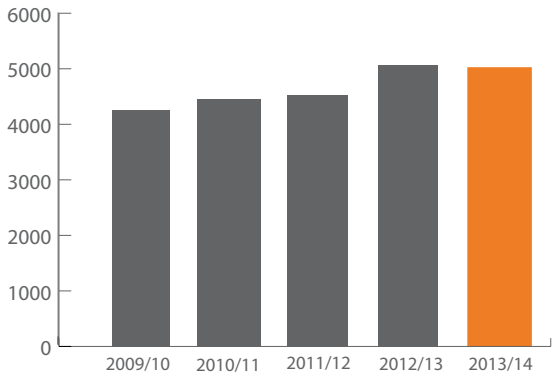
Factors impacting net debt

Change in Total Net Debt (in millions)	2013/14	2012/13
Total net debt - April 1	$5,062	$4,823
Debt requirements:		
Lepreau refurbishment project	-	156
Lepreau deferral adjustment and interest on deferral	-	137
Other capital expenditures	179	140
Debt repayments during the year	(223)	(194)
Total Net Debt - March 31	$5,018	$5,062

Capital Expenditures
in millions of dollars



Total Net Debt
in millions of dollars



Year-over-year change to total debt level

Total debt decreased by $42 million in 2013/14 due to the following.

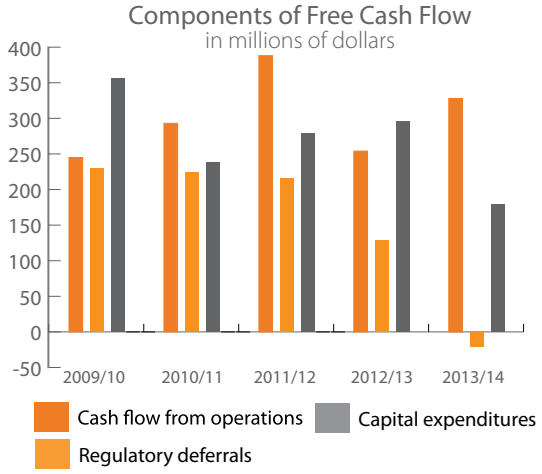
Free Cash Outflow

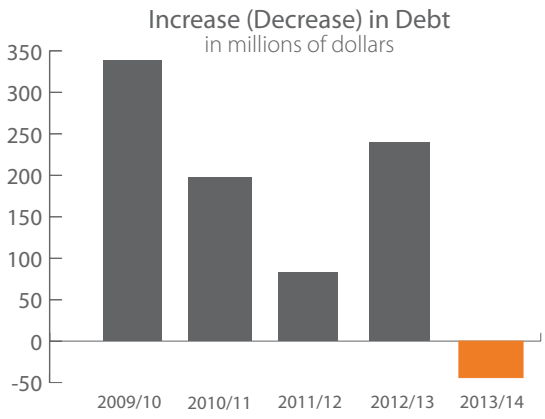
Decrease (increase) in net debt (in millions)	2013/14	2012/13
Cash flow from operations	$328	$254
Capital expenditures less proceeds on disposal	(179)	(294)
(Decrease) increase in working capital, net of short term indebtedness	(45)	19
Nuclear decommissioning and used fuel management funds - installments and earnings	(14)	(23)
Mark-to market of forward purchasing contracts not eligible for hedge accounting	(5)	(3)
Retirement allowance payout	(14)	-
Decommissioning expenditures	(48)	(14)
Regulatory deferrals	21	(129)
Free cash inflow (outflow)	44	$(190)
Change in cash	(2)	5
Decrease (Increase) in debt	$42	$(185)

Contributing factors to change in free cash flow

Free cash inflow was $44 million in 2013/14, an increase of $234 million compared to 2012/13. The primary reasons for the increase were

Increased cash inflow	Mainly due to
Contributing factors	
increased cash flow from operations	mainly due to increased in-province and out-of-province revenues partially offset by higher fuel and purchased power costs
decreased capital spending	mainly due to the Point Lepreau Generating Station refurbishment being completed in prior year
increased deferrals	mainly due to PLGS deferral being amortized for the first full year in 2013/14
Offsetting factors	
decreased operating activities	retirement allowance payout in 2013/14 and realised gain on nuclear trust fund disposition in 2013/14
decreased working capital	timing of payables and receivables





Capital Expenditures

Capital Expenditures (in millions)	2013/14	2012/13
Major project capital expenditures	$51	$180
Regular project capital expenditures	131	118
Less customer contributions	(3)	(2)
Total capital expenditures	$179	$296

Contributing factors to changes in capital expenditures

Capital expenditures net of customer contributions were $179 million in 2013/14. This year-over-year decrease of $117 million or 40 per cent resulted primarily from the following

Capital expenditures	By this amount	Due to
Contributing factors		
decreased	$129 million	decreased spending on the Point Lepreau Generating Station refurbishment project as completed in November 2012 partially offset by increased spending on Eel River project and Reduce and Shift Demand project
Offsetting factors		
increased	$13 million	increased regular capital spending

Cash Flow from Operations

Cash Flow from Operations (in millions)	2013/14	2012/13
Cash flow from operations	$328	$254
Percentage (decrease) increase year-over-year	29%	(38%)

Contributing factors to changes in cash flow from operations

Cash flow from operations in 2013/14 increased by $74 million to $328 million. This increase mainly resulted from higher in-province and out-of-province sales partially offset by higher fuel and purchased power costs.

Critical Accounting Policy Changes

Introduction

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

Topic	Purpose
Change in accounting policies for fiscal 2014	There were no changes impacting the financial statements during the fiscal year ended March 31, 2014.
Future change: International Financial Reporting Standards (IFRS)	Describes future changes required by the Corporation related to adopting IFRS.

Future Change International Financial Reporting Standards (IFRS)

Background

On February 13, 2008, the Canadian Accounting Standards Board confirmed the adoption of IFRS in place of Canadian GAAP for publicly accountable enterprises. The Canadian Accounting Standards Board allowed companies with rate-regulated activities to defer their IFRS implementation. Many rate regulated utilities in Canada, including NB Power, met the requirements for the deferrals and NB Power elected to defer implementation. The current deferral expires in 2014. The transition date for the NB Power is April 2015. This will require the restatement, for comparative purposes, of amounts reported by NB Power for its year ended March 31, 2015 and of the opening balance sheet as at April 1, 2014.

Progress to date and evaluation of impacts

The initial IFRS transition project took place in 2008 and 2009 and the project team performed core project work with a Steering Committee in place to assist with project governance. Regular project status updates were provided to the Audit Committee.

NB Power had completed the diagnostic and assessment activities of the initial transition plan. Since there has been a delay in implementation, the project has been on hold for a number of years. The project will resume and another diagnostic and assessment will be completed in the coming months. This will evaluate any changes from initial assessment.

The initial evaluation has identified most differences between Canadian GAAP and IFRS and the Corporation has substantially completed the determination of the impact on policies, processes, systems and financial statements upon adoption. A second diagnostic and assessment will determine if there are any new areas of impact. Any new areas of impact will be addressed in fiscal 2015.

Known areas with significant differences that will impact NB Power include: property, plant and equipment and asset retirement obligations. There will be adjustments to retained earnings on transition.

Rate regulated accounting

In January 2014, IFRS 14 Regulatory Deferral Accounts was issued by the IASB (International Accounting Standards Board). This interim standard provides guidance under IFRS for entities with regulatory deferral accounts. The standard permits qualifying first time adopters to continue with their previous GAAP for the accounting of regulatory deferral accounts. This standard is effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The IASB is working on a comprehensive project that addresses regulatory deferral accounts. NB Power will early adopt when implementing IFRS for fiscal year beginning April 1, 2015.

Significant Accounting Estimates

Please refer to note 5(n) of the Financial Statements for a listing of NB Power's significant accounting estimates.

Énergie NB Power

The financial statements of NB Power Corporation (the Corporation) have been prepared by management, who are responsible for the integrity, accuracy and fairness of the information. The accounting principles followed in the financial statements are generally accepted in Canada. The financial information presented throughout the annual report is consistent with the financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded and records properly maintained. These controls and procedures include

- system security and various financial controls
- quality standards in hiring and training of employees
- a code of conduct
- an organizational structure that provides a well-defined division of responsibilities
- performance accountability
- communication of policies and guidelines through the Corporation

Internal controls are reviewed and evaluated by audit programs, which are subject to scrutiny by external auditors.

The ultimate responsibility for the financial statements rests with the Board of Directors. The Board is assisted in its responsibilities by the Audit Committee, which reviews the recommendations of internal and external auditors for improvements in internal control and the action of management to implement such recommendations. In carrying out its duties and responsibilities, the Audit Committee meets regularly with management and with external and internal auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that its responsibility has been properly discharged. The Audit Committee reviews the financial statements and recommends
them for approval by the Board of Directors.

The Corporation's external auditors, Deloitte and Touche LLP, have conducted an independent examination of the financial statements in accordance with auditing standards generally accepted in Canada, performing such tests and other procedures as they consider necessary to express the opinion in their Auditors' Report.

The external auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Corporation's financial reporting and the adequacy of internal control

Gaëtan Thomas,
President and CEO,

Darren Murphy,
VP Corporate Services and
CFO

June 23, 2014

Deloitte.

