ANNUAL REPORT
2014-2015

Énergie NB Power

Generating Capacity Thermal	
Coleson Cove	972 MW
Belledune	467 MW
Total Thermal	**1,439 MW**
Generating Capacity Hydro	
Mactaquac	668 MW
Beechwood	112 MW
Grand Falls	66 MW
Tobique	20 MW
Nepisiguit Falls	11 MW
Sisson	9 MW
Milltown	3 MW
Total Hydro	**889 MW**
Generating Capacity Nuclear	
Point Lepreau	**660 MW**
Generating Capacity Combustion Turbine	
Millbank	397 MW
Ste.-Rose	99 MW
Grand Manan	29 MW
Total Combustion Turbine	**525 MW**
Total Generating Capacity	
Thermal	1,439 MW
Hydro	889 MW
Nuclear	660 MW
Cumbustion Turbine	525 MW
Total Generating Capacity	**3,513 MW**
Power Purchase Agreements (PPAs)	
Kent Hills (Wind)	150 MW*
Caribou Mountain (Wind)	99 MW*
Lamèque (Wind)	45 MW*
Bayside (Natural Gas)	285 MW
Grandview (Natural Gas)	90 MW
Twin Rivers (Biomass)	39 MW
St George (Hydro)	15 MW
Edmunston Hydro	9 MW*
Other Renewable	6 MW*
Total	**738 MW**
Number of Lines	
Distribution Lines	20,815 km
Transmission Lines	6,849 km
Exporting and Importing Capacity	
Export Capacity	2,137 MW
Import Capacity	2,378 MW
Number of Customers	
# of Direct Customers	352,208
# of Indirect Customers	45,425
Total Customers	**397,633**

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

How we power New Brunswick

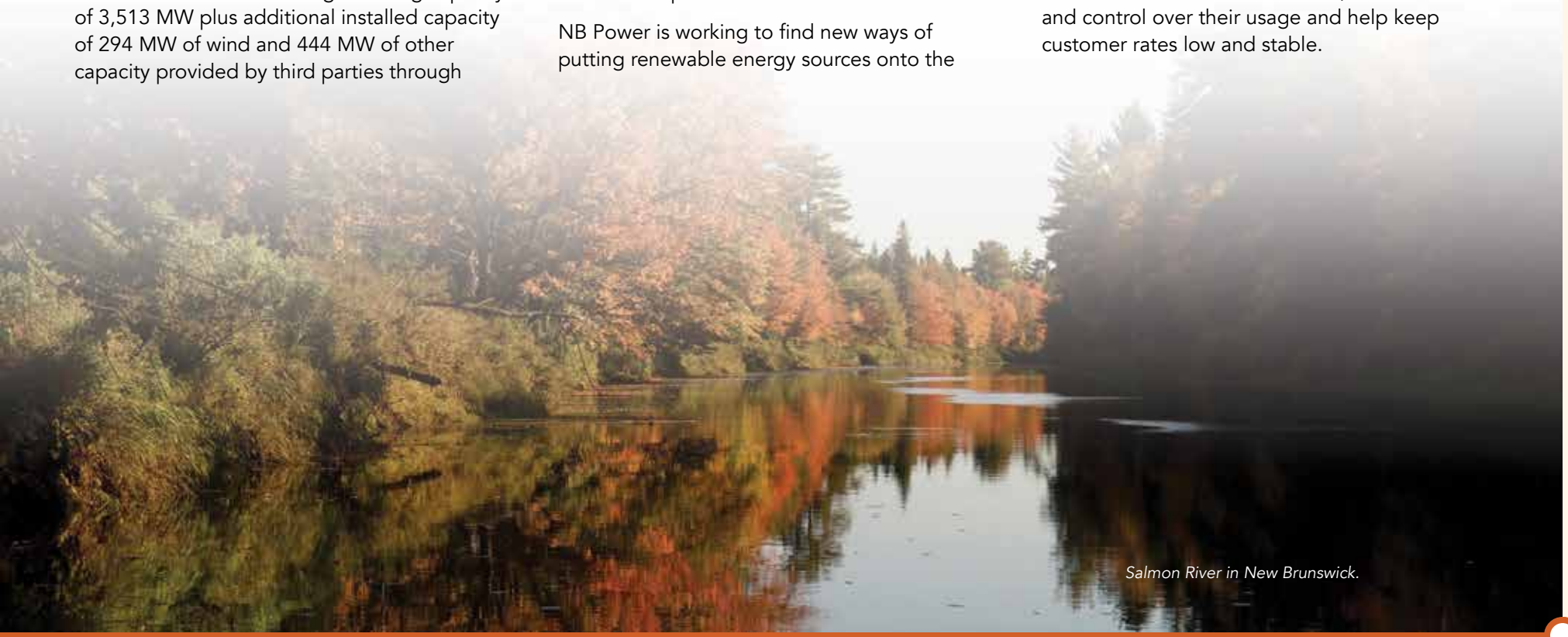
NB Power has developed one of the most diverse generation fleets in North America to meet the very unique daily and seasonal power needs of New Brunswickers. As a "winter-peaking" province, we see big swings in energy usage between summer and winter. An average summer day might see a peak system load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

We have a combined total generating capacity of 3,513 MW plus additional installed capacity of 294 MW of wind and 444 MW of other capacity provided by third parties through Power Purchase Agreements (PPAs). We also import electricity from Québec or New England when electricity markets are favorable.

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

NB Power is working to find new ways of putting renewable energy sources onto the existing grid as the Government has mandated a goal of having 40 per cent of our in-province energy come from renewable sources by 2020. Today renewable sources such as hydro, wind and biomass account for about 34 per cent of our energy.

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



Salmon River in New Brunswick.

Table of Contents

July 2015

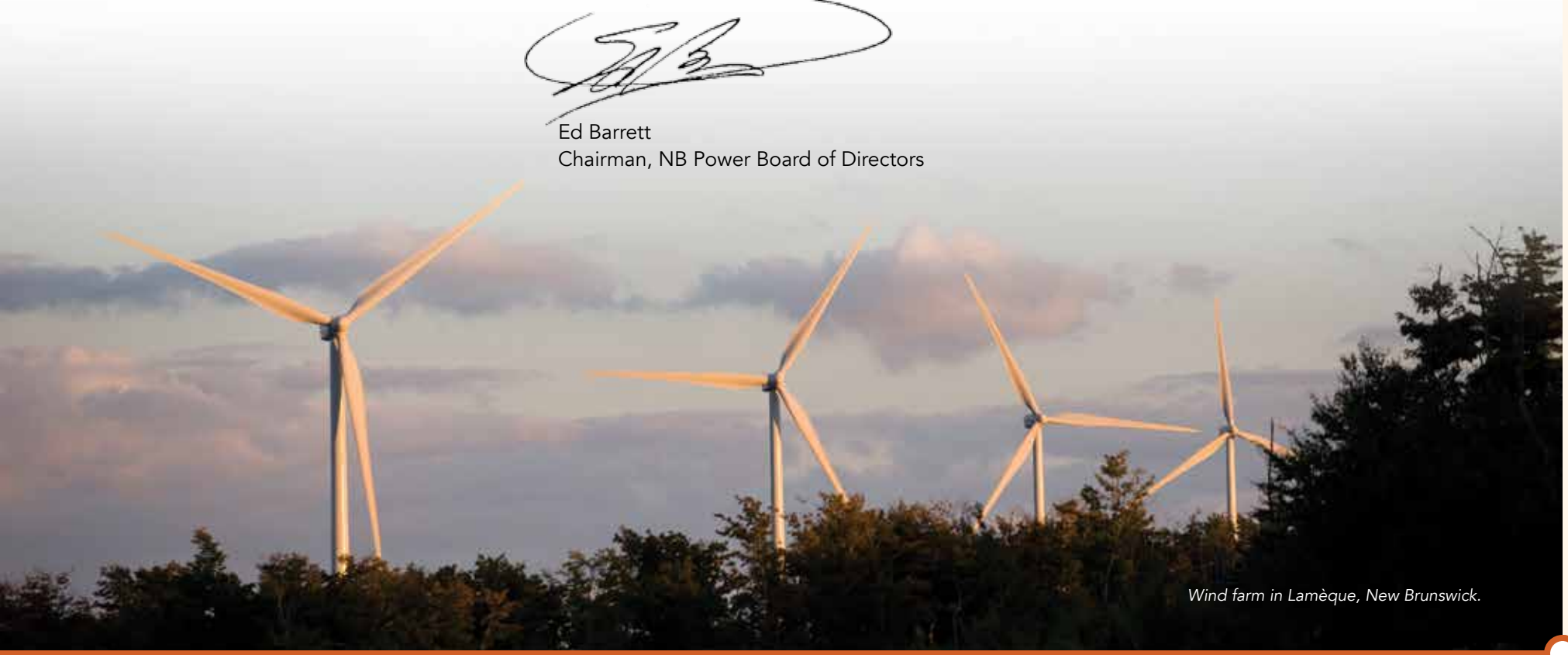
To:

Honourable Donald Arseneault
Minister of Energy and Mines
Province of New Brunswick
Fredericton, NB E3B 5H1

Sir:

I am pleased to submit the Annual Report of New Brunswick Power Corporation for the fiscal year ended March 31, 2015 in compliance with Section 42 of the *Electricity Act*.

Ed Barrett
Chairman, NB Power Board of Directors



Wind farm in Lamèque, New Brunswick.

Message from the Chairman

I am pleased to present our annual financial and operating results for 2014/15. Thanks to the hard work of our employees and the continued confidence of our customers, NB Power is transforming into the customer-driven, financially and environmentally accountable and visionary utility that New Brunswickers demand and deserve.

We understand the financial challenges New Brunswick is facing. Rest assured we are committed to overseeing the management of your public utility responsibly, reducing debt while making necessary investments to ensure a sustainable energy future for generations to come.

We consider last year's financial and operating results – continued earnings, innovative programs, improvements in customer service and progress on debt repayment - as a sign of progress.

In addition, NB Power achieved several significant milestones in 2014/15.

For the first time, NB Power involved stakeholders and the public in a plan to determine how the utility will meet New Brunswick's long-term energy supply needs. The Integrated Resource Plan is a strategic planning document, informed by public comment, which identifies how customer needs will be met during the next 25 years. Its priorities include reducing demand, encouraging efficiency, fostering local renewable projects and adding new resources while providing reliable service at low and stable rates.

In support of the goals identified in the resource plan, NB Power has initiated a new and important conversation about New Brunswick's sustainable future. The Beat the Peak community challenge, and the subsequent launch of Smart Habits, are designed to help customers reduce their energy consumption during peak times at home. Over time, the participation of our customers in energy-saving activities will help avoid costs and green our grid by reducing our reliance on fossil fuels and imported energy.

In keeping with NB Power's commitment to financial and management transparency, the utility's first 10-year strategic, financial and capital investment plan was filed with the Energy and Utilities Board in October of last year, laying out financial and business goals for the next decade.

Last summer, Post-tropical storm Arthur devastated a huge swath of New Brunswick. Strong winds and prolonged, intense rainfall caused more power outages, knocked down more trees and damaged power infrastructure in more communities than any other storm in the province's history. As chairman, I am immensely proud of the leadership role NB Power took in helping New Brunswick recover from the storm and its impacts.

Ed Barrett, Chairman, NB Power Board of Directors

As a Board of Directors, we remain committed to building on the achievements of the last year by continuing to operate NB Power efficiently, while maintaining high standards of reliability, safety and customer service that our customers and shareholder expect and laying out a challenging vision for all of NB Power's employees to pursue.

Ed Barrett,
Chairman, NB Power Board of Directors

Message from the President and CEO

Thanks to the efforts of our management and staff and favourable world markets, NB Power posted positive financial results for the fifth consecutive year in 2014/15.

Our audited financial statements report earnings of $73 million for the year ending March 31, 2015. In addition, we reduced NB Power's net debt by $103 million.

These results saw net earnings improved by gains on investments, increased cash flow from a colder winter and consistent performance at Point Lepreau Generating Station during the coldest months of the year.

These gains were made despite Post-tropical storm Arthur causing the biggest storm-related outages in New Brunswick's history and an unplanned outage at Point Lepreau late in the fiscal year.

While we focus on continued improvement in financial results, we know our customers want reliable service, especially during severe weather events.

While Arthur caused inconvenience for our customers and cost $23 million in restoration, it also provided us with the opportunity to bolster grid reliability and improve customer service through improved vegetation management and communications.

We doubled our investment in tree trimming compared to the year prior, spending $12.1 million on clearing and trimming storm-weakened trees and accelerating our program through the winter to protect customers from tree-related outages.

At the onset of winter storm season, we focused on safety and preparedness through public outreach while improving our customer outage communications with a new mapping tool.

We continued to work closely with the provincial government and non-profit partners to ensure the needs of customers are met in a coordinated and predictable way while power is being restored following an extreme weather event.

Along with storm-hardening our grid, we are also investing in our infrastructure in other ways. Last year marks the second season of enhancing system reliability with major investments in transmission lines and replacement of protection equipment at all substations. The utility's partnership with Siemens Canada is also leading to technological improvements in all parts of the New Brunswick grid, which will enable the company to identify, assess and respond to outages more quickly.

While we remain committed to reliable service, we continue to pursue our plans for reducing energy consumption and shifting peak energy demands.

In the coming year, our customers will see new and innovative products coupled with incentive programs to help them save energy at home. Our long-term goal is to help customers stop paying for electricity they don't need, which will reduce New Brunswick's reliance on fossil fuels and help avoid the need for long-term investments in new generation. That strategy is expected to save our customers nearly a billion dollars during the next 20 years.

Gaëtan Thomas, President and CEO, NB Power

In addition, we launched a new program with NS Power to work together to deliver electricity to both provinces, saving an anticipated $20 million per year between the two utilities. For the first time, we will jointly optimize our generation fleets, improving efficiency and providing long-term cost savings in both provinces.

Finding ways to work more efficiently, while reducing our energy demand will help ensure rates remain low and stable, create a more reliable and greener grid, and provide our customers with better control over their personal comfort and their monthly electric bill.

Gaëtan Thomas,
President and CEO, NB Power

Board of Directors

Effective March 31, 2015

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

The Board establishes committees on an as needed basis where it believes they add value in assisting the Board in the discharge of its duties. During fiscal 2014/15, NB Power had the following committees:

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

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

The **Environment Health and Safety Committee** assists the Board in establishing and maintaining appropriate Board policies that guide the company in respect to the outcomes to be achieved in meeting or exceeding their environmental and safety obligations.

The **Human Resources and Compensation Committee** assists the Board by overseeing NB Power's human resources and compensation practices and assisting the Board by reviewing and making recommendations to the Board.

Edward (Ed) Barrett

Norm Betts

Judith Athaide

Charles (Chuck) Firlotte

Lise Ouellette

The **Nominating, Governance and Shareholder Relations Committee** assists the Board in establishing and maintaining an effective system of corporate governance, ensuring NB Power's communications with the Shareholder are consistent with expectations and delivered in a professional and timely manner and in maintaining a full slate of directors with the appropriate personal characteristics, experience and skill sets that provide for a mix of competencies on the Board.

The **Nuclear Oversight Committee** is responsible for monitoring nuclear performance, particularly with respect to safety and operations issues, oversight of any refurbishment process and nuclear risk.

The **Strategic Plan and Communications Committee** assists the Board by monitoring progress against the Strategic Plan and ensuring appropriate communications procedures are in place to enhance corporate image.

Mark Reddemann

Barbara Trenholm

Mike Wilson

Robert (Bob) Youden

Gaëtan Thomas

Photo missing: Michael Sellman

Executive

Effective March 31, 2015

Our management team is comprised of New Brunswickers and long-time employees. Together, they are working hard to make the right decisions for our customers today and tomorrow.

Gaëtan Thomas, President and CEO

Darren Murphy, CFO and Vice President, Corporate Services

Keith Cronkhite, Vice President, Business Development and Generation

Lynn Arsenault, Vice President, Customer Service

Tony O'Hara, Chief Technology Officer and Vice President of Engineering

Sean Granville, Vice President and Chief Nuclear Officer

Sherry Thomson, Chief Human Resources Officer

Wanda Harrison, Corporate Secretary and General Counsel

Brent Staeben, Director, Marketing and Communications

Alden Briggs, Strategic Advisor to the President

About NB Power

NB Power provides all New Brunswickers with consistent, safe, reliable and sustainable energy at the lowest possible cost. Electricity is generated at 13 facilities and delivered via power lines, substations and terminals to more than 397,000 direct and indirect customers. We also export electricity to New England, Québec, Nova Scotia and Prince Edward Island through our subsidiary, New Brunswick Energy Marketing.

NB Power is the largest electric utility in Atlantic Canada and is responsible for the generation, transmission and distribution of electricity throughout New Brunswick. It has a net capacity of 3,513 MW.

NB Power has five divisions, Customer Service, Generation and Business Development, Nuclear, Transmission and System Operator and Corporate Services.

