New Brunswick Power Corporation

Consolidated Financial Statements

March 31, 2016

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INDEPENDENT AUDITORS' REPORT

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

Your Honour,

We have audited the accompanying consolidated financial statements of New Brunswick Power Corporation, which comprise the consolidated statements of financial position as at March 31, 2016, March 31, 2015 and April 1, 2014, the consolidated statements of earnings, comprehensive income, equity and cash flows for the years ended March 31, 2016, and March 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of New Brunswick Power Corporation as at March 31, 2016, March 31, 2015 and April 1, 2014, and its consolidated financial performance and its consolidated cash flows for the years ended March 31, 2016, and March 31, 2015 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
June 14, 2016
Fredericton, Canada

New Brunswick Power Corporation
Consolidated Statement of Financial Position
(in millions)

March 31	Note	2016	2015	April 1, 2014
Assets				
Current				
Cash		**$ 2**	$ 3	$ 3
Accounts receivable	5	**235**	269	305
Materials, supplies and fuel	6	**204**	148	178
Prepaid expenses		**11**	10	8
Current portion of long-term receivable	10	**1**	1	1
Derivative assets	26	**16**	67	132
Total current assets		**469**	498	627
Non-current assets				
Property, plant and equipment	7	**4,237**	4,382	4,194
Intangible assets	8	**33**	33	36
Nuclear decommissioning and used fuel management funds	9	**673**	720	611
Long-term receivable	10	**16**	16	16
Sinking fund receivable	11	**464**	471	404
Derivative assets	26	**1**	6	25
Other assets		**2**	2	2
Total non-current assets		**5,426**	5,630	5,288
Total assets		**5,895**	6,128	5,915
Regulatory balances	12	**1,021**	1,034	1,051
Total assets and regulatory balances		**$ 6,916**	$ 7,162	$ 6,966

The accompanying notes form part of the financial statements

New Brunswick Power Corporation
Consolidated Statement of Financial Position
(in millions)

March 31	Note	2016	2015	April 1, 2014
Liabilities and equity				
Current liabilities				
Short-term indebtedness	13	**$ 855**	$ 784	$ 858
Accounts payable and accrued liabilities		**255**	262	241
Accrued interest		**41**	47	45
Current portion of long-term debt	14	**400**	580	-
Derivative liabilities	26	**95**	73	13
Total current liabilities		**1,646**	1,746	1,157
Non-current liabilities				
Long-term debt	14	**4,124**	4,025	4,567
Decommissioning and used fuel management liability	16	**739**	866	688
Post-employment benefits	17	**137**	153	140
Provisions for other liabilities and charges	18	**21**	16	13
Derivative liabilities	26	**42**	20	1
Total non-current liabilities		**5,063**	5,080	5,409
Total liabilities		**6,709**	6,826	6,566
Shareholder's equity				
Accumulated other comprehensive (loss) income		**(213)**	(72)	92
Retained earnings		**420**	408	308
Total equity		**207**	336	400
Total liabilities and equity		**$ 6,916**	$ 7,162	$ 6,966

On behalf of New Brunswick Power Corporation:

Chairman

President and Chief Executive Officer

The accompanying notes form part of the financial statements

New Brunswick Power Corporation
Consolidated Statement of Earnings

(in millions)

For the year ended March 31	Note		2016		2015
Revenue					
Sales of power					
In-province		**$**	**1,336**	$	1,374
Out-of-province			**370**		346
Miscellaneous	19		**85**		71
			1,791		1,791
Expenses					
Fuel and purchased power			**830**		825
Operations, maintenance and administration	20		**449**		419
Depreciation and amortization	21		**226**		230
Taxes	22		**41**		37
			1,546		1,511
Operating earnings			**245**		280
Finance costs	23		**286**		327
Sinking funds and other investment income			**(67)**		(123)
Mark-to-market of fair value through profit and loss investments			**1**		(41)
Net earnings before changes in regulatory balances			**25**		117
Net changes in regulatory balances	12		**(13)**		(17)
Net earnings		**$**	**12**	$	100

Consolidated statement of Comprehensive income

(in millions)

For the year ended March 31		2016		2015
Net earnings	**$**	**12**	$	100
Other comprehensive (loss) income				
Items that may be reclassified subsequently to earnings:				
Net unrealized loss on derivatives designated as cash flow hedges		**(252)**		(123)
Amortization of interest settlement		**2**		2
Net unrealized (loss) gain on mark-to-market of nuclear funds		**(15)**		45
Reclassification to income of settlement on interest rate hedge		**(8)**		-
Reclassification to income of earnings on nuclear funds		**(30)**		(46)
Reclassification to income of settled derivatives designated as cash flow hedges		**153**		(25)
		(150)		(147)
Items that will not be reclassified to earnings:				
Net actuarial gain (loss) on post-employment benefits		**9**		(17)
Other comprehensive (loss) income		**(141)**		(164)
Total comprehensive (loss) income	**$**	**(129)**	$	(64)

The accompanying notes form part of the financial statements

New Brunswick Power Corporation
Consolidated Statement of Equity
(in millions)

	Accumulated other comprehensive income (AOCI)						
	Cash flow hedges	Amortization interest settlement	Post-employ ment benefits actuarial (losses) gains	Nuclear investment funds	Total AOCI	Retained earnings	Total equity
Balance, April 1, 2014	$ 134	$ (44)	$ (55)	$ 57	$ 92	$ 308	$ 400
Net earnings for the year	-	-	-	-	-	100	100
Other comprehensive income (loss)	(148)	2	(17)	(1)	(164)	-	(164)
Balance, March 31, 2015	$ (14)	$ (42)	$ (72)	$ 56	$ (72)	$ 408	$ 336
Balance, April 1, 2015	$ (14)	$ (42)	$ (72)	$ 56	$ (72)	$ 408	$ 336
Net earnings for the year	-	-	-	-	-	12	12
Other comprehensive income (loss)	(99)	(6)	9	(45)	(141)	-	(141)
Balance, March 31, 2016	$ (113)	$ (48)	$ (63)	$ 11	$ (213)	$ 420	$ 207

The accompanying notes form part of the financial statements

New Brunswick Power Corporation
Consolidated Statement of Cash Flows

(in millions)

For the Year Ended March 31	Note	2016	2015
Operating activities			
Net earnings		**$ 12**	$ 100
Finance costs	23	**286**	327
Depreciation and amortization	21	**226**	230
Amounts charged or credited to operations not requiring a cash payment	24	**(47)**	(119)
		477	538
Net change in non-cash working capital balances	25	**(33)**	88
Interest paid		**(248)**	(250)
Post-employment benefits		**(16)**	(14)
Customer contributions		**3**	3
Cash provided by operating activities		**183**	365
Investing activities			
Expenditure on property, plant and equipment, net of proceeds on disposal		**(231)**	(264)
Nuclear investment funds withdrawals (deposits)		**40**	(7)
Cash expenditures on decommissioning		**(13)**	(11)
Cash used in investing activities		**(204)**	(282)
Financing activities			
Proceeds from long-term debt		**494**	-
Increase (decrease) in short-term indebtedness		**71**	(74)
Sinking fund installments	11	**(45)**	(46)
Sinking fund redemptions	11	**80**	37
Debt retirements	14	**(580)**	-
Cash provided by (used in) financing activities		**20**	(83)
Net cash (outflow) inflow		**(1)**	-
Cash, beginning of year		**3**	3
Cash, end of year		**$ 2**	$ 3

The accompanying notes form part of the financial statements

1. DESCRIPTION OF BUSINESS

New Brunswick Power Corporation (NB Power) is a provincially owned Crown Corporation and was established in the Province of New Brunswick in 1920. NB Power generates, purchases, transmits, distributes and sells electricity and operates under the mandate and authority of the *New Brunswick Electricity Act*. NB Power has one wholly owned subsidiary, New Brunswick Energy Marketing Corporation (NB Energy Marketing). NB Energy Marketing, also a provincial Crown Corporation, conducts energy trading activities in markets outside of New Brunswick. Its mandate is to purchase electricity to serve load in New Brunswick and outside New Brunswick and to market excess energy generated to other jurisdictions. The financial results of NB Energy Marketing are included in the consolidated financial statements of NB Power.

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

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

2. BASIS OF PREPARATION

NB Power's annual audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. These are NB Power's first financial statements prepared in accordance with IFRS and IFRS 1 *First-time application of IFRS* has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of NB Power is provided in Notes 30 and 31. These consolidated financial statements have been prepared on the historical cost basis except for the derivative instruments (see Note 26) and the nuclear decommissioning and used fuel management funds (see Note 9). These consolidated financial statements are presented in millions of Canadian dollars, which is the functional currency of NB Power. These consolidated financial statements were authorized for issue by the Board of Directors on June 14, 2016.

a. Assumptions and estimation uncertainty

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

- the application of accounting policies,
- 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, and
- the disclosure of contingent assets and liabilities.

Actual results could differ from the estimates.