To the Honourable Graydon Nicholas,
Lieutenant-Governor of New Brunswick,
Fredericton, New Brunswick

Sir,

We have audited the accompanying consolidated financial statements of New Brunswick Power Corporation (the "Corporation") which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of earnings, retained earnings, comprehensive income, accumulated other comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte LLP

Chartered Accountants
June 23, 2014
Saint John, New Brunswick, Canada

Combined Statement of Earnings

(in millions)

For the year ended March 31	2014	2013
Revenues		
Sales of power		
Inprovince (Note 4)	$1,328	$ 1,269
Outofprovince (Note 7)	391	254
Miscellaneous	78	74
Gain on derivatives	-	8
	1,797	1,605
Expenses		
Fuel and purchased power	834	807
Operations, maintenance and administration	437	449
Amortization and decommissioning (Note 8)	230	184
Taxes (Note 9)	36	39
	1,537	1,479
Earnings before undernoted items	260	126
Finance charges (Note 10)	136	143
Regulatory deferrals (Notes 4 and 14)	69	(82)
Net earnings	**$55**	**$65**

Consolidated Statement Of Retained Earnings

(in millions)

For the year ended March 31	2014	2013
Retained earnings (deficit), beginning of year (Note 3)	$197	$132
Net earnings for the year	55	65
Retained earnings, end of year	**$252**	**$197**

Combined Balance Sheet

(in millions)

As at March 31	2014	2013
Current Assets		
Cash	$3	$ 1
Accounts receivable	305	254
Materials, supplies and fuel	211	206
Prepaid expenses	8	11
Current portion of longterm receivable (Note 12)	1	1
Current portion of derivative assets (Note 26)	132	18
Current portion of regulatory assets (Note 14)	21	20
	681	511
Property, Plant and Equipment (Note 15)		
Land, buildings, plant and equipment, at cost (Note 15)	8,381	8,244
Less: accumulated amortization	4,309	4,172
	4,072	4,072
LongTerm Assets		
Nuclear decommissioning and used nuclear fuel management funds (Note 16)	611	612
LongTerm receivable (Note 12)	16	17
Sinking funds receivable (Note 13)	404	376
Derivative assets (Note 26)	25	7
Regulatory assets (Note 14)	1,031	1,052
Other assets (Note 17)	2	3
	2,089	2,067
Other Assets		
Intangible asset (Note 18)	21	20
Deferred pension benefit (Note 19)	-	19
	21	39
Total Assets	**$6,863**	**$6,689**

On Behalf Of New Brunswick Power Corporation

Ed Barrett,
Chairman

Gaëtan Thomas,
President and CEO,

Combined Balance Sheet

(in millions)

As at March 31	2014	2013
Current Liabilities		
Shortterm indebtedness (Note 20)	$858	$ 687
Accounts payable and accruals	236	227
Accrued interest	46	50
Current portion of longterm debt (Note 21)	-	322
Current portion of derivative liabilities (Note 26)	13	60
	1,153	1,346
LongTerm Debt (Note 21)		
Debentures	4,567	4,370
Deferred Liabilities		
Generating station decommissioning and used nuclear fuel management liability (Note 22)	635	587
Other deferred liabilities (Note 23)	108	108
Derivative liabilities (Note 26)	1	1
	744	696
Shareholder's Equity		
Accumulated other comprehensive income	147	80
Retained earnings	252	197
	399	277
Total Liabilities & Shareholder's Equity	**$ 6,863**	**$ 6,689**

Commitments, contingencies and guarantees (Note 28)

Combined Statement of Comprehensive Income

(in millions)

For the year ended March 31	2014	2013
Net earnings	**$ 55**	**$ 65**
Other comprehensive (loss) income		
Net unrealized gain on derivatives designated as cash flow hedges	221	68
Amortization of deferred interest charges	2	-
Net unrealized gain on marktomarket of nuclear trust funds	(25)	7
	198	75
Reclassification to income of earnings on nuclear trust funds	(25)	-
Reclassification to income of settled derivatives designated as cash flow hedges	(106)	51
Other comprehensive (loss) income	**67**	**126**
Comprehensive income	**$ 122**	**$ 191**

Statement Of Accumulated Other Comprehensive Income

(in millions)

For the year ended March 31	2014	2013
Accumulated other comprehensive income beginning of year	$ 80	$ (46)
Other comprehensive (loss) income for the year	67	126
Accumulated other comprehensive income, end of year	$ 147	$ 80

Combined Statement of Cash Flow

(in millions)

For the year ended March 31	2014	2013
Operating Activities		
Net earnings for the year	$55	$ 65
Amounts charged or credited to operations not requiring a cash payment (Note 24)	273	189
	328	254
Nuclear decommissioning and used nuclear fuel management funds installments and earnings	(48)	(23)
Decommissioning and used fuel management expenditures	(14)	(14)
Retirement allowance payout	(14)	-
Regulatory deferrals (Note 14)	20	(129)
Net change in non-cash working capital balances	(44)	19
Mark-to-market derivative assets not eligible for hedge accounting	(5)	(4)
Deferred charges	-	1
	223	104
Investing Activities		
Expenditure on property, plant and equipment, net of customer contributions	(182)	(296)
Proceeds on disposal and noncash additions	3	2
	(179)	(294)
Financing Activities		
Debt retirements	(384)	(484)
Proceeds from issuance of longterm debt	180	452
Increase (decrease) in shortterm indebtedness	171	211
Sinking fund changes and foreign exchange on debt	(9)	6
	(42)	185
Net cash (outflow) inflow	2	(5)
Cash, beginning of year	1	6
Cash, end of year	**3**	**1**

1. Incorporation And Corporate Structure

Incorporation

New Brunswick Power Corporation (NB Power) was established as a Crown Corporation of the Province of New Brunswick in 1920 by enactment of the ***New Brunswick Electric Power Act***. In 2004, NB Power continued as New Brunswick Power Holding Corporation with new subsidiary operating companies (collectively the NB Power Group of Companies). On October 1, 2013, NB Power became a single, integrated Crown Corporation. By enactment of the ***New Brunswick Electricity Act*** the NB Power Group of Companies, Electric Finance Corporation (EFC) and the New Brunswick System Operator (NBSO) were amalgamated into a new vertically integrated Corporation.

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

2. Basis Of Presentation

The accompanying combined financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a basis consistent with the preceding year (see Note 5). The consolidated financial statements include the accounts of NB Power and NB Energy Marketing.

3. Impact Of Amalgamation On Prior Year's Opening Retained Earnings

On October 1, 2013, the New Brunswick Power Group of Companies, the New Brunswick System Operator and the New Brunswick Electric Finance Corporation amalgamated to form NB Power. All the amalgamated entities were under common control by the Province of New Brunswick and therefore continuity of interest accounting is used in the preparation of these financial statements. The following table illustrates the impact of the amalgamation on the opening retained earnings of the prior year:

April 1, 2013 retained earnings	$ 124
Amalgamation impacts:	
EFC retained earnings	29
Add Interest not included in EFC regulatory deferral and other equity adjustment	103
NB Power retained earnings	(124)
Revised April 1, 2013 retained earnings	$ 132

As a result of the amalgamation and use of continuity of interest accounting, certain prior year numbers have changed.

4. Rate Regulation

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

- Commencing on April 1, 2015 and for each subsequent fiscal year, NB Power shall make an application to the New Brunswick Energy and Utilities Board (EUB) for approval of its schedule of rates it proposes to charge for its services. For 2014/15 a two per cent rate increase has been legislated.

- NB Power must make an application with the EUB for the approval of the Open Access Transmission Tariff (OATT), or for any changes to the Transmission Tariff. NB Power shall, at least once every three years, make an application to the EUB for approval of its transmission revenue requirements. This revenue requirement is intended to collect sufficient revenues to cover its costs and to provide a return of 10 to 12 per cent on a deemed capital structure of 65 per cent debt and 35 per cent capital.

- NB Power shall submit to the EUB for approval in 2014/15 an integrated resource plan and at least once every three years thereafter.

- NB Power shall submit to the EUB for information purposes in 2014/15 and annually thereafter a strategic, financial and capital investment plan covering the next 10 fiscal years.

- NB Power shall make application to the EUB for approval of capital projects exceeding $50 million and for the aggregate of all those under $50 million.

Regulatory assets and liabilities

Regulatory assets or liabilities may arise as a result of the rate-setting process.

All amounts deferred as regulatory assets and liabilities are subject to legislation or regulatory approval. As such

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

Allowance for Funds Used During Construction (AFUDC)

As at March 31, 2014, NB Power has a regulatory asset related to AFUDC which is included in property, plant and equipment for transmission assets (see Note 15). The EUB permits AFUDC to be capitalized monthly on capital construction projects. AFUDC is based on NB Power's weighted average cost of capital and is amortized over the future life of the related asset. It is expected to be recoverable through the OATT.

Point Lepreau Generating Station refurbishment

For the regulatory deferral related to the Point Lepreau Generating Station (PLGS) refurbishment, the Electricity Act has deemed the project to be prudent and the costs and expenses recorded in the deferral account were deemed to be prudent and necessary to carry out the project.
NB Power has a regulatory deferral asset relating to refurbishing PLGS. This asset accumulated the following costs over the refurbishment period (March 28, 2008 to November 23, 2013)

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

less

- costs included in current rates

These amounts will be

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

4. Rate Regulation (continued)

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

For the regulatory deferral related to the lawsuit settlement with PDVSA (Note 14) the EUB ruled how the settlement benefits would be passed on to customers.

In 2007/08, NB Power recognized a regulatory deferral asset relating to a lawsuit settlement with PDVSA (see Note 14). The settlement's benefits will be

- amortized over the Coleson Cove Generating Station's remaining useful life (23 years at time of the settlement; 16 years as at March 31, 2014)
- passed on to customers over 17 years, as approved by the EUB, on a levelized basis

The regulatory deferral reflects NB Power's obligation to pass the settlement's net benefits on to the customers by reducing future rates. The regulatory deferral is in an asset position because the settlement's net benefits are passed on to the customers faster than they are recognized by NB Power.