- **Customer Service** is designated as the standard supplier, responsible for securing adequate capacity and energy to meet our customers' needs in New Brunswick. It delivers safe, reliable and reasonably-priced energy to more than 397,000 direct and indirect customers by way of its 20,815 km of distribution lines and substations. The division maintains and operates 49 terminals and switchyards that are interconnected by over 6,849 km of transmission lines ranging in voltage from 69 kV to 345 kV. It also provides valuable customer services through its customer interaction centres, business and residential customer advisors and field operations resources.
- **Generation and Business Development** operates and maintains one of North America's most diverse generating systems consisting of 12 hydro, coal, oil and diesel-powered generating stations with an installed net capacity of 2,853 MW. Generation supplies approximately 75 per cent of in-province load through sales to Distribution. It also exports energy to neighbouring New England, Québec, Prince Edward Island and Nova Scotia markets.
- **Nuclear** operates and maintains a CANDU 6 - 660 MW reactor at the Point Lepreau Generating Station. The Station provides approximately 30 per cent of New Brunswick's electrical energy requirements. It also sells five per cent of its energy production to Maritime Electric Company, Limited.
- The **Technology, Engineering and System Operations** division oversees how our system is interconnected with electrical systems in North America, including Québec, Maine, Nova Scotia and Prince Edward Island, with an export capacity of 2,137 MW and an import capacity of 2,378 MW. This division is also responsible for administering Open Access Transmission Tariffs, which enable NB Power to comply with requirements of the North American Electric Reliability Corporation (NERC), and maintains reliability coordination and balancing authority for system operators in other jurisdictions. This division is also responsible for information technology, project management and governance.

Residential Customer Advisor Brent Lockhart

- **Corporate Services** provides strategic direction, communications, finance, human resources, environmental, compliance, legal, and supply chain support to the operating divisions.

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

Operating Highlights

Year in Review

Reliable performance at Point Lepreau

In May 2014, Point Lepreau Generating Station (PLGS) underwent a planned maintenance outage where workers performed a wide variety of maintenance and inspection activities on both the nuclear and conventional sides of the plant. Since the station came back online in July 2014, Point Lepreau continued to operate at 100 per cent reactor power (for 250 consecutive days including during critical cold peaking winter months) until an unplanned outage on March 19, 2015. The station underwent a temporary maintenance shutdown to make necessary repairs to a fuelling machine and reconnected to the grid on April 19. The station's net capacity factor averaged at approximately 79 per cent.

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

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

PowerShift Atlantic recognized with international award

NB Power's leadership of a Maritime-wide project to integrate more wind power onto the grid was recognized by the Peak Load Management Alliance (PLMA) in April 2014 at a ceremony in Denver, Colorado.

The PLMA Award program recognizes energy industry leaders who create innovative methods to meet peak load requirements, mitigate price risks and manage variable generation. NB Power was the only Canadian utility to be recognized with an award from PLMA last year. The PowerShift Atlantic project was honoured for representing the next evolution of demand response; a more integrated and intelligent load management process that combines various load resources, real-time load management and integration with the system operator.

Point Lepreau Nuclear Generating Station

Crews respond to Post-tropical storm Arthur in Fredericton, NB.

Responding to Post-tropical storm Arthur

Post-tropical storm Arthur lasted for 27 hours on the weekend of July 5-6, 2014 and affected a 400-km-wide area of New Brunswick, parts of Nova Scotia and Prince Edward Island. With over 100 km/h strong wind gusts and up to 143 mm of rain, it became the most damaging storm in NB Power's history with a restoration cost of $23 million.

Approximately 195,000 customers, about 60 per cent of NB Power's customer base, were affected by storm outages from 5,900 separate incidents. More than 75,000 customers were affected by multiple outages. The hardest hit areas of the province were Fredericton, Rothesay, St. Stephen, Woodstock and Miramichi. All customers who did not have damage to their home infrastructure had power restored by July 14, 2014, with the majority (80 per cent) restored within five days of Arthur. The scale of the damage prompted a whole-utility response, with staff in every part of the organization assisting with the restoration and recovery effort. In addition, contractors from New Brunswick and other jurisdictions helped clear trees and restore power, including neighbouring Hydro Québec, Maine Central Power, Nova Scotia Power, Saint John Energy, Edmundston Energy, Maritime Electric, Emera Maine and J.D. Irving Ltd.

Meeting our customers' demand for energy

In July, NB Power released the Integrated Resource Plan (IRP), a strategic planning document that identifies how the utility will meet projected customer demand for electricity during the next 25 years. NB Power will update the plan every three years to reflect new technology, changes in customer demand and updated fuel price forecasts. Each version of the IRP will involve input from the utility's customers and will be submitted to the Energy and Utilities Board. The full IRP is available on NB Power's website.

A three-year Electricity Efficiency Plan, designed to maximize benefits in the short term and establish a solid foundation for increased electricity efficiency investments in the future, was finalized in August 2014. The plan requires an investment of $57 million in electricity efficiency programs and is expected to save 106 GWh of electricity annually by 2016/17, equivalent to the annual electricity consumption of 6,500 households.

New energy partnerships created with Maine and Nova Scotia

NB Power and Houlton Water Company in Houlton, ME entered into a new partnership to build a 25 km, 69 kV transmission line and substation. The project will be 100 per cent funded by Houlton Water Company and final costs will be determined when environmental, engineering and design work are completed.

In March 2015, NB Power and NS Power announced a pilot project to work together to deliver electricity to both provinces with expected collective savings of up to $20 million per year. The two utilities will pilot a model of cooperative dispatch between the two provinces, enabling optimization of their power plants while ensuring both provinces continue to meet their renewable energy and emissions standards.

Technical review of Mactaquac Project options receives public input

As NB Power considers future options for the Mactaquac Generating Station, members of the public were invited to comment on guidelines for a Comparative Environmental Review (CER) between November 25, 2014 and January 8, 2015. The station is expected to reach the end of its operating life in 2030, and NB Power is examining how future options might impact people, the utility and the environment prior to choosing a path forward in 2016. The CER is a technical review of the potential environmental impacts of the options, modelled on the Government of New Brunswick's Environmental Impact Assessment process, and will be completed prior to NB Power choosing a path forward for the station.

Transmission lines near Fredericton, NB.

Helping customers save with Smart Habits

NB Power launched two public engagement campaigns in the last year to help New Brunswickers change their energy habits and help them save energy and money on their monthly power bills.

In January, the 'Beat the Peak' community challenge saw five communities in the greater Fredericton and Moncton areas take part in a challenge to make little switches in their home energy routines which can help reduce energy demand on the grid during peak operating times. Participants were also eligible for daily and weekly prizes, in addition to a community prize of $10,000 in energy upgrades to their local YMCA. Fredericton was the winner of this challenge.

In February, NB Power launched the Smart Habits campaign to help New Brunswickers understand how they can save energy at home through energy efficient products and services, so they can stop paying for electricity they do not need.

In the community

NB Power engaged with customers on the future of electricity in New Brunswick at a variety of events in the last year. In February 2015, NB Power took part in Let's Talk Energy Week, by hosting seminars to help New Brunswickers better understand and manage their energy use. The energy conversation continued in June 2014 alongside NB Power's education partner, The Gaia Project, during National Electricity Month. NB Power hosted a series of community events from Grand Falls to Fredericton that focused on building a cleaner energy future together with customers.

In August, NB Power returned to the Festival Acadien in Caraquet, a two-week arts and culture event that brought out thousands of Acadians to celebrate their heritage and the vitality of their culture. Employees showcased NB Power's electric vehicle program and engaged with festival patrons to learn more about the utility's efforts to conserve energy and provide more innovative services for customers.

From September 9 to14, 2014, NB Power employees also hosted a street booth at the Harvest Jazz and Blues Festival in downtown Fredericton, with support from our Smart Grid partner Siemens and their custom-made electric motorcycle, created for them by Orange County Choppers. Plug'n'Drive and The Gaia Project were also in attendance with another successful electric vehicle test drive and bike competitions for festival goers to see how much electricity they could generate through pedal power.

NB Power and the Gaia Project at the Grand Falls Potato Blossom Festival, July 2014

Improved reliability and preparedness

New Brunswick experienced several record-setting extreme weather events in calendar 2014 that resulted in significant improvements to tree trimming programs, emergency preparedness and customer communications during outages. These events included a series of damaging winter storms that caused widespread power outages in southwestern and central New Brunswick in December 2013 and January 2014, and Post-tropical storm Arthur in July 2014, which caused even more outages than the previous winter's storms.

These outage events prompted NB Power to conduct internal reviews and implement process improvements to build on strengths and enhance customer service, tree trimming programs and communications.

From November 11-17, NB Power hosted Storm Preparedness Week, with safety demonstration and the launch of a new mobile-enable outage mapping tool and safety focused web content to help customers be prepared in the event of weather-related power outages. Customers were also invited to attend one of six 'Let's talk about extreme weather' information sessions being hosted by NB Power in communities throughout the province.

Mapping tool receives National Award of Excellence

In October 2014, NB Power's online outage mapping tool was recognized by Esri Canada with a National Award of Excellence. The award acknowledged NB Power's ability to leveraging our geographic information system to create a public-facing tool that could provide more effective communications during power outages. In addition to providing critical outage information for external customers, the internal-facing application delivers a high-level planning and management view, which offers a broader operational perspective. The tool builds on the success of other internal web-based geographic information system (GIS) that have enabled NB Power to better manage field engineering, street light maintenance, cable attachments, light-emitting diode (LED) street light replacement program, vegetation management and a transmission asset browser.

NB Power and members of the Fredericton Fire Department participate in a safety demonstration as part of Storm Preparedness Week, November 2014.

Report on Performance

NB Power continues to work in pursuit of three key strategies that support our mandate from our shareholder, the Province of New Brunswick. For the last four years, our clear obligation has been to operate like a commercial enterprise, provide safe and reliable service, and to maintain and enhance shareholder value through efficient operations and long-term debt and asset management.

Our three key strategies are as follows:

Strategy One

Become among the best at what we do

NB Power will work toward being a top Quartile (in the top 25 per cent) performer as compared to public and private utilities in North America.

Strategy Two

Reduce our debt so we can invest in the future

Systematically reduce debt to ensure NB Power is in a financial position to invest in new generation when necessary to ensure stable rates for New Brunswick.

Strategy Three

Reduce and shift electricity demand

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

These strategies are also outlined in NB Power's 30-Year Strategic Plan. They are intended to allow NB Power to replace future generation as needed while taking advantage of future energy options and operating as efficiently as possible. They are also intended to help New Brunswickers understand how to reduce electricity consumption and shift demand patterns without affecting personal comfort.

During fiscal 2014/15, the fourth year of aligning its work in support of these three strategies, NB Power continued to make progress with a series of large and small projects, along with structural and operational changes and improvements.

A Smart Grid information session with Brent Staeben, Director of Marketing and Communication.

Strategy One – Become among the best at what we do

NB Power remains committed to becoming among the top performing utilities in North America. For our utility, becoming a top quartile performer means excelling in a number of critical areas, including safety, reliability, environment, financial and customer service.

Safety

In the area of safety, 2014/15 saw the continuation of our multi-year safety improvement plan built on the foundation of the Shared Safety Commitment signed in 2013 by NB Power executive representatives and the senior management team of our labour partner, International Brotherhood of Electrical Workers (IBEW) Local 37.

We are working together to develop a world-class safety culture that speaks loudly in everything we do.

For employees and leaders, we invested in developing our new model of psychological safety management. The goal is to integrate critical organizational constructs into NB Power's system of management to foster exemplary safety behaviours. At the same time, at the individual level, we are working to increase mental focus and eliminate distractions by aligning leadership and employee behaviors with safety action statements, tools and training.

For the public, NB Power promoted electrical safety through a public safety program that encourages awareness of potential electrical dangers.

In 2014/15, our public safety campaigns focused on helping New Brunswickers stay safe during extreme weather events, safe use of generators, tree trimming safety, hydro safety and the safety of contractors working around power lines.

As a nuclear utility, NB Power also recognizes the need to promote nuclear safety excellence. In support of its Nuclear Safety Policy, NB Power continued to actively monitor its nuclear safety culture and challenge itself to continuously improve.

Reliability

NB Power invested approximately 35 per cent of the total planned capital program, or $76 million, in the reliability of the electrical infrastructure last year, including projects to rebuild aging transmission and distribution lines, generator inspections and refurbishments and the replacement of critical aging enabling and support systems.

In addition, assessments and reviews of outstanding preventative maintenance work continued. This effort supported prioritization and completion of critical backlog in line with industry best practice.

Lineman working in Bathurst, NB.

In November 2014, NB Power completed a major life extension project at the Eel River High-Voltage Direct Current (HVDC) Converter station near Dalhousie, NB. The $85 million project represents a major investment in NB Power's northern New Brunswick operations, and ensures both continued reliability and the seamless import and export of approximately 350 MW of energy between Québec and New Brunswick. The 20-month project finished two weeks ahead of schedule and more than $5 million under budget.

Post-storm reviews were conducted following the major weather events of the previous year and Post-tropical storm Arthur. These reviews led to the development of plans to improve overall reliability, emergency response and preparedness. In addition, NB Power invested $12.1 million on tree trimming in 2014/15 on preventative maintenance and cleanup of thousands of trees weakened by the July tropical storm.

Part of this investment includes the use of GIS mapping to provide correlation of vegetation performance against the electrical connectivity model to improve effectiveness of vegetation programs. In addition, NB Power is continuing to evolve the use of remote sensing laser technology (LiDAR) for both transmission and distribution to further assist with the development of vegetation plans.

NB Power also made enhancements to customer communications regarding estimated restoration times and emergency response progress, and enhancements to the Corporate Emergency Response framework to improve cross-corporate coordination and communication.

Point Lepreau Generating Station (PLGS) is important to NB Power's overall success, and 2014/15 saw the implementation of a plan called Navigating for Excellence that is designed to significantly improve plant performance. This plan is focused on the areas of safety, leadership, operational, process and equipment excellence.

Between May and July 2014, PLGS underwent a planned outage to conduct a variety of maintenance and inspection activities on both the nuclear and conventional sides of the plant. Following the outage, Point Lepreau continued to operate at 100 per cent reactor power through the remainder of the fiscal year until March 19, 2015, when the plant was temporarily shut down to make repairs to a fuelling machine.

Minister of Energy and Mines, Honourable Donald Arseneault and NB Power President and CEO Gaëtan Thomas, tour the Eel River HVDC Converter Station near Dalhousie, NB.

NB Power transmission lines near Mactaquac.

Environmental

Environmental leadership is a very important element of NB Power's vision of Sustainable Electricity. NB Power has one of the most diversified generation fleet of facilities in North America. Decisions to develop hydro and biomass resources, made decades ago, and the more recent development of wind resources, have enabled NB Power to become a North American leader in diverse renewable energy generation.

The Province of New Brunswick has committed to increasing the development of further renewable energy through the creation of a new Renewable Portfolio Standard that targets 40 per cent of in-province electricity sales being provided from renewable energy. NB Power is well on its way to meeting this target. NB Power currently has 34 per cent of its in-province electricity come from renewables and a total of 72 per cent come from non-emitting sources of generation.

A decision on the future of the Mactaquac Generating Station is one of the biggest environmental and investment decisions facing NB Power over the next five years.

The Mactaquac Generating Station is expected to reach the end of its service life by 2030 due to problems with concrete expansion in all of its concrete structures. NB Power is examining how future options might impact people and the environment, along with engineering, economic and scientific considerations, and will choose a path forward in 2016.

In 2013, NB Power contributed $2.3 million in research funding to the Canadian Rivers Institute at the University of New Brunswick to support a large, multidisciplinary study intended to answer key questions about the impact of the three options on fish passage, environmental flows and whole river ecosystem.

In 2014/15, NB Power invested $6 million in engineering, environmental studies and related project work to support an informed decision regarding the preferred option for the future of Mactaquac. Public, stakeholder and First Nations engagement has already begun.

Last year, NB Power continued working with Dillon Consulting and Kingsclear First Nation Economic Development Corporation to understand the concerns and interests of Maliseet communities in New Brunswick and other aboriginal groups in relation to the project.

In addition, NB Power continued working closely with the Lower Hydro Community Liaison Committee, a cross section of community members, representatives of environmental groups, first responders and municipal representatives from the Saint John River Valley, to ensure the public and stakeholders are well-informed on station activities and the project.

Project team members have also provided many presentations to groups and the public on the status of the Mactaquac Project.

Financial

In fiscal 2014-2015, NB Power achieved its three-year objective of finding process improvement and productivity savings of $33 million on an annual, ongoing basis. As part of the utility's

commitment to continuous performance improvement, it expanded development of a formal management system using Lean Six Sigma techniques to eliminate waste and improve efficiency of processes across the company. In addition, last year NB Power identified an additional $10 million in revenue opportunities.

Finally, to improve transparency and accountability, NB Power demonstrated its entire costs, revenues and policies to stakeholders and the Energy and Utilities Board through a series of critical regulatory hearings and filings that included:

- Open Access Transmission Tariff hearing
- 10-year Capital Plan
- Integrated Resource Plan
- NB Marketing Corporation Financial Risk Management Guidelines
- 2015/16 General Rate Application.

