



Giving Balance



NEW BRUNSWICK ENERGY AND UTILITIES BOARD ANNUAL REPORT 2008-2009

Chairman's Message

It is my pleasure to present the Annual Report of the New Brunswick Energy and Utilities Board for the fiscal year 2008-2009. I'd like to take this opportunity to talk about the past year and some of the ongoing efforts by the Board to serve New Brunswickers.

The Board is committed to providing regulation and oversight that protects the interests of both consumers and the regulated companies. The Board is also committed to providing this regulation in a timely and cost effective manner.

We, like other provincial agencies, implemented a two-year wage freeze and examined our budget for places where expenditures could be cut, such as delaying the filling of vacancies.

As part of this ongoing effort to be cost effective, the Board has begun investigating the implementation of electronic, or paperless, hearings. In these hearings, the Board would shed the cumbersome burden of binders and paper files. We believe this would both speed up hearings and reduce the cost for regulated companies. We anticipate beginning pilot projects in the coming year.

Connected to this project is the development of a new website for the Board. The website at www.nbeub.ca and www.cespnb.ca will act as a conduit for information about the Board's proceedings. A document management system that will allow consumers to gain access to the documents filed in rate hearings through the website is also being investigated. At present, almost all documents involved in a hearing are public, but gaining access to them may not be practical. Our hope is that by giving access to Board documents through the internet, the process will be more accessible and transparent for the consumers of the province.

The past year has also brought changes in the Electricity Act giving the Board authority over new deferral accounts associated with the Lepreau refurbishment. It also clarifies that the Board has authority to initiate a hearing to establish fees for those large electricity consumers who wish to look for other suppliers for their electricity. At this time we have not scheduled hearings for those issues.

I would also like to take this opportunity to talk about the members of the Board. The field of energy regulation can be complicated and requires a significant commitment on behalf of the Board members to ensure that decisions are just and reasonable. Eight of the Board members fulfill their obligations on a part-time basis and I wish to thank them publicly for their dedication and effort.

Supporting the Board members is a staff of 13 who deal with a variety of tasks. The breadth of responsibilities for such a small staff requires that staff be knowledgeable in a variety of areas, handling both administrative and regulatory tasks simultaneously. While this can produce challenges for the Board we believe it provides a valuable service in an efficient manner.

I want to acknowledge the accomplishments of the staff who have taken on the challenges facing the Board and commend their effort over the past year.



Raymond Gorman Q.C.



The Board members and staff are dedicated to providing New Brunswick with effective and efficient service within the jurisdiction of the Board.

Introduction



The Board strives to carry out its duties in a fair, independent and accessible manner.

The New Brunswick Energy and Utilities Board is an independent quasi-judicial body created by the Legislature to regulate the charges passed on to consumers by utilities. The Board strives to carry out its duties in a fair, independent and accessible manner.

The principle behind such utility regulation is that, in some instances, there are some institutions where it is in society's interest to give one company a monopoly to serve a market. In exchange for this "natural monopoly," the company gives up the right to set its own rates and tolls. Instead, the utility's rates must be approved by a regulatory board. This Board must consider what is just and reasonable for both the consumer and the utility.

The Board has been given limited jurisdiction to regulate the charges rates and tolls for the NB Power Distribution Company as well as other specific aspects of the electricity market. The Board regulates portions of the natural gas, motor carrier and pipeline sectors. Additionally, the Board ensures the safe construction and operation of pipelines carrying natural gas, petroleum products and hazardous materials.

The Board's responsibilities also include the administration of a formula to set maximum prices for petroleum products.

Most recently, the Board was given the responsibility for setting interest rates for payday loans, although the regulations required for doing this have not been proclaimed. The various pieces of legislation giving the Board its jurisdiction.

The Board's day-to-day operations are funded by the industries they regulate by way of levies and fees. In the case of electricity, natural gas and pipelines, the costs are divided proportionally. In these three industry sectors, costs directly related to hearings are paid for by the applicant. In the case of petroleum products, the operations and hearing costs are paid for by a flat levy on petroleum product sales of one fortieth of a cent per litre. In the case of motor carrier regulation, the Board received a small grant from the Province of New Brunswick to offset the costs of regulation.

