



# Giving Balance

2009-2010



NEW BRUNSWICK  
ENERGY & UTILITIES BOARD

COMMISSION DE L'ÉNERGIE ET DES SERVICES PUBLICS  
NOUVEAU-BRUNSWICK

# Chairman's Message

I am pleased to present the Annual Report of the New Brunswick Energy and Utilities Board (Board) for the reporting period beginning April 1, 2009 and ending March 31, 2010.

During the past year the Board has continued to focus on providing sound, predictable and transparent regulation of New Brunswick's energy and utilities sector - an area of critical importance to both New Brunswick consumers and businesses alike. The sector includes the electricity, natural gas, pipeline, petroleum products and public motor bus industries.

In 2009-2010 the Board has held public hearings involving Enbridge Gas New Brunswick, NB Power Distribution and Customer Service Corporation, Acadian Bus Lines LP, the New Brunswick System Operator, the Village of Sussex Corner, Potash Corporation of Saskatchewan and Corridor Resources. In addition the Board has considered numerous other matters relating to the Board's jurisdiction.

The Board has a full-time staff of 16 including four employees in the pipeline safety division. In addition to the full-time positions of Chair and Vice-Chair, there are 8 part-time Board members. The Board members and staff are dedicated to providing New Brunswick with effective and efficient service and I wish to acknowledge their many contributions over the past year.

I would particularly like to acknowledge the significant contributions of Board member Steve Toner who passed away earlier this year. Steve was a valuable member of the Board and he will be greatly missed both professionally and personally.

The Board looks forward to serving the people of New Brunswick and meeting new challenges during the coming year.



Raymond Gorman, Q.C.  
Chair, NBEUB



**The Board has continued to focus on providing sound, predictable and transparent regulation of New Brunswick's energy and utilities sector - an area of critical importance to both New Brunswick consumers and businesses alike.**

# Introduction



**The Board is required to balance the consumer's right to reasonable prices with the company's right to a fair return on its investment.**

The Energy and Utilities Board (EUB) was created in 2007 by legislation as the successor to the New Brunswick Board of Commissioners of Public Utilities (PUB).

The EUB was set up as an independent quasi-judicial board to regulate the charges that are passed on to customers by the province's utilities.

Utility regulation is based on the principle that some industries are more efficient if a monopoly is awarded to one company to avoid duplication of costly services. These natural monopolies usually come with price regulation where the company must seek approval from an independent Board or Tribunal before raising its rates. The Board is required to balance the consumer's right to reasonable prices with the company's right to a fair return on its investment.

In New Brunswick the EUB has jurisdiction over various aspects of the electricity market, the distribution of natural gas and inter-city bus service. The Board also has the responsibility to ensure the safe construction of pipelines that carry natural gas, petroleum products and hazardous materials.

Since 2006, the Board has been responsible for the administration of the petroleum pricing formula. The formula sets the maximum wholesale and retail price.

The Board issues the weekly maximum price according to the formula results.

More recently the Board was given jurisdiction to set interest rates for Pay-Day Loans. This jurisdiction is dependent on enactment of government regulations.

In the past year the Board held a hearing into its jurisdiction with respect to the water service supplied by the Village of Sussex Corner to the residents of Penobsquis which is outside the village limits. After a public hearing the Board determined that - in this case - it did not have jurisdiction. The Board subsequently began inquiries with the provincial government to determine if there are water utilities in the province that may fall within the Board's mandate.

The Board's duties are carried out by a staff of 16 including a full-time chairman and full-time vice-chairman. There are eight part-time Board members appointed for terms of three or five years by the Lieutenant Governor-in-Council.