Customer Service

Customer Service excellence in our core business builds trust and reinforces the customers' confidence in choosing NB Power's products and services. Positive customer experience is critical to support the Reduce and Shift Demand Strategy.

Last year, NB Power improved its website and customer service approaches particularly in the area of vegetation management and outage communications.

A concerted effort to improve vegetation management during the last year has resulted in a marked improvement in customer satisfaction during the last year. These efforts included improvements to the NB Power website, improved written and face-to-face customer communications by tree contractors and NB Power staff prior to trimming and better follow-up have helped dramatically increase quarterly customer satisfaction ratings, from 55 per cent satisfaction to 77 per cent during the year in question.

In addition, vegetation management teams have reduced the customer-requested work order backlog from 3,500 requests (post-Arthur) to 780 by year end, with plans in place to steadily address these.

The second year of NB Power's LED street light replacement program saw the installation of more than 20,000 new fixtures. Since the program was launched in 2013, NB Power has replaced approximately 40,000 traditional street lights with energy efficient and durable LED technology in municipalities throughout New Brunswick. The five-year program will see 72,000 street lights replaced with LED lights, saving customers money and energy. Annual savings realized to date on this project are 13,500,000 kWh.

Improvements to our net metering program have resulted in more convenience for the approximately 47 customers who generate electricity at home through solar and wind. NB Power is now using cellular meters for most of these customers, who no longer need to provide access to a phone line or receive phone calls to download meter data. In 2014, 108,000 kWh were imported onto the NB Power distribution grid by net metered customers.

Mactaquac Generating Station

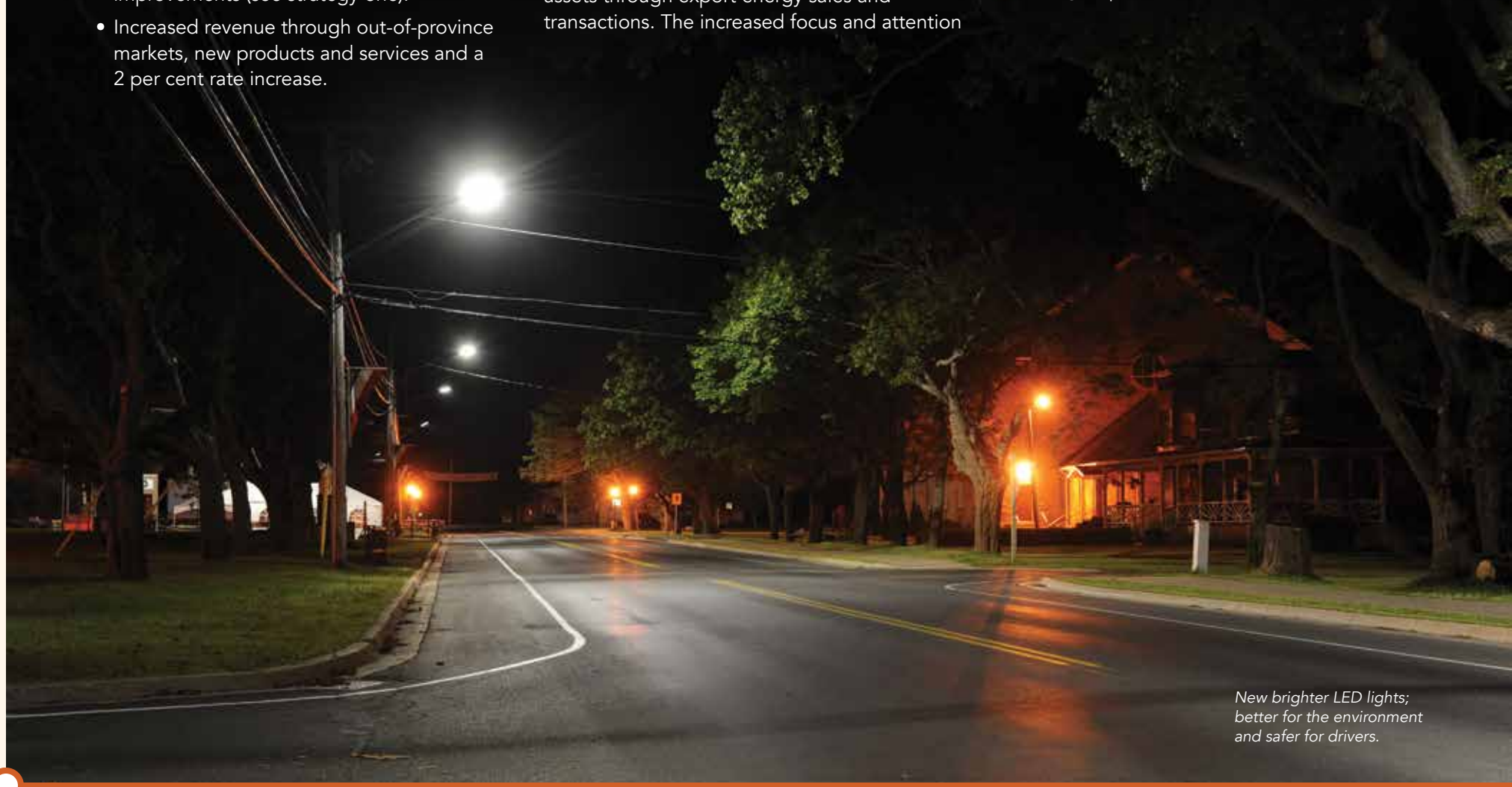
Strategy Two – Systematically reduce debt to ensure that NB Power is in a financial position to invest in new generation that will ensure stable rates for New Brunswick

In 2014/15, NB Power focused on incremental cash flow to create equity (retained earnings) while continuing to pay down debt by $103 million. The primary focus areas included:

- Continued cost reductions through process improvements (see strategy one).
- Increased revenue through out-of-province markets, new products and services and a 2 per cent rate increase.
- Effective nuclear fund investment strategies.
- Effective investment management/ governance and project management standards.

NB Power has established, by way of the new *Electricity Act*, a new, wholly-owned subsidiary, NB Energy Marketing Corporation. This organization is focused on maximizing the value of NB Power's generation and transmission assets through export energy sales and transactions. The increased focus and attention on this specialized and very competitive area of the industry will help keep rates as low as possible.

NB Power has completed the majority of the transitioning required to the nuclear investment funds asset mix to be aligned with an updated investment strategy. Over the long-term, the new investment strategy is expected to provide greater inflation protection and reduce future funding requirements.



New brighter LED lights; better for the environment and safer for drivers.

NB Power has established a leading practice investment governance process to prioritize all capital investments. In 2014/15, this process continued to help ensure investments are kept to a minimum and strategically allocated based on risk, return and support of NB Power's Strategic Plan.

Strategy Three – Invest in technology, educate customers and incent consumption that will reduce and shift demand (RASD) for electricity and ultimately defer the next significant generation investment.

NB Power's RASD strategy is a holistic organizational change approach that includes the following:

- Introduction of advanced technologies to realize peak demand reductions and to enable the shift of energy use from one time period to another.
- Education of customers to help them understand ways to better manage energy.
- Energy efficiency initiatives for all customer groups.
- The utility leading by example to modernize the electricity grid, improve operations, and provide energy products and services to our customers.
- Changes to policies, standards and codes.

The strategy represents a transformation of the traditional energy value chain and the relationship NB Power has had with our customers. It is one of the biggest and most valuable customer-focused investments NB Power will make during the next decade. The RASD strategy is synergistic with the other two strategic focuses. RASD will help achieve top quartile performance and debt reduction by maturing and increasing efficiency in key operational processes. Introducing new products, programs, tools and services for our customers, we will jointly shape the energy landscape for the province.

Throughout 2014/15, NB Power continued its 10-year partnership with Siemens Canada to integrate Smart Grid technologies and operations into the provincial electrical system. NB Power and Siemens continue to work towards building Canada's first fully-integrated 'energy internet' enabling two-way communications between customers and their homes, power plants, and distribution systems. These are fundamental changes and enhancements to the grid which will enable all energy stakeholders to benefit from a modernized, robust grid.

Last year, NB Power's RASD work focused on both energy efficiency and load shifting/peak shaving initiatives:

- Ongoing rollout of the LED street lights in municipalities throughout New Brunswick, providing highly efficient lighting while using less energy.
- Conducting a "Beat the Peak" pilot project aimed at educating New Brunswickers on how their energy use patterns cause peaks in demand twice a day, and encouraging two regions of the province to use less energy during peak time periods on the coldest days of the year.
- Opening of NB Power's RASD test lab that is being used to investigate and evaluate smart energy devices.
- The introduction of our Smart Habits consumer energy-saving brand aimed at educating and engaging New Brunswickers in their own energy habits and providing a platform for helping New Brunswickers to stop using electricity they do not need.
- Release of the production version of its software-based Virtual Power Plant (VPP) in preparation for the deployment and management of smart energy devices. The VPP provides two-way connectivity to smart devices that can be managed individually or in aggregate to provide efficiency gains for customers and to better manage the grid.
- Continuation of the electric vehicle program through the provision of additional charging stations and the participation in events introducing the vehicles to the public.
- Rollout and enhancement of energy efficiency programs in conjunction with Efficiency NB.

Financials

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

Management's discussion and analysis reviews the financial and operational results for the fiscal year ended March 31, 2015, relative to the previous year. This section should be read in conjunction with the Consolidated Financial Statements and the accompanying notes.

Contents of Management's Discussion and Analysis

Topic	Purpose
Financial and operating performance factors	Identifies and explains the effect of factors contributing to variability in earnings
Financial performance summary	Provides a summary of the year's key financial results
Significant events	Highlights significant events impacting the balance sheet and earnings results in the past year
Year over year financial results	Explains the financial results for 2014/15 including a year-over-year variance analysis
Regulatory deferrals	Explains the impact of the regulatory deferrals
Financial instruments	Explains how financial instruments impact financial results
Liquidity and capital resources	Identifies and explains changes to liquidity and capital resources
Critical accounting policies	Describes changes in accounting policies and their impact on the consolidated financial statements
Significant accounting estimates	Explains the estimates made and how they impact earnings

Financial and Operating Performance Factors

Introduction

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

Impact of Financial and Operating Performance Factors

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

Factors that Affect Financial and Operating Performance

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

Factor	Description
Nuclear based generation	Nuclear generation represents up to 25 per cent of total production through the Point Lepreau Generating Station, of which effective operation is essential for NB Power's positive financial performance. Represents • approximately 20 to 25 per cent of total supply requirements, and • approximately 0 to 5 per cent of total fuel and purchased power costs.
Purchased power contracts based on natural gas	Represents • approximately 8 to 10 per cent of total supply, and • approximately 10 to 15 per cent of the total fuel and purchased power costs. A portion of the price of NB Power's purchased power contracts is based on natural gas prices. When possible, NB Power manages this exposure by entering into forward purchase contracts for natural gas.

Financial and Operating Performance Factors (Continued)

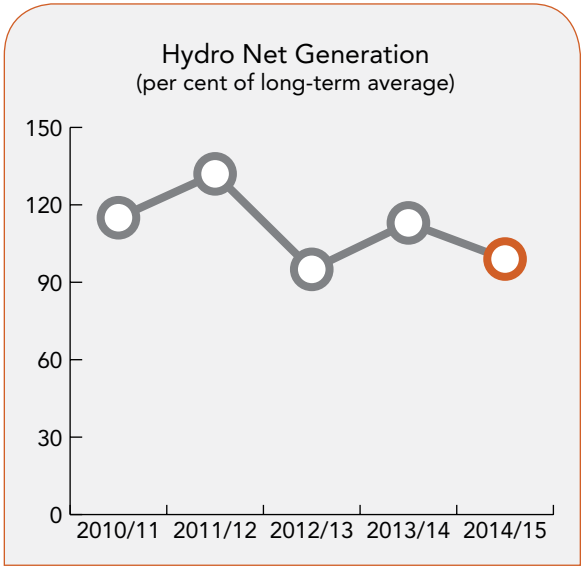
Factors that Affect Financial and Operating Performance (Continued)

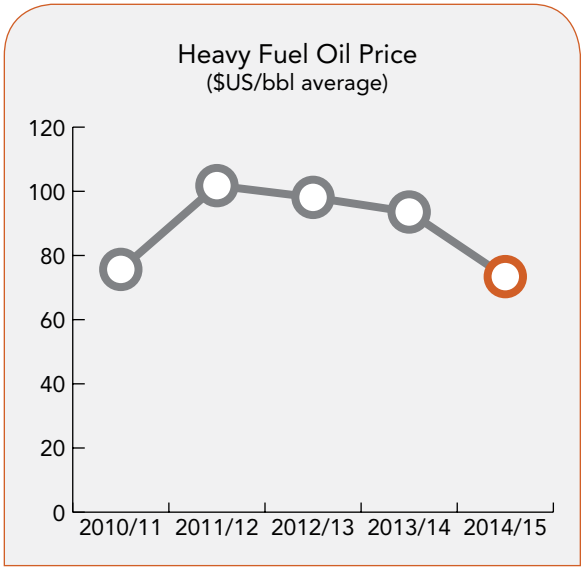
Factor	Description
Short-term energy purchases	Represents • approximately 25 to 35 per cent of total supply requirements, and • approximately 50 to 55 per cent of total fuel and purchased power costs. Depending on world oil prices, lower cost energy is purchased to displace internal oil-fired generation. Typically, NB Power enters into forward purchase contracts for energy to supply forecasted requirements.
Coal/petcoke based generation	Represents • approximately 15 to 20 per cent of total supply, and • approximately 15 to 20 per cent of the fuel and purchased power costs Coal is normally purchased through tendered contracts of one- to two-year terms. As a mixture of coal types are blended and burned, coal is procured from a number of counterparties, at indexed or firm fixed prices. Petcoke is also normally purchased through tendered contracts of one- to two- year terms. A floating price component is typically built into petcoke contracts in which the purchase price is reflective of an index price at the time the petcoke is delivered.

Financial and Operating Performance Factors (Continued)

Factors that Affect Financial and Operating Performance (Continued)

Factor (con't)	Description
Hydro based generation	Represents NB Power's lowest-cost fuel for generating electricity. It typically represents • 15 to 20 per cent of total production. The table below describes how hydro flows can increase or decrease generation costs. If hydro flows are — then NB Power below anticipated levels — uses other more expensive fuel to make up the shortfall and increases its generation costs higher than anticipated — reduces the use of expensive fuels and decreases its generation costs Hydro net generation as a percentage of the long-term average over the past 10 years has ranged from 95 to 143 per cent.
Heavy fuel oil based generation	Heavy fuel oil subject to market price fluctuations represents • approximately 0 to 5 per cent of total supply, and • 10 to 15 per cent of fuel and purchased power costs. To minimize short-to medium-term heavy fuel oil price exposure, NB Power typically enters into forward purchase contracts for its forecasted in-province and firm export heavy fuel oil requirements.
Out-of-province margins	NB Power is a price-taker in regional energy markets. Market prices in the surrounding regions are typically driven by the cost of natural gas generation. In the normal course of business, the lowest cost or must-take energy is directed to in-province use and any remaining energy is available for out-of-province sales. Subject to operating conditions, NB Power enters into forward electricity sales contracts which provides for more predictable out-of-province margins.





Financial and Operating Performance Factors (Continued)

Factors that Affect Financial and Operating Performance (Continued)

Factor (con't)	Description
Exchange rates	NB Power is exposed to foreign exchange risk when purchases of fuel and purchased power in US dollars are not offset by the revenue received in US dollars. NB Power typically enters into forward purchase contracts for US dollar requirements net of expected US dollar revenue. There was a fair amount of volatility in the Canadian dollar during the past year. The value of the Canadian dollar, against the US dollar, varied between $1.06 and $1.28 at different times of the year. Overall though, the dollar incurred a fairly steady depreciation against the US dollar, increasing from $1.12 at the start of the year to close at $1.28 by the end of the year.