The Legislation

Energy and Utilities Board Act
Electricity Act
Gas Distribution Act
Pipeline Act
Petroleum Products Pricing Act
Cost of Credit Disclosure Act
Motor Carrier Act

THE BOARD, FULL-TIME MEMBERS

Raymond Gorman Q.C.
Cyril Johnston

PART-TIME MEMBERS

Don Barnett	Fredericton
Wanita McGraw	Shippigan
Roger McKenzie	Saint John
Edward McLean	Saint John
Connie Morrison	Bathurst
Yvon Normandeau	Caraquet
Robert Radford, Q.C.	Pointe-du-Chene
Steve Toner	Dieppe

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	Assist. 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 (On Leave of Absence)
John Lawton	Senior Advisor
Trudy Atherton	Payroll and Accounts Administrator
David Keenan	Advisor
David Young	Advisor



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

Electricity



At the direction of the Minister of Energy, the Board reviewed the Distribution Company's increase of three per cent effective April 1, 2008.

The electricity sector is the largest sector regulated by the Board. It is also the most varied. The Board's jurisdiction ranges from licensing companies that buy and sell power in the province to more comprehensive, general supervisory powers. The largest of the companies regulated by the Board is the NB Power Distribution and Customer Service Corporation. The Board's authority is limited to applications to increase electricity rates by more than three percent. There was no application for such an increase last year, however; at the direction of the Minister of Energy, the Board did review the Distribution Company's increase of three per cent effective April 1, 2008.

The investigation into the rate increase was ordered under Section 24(1) of the Energy and Utilities Board Act and was significantly different in nature from a typical application for a rate increase. It was also the first investigation of its kind. As a result, the Board developed a modified process for the investigation. The Board felt that given the fact that the increase was already being charged to consumers - and that the Board could only make recommendations to the Minister - there was an even greater imperative on the timeliness of the report. An expedited process that could produce a report by the end of June was adopted.

To begin the process the Board ordered the company to file the information relied on by its Board of Directors to support the rate increase. The Board also hired a financial consultant to review some of the purchasing contracts and deferral accounts. A two-day hearing was held in May and the report was delivered to the Minister on June 26th.

In February, NB Power Distribution and Customer Service announced it will increase rates by three percent effective

April 1, 2009. The Board was once again directed by the Minister to investigate the necessity of the increase.

In other aspects of the electricity market, the Board received an application from the New Brunswick System Operator for a change to the Open Access Transmission Tariff in March of 2008. The tariff determines the rates and conditions for using the Province's transmission service and is a crucial element in the market for electricity in the region. The System Operator is the independent operator of the transmission system and oversees the access and use of the transmission system. The System Operator also ensures that there is a sufficient and reliable supply of electricity into the grid.

The Board held a hearing into the proposed amendments to the transmission tariff and in November issued a decision. In part, the Board's decision established a new system for the System Operator to fund its operations. Under the new procedure, the System Operator will apply for approval of funds for its budget alone without changes to the other aspects of the tariff. This organization could collect the revenue it requires in monthly instalments. The method should produce hearings that are more streamlined and cost effective. The first such hearing was held in March of this year and a decision was pending at the end of this reporting period.

As part of the Board's oversight of the electricity sector, companies that wish to use the transmission grid either to deliver electricity in the province or elsewhere, must be licensed by the Board. In the past year the Board approved two new licences bringing the total number of licensed market participants to 31.

Natural Gas

The Board oversees the Natural Gas Market in the province under the authority of the Gas Distribution Act. The Act gives the Board jurisdiction over the rates and tolls charged by Enbridge Gas New Brunswick, the holder of the distribution franchise in the province.

As part of this authority, the Board approves the rates charged to the consumer. The Board also has the authority to resolve disputes between Enbridge and its customers. The Board was not called upon to resolve any disputes in the past year.