Net earnings adjusted to remove the effects of regulatory accounting

As a rate-regulated entity NB Power applies regulatory accounting. If NB Power did not apply regulatory accounting the net earnings (loss) would be as follows:

	2014	2013
Net earnings	55	65
Less regulatory deferral adjustment to earnings	69	(82)
Less interest on deferral (reduction to finance charges)	(49)	(47)
Net earnings (loss) adjusted to remove the effects of regulatory accounting	75	(64)

5. Significant Accounting Policies

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

a. Materials, supplies and fuel inventory
b. Property, plant and equipment
c. Intangible asset
d. Foreign-exchange transactions
e. Longterm debt
f. Asset-retirement obligations
g. Pension plans
h. Retirement allowance
i. Early retirement programs
j. Revenues
k. Financial instruments
l. Derivatives
m. Consolidation of variable interest entities
n. Use of estimates

a. Materials, supplies and fuel inventory

Inventories are recorded at the lower of costs 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.

5. Significant Accounting Policies (continued)

b. Property, plant and equipment

Cost of additions

The cost of additions to property, plant and equipment is the original cost of

- contracted services
- direct labour and material
- interest and allowance for funds used during construction
- indirect charges for administration
- asset retirement obligations
- salvage value
- other expenses related to capital projects

less

- credits for the value of power generated during commissioning
- contributions in aid of construction, which include customer contributions, and research and development grants
- recovery of capital from lawsuit and insurance settlements

Generating station decommissioning and management of used nuclear fuel

Property, plant and equipment also includes the present value of asset retirement obligations related to

- the management of used nuclear fuel
- decommissioning of the nuclear and thermal generating stations

Interest and allowance for funds used during construction (AFUDC)

Interest during construction is capitalized monthly based on the weighted average cost of longterm debt, except for transmission assets where AFUDC is capitalized monthly on capital projects based on the weighted average cost of capital.

Cost of retired distribution system assets

The cost of distribution system assets retired, net of dismantlement and salvage, is charged to accumulated amortization as deemed appropriate by the New Brunswick Board of Commissioners of Public Utilities (formerly the PUB now the EUB).

Asset amortization

Amortization is provided for all assets sufficient to amortize the net cost of such assets over their estimated useful lives.

5. Significant Accounting Policies (continued)

b. Property, plant and equipment (continued)

Estimated service lives

The estimated service lives of property, plant and equipment are periodically reviewed and any changes are applied prospectively.

The main categories of property, plant and equipment are being amortized on a straightline basis based on the following estimated service lives

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

Recognizing impairment

NB Power evaluates its property, plant and equipment to identify impairment whenever conditions indicate that estimated undiscounted future net cash flows may be less than the net carrying amount of assets. If impairment is identified, an impairment loss will be recognized in earnings equal to the amount by which the carrying amount exceeds the fair value.

c. Intangible assets

The intangible assets are recorded at cost on the balance sheet and amortized over their estimated useful lives (see Note 18).

d. Foreign exchange transactions

Monetary assets and liabilities denominated in foreign currencies

- may be hedged using a forward exchange contract
- are translated to Canadian dollars as follows

If a forward exchange contract	Then the exchange rate used is
is not in place	the exchange rate prevailing at the balance sheet date
is in place	the exchange rate established by the terms of the contract

Exchange gains and losses resulting from foreign currency translation are reflected in earnings.

5. Significant Accounting Policies (continued)

e. Long-term debt

Long-term debt is classified as other liabilities for financial instrument purposes and is recorded at the amortized cost using the effective-interest method (see Note 5k). The estimated fair value of long-term debt is disclosed in the notes to the financial statements using market values or estimates of market values based on debt with similar terms and maturities. Debentures discounts and premiums and deferred interest related to debt financing, are amortized over the lives of the issues to which they pertain. These unamortized debt costs are included in long-term debt.

f. Asset-retirement obligations

This describes the accounting policies related to asset-retirement obligations. It contains information on the
- nuclear and thermal generating stations
- hydro generating stations, transmission and distribution assets

Nuclear and thermal generating stations

NB Power provides for the estimated future costs of managing used nuclear fuel and decommissioning the nuclear and thermal generating stations to return the sites to a state of unrestricted use.

Calculations of anticipated costs

The calculations of the anticipated future costs are based on detailed studies that take into account various assumptions regarding
- the method and timing of dismantling the nuclear and thermal generating stations
- the cost of transporting nuclear material to permanent storage facilities
- estimates of inflation rates in the future

NB Power reviews such calculations periodically due to
- potential developments in the decommissioning and used nuclear fuel management technologies
- changes in the various assumptions and estimates inherent in the calculations

NB Power recognizes these liabilities taking into account the time value of money.

Calculation methodology

The Nuclear Waste Management Organization (NWMO) was established by the *Nuclear Fuel Waste Act (NWFA)*. The methodology used by NB Power to calculate the liability for used nuclear fuel management is consistent with the NWMO'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, 2014
- the fixed cost portion of used nuclear fuel management activities, which are required regardless of the volume of fuel consumed
- the variable cost portion of used nuclear fuel management activities to take into account actual fuel volumes incurred up to March 31, 2014
- the costs of decommissioning the nuclear and thermal generating stations at the end of their useful lives

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

The liability accounts are charged for current expenditures incurred related to the following
- used nuclear fuel management
- nuclear and thermal plant decommissioning

5. Significant Accounting Policies (continued)

f. Asset-retirement obligations (continued)

Accretion expense

Accretion is the increase in the carrying amount of the liability due to the passage of time.

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

- calculated using NB Power's credit adjusted riskfree rate (see discount rate in Note 22)
- included with amortization expense

Hydro generating stations, transmission and distribution assets

No removal date can be determined for hydro generating stations, transmission and distribution assets. Consequently, a reasonable estimate of the fair value of any related asset retirement obligations cannot be made at this time.

- *Hydro generating stations*
  NB Power currently has no intention and is not legally obligated to decommission its hydro generating stations. With either maintenance efforts or rebuilding, the assets are expected to be used for the foreseeable future.
- *Transmission and distribution assets*
  NB Power expects to use the majority of its transmission and distribution assets for an indefinite period of time.

If at some future date it becomes possible to estimate the fair-value cost of removing assets that NB Power is legally required to remove, an asset retirement obligation will be recognized at that time.

g. Pension plans

NB Power employees are members of the Province of New Brunswick Public Service Shared Risk Plan (PSSRP).

The PSSRP is a multiemployer, defined-benefit plan. Contributions are made by both NB Power and the employees. As a result of converting to the PSSRP, NB Power's attribution of the assets and liabilities is no longer valid and thus the information required to account for the pension plan using defined benefit accounting is no longer available. Since the information is no longer available, the PSSRP is accounted for using the defined contribution accounting.

The former Mine Reclamation Inc. employees are members of the Pension Plan for Employees of NB Coal Limited. The Pension Plan for Employees of NB Coal Limited is a private defined benefit pension plan for its former employees.

h. Retirement allowance

NB Power has a retirement allowance program for certain employees. The program provides a lump-sum payment equal to one week of pay for each full year of employment to a maximum of 26 weeks of pay.

The present value of accrued retirement allowance obligations

- is based on actuarial calculations
- incorporates management's best estimate assumptions on salary and wage projections to expected retirement dates
- is amortized on a straight-line basis over the expected average remaining service life of the employee group

i. Early retirement programs

The present value of the estimated future costs of early retirement programs is charged to earnings in the year the program is accepted by employees, irrespective of when payments are actually made.

5. Significant Accounting Policies (continued)

j. Revenues

Recognizing revenues

NB Power recognizes revenue when

- persuasive evidence of an arrangement exists
- delivery has occurred
- the price to the buyer is fixed or determinable
- collection is reasonably assured

Billing schedule

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

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

k. 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 (e.g. accounts receivable/accounts payable).

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

- held for trading
- loans and receivables
- available for sale
- other liabilities
- held to maturity

Held for trading

Financial assets and liabilities in this category are typically acquired with the intention of reselling them prior to maturity. NB Power can choose to designate any financial asset or liability as being held for trading.

The following are classified as held-for-trading assets

- cash
- pooled funds portion of the segregated funds
- derivative assets not in a hedging relationship

The following is classified as a held-for-trading liability

- derivative liabilities not in a hedging relationship

5. Significant Accounting Policies (continued)

k. Financial instruments (continued)

Accounting for held-for-trading assets and liabilities

These assets and liabilities are measured at fair value at the balance sheet date. Changes in fair value are included in net earnings. These include

- interest earned
- interest accrued
- realized gains and losses
- unrealized gains and losses

Loans and receivables

Loans and receivables include accounts receivable and are accounted for at amortized cost using the effective-interest method.

Available for sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and eceivables, held-to-maturity or held-for-trading investments. Available-for-sale assets include

- used nuclear fuel trust fund
- fixed income portion of segregated funds

Accounting for available-for-sale assets

Available-for-sale-financial assets are recorded as follows

Asset	Accounting treatment
with quoted market prices in an active market	carried at fair value with • unrealized gains and losses recognized outside net earnings, in other comprehensive income • gains and losses transferred to net earnings when they are realized
without quoted market prices in an active market	carried at cost

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

Other liabilities

All NB Power's financial liabilities, except for derivative liabilities designated as held for trading, are included in this category. They are recorded at amortized cost, using the effective-interest method.

Effective-interest method and transaction costs

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

- transaction costs
- fees
- premiums
- discounts

Transaction costs associated with held-for-trading instruments are expensed as they are incurred.

Fair value

The financial instruments carried at fair value are classified using a fair-value hierarchy which has three levels (see Note 26). The hierarchy is based on the inputs used in making the fair-value measurement.