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

2. BASIS OF PREPARATION (continued)

b. Estimates

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

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

c. Judgments

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

Note reference	Judgment
Note 3l	Determination of the functional currency of the subsidiary
Note 3m	Leases: whether an arrangement contains a lease and lease classification

d. New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations not yet effective at March 31, 2016 and that have not been applied in the preparation of the March 31, 2016 consolidated financial statements include:

Standard	Effective date
IFRS 9 Financial Instruments	January 1, 2017
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
IFRS 16 Leases	April 1, 2019

2. BASIS OF PREPARATION (continued)

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

IFRS 9 replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. NB Power is currently assessing the potential impact on its consolidated financial statements.

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

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

3. Significant Accounting Policies

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

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

a. *Basis of consolidation*

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

2. BASIS OF PREPARATION (continued)

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

consolidation.

3. Significant Accounting Policies (continued)

a. *Basis of consolidation (continued)*

NB Power's nuclear fund investments, the nuclear decommissioning and used fuel management funds, 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.

b. *Rate regulation*

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

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

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

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

- Allowance for funds used during construction (AFUDC),
- Point Lepreau Generating Station (PLGS) refurbishment, and
- Lawsuit settlement with Petroleos de Venezuela S.A. (PDVSA).

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

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

c. *Materials, supplies and fuel inventory*

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

3. Significant Accounting Policies (continued)

d. *Property, plant and equipment*

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

Cost of additions

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

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

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

less

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

Major inspections and overhauls

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

Borrowing costs on qualifying assets

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

Subsequent expenditures

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

(in millions)

3. Significant Accounting Policies (continued)

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

Depreciation

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

Estimated service lives

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

The categories of PP&E and estimated service lives of the components are as follows:

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

Derecognition

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

Impairment

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

e. *Intangible assets*

Intangible assets are recorded at cost or deemed cost (cost less accumulated amortization at April 1, 2014) and amortized over their estimated useful lives.

3. Significant Accounting Policies (continued)

e. *Intangible assets (continued)*

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

f. *Long-term debt*

Long-term debt is recorded at amortized cost using the effective interest method. The estimated fair value of the long-term debt is disclosed in Note 26 using market values or estimates of market values based on debt with similar terms and maturities. The unamortized balance of the discounts and premiums are included in long-term debt and amortized over the term of the debt issue to which they pertain on an effective interest basis.

g. *Decommissioning liabilities*

This describes the accounting policies related to decommissioning liabilities. It contains information on

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

Nuclear and thermal generating stations

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

NB Power reviews such calculations annually due to

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

Calculation methodology

The Nuclear Waste Management Organization (NWMO) was established by the *Nuclear Fuel Waste Act* (NFWA). The methodology used by NB Power to calculate the liability for used nuclear fuel management

3. Significant Accounting Policies (continued)

g. *Decommissioning liabilities (continued)*

Nuclear and thermal generating stations (continued)

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, 2016

- 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, 2016, and
- 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, and
- nuclear and thermal plant decommissioning.

Accretion expense

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

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

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

Water heaters

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

Calculations of anticipated costs

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

3. Significant Accounting Policies (continued)

g. *Decommissioning liabilities (continued)*

Hydro generating stations, transmission and distribution assets

NB Power has not recognized any decommissioning liabilities for hydro generating stations or transmission and distribution assets because:

- NB Power expects to use the majority of its hydro generating stations, transmission and distribution assets for an indefinite period of time.
- With either maintenance efforts or rebuilding, the assets are expected to be used for the foreseeable future. As a result, the present value of any obligation is immaterial.

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

The Mactaquac Generating Station is expected to reach the end of its service life in 2030. NB Power has identified three possible options for the station. These include:

- The repower option will see a new powerhouse and spillway constructed on the opposite side of the river.
- The no power option would rebuild a spillway on the opposite side of the river while maintaining the earthen dam. The head pond would stay intact with no generation.
- The restore the river option would remove all structures, earthen dam and allowing nature to bring the river back to natural flow.

In addition to the end-of-life options listed above, NB Power is also performing due diligence studies considering approaches to continue operation beyond 2030 with significant modifications.

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

3. Significant Accounting Policies (continued)

h. *Post-employment benefits*

NB Power's post-employment programs include:

- Province of New Brunswick Public Service Shared Risk Plan (PSSRP),
- Pension plan for NB Coal employees,
- Retirement allowance program,
- Early retirement program, and
- Other long-term benefits.

NB Power employees are members of the PSSRP.

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

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

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

The present value of the defined benefit obligations

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

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

i. *Provisions*

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

3. Significant Accounting Policies (continued)

j. *Revenues*

i. Recognizing revenues

Revenue from the sale of electricity is recognized as electricity is delivered to customers.

Billing schedule

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

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

Customer contributions

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

k. *Government grants*

Government grants are received to compensate for expenditures incurred. These grants are recognized as revenue in the period in which the expense is recognized. Government grants related to PP&E are included in PP&E and depreciated over the life of the related asset.

3. Significant Accounting Policies (continued)

l. *Foreign exchange transactions*

NB Power's functional currency is the Canadian dollar. Transactions in currencies other than the functional currency are translated as follows:

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

m. *Leases*

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

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

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

3. Significant Accounting Policies (continued)

n. *Financial instruments*

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

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

NB Power has classified its financial instruments as follows:

Financial instrument	**Classification**
Financial assets	
Cash	Loans and receivables
Accounts receivable	Loans and receivables
Long-term receivable	Loans and receivables
Sinking fund receivable	Loans and receivables
Derivative assets	Fair value through profit or loss and fair value hedging instruments
Nuclear decommissioning and used fuel management funds	
NBIMC consolidated investments	Available for sale
Investments in NBIMC unit trusts	Fair value through profit or loss
Financial liabilities	
Short-term indebtedness	Other liabilities
Accounts payable and accruals	Other liabilities
Accrued interest	Other liabilities
Long-term debt	Other liabilities
Derivative liabilities	Fair value through profit or loss and fair value hedging instruments

Loans and receivables

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

3. Significant Accounting Policies (continued)

n. *Financial instruments (continued)*

Fair value through profit or loss (FVTPL)

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

Accounting for assets and liabilities at FVTPL

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

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

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables, held-to-maturity, or financial assets at FVTPL. Available-for-sale 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, other than impairment losses and foreign currency differences, are recognized outside net earnings, in other comprehensive income - gains and losses transferred to net earnings when they are realized
without quoted market prices in an active market and whose fair value can not be reliably determined.	carried at cost

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

Other liabilities

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

3. Significant Accounting Policies (continued)

n. *Financial instruments (continued)*

Effective interest method and transaction costs

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

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

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

o. *Derivatives*

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

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

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

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

Cash flow hedges

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

3. Significant Accounting Policies (continued)

o. *Derivatives (continued)*

Documentation

To be eligible for hedge accounting, NB Power formally documents:

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

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

Accounting for cash flow hedges

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

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

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

Discontinuing hedge accounting

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

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

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 schedules of rates it proposes to charge for its services.
- NB Power must make an application with the EUB for the approval of the Open Access Transmission Tariff (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 percent on a deemed capital structure of 65 percent debt and 35 percent capital.
- NB Power submitted to the EUB for information purposes the 2014 Integrated Resource Plan, and must continue to submit one at least once every three years thereafter.
- NB Power shall submit, annually, to the EUB for information purposes a strategic, financial and capital investment plan covering the next 10 fiscal years.
- NB Power shall make application to the EUB for approval of capital projects exceeding $50 million.

Regulatory balances

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

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

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

(in millions)

5. ACCOUNTS RECEIVABLE

		2016		2015		April 1, 2014
Trade receivables	**$**	**176**	$	214	$	243
Allowance for doubtful accounts		**(6)**		(5)		(5)
Other receivables		**10**		6		13
Unbilled revenue		**55**		54		54
	$	**235**	$	269	$	305

6. MATERIALS, SUPPLIES AND FUEL

		2016		2015		April 1, 2014
Materials and supplies	**$**	**20**	$	18	$	18
Nuclear fuel		**37**		30		25
Coal		**31**		17		19
Heavy fuel oil (HFO)		**63**		38		68
Petroleum coke		**20**		16		22
Renewable energy credits		**11**		9		-
Other fuel		**22**		20		26
	$	**204**	$	148	$	178

During the year, materials, supplies and fuel were written down by $4 million (2015 - $4 million). Materials, supplies and fuel recognized as an expense during the year amounted to $207 million (2015 - $305 million).