Financial Performance

Introduction

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

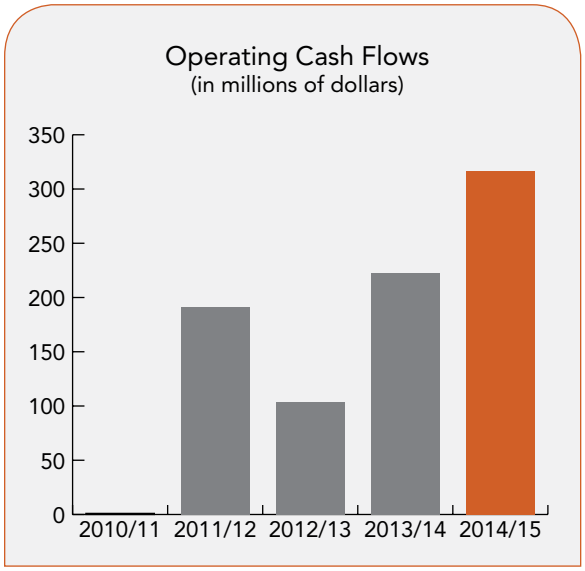
Key Measures of Financial Performance

Financial Performance (in millions)	2014/15	2013/14
Net earnings	$ 73	$ 55
Operating cash flows	$ 317	$ 223
Net capital expenditures	$ 214	$ 179
Total net debt at end of year	$4,915	$5,018
(Decrease) increase in net debt	$ (103)	$ (44)
Net change in regulatory deferrals	$ (73)	$ (69)

Financial Ratios and Percentages

Financial Ratios and Percentages	2014/15	2013/14
Gross margin	52.0%	51.5%
Operating cash flow/capital expenditures	1.48	1.25
Operating cash flow/total debt	0.06	0.04
Capital expenditures/net book value of property, plant and equipment	5%	4%
Per cent of debt in capital structure	94%	95%
Interest coverage ratio[1]	1.04	1.10

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



Financial Performance (Continued)

Highlights

NB Power's net earnings were $73 million for the year ended March 31, 2015, compared to $55 million in the prior year. The significant factors that contributed to the $18 million year-over-year variance were

- increased realized and unrealized gains on nuclear trust fund investments of $70 million
- increased gross margin of $9 million mainly due to
  - *o lower overall purchased power prices than in prior year*
  - *o higher in-province revenue due to a two per cent rate increase, colder weather, and increased load*

  partially offset by
  - *o lower out-of-province revenue as a result of lower opportunity sales to Québec, PEI, and Nova Scotia, and lower export prices due to market*
  - *o lower hydro flows (1% below long-term average in 2014/15 compared to 15% above long-term average in 2013/14)*

partially offset by

- increased operations maintenance and administration expense of $40 million in 2014/15 mainly due to higher costs associated with unplanned and extended PLGS outages and higher storm costs partially offset by lower pension expense due to conversion to shared risk model
- increased amortization and decommissioning expense of $9 million in 2014/15 mainly due to shortened life of PLGS closure plugs and streetlights being replaced with LED lights
- decreased miscellaneous revenue of $7 million in 2014/15

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

Net Debt

In 2014/15, NB Power's net debt decreased by $103 million. The decrease was mainly due to cash flow from operations partially offset by capital spending (see Liquidity and Capital Resources section for more detail).

Significant Events

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

Storms

New Brunswick experienced several large storms during fiscal 2014/15. The most notable being post-tropical storm Arthur (Arthur). Arthur lasted for 27 hours on the weekend of July 5-6, 2014 and affected a 400-km-wide area of New Brunswick, parts of Nova Scotia and Prince Edward Island. With over 100km/h strong wind gusts and up to 143 mm of rain, it became the most damaging storm in NB Power's history with total costs of $23 million. Approximately 195,000 customers – 60 per cent of NB Power's customer base – were affected by multiple outages. There were also several large Nor'Easters during winter 2014/15 that brought heavy snow, ice, and high winds resulting in several outages.

Revised Investment Strategy for Nuclear Funds

The 2014/15 year includes investment gains of $49 million incurred on the transition of investments to align with a revised investment strategy being implemented. The investment portfolio is being transitioned to a more diversified asset mix to provide better inflation protection and reduce future expected contributions over the long-term.

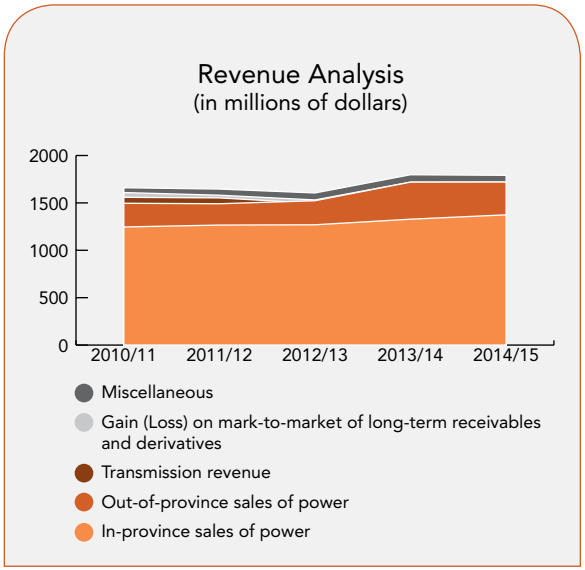
Year-Over-Year Results - Revenues

Introduction

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

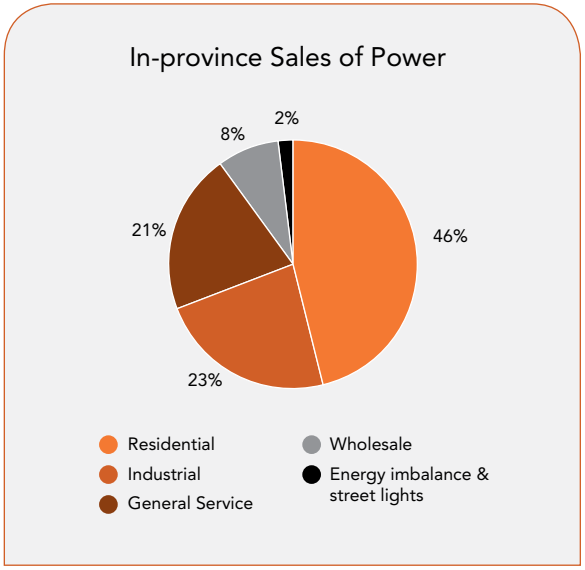
Revenue Overview

Revenue Overview (in millions)	2014/15	2013/14
Sales of power		
In-province	$1,374	$1,328
Out-of-province	346	391
Miscellaneous	71	78
Total revenues	$1,791	$1,797
Per cent (decrease) increase year-over-year	(-%)	12%



In-province Sales of Power

In-province sales of power (in millions)	2014/15	2013/14
Residential	$ 635	$ 607
Industrial	318	310
General service	285	278
Wholesale	112	109
Street lights	24	24
Total	$1,374	$1,328
Per cent increase year-over-year	3%	5%
GWh	13,648	13,388
Per cent increase year-over-year	2%	2%



Year-Over-Year Results - Revenues (Continued)

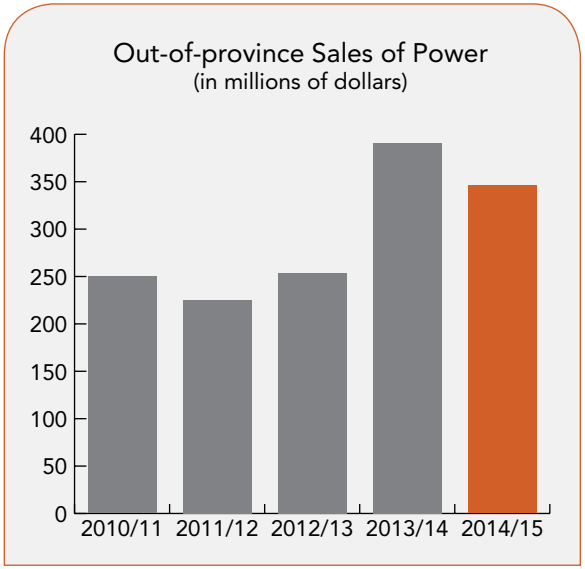
Major contributors to year-over-year in-province sales variance

In-province sales of power totaled $1,374 million in 2014/15, representing a $46 million or three per cent increase compared to 2013/14. The main contributors to the year-over-year variance were as follows

Revenues	By this amount	Due to
Contributing factors		
increased	$46 million	October 1, 2014 two per cent rate increase, colder weather, increased residential, industrial, general service, and wholesale load

Out-of-province Sales of Power

(in millions)	2014/15	2013/14
Revenue	$346	$391
Per cent (decrease) increase	(12%)	54%
GWh	4,575	4,966
Per cent (decrease) increase year-over-year	(8%)	41%



Year-Over-Year Results - Revenues (Continued)

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

In 2014/15, out-of-province sales of power decreased by $45 million or 12 per cent compared to 2013/14. The main contributors to the year-over-year variance were:

Revenues	By this amount	Due to
Contributing factors		
(decreased)	($31 million)	lower volumes mainly due to less opportunity sales to Québec, PEI, and Nova Scotia
(decreased)	($14 million)	lower market prices

Miscellaneous Revenue

Miscellaneous revenue consists primarily of

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

Major contributors to miscellaneous revenue variance

Miscellaneous revenue was $71 million in 2014/15, a decrease of $7 million compared to 2013/14. This decrease was mainly due to proceeds from warranty claim, associated with the nuclear closure plugs, in prior year.

Year-Over-Year Results - Expenses

Introduction

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

Expenses Overview

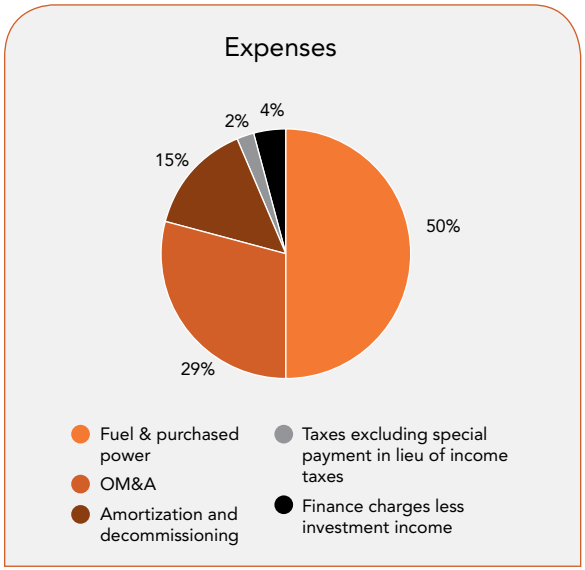
Expenses (in millions)	2014/15		2013/14	
	$	%	$	%
Fuel and purchased power	$ 826	50%	$ 834	50%
Operations, maintenance & administration	477	29	437	26
Amortization and decommissioning	239	15	230	14
Taxes	37	2	36	2
Finance charges	229	14	223	13
Sinking funds and other investment income	(122)	(7)	(87)	(5)
Mark-to-market gains of held-for-trading investments	(41)	(3)	-	-
Total	$1,645	100%	$1,673	100%
Per cent (decrease) increase year-over-year		(2%)		3%

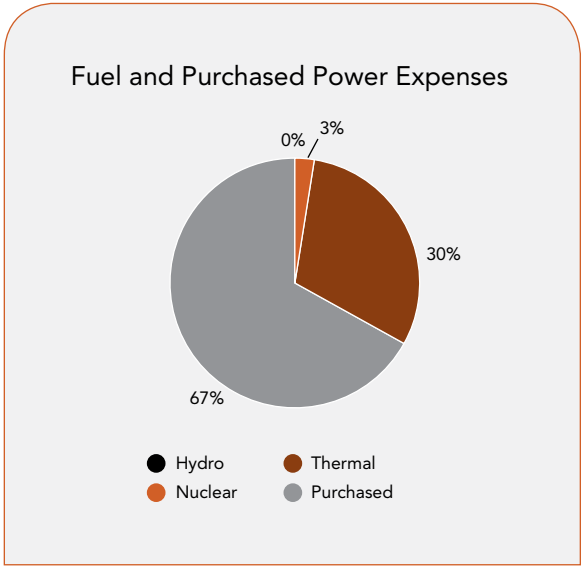
Major contributors to year-over-year expense variance

Total expenses decreased by $28 million to $1,645 million in 2014/15. The variances are included in the following tables.

Fuel and Purchased Power

Fuel and Purchased Power (in millions)	2014/15		2013/14	
	$	%	$	%
Hydro	0	0	0	0
Nuclear	22	3	23	3
Thermal	253	30	231	28
Purchases	551	67	580	69
Total	$826	100%	$834	100%
Per cent (decrease) increase year-over-year		(1%)		3%





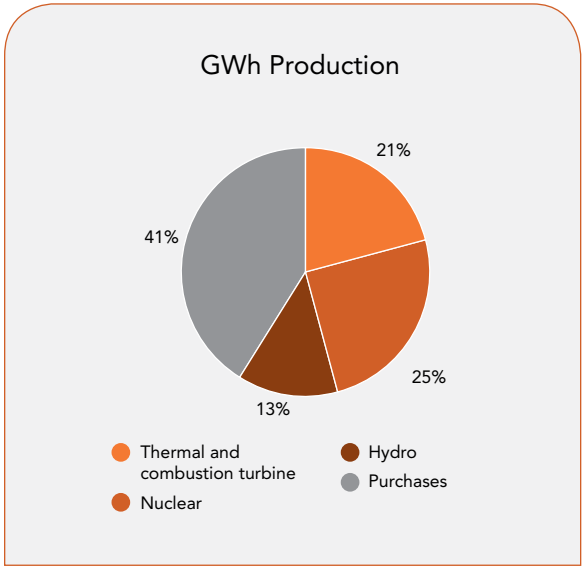
Year-Over-Year Results - Expenses (Continued)

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

The cost of fuel and purchased power was $826 million in 2014/15, a decrease of $8 million or one per cent from 2013/14.

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

Fuel and purchased power expenses	By this amount	Due to
Contributing factors		
(decreased)	($20 million)	lower supply costs due to lower purchase prices in 2014/15
(decreased)	($16 million)	lower overall volumes required
Offsetting factors		
increased	$28 million	lower hydro flows



Year-Over-Year Results - Expenses (Continued)

Operations, Maintenance and Administration

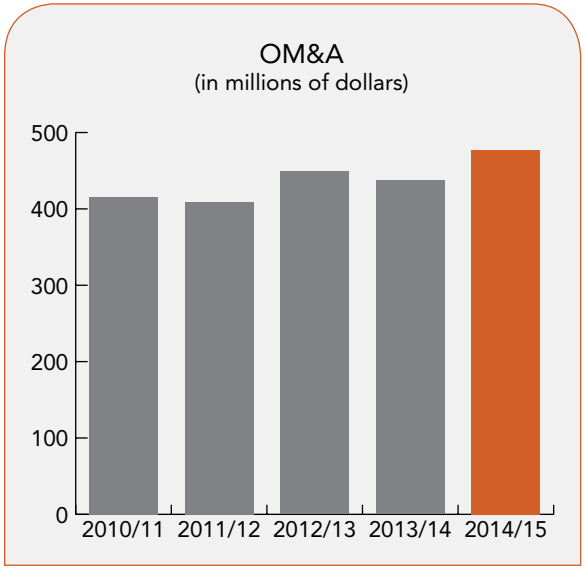
The table below shows the operations, maintenance and administration expenses compared with previous year.

Operations, maintenance and administration (in millions)	2014/15	2013/14
Operations, maintenance and administration expenses	$477	$437
Per cent increase (decrease) year-over-year	9%	(3%)

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

Operations, maintenance and administration costs were $477 million in 2014/15, a $40 million or nine per cent increase compared to 2014/15. The significant changes were

Operations, maintenance and administration expenses	By this amount	Due to
Contributing factors		
increased	$28 million	higher costs associated with PLGS planned and forced outages, and an increased effort to improve equipment reliability by reducing backlogged maintenance work orders
increased	$18 million	higher costs associated with storms
increased	$7 million	higher costs associated with thermal plant planned and forced outages
Offsetting factors		
(decreased)	($14 million)	lower pension expense due to change to shared risk model



Year-Over-Year Results - Expenses (Continued)

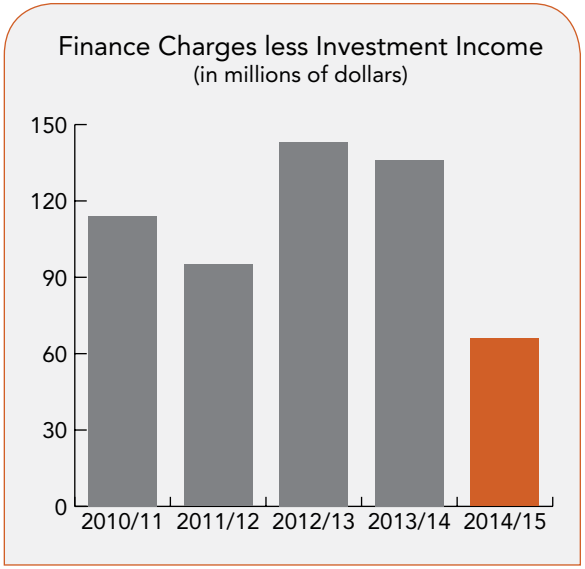
Finance Charges less Investment Income

Finance Charges (in millions)	2014/15	2013/14
Finance charges	$229	$223
Sinking funds and other investment income	(122)	(87)
Mark-to-market of held-for-trading investments	(41)	-
Finance charges less investment income	$ 66	$136
Per cent (decrease) year-over-year	(51%)	(5%)

Contributing factors to changes in finance charges less investment income

Finance charges less investment income were $66 million in 2014/15 a $70 million or 51 per cent decrease from 2013/14. This was mainly due to

Finance charges less investment income	By this amount	Due to
Contributing factors		
(decreased)	($70 million)	higher income on sinking funds, realized and unrealized gain on nuclear funds as a result of transitioning investments as part of a revised investment strategy, lower long-term debt levels outstanding during 2014/15, more interest charged to deferrals partially offset by higher foreign exchange on U.S. debt



Year-Over-Year Results - Expenses (Continued)

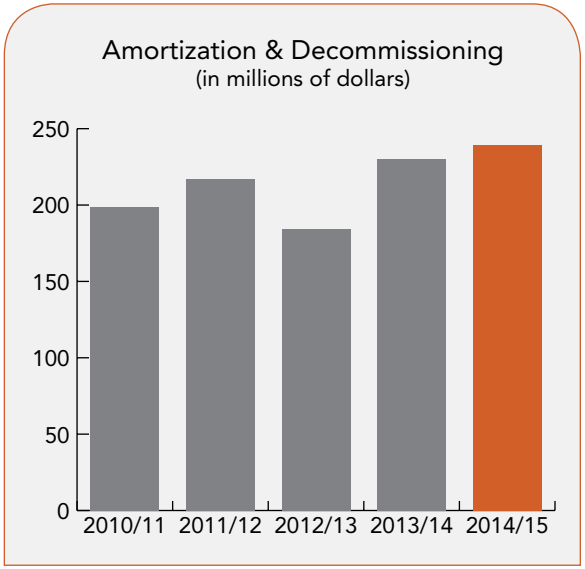
Amortization and Decommissioning

Amortization and Decommissioning (in millions)	2014/15	2013/14
Amortization and decommissioning	$239	$230
Per cent increase year-over-year	4%	25%

Contributing factors to changes in amortization and decommissioning

Amortization and decommissioning costs were $239 million in 2014/15, a $9 million or four per cent increase compared to 2013/14. The significant changes were

Amortization and decommissioning expenses	By this amount	Due to
Contributing factors		
increased	$7 million	shortened life of nuclear closure plugs
increased	$3 million	replacing streetlights with new LED lights
increased	$3 million	write off of assets that are technologically obsolete
increased	$2 million	capitalization of refurbishment costs at Eel River
Offsetting factors		
(decreased)	($8 million)	adjustment to the decommissioning asset at Dalhousie, used fuel management, Coleson Cove, Grand Lake and Belledune during 2014/15



Regulatory Deferrals

Regulatory Deferral – Point Lepreau Generating Station Refurbishment

Background

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

Impact on earnings

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

During 2014/15, $71 million of deferred costs were recognized, of which $52 million were interest costs.