# The Legislation

Energy and Utilities Board Act  
Electricity Act  
Gas Distribution Act  
Pipeline Act  
Petroleum Products Pricing Act  
Payday Loans Act  
Motor Carrier Act

## THE BOARD, FULL-TIME MEMBERS

Raymond Gorman, Q.C.  
Cyril Johnston

## PART-TIME MEMBERS

Don Barnett  
Wanita McGraw  
Edward McLean  
Roger McKenzie  
Connie Morrison  
Yvon Normandeau  
Robert Radford, Q.C.  
Steve Toner

## STAFF

Raymond Gorman, Q.C.	Chair and CEO
Cyril Johnston	Vice-Chair
Lorraine Legere	Secretary to the Board
Ellen Desmond	Director, Legal and Administration
Doug Goss	Director, Regulatory Affairs and Finance
Todd McQuinn	Director Pipeline Safety
Juliette Savoie	Assistant Secretary to the Board
Joan Chamberlain	Assistant to the Chair and the Vice-Chair
Tracy Cyr	Administrative Assistant
David Rhydwen	Pipeline Inspector
Ian McDonald	Pipeline Inspector
Don Persaud	Pipeline Inspector
John Lawton	Senior Advisor
Trudy Atherton	Payroll and Accounts Administrator
David Keenan	Advisor
David Young	Advisor



photo credit: NB DoE

The Board's responsibilities are carried out by a staff of 15 people including a full-time chair and vice-chair.

# Electricity

The Board has a variety of responsibilities in relation to the electricity market in New Brunswick. In terms of NB Power Distribution and Customer Service - the company that delivers electricity to the homes of most New Brunswickers - any changes in rates in excess of three percent must be reviewed and approved by the Board.

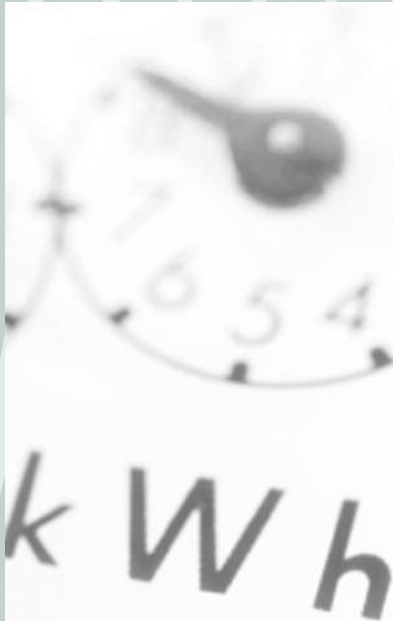
Last year, the distribution company determined it would increase rates by three percent. While the legislation does not require a hearing or approval, the Minister of Energy ordered the Board to investigate the necessity of the increase. As done previously, the Board determined that the nature of the investigation dictated a more abbreviated proceeding so that the Minister receives any recommendations in a timely manner. The Board held two days of hearings in May of 2009 and submitted a report to the Minister on June 26, 2009. The report concluded that the increase was necessary.

Just prior to the end of this reporting year, NB Power Distribution and Customer Service determined a three percent increase was again necessary. The Minister again ordered the Board to investigate the necessity of the increase. A hearing was held in June 2010.

The New Brunswick System Operator (NBSO) is charged with operating the transmission grid in the province of New Brunswick as well as Northern Maine. It is responsible for ensuring there is a reliable supply of electricity and facilitates the development of a competitive marketplace in the province. The agency's operations are funded through user fees set out by a tariff that is approved by the Board. The Board reviews and approves a revenue requirement for the System Operator annually. In April of 2009, the Board approved a significant increase in the

operating budget to reflect the agency's expanding duties and efforts to become self-sufficient.

In October of 2009 the System Operator applied for approval of its revenue requirement for 2010-2011. The hearing was delayed at the request of the NBSO because the proposed deal to sell NB Power to Hydro Quebec included a provision to discontinue the System Operator. When the agreement was modified the hearing was rescheduled. The hearing was held in June 2010.



The Board has a variety of responsibilities in relation to the electricity market in New Brunswick.



# Natural Gas

Enbridge Gas New Brunswick is the general franchise holder for natural gas distribution in New Brunswick

The company served 10,308 customers in March of this year which was an increase of 725 over the previous delivered. In the 12 months of this reporting period the company delivered 5.2 million gigajoules of natural gas.

In 2000, as the natural gas industry began operation in the province, the Public Utilities Board approved a market-based system allowing Enbridge Gas New Brunswick to make significant investments to develop the system despite low revenues. A special aspect of this Development Period was the ability to recover the shortfalls between expenses and revenue in a deferral account. The company would be allowed the opportunity to recover the amount in the deferral account - as well as interest - over time.