(in millions)

7. PROPERTY, PLANT AND EQUIPMENT

	Power generating stations	Transmission system	Terminals and substations	Distribution system	Other	Construction -in- progress	Total
Cost or deemed cost							
Balance, April 1, 2014	$ 3,650	$ 201	$ 246	$ 976	$ 122	$ 161	$ 5,356
Additions	5	-	-	-	1	259	265
Decomissioning adjustments	153	-	-	-	-	-	153
Disposals	(11)	-	(1)	(19)	(6)	-	(37)
Transfers	130	12	94	48	16	(300)	-
Balance, March 31, 2015	3,927	213	339	1,005	133	120	5,737
Additions	**-**	**-**	**-**	**-**	**10**	**230**	**240**
Decommissioning adjustments	**(147)**	**-**	**-**	**-**	**-**	**-**	**(147)**
Disposals	**(266)**	**-**	**(2)**	**(14)**	**(3)**	**-**	**(285)**
Transfers	**73**	**8**	**35**	**51**	**23**	**(190)**	**-**
Balance, March 31, 2016	**$ 3,587**	**$ 221**	**$ 372**	**$ 1,042**	**$ 163**	**$ 160**	**$ 5,545**
Accumulated depreciation							
Balance, April 1, 2014	641	-	(5)	492	34	-	1,162
Depreciation expense	169	7	10	29	8	-	223
Disposals	(7)	-	(1)	(17)	(5)	-	(30)
Balance, March 31, 2015	803	7	4	504	37	-	1,355
Depreciation expense	**163**	**7**	**13**	**30**	**8**	**-**	**221**
Disposals	**(252)**	**-**	**(1)**	**(13)**	**(2)**	**-**	**(268)**
Balance, March 31, 2016	**$ 714**	**$ 14**	**$ 16**	**$ 521**	**$ 43**	**$ -**	**$ 1,308**
Carrying amount							
Balance, April 1, 2014	$ 3,009	$ 201	$ 251	$ 484	$ 88	$ 161	$ 4,194
Balance, March 31, 2015	3,124	206	335	501	96	120	4,382
Balance, March 31, 2016	**$ 2,873**	**$ 207**	**$ 356**	**$ 521**	**$ 120**	**$ 160**	**$ 4,237**

The amount of interest capitalized to PP&E in 2016 is $5 million (2015 - $6 million) at the weighted average cost of borrowing of 5.09% (2015 - 5.19%) (see also Note 23).

(in millions)

8. INTANGIBLE ASSETS

	Nepisiguit Falls-statutory rights	Software	Other	Construction-in-progress	Total
Cost or deemed cost					
Balance, April 1, 2014	$ 19	$ 12	$ 2	$ 3	$ 36
Additions	-	-	-	4	4
Balance, March 31, 2015	19	12	2	7	40
Additions	**-**	**-**	**-**	**5**	**5**
Transfers	**-**	**7**	**-**	**(7)**	**-**
Balance, March 31, 2016	**$ 19**	**$ 19**	**$ 2**	**$ 5**	**$ 45**
Accumulated amortization					
Balance, April 1, 2014	$ -	$ -	$ -	$ -	$ -
Amortization expense	1	6	-	-	7
Balance, March 31, 2015	$ 1	$ 6	$ -	$ -	$ 7
Amortization expense	**1**	**4**	**-**	**-**	**5**
Balance, March 31, 2016	**$ 2**	**$ 10**	**$ -**	**$ -**	**$ 12**
Carrying amount					
Balance April 1, 2014	$ 19	$ 12	$ 2	$ 3	$ 36
Balance March 31, 2015	18	6	2	7	33
Balance March 31, 2016	**$ 17**	**$ 9**	**$ 2**	**$ 5**	**$ 33**

9. NUCLEAR DECOMMISSIONING AND USED FUEL MANAGEMENT FUNDS

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

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

Fund Requirements

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

(in millions)

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

NB Power's Funds

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

Fund	Trustee	Purpose	Funding requirement
Decommissioning segregated fund and used nuclear fuel segregated fund	Provincial Minister of Finance	To meet the license conditions for the Point Lepreau 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 2015/16 year was nil (2014/15 - nil).
Nuclear fuel waste trust fund	BNY Mellon	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 2015/16 year was nil (2014/15 - $6 million).

Status of NB Power's Funds

The status of each fund is as follows:

	2016	2015	April 1, 2014
Nuclear decommissioning fund			
Decommissioning	**$ 308**	$ 312	$ 267
Used fuel management funds			
Used fuel management	**224**	276	236
Nuclear Fuel Waste Trust	**141**	132	108
	365	408	344
Total nuclear decommissioning and used fuel management funds	**$ 673**	$ 720	$ 611

10. LONG-TERM RECEIVABLE

In 2013, NB Power sold certain distribution assets to a third party. This transaction was partially offset by a purchase of rental water heater assets from the same third party. In 2015, NB Power sold additional distribution assets to the same third party. These transactions resulted in a long-term receivable with a net balance of $19 million ($17 million remaining at March 31, 2016), which will be collected over 20 years with interest at a rate of 3.85% per annum.

(in millions)

11. SINKING FUND RECEIVABLE

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

The following table shows the activity in the sinking fund.

	2016	2015	April 1, 2014
Sinking fund receivable, beginning of year	$ **471**	$ 404	$ 376
Sinking fund earnings	**21**	17	16
Foreign exchange gains	**7**	41	22
Installments	**45**	46	46
Redemptions	**(80)**	(37)	(56)
Sinking fund receivable, end of year	$ **464**	$ 471	$ 404

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

12. REGULATORY BALANCES

NB Power has regulatory balances totaling $1,021 million at March 31, 2016 compared to $1,034 million at March 31, 2015.

A reconciliation of the three regulatory balances is as follows:

	Remaining recovery period	Interest rate	Balance April 1, 2014	Balances arising during the year	Interest	Recovery	Balance March 31, 2015
PLGS	25	5.19%	$ 1,000	$ -	$ 51	$ (70)	$ 981
PDVSA	15	5.19%	51	22	2	(24)	51
AFUDC	50	0%	-	2	-	-	2
			$ 1,051	$ 24	$ 53	$ (94)	$ 1,034

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

(in millions)

12. REGULATORY BALANCES (continued)

Detail of the net changes in regulatory balances recognized in the consolidated statement of earnings is as follows:

		2016		2015
Allowance for funds used during construction	**$**	**-**	$	2
Lawsuit settlement PDVSA		**7**		-
Point Lepreau Generating Station		**(20)**		(19)
Net change in regulatory balances	**$**	**(13)**	$	(17)

Point Lepreau Generating Station refurbishment (PLGS)

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

NB Power has a regulatory balance relating to refurbishing PLGS. This account accumulated the following costs over the refurbishment period (March 28, 2008 to November 23, 2012)

- the normal period costs (net of any revenues) incurred by 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, and
- reflected in charges, rates and tolls to customers (section 139.4 of the *Electricity Act*).

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

For the regulatory balance related to the lawsuit settlement with PDVSA the EUB ruled how the settlement benefits would be passed on to customers.

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

- amortized over the Coleson Cove Generating Station's remaining useful life (23 years at time of the settlement; 25 years as at March 31, 2016), and
- passed on to customers over 17 years (9 years as of March 31, 2016), as approved by the EUB, on a levelized basis.

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

12. REGULATORY BALANCES (continued)

Allowance for Funds Used During Construction (AFUDC)

As at March 31, 2016, NB Power has a regulatory balance related to AFUDC for transmission assets. AFUDC represents a notional cost of capital allowance allowed by the regulator to be capitalized for rate setting purposes. This is calculated monthly on capital construction projects and added to the regulatory balance. AFUDC is based on NB Power's weighted average cost of capital and is amortized over the future life of the related asset. It is expected to be recoverable through the Open Access Transmission Tariff (OATT).

13. SHORT-TERM INDEBTEDNESS

NB Power borrows funds for temporary purposes from the Province of New Brunswick. The balance as at March 31, 2016 was $855 million (2015 - $784 million, 2014 - $858 million) with maturities ranging from April 1, 2016 to May 31, 2016 and a weighted average interest rate of 0.63%.

(in millions)

14. 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 debt,
- terms,
- interest rates,
- debt portfolio management fee, and
- principal repayments.

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

Long-term debt		**2016**
Balance April 1, 2014	$	4,567
Foreign exchange on long-term debt		40
Amortization of premiums and discounts		(2)
Balance March 31, 2015		4,605
Debt retirements		**(580)**
Proceeds from long-term debt		**494**
Foreign exchange on long-term debt		**8**
Amortization of premiums and discounts		**(3)**
Less amount reallocated to current portion		**(400)**
Balance March 31, 2016	**$**	**4,124**

(in millions)

14. LONG-TERM DEBT (continued)

Debt - advances from the Province of New Brunswick are as follows:

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Par value	Foreign exchange	Unamortized (discounts) premiums	Outstanding amount
October 1, 2013	May 15, 2020	10	10	USD 150	$ 45	$ (1)	**$ 194**
October 1, 2013	May 1, 2022	9	9	USD 100	30	(1)	**129**
October 1, 2013	December 15, 2029	6	6	$ 50	-	(1)	**49**
October 1, 2013	March 31, 2024	-	5	100	-	-	**100**
October 1, 2013	September 26, 2035	5	5	360	-	3	**363**
October 1, 2013	February 21, 2017	-	5	100	-	-	**100**
October 1, 2013	March 26, 2037	5	5	100	-	(1)	**99**
October 1, 2013	March 26, 2037	5	5	25	-	(1)	**24**
October 1, 2013	September 26, 2039	-	5	160	-	(2)	**158**
October 1, 2013	March 14, 2018	-	4	120	-	-	**120**
October 1, 2013	September 24, 2034	5	5	150	-	(1)	**149**
October 1, 2013	March 26, 2018	5	4	300	-	(4)	**296**
October 1, 2013	March 19, 2034	7	5	50	-	-	**50**
October 1, 2013	June 3, 2019	5	4	150	-	(1)	**149**
October 1, 2013	June 3, 2019	5	4	300	-	1	**301**
October 1, 2013	September 26, 2039	5	5	100	-	-	**100**
October 1, 2013	June 3, 2041	5	5	200	-	(2)	**198**
October 1, 2013	July 21, 2016	3	5	300	-	2	**302**
October 1, 2013	June 2, 2020	4	5	165	-	3	**168**
October 1, 2013	June 15, 2018	-	3	130	-	-	**130**
October 1, 2013	December 3, 2021	3	3	200	-	(1)	**199**
October 1, 2013	December 3, 2021	3	3	100	-	-	**100**
October 1, 2013	December 3, 2021	3	3	100	-	1	**101**
October 1, 2013	June 3, 2055	3	4	150	-	2	**152**
October 1, 2013	June 3, 2065	4	4	200	-	(1)	**199**
October 1, 2013	September 26, 2018	2	2	100	-	-	**100**
June 14, 2015	June 3, 2024	2	4	50	-	5	**55**
December 17, 2015	August 14, 2045	4	4	250	-	9	**259**
February 12, 2016	February 12, 2019	1	1	180	-	-	**180**
				$ 4,440	$ 75	$ 9	**$ 4,524**

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, net of the balance held in sinking funds receivable (Note 11), measured as at the beginning of the fiscal year.