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

Regulatory Deferrals (Continued)

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

Background

On August 23, 2007, the Energy and Utilities Board approved a regulatory deferral for the purpose of returning the benefit of the lawsuit settlement with PDVSA to customers in a levelized manner. The deferral is being allocated to customers over 17 years (nine years remaining as of March 31, 2015) in order to best match the benefit from the settlement for the Coleson Cove Generating Station refurbishment costs.

Impact on earnings

During 2014/15, $2 million in cost adjustments from the lawsuit settlement were recognized. The deferral adjustment consisted of

- $24 million in amortization and interest savings resulting from the lawsuit settlement

partially offset by

- $22 million of a levelized benefit to customers

Net Earnings Adjusted to Remove the Effects of Regulatory Accounting

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

	2014/15	2013/14
Net earnings	73	55
Remove regulatory deferral adjustment to earnings	73	69
Less interest on deferral (reduction to finance charges)	(53)	(49)
Net earnings adjusted to remove the effects of regulatory accounting	93	75

Financial Instruments

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

Liquidity and Capital Resources

Introduction

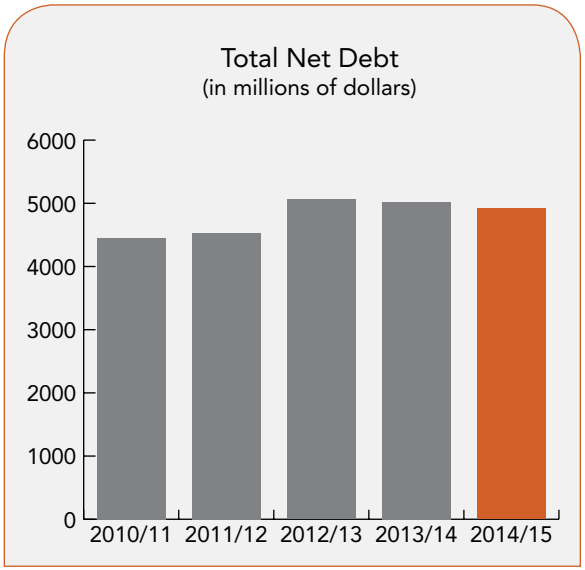
This provides an overview of NB Power's liquidity and capital resources. The two main items which impact NB Power's net debt are capital expenditures and cash flow from operating activities.

Total Net Debt

Total Net Debt (in millions)	2014/15	2013/14
Long-term debt	$4,025	$4,567
Current portion of long-term debt	580	-
Short-term indebtedness	784	858
Sinking fund receivable and cash	(474)	(407)
Total net debt	$4,915	$5,018
Net debt/capital	94%	95%
Operating cash flow/total net debt	0.06	0.04

Factors impacting net debt

Change in Total Net Debt (in millions)	2014/15	2013/14
Total net debt - April 1	$5,018	$5,062
Other capital expenditures	214	179
Operating cash flows	(317)	(223)
Total net debt - March 31	$4,915	$5,018



Liquidity and Capital Resources (Continued)

Year-over-year Change to Total Debt Level

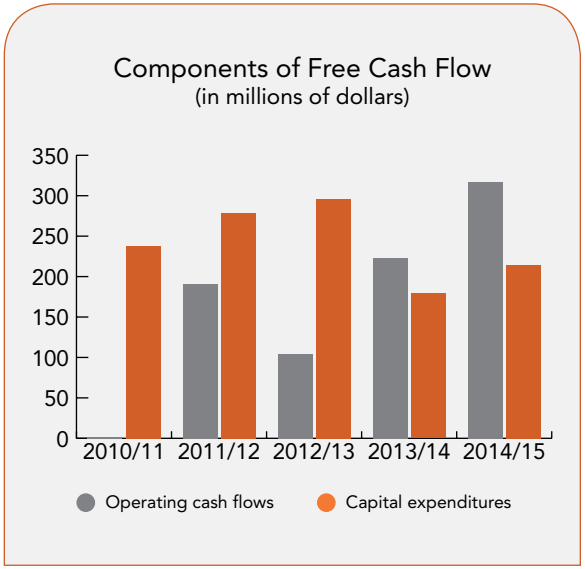
Total debt decreased by $103 million in 2014/15 due to the following.

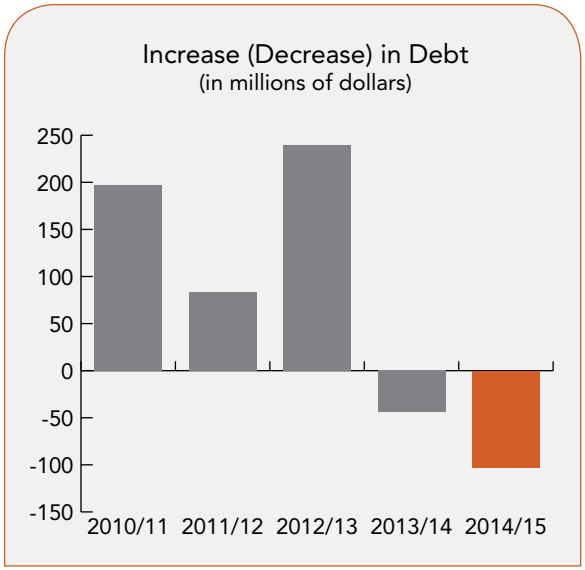
Free Cash Inflow

Decrease (increase) in net debt (in millions)	2014/15	2013/14
Cash flow from operating activities	$317	$223
Capital expenditures less proceeds on disposal	(214)	(179)
Free cash inflow	$103	$ 44
Change in cash	-	(2)
Decrease in debt	$103	$ 42

Contributing factors to change in free cash flow

Free cash inflow was $103 million in 2014/15, an increase of $59 million compared to 2013/14. The primary reason for the increase was higher gross margin partially offset by higher OM&A and increased capital expenditures.





Liquidity and Capital Resources (Continued)

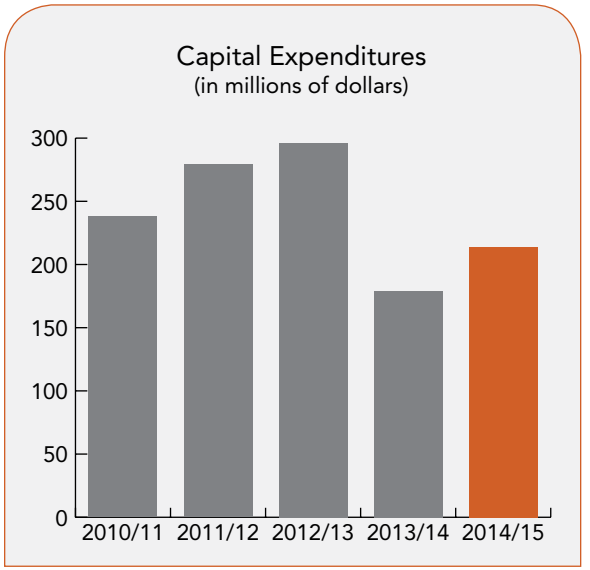
Capital Expenditures

Capital Expenditures (in millions)	2014/15	2013/14
Major project capital expenditures	$ 57	$ 51
Regular project capital expenditures	164	131
Less customer contributions and proceeds on disposal	(7)	(3)
Total capital expenditures	$214	$179

Contributing factors to changes in capital expenditures

Capital expenditures net of customer contributions were $214 million in 2014/15. This year-over-year increase of $35 million or 20 per cent resulted primarily from the following

Capital expenditures	By this amount	Due to
Contributing factors		
increased	$33 million	increased regular capital spending
increased	$6 million	increased spending on the Eel River project partially offset by decreased spending on the Reduce and Shift Demand project



Critical Accounting Policy Changes

Introduction

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

Topic	Purpose
Change in accounting policies for fiscal 2015	There were no changes impacting the financial statements during the fiscal year ended March 31, 2015.
Future change: International Financial Reporting Standards (IFRS)	Describes future changes required by the Corporation related to adopting IFRS.

Future Change International Financial Reporting Standards (IFRS)

In February 2013, the Accounting Standards Board (AcSB) confirmed that all rate regulated enterprises in Canada must report under IFRS effective for fiscal years beginning after January 1, 2015. As such the financial statements for the year ended March 31, 2016 will be prepared in accordance with IFRS. The prior year comparatives, including opening balances, will also be in accordance with IFRS.

In order to be prepared for the conversion to IFRS, the Corporation embarked on a multi-year conversion project. As a result, the Corporation's employees have obtained training and a thorough knowledge of IFRS, finalized the assessment of accounting policies, and updated processes and systems.

Significant Accounting Estimates

Please refer to note 4(n) of the Financial Statements for a listing of NB Power's significant accounting estimates.

Énergie NB Power

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

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

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

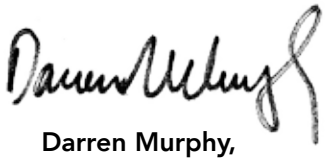
Internal controls are reviewed and evaluated by audit programs, which are subject to scrutiny by external auditors.

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

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

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

Gaëtan Thomas,
President and CEO



Darren Murphy,
CFO and VP, Corporate Services

June 24, 2015

Deloitte.

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 (the "Corporation") which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of earnings, retained earnings, comprehensive income, accumulated other comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte LLP

Chartered Professional Accountants
June 24, 2015

Consolidated Statement of Earnings

(in millions)

For the year ended March 31	2015	2014
Revenues		
Sales of power		
In-province	$ 1,374	$ 1,328
Out-of-province (Note 6)	346	391
Miscellaneous	71	78
	1,791	1,797
Expenses		
Fuel and purchased power	826	834
Operations, maintenance and administration	477	437
Amortization and decommissioning (Note 7)	239	230
Taxes (Note 8)	37	36
	1,579	1,537
Earnings before undernoted items	212	260
Finance charges (Note 9)	229	223
Sinking fund and other investment income (Note 9)	(122)	(87)
Mark-to-market of held-for-trading investments (Note 9)	(41)	-
Regulatory deferrals (Notes 3 and 13)	73	69
Net earnings	**$ 73**	**$ 55**

Consolidated Statement of Retained Earnings

(in millions)

For the year ended March 31	2015	2014
Retained earnings, beginning of year	$ 252	$ 197
Net earnings for the year	73	55
Retained earnings, end of year	**$ 325**	**$ 252**

Consolidated Balance Sheet

(in millions)

As at March 31	2015	2014
Current Assets		
Cash	$ 3	$ 3
Accounts receivable	269	305
Materials, supplies and fuel	184	211
Prepaid expenses	9	8
Current portion of long-term receivable (Note 11)	1	1
Current portion of derivative assets (Note 25)	67	132
Current portion of regulatory assets (Note 13)	20	21
	553	681
Property, Plant and Equipment		
Property, plant and equipment, at cost (Note 14)	8,500	8,381
Less: accumulated amortization (Note 14)	4,489	4,309
	4,011	4,072
Long-term Assets		
Nuclear decommissioning and used nuclear fuel management funds (Note 15)	720	611
Long-term receivable (Note 11)	16	16
Sinking fund receivable (Note 12)	471	404
Derivative assets (Note 25)	6	25
Regulatory assets (Note 13)	1,012	1,031
Other asset (Note 16)	2	2
	2,227	2,089
Other Assets		
Intangible assets (Note 17)	20	21
Total Assets	**$ 6,811**	**$ 6,863**

ON BEHALF OF NEW BRUNSWICK POWER CORPORATION

Ed Barret
Chairman, Board of Directors

Gaëtan Thomas
President and CEO

Consolidated Balance Sheet (continued)

(in millions)

As at March 31	2015	2014
Current Liabilities		
Short-term indebtedness (Note 19)	$ 784	$ 858
Accounts payable and accruals	256	236
Accrued interest	47	46
Current portion of long-term debt (Note 20)	580	-
Current portion of derivative liabilities (Note 25)	73	13
	1,740	1,153
Long-term Debt		
Debentures (Note 20)	4,025	4,567
Deferred Liabilities		
Generating station decommissioning and used nuclear fuel management liability (Note 21)	592	635
Other deferred liabilities (Note 22)	109	108
Derivative liabilities (Note 25)	20	1
	721	744
Shareholder's Equity		
Accumulated other comprehensive income	-	147
Retained earnings	325	252
	325	399
Total Liabilities & Shareholder's Equity	**$ 6,811**	**$ 6,863**

Commitments, contingencies and guarantees (Note 27)

Consolidated Statement of Comprehensive Income

(in millions)

For the year ended March 31	2015	2014
Net earnings	**$ 73**	**$ 55**
Other comprehensive (loss) income		
Net unrealized (loss) gain on derivatives designated as cash flow hedges	(123)	221
Amortization of deferred interest charges	2	2
Net unrealized gain (loss) on mark-to-market of nuclear trust funds	45	(25)
	(76)	198
Reclassification to income of earnings on nuclear trust funds	(46)	(25)
Reclassification to income of settled derivatives designated as cash flow hedges	(25)	(106)
Other comprehensive (loss) income	**(147)**	**67**
Comprehensive (loss) income	**$ (74)**	**$ 122**

Consolidated Statement of Accumulated Other Comprehensive Income

(in millions)

For the year ended March 31	2015	2014
Accumulated other comprehensive income, beginning of year	$ 147	$ 80
Other comprehensive (loss) income for the year	(147)	67
Accumulated other comprehensive income, end of year	**$ -**	**$ 147**

Consolidated Statement of Cash Flows

(in millions)

For the year ended March 31	2015	2014
Operating Activities		
Net earnings for the year	$ 73	$ 55
Amounts charged or credited to operations not requiring a cash payment (Note 23)	183	241
	256	296
Nuclear decommissioning and used nuclear fuel management funds installments	(6)	-
Decommissioning and used fuel management expenditures	(11)	(14)
Retirement allowance payout	(7)	(14)
Net change in non-cash working capital balances	85	(45)
	317	223
Investing Activities		
Expenditure on property, plant and equipment, net of customer contributions	(221)	(182)
Proceeds on disposal and non-cash additions	7	3
	(214)	(179)
Financing Activities		
Debt retirements	-	(384)
Proceeds from issuance of long-term debt	-	180
Increase (decrease) in short-term indebtedness	(74)	171
Sinking fund changes and foreign exchange on debt	(29)	(9)
	(103)	(42)
Net cash (outflow) inflow	-	2
Cash, beginning of year	3	1
Cash, end of year	**$ 3**	**$ 3**

1. Incorporation and Corporation Structure

Incorporation

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

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

2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) applied on a basis consistent with the preceding year (see Note 4). The consolidated financial statements include the accounts of NB Power and NB Energy Marketing.

3. 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 per cent on a deemed capital structure of 65 per cent debt and 35 per cent 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.

3. Rate Regulation (Continued)

Regulatory Assets and Liabilities

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

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

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

Allowance for Funds Used During Construction (AFUDC)

As at March 31, 2015, NB Power has a regulatory asset related to AFUDC which is included in property, plant and equipment for transmission assets (see Note 14). The EUB permits AFUDC to be capitalized monthly on capital construction projects. AFUDC is based on NB Power's weighted average cost of capital and is amortized over the future life of the related asset. It is expected to be recoverable through the OATT.