Anticipating the end of the Development Period, the Board has initiated a series of hearings to resolve issues facing EGNB as it makes the transition to operation as a mature utility. In a decision issued December 1, 2009 the Board determined that the Development Period would end when Enbridge Gas New Brunswick could recover its full costs including the recovery of its deferral account. In that same decision the Board determined that the rate of return and deemed capital structure for the company could be altered prior to the end of the Development Period. The Board also ruled that the method by which rates are set can change.

Following the December 1, 2009 decision, the Board initiated both a Cost of Service Hearing and Cost of Capital Hearing. Cost of Service hearings determine the cost of building and operating the distribution system. These hearings also determine the fair share to be paid by each customer class. The cost of capital determines what a fair rate of return is for the company. Both of these hearings were

scheduled for the Fall of 2010.

The company's distribution rates are not set using the costs of operation. Instead a formula is used to set distribution rates so that customers see a savings over the competing fuel. The Board recently reviewed this market-based formula and a decision was issued in May of 2009. The method for estimating the cost of the alternative fuel was modified. The resulting formula is also more transparent.

During the year Enbridge Gas New Brunswick applied to increase the rates using the market-based formula. A second application from the utility - to increase the rates for the Heavy Fuel Oil class (HFO) - was also filed. The HFO class includes customers who used heavy fuel oil prior to converting to natural gas and are significant users of natural gas. The rates for these customers are set in relation to the cost of using heavy fuel oil. This is the first application to raise rates for these customers since the initiation of the franchise period. The HFO application was heard at the same time as the application for rate increases for the other customer classes. A decision approving the rate increase for all classes except the Light Fuel Oil class was issued in April. The Board reserved its decision on the increase for the Light Fuel Oil class; this decision was issued in June of 2010.



**The Board has initiated a series of hearings to resolve issues facing EGNB as it makes the transition to operation as a mature utility.**

# Pipeline



photo credit: Brunswick Pipelines

**The division ensures that companies design, construct, operate and abandon pipelines in a manner that provides for the safety of the public and company employees.**

The Pipeline Safety Division's mandate is to promote safety. The division ensures that companies design, construct, operate and abandon pipelines under the Board's jurisdiction in a manner that provides for the safety of the public and company employees, as well as the protection of property and the environment. This is accomplished through the division's use of inspection, education, compliance audits and damage prevention programs.

Enbridge Gas New Brunswick (EGNB) has the franchise to distribute natural gas in the province. As part of this franchise the company has installed approximately 100 km of pipeline during this reporting period. Inspectors from the Pipeline Safety Division inspected the installation of this pipe.

EGNB applied for and was issued a pipeline construction permit for the Local Service District of Hanwell in May of 2009. The Licence to Operate for this new expansion was issued in October of 2009.

Corridor Resources applied for and was issued a permit in March 2009 to construct pipelines and well-site production facilities as part of their 2009 natural gas gathering system expansion in Penobsquis. A one year extension to this permit was granted in November 2009 to allow for this work to carry over into the year 2010.

Potash Corporation of Saskatchewan (PCS) applied for and was issued a permit in September 2009 to construct 8 pipelines to transport natural gas, brine and brine slurries between its Picadilly mine and

Penobsquis mill. The Licence to Operate for the natural gas pipeline was issued in January 2010.

PCS applied for and was issued a permit in January 2009 to construct a 30km pipeline to transport brine from their mine in Penobsquis to Cassidy Lake. The Licence to Operate for this pipeline was issued in November 2009.

Irving Oil Limited was granted permission by the Board to temporarily suspend operations of the fuel oil pipeline to the NB Power's Coleson Cove Generating Facility in April 2009.

# Petroleum

The Board regulates retail and wholesale petroleum sales in New Brunswick by setting maximum prices for motor fuels and heating fuels; including all grades of gasoline, ultra-low sulphur diesel fuel, furnace oil and propane used for heating. Maximum prices for all fuels are set weekly.

