

Financial Statements of

**NEW BRUNSWICK POWER CORPORATION
NUCLEAR FUEL WASTE TRUST**

For the year ended March 31, 2021

NEW BRUNSWICK POWER CORPORATION

NUCLEAR FUEL WASTE TRUST

Statement of Assets

for the year ended March 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

	2021	2020
ASSETS		
INVESTMENTS		
Investments (Note 3)	\$ 194,916	\$ 183,198
TOTAL ASSETS	\$ 194,916	\$ 183,198

**NEW BRUNSWICK POWER CORPORATION
NUCLEAR FUEL WASTE TRUST
Statement of Operations and Comprehensive Income
for the year ended March 31, 2021**

(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

	<u>2021</u>	<u>2020</u>
Income		
Interest income	\$ -	\$ (11)
Gain/(loss) on disposal of fair value through other comprehensive income investments	-	(1,521)
Mark-to-market of fair value through profit and loss	7,228	7,875
OPERATING INCOME	<u>7,228</u>	<u>6,343</u>
Other comprehensive loss		
Change in unrealized gains and losses on fair value through other comprehensive income investments		
Unrealized loss arising during the year	-	(319)
COMPREHENSIVE INCOME	<u>\$ 7,228</u>	<u>\$ 6,024</u>

NEW BRUNSWICK POWER CORPORATION

NUCLEAR FUEL WASTE TRUST

Statement of Changes in Assets

for the year ended March 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

	2021	2020
ASSETS, BEGINNING OF YEAR	\$ 183,198	\$ 173,333
Transfer from Point Lepreau Used Fuel Management and Decommissioning Segregated Funds	4,490	3,841
Increase in assets from operations	7,228	6,343
Decrease in assets from other comprehensive income	-	(319)
ASSETS, END OF YEAR	\$ 194,916	\$ 183,198

NEW BRUNSWICK POWER CORPORATION
NUCLEAR FUEL WASTE TRUST
Notes to the Financial Statements
for the year ended March 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

1. DESCRIPTION OF THE FUNDS

On October 1, 2013, New Brunswick Power Nuclear Corporation amalgamated with New Brunswick Power Corporation, as such the Nuclear Fuel Waste Trust funds are now held by New Brunswick Power Corporation.

As required under the *Nuclear Fuel Waste Act* (NFWA), owners of nuclear fuel waste established, by incorporation, the Nuclear Waste Management Organization (NWMO). The NWMO will report regularly to the Government of Canada and make recommendations on long-term management of nuclear fuel waste.

The *Nuclear Fuel Waste Act* requires major 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 NWMO. The funding requirement is based on the accepted proposal and was approved on April 7, 2009. The funding requirement for 2020/21 was \$4.5 million (\$3.8 million in 2019/20).

The Trust is managed by Vestcor Investment Management Corporation (“Vestcor”) in accordance with the *Statement of Investment Policy and Guidelines* that have been established. The NWMO is the beneficiary of the Trust. The Trust has been accepted by the Canadian Nuclear Safety Commission as satisfaction of New Brunswick Power Corporation's financial guarantee requirement of the operating license.

The financial statements present the assets of the Trust as at March 31, 2021 and the statements of operations and comprehensive income and changes in assets for the year then ended.

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for the year ended March 31, 2021

(Amounts are expressed in thousands of Canadian dollars unless otherwise indicated)

2. BASIS OF PREPARATION

The financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board (“IASB”). The financial statements of the Trust have been prepared on the historical cost basis except for fair value through OCI and fair value through profit and loss financial assets that are measured at fair value. The financial report has been prepared on a going concern basis. The financial statements are presented in Canadian dollars, which is the Trust’s functional currency. The financial statements of the Trust have been rounded off to the nearest thousand dollars, unless otherwise stated. The financial statements of the Trust were authorized for issue by the Trustee on June 15, 2021.