Point Lepreau Generating Station refurbishment

For the regulatory deferral related to the Point Lepreau Generating Station (PLGS) refurbishment, the *Electricity Act* has deemed the project to be prudent and the costs and expenses recorded in the deferral account were deemed to be prudent and necessary to carry out the project.

NB Power has a regulatory deferral asset relating to refurbishing PLGS. This asset accumulated the following costs over the refurbishment period (March 28, 2008 to November 23, 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
- reflected in charges, rates and tolls to customers (section 139.4 of the *Electricity Act*)

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

3. Rate Regulation (Continued)

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

For the regulatory deferral related to the lawsuit settlement with PDVSA (Note 13) the EUB ruled how the settlement benefits would be passed on to customers.

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

- amortized over the Coleson Cove Generating Station's remaining useful life (23 years at time of the settlement; 15 years as at March 31, 2015)
- passed on to customers over 17 years (nine years as of March 31, 2015), as approved by the EUB, on a levelized basis

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

Net Earnings Adjusted to Remove the Effects of Regulatory Accounting

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

	2015	2014
Net earnings	$ 73	$ 55
Less regulatory deferral adjustment to earnings	73	69
Less interest on deferral (reduction to finance charges)	(53)	(49)
Net earnings adjusted to remove the effects of regulatory accounting	$ 93	$ 75

4. Significant Accounting Policies

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

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

4. Significant Accounting Policies (Continued)

a. Materials, Supplies and Fuel Inventory

Inventories are recorded at the lower of cost or net realizable value. Inventories of materials, supplies and fuel other than nuclear fuel are valued at average cost. Nuclear fuel is valued at cost using the first-in, first-out method.

b. Property, Plant and Equipment

Cost of additions

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

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

less

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

Generating station decommissioning and management of used nuclear fuel

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

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

Interest and allowance for funds used during construction (AFUDC)

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

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

4. Significant Accounting Policies (Continued)

b. Property, Plant and Equipment (continued)

Cost of retired distribution system assets

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

Asset amortization

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

Estimated service lives

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

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

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

Recognizing impairment

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

4. Significant Accounting Policies (Continued)

c. Intangible Assets

The intangible assets are recorded at cost on the balance sheet and amortized over their estimated useful lives (see Note 17).

d. Foreign Exchange Transactions

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate prevailing at the balance sheet date.

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

e. Long-term Debt

Long-term debt is classified as other liabilities for financial instrument purposes and is recorded at the amortized cost using the effective interest method (see Note 4k). The estimated fair value of long-term debt is disclosed in the notes to the financial statements using market values or estimates of market values based on debt with similar terms and maturities. Debentures discounts and premiums, and deferred interest related to debt financing, are amortized over the lives of the issues to which they pertain. These unamortized debt costs are included in long-term debt.

f. Asset Retirement Obligations

This describes the accounting policies related to asset retirement obligations. It contains information on the

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

Nuclear and thermal generating stations

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

Calculations of anticipated costs

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

- the method and timing of dismantling the nuclear and thermal generating stations,
- the cost of transporting nuclear material to permanent storage facilities, and
- estimates of inflation rates in the future.

4. Significant Accounting Policies (Continued)

f. Asset Retirement Obligations (Continued)

NB Power reviews such calculations periodically 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.

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

Calculation methodology

The Nuclear Waste Management Organization (NWMO) was established by the *Nuclear Fuel Waste Act* (NWFA). The methodology used by NB Power to calculate the liability for used nuclear fuel management is consistent with the Nuclear Waste Management Organization's (NWMO) 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, 2015

- the fixed cost portion of used nuclear fuel management activities. These 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, 2015, 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.

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
- included with amortization and decommissioning expense.

4. Significant Accounting Policies (Continued)

f. Asset Retirement Obligations (Continued)

Hydro generating stations, transmission and distribution assets

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

- Hydro generating stations

  NB Power currently has no intention and is not legally obligated to decommission its hydro generating stations. With either maintenance efforts or rebuilding, the assets are expected to be used for the foreseeable future.

- Transmission and distribution assets

  NB Power expects to use the majority of its transmission and distribution assets for an indefinite period of time.

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

g. Pension Plans

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

The PSSRP is a multi-employer, defined benefit plan. Contributions are made by both NB Power and the employees. 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 Employees of NB Coal Limited is a private defined benefit pension plan for its former employees.

h. Retirement Allowance

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

The present value of accrued retirement allowance obligations

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

4. Significant Accounting Policies (Continued)

i. Early Retirement Programs

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

j. Revenues

Recognizing revenues

NB Power recognizes revenue when

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

Billing schedule

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

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

4. Significant Accounting Policies (Continued)

k. Financial Instruments

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

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

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

Held-for-trading

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

The following are classified as held-for-trading assets

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

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

- derivative liabilities not in a hedging relationship

4. Significant Accounting Policies (Continued)

k. Financial Instruments (Continued)

Accounting for held-for-trading assets and liabilities

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

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

Loans and receivables

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

Available-for-sale

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

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

Accounting for available-for-sale assets

Available-for-sale financial assets are recorded as follows

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

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

4. Significant Accounting Policies (Continued)

k. Financial Instruments (Continued)

Other liabilities

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

Effective interest method and transaction costs

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

- transaction costs
- fees
- premiums
- discounts

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

Fair value

The financial instruments carried at fair value are classified using a fair value hierarchy which has three levels (see Note 25). The hierarchy is based on the inputs used in making the fair value measurement.

l. Derivatives

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

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

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

4. Significant Accounting Policies (Continued)

I. Derivatives (Continued)

Derivative use and documentation

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

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

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

Accounting for derivatives

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

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

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

If a hedging instrument is sold or terminated before it matures, or if it ceases to be effective as a hedge,

- NB Power ceases hedge accounting at that point, and
- any gains or losses previously accumulated in other comprehensive income are then recognized immediately in net earnings.

4. Significant Accounting Policies (Continued)

m. Consolidation of Variable Interest Entities

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

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

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

Rationale: all purchased power contracts except one

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

Rationale: the exception

There is one purchase power contract to purchase all of the capacity and electrical energy produced by a 90 MW co-generation facility that began production in December 2004.

Purchases under this contract were $55 million for the year ended March 31, 2015 as compared to $70 million for the year ended March 31, 2014.

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

n. Use of Estimates

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

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

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

4. Significant Accounting Policies (Continued)

n. Use of Estimates (Continued)

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

Note reference	Estimate
Note 4b	Property, plant and equipment
Note 4j	Revenues (billing estimates)
Note 7	Amortization and decommissioning of property, plant and equipment
Note 13	Regulatory assets and liabilities
Note 15	Nuclear decommissioning and used nuclear fuel management funds
Note 18	Deferred pension benefit
Note 21	Generating station decommissioning and used nuclear fuel management liability
Note 22	Deferred liabilities - other
Note 25	Financial instruments
Note 27	Commitments, contingencies and guarantees

5. Changes in Accounting Policies

Policies that have changed during the year ended March 31, 2015

There were no changes impacting the financial statements during the year ended March 31, 2015.

Future Accounting Changes

First time adoption of International Financial Reporting Standards (IFRS)

In February 2013, the Accounting Standards Board (AcSB) confirmed that all rate regulated enterprises in Canada must report under IFRS effective for fiscal years beginning after January 1, 2015. As such the financial statements for the year ended March 31, 2016 will be prepared in accordance with IFRS. The prior year comparatives, including opening balances, will also be in accordance with IFRS.

In order to be prepared for the conversion to IFRS, the Corporation embarked on a multi-year conversion project. As a result, the Corporation's employees have obtained training, and a thorough knowledge of IFRS, finalized the assessment of accounting policies, and updated processes and systems.

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

6. Out-of-province Revenues

Out-of-province revenues were as follows

	2015	2014
American customers	$ 239	$ 267
Canadian customers	107	124
Out-of-province revenues	**$ 346**	**$ 391**

7. Amortization and Decommissioning

	2015	2014
Amortization	$ 208	$ 198
Decommissioning	31	32
Amortization and decommissioning	**$ 239**	**$ 230**

8. Taxes

	2015	2014
Property taxes	$ 20	$ 20
Utility and right of way taxes	17	16
Taxes	**$ 37**	**$ 36**

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

9. Finance Charges

	2015	2014
Interest expense	$ 218	$ 224
Debt portfolio management fee	33	32
Foreign exchange losses	40	22
	291	278
Less: Interest capitalized	(62)	(55)
Finance charges	**229**	**223**
Less: Earnings from sinking fund and other investment income	(122)	(87)
Less: Earnings from held-for-trading investments	(41)	-
Finance charges less investment income	**$ 66**	**$ 136**

Interest Paid and Received During the Year

Interest paid during the year was $216 million compared to $227 million in 2014. Interest received on investments and sinking fund earnings during the year was $120 million compared to $89 million in 2014.

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

10. Capital Management

NB Power's borrowings are completed with the Province of New Brunswick. NB Power is predominantly debt financed.

NB Power's capital structure includes the following

At March 31	2015	2014
Long-term debt payable within one year	$ 580	$ -
Less: Cash	(3)	(3)
	577	(3)
Short-term indebtedness	784	858
Long-term debt	4,025	4,567
Sinking fund receivable	(471)	(404)
Total net debt[1]	4,915	5,018
Retained earnings	325	252
Total capital	$ 5,240	$ 5,270
Percentage of net debt[1] in capital structure	94%	95%

11. Long-term Receivable

In 2013, NB Power sold certain distribution assets to a third-party. This transaction was partially offset by a purchase of 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, which will be collected over 20 years with interest at a rate of 3.85% per annum.

Long-term receivable	2015	2014
Opening balance	$ 17	$ 18
Additional sale	1	-
Payments made	(1)	(1)
	17	17
Less current portion	(1)	(1)
Ending balance	**$ 16**	**$ 16**

[1] *Net debt is long-term debt, short-term debt, sinking fund receivable, and cash.*

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

12. 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 issue matures.

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

	2015	2014
Sinking fund receivable, beginning of year	$ 404	$ 376
Sinking fund earnings	17	16
Foreign exchange gains	41	22
Installments	46	46
Redemptions	(37)	(56)
Sinking fund receivable, end of year	**$ 471**	**$ 404**

13. Regulatory Assets and Liabilities

NB Power has regulatory assets totaling $1,032 million at March 31, 2015 compared to $1,052 million at March 31, 2014. A reconciliation of the two regulatory assets is as follows

Regulatory asset (liability) - lawsuit settlement with PDVSA	2015	2014
Opening balance	$ 51	$ 52
Deferral adjustment on Statement of Earnings		
Amortization and interest savings	(24)	(26)
Levelized benefit to customers[2]	22	23
	(2)	(3)
Interest on deferral	2	2
	-	(1)
Closing balance	**$ 51**	**$ 51**

[2]*Relates to the current year portion of the projected benefits of the lawsuit settlement that are passed onto customers on a levelized basis over the next nine years.*

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

13. Regulatory Assets and Liabilities (Continued)

Regulatory asset - Point Lepreau Generating Station deferral	2015	2014
Opening balance	$ 1,001	$ 1,020
Deferral adjustment on Statement of Earnings		
Amortization of deferral	(71)	(66)
Interest on deferral	51	47
Closing balance	$ 981	$ 1,001
Total regulatory assets	**$ 1,032**	**$ 1,052**
Current portion of regulatory assets[3]	20	21
Long-term portion of regulatory assets	1,012	1,031
Total regulatory assets	**$ 1,032**	**$ 1,052**

Regulatory deferral adjustment to earnings	2015	2014
Lawsuit settlement with PDVSA	$ 2	$ 3
Point Lepreau Generating Station deferral	71	66
Regulatory deferral adjustment to earnings	**$ 73**	**$ 69**

[3]*Represents amounts due from customers in current year.*

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

14. Property, Plant and Equipment

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

	2015			2014		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Power generating stations	$ 6,028	$ 3,241	$ 2,787	$ 6,021	$ 3,098	$ 2,923
Transmission system	415	217	198	404	211	193
Terminals and substations	654	322	332	559	313	246
Distribution system	938	470	468	914	461	453
Buildings and properties	73	42	31	67	41	26
Computer systems	137	130	7	138	123	15
Motor vehicles	87	48	39	82	45	37
Miscellaneous assets	43	19	24	41	17	24
Construction-in-progress	125	-	125	155	-	155
Total	**$ 8,500**	**$ 4,489**	**$ 4,011**	**$ 8,381**	**$ 4,309**	**$ 4,072**

The charge for equity capital (allowance for funds used during construction) included for 2015 was $2 million compared to $1 million in 2014.

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

15. Nuclear Decommissioning and Used Nuclear Fuel Management Funds

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

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

Fund Requirements

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

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

NB Power's Funds

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

Fund	Trustee	Purpose	Funding requirement
Decommissioning segregated fund and used nuclear fuel segregated fund	Provincial Minister of Finance	To meet the license conditions for the Point Lepreau Generating Station set by the CNSC	Established yearly based on the current obligations and market value of the funds. The amount of the contribution in the 2014/15 year was nil (2013/14 – nil).
Used nuclear fuel waste trust fund	Federal Minister of Finance	To meet the Nuclear *Fuel Waste Act* and to meet the CNSC requirements The *Act* requires NB Power to deposit to the trust fund an amount based on the approved funding formula.	The amount of the contribution in the 2014/15 year was $6 million (2013/14 – $5 million).

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

15. Nuclear Decommissioning and Used Nuclear Fuel Management Funds (Continued)

Status of NB Power's Funds

The status of each fund is as follows

	2015	2014
Nuclear Decommissioning Fund		
Decommissioning segregated fund	$ 312	$ 267
Used Nuclear Fuel Management Funds		
1. Used nuclear fuel segregated fund	276	236
2. Used nuclear fuel waste trust fund	132	108
	408	344
Total nuclear decommissioning and used nuclear fuel management funds[4]	**$ 720**	**$ 611**

16. Other Asset

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

	2015	2014
Ash separation asset	$ 2	$ 2

[4]Includes a mark-to-market adjustment at March 31, 2015 of $99 million as compared to $59 million at March 31, 2014.

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

17. Intangible Assets

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

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

Other intangible assets include:

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

	2015	2014
Intangible asset Nepisiguit Falls	$ 22	$ 22
Accumulated amortization Nepisiguit Falls	(4)	(3)
	18	19
Other intangible assets	2	2
Total intangible assets	**$ 20**	**$ 21**

18. Deferred Pension Benefit

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

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

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

18. Deferred Pension Benefit (Continued)

Applicable Pension Plans

NB Power employees are members of the Public Service Shared Risk Plan (PSSRP) as described in Note 4(g). The PSSRP is accounted for using defined contribution accounting.

The former Mine Reclamation Inc. employees are members of the Pension Plan for Employees of NB Coal Limited which is accounted for using defined benefit accounting. The pension assets and liabilities of this plan are measured as at March 31, 2015. 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 next valuation for funding purposes is required to be completed as at January 1, 2017.

Assumptions

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

	2015 (%)	2014 (%)
Discount rate used to determine the accrued benefit obligation	3.4	3.8
Expected long-term rate of return on plan assets	3.4	3.8

Costs

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

	2015	2014
Settlement loss	$ -	$ 19
Contributions	23	18
Total costs	**$ 23**	**$ 37**

The plan assets are comprised 100% of bonds.

Assets and Obligations

The status of the assets and obligations of the Pension Plan for Employees of NB Coal Limited as at March 31 was as follows

	2015	2014
Pension fund assets at fair value	$ 5	$ 5
Accrued benefit obligation	(5)	(5)
Deferred pension benefit	**$ -**	**$ -**

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

19. Short-term Indebtedness

NB Power borrows funds for temporary purposes from the Province of New Brunswick. The short-term borrowings due to the Province of New Brunswick were $784 million at March 31, 2015, as compared to $858 at March 31, 2014.

20. Long-term Debt

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

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

Year-end Long-term Borrowings

Long-term borrowings at year-end were as follows

	2015	2014
Debentures held by Province of New Brunswick	$ 4,607	$ 4,566
Unamortized premiums and discounts	(2)	1
	4,605	4,567
Less: Current portion	(580)	-
Long-term debt	**$ 4,025**	**$ 4,567**

Terms

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

Interest Rates

All but two of the debentures bear interest at fixed rates ranging from 2.15 to 9.75 per cent. The weighted average coupon interest rate on all debentures outstanding at March 31, 2015 is 4.54 per cent as compared to 4.55 per cent at March 31, 2014. The exception is two floating rate issue whose interest rate is reset on a quarterly basis and is based on the Canadian Dealer Offered Rate (CDOR) plus 4 basis points. At March 31, 2015, the CDOR rate plus 4 basis points was 0.952 per cent.

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

20. Long-term Debt (Continued)

Debt Portfolio Management Fee

NB Power pays an annual debt portfolio management fee to the Province of New Brunswick amounting to 0.65 per cent of the total long-term debt and short-term indebtedness, less the balance held in Sinking Fund Receivable (Note 12), measured as at the beginning of the fiscal year.