Maximum prices are established using the weekly average spot price for refined petroleum products traded at the New York Harbour division of the New York Mercantile Exchange (NYMEX). New maximum petroleum prices come into effect at 12:01 a.m. each Thursday morning. The rules for setting maximum petroleum prices follow a strict formula set out in regulation. Maximum prices set by the Board include regulated wholesale and margins and all applicable taxes. The Board exercises no discretion when setting maximum petroleum prices.

This year proved to be a stable one for petroleum prices in New Brunswick, relative to 2008. Maximum prices for regular unleaded gasoline (self-serve) ranged from a low of \$0.875/litre in April to a peak of \$1.065/litre in June. For most of the year the maximum price for regular unleaded gasoline ranged between \$0.950/litre and \$1.050/litre, well below the maximum price of \$1.411 reached in July 2008.

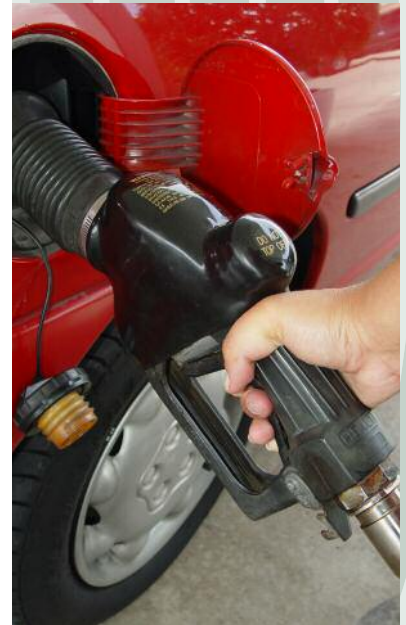
The maximum price for ultra-low sulphur diesel fuel (self-serve) ranged from a low of \$0.881/litre in May to a peak of \$1.107/litre in January 2010. This was well off the high of \$1.611 set in July 2008.

The maximum price of furnace oil ranged from a low of \$0.736/litre in May to

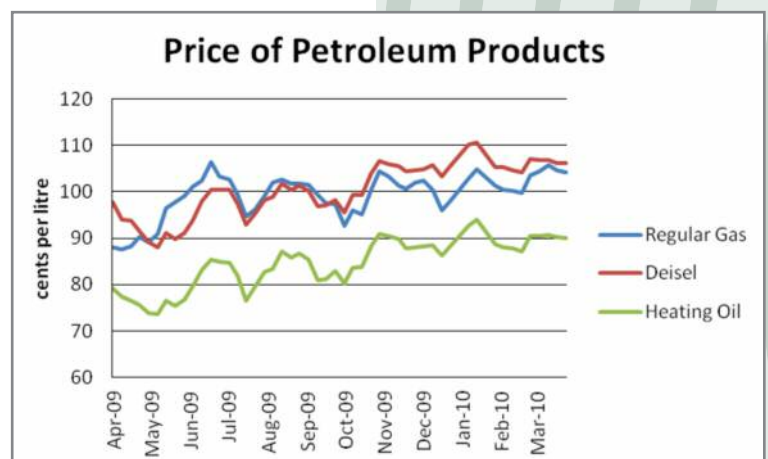
a peak of \$0.939/litre in January 2010, well below the all-time peak price of \$1.475 set in July 2008.

The maximum price for delivered propane ranged from a low of \$0.929 in July to a peak of \$1.172 in February 2010. The highest price for delivered propane the previous year was \$1.267 in July 2008.

In 2008 the Board undertook a review of the maximum margins, maximum delivery costs and maximum full service charge allowed under regulation to ensure they were justified. As a consequence of this review the Board increased the maximum delivery cost for New Brunswick from 2.0 cents to 2.5 cents per litre. In 2009 the Board did not receive any applications for adjustments to the maximum margins, delivery costs and full service charge and no reviews were undertaken.



**The rules for setting maximum petroleum prices follow a strict formula set out in regulation. The Board exercises no discretion when setting maximum petroleum prices.**





# Motor Carrier



**Acadian Coach Lines applied for changes to its routes and schedules, including reductions in service and the elimination of several routes.**

The Board regulates the motor carrier industry through the licensing of charter buses as well as setting the routes, schedules and passenger fares for intercity, scheduled-service bus companies. On matters related to motor carrier issues the Board sits as the Motor Carrier Board.