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of the assets, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable when making the judgment about carrying values of assets that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 5.

The duration and severity of the COVID-19 pandemic is unknown and has led to a greater level of estimation uncertainty. NB Power continues to assess the judgments, estimates and assumptions used in the preparation of the consolidated financial statements. The extent of the future impact of the COVID-19 pandemic is not known at this time. Impacts have been estimated where applicable, based on information available at the time and are disclosed herein.

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3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

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

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

Classification

Financial instrument	Classification
Investment in NBP Canadian Long-Term Bond Fund	Fair value through other comprehensive income
Investments in various NBIMC unit trust funds	Fair value through profit and loss

Fair value through other comprehensive income (FVOCI)

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

Fair value through profit and loss (FVTPL)

Financial assets in this category are typically acquired with the intention of re-selling them prior to maturity. NB Power can choose to designate any financial asset as being fair value through profit and loss.

These assets are measured at fair value at the statement of assets date. Changes in fair value are included in operating income. These include realized and unrealized earnings.

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4. INVESTMENTS

	2021	2020
Fixed Income	194,916	183,198

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Trust, through its financial assets, has exposure to the following risks from its use of financial instruments: credit risk and market risk.

Credit risk

The Trust's principal financial assets are cash and investments, which are subject to credit risk. The Trust limits its credit risk associated with the bonds held in the Nuclear Fuel Waste Trust Fund. The current portfolio is comprised of investment grade ratings of BBB or above for longer-term securities and R-1 for short-term debt. The following table outlines the allocation of the maximum credit exposure by investment grade ratings.

	AAA	AA+ to AA	A+ to A	BBB	R1	Other	Total
Maximum credit exposure	\$46,084	\$64,290	\$47,387	\$33,904	\$715	\$1,003	\$193,383

Market risk

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

The Trust is exposed to the market price risks such as changes in

- foreign exchange rates, and
- interest rates.

The Trust is managed by Vestcor Investment Management Corporation. The Nuclear Fuel Waste Trust is invested in New Brunswick Investment Management Corporation (NBIMC) unit trusts. The NBIMC unit trusts contain fixed income securities. These are subject to market risk and will fluctuate in value due to changes in market prices.

These funds are in place to cover the expected expenditures related to the nuclear decommissioning and used fuel management obligations. The nature of the investments and level of market risk are consistent with the long-term nature of the related liability.

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5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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, 2021.

	Impact on operating income	Impact on other comprehensive income
Exchange and interest rates		
1 % change in CAD/USD exchange rate	-	-
1 % change in investment yields	\$14,672	-

Fair value

The fair value of cash approximates its carrying value due to the short-term maturity.

The financial instruments carried at fair value are classified using a fair value hierarchy which has 3 levels as follows

- *Level 1:* Fair value determination is based on inputs that are quoted prices in active markets for identical assets or liabilities.
- *Level 2:* Fair value is determined using inputs, other than quoted prices in level 1, that are observable for the financial asset or financial liability, either directly or indirectly. These inputs include quoted prices for similar financial instruments in active markets, quoted price for similar instruments that are not active, and inputs other than quoted prices that are observable for the instrument. These are inputs that are derived principally from, or corroborated by, observable market data.
- *Level 3:* Fair value is determined based on valuation models using inputs that are not based on observable market data. Unobservable inputs reflect subjective assumptions that market participants may use in pricing the investments. The investments classified as level 3 include private real estate and private infrastructure investments. Real estate and infrastructure valuations are reported by the fund managers and are based on the valuation of the underlying investments which includes inputs such as cost, operating results, capitalization rates, discounted future cash flows and market-based comparable data.

Hierarchy Level	Financial Instruments	Fair value
1	N/A	The Trust does not have any fair values in level 1.
2	<ul style="list-style-type: none"> • Investments held in various NBIMC unit trust funds 	Total fair value of \$194,916
3	N/A	The Trust does not have any fair values in level 3.