Principal Repayments

Long-term debt principal repayments are due as follows

Year Ending	Principal Repayment
March 31, 2016 – current portion	$ 580
March 31, 2017	400
March 31, 2018	420
March 31, 2019	230
March 31, 2020	450
March 31, 2021 and thereafter	2,527
Long-term portion	4,027
Unamortized premiums and discounts	(2)
Long-term portion	**$ 4,025**

21. Generating Station Decommissioning and Used Nuclear Fuel Management Liability

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

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

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

21. Generating Station Decommissioning and Used Nuclear 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 15 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 15 for details on the funding of this liability

Assumptions Used for the Liabilities

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

	Thermal decommissioning	Nuclear decommissioning	Used nuclear fuel management
Undiscounted amount of estimated cash flows to settle liability			
- 2015	$ 126	$ 970	$ 631
- 2014	$ 175	$ 951	$ 703
Reason for the increase or decrease	Decommissioning spending and changes to the liability resulting from updated cost estimates and revisions to timing of cash flows offset by escalation.	Escalation	Decommissioning spending and changes to the liability resulting from updated cost estimates and revisions to timing of cash flows offset by escalation.
Cash expenditures required until the year	2038	2081	2164
Rate used to discount cash flows			
- for initial recognition of the liability	7.1%	7.1%	7.1%
- for subsequent recognition of additional liability	4.3% to 6.3%	4.3% to 5.9%	4.3% to 5.9%
Escalation rate to determine asset retirement obligation	1.8% to 2.4%	2.0%	1.9% to 4.1%

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

21. Generating Station Decommissioning and Used Nuclear Fuel Management Liability (Continued)

Liabilities at Year End

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

	2015	2014
Thermal generating station decommissioning liability		
Balance, beginning of year	$ 116	$ 106
Add: Liabilities incurred, including revisions to cash flows	(20)	14
Add: Accretion expense	5	6
Less: Expenditures	(7)	(10)
Balance, end of year	94	116
Nuclear generating station decommissioning liability		
Balance, beginning of year	216	198
Add: Liabilities incurred, including revisions to cash flows	-	7
Add: Accretion expense	11	11
Balance, end of year	227	216
Used nuclear fuel management liability		
Balance, beginning of year	303	283
Add: Changes to liability, including revisions to cash flows	(45)	7
Add: Accretion expense	16	15
Less: Expenditures	(3)	(2)
Balance, end of year	271	303
Total generating station decommissioning and used nuclear fuel management liability	**$ 592**	**$ 635**

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

22. Deferred Liabilities - Other

This provides details around NB Power's other deferred liabilities. It contains information on the following

- early retirement liability
- retirement allowance liability
- environmental liability

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

	2015	2014
Early retirement programs	$ 67	$ 68
Retirement allowance program	30	28
Other future employee benefits payable	9	8
Land reclamation	1	1
Environmental liability	9	10
	116	115
Less: amounts due within one year[5]	(7)	(7)
Deferred liabilities – other	**$ 109**	**$ 108**

Early Retirement Liability

NB Power has an unfunded early retirement program as described in Note 4(i). The latest actuarial calculation to estimate the liability was completed as at April 1, 2012.

The table shows

- management's significant assumptions
- the costs recognized for the period
- the status of the obligation of NB Power at year-end

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

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

22. Deferred Liabilities - Other (Continued)

Early Retirement Liability (Continued)

	2015	2014
Assumption		
Discount rate used to determine the early retirement liability	3.4%	4.2%
Cost		
Current service cost	$ -	$ 1
Interest on early retirement liability	5	5
Costs recognized for the year	$ 5	$ 6
Obligation		
Accrued benefit obligation	$ 93	$ 86
Unamortized losses	(26)	(18)
Early retirement liability	**$ 67**	**$ 68**

Retirement Allowance Liability

NB Power has an unfunded retirement allowance program as described in Note 4(h). 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 for non union employees and the employees in the corporate services union. Accumulation of service, for the purposes of calculating retirement allowance, ceased on April 30, 2013. This resulted in a curtailment and a settlement of the retirement allowance plan in 2014 and an additional settlement in 2015.

Assumptions

Management's significant assumptions include the following

	2015 (%)	2014 (%)
Discount rate used to determine the accrued benefit obligation	3.4	4.2
Expected salary increases	2.5	2.5

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

22. Deferred Liabilities - Other (Continued)

This table shows

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

	2015	2014
Costs recognized for the year		
Current service cost	$ 2	$ 2
Interest on retirement allowance liability	3	5
Curtailment loss	-	5
Settlement loss	5	4
Costs recognized for the year	$ 10	$ 16
Obligation		
Accrued benefit obligation	$ 40	$ 41
Unamortized losses	(10)	(13)
Retirement allowance liability	**$ 30**	**$ 28**

Environmental Liability

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

The liability is as follows

	2015	2014
Balance, beginning of year	$ 10	$ 10
Add: Accretion expense	-	1
Less: Expenditures	(1)	(1)
Balance, end of year	**$ 9**	**$ 10**

Cash flows required to settle the liability

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

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

23. Amounts Charged or Credited to Operations Not Requiring a Current Cash Payment

The amounts are as follows

	2015	2014
Amortization, decommissioning, and gains and losses on disposal	$ 242	$ 239
Regulatory deferral	20	20
Mark-to-market of derivatives not eligible for hedge accounting	15	(5)
Nuclear decommissioning and used fuel management fund earnings	(104)	(48)
Employee future benefits less related funding	10	35
Total amounts	**$ 183**	**$ 241**

24. Related Party Transactions

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

Sinking Fund Receivable

At March 31, 2015, NB Power has a sinking fund receivable from the Province of New Brunswick of $471 million as compared to $404 million in 2014.

Debt

NB Power has debt payable to the Province of New Brunswick (Note 19 and 20).

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 $37 million, as compared to $36 million in 2014 (Note 8). NB Power also made payments to New Brunswick Investment Management Corporation related to pension plans (Note 18) and investment management fees.

25. Financial Instruments

A financial instrument [see Note 4(k)] is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity (e.g. accounts receivable/accounts payable).

Fair Value of Financial Instruments

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

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

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

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

Valuation Dates

For all of its financial assets and liabilities, NB Power discloses fair values as at March 31, 2015.

Outstanding Financial Instruments

This details NB Power's outstanding financial instruments at March 31, 2015. It contains information on the following instruments

a. Long-term debt

b. Nuclear decommissioning and used fuel management funds

c. Derivative instruments in hedging relationships
   i. foreign exchange contracts
   ii. heavy fuel oil contracts
   iii. natural gas contracts
   iv. coal contracts
   v. electricity contracts
   vi. interest rate contracts

d. Other financial assets and liabilities

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

25. Financial Instruments (Continued)

A. Long-term debt

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

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

	Hierarchy level	2015	2014
Cost (see Note 20)		$ 4,605	$ 4,567
Fair value	2	5,385	4,947

B. Nuclear decommissioning and used fuel management funds

The nuclear decommissioning and used fuel management funds are comprised of the following three funds, the nuclear decommissioning segregated fund, the nuclear used fuel management segregated fund and the nuclear fuel waste trust fund.

The nuclear decommissioning segregated fund, the nuclear used fuel management segregated fund and Nuclear fuel waste trust fund are recorded on the balance sheet at fair value. The funds' investments are categorized as available-for-sale and held-for-trading. The breakdown of the fair value by category is as follows:

Category	2015	2014
Available-for-sale	$ 307	$ 469
Held-for-trading	413	142
Total fair value (see Note 15)	720	611
Cost	621	552
Gain in market value	**$ 99**	**$ 59**

At March 31, the fair value hierarchy was as follows

	2015	2014
Fair value level 1	$ 336	$ 473
Fair value level 2	377	138
Fair value level 3	7	-
Total fair value (see Note 15)	**$ 720**	**$ 611**

25. Financial Instruments (Continued)

Fair value level 3 investment continuity

	2015	2014
Investments, beginning of year	$ -	$ -
Gains/ losses recognized in net earnings	-	-
Purchases	9	-
Sales	(2)	-
Investments, end of year	**$ 7**	**$ -**

c. Derivative instruments[6]

i. Foreign exchange contracts

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

NB Power hedges exchange risk relating to net forecasted US dollar requirements, by entering into forward contracts to sell Canadian dollars and to acquire US dollars. At March 31, it had outstanding contracts maturing over the next 48 months as follows

	Hierarchy level	2015	2014
Net commitment to purchase ($US in millions)		$ 371	$ 291
Weighted average exchange rate ($US / $CAD)		1.1530	1.0321
Fair value asset	2	$ 43	$ 23

ii. Heavy fuel oil contracts

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

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

At March 31, it had outstanding contracts maturing over the next 47 months as follows

	Hierarchy level	2015	2014
Net notional amount (in millions of barrels)		1.4	-
Weighted average fixed price (in $US per barrel)		$ 59.05	$ -
Fair value (liability)	2	$ (13)	$ -

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

25. Financial Instruments (Continued)

c. Derivative instruments (Continued)

iii. Natural gas contracts

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

NB Power hedges its anticipated exposure to changes in natural gas prices. At March 31, it had outstanding contracts maturing over the next 47 months as follows

	Hierarchy level	2015	2014
Net notional amount (in millions of mmbtu)		13.8	6.3
Weighted average fixed price (in $US per mmbtu)		$ 6.98	$ 4.82
Fair value (liability) asset	2	$ (17)	$ 13

iv. Coal contracts

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

NB Power hedges its anticipated exposure to changes in coal prices. At March 31, it had outstanding contracts maturing over the next 42 months as follows

	Hierarchy level	2015	2014
Net notional amount (in millions of metric tonnes)		0.20	-
Weighted average fixed price (in $US per metric tonne)		$ 67.31	$ -
Fair value (liability)	2	$ (1)	$ -

v. Electricity contracts

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

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

Sales contracts

At March 31, it had outstanding contracts maturing over the next 12 months as follows

	Hierarchy level	2015	2014
Notional amount (in millions of MWh)		(0.2)	-
Weighted average fixed price (in $US per MWh)		$ 65.77	$ -
Fair value (liability)	2	$ (1)	$ -

25. Financial Instruments (Continued)

c. Derivative instruments (Continued)

Purchase contracts

At March 31, NB Power had outstanding electricity purchase contracts maturing over the next 53 months as follows

	Hierarchy level	2015	2014
Notional amount (in millions of MWh)		3.9	4.3
Weighted average fixed price (in $US per MWh)		$ 59.28	$ 51.26
Fair value asset (liability)	2	$ (13)	$ 107

vi. Interest rate contracts

This financial instrument is recorded on the Balance Sheet at fair value.

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.

At March 31, NB Power had an outstanding interest rate contract maturing in 11 months, the details are as follows

	Hierarchy level	2015	2014
Net notional amount		$ 200	$ -
Fair value(liability)	2	$ (18)	$ -

d. Other financial assets and financial liabilities

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

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

25. Financial Instruments (Continued)

Summary of Impacts of Financial Instruments

The following table summarizes the impact of financial instruments recorded on the balance sheet at March 31, 2015. These include

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

	Nuclear Trust Funds	Interest	Foreign Exchange	Heavy Fuel Oil	Coal	Natural Gas	Electricity	Total
Current portion of derivative assets	$ -	$ -	$ 51	$ 1	$ -	$ -	$ 15	$ 67
Long-term portion of derivative assets	-	-	6	-	-	-	-	6
Mark-to-market on Nuclear Funds (Note 15)	99	-	-	-	-	-	-	99
Current Portion of derivative liabilities	-	(18)	(14)	(9)	-	(16)	(16)	(73)
Long-term portion of derivative liabilities	-	-	-	(5)	(1)	(1)	(13)	(20)
Assets (liabilities)	**$ 99**	**$ (18)**	**$ 43**	**$ (13)**	**$ (1)**	**$ (17)**	**$ (14)**	**$ 79**

The impact of financial instruments at March 31, 2015 resulted in a net asset of $79 million (see previous table). Of the $79 million the following is recognized on the balance sheet

- $37 million is recognized in earnings and retained earnings
- Nil is recognized in accumulated other comprehensive income (AOCI)

The remaining $42 million relates to the deferred interest included in AOCI and will be amortized over the remaining life of the associated debt.

A reconciliation of these amounts are summarized in the following tables

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

Retained earnings impact	Nuclear Trust Funds	Foreign Exchange	Natural Gas	Electricity	Total
Balance – April 1, 2014	$ 2	$ 1	$ 1	$ 7	$ 11
Current year adjustments	41	3	(1)	(17)	26
Balance – March 31, 2015	**$ 43**	**$ 4**	**$ -**	**$ (10)**	**$ 37**

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

25. Financial Instruments (Continued)

Summary of Impacts of Financial Instruments (Continued)

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

AOCI impact	Nuclear Trust Funds	Interest	Foreign Exchange	Heavy Fuel Oil	Coal	Natural Gas	Electricity	Amortization of deferred interest	Total
Accumulated other comprehensive income (loss) - April 1, 2014	$ 57	$ -	$ 22	$ -	$ -	$ 12	$ 100	$ (44)	$ 147
Current year impact of mark-to-market adjustments	(1)	(18)	17	(13)	(1)	(29)	(104)	2	(147)
Balance March 31, 2015	**$ 56**	**$ (18)**	**$ 39**	**$ (13)**	**$ (1)**	**$ (17)**	**$ (4)**	**$ (42)**	**$ -**

26. 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.

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

26. Financial Instrument Risk Management (Continued)

Credit Risk (Continued)

Managing credit risk

To manage credit risk, NB Power

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

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

Financial assets	Designated category	2015 Fair value	2014 Fair value
Cash	Held-for-trading	$ 3	$ 3
Accounts receivable	Loans and receivables	269	305
Long-term receivable	Loans and receivables	17	17
Sinking fund receivable	Loans and receivables	471	404
Derivative assets	Held-for-trading	73	157
Nuclear decommissioning and used nuclear fuel management funds	Held-for-trading and available-for-sale	720	611
		$ 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.

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

26. Financial Instrument Risk Management (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.

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

Accounts receivable	2015	2014
Trade		
Trade receivables – current	$ 204	$ 234
61-90 days	3	3
Greater than 90 days	7	6
	214	243
Allowance for doubtful accounts	(5)	(5)
Miscellaneous[7]	60	67
	$ 269	**$ 305**

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

Allowance for doubtful accounts

The allowance for doubtful accounts is

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

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

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

26. Financial Instrument Risk Management (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.

Nuclear decommissioning and used fuel management funds

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

Maximum credit exposure	AAA	AA+ to AA	A+ to A	BBB	R-1	Other	Total
Used Fuel management fund	$ 37	$ 36	$ 47	$ 13	$ 7	$ 1	$ 141
Nuclear decommissioning fund	44	45	60	16	7	1	173
Nuclear fuel waste trust	63	38	27	-	-	-	128
	$ 144	**$ 119**	**$ 134**	**$ 29**	**$ 14**	**$ 2**	**$ 442**

Derivative Assets

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

NB Power

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

Concentration of credit risks

There is a concentration of credit risk at March 31, 2015 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.

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

26. 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
- freight 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 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, 2015.

(millions of dollars)	Impact on earnings [8]	Impact on other comprehensive income
Exchange and interest rates		
1 cent change in CAD/USD exchange rate	$ 2	$ 3
0.25% change in Canadian interest rates	-	13
0.25% change in short-term debt rates	2	-
0.25% change in investment yields	3	13
Commodity prices		
$5/bbl change in the price of heavy fuel oil	-	7
$1/mmbtu change in natural gas prices	-	14
$5/metric tonne change in coal prices	-	1
$5/MWh changes in electricity prices	-	19

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

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

26. 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, 2015 and in future years.

Financial liability	Carrying amount	Contractual cash flows	2016	2017	2018	2019 and thereafter
Short-term indebtedness	$ 784	$ 784	$ 784	$ -	$ -	$ -
Accounts payable and accruals	256	256	256	-	-	-
Accrued interest	47	47	47	-	-	-
Derivative liabilities	93	93	73	20	-	-
Long-term debt	4,605	4,607	580	400	420	3,207
Interest on long-term debt	-	2,424	208	182	170	1,864
	$ 5,785	**$ 8,211**	**$ 1,948**	**$ 602**	**$ 590**	**$ 5,071**

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

27. Commitments, Contingencies and Guarantees

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

Belledune Wharf

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

27. Commitments, Contingencies and Guarantees (Continued)

Courtenay Bay Generating Station

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

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

Rental of site facilities

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

Power purchase and transmission access

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

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

Natural gas transportation service

NB Power has entered into an agreement expiring in 2015/16 for firm natural gas transportation service to Courtenay Bay Generating Station. The cost of transportation will be recovered from the tenant that is a party to the lease agreement mentioned above.