This sector was particularly active in the past year. In April 2009 the Board heard an appeal of a decision by the Registrar of Motor Vehicles to suspend the Motor Vehicle Dealer's Licence of F&D Auto of Fredericton. The appeal was brought under Section 17(7) of the NB Regulation 83-42 (the Motor Vehicle Act). The Board directed the Registrar to reinstate the licence.

In May 2009 the Board considered an application by Acadian Coach Lines to increase passenger fares and reduce the number of "zones of distance" used for setting fares. Acadian operates an integrated bus service in New Brunswick and Nova Scotia with a uniform fare structure. As a result, the matter was heard jointly by the Board and the Nova Scotia Utility and Review Board. The Board approved the reduction in the number of "zones of distance" from 52 to 32. The Board also approved an average 2.7 percent increase in passenger fares, noting that this would increase the cost of most trips by \$1.00.

In September the Board ruled on a Notice of Objection brought by Jamar Transport, a licensed motor carrier, to the granting of a Motor Carrier Licence to Nancy Drury of Sussex. In its decision the Board rejected the reasons for objection and granted the licence.

In the Fall, the Board received a number of complaints about Acadian Coach Lines' decision to relocate its Fredericton bus terminal out of the city's downtown. The terminal was relocated on October 1, 2009. The Board received submissions from the complainants as well as a response from

Acadian before considering the matter. The Board noted that the primary reason for the terminal relocation was that Acadian had been ordered to vacate the downtown location by its landlord. The Board ruled that the change in locations was consistent with Acadian's operating licence and did not constitute a material change in service to the community. In November Acadian Coach Lines applied for changes to its routes and schedules, including reductions in service and the elimination of several routes. In its filing Acadian argued that bus ridership had fallen significantly in 2009 and the company was incurring substantial losses in New Brunswick. Given the nature of the application, and its impact on several New Brunswick communities, the Board organized public sessions in St. Stephen, Miramichi and Fredericton in conjunction with the hearing which was held in March. A decision was pending at the end of this reporting period

During the year the Board also granted six applications for charter bus service, renewed 51 licences and issued 250 motor carrier plates as well as 31 temporary permits.

# Board Members



Raymond Gorman, Q.C.



Cyril Johnston



Don Barnett



Wanita McGraw



Roger McKenzie



Edward McLean



Connie Morrison



Yvon Normandeau



Robert Radford, Q.C.



Steve Toner

**NEW BRUNSWICK ENERGY AND UTILITIES BOARD**

**FINANCIAL STATEMENTS**

**MARCH 31, 2010**

**TEED  
SAUNDERS  
DOYLE & CO.**  
Chartered Accountants

**NEW BRUNSWICK ENERGY AND UTILITIES BOARD**

**MARCH 31, 2010**

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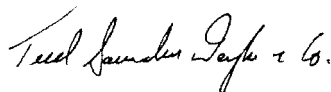
## AUDITORS' REPORT

To the Chairman and Members of the New Brunswick Energy and Utilities Board

We have audited the statements of financial position of the New Brunswick Energy and Utilities Board as at March 31, 2010 and the statements of operations and change in surplus and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Saint John, NB  
July 9, 2010

Saint John Partners  
John H. Towd Andrew P. Logan  
Peter L. Logan James K. Whitaker



Fredrickton Partners  
Brian J. Saunders Ralph D. Gorman  
David H. Bradley John H. Landry  
T.J. Smith Jeff E. Saunders