Enbridge Gas New Brunswick expanded its distribution system adding 1213 new customers in the year ending March 31, 2009. This brought the total number of customers on the Enbridge system to 9583 at the end of March. Throughput, the amount of natural gas delivered through the EGNB network of pipes during that same period, was 5178.3 terrajoules (1 terrajoule = 1000 gigajoules)

The rates charged to consumers are not set based on costs, but rather, based on the market conditions. These market-based rates are geared to give consumers a savings based on the heating fuel they previously used. The formula takes into account the predicted prices of natural gas and heating oil or electricity as well as the energy consumption of a typical customer. During the last year, the Board reviewed the formula for setting the rates for distribution. A decision on the market-based formula was pending at the end of the reporting period.

The market-based rates were crafted to be used while the company developed the natural gas market. This “development period” was established at the initiation of the franchise to account for the likelihood that the company would not be able to recover its costs through rates while the

market is being developed. Specifically, the development period allows the use of rates that are below cost in order to attract new customers. The losses that result from these below costs incentive rates are tracked in a deferral account. The company is allowed to recover the amount in the deferral account - plus a return – over time.

The development period is approved until the end of 2010 and the Board has initiated a number of proceedings to prepare for the end of the development period. In a decision issued in April 2008 the Board ordered a series of technical conferences to begin discussions on the criteria used by the Board to best determine the end of the development period. Following the conferences the Board ordered a hearing to determine the scope and timing of the issues that must be decided upon concerning the end of the development period. In March a decision was issued setting the first hearing for this Fall.

The Board annually reviews the financial statements as well as sales of natural gas by Enbridge. The review of the financial statements is to ensure that the appropriate amount is added to the deferral account, while the review of natural gas sales is to ensure that the gas is priced according to the regulation that permits Enbridge to sell natural gas. At the end of this process, the Board approved the addition of \$15.7 million dollars to the deferral account. The Board also found that the natural gas sold by Enbridge was priced in the manner prescribed by the Gas Distributors Marketing Regulation.



The Board ordered a hearing to determine the scope and timing of the issues that must be decided upon concerning the end of the development period.

Pipeline



Enbridge Gas New Brunswick has installed approximately 106 km of pipeline. Inspectors from the Pipeline Safety Division inspected the installation of this pipe.

The Pipeline Safety Division's mandate is to promote safety and to ensure that companies design, construct, operate and abandon pipelines safely. Additionally, the Board investigates leaks and breaks in pipelines and recommends charges when appropriate. This compliance and investigation activity is carried out by the Board's Safety Division through the use of inspection, education, compliance audits and damage prevention programs.

Enbridge Gas New Brunswick has the franchise to distribute natural gas in the province, and installed approximately 106 km of pipeline in 2008. Inspectors from the Pipeline Safety Division inspected the installation of this pipe. The company also applied to expand its distribution system along Hanwell Road outside of the city of Fredericton. The hearing was scheduled for late Spring 2009.

Corridor Resources applied for, and was issued, a permit in May 2008 and August 2008 to construct pipelines and wellsite production facilities as part of their 2008 natural gas gathering system expansion in Penobsquis. The existing operating license was revised in October and December of 2008 as part of this expansion.

Potash Corporation of Saskatchewan 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. Upon completion of the pipeline, the company expects to discontinue trucking the brine to Cassidy Lake, removing 300 trucks per day from the roads.

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 February 2009. Operations are expected to resume in the fall of 2009.

The Safety Division will carry out general pipeline safety compliance audits of Xstrata's Brunswick Mine ARD disposal pipeline and Corridor Resources natural gas gathering and transmission facilities. Construction, operations and maintenance procedural manuals and records will be reviewed and compared against the requirements of the Pipeline Act, 2005 and regulations including the CSA Standard - Z662 Oil and Gas Pipeline Systems.

Petroleum

The Energy and Utilities Board has the responsibility of setting the maximum price for motor fuels and heating fuels in the province. This is done weekly according to a strict formula set out by regulation. As a result, the maximum price set involves no discretion on the part of the Board.