5. Significant Accounting Policies (continued)

l. Derivatives

A derivative is a financial instrument or other contract with all three of the characteristics below
- value changes with underlying variable (e.g. market index)
- little or no initial investment required
- settled at a future date

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

Derivative use and documentation

NB Power uses derivatives to manage or "hedge" certain exposures. It does not use them for speculative or trading purposes. Certain derivative financial instruments held by NB Power are eligible for hedge accounting. To be eligible for hedge accounting, NB Power formally documents
- all relationships between hedging instruments and hedged items at their inception
- its assessment of the effectiveness of the hedging relationship
- its hedging objectives and strategy underlying various hedge transactions

This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific forecasted transactions.

Accounting for derivatives

Derivatives eligible for hedge accounting are recognized on the balance sheet 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.

Different portions of changes in a derivative's fair value are recognized as follows

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

If a hedging instrument is sold or terminated before it matures, or if it ceases to be effective as a hedge
- NB Power ceases hedge accounting at that point
- any gains or losses previously accumulated in other comprehensive income are then recognized immediately in net earnings

m. Consolidation of variable interest entities

Variable interest entities refers to entities subject to consolidation according to the provisions of the CICA accounting guidelines AcG-15.

NB Power's nuclear fund investments include an investment in a pooled fund, of which NB Power is the primary beneficiary of the fund. As a result, NB Power has consolidated the underlying investments in this fund.

NB Power has several variable interests in the form of power purchase contracts with third-party corporations. NB Power has not consolidated the financial results of these third-party entities.

5. Significant Accounting Policies (continued)

m. Consolidation of variable interest entities (continued)

Rationale: all contracts except one

For all of these contracts except one, it was determined that there is an insignificant amount of variability being absorbed by NB Power as a result of these contracts and therefore consolidation is inappropriate.

Rationale: the exception

There is one purchase power contract to purchase all of the capacity and electrical energy produced by a 90 MW co-generation facility that began production in December 2004.
Purchases under this contract were $70 million for the year ended March 31, 2014 as compared to $51 million for the year ended March 31, 2013.

NB Power has been unable to obtain the necessary information and has therefore been unable to assess whether the third-party corporation is a variable interest entity. As a result, NB Power has not consolidated the financial results of this third-party entity.

n. Use of estimates

The preparation of financial statements that conform to generally accepted accounting principles requires management to make estimates and assumptions that affect

- the reported amounts of assets and liabilities at the date of the financial statements
- the reported amounts of revenues and expenses during the reporting period

Actual results could differ from the estimates. The following table lists the notes that refer to these estimates

Note reference	Estimate
Note 5b	Property, plant and equipment
Note 5j	Revenues (billing estimates)
Note 8	Amortization and decommissioning of property, plant and equipment
Note 14	Regulatory assets and liabilities
Note 16	Nuclear decommissioning and used nuclear fuel management funds
Note 19	Deferred pension benefit
Note 22	Generating station decommissioning and used nuclear fuel management liability
Note 23	Deferred liabilities - other
Note 26	Financial instruments
Note 28	Commitments, contingencies and guarantees

6. Changes In Accounting Policies

Policies that have changed during the year ended March 31, 2014

There were no changes impacting the financial statements during the year ended March 31, 2014.

Future accounting changes

International Financial Reporting Standards (IFRS)

This describes the issues and impact on NB Power relating to implementing IFRS.

Key dates

Date	Event
April 1, 2015	The transition date for NB Power. This will require the restatement, for comparative purposes, of amounts reported by NB Power for its year ended March 31, 2015 and of the opening balance sheet as at April 1, 2014.

7. Out-Of-Province Revenues

Out-of-province revenues were as follows

	2014	2013
American customers	$ 267	$ 150
Canadian customers	124	104
Out-of-province revenues	$ 391	$ 254

8. Amortization And Decommissioning

	2014	2013
Amortization	$ 198	$ 153
Decommissioning	32	31
Amortization and decommissioning	$ 230	$ 184

9. Taxes

	2014	2013
Property taxes	$ 20	$ 22
Utility and right of way taxes	16	17
Taxes	$ 36	$ 39

10. Finance Charges

	2014	2013
Interest expense	$ 222	$ 249
Less: Earnings from trust funds, sinking funds and other investments	(87)	(40)
	135	209
Debt portfolio management fee	32	31
Foreign exchange (gains) or losses	22	2
	189	242
Less: Interest capitalized	(53)	(99)
Finance charges	$ 136	$ 143

Interest paid during the year

Interest paid during the year was $227 million compared to $254 million in 2013. Interest received on investments and sinking fund earnings during the year was $89 million compared to $38 million in 2013.

11. Capital Management

NB Power's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis at the lowest possible cost to customers. NB Power's borrowings are completed with the Province of New Brunswick. NB Power is predominantly debt financed.

NB Power's capital structure includes the following

At March 31	2014	2013
Long-term debt payable within one year	$ -	$ 322
Less: Cash	(3)	(1)
	(3)	321
Short-term indebtedness	858	687
Long-term debt	4,567	4,370
Derivative liability associated with debt	-	60
Sinking fund receivable	(404)	(376)
Total net debt[1]	5,018	5,062
Retained earnings	252	197
Total capital	$ 5,270	$ 5,259
Percentage of net debt[1] in capital structure	95%	96%

[1] *Net debt is long-term debt, short-term debt, derivatives associated with debt, sinking funds receivable and cash*

12. Long-Term Receivable

In 2013, NB Power sold certain distribution assets to a third party. The transaction was partially offset by a purchase of water heater assets from the same third party. This transaction resulted in a long-term receivable with a net balance of $18 million, which will be collected over 20 years with interest at a rate of 3.85% per annum.

Long-term receivable	2014	2013
Opening balance	$ 18	18
Payments made	(1)	-
	17	18
Less current portion	(1)	(1)
Ending balance	$ 16	$ 17

13. Sinking Funds Receivable

Pursuant to section 12 of the Provincial Loans Act, the Minister of Finance maintains a General Sinking Fund for the repayment of funded debt. NB Power pays the Province of New Brunswick one per cent of its outstanding debt annually; this will be returned to NB Power when the corresponding debt issue matures.

The following table shows the activity in the sinking funds for fiscal years ending March 31:

	2014	2013
Sinking funds receivable, beginning of year	$ 376	$ 378
Sinking funds earnings	16	16
Foreign exchange gains	22	4
Installments	46	47
Redemptions	(56)	(69)
Sinking funds receivable, end of year	$ 404	$ 376

14. Regulatory Assets And Liabilities

NB Power has regulatory assets totaling $1,052 million at March 31, 2014 compared to $1,072 at March 31, 2013. A reconciliation of the two regulatory assets is as follows

Regulatory asset (liability) - lawsuit settlement with PDVSA	2014	2013
Opening balance	$ 52	$ 53
Deferral adjustment on Statement of Earnings		
Amortization and interest savings	(26)	(27)
Levelized benefit to customers[2]	23	236
	(3)	(4)
Interest on deferral	2	3
	(1)	(1)
Closing balance	$ 51	$ 52

Regulatory asset - Point Lepreau Generating Station deferral	2014	2013
Opening balance	$ 1,020	$ 890
Deferral adjustment on Statement of Earnings		
Period costs	-	132
Additional costs to supply energy	-	100
Offset for costs included in current rates	-	(123)
Amortization of deferral	(66)	(23)
	(66)	86
Interest on deferral	47	44
Closing balance	$ 1,001	$ 1,020
Current portion of regulatory assets[3]	21	20
Long term portion of regulatory assets	1,031	1,052
Total regulatory assets	**$ 1,052**	**$ 1,072**

Regulatory deferral adjustment to earnings	2014	2013
Lawsuit settlement with PDVSA	$ 3	$ 4
Point Lepreau Generating Station deferral	66	(86)
Regulatory deferral adjustment to earnings	$ 69	$ (82)

[2] Relates to the current year portion of the projected benefits of the lawsuit settlement that are passed onto customers on a levelized basis over the next 10 years.
[3] Represents amounts due from customer in current year.

15. Property, Plant And Equipment

Cost, accumulated amortization and net book value for property, plant and equipment is as follows

	2014			2013		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Power generating stations	$ 6,021	$ 3,098	$ 2,923	$ 6,006	$ 2,990	$ 3,016
Transmission system	404	211	193	398	206	192
Terminals and substations	559	313	246	545	314	231
Distribution system	914	461	453	875	447	428
Buildings and properties	67	41	26	64	40	24
Computer systems	138	123	15	138	115	23
Motor vehicles	82	45	37	80	43	37
Miscellaneous assets	41	17	24	41	17	24
Construction-in-progress	155	-	155	97	-	97
Total	$ 8,831	$ 4,309	$ 4,072	$ 8,244	$ 4,172	$ 4,072

The charge for equity capital (allowance for funds used during construction) included for 2014 was $1 million compared to $1 million in 2013.

16. Nuclear Decommissioning And Used Nuclear Fuel Management Funds

This describes the segregated funds established by NB Power regarding nuclear decommissioning and used fuel management. It contains information on the following

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

Fund requirements

The *Nuclear Fuel Waste Act* requires owners of used nuclear fuel in Canada to establish trust funds to finance the long-term management of used nuclear fuel. In June 2007, the Government of Canada announced its decision to accept the long-term disposal plan proposed by the Nuclear Waste Management Organization. This is an entity created by the *Nuclear Fuel Waste Act* and owned by major owners of nuclear used fuel.

The Canadian Nuclear Safety Commission (CNSC) requires NB Power to maintain certain segregated funds to meet license conditions for the Point Lepreau Generating Station. The money contained in these established funds will be used to meet the *Nuclear Fuel Waste Act* requirements.