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2010

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 3)	\$ 828,622	\$ 1,058,796
Accounts receivable (Notes 3 and 4)	17,597	38,298
Prepaid expenses	<u>8,356</u>	<u>12,950</u>
	<u>854,575</u>	<u>1,110,044</u>
<b>CAPITAL ASSETS</b> (Notes 2 and 6)	<u>97,286</u>	<u>106,308</u>
	<u>\$ 951,861</u>	<u>\$ 1,216,352</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Notes 3 and 5)	\$ <u>158,561</u>	\$ <u>154,854</u>
<b>RESERVE FOR FUTURE HEARINGS</b> (Note 12)	<u>75,000</u>	<u>-</u>
<b>FUTURE EMPLOYEE BENEFITS</b> (Note 13)	<u>323,074</u>	<u>254,022</u>
<b>SURPLUS</b>		
<b>SURPLUS</b>	<u>395,226</u>	<u>807,476</u>
	<u>\$ 951,861</u>	<u>\$ 1,216,352</u>
<b>COMMITMENT</b> (Note 15)		
<b>APPROVED ON BEHALF OF THE BOARD:</b>		
_____ Chairman		
_____ Vice-Chairman		

2.

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Chartered Accountants

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## STATEMENT OF CHANGE IN SURPLUS

FOR THE YEAR ENDED MARCH 31, 2010

	Balance at Beginning of Year	Surplus/ (Deficit)	Balance at End of Year
ELECTRICITY SECTOR	\$ 637,976	\$ (282,070)	\$ 355,906
NATURAL GAS SECTOR	73,810	(71,972)	1,838
PIPELINE SECTOR	95,690	(58,208)	37,482
PETROLEUM SECTOR	-	-	-
MOTOR CARRIER SECTOR	-	-	-
	<u>\$ 807,476</u>	<u>\$ (412,250)</u>	<u>\$ 395,226</u>

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# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2010

	<u>2010</u>	<u>2009</u>
<b>REVENUE</b> (Note 2)		
Electricity Sector (Note 7)	\$ 599,781	\$ 969,144
Natural Gas Sector (Note 8)	520,258	510,602
Pipeline Sector (Note 9)	451,541	499,466
Petroleum Sector (Note 10)	455,444	432,722
Motor Carrier Sector	<u>13,051</u>	<u>42,059</u>
	<u>2,040,075</u>	<u>2,453,993</u>
<b>DIRECT EXPENSES</b> (Note 2)		
Electricity Sector	66,914	99,917
Natural Gas Sector	163,944	105,462
Pipeline Sector	11,173	17,236
Petroleum Sector	75,893	56,303
Motor Carrier Sector	<u>13,051</u>	<u>6,891</u>
	<u>330,975</u>	<u>285,809</u>
<b>NET REVENUE</b>	<u>1,709,100</u>	<u>2,168,184</u>
<b>COMMON EXPENSES</b> (Note 2)		
Salaries and benefits	1,593,459	1,488,201
Office and administration	381,921	348,491
Training	85,788	88,059
Amortization	<u>60,182</u>	<u>62,254</u>
	<u>2,121,350</u>	<u>1,987,005</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ (412,250)</u>	<u>\$ 181,179</u>

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## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2010

	<u>2010</u>	<u>2009</u>
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (412,250)	\$ 181,179
Item not involving cash		
Amortization	<u>60,182</u>	<u>62,254</u>
	(352,068)	243,433
Changes in non-cash working capital balances		
Accounts receivable	20,701	(9,203)
Prepaid expenses	4,594	(3,039)
Accounts payable and accrued liabilities	3,707	50,138
Due to Province of New Brunswick	-	(60,000)
Reserve for future hearings	75,000	(60,000)
Future employee benefits	<u>69,052</u>	<u>70,435</u>
	<u>(179,014)</u>	<u>231,764</u>
Investing activities		
Purchase of capital assets	<u>(51,160)</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH</b>	(230,174)	231,764
<b>CASH AT BEGINNING OF YEAR</b>	<u>1,058,796</u>	<u>827,032</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 828,622</u>	<u>\$ 1,058,796</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 337	\$ 23,101

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## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

#### 1. PURPOSE OF THE ORGANIZATION

On February 1, 2007, the Public Utilities Act was replaced by the Energy and Utilities Board Act (the "Act"). As a result, the name of the Board was changed from the Board of Commissioners of Public Utilities of the Province of New Brunswick to the New Brunswick Energy and Utilities Board (the "Board"). The Board has regulatory responsibilities under various Acts primarily involving electricity, pipelines, natural gas, petroleum products and public motor busses. The Board operates with funds received from the industries it regulates.