The price set is based on the average price of the refined petroleum fuel trading on the New York market in the previous week. That average petroleum price from New York is converted to Canadian dollars per litre. The appropriate taxes and specified margins are then added.

There are two margins specified by the Petroleum Products Pricing Act. The first margin of six cents per litre is allotted to the wholesaler who buys the product from the refinery and sells to the retailer. The second margin, 5 cents per litre, is set for the retailer.

During the past year, the Board conducted the first review of the margins since the implementation of the petroleum price regulation in July of 2006. The margins are the amounts in the price setting formula to account for the operations of both the wholesale companies and the retail operations.

To initiate the review, the Board hired Gardner Pinfold Consulting Economists to independently review the industry and any changes since the implementation of price regulation that would warrant changes in the margins. The resulting report

recommended an increase in the margins for both motor fuels and heating fuels. Gardner Pinfold also recommended the Board increase the maximum delivery charge from two cents per litre to three cents per litre. The delivery charge is the maximum amount a retailer may add to the maximum price to account for delivery costs.

A hearing into the matter was held in October where the Board heard from a cross-section of the industry and the public. A decision was issued in December, the margins were maintained at the existing levels. The Board raised the maximum allowable delivery charge to 2.5 cents per litre.

The Board also deals with complaints by consumers who believe they have been charged in excess of the maximum price allowed. Such complaints must include a receipt. While the Board has received a number of enquiries from consumers concerned about the price of fuel, the resulting investigations revealed no violations of the law.



The Board conducted the first review of the margins since the implementation of the petroleum price regulation in July of 2006.

Motor Carrier



HMS Transportation sought permission of the Board to discontinue its service between St. Andrews and Saint John.

The Board regulates the motor coach industry through the licensing of charter bus service and the regulation of scheduled intercity bus service.

In April of 2008 the Board received an application from Acadian Coachlines Ltd. for a 6.2 per cent increase in its rates. A concurrent application was made to the Nova Scotia Utilities and Review Board for similar increases. As has been done in the past, the two Boards agreed to hold the hearing together to save on expenses and time. On June 13 the Energy and Utilities Board issued a decision approving the increases.

The Board received two other requests for increases in rates for scheduled service. The first application was from Saint John Transit which runs a commuter service between Saint John and the communities of Hampton, Quispamsis, Rothesay and Grand Bay. The transit commission requested approval of an increase in its cash fares and passes. The Board approved the increases effective January 1, 2009.

The second application for an increase in fares came from Trius Inc., another commuter service operator. Trius runs regular service between Fredericton and Chipman. Citing increased insurance and fuel costs, as well as capital costs for a new bus, the company sought approval for increases in its cash fares and passes. The Board approved this request.

As part of the Board's jurisdiction over scheduled service, changes to service must be approved by the Board. In July of last year, HMS Transportation sought

permission of the Board to discontinue its service between St. Andrews and Saint John. The service included stops in St. Stephen, St. George and Pennfield. The service was launched in 2007 following the discontinuation of service by Acadian Coachlines. Representatives from HMS told the Board that the ridership was lower than had been expected.

The Energy and Utilities Board, and the Public Utilities Board before it, assumed the jurisdiction over the Motor Carrier Industry after taking on the responsibilities of the Motor Carrier Board. Included in those responsibilities is authority to hear appeals of decisions of the Registrar of Motor Vehicles. In the Fall of last year the Board received such an appeal. F and D Auto Sales filed an appeal of the registrar's decision to revoke the company Auto Dealers Licence. A decision was still pending at the end of the reporting year.

The Board's activities in relation to the Charter Bus industry in the province are summarized below:

CHARTER APPLICATIONS

Received	6
Opposed	0
Granted as Advertised	6
Granted with Amendments	0
Abandoned or Dismissed	0

LICENCES

Denied	0
Cancelled or Revoked	0
Active at Year End	45

MOTOR CARRIERS

Plates Issued	242
Temporary Plates Issued	13

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, 2009

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

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

MARCH 31, 2009

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Chartered Accountants
Members of CFE Institute of Chartered Accountants

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, 2009 and the statements of operations and changes 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Teed Saunders Doyle & Co.