(in millions)

14. LONG-TERM DEBT (continued)

Principal Repayments

Long-term debt principal repayments are due as follows:

Year Ending	**Principal Repayment**
March 31, 2017	$ 400
March 31, 2018	420
March 31, 2019	410
March 31, 2020	450
March 31, 2021	360
Thereafter	2,475
Total	$ 4,515

15. CAPITAL MANAGEMENT

NB Power's is predominantly debt financed.

The percentage of net debt in capital structure is as follows:

As at March 31	**2016**	**2015**	**April 1, 2014**
Long-term debt	**$ 4,524**	$ 4,605	$ 4,567
Short-term indebtedness	**855**	784	858
Total debt	**5,379**	5,389	5,425
Sinking fund receivable	**(464)**	(471)	(404)
Cash	**(2)**	(3)	(3)
Total net debt	**4,913**	4,915	5,018
Retained earnings	**420**	408	308
Accumulated other comprehensive (loss) income	**(213)**	(72)	92
Total capital	**$ 5,120**	$ 5,251	$ 5,418
	96%	94%	93%

16. DECOMMISSIONING AND USED FUEL MANAGEMENT LIABILITY

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

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

(in millions)

16. DECOMMISSIONING AND USED FUEL MANAGEMENT LIABILITY (continued)

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 9 for details on the funding of this liability
Used nuclear fuel management	Cost of interim and long-term management of used nuclear fuel bundles generated by the nuclear generating station	See Note 9 for details on the funding of this liability
Water heaters	Cost of the removal of rental water heaters from the customer's homes	The liability is not funded

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	Water heaters
Undiscounted amount of estimated cash flows to settle liability				
- 2016	$180	$1,034	$598	$3
- 2015	$188	$970	$631	$3
Reason for the increase or decrease of the liabilities	Decommissioning spending and changes to the liability resulting from updated cost estimates, changes to the timing of cash flows, and changes in discount rates offset by escalation	Decommissioning spending and changes to the liability resulting from updated cost estimates, changes to the timing of cash flows, and change in discount rate offset by escalation	Decommissioning spending and changes to the liability resulting from updated cost estimates, changes to timing of cash flows, and change in discount rate offset by escalation	No change
Cash expenditures required until the year	2049	2082	2172	2030
Rate used to discount cash flows				
- 2016	1.74% to 4.09%	4.67%	4.91%	3.77%
- 2015	1.96% to 3.60%	4.30%	4.63%	3.40%
Escalation rate to determine decommissioning liabilities	2.00%	2.00%	1.90% to 3.50%	2.00%

(in millions)

16. DECOMMISSIONING AND USED FUEL MANAGEMENT LIABILITY (continued)

Liabilities at year-end

A continuity schedule for each of the liabilities is as follows:

	2016	2015
Thermal generating station decommissioning liability		
Balance, beginning of year	**$ 166**	$ 165
Add: Changes to discount rates and changes in cost estimates	**(24)**	-
Add: Accretion on thermal decommissioning liability	**4**	7
Less: Expenditures	**(12)**	(6)
Balance, end of year	**134**	166
Nuclear generating station decommissioning liability		
Balance, beginning of year	**362**	233
Add: Change to discount rate and change in cost estimate	**(45)**	117
Add: Accretion on nuclear decommissioning liability	**16**	12
Less: Expenditures	**(2)**	-
Balance, end of year	**331**	362
Used fuel management liability		
Balance, beginning of year	**335**	287
Add: Change to discount rate and change in cost estimate	**(74)**	35
Add: Accretion on used fuel management liability	**16**	16
Less: Expenditures	**(6)**	(3)
Balance, end of year	**271**	335
Water heaters		
Balance, beginning of year	**3**	3
Balance, end of year	**3**	3
Total decommissioning and used fuel management liability	**$ 739**	$ 866

(in millions)

17. POST-EMPLOYMENT BENEFITS

Unfunded benefit plans

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

The table below summarizes each of these plans:

		2016		2015		April 1, 2014
Early retirement obligation	**$**	**85**	$	95	$	85
Retirement allowance obligation		**39**		47		46
Other future employee benefits obligation		**18**		18		16
		142		160		147
Current portion of early retirement obligation		**(5)**		(7)		(7)
Post-employment benefits	**$**	**137**	$	153	$	140

Assumptions

	2016 %	2015 %
Discount rate, beginning of year	3.4	4.2
Discount rate, end of year	3.8	3.4
Long-term rate of compensation increases	2.5	2.5
Assumptions for benefit increases	2.0	2.0

a. ***Early retirement***

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

Accrued benefit obligation		2016		2015		April 1, 2014
Balance, beginning of year	**$**	**95**	$	85	$	89
Employee benefit expense		**2**		4		4
Benefits paid		**(5)**		(6)		(7)
Actuarial (gain) loss		**(7)**		12		(1)
Balance, end of year	**$**	**85**	$	95	$	85

(in millions)

17. POST-EMPLOYMENT BENEFITS (continued)

a. *Early retirement (continued)*

Cost	2016	2015
Interest cost	$ **2**	$ 4
Total benefit expense for the year	$ **2**	$ 4

b. *Retirement allowance*

NB Power has an unfunded retirement allowance program. The program provides a benefit of one week of salary per year of service up to a maximum of twenty six weeks when the employee retires. The latest actuarial calculation to estimate the liability was completed as at April 1, 2012. In 2013, NB Power announced that it will be phasing out the retirement allowance. The retirement allowance program was eliminated for non-union employees and the employees in the corporate service union in 2013, which resulted in a settlement in 2015. In 2016, the Transmission and Distribution division employees were offered voluntary payouts of the accumulation of service.

Accrued benefit obligation	2016	2015	April 1, 2014
Balance, beginning of year	$ **47**	$ 46	$ 55
Employee benefit expense	**4**	5	6
Benefits paid	**(10)**	(7)	(14)
Actuarial (gain) loss	**(2)**	3	(1)
Balance, end of year	$ **39**	$ 47	$ 46

Cost	2016	2015
Current service cost	$ **2**	$ 1
Settlement loss	**1**	2
Interest cost	**1**	2
Total benefit expense for the year	$ **4**	$ 5

(in millions)

17. POST-EMPLOYMENT BENEFITS (continued)

c. *Other long-term benefits*

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

Accrued benefit obligation		2016		2015		April 1, 2014
Balance, beginning of year	**$**	**18**	$	16	$	13
Employee benefit expense		**1**		1		1
Benefits paid		**(1)**		(1)		(1)
Actuarial loss (gain)		**-**		2		3
Balance, end of year	**$**	**18**	$	18	$	16

Cost		2016		2015
Current service cost	**$**	**1**	$	1
Total benefit expense for the year	**$**	**1**	$	1

Cumulative actuarial gains (losses)

The cumulative actuarial losses recorded in other comprehensive income for NB Power's defined benefit plans are as follows:

		2016		2015		April 1, 2014
Balance, beginning of year	**$**	**(72)**	$	(55)	$	(55)
Actuarial losses on accrued benefit obligations						
- experience adjustments		**1**		1		1
- changes in actuarial assumptions		**8**		(18)		(1)
Balance, end of year	**$**	**(63)**	$	(72)	$	(55)

Funded defined benefit pension plan

The former Mine Reclamation Inc. employees are members of the Pension Plan for Employees of NB Coal Limited. The pension assets and liabilities of this plan are measured as at March 31, 2016. The most recent actuarial valuation for funding purposes for the Pension Plan for Employees of NB Coal Limited was completed as at January 1, 2014. The valuation reported plan assets equal to the accrued benefit obligation of $5 million. The next valuation for funding purposes is required to be completed as at January 1, 2017.