The Board is exempt from income tax under Section 149(1)(d) of the Income Tax Act of Canada.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Capital Assets

Capital assets are recorded at cost. Minor expenditures for furniture and fixtures are expensed in the year of acquisition. Amortization is recorded using the straight-line method at the following annual rates:

Computer equipment	33 1/3%
Vehicles	20/25%
Leasehold improvements	10%

##### Revenue Recognition

The Board follows the deferral method of accounting for revenue. Restricted revenue is recognized as revenue in the year in which related expenses are incurred. Unrestricted revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest revenue is recorded on an accrual basis.

##### Common Expense Allocations

In determining the surplus/(deficit) for each of the sectors, common expenses have been allocated based on management's best judgment and actual activity during the year.

##### Direct Expenses

Direct expenses may include consultants' fees, members per diems, hearing costs, travel, training and other out of pocket expenses directly attributable to a specific area of regulatory responsibility.

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### Statement of Cash Flows

For the purpose of the statement of cash flows, the Board considers cash on hand and balances with banks, net of overdrafts, as cash or cash equivalents.

##### Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Examples of significant estimates include:

- the estimated useful lives of assets;
- the recoverability of tangible assets; and
- the calculation of future employee benefits.

#### 3. FINANCIAL INSTRUMENTS

The Board has classified its financial instruments as follows:

Financial Asset/ Liability	Classification	Subsequent Measurement
Cash	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

##### Credit Risk

The Board is subject to credit risk through accounts receivable. The organization minimizes its credit risk through ongoing credit management. The Board does not have significant credit risk exposure to any individual customer.

##### Fair Value

The organization's carrying value of accounts receivable and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

##### Currency Risk

Currency risk is the risk to the Board's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Board is not currently exposed to currency risk.

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

### 4. ACCOUNTS RECEIVABLE

	<u>2010</u>	<u>2009</u>
Accounts receivable	\$ 1,195	\$ 11,944
HST receivable	15,999	24,970
Travel advances	<u>403</u>	<u>1,384</u>
	<u>\$ 17,597</u>	<u>\$ 38,298</u>

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2010</u>	<u>2009</u>
Trade accounts payable	\$ 86,339	\$ 99,067
Due to Department of Transportation - Motor Carrier License fees	32,629	7,534
Wages and benefits	<u>39,593</u>	<u>48,253</u>
	<u>\$ 158,561</u>	<u>\$ 154,854</u>

### 6. CAPITAL ASSETS

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 191,344	\$ 177,815	\$ 13,529	\$ 21,634
Vehicles	160,996	98,018	62,978	43,115
Leasehold improvements	<u>207,794</u>	<u>187,015</u>	<u>20,779</u>	<u>41,559</u>
	<u>\$ 560,134</u>	<u>\$ 462,848</u>	<u>\$ 97,286</u>	<u>\$ 106,308</u>

8.

TEED  
SAUNDERS  
DOYLE & CO.  
Chartered Accountants



## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

#### 7. ELECTRICITY SECTOR REVENUE

In accordance with Section 50 of the Energy and Utilities Board Act, certain corporations are assessed each year for their direct expenses together with their share of common expenses as determined by the Board. Assessments are adjusted to include the audited surplus or deficit from the prior year.

	<u>2010</u>	<u>2009</u>
Estimate of common expenses	\$ 892,242	\$ 889,873
Less: estimate of interest income	<u>10,440</u>	<u>16,240</u>
Estimate of net common expenses	881,802	873,633
Estimate of direct expenses	<u>345,000</u>	<u>545,000</u>
	1,226,802	1,418,633
Surplus from prior year	<u>(637,976)</u>	<u>(474,771)</u>
Assessment of electric utilities	588,826	943,862
Add: Electricity Licensing fees	10,618	8,686
Add: Interest income	<u>337</u>	<u>16,596</u>
	<u>\$ 599,781</u>	<u>\$ 969,144</u>

#### 8. NATURAL GAS SECTOR REVENUE

In accordance with Section 50 of the Energy and Utilities Board Act, natural gas distributors are assessed each year for their direct expenses together with their share of common expenses as determined by the Board. Assessments are adjusted to include the audited surplus or deficit from the prior year.