FOR THE YEAR ENDED MARCH 31, 2015 (IN MILLIONS)

27. Commitments, Contingencies and Guarantees (Continued)

Power Purchase Agreements

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

Initial duration of agreement	End date	Amount of energy	Agreement to purchase
5 years	2016	99 MW	90% of all the electrical energy of a wind generation facility
5 years	2016	42 MW	all the electrical energy of a wind generation facility
20 years	2024	90 MW	all the capacity and electrical energy produced by a co-generation facility
30 years	2027	38.5 MW	38.5 MW capacity and energy from a co-generation facility
20 years	2029	48 MW	all the electrical energy of a wind generation facility
20 years	2029	51 MW	all the electrical energy of a wind generation facility
20 years	2032	8.8 MW	all of the capacity, energy, and environmental attributes generated by the generating stations
25 years	2033	96 MW	all the electrical energy of a wind generation facility
25 years	2034	45 MW	all the electrical energy of a wind generation facility
25 years	2035	54 MW	all the electrical energy of a wind generation facility

Energy Sales and Transmission Rights Assignment Agreement (ESTRA)

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

27. Commitments, Contingencies and Guarantees (Continued)

Coleson Cove - Fuel Supply Agreement

Supply

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

Delivery

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

Belledune – Fuel Supply Agreement

Supply

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

Delivery

The remaining coal delivery is as follows

- 2015/16 approximately 320,000 tonnes at $77.50 per tonne
- 2016/17 approximately 256,000 tonnes at $71.00 per tonne

Gypsum Contract

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

Transmission Power Line

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

27. Commitments, Contingencies and Guarantees (Continued)

Large Industrial Renewable Energy Purchases Program

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

The program is included in the *Electricity Act* under the renewable portfolio standard regulation and commenced January 1, 2012. There are four program agreements in place. From April 1, 2012 to March 31, 2015, 1,188 GWh of qualified renewable energy was purchased under the program.

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

Reduce and Shift Demand (RASD)

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

Legal Proceedings

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

28. Subsequent Event

The Crown agency, Efficiency New Brunswick, was dissolved on April 1, 2015 and as such all references to the agency in any document or contracts will be deemed to be referenced to NB Power, effectively transitioning all contractual arrangements to NB Power.

Statement of Generation

(millions of kWh)	2014/15	2013/14	2012/13	2011/12	2010/11
Hydro	2,690	3,079	2,585	3,582	3,132
Thermal	4,103	4,020	3,273	3,823	4,453
Nuclear	4,863	4,881	1,598	-	-
Combustion turbine	4	5	7	2	2
Purchases	8,057	7,989	10,595	9,780	9,546
Gross generation and purchases	**19,717**	**19,974**	**18,058**	**17,187**	**17,133**
Station service	675	684	515	355	414
Net generation and purchases	**19,042**	**19,290**	**17,543**	**16,832**	**16,719**
Losses - transformer and transmission	487*	596	539	568	709
Total energy available for distribution	**18,555***	**18,694**	**17,004**	**16,264**	**16,010**

Statement of Sales

(millions of kWh)	2014/15	2013/14	2012/13	2011/12	2010/11
Wholesale	1,291	1,263	1,186	1,106	1,128
Industrial	4,456	4,365	4,382	4,364	4,341
General service	2,392	2,396	2,310	2,334	2,294
Residential	5,442	5,291	4,932	4,983	4,840
Street lights	67	73	75	75	75
Total in-province sales	**13,648**	**13,388**	**12,885**	**12,862**	**12,678**
Interconnections	4,575*	4,966	3,725	3,132	2,994
Total sales	**18,223***	**18,354**	**16,610**	**15,994**	**15,672**
Distribution losses	332	340	394	270	338
Total energy distributed and sold	**18,555***	**18,694**	**17,004**	**16,264**	**16,010**

** Numbers corrected on October 8, 2015.*

Statement of Revenue

(in millions)	2014/15	2013/14	2012/13	2011/12	2010/11
Wholesale	$ 112	$ 109	$ 103	$ 96	$ 97
Industrial	318	310	321	306	311
General service	285	278	257	271	264
Residential	635	607	564	569	551
Street lights	24	24	24	24	23
Total in-province sales of power	**1,374**	**1,328**	**1,269**	**1,266**	**1,246**
Interconnections	346	391	254	225	250
Sales of power	**1,720**	**1,719**	**1,523**	**1,491**	**1,496**
Mark to market gain or (loss)	-	-	8	-	(22)
Miscellaneous	71	78	74	65	51
Transmission revenue	-	-	-	90	91
Total revenue	**$1,791**	**$1,797**	**$1,605**	**$1,646**	**$1,616**

Statement of In-province Generation

(millions of kWh)	2014/15	2013/14	2012/13	2011/12	2010/11
Hydro	2,504	2,667	2,550	3,324	3,066
Coal and petroleum coke	2,635	2,733	2,326	2,683	2,672
Heavy fuel oil	469	391	224	288	875
Nuclear	4,308	4,302	1,312	-	-
Purchases[1]	4,472	4,025	7,456	7,357	7,085
Net generation and purchases	**14,388**	**14,118**	**13,868**	**13,652**	**13,698**
Losses - transformer and transmission	773	596	539	568	709
Total energy available for distribution	**13,615**	**13,522**	**13,329**	**13,084**	**12,989**

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

Operating Statistics[2]

	2014/15	2013/14	2012/13	2011/12	2010/11
Transmission lines - km	6,755	6,863	6,849	6,849	6,848
Distribution lines - km	20,972	20,887	20,815	20,786	20,602
Residential customers	322,052	321,132	318,834	319,102	316,104
Industrial customers	1,744	1,813	1,840	1,860	1,875
General service customers	25,531	25,494	25,400	25,512	25,330
Non-metered customers	2,881	2,799	2,717	2,736	2,616
Direct customers	**352,208**	**351,238**	**348,791**	**349,210**	**345,925**
Indirect customers	45,425	46,350	45,794	41,981	42,010
Total customers	**397,633**	**397,588**	**394,585**	**391,191**	**387,935**
Positions - regular	2,395	2,349	2,276	2,283	2,343
Positions - temporary	58	49	77	104	117
Positions - Mine Reclamation Inc.	-	-	8	9	15
Total positions	**2,453**	**2,398**	**2,361**	**2,396**	**2,475**

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

Income Statement Summary[3]

(in millions)	2014/15	2013/14	2012/13	2011/12	2010/11
In-province sales of power	$1,374	$1,328	$1,269	$1,266	$1,246
Out-of-province sales of power	346	391	254	225	250
Miscellaneous revenue	71	78	74	65	51
Mark-to-market gain or (loss) on derivatives	-	-	8	-	-
Gain (loss) on mark-to-market of long-term receivable	-	-	-	-	(22)
Transmission revenue	-	-	-	90	91
Total fuel and purchased power	826	834	807	742	874
Transmission expenses	-	-	-	87	90
Operations, maintenance and administration	477	437	449	409	416
Regulatory deferral	73	69	(82)	(175)	(216)
Amortization and decommissioning	239	230	184	217	199
Taxes, other than special payments in lieu of income taxes	37	36	39	40	40
Finance charges	229	223	181	117	135
Sinking funds and other investment income	122	87	38	22	21
Mark-to-market of held for trading investments	41	-	-	-	-
Special payments in lieu of income taxes	-	-	-	58	32
Net (loss) earnings	**$ 73**	**$ 55**	**$ 65**	**$ 173**	**$ 67**

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

Balance Sheet Summary

(in millions)	2014/15	2013/14	2012/13	2011/12	2010/11
Assets					
Current assets	$ 553	$ 681	$ 511	$ 503	$ 542
Property, plant and equipment	4,011	4,072	4,072	3,909	3,773
Long-term assets	2,227	2,089	2,067	1,530	1,242
Other assets	20	21	39	64	75
Total assets	**$6,811**	**$6,863**	**$6,689**	**$6,006**	**$5,632**
Liabilities and Shareholder's Equity					
Current liabilities	$ 1,740	$ 1,153	$ 1,346	$ 1,405	$ 1,297
Long-term debt	4,025	4,567	4,370	3,469	3,417
Deferred liabilities and derivatives	721	744	696	678	612
Shareholder's equity	325	399	277	454	306
Total liabilities and shareholder's equity	**$6,811**	**$6,863**	**$6,689**	**$6,006**	**$5,632**

Cash Flow Summary

(in millions)	2014/15	2013/14	2012/13	2011/12	2010/11
Cash flow from operations	$ 256	$ 296	$ 102	$ 151	$ 47
Change in working capital	85	(45)	19	53	(36)
Other	(24)	(28)	(17)	(13)	(10)
Operating activities	317	223	104	191	1
Investing activities	(214)	(179)	(294)	(264)	(183)
Financing activities	(103)	(42)	185	67	188
Net cash (outflow) inflow	**-**	**2**	**(5)**	**(6)**	**6**
Cash & short-term investments					
Beginning of year	**3**	**1**	**6**	**725**	**719**
End of year	**$ 3**	**$ 3**	**$ 1**	**$ 719**	**$ 725**

Finance Charges[4]

(in millions)	2014/15	2013/14	2012/13	2011/12	2010/11
Interest expense	$ 218	$224	$249	$201	$ 202
Debt portfolio management fee	33	32	31	29	28
Amortization of deferred debt	2	2	(2)	-	1
Amortization of deferred interest	(2)	(2)	-	-	-
Foreign exchange (gain) or loss	40	22	2	-	1
Interest deferred	-	-	-	(40)	(30)
Interest capitalized	(62)	(55)	(99)	(73)	(67)
Finance charges	**$ 229**	**$223**	**$181**	**$117**	**$135**
Income from sinking funds, trust funds, and other	(122)	(87)	(38)	(22)	(21)
Income from held for trading investments	(41)	-	-	-	-
Finance charges less associated earnings	**$ 66**	**$136**	**$143**	**$95**	**$114**

Financial Ratios

	2014/15	2013/14	2012/13	2011/12	2010/11
Gross margin[5]	51.98%	51.48%	47.01%	50.23%	41.58%
Cash flow from operations / capital expenditures[6]	1.48	1.25	0.35	0.68	0.00
Cash flow from operations / total debt	0.06	0.04	0.02	0.04	0.00
Debt / capital[7]	93.80%	95.22%	96.25%	90.90%	93.57%
Interest coverage ratio[8]	1.05	1.10	0.86	1.59	1.02

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

[5]Gross margin ratio = (total gross margin / total sales of power).

[6]Capital expenditures are net of customer contributions.

[7]Debt ratio = (debt) / (debt + equity), where debt = (long-term debt + short-term indebtedness + derivatives associated with debt - sinking funds receivable - cash).

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

Other Statistics

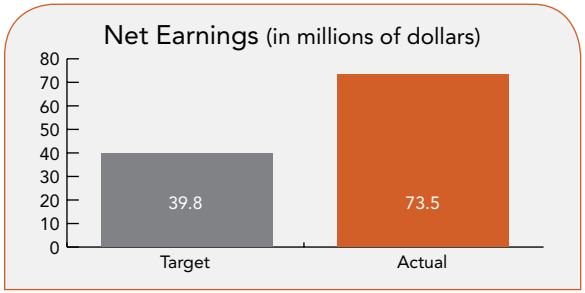
	2014/15	2013/14	2012/13	2011/12	2010/11
Rate increase	2.0%	2.0%	0.0%	0.0%	3.0%
CPI (New Brunswick)	1.5%	0.8%	1.7%	3.5%	2.1%
GDP increases (New Brunswick)[9]	0.0%	-0.5%	-0.4%	0.6%	2.0%
Capital expenditures (millions)[10]	$ 214	$ 179	$ 296	$ 279	$ 238
Change in total debt (millions)	$ (103)	$ (42)	$ 185	$ 83	$ 197
Per cent breakdown of long-term debt					
Canadian dollar	93.1%	93.9%	100%	100%	100%
US dollar	6.9%	6.1%	0.0%	0.0%	0.0%
Weighted average coupon interest rate	4.6%	4.6%	4.8%	4.7%	5.2%
Canadian Dollar - March 31	$0.7885	$0.9047	$1.016	$1.009	$1.029

[9]In its 2014/15 budget documents, the Provincial Government restated its GDP growth rates for the past years.

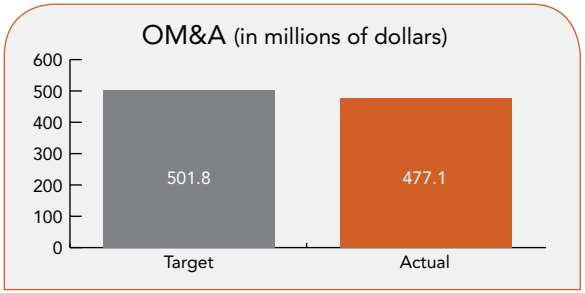
[10]Capital expenditures are net of customer contributions.

Key Performance Indicators

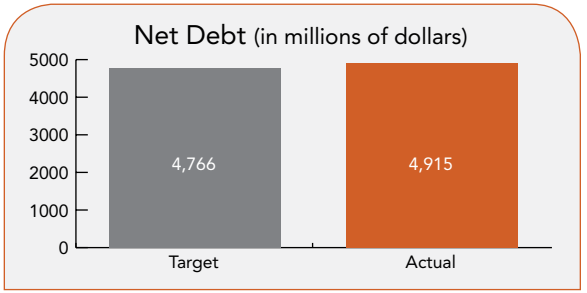
Financial Results



Net earnings is a measure of our profitability.

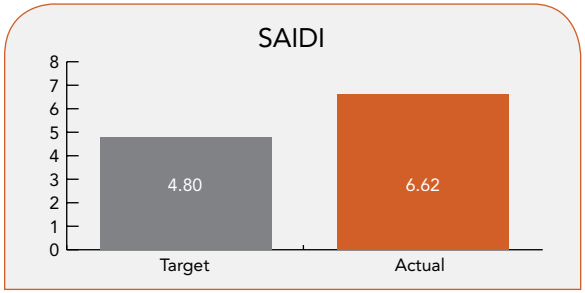


Operations, maintenance and administration (OM&A) costs are largely controllable by management over the medium term and are an important measure of financial success.

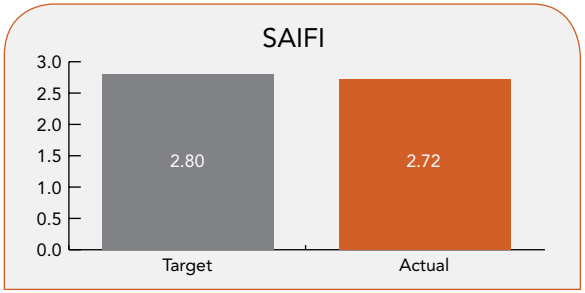


The total amount of short and long-term debt outstanding less deferred debt charges, sinking funds and cash.

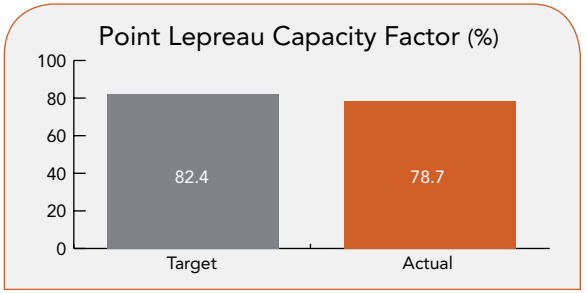
Reliability



System Average Interruption Duration Index (SAIDI) is a standard utility indice that measures average total outage duration (excludes major event days).

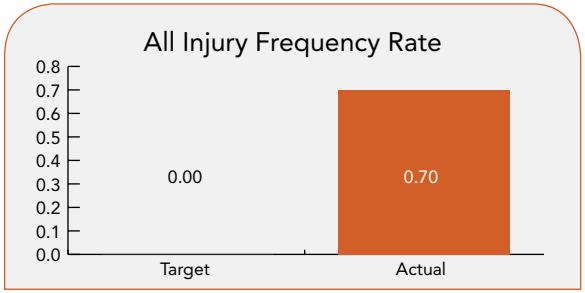


System Average Interruption Frequency Index (SAIFI) is a standard utility indice that measures the average frequency of interruption per customer served (excludes major event days).

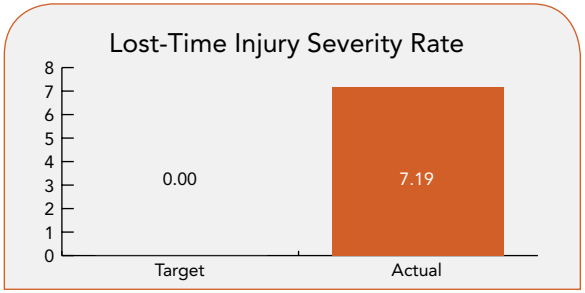


Capacity factor is the total amount of energy Point Lepreau produced during the year divided by the amount of energy the Station would have produced at full capacity. This is a measure of reliability.

Safety



The all injury rate represents a summary of all injuries per each 200,000 hours of actual hours worked.



The lost-time injury rate represents the total number of work days lost per each 200,000 hours of actual hours worked.

There once was a house with a power meter that was all tuckered out.

Every minute of every day, this poor meter was spinning like a top. With each crank of the thermostat, more power was needed to keep pace with the heat escaping out drafty windows and doors.

Then one wonderful day, the meter noticed its workload was getting lighter. By sealing windows and doors, and properly insulating the house from basement to attic, the meter began enjoying a much more balanced and rewarding life, because proper insulation is just one smart habit to get into.

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