NB Power's funds

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

Fund	Trustee	Purpose	Funding requirement
Decommissioning segregated fund and used nuclear fuel segregated fund	Provincial Minister of Finance	To meet the license conditions for the Point Lepreau Generating Station set by the CNSC	Established yearly based on the current obligations and market value of the funds. The amount of the contribution in the 2013/14 year was nil (2012/13 - nil).
Used nuclear fuel trust fund	Federal Minister of Finance	To meet the *Nuclear Fuel Waste Act* and to meet the CNSC requirements	The Act requires NB Power to deposit to the trust fund an amount based on the approved funding formula. The amount of the contribution in the 2013/14 year was $5 million (2012/13 - $5 million).

16. Nuclear Decommissioning And Used Nuclear Fuel Management Funds (continued)

Status of NB Power's funds

The status of each fund is as follows

	2014	2013
Nuclear Decommissioning Fund		
Decommissioning segregated fund	$ 267	$ 199
Used Nuclear Fuel Management Funds		
1. Used nuclear fuel segregated fund	236	310
2. Used nuclear fuel trust fund	108	103
	344	413
Total nuclear decommissioning and used nuclear fuel management funds[4]	$ 611	$ 612

17. Other Asset

NB Power entered into a 15-year agreement to have an outside party build and operate an ash separation facility at the Belledune Generating Station to process the fly ash produced at the plant. The $6 million investment in 2007 represents NB Power's required share of the cost of the facility. Pursuant to this agreement, NB Power will receive royalties on the sale of the processed ash over the term of the agreement. In addition the removal of fly ash by the outside party reduces NB Power's disposal/storage costs. The investment is being amortized on a straight-line basis over the life of the agreement.

	2014	2013
Ash separation asset	$ 2	$ 3

18. Intangible Asset

In 2008, NB Power purchased the Nepisiguit Generating Station. The purchase consisted of land, a dam, equipment and the assignment of a statutory right to generate electricity on the Nepisiguit River.

The estimated fair market value of the assignment of rights was $22 million and is being amortized over the remaining useful life of the facility (50 years).

Other intangible assets include:

- A customer list related to the purchase of the water heater business from a third party. The purchase consisted of water heaters plus the customer list (the benefit to include more customers in the Reduce and Shift Demand initiatives). The customer list is valued at $1 million and is being amortized over 20 years.
- Licenses for Enterprise Resource Planning software. This is being amortized over six years.

[4] *Includes a mark-to-market adjustment at March 31, 2014 of $59 million as compared to $107 million at March 31, 2013.*

18. Intangible Asset (continued)

	2014	2013
Intangible asset Nepisiguit Falls	$ 22	$ 22
Accumulated amortization Nepisiguit Falls	(3)	(3)
	19	19
Other intangible assets	2	1
Accumulated amortization other intangible assets	-	-
	2	1
	$ 21	$ 20

19. Deferred Pension Benefit

This describes details associated with NB Power's deferred pension benefit. It contains information on the following

- applicable pension plans
- assumptions
- costs
- assets and obligations.

Applicable pension plans

On January 1, 2014, the Province of New Brunswick converted the Province of New Brunswick Public Service Superannuation plan to a shared risk pension plan. It is now known as the Public Service Shared Risk Plan (PSSRP). NB Power employees are members of the PSSRP as described in Note 5(g). An actuarial valuation of the plan was done as at January 1, 2014. Due to the substantive changes to the plan, NB Power's attribution of the assets and liabilities is no longer valid and thus the information required to account for the pension plan using defined benefit accounting is no longer available. Since the information is no longer available, the PSSRP is accounted for using the defined contribution accounting.

The former Mine Reclamation Inc. employees are members of the Pension Plan for Employees of NB Coal Limited. The pension assets and liabilities of this plan are measured as at March 31, 2014. The most recent actuarial valuation for funding purposes for the Pension Plan for Employees of NB Coal Limited was completed as at January 1, 2011. The next valuation for funding purposes is required to be completed as at January 1, 2014 (during fiscal 2014/15).

Assumptions

Management's significant assumptions on the Pension Plan for Employees of NB Coal Limited include the following

	2014 (%)	2013 (%)
Discount rate used to determine the accrued benefit obligation	3.80	3.60
Expected long-term rate of return on plan assets	3.80	3.60

19. Deferred Pension Benefit (continued)

Costs

The costs recognized and included in operations, maintenance and administration expense for the year are

	2014	2013
Current service cost	$ -	$ 27
Interest on accrued benefit obligation	-	79
Actual (gain) on plan assets	-	(93)
Difference between actual and expected return on plan assets	-	17
Actuarial losses on accrued benefit obligation	-	320
Difference between actuarial loss recognized for the year and actuarial loss on accrued benefit obligation for the year	-	(292)
Amortization of transitional asset	-	(3)
Settlement loss	19	-
Contributions	18	-
	$ 37	$ 55

Assets and obligations

The status of the assets and obligations of NB Power's share of the Public Service Superannuation Plan and the private plan of Mine Reclamation Inc. as at March 31 was as follows

	2014	2013
Pension fund assets at fair value	$ 5	$ 1,184
Accrued benefit obligation	(5)	(1,977)
Pension deficit	-	(793)
Unamortized transitional asset	-	(10)
Unamortized losses	-	822
Deferred pension benefit	$ -	$ 19

20. Short-Term Indebtedness

NB Power borrows funds for temporary purposes from the Province of New Brunswick. The short-term borrowings due to the Province of New Brunswick were $858 million at March 31, 2014, as compared to $687 at March 31, 2013.

21. Long-Term Debt

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

- year-end long-term borrowings
- terms
- interest rates
- debt portfolio management fee
- principal repayments

Year-end long-term borrowings

Long-term borrowings at year-end were as follows

	2014	2013
Debentures held by the Province of New Brunswick	$ 4,566	$ 4,687
Commercial loan	-	2
	4,566	4,689
Unamortized Discounts and premiums	1	3
	4,567	4,692
Less: Current portion	-	(322)
Long-term debt	$ 4,567	$ 4,370

Terms

The maturity dates of the debentures range from 2015 to 2065. The debentures will be paid in full at their maturity date.

Interest rates

All but two of the debentures bear interest at fixed rates ranging from 2.15 to 9.75 per cent. The weighted average coupon interest rate on all debentures outstanding at March 31, 2014 is 4.55 per cent as compared to 4.80 per cent at March 31, 2013. The exception is two floating rate issues whose interest rate is reset on a quarterly basis and is based on the Canadian Dealer Offered Rate (CDOR) plus 4 basis points. At March 31, 2014, the CDOR rate plus 4 basis points was 1.306 per cent.

Debt portfolio management fee

NB Power pays an annual debt portfolio management fee to the Province of New Brunswick amounting to 0.65 per cent of the total long-term debt and short-term indebtedness, less the balance held in Sinking Funds Receivable (Note 13), measured as at the beginning of the fiscal year.

21. Long-Term Debt (continued)

Principal repayments

Long-term debt principal repayments are due as follows

Year Ending	Principal Repayment
March 31, 2015 - current portion	$ -
March 31, 2016	580
March 31, 2017	400
March 31, 2018	420
March 31, 2019	230
March 31, 2020 and thereafter	2,936
Long-term portion	$ 4,566

22. Generating Station Decommissioning And Used Nuclear Fuel Management Liability

This provides details of NB Power's asset retirement obligations. It contains information on

- nature of the liability
- assumptions used for the liabilities
- liabilities at year-end

Nature of the liability

Details of the liabilities are as follows

Liability	Nature	Funding Details
Thermal generating station decommissioning	Cost of decommissioning the thermal generating stations after the end of their service lives	The liability is not funded
Nuclear generating station decommissioning	Cost of decommissioning the nuclear generating station after the end of its service life	See Note 16 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 16 for details on the funding of this liability

22. Generating Station Decommissioning And Used Nuclear Fuel Management Liability (continued)

Assumptions used for the liabilities

The key assumptions on which the liabilities were based are as follows

	Thermal decommissioning	Nuclear decommissioning	Used nuclear fuel management
Undiscounted amount of estimated cash flows to settle liability			
• 2014	$ 175	$ 951	$ 703
• 2013	$ 165	$ 925	$ 676
Reason for the increase or decrease	Decommissioning spending offset by escalation and changes to the liability resulting from updated cost estimates and revisions to timing of cash flows.	Escalation and changes to the liability resulting from updated cost estimates and revisions to timing of cash flows.	Escalation and changes to the liability resulting from updated cost estimates and revisions to timing of cash flows.
Cash expenditures required until the year	2039	2081	2164
Rate used to discount cash flows			
• for initial recognition of the liability	7.1%	7.1%	7.1%
• for subsequent recognition of additional liability	4.3% to 6.3%	4.3% to 5.9%	4.3% to 5.9%
Escalation rate to determine asset retirement obligation	1.8% to 2.5%	2.0%	1.9% to 4.1%

22. Generating Station Decommissioning And Used Nuclear Fuel Management Liability (continued)

Liabilities at year-end

The liabilities for thermal generating and nuclear generating stations decommissioning and used nuclear fuel management consists of the following

Regulatory asset - Point Lepreau Generating Station deferral	2014	2013
Thermal generating station decommissioning liability		
Balance, beginning of year	$ 106	$ 114
Add: Liabilities incurred, including revisions to cash flows	14	(4)
Add: Accretion expense	6	6
Less: Expenditures	(10)	(10)
Balance, end of year	$ 116	$ 106
Nuclear generating station decommissioning liability		
Balance, beginning of year	$ 198	$ 164
Add: Liabilities incurred, including revisions to cash flows	7	24
Add: Accretion expense	11	10
Balance, end of year	$ 216	$ 198
Used nuclear fuel management liability		
Balance, beginning of year	$ 283	$ 271
Add: Liabilities incurred, including revisions to cash flows	7	-
Add: Accretion expense	15	15
Less: Expenditures	(2)	(3)
Balance, end of year	$ 303	$ 283
Total generating station decommissioning and used nuclear fuel management liability	$ 635	$ 587

23. Deferred Liabilities - Other

This provides details around NB Power's other deferred liabilities. It contains information on the following
- early retirement liability
- retirement allowance liability
- environmental liability.