	<u>2010</u>	<u>2009</u>
Estimate of common expenses	\$ 447,668	\$ 446,138
Less: estimate of interest income	<u>3,600</u>	<u>5,600</u>
Estimate of net common expenses	444,068	440,538
Estimate of direct expenses	<u>150,000</u>	<u>120,000</u>
	594,068	560,538
Surplus from prior year	<u>(73,810)</u>	<u>(54,083)</u>
Assessment of natural gas distributors	520,258	506,455
Add: Other income	-	1,000
Add: Interest income	<u>-</u>	<u>3,147</u>
	<u>\$ 520,258</u>	<u>\$ 510,602</u>

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

#### 9. PIPELINE SECTOR REVENUE

In accordance with Section 50 of the Energy and Utilities Board Act, certain pipeline owners are assessed each year for their direct expenses together with their share of common expenses as determined by the Board. Fees paid by single end use franchisees to the Department of Energy were submitted by the Department to the Board to be used to reduce common expenses for regulation of pipelines.

	<u>2010</u>	<u>2009</u>
Estimate of common expenses	\$ 531,191	\$ 567,710
Less: estimate of interest income	3,960	6,160
Less: amounts from Department of Energy	<u>362,948</u>	<u>356,180</u>
Estimate of net common expenses	164,283	205,370
Estimate of direct expenses	<u>20,000</u>	<u>32,000</u>
Surplus from prior year	<u>184,283</u> <u>(95,690)</u>	<u>237,370</u> <u>(97,443)</u>
Assessment of pipeline owners	88,593	139,927
Add: amounts from Department of Energy	362,948	356,180
Add: interest income	<u>-</u>	<u>3,352</u>
	<u>\$ 451,541</u>	<u>\$ 499,466</u>

#### 10. PETROLEUM SECTOR REVENUE

Section 26 of the Petroleum Products Pricing Act (the "PPP Act") requires each wholesaler, as defined in the Gasoline and Motive Fuel Act, to pay an annual levy to the Board. The levy as prescribed in Regulation 2006-41, Section 14, is equal to .025 cent per litre for each litre of gasoline and motive fuel sold in the twelve month period ending October 31st preceeding the calendar year for which it's wholesaler's license was issued. The levy is used to defray the Board's expenses under the PPP Act.

#### 11. ASSESSMENT FOR PUBLIC INTERVENER

Pursuant to Section 51 of the Energy and Utilities Board Act, the cost incurred by the Attorney General under Section 49 of the Energy and Utilities Board Act are to be collected by the Board and paid to the Minister of Finance. During the year, \$613,463 (2009- \$583,817) was collected and \$613,463 (2009 - \$583,817) was paid.

#### 12. RESERVE FOR FUTURE HEARING

During the year, the Board established a reserve to assist in the cost of a future hearing. The hearing in the Petroleum Sector is scheduled to be held during the next fiscal year.

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### REGULATION OF PETROLEUM WHOLESALE

#### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010

#### 13. FUTURE EMPLOYEE BENEFITS

Following the guidelines set forth by the Province of New Brunswick, employees, with the exception of the chairman, of the Board with a minimum of five continuous years of service are entitled to a retirement allowance equal to one week of salary for every year of service up to a maximum of 25 years. The chairman is entitled to two weeks of salary for every year of service.

#### 14. PENSION PLAN

The Board and its employees participate in a contributory defined benefit pension plan administered by the Province of New Brunswick under the Public Service Superannuation Act. The plan provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies based on the length of service and highest successive five year average salary. As disclosed in the Province's March 31, 2009 financial statements, the pension plan has a net actuarial surplus. Any short fall in the funding of the plan is guaranteed by the Province of New Brunswick, which is the sponsor of the plan. The Board has a liability related to the enhanced pension benefits of the chairman. The chairman is entitled to double the regular employee benefits for the first five years of service.

#### 15. COMMITMENT

The Board has negotiated a lease of its office premises for a ten year period commencing March 1, 2001 and ending February 28, 2011.

The minimum annual lease payment due within the next year is \$137,429.