(in millions)

17. POST-EMPLOYMENT BENEFITS (continued)

Multi-employer pension plan

NB Power employees, are members of the Province of New Brunswick Public Service Shared Risk Plan (PSSRP), a multi-employer shared risk pension plan, as described in Note 3.h. The most recent actuarial valuation for the PSSRP was completed as at January 1, 2015. As at January 1, 2015, The PSSRP was 104.6% funded (January 1, 2014 - 100.3% funded). The valuation reported plan assets exceeding the accrued benefit obligation of $6,277 million by $290 million. The next valuation is required to be completed as at January 1, 2016.

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

Costs

Under the PSSRP, NB Power's obligations are limited to the contributions for current service. The total contributions of all participating employers and employees were approximately $236 million (January 1, 2014 - $237 million). NB Power's contributions are charged to earnings when due. The employee benefits expense for the PSSRP plan recorded in OM&A expense is as follows:

	2016	**2015**
Current service cost	**$ 25**	$ 23

NB Power expects to contribute approximately $27 million in contributions in 2017.

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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

	Land reclamation	**Environmental liability**	**Customer contributions**	**Total**
Provision for other liabilities and charges				
Balance, April 1, 2014	$ 1	$ 12	$ -	$ 13
Provisions made during the year	-	1	3	4
Provisions used during the year	-	(1)	-	(1)
Balance, March 31, 2015	1	12	3	16
Provisions made during the year	**3**	**-**	**4**	**7**
Provisions used during the year	**(1)**	**-**	**(1)**	**(2)**
Balance, March 31, 2016	**$ 3**	**$ 12**	**$ 6**	**$ 21**

(in millions)

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (continued)

Land reclamation

NB Power has an obligation to reclaim crown land as a result of NB Coal operations. The unfunded liability is equal to the net present value of the expected future costs, using a discount rate of 1.54% (2015 - 1.96%).

The total undiscounted amount of the estimated cash flows required to settle the liability is $3 million.

Environmental liability

NB Power has a long-term plan to treat acidic water drainage from an inactive mine. NB Power has recognized an unfunded environmental liability equal to the net present value of the expected future costs using a discount rate of 4.03% (2015 - 3.60%).

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

Customer contributions

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

19. MISCELLANEOUS REVENUE

	2016	**2015**
Transmission revenue	**$ 26**	$ 20
Water heater rental	**21**	20
Customer related revenues	**8**	9
Pole attachments	**3**	3
Other miscellaneous income	**27**	19
	$ 85	$ 71

20. OPERATIONS, MAINTENANCE AND ADMINISTRATION

	2016	**2015**
Salaries and benefits	**$ 219**	$ 209
Hired services	**117**	122
Materials and supplies	**31**	27
Vehicles and equipment	**26**	21
Other	**56**	40
	$ 449	$ 419

New Brunswick Power Corporation
Notes to the Financial Statements
For the Year Ended March 31, 2016
(in millions)

21. DEPRECIATION AND AMORTIZATION

		2016		2015
Depreciation	$	**221**	$	223
Amortization of intangible assets		**5**		7
	$	**226**	$	230

22. TAXES

		2016		2015
Property tax	$	**22**	$	20
Utility and right of way taxes		**19**		17
	$	**41**	$	37

23. FINANCE COSTS

		2016		2015
Interest on long-term and short-term debt	$	**212**	$	221
Accretion		**36**		36
Debt portfolio management fee		**32**		33
Foreign exchange on long-term debt		**8**		40
Interest on post employment benefits		**3**		6
Foreign exchange gains and losses		**3**		(1)
Amortization of premiums and discounts		**(3)**		(2)
		291		333
Interest capitalized during construction		**(5)**		(6)
	$	**286**	$	327

(in millions)

24. AMOUNT CHARGED OR CREDITED TO OPERATIONS NOT REQUIRING A CASH PAYMENT

	2016	2015
Nuclear fuel - used fuel management variable expense	**$ 7**	$ 5
Net changes in regulatory balances	**13**	17
Change in market value of derivatives	**(7)**	15
Nuclear decommissioning and used fuel management fund earnings	**(38)**	(104)
Sinking funds	**(28)**	(58)
Change to provisions for other liabilities and charges	**2**	2
Post-employment benefits expense	**4**	4
	$ (47)	$ (119)

25. NET CHANGE IN NON-CASH WORKING CAPITAL

	2016	2015
Accounts receivable	**$ 34**	$ 38
Materials, supplies and fuel	**(56)**	30
Prepaid expenses	**(1)**	(2)
Accounts payable and accrued liabilities	**(10)**	22
	$ (33)	$ 88

26. FINANCIAL INSTRUMENTS

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

Fair Value of Financial Instruments

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

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

(in millions)

26. FINANCIAL INSTRUMENTS (continued)

Fair Value of Financial Instruments (continued)

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

- Level 1 - Fair value determination is based on inputs that are quoted prices in active markets for identical assets or liabilities.
- Level 2 - Fair value is determined using inputs, other than quoted prices in level 1, that are observable for the financial asset or financial liability, either directly or indirectly. These inputs include quoted prices for similar financial instruments in active markets, quoted price for similar instruments that are not active, and inputs other than quoted prices that are observable for the instrument. These are inputs that are derived principally from, or corroborated by, observable market data.
- Level 3 - Fair value is determined based on internal models using inputs that are not based on observable market data. Unobservable inputs reflect subjective assumptions that market participants may use in pricing the investment.

Refer to Note 27 Market risk for the sensitivity analysis.

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

		March, 31, 2016		March 31, 2015		April 1, 2014	
	Level	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets							
Cash	1	**$ 2**	**$ 2**	$ 3	$ 3	$ 3	$ 3
Accounts receivable	1	**235**	**235**	269	269	305	305
Long-term receivable	1	**17**	**17**	17	17	17	17
Nuclear decommissioning and used fuel management funds	1 - 3	**673**	**673**	720	720	611	611
Sinking fund receivable	1	**464**	**464**	471	471	404	404
Derivative assets	2	**17**	**17**	73	73	157	157
Total financial assets		**1,408**	**1,408**	1,553	1,553	1,497	1,497
Financial liabilities							
Short-term indebtedness	1	**855**	**855**	784	784	858	858
Accounts payable and accrued liabilities	1	**255**	**255**	262	262	241	241
Accrued interest	1	**41**	**41**	47	47	45	45
Long-term debt	2	**4,524**	**5,063**	4,605	5,385	4,567	4,947
Derivative liabilities	2	**137**	**137**	93	93	14	14
Total financial liabilities		**$ 5,812**	**$ 6,351**	$ 5,791	$ 6,571	$ 5,725	$ 6,105

(in millions)

26. FINANCIAL INSTRUMENTS (continued)

Fair Value of Financial Instruments (continued)

The fair value hierarchy for the nuclear decommissioning and used fuel management funds is as follows:

Hierarchy	2016	2015	April 1 2014
Level 1	**$ 67**	$ 336	$ 473
Level 2	**578**	377	138
Level 3	**28**	7	-
	$ 673	$ 720	$ 611

Transfers between levels 1 and 2

There were no transfers between levels 1 and 2 in 2016.

Hierarchy Level 3 Investment Continuity

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

Balance April 1, 2014	$ -
Purchases	9
Sales	(2)
Balance, March 31, 2015	7
Purchases	**29**
Sales	**(9)**
Gains recognized in earnings	**1**
Balance, March 31, 2016	**$ 28**

(in millions)

26. FINANCIAL INSTRUMENTS (continued)

Derivative Financial Instruments Summary

			March 31, 2016		March 31, 2015		April 1, 2014	
	Unit of Measure	Maturing Over (Months)	Committed purchases	Weighted Average Price	Committed purchases	Weighted Average Price	Committed purchases	Weighted average price
Foreign exchange derivatives (1)	USD	36	394.3	$1.26	371	$1.1530	291	$ -
Heavy fuel oil derivatives (2)	barrels	35	0.7	63.74	1.4	59.05	-	-
Natural gas derivatives (3)	mmbtu	35	10.4	6.57	13.8	6.98	6.3	4.82
Coal derivatives (4)	MT	30	0.2	67.31	0.2	67.31	-	-
Electricity derivatives (5)	MWh	41	3.6	55.6	3.9	59.28	4.3	51.26
Interest derivatives (6)	N/A	-	-	-	200	-	-	$ -

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

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

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

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

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

(6) NB Power hedges its anticipated exposure to changes in interest rates. NB Power is hedging the variability in interest payments on forecasted long-term fixed rate debt, by entering into a bond forward as a cash flow hedge.

(in millions)

26. FINANCIAL INSTRUMENTS (continued)

Derivatives Reconciliation to Statement of Financial Position at March 31, 2016

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

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

The derivative financial instruments had a total net assets impact of ($120) million at March 31, 2016. Of the ($120) million, the retained earnings impact is ($7) million and the accumulated other comprehensive income impact is ($113) million.