The table below summarizes NB Power's deferred liabilities - other

	2014	2013
Early retirement programs	$ 68	$ 69
Retirement allowance program	28	26
Other future employee benefits payable	8	7
Land reclamation	1	3
Environmental liability	10	10
	115	115
Less: amounts due within one year[5]	(7)	(7)
Deferred liabilities - other	$ 108	$ 108

Early retirement liability

NB Power has an unfunded early retirement program as described in Note 5(i). The latest actuarial calculation to estimate the liability was completed as at April 1, 2012.

The table shows
- Management's significant assumptions
- the costs recognized for the period
- the status of the obligation of NB Power at year-end

	2014	2013
Assumption		
Discount rate used to determine the early retirement liability	4.20%	4.30%
Cost		
Current service cost	$ 1	$ 3
Interest on early retirement liability	5	5
Costs recognized for the year	$ 6	$ 8
Obligation		
Accrued benefit obligation	$ 86	$ 89
Unamortized losses	(18)	(20)
Early retirement liability	$ 68	$ 69

[5] *Amounts due within one year are included in accounts payable and accruals.*

23. Deferred Liabilities - Other (continued)

Retirement allowance liability

NB Power has an unfunded retirement allowance program as described in Note 5(h). The latest actuarial calculation to estimate the liability was completed as at April 1, 2012. In 2013, NB Power announced that it would be phasing out the retirement allowance for non-union employees and the employees in the corporate services union. Accumulation of service, for the purposes of calculating retirement allowance, ceased on April 30, 2013. This resulted in a curtailment and a settlement of the retirement allowance plan.

Assumptions

Management's significant assumptions include the following

	2014 (%)	2013 (%)
Discount rate used to determine the accrued benefit obligation	4.20	4.30
Expected salary increases	2.50	2.50

This table shows

- the costs recognized for the year
- the status of the obligation of NB Power at year-end

	2014	2013
Costs recognized for the year		
Current service cost	$ 2	$ 2
Interest on retirement allowance liability	5	4
Curtailment loss	5	-
Settlement loss	4	-
Costs recognized for the year	$ 16	$ 6
Obligation		
Accrued benefit obligation	$ 41	$ 49
Unamortized losses	(13)	(23)
Retirement allowance liability	$ 28	$ 26

23. Deferred Liabilities - Other (continued)

Environmental liability

NB Power has a long-term plan to treat acidic water drainage from an inactive mine. NB Power has recognized an unfunded environmental liability equal to the net present value of the expected future costs using a discount rate of 7.75% for the initial recognition of the liability and 4.39% for subsequent future cash flows.

The liability is as follows

	2014	2013
Balance, beginning of year	$ 10	$ 10
Add: Accretion expense	1	1
Less: Revision to cash flows	-	(1)
Expenditures	(1)	-
Balance, end of year	$ 10	$ 10

Cash flows required to settle the liability

The total undiscounted amount of the estimated cash flows required to settle the liability is $15 million.

24. Amounts Charged Or Credited To Operations Not Requiring A Current Cash Payment

The amounts are as follows

	2014	2013
Amortization, decommissioning and gain or loss on disposal	$ 238	$ 162
Employee future benefits less related funding	35	27
	$ 273	$ 189

25. Related Party Transactions

Related party of NB Power is the Province of New Brunswick.

Sinking Funds Receivable

At March 31, 2014, NB Power has sinking funds receivable from the Province of New Brunswick of $404 million as compared to $376 million in 2013.

25. Related Party Transactions (continued)

Debt

NB Power has debt payable to the Province of New Brunswick (Note 20 and 21).

Payments to the Province of New Brunswick

During the year, NB Power made payments to the Province of New Brunswick for property taxes, utility taxes and right of way taxes of $36 million, as compared to $39 million in 2013 (Note 9). NB Power also made payments to New Brunswick Investment Management Corporation related to pension plans (Note 19).

26. Financial Instruments

A financial instrument (see Note 5(k)) is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity (e.g. accounts receivable/accounts payable).

Fair value of financial instruments

Fair value represents an estimate of the consideration that would be agreed on in an arm's length transaction between knowledgeable, willing parties under no compulsion to act.

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

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

- Level 1: valuation using inputs that are quoted prices in active markets for identical assets or liabilities.
- Level 2: valuation using internal models using observable market prices as inputs
- Level 3: valuation based on internal models using inputs that are not based on observable market data.

Valuation dates

For all of its financial assets and liabilities, NB Power discloses fair values as at March 31, 2014.

Outstanding financial instruments

This details NB Power's outstanding financial instruments at March 31, 2014. It contains information on the following instruments

a. Long-term debt
b. Nuclear decommissioning and used fuel management funds
c. Derivative instruments in hedging relationships
    i. foreign exchange contracts
    ii. heavy fuel oil contracts
    iii. natural gas contracts
    iv. electricity contracts
d. Other financial assets and liabilities

26. Financial Instruments (continued)

a. Long-term debt

This financial instrument is categorized within financial instruments as other liabilities and is recorded on the balance sheet at book value.

At March 31, NB Power had outstanding long-term debt as follows

	Hierarchy level	2014	2013
Cost (see Note 21)		$ 4,567	$ 4,692
Fair value	2	$ 4,947	$ 5,286

b. Nuclear decommissioning and used fuel management funds

The nuclear decommissioning and used fuel management funds are comprised of the following three funds: the Nuclear Decommissioning Segregated Fund, the Nuclear Used Fuel Management Segregated Fund and the Nuclear Fuel Waste Trust Fund.

The Nuclear Decommissioning Segregated Fund and the Nuclear Used Fuel Management Segregated Fund are recorded on the balance sheet at fair value and categorized as follows:

Investment type	Category
Fixed Income	available-for-sale
Pooled Funds	held for trading

The Nuclear Fuel Waste Trust Fund is categorized as available-for-sale.

At March 31, the fair value of the funds was as follows

	2014	2013
Cost	$ 552	$ 505
Fair value- level 1	$ 473	$ 612
Fair value- level 2	$ 138	-
Total fair value (see Note 16)	$ 611	$ 612
Gain in market value	$ 59	$ 107

26. Financial Instruments (continued)

c. Derivative instruments[6]

i. Foreign exchange contracts

This financial instrument is recorded on the balance sheet at fair value.

NB Power hedges exchange risk relating to net forecasted US dollar requirements, by entering into forward contracts to sell Canadian dollars and to acquire US dollars. At March 31, it had outstanding contracts maturing over the next 42 months as follows

	Hierarchy level	2014	2013
Net commitment to purchase ($US in millions)		$ 291	$ 429
Weighted average exchange rate ($US / $CAD)		1.0321	1.0229
Fair value (liability)	2	$ 23	$ 2

ii. Heavy fuel oil contracts

This financial instrument is recorded on the balance sheet at fair value.

NB Power hedges its anticipated exposure to changes in the cost of heavy fuel oil.
At March 31, 2014 it has no outstanding contracts.

iii. Natural gas contracts

This financial instrument is recorded on the balance sheet at fair value.

NB Power hedges its anticipated exposure to changes in natural gas prices. At March 31, it had outstanding contracts maturing over the next 12 months as follows

	Hierarchy level	2014	2013
Net notional amount (in millions of mmbtu)		6.3	20.6
Weighted average fixed price (in $US per mmbtu)		$ 4.82	$ 4.74
Fair value (liability) asset	2	$ 13	$ (1)

iv. Electricity contracts

This financial instrument is recorded on the balance sheet at fair value.

NB Power hedges, to the extent possible, its anticipated exposure relating to changes in electricity prices.

At March 31, NB Power had outstanding electricity purchase contracts maturing over the next 33 months as follows

	Hierarchy level	2014	2013
Notional amount (in millions of MWh)		4.3	5.2
Weighted average fixed price (in $US per MWh)		$ 51.26	$ 48.82
Fair value asset (liability)	2	$ 107	$ 22

[6] *A derivative asset represents a favourable mark-to-market position, whereas a derivative liability represents an unfavourable mark-to-market position.*

26. Financial Instruments (continued)

d. Other financial assets and financial liabilities

The fair value of other financial assets and financial liabilities on the balance sheet approximate their carrying values due to their short-term maturity.

Summary of impacts of financial instruments

The following table summarizes the impact of financial instruments recorded on the balance sheet at March 31, 2014. These include

- the fair value of the derivative instruments in hedging relationships
- the fair value of the derivatives no longer qualifying for hedge accounting
- the market value of the nuclear funds

	Nuclear Trust Funds	Foreign Exchange	Heavy Fuel Oil	Natural Gas	Electricity	Total
Current portion of derivative assets	-	23	-	13	96	132
Long-term portion of derivative assets	-	5	-	-	20	25
Mark-to-market on Nuclear Funds (Note 16)	59	-	-	-	-	59
Current Portion of derivative liabilities	-	(5)	-	-	(8)	(13)
Long-term portion of derivative liabilities	-	-	-	-	(1)	(1)
Assets (liabilities)	59	23	-	13	107	202

The impact of financial instruments at March 31, 2014 resulted in a net asset of $202 million (see previous table). Of the $202 million the following is recognized on the balance sheet

- $11 million is recognized in retained earnings
- $147 million gain is recognized in accumulated other comprehensive income (AOCI)

The remaining $44 million relates to the deferred interest included in the AOCI and will be amortized over the remaining life of the associated debt.

A reconciliation of these amounts are summarized in the following tables

The retained earnings impact table includes financial instruments that do not qualify for hedge accounting.

Retained earnings impact	Nuclear Trust Funds	Foreign Exchange	Heavy Fuel Oil	Natural Gas	Electricity	Total
Balance - April 1, 201	-	-	-	3	1	4
Current year hedge adjustments	2	1	-	(2)	6	7
Balance March 31, 2014	2	1	-	1	7	11

26. Financial Instruments (continued)

The AOCI impact table includes financial instruments that qualify for hedge accounting.

AOCI impact	Nuclear Trust Funds	Foreign Exchange	Heavy Fuel Oil	Natural Gas	Electricity	Total
Accumulated other comprehensive income (loss) - April 1, 2013	107	2	(4)	21	(46)	80
Current year impact of mark-to-market adjustments	(50)	20	16	79	2	67
Balance March 31, 2014	57	22	12	100	(44)	147

27. Financial Instrument Risk Management

This describes the following types of risk:

- credit risk
- market risk
- liquidity risk

Credit Risk

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

Managing credit risk

To manage credit risk, NB Power

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

The following is a summary of the fair value of NB Power's financial instruments that were exposed to credit risk at March 31

Financial assets	Designated category	2014 Fair value	2013 Fair value
Cash	Held for trading	$ 3	$ 1
Accounts receivable	Loans and receivables	306	254
Long-term receivable	Held for trading	17	18
Derivative assets	Held for trading	157	25
Nuclear decommissioning and used nuclear fuel management funds	Held for trading and available for sale	611	612
		$ 1,094	$ 910

Cash

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

27. Financial Instrument Risk Management (continued)

Accounts receivable

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

The following table shows a summary of accounts receivable by the number of days outstanding for NB Power as at March 31

Accounts receivable	2014	2013
Trade		
Trade receivables - current	$ 235	$ 187
61-90 days	3	2
Greater than 90 days	6	6
	244	195
Allowance for doubtful accounts	(5)	(5)
Miscellaneous[7]	67	64
	$ 306	$ 254

Allowance for doubtful accounts

The allowance for doubtful accounts is

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

Reconciliation of allowance for doubtful accounts	2014	2013
Balance, beginning of year	$ 5	$ 5
Increase during the year	4	4
Bad debts recovery during the year	1	1
Bad debts written off during the year	(5)	(5)
	$ 5	$ 5

Concentration of credit risk

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

Nuclear decommissioning and used fuel management funds

NB Power limits its credit risk associated with the nuclear decommissioning and used fuel management trust funds by investing in liquid securities tied to creditworthy counterparties. The current portfolio comprises mainly provincial and federal government bonds. The related credit risk associated with these funds is considered to be low.

[7] *Miscellaneous receivables include non-electricity sales, accruals and accrued hedge settlements.*

27. Financial Instrument Risk Management (continued)

Derivative Assets

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

NB Power
- monitors counterparty credit limits on an ongoing basis
- requests collateral for exposures that exceed assigned credit limits

There is a concentration of credit risk at March 31, 2014 in relation to derivative assets, as the bulk of the derivative asset balance is tied to a few 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.

Market Risk

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

NB Power is exposed to a variety of market price risks such as changes in
- foreign exchange rates
- interest rates
- commodity prices
- freight prices

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

The following table provides a sensitivity analysis which shows the dollar value impact of small changes in various market rates and prices. The amounts shown are derived from outstanding volumes of financial instruments that existed at March 31, 2014.

(millions of dollars)	Impact on earnings [8]	Impact on other comprehensive income
Exchange and interest rates		
1 cent change in CAD/USD exchange rate	$ -	$ 3
0.5% change in short-term debt rates	1	-
0.25% change in investment yields	1	14
Commodity prices		
$1/mmbtu change in natural gas prices	-	6
$5/MWh changes in electricity prices	-	22

[8] *These impacts are not included in other comprehensive income as the financial instruments are either not derivatives or not eligible for hedge accounting.*

27. Financial Instrument Risk Management (continued)

Liquidity Risk

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

NB Power forecasts its financing requirements on a consistent basis so that it can plan and arrange for financing to meet financial obligations as they come due. The following table summarizes the contractual maturities of NB Power's financial liabilities at March 31, 2014 and in future years.

Financial liability	Carrying amount	Contractual cash flows	2015	2016	2017	2018 and thereafter
Short-term indebtedness	$ 858	$ 858	$ 858	$ -	$ -	$ -
Accounts payable and accruals	237	237	237	-	-	-
Accrued interest	46	46	46	-	-	-
Derivative liabilities	14	14	13	1	-	-
Long-term debt	4,567	4,566	-	580	400	3,586
Interest on long-term-debt	-	2,608	208	204	178	2,018
	$ 5,722	$ 8,329	$ 1,362	$ 785	$ 578	$ 5,604

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

28. Commitments, Contingencies And Guarantees

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

Belledune Wharf

On April 1, 2013, NB Power has entered into an operating lease agreement for use of the port facility at Belledune. The agreement is for a 10-year term, with a 10-year option to renew with the same party. This lease provides for annual charges of approximately $4 million.

Courtenay Bay Generating Station

This details the agreements that NB Power has in place regarding the Courtenay Bay Generating Station. It contains information on agreements in the following areas

- rental of site facilities
- power purchase and transmission access
- natural gas transportation service.

Rental of site facilities

NB Power has entered into a lease agreement for rental of site facilities. The agreement expires in 2021 with a five-year option to extend.

28. Commitments, Contingencies And Guarantees (continued)

Power purchase and transmission access

NB Power has a related power purchase and transmission access agreement. The agreement expires in 2021 with a five-year option to extend with the same third party.

NB Power will purchase all the electrical energy produced by a 280 MW combined cycle natural gas unit during the winter period, November 1 to March 31, and from time-to-time some or all of the electrical energy produced during the summer period.

Natural gas transportation service

NB Power has entered into an agreement expiring in 2015 for firm natural gas transportation service to Courtenay Bay Generating Station. The cost of transportation will be recovered from the tenant that is a party to the lease agreement mentioned above.

Power purchase agreements

NB Power has other power purchase agreements with third parties, as follows

Initial duration of agreement	End date	Amount of energy	Agreement to purchase
20 years	2024	90 MW	all the capacity and electrical energy produced by a co-generation facility
30 years	2027	38.5 MW	38.5 MW capacity and energy from a co-generation facility
25 years	2033	96 MW	all the electrical energy of a wind generation facility
5 years	2014	99 MW	90% of all the electrical energy of a wind generation facility
20 years	2029	48 MW	all the electrical energy of a wind generation facility
20 years	2029	51 MW	all the electrical energy of a wind generation facility
25 years	2034	45 MW	all the electrical energy of a wind generation facility
25 years	2035	54 MW	all the electrical energy of a wind generation facility
20 years	2032	8.8 MW	all of the capacity, energy and environmental attributes generated by the generating stations

Energy Sales and Transmission Rights Assignment Agreement (ESTRA)

NB Power entered into an ESTRA in November 2012. The minimum take is 1,500,000 MWh for each of the next five years.

Coleson Cove - Fuel Supply Agreement

Supply

NB Power entered into a 10-year agreement expiring in 2020 for the supply of the fuel oil requirements for the Coleson Cove Generating Station.

Delivery

NB Power entered into a 10-year agreement expiring in 2020 for the delivery of fuel via a pipeline owned by a third party.

28. Commitments, Contingencies And Guarantees (continued)

Belledune - Fuel Supply Agreement

Supply

NB Power entered into a five year agreement expiring at the end of 2016 for the supply of the coal requirements for the Belledune Generating Station.

Delivery

The remaining coal delivery is as follows

- 2014/15 approximately 320,000 tonnes at $113 per tonne
- 2015/16 approximately 320,000 tonnes at $77.50 per tonne
- 2016/17 approximately 256,000 tonnes will be shipped at a floating rate

Gypsum Contract

NB Power entered into a 21.5-year contract expiring in 2026 to supply a third party with synthetic gypsum. In the event of a production shortfall, NB Power must pay the third party for the difference between actual gypsum supplied and the minimum amount of gypsum agreed to in the contract.

Transmission power line

To ensure financial viability of the International Power Line project, the Corporation signed Commitment Agreements with load serving entities in the Maritimes for the equivalent of long-term firm transmission reservations through fiscal 2032.

Environmental liability

The Coleson Cove Generating Station was commissioned in 1976. As part of a decommissioning study for the station, it was discovered that there are elevated levels of vanadium and nickel in the water and sediment in Shannon Brook. Shannon Brook originates on the Coleson Cove property and flows out to the Musquash Estuary. To date, the work associated with relocating material from the Phase 1 cell has been completed and work continues on the ecological risk assessment and the development of potential sediment management options for the impacted area.

Large Industrial Renewable Energy Purchases Program

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

The program is included in the Electricity Act under the renewable portfolio standard regulation and commenced January 1, 2012. There are four program agreements in place. From April 1, 2012 to March 31, 2014, 779 GWh of qualified renewable energy was purchased under the program.

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

Reduce and Shift Demand (RASD)

NB Power entered into an agreement dated July 25, 2012 as a result of the Smart Grid Initiative. The Master Services Engineering Agreement indicates that in the initial term ending September 15, 2017 (with options for subsequent renewal periods), that NB Power agrees to a minimum expenditure, subject to rights of termination and cost containment obligations, of $35 million.