	Foreign exchange contracts	Heavy fuel oil contracts	Natural gas contracts	Coal contracts	Electricity contracts	Interest rate contracts	Total
Current derivative assets	$ 16	$ -	$ -	$ -	$ -	$ -	**$ 16**
Long-term derivative assets	1	-	-	-	-	-	**1**
Current derivative liabilities	-	(14)	(24)	-	(57)	-	**(95)**
Long-term derivative liabilities	(2)	(14)	(4)	(5)	(17)	-	**(42)**
Total assets (liabilities)	$ 15	$ (28)	$ (28)	$ (5)	$ (74)	$ -	**$ (120)**

Financial Instrument Impact on Equity

The impact on equity was:

a. Derivative financial instrument impact on retained earnings

For derivative instruments that do not qualify for hedge accounting, the following table illustrates the impact on retained earnings:

	Foreign exchange contracts	Natural gas contracts	Electricity contracts	Total
Balance, April 1, 2014	$ 1	$ 1	$ 7	$ 9
Current year change	3	(1)	(4)	(2)
Hedge ineffectiveness	-	-	(13)	(13)
Balance, March 31, 2015	4	-	(10)	(6)
Current year change	**(1)**	**-**	**-**	**(1)**
Hedge ineffectiveness	**-**	**-**	**-**	**-**
Balance, March 31, 2016	**$ 3**	**$ -**	**$ (10)**	**$ (7)**

(in millions)

26. FINANCIAL INSTRUMENTS (continued)

b. Financial instrument impact on accumulated other comprehensive income

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

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

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

	Foreign exchange contracts	Heavy fuel oil contracts	Natural gas contracts	Coal contracts	Electricity contracts	Interest rate contracts	Total
Balance, April 1, 2014	$ 22	$ -	$ 12	$ -	$ 100	$ -	$ 134
Impact of mark-to-market changes	17	(13)	(29)	(1)	(104)	(18)	(148)
Balance, March 31, 2015	39	(13)	(17)	(1)	(4)	(18)	(14)
Impact of mark-to-market changes	**(27)**	**(15)**	**(11)**	**(4)**	**(60)**	**18**	**(99)**
Balance, March 31, 2016	**$ 12**	**$ (28)**	**$ (28)**	**$ (5)**	**$ (64)**	**$ -**	**$ (113)**

The following table illustrates total accumulated other comprehensive income.

	Cash flow hedges	Amortization interest settlement	Post-employment benefits actuarial gains (losses)	Nuclear investment funds	Total AOCI
Balance, April 1, 2014	$ 134	$ (44)	$ (55)	$ 57	$ 92
Impact of mark-to-market changes	(148)	2	(17)	(1)	(164)
Balance, March 31, 2015	(14)	(42)	(72)	56	(72)
Impact of mark-to-market changes	**(99)**	**(6)**	**9**	**(45)**	**(141)**
Balance, March 31, 2016	**$ (113)**	**$ (48)**	**$ (63)**	**$ 11**	**$ (213)**

(in millions)

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, and
- actively monitors the financial health of its significant counterparties, and the potential exposure to them on an on-going basis.

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

Financial assets	**2016 Fair value**	**2015 Fair value**	**April 1, 2014 Fair value**
Cash	**$ 2**	$ 3	$ 3
Accounts receivable	**235**	269	305
Long-term receivable	**17**	17	17
Nuclear decommissioning and used fuel management funds	**673**	720	611
Sinking fund receivable	**464**	471	404
Derivative assets	**17**	73	157
	$ 1,408	$ 1,553	$ 1,497

Cash

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

(in millions)

27. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

Accounts receivable

Accounts receivable are 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.

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

Accounts receivable	**2016**	**2015**	**April 1, 2014**
Trade			
Trade receivables - current	**$ 168**	$ 204	$ 234
61 - 90 days	**2**	3	3
Greater than 90 days	**6**	7	6
	176	214	243
Allowance for doubtful accounts	**(6)**	(5)	(5)
Unbilled revenue	**55**	54	54
Other receivables	**10**	6	13
	$ 235	$ 269	$ 305

<u>*Allowance for doubtful accounts*</u>

The allowance for doubtful accounts is

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

Reconciliation of allowance for doubtful accounts	**2016**	**2015**	**April 1, 2014**
Balance, beginning of year	**$ 5**	$ 5	$ 5
Increase during the year	**6**	4	4
Bad debts recovery during the year	**1**	1	1
Bad debts written off during the year	**(6)**	(5)	(5)
	$ 6	$ 5	$ 5

27. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

Concentration of credit risk

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

Long-term receivable

The long-term receivable is due from one party for the purchase of distribution assets. The receivable is collected over 20 years.

Concentration of credit risk

There is a high concentration of credit risk at March 31, 2016 in relation to the long-term receivable, as the receivable is from one counterparty. The associated credit risk is considered to be low.

Sinking fund receivable

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

Concentration of credit risk

There is a high concentration of credit risk at March 31, 2016 in relation to the sinking fund receivable, as the receivable is from one counterparty. Since the counterparty is the province of New Brunswick, the associated credit risk is considered to be low.

(in millions)

27. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Credit Risk (continued)

Derivative assets

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

NB Power

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

Concentration of credit risk

There is a concentration of credit risk at March 31, 2016 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.

Nuclear decommissioning and used fuel management funds

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

Maximum credit exposure	AA+ to AA-	A+ to A-	BBB	R - 1	Other	Total
Used fuel management fund	$ 16	$ 28	$ 7	$ 3	$ -	**$ 54**
Nuclear decommissioning fund	37	55	9	6	1	**108**
Nuclear fuel waste trust	50	69	17	1	-	**137**
	$ 103	$ 152	$ 33	$ 10	$ 1	**$ 299**

27. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

Market Risk

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

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

- foreign exchange rates
- interest rates
- commodity prices

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

The nuclear decommissioning and used fuel management funds as well as the nuclear fuel waste trust are invested in pooled funds, equities and fixed income securities. The pooled funds contain fixed income securities, domestic and international equities, infrastructure, Canadian and international real estate. These are subject to market risk and will fluctuate in value due to changes in market prices. These funds are in place to cover the expected expenditures related to the nuclear decommissioning and used fuel management obligations. The nature of the investments and level of market risk are consistent with the long-term nature of the related liability.

The following table provides a sensitivity analysis which shows the dollar value impact of small changes in various market rates and prices. The amounts shown are derived from outstanding volumes of financial instruments that existed at March 31, 2016.

	Impact on earnings	Impact on other comprehensive income
Exchange and interest rates		
1 cent change in CAD/USD exchange rate	**$ 2**	**$ 4**
0.25% change in short-term debt rates	**2**	**-**
1% change in investment yields	**16**	**9**
Commodity prices		
$5/bbl change in the price of heavy fuel oil	**-**	**4**
$1/mmbtu change in natural gas prices	**-**	**10**
$5/metric tonne change in coal prices	**1**	**-**
$5/MWh changes in electricity prices	**-**	**17**

(in millions)

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, 2016 and in future years.

			Timing of contractual cashflows				
Financial liability	**Carrying amount**	**Contractual cash flows**	**< 2 months**	**2 - 12 months**	**2018**	**2019 - 2021**	**2022 and thereafter**
Short-term indebtedness	**$ 855**	**$ 855**	$ 855	$ -	$ -	$ -	$ -
Accounts payable and accrued liabilities	**255**	**255**	255	-	-	-	-
Accrued interest	**41**	**41**	-	41	-	-	-
Derivative liabilities	**137**	**137**	10	85	27	14	1
Long-term debt	**4,524**	**4,515**	-	400	420	1,220	2,475
Interest on long-term debt	**-**	**2,521**	-	196	184	433	1,708
	$ 5,812	**$ 8,324**	$ 1,120	$ 722	$ 631	$ 1,667	$ 4,184

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

28. RELATED PARTY TRANSACTIONS

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

Sinking Fund Receivable

At March 31, 2016 NB Power has a sinking fund receivable from the Province of New Brunswick of $464 million as compared to $471 million in 2015 (Note 11).

Debt

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

Payments to the Province of New Brunswick

During the year NB Power made payments to the Province of New Brunswick for property taxes, utility taxes, and right of way taxes of $41 million, as compared to $37 million in 2015 (Note 22). NB Power also made payments to New Brunswick Investment Management Corporation related to pension plans (Note 17) and investment management fees (Note 14).

(in millions)

28. RELATED PARTY TRANSACTIONS (continued)

Key Management Personnel Compensation

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

		2016		2015
Salaries and short-term employee benefits	**$**	**4**	$	4
Post-employment benefits		**1**		1
	$	**5**	$	5

29. COMMITMENTS, CONTINGENCIES AND GUARANTEES

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

		2017		2018		2019		2020		2021		2022 and thereafter
Committed capital	$	58	$	9	$	-	$	-	$	-	$	-
Fuel contracts		22		56		57		58		59		-
Operating leases		9		9		8		7		4		8
	$	89	$	74	$	65	$	65	$	63	$	8

(in millions)

29. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

Power Purchase Agreements

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

Duration of agreement	End date	Amount of energy	Agreement to purchase
1 year	2017	42 MW	all the electrical energy of a wind generation facility
10 years	2021	280 MW	all the electrical energy produced by a combined natural gas unit during the winter period, November 1 to March 31
20 years	2024	90 MW	all the capacity and electrical energy produced by a co-generation facility
30 years	2027	38.5 MW	all the capacity and electrical energy from a co-generation facility
20 years	2029	48 MW	all the electrical energy of a wind generation facility
20 years	2029	51 MW	all the electrical energy of a wind generation facility
20 years	2032	8.8 MW	all the capacity, electrical energy, and environmental attributes generated by the generating stations
25 years	2033	96 MW	all the electrical energy of a wind generation facility
25 years	2034	45 MW	all the electrical energy of a wind generation facility
25 years	2035	54 MW	all the electrical energy of a wind generation facility

Energy Sales and Transmission Rights Assignment Agreement (ESTRA)

NB Power entered into an ESTRA in November 2012. The minimum take is 1,500,000 MWH a year for a five year period.

29. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

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.

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, 2015 to March 31, 2016, 399 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.

Legal Proceedings

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

30. EXPLANATION OF TRANSITION TO IFRS

a. Application of IFRS 1

NB Power’s consolidated financial statements have previously been prepared under Canadian General Accepted Accounting Principles (Canadian GAAP). As of April 1, 2015, NB Power adopted International Financial Reporting Standards (IFRS), and as such, these consolidated financial statements have been prepared in accordance with IFRS 1.

IFRS 1 requires specific comparative figures be presented. NB Power has presented the consolidated statement of financial position as at the current year ended March 31, 2016, as well as comparative figures as at March 31, 2015, and the opening balances as at the transition date of April 1, 2014. The consolidated statements of earnings, equity, comprehensive income, accumulated other comprehensive income and cash flows for the year ended March 31, 2016 are presented with comparative figures at March 31, 2015.

The principles of IFRS 1 generally require that first-time adopters of IFRS retrospectively apply all effective standards and interpretations in effect as at the reporting date. However, IFRS 1 also provides NB Power with certain mandatory and optional exemptions to full retrospective application. In preparing these consolidated financial statements, NB Power has applied the following relevant mandatory and optional exemptions.

30. EXPLANATION OF TRANSITION TO IFRS (continued)

b. IFRS mandatory exceptions

Significant estimates

NB Power's estimates on the transition are consistent with the estimates made for the same date under Canadian GAAP.

c. IFRS optional exceptions

Deemed cost

IFRS 1 allows regulated entity's to use the carrying amount of property plant and equipment and intangibles as the deemed cost. NB Power now carries PP&E and intangibles as at April 1, 2014 at deemed cost.

If an entity applies this exemption, at the date of transition to IFRS, it shall test for impairment each item for which this exemption is used. The assets were tested for impairment at the date of transition and it was determined that the assets were not impaired.

Leases

IFRS 1 allows first time adopters to apply the transitional provisions under IFRIC 4 *Determining whether an Arrangement Contains a Lease*. NB Power elected to determine whether arrangements existing at the date of transition to IFRS contain a lease based on the facts and circumstances at the transition date.

Business combinations

IFRS 1 allows a first time adopter to elect to not apply IFRS 3 retrospectively to past business combinations. NB Power has not restated any past business combinations.

Borrowing costs

A first time adopter is not required to restate borrowing costs that were capitalized under a previous GAAP. NB Power has elected to apply the transitional exemption and all previous years borrowing costs remain in the carrying value of PP&E.

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS

The previous Canadian GAAP consolidated financial statements have been restated to IFRS. The following consolidated financial statements explain the transition from Canadian GAAP to IFRS and how the transition affected NB Power's consolidated statements of equity, financial position, earnings, other comprehensive income and cash flows. A discussion of transitional adjustments follows the reconciliations.

Certain opening balances in the opening Canadian GAAP consolidated financial statements have been restated due to rounding.

(in millions)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

Reconciliation of consolidated statement of earnings for the year ended March 31, 2015

	IFRS Rec. Notes	Canadian GAAP	IFRS adjustments	IFRS
Revenue				
Sales of power				
In-province		$ 1,374	$ -	$ 1,374
Out-of-province		346	-	346
Miscellaneous		71	-	71
		1,791	-	1,791
Expenses				
Fuel and purchased power	(e)	826	(1)	825
Operations, maintenance and administration	(a), (b), (d), (e)	477	(58)	419
Depreciation and amortization	(b), (c), (e)	239	(9)	230
Taxes		37	-	37
		1,579	(68)	1,511
Operating earnings		212	68	280
Finance costs	(a), (e), (h), (k)	229	98	327
Sinking funds and other investment income		(123)	-	(123)
Mark-to-market of held for trading investments		(41)	-	(41)
Net earnings before changes in regulatory balances		147	(30)	117
Net changes in regulatory balances		(73)	56	(17)
Net earnings	(h), (k)	$ 74	$ 26	$ 100

(in millions)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

Reconciliation of consolidated statement of comprehensive income for the year ended March 31, 2015

	IFRS Rec. Notes	Canadian GAAP	IFRS adjustments	IFRS
Net earnings		$ 74	$ 26	$ 100
Other comprehensive (loss) income				
Items that may be reclassified subseqently to earnings:				
Net unrealized (loss) on derivatives designated as cash flow hedges		(123)	-	(123)
Amortization of interest settlement		2	-	2
Net unrealized gain on mark-to-market of nuclear funds		45	-	45
Reclassification to income of earnings on nuclear funds		(46)	-	(46)
Reclassification to income of settled derivatives designated as cash flow hedges		(25)	-	(25)
		(147)	-	(147)
Items that will not be reclassified to earnings:				
Net actuarial (loss) gain on post-employment benefits	(a)	-	(17)	(17)
Other comprehensive (loss) income		(147)	(17)	(164)
Total comprehensive (loss) income		$ (73)	$ 9	$ (64)

(in millions)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

Reconciliation of consolidated statement of financial position as at April 1, 2014

	IFRS Rec. Notes	Canadian GAAP	IFRS adjustments	IFRS
Assets				
Current				
Cash		$ 3	$ -	$ 3
Accounts receivable		305	-	305
Materials, supplies and fuel	(c)	206	(28)	178
Prepaid expenses		8	-	8
Current portion of long-term receivable		1	-	1
Derivative assets		132	-	132
Total current assets		655	(28)	627
Non-current assets				
Property, plant and equipment	(b) - (j)	4,076	118	4,194
Intangible assets	(j)	21	15	36
Nuclear decommissioning and used fuel management funds		611	-	611
Long-term receivable		16	-	16
Sinking funds receivable		404	-	404
Derivative assets		25	-	25
Other assets		2	-	2
Total non-current assets		5,155	133	5,288
Total assets		5,810	105	5,915
Regulatory balances	(k)	1,051	-	1,051
Total assets and regulatory balances		$ 6,861	$ 105	$ 6,966
Liabilities and equity				
Current liabilities				
Short-term indebtedness		$ 858	$ -	$ 858
Accounts payable and accrued liabilities	(g)	236	5	241
Accrued interest		45	-	45
Current portion of long-term debt		-	-	-
Derivative liabilities		13	-	13
Total current liabilities		1,152	5	1,157
Non-current liabilities				
Long-term debt		4,567	-	4,567
Decommissioning and used fuel management liability	(e)	635	53	688
Post-employment benefits	(a)	97	43	140
Provisions for other liabilities and charges	(e), (g)	11	2	13
Derivative liabilities		1	-	1
Total non-current liabilities		5,311	98	5,409
Total liabilities		6,463	103	6,566
Shareholder's equity				
Accumulated other comprehensive income (loss)	(a)	147	(55)	92
Retained earnings	(a) - (f)	251	57	308
Total equity		398	2	400
Total liabilities and equity		$ 6,861	$ 105	$ 6,966

(in millions)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

Reconciliation of consolidated statement of financial position as at March 31, 2015

	IFRS Rec. Notes	Canadian GAAP	IFRS adjustments	IFRS
Assets				
Current				
Cash		$ 3	$ -	$ 3
Accounts receivable		269	-	269
Materials, supplies and fuel	(c)	179	(31)	148
Prepaid expenses		10	-	10
Current portion of long-term receivable		1	-	1
Derivative assets		67	-	67
Total current assets		529	(31)	498
Non-current assets				
Property, plant and equipment	(b) - (j)	4,015	367	4,382
Intangible assets	(j)	20	13	33
Nuclear decommissioning and used fuel management funds		720	-	720
Long-term receivable		16	-	16
Sinking funds receivable		471	-	471
Derivative assets		6	-	6
Other assets		2	-	2
Total non-current assets		5,250	380	5,630
Total assets		5,779	349	6,128
Regulatory balances	(k)	1,032	2	1,034
Total assets and regulatory balances		$ 6,811	$ 351	$ 7,162
Liabilities and equity				
Current liabilities				
Short-term indebtedness		$ 784	$ -	$ 784
Accounts payable and accrued liabilities	(g)	256	6	262
Accrued interest		47	-	47
Current portion of long-term debt		580	-	580
Derivative liabilities		73	-	73
Total current liabilities		1,740	6	1,746
Non-current liabilities				
Long-term debt		4,025	-	4,025
Decommissioning and used fuel management liability	(e)	592	274	866
Post-employment benefits	(a)	99	54	153
Provisions for other liabilities and charges	(e), (g)	10	6	16
Derivative liabilities		20	-	20
Total non-current liabilities		4,746	334	5,080
Total liabilities		6,486	340	6,826
Shareholder's equity				
Accumulated other comprehensive (loss) income	(a)	-	(72)	(72)
Retained earnings	(a) - (f)	325	83	408
Total equity		325	11	336
Total liabilities and equity		$ 6,811	$ 351	$ 7,162

(in millions)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

Reconciliation of consolidated statement of equity

	IFRS Rec. Notes	April 1, 2014	March 31, 2015
Total equity under Canadian GAAP		$ 398	$ 325
IFRS Adjustments:			
Post employment benefits	(a)	(43)	(54)
Property, plant and equipment - major inspections and overhauls	(b)	8	41
Property, plant and equipment - standby equipment and spares	(c)	4	3
Property, plant and equipment - asset removal costs	(d)	-	(1)
Decommissioning liabilities	(e)	27	16
Property, plant and equipment - insurance proceeds	(f)	6	6
Total IFRS Adjustments		2	11
Total equity under IFRS		$ 400	$ 336

Reconciliation of consolidated statement of cash flows for the year ended March 31, 2015

	Canadian GAAP	IFRS adjustments	IFRS
Cash provided by (used in):			
Operating activities	$ 317	$ 48	$ 365
Investing Activities	(214)	(68)	(282)
Financing activities	(103)	20	(83)
Net increase in cash	$ -	$ -	$ -

(in millions)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

a. Post-employment benefits

Post-employment benefit plans that are classified as defined benefit plans, such as the retirement allowance and early retirement programs, are treated differently under Canadian GAAP and IFRS. Plan remeasurements that were deferred and recognized in earnings under Canadian GAAP are now recognized in other comprehensive income under IFRS. Net interest on the defined benefit obligation is charged to finance costs under IFRS as opposed to OM&A under Canadian GAAP. The impact is summarized as follows:

Consolidated statement of financial position	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Post-employment benefits	$ 43	$ 54
	43	54
Accumulated other comprehensive income	(55)	(72)
Retained earnings	12	18
	$ (43)	$ (54)

Consolidated statement of earnings	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Operations, maintenance and administration	$ -	$ (12)
Finance costs	-	6
Net earnings	$ -	$ 6

Consolidated statement of comprehensive income	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Net actuarial gain (loss) on post-employment benefits	$ -	$ (17)
Other comprehensive (loss) income	$ -	$ (17)

(in millions)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

b. Major inspections and overhauls

Under Canadian GAAP, major inspections and overhauls were considered maintenance and costs and were expensed to OM&A. Under IFRS, major inspections and overhauls are recognized in PP&E. The impact is summarized as follows:

Consolidated statement of financial position	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Property, plant and equipment	$ (22)	$ 26
Less: accumulated depreciation	(30)	(15)
	8	41
Retained earnings	8	41
	$ 8	$ 41

Consolidated statement of earnings	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Depreciation and amortization	$ -	$ 15
Operations, maintenance and administration	-	(48)
Net earnings	$ -	$ 33

(in millions)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

c. Standby equipment and spare parts

Under IFRS, standby equipment and spare parts that meet the definition of PP&E are recognized as such. Due to their nature and management's intended use, standby equipment is depreciated once it is available for use, while spare parts are depreciated once put into use. The impact is summarized as follows:

Consolidated statement of financial position	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Materials, supplies and fuel	$ (28)	$ (31)
Property, plant and equipment	39	40
Less: accumulated depreciation	7	6
	4	3
Retained earnings	$ 4	$ 3

Consolidated statement of earnings	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Depreciation and amortization	$ -	$ 1
Net earnings	$ -	$ (1)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

d. Asset removal costs

Asset removal costs are the costs of removing assets from the original location in which it was placed for its intended use. Under Canadian GAAP, some of these costs were capitalized to the related property, plant, and equipment. Under IFRS, all asset removal costs are expensed as OM&A expenditures. The impact is summarized as follows:

Consolidated statement of financial position	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Property, plant and equipment	$ -	$ -
Less: accumulated depreciation	-	1
	-	(1)
Retained earnings	-	(1)
	$ -	$ (1)

Consolidated statement of earnings	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Operations, maintenance and administration	$ -	$ 1
Net earnings	$ -	$ (1)

(in millions)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

e. Decommissioning liabilities

Under Canadian GAAP, decommissioning liability total costs and discount rates were updated when cost estimates were determined to have changed. In addition, the generation station assets were depreciated without considering estimated salvage value. Instead, the estimated salvage values were netted against the decommissioning liabilities.

Under IFRS, total estimated costs and discount rates are reassessed and updated annually, with the remeasurement impacting the liability and related PP&E. Upon transition to IFRS, decommissioning liabilities were remeasured based on management's best estimate of future costs, and updated discount rates. The generation station assets are depreciated taking into consideration the residual value of the assets. The residual value is no longer applied against the decommissioning liabilities. The impact of these changes is summarized as follows:

Consolidated statement of financial position	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Property, plant and equipment	$ 76	$ 291
Less: accumulated depreciation	(6)	(2)
	82	293
Provisions for other liabilities and charges	2	3
Decommissioning and used nuclear fuel management liability	53	274
	55	277
Retained earnings	27	16
	$ 82	$ 293

Consolidated statement of earnings	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Fuel and purchased power	$ -	$ (1)
Depreciation and amortization	-	(25)
Financing costs	-	36
Operations, maintenance and administration	-	1
Net earnings	$ -	$ (11)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

f. Insurance proceeds

In 2008, Grand Falls Generating Station and related transmission assets were damaged due to flooding and insurance proceeds were subsequently received. Under Canadian GAAP, these insurance proceeds were netted against PP&E. Under IFRS, these insurance proceeds are recognized miscellaneous revenue. The impact is summarized as follows:

Consolidated statement of financial position	Increase (decrease)	
	April 1, 2014	March 31, 2015
Property, plant and equipment	$ 8	$ 8
Less: accumulated depreciation	2	2
	6	6
Retained earnings	6	6
	$ 6	$ 6

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

g. Customer contributions

Customer contributions are funds paid by customers toward the cost of construction of physical assets to connect these customers to a utility network.

Under Canadian GAAP these contributions were netted against the related PP&E and depreciated over the estimated life of the asset, with the depreciation netted against PP&E depreciation expense.

Under IFRS non-refundable contributions are to be recognized as deferred revenue and recognized into miscellaneous revenue over the estimated life of the asset. Refundable contributions are recognized as liabilities. Upon transition, the deemed cost exemption was taken on the customer contributions classified as PP&E. From April 1, 2014 onward, non-refundable customer contributions are recognized as deferred revenue, in provisions for other liabilities and charges, and refundable customer contributions are recognized as liabilities. The impact is summarized as follows:

Consolidated statement of financial position	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Property, plant and equipment	$ 5	$ 9
Less: accumulated depreciation	-	-
	5	9
Accounts payable and accrued liabilities	5	6
Provisions for other liabilities and charges	-	3
	$ 5	$ 9

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

h. Allowance for funds used during construction

Under Canadian GAAP, NB Power capitalized the cost of debt (interest during construction) and for the transmission division the cost of equity is also capitalized (AFUDC). Under IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. A “qualifying asset” is an asset that necessarily takes a “substantial period of time” to get ready for its intended use or sale. The cost of equity does not qualify for capitalization under IFRS. Since NB Power is a regulated utility the amount of allowance for funds used during construction (equity component) is charged to a regulatory asset and depreciated over the average remaining life of the transmission assets. The impact is summarized as follows:

Consolidated statement of financial position	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Property, plant and equipment	$ -	$ (2)
Less: accumulated depreciation	-	-
	-	(2)
Regulatory balances	-	2
	-	-
	$ -	$ -

Consolidated statement of earnings	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Finance costs	$ -	$ 2
Net change in regulatory balances	-	(2)
Net earnings	$ -	$ -

(in millions)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

i. Deemed cost

NB Power is a regulated entity and as such has applied the IFRS 1 exemption on deemed cost. The impact of this exemption is as follows:

Consolidated statement of financial position	Increase (decrease)	
	April 1, 2014	March 31, 2015
Property, plant and equipment	$ (3,091)	$ (3,091)
Less: accumulated depreciation	(3,091)	(3,091)
	$ -	$ -

j. Intangible assets

Under Canadian GAAP, NB Power capitalized additions of computer software as PP&E. Under IFRS these are classified as intangible assets. The impact is as follows:

Consolidated statement of financial position	Increase (decrease)	
	April 1, 2014	March 31, 2015
Property, plant and equipment	$ (15)	$ (13)
	(15)	(13)
Intangible assets	15	13
	$ 15	$ 13

(in millions)

31. RECONCILIATIONS OF CANADIAN GAAP TO IFRS (continued)

k. Regulatory deferrals

Under Canadian GAAP, NB Power recognized the current portion of regulatory assets. Under IFRS there is no current portion recognized and the amounts are recognized as regulatory balances. As well, interest charged on regulatory balances was a credit to finance costs under Canadian GAAP. Under IFRS the interest is classified as change in regulatory balances. The impact is summarized as follows:

Consolidated statement of financial position	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Current portion regulatory asset	$ (21)	$ (20)
	(21)	(20)
Regulatory balances	21	20
	$ 21	$ 20

Consolidated statement of earnings	**Increase (decrease)**	
	April 1, 2014	**March 31, 2015**
Finance costs	$ -	$ 54
Net changes in regulatory balances	-	(54)
Net earnings	$ -	$ -