Legal Proceedings

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

Statement of Generation

(millions of kWh)	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Hydro	3,079	2,585	3,582	3,132	3,221	3,172
Thermal	4,020	3,273	3,823	4,453	6,303	8,089
Nuclear	4,881	1,598	-	-	-	-
Combustion turbine	5	7	2	2	1	3
Purchases	7,989	10,595	9,780	9,546	6,772	5,295
Gross generation and purchases	19,974	18,058	17,187	17,133	16,297	16,559
Station service	684	515	355	414	491	535
Net generation and purchases	19,290	17,543	16,832	16,719	15,806	16,024
Losses - transformer and transmission	596	539	568	709	647	757
Total energy available for distribution	18,694	17,004	16,264	16,010	15,159	15,267

Statement of Sales

(millions of kWh)	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Wholesale	1,263	1,186	1,106	1,128	1,145	1,207
Industrial	4,365	4,382	4,364	4,341	4,164	4,362
General service	2,396	2,310	2,334	2,294	2,304	2,372
Residential	5,291	4,932	4,983	4,840	4,857	5,036
Street lights	73	75	75	75	75	75
Total in-province sales	13,388	12,885	12,862	12,678	12,545	13,052
Interconnections	4,966	3,725	3,132	2,994	2,326	1,891
Total sales	18,354	16,610	15,994	15,672	14,871	14,943
Distribution losses	340	394	270	338	288	324
Total energy distributed and sold	18,694	17,004	16,264	16,010	15,159	15,267

Statement of Revenue

(millions of kWh)	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Wholesale	$ 109	$ 103	$ 96	$ 97	$ 96	$ 98
Industrial	310	321	306	311	294	307
General service	278	257	271	264	254	250
Residential	607	564	569	551	540	539
Street lights	24	24	24	23	23	25
Total in-province sales of power	1,328	1,269	1,266	1,246	1,207	1,219
Interconnections	391	254	225	250	229	217
Sales of power	1,719	1,523	1,491	1,496	1,436	1,436
Mark to market gain or (loss)	-	8	-	(22)	49	(145)
Miscellaneous	78	74	65	51	59	73
Transmission revenue	-	-	90	91	91	89
Total revenue	$ 1,797	$ 1,605	$ 1,646	$ 1,616	$ 1,635	$ 1,453

Statement of In-province Generation

(millions of kWh)	2013/14	2012/13	2011/12	2010/11	2009/10
Hydro	2,667	2,550	3,324	3,066	3,205
Coal and petroleum coke	2,733	2,326	2,683	2,672	2,952
Heavy fuel oil	391	224	288	875	1,851
Nuclear	4,302	1,312	-	-	-
Purchases [1]	4,025	7,456	7,357	7,085	5,473
Net generation and purchases	14,118	13,868	13,652	13,698	13,481
Losses - transformer and transmission	596	539	568	709	647
Total energy available for distribution	13,522	13,329	13,084	12,989	12,834

Operating Statistics[1]

	2013/14	2012/13	2011/12	2010/11	2009/10
Transmission lines - km	6,863	6,849	6,849	6,848	6,841
Distribution lines - km	20,887	20,815	20,786	20,602	20,595
Residential customers	321,132	318,834	319,102	316,104	312,779
Industrial customers	1,813	1,840	1,860	1,875	1,898
General service customers	25,494	25,400	25,512	25,330	25,113
Non-metered customers	2,799	2,717	2,736	2,616	2,632
Direct customers	351,238	348,791	349,210	345,925	342,422
Indirect customers	46,264	45,794	41,981	42,010	41,861
Total customers	397,502	394,585	391,191	387,935	384,283
Positions - regular	2,349	2,276	2,283	2,343	2,509
Positions - temporary	49	77	104	117	164
Positions - Mine Reclamation Inc.	1	8	9	15	15
Total positions	2,399	2,361	2,396	2,475	2,688

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

Income Statement Summary[2]

(in millions)	2013/14	2012/13	2011/12	2010/11	2009/10
In-province sales of power	$ 1,328	$ 1,269	$ 1,266	$ 1,246	$ 1,207
Out-of-province sales of power	391	254	225	250	229
Miscellaneous revenue	78	74	65	51	59
Mark-to-market gain or (loss) on derviatives	-	8	-	-	-
Gain (loss) on mark-to-market of long-term receivable	-	-	-	(22)	49
Transmission revenue	-	-	90	91	91
Total fuel and purchased power	834	807	742	874	887
Transmission expenses	-	-	87	90	86
Operations, maintenance and administration	437	449	409	416	447
Regulatory deferral	69	(82)	(175)	(216)	(147)
Amortization and decommissioning	230	184	217	199	199
Taxes, other than special payments in lieu of income taxes	36	39	40	40	40
Finance charges	136	143	95	114	132
Impairment of long-term asset	-	-	-	-	161
Special payments in lieu of income taxes	-	-	58	32	(53)
Net (loss) earnings	$ 55	$ 65	$ 173	$ 67	$ (117)

Balance Sheet Summary March 31

(in millions)	2013/14	2012/13	2011/12	2010/11	2009/10
Assets					
Current assets	$ 681	$ 511	$ 503	$ 542	$ 613
Property, plant and equipment	4,072	4,072	3,909	3,773	3,703
Long-term assets	2,089	2,067	1,530	1,242	947
Other assets	21	39	64	75	116
Total assets	$ 6,863	$ 6,689	$ 6,006	$ 5,632	$ 5,379
Liabilities and Shareholder's Equity					
Current liabilities	$ 1,153	$ 1,346	$ 1,405	$ 1,297	$ 1,154
Long-term debt	4,567	4,370	3,469	3,417	3,481
Deferred liabilities and derivatives	744	696	678	612	570
Shareholder's equity	399	277	454	306	174
Total liabilities and shareholder's equity	$ 6,863	$ 6,689	$ 6,006	$ 5,632	$ 5,379

[2] *Certain comparative figures have been reclassified to conform to the current year's presentation*

Note: The 2013/14 and 2012/13 financial results reflect continuity of interest accounting as a result of amalgamation of the New Brunswick Group of Companies, New Brunswick Electric Finance Corporation , and New Brunswick System Operator on October 1, 2013.

Cash Flow Summary

(in millions)	2013/14	2012/13	2011/12	2010/11	2009/10
Cash flow from operations	$ 328	$ 254	$ 388	$ 293	$ 245
Change in working capital	(45)	19	53	(36)	(65)
Nuclear trust fund payments and earnings	(48)	(23)	(22)	(22)	(21)
Regulatory deferrals excluding mark-to-market adjustments	21	(129)	(215)	(224)	(230)
Other	(33)	(17)	(13)	(10)	(7)
Operating activities	223	104	191	1	(78)
Investing activities	(179)	(294)	(264)	(183)	(250)
Financing activities	(42)	185	67	188	326
Net cash (outflow) inflow	2	(5)	(6)	6	(2)
Cash & short-term investments					
Beginning of year	1	6	10	4	6
End of year	$ 3	$ 1	$ 4	$ 10	$ 4

Note: The 2013/14 and 2012/13 financial results reflect continuity of interest accounting as a result of amalgamation of the New Brunswick Group of Companies, New Brunswick Electric Finance Corporation , and New Brunswick System Operator on October 1, 2013.

Finance Charges

(in millions) [9]	2013/14	2012/13	2011/12	2010/11	2009/10
Interest expense	$222	$249	$201	$202	$197
Income from sinking funds, trust funds, and other	($89)	($38)	($22)	($21)	($22)
Debt portfolio management fee	$32	$31	$29	$28	$26
Amortization of deferred debt costs	$2	($2)	$0	$1	$3
Foreign exchange (gain) or loss	$22	$2	$0	$1	$4
Interest deferred	$0	$0	($40)	($30)	($18)
Interest capitalized	($53)	($99)	($73)	($67)	($58)
Net finance charges	$136	$143	$95	$114	$132

Financial Ratios

	2013/14	2012/13	2011/12	2010/11	2009/10
Operating margin[3]	8.8%	11.0%	18.0%	11.4%	-3.9%
Cash flow from operations / capital expenditures4	1.83	0.86	1.39	1.23	0.69
Cash flow from operations / total debt	0.07	0.05	0.09	0.07	0.06
Debt / capital[5]	95%	96%	91%	94%	96%
Interest coverage ratio [6]	1.12	0.86	1.59	1.02	(0.21)

Other Statistics

(in millions)	2013/14	2012/13	2011/12	2010/11	2009/10
Rate increase	2.0%	0.0%	0.0%	3.0%	3.0%
CPI (New Brunswick)	0.8%	1.7%	3.5%	2.1%	0.3%
GDP increases (New Brunswick)[7]	0.0%	-1.0%	0.3%	2.0%	-1.2%
Capital expenditures (millions) [8]	$179	$296	$279	$238	$356
Change in total debt (millions)	$(44)	$185	$83	$197	$339
Per cent breakdown of long-term debt					
Canadian dollar	94%	100%	100%	100%	100%
US dollar	6%	0%	0%	0%	0%
Weighted average coupon interest rate	4.6%	4.8%	4.7%	5.2%	5.2%
Canadian Dollar - March 31	0.9047	$1.016	$1.009	$1.029	$0.985

[3] *Operating margin = (net income before finance charges - debt portfolio management fee) / total revenue*
[4] *Capital expenditures are net of customer contributions*
[5] *Debt ratio = (debt) / (debt + equity), where debt =(long-term debt + short-term indebtedness + derivatives associated with debt - sinking funds receivable - cash)*
[6] *Interest coverage ratio = [net income before finance charges + (income from sinking funds,trust funds, and other investments - debt portfolio management fee)] / (interest expense)*
[7] *In its 2013/14 budget documents, the Provincial Government restated its GDP growth rates for the past years*
[8] *Capital expenditures are net of customer contributions*
[9] *Certain comparative figures have been reclassified to conform to the current year's presentation*

Note: The 2013/14 and 2012/13 financial results reflect continuity of interest accounting as a result of amalgamation of the New Brunswick Group of Companies, New Brunswick Electric Finance Corporation , and New Brunswick System Operator on October 1, 2013.

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