CHARTERED ACCOUNTANTS

Saint John, NB
July 14, 2009

Chartered Accountants
2000-100 Road
Saint John
Chartered Accountants
2000-100 Road
Saint John



Chartered Accountants
2000-100 Road
Saint John
Chartered Accountants
2000-100 Road
Saint John

NEW BRUNSWICK ENERGY AND UTILITIES BOARD


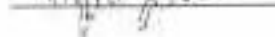
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash (Note 3)	\$ 1,058,796	\$ 827,032
Accounts receivable (Notes 3 and 4)	38,290	29,095
Prepaid expenses	11,959	9,911
	<u>1,109,044</u>	<u>866,038</u>
CASH HELD IN TRUST (Notes 3 and 6)		<u>10,359</u>
CAPITAL ASSETS (Notes 2 and 3)	<u>126,308</u>	<u>168,564</u>
	<u>\$ 1,235,352</u>	<u>\$ 1,044,911</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 3 and 5)	\$ 154,854	\$ 194,718
Due to the Province of New Brunswick (Note 3)		<u>60,000</u>
	<u>154,854</u>	<u>254,718</u>
CASH HELD IN TRUST (Notes 3 and 6)		<u>10,359</u>
RESERVE FOR FUTURE HEARINGS (Note 14)		<u>50,000</u>
FUTURE EMPLOYEE BENEFITS (Note 13)	<u>254,022</u>	<u>183,582</u>
SURPLUS		
SURPLUS	<u>877,476</u>	<u>636,247</u>
	<u>\$ 1,235,352</u>	<u>\$ 1,044,911</u>

COMMITMENT (Note 16)

APPROVED ON BEHALF OF THE BOARD:

 Chairman
 Vice-Chairman

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CHANGE IN SURPLUS FOR THE YEAR ENDED MARCH 31, 2009

	Balance at Beginning of Year	Surplus/ (Deficit)	Balance at End of Year
ELECTRICITY SECTOR	\$ 474,772	\$ (69,205)	\$ 637,976
NATURAL GAS SECTOR	54,083	19,727	73,810
PIPELINE SECTOR	97,443	(1,353)	95,690
PETROLEUM SECTOR	-	-	-
MOTOR CARRIER SECTOR	-	-	-
	<u>\$ 626,297</u>	<u>\$ (181,179)</u>	<u>\$ 807,476</u>

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NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
REVENUE (Note 2)		
Electricity Sector (Note 8)	\$ 969,144	\$ 713,942
Natural Gas Sector (Note 10)	510,500	399,433
Pipeline Sector (Note 11)	499,466	572,680
Petroleum Sector (Note 12)	432,722	432,804
Motor Carrier Sector (Note 6)	42,049	-
	<u>2,453,921</u>	<u>2,098,919</u>
DIRECT EXPENSES (Note 2)		
Electricity Sector	99,917	195,360
Natural Gas Sector	105,462	69,614
Pipeline Sector	17,236	22,966
Petroleum Sector	56,301	60,000
Motor Carrier Sector	6,891	-
	<u>285,807</u>	<u>347,940</u>
NET REVENUE	<u>2,168,114</u>	<u>1,751,079</u>
COMMON EXPENSES (Note 2)		
Salaries and benefits	1,488,201	1,405,404
Office and administration	348,491	372,703
Training	88,098	102,474
Amortization	62,254	63,726
	<u>1,987,044</u>	<u>1,944,307</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 181,179</u>	<u>\$ (133,228)</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2009

	<u>2009</u>	<u>2008</u>
CASH PROVIDED BY (USED IN)		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 181,179	\$ (193,278)
Item not involving cash		
Amortization	<u>62,225</u>	<u>63,716</u>
	243,404	(129,562)
Changes in non-cash working capital balances		
Accounts receivable	(9,203)	87,419
Prepaid expenses	(3,039)	(9,911)
Accounts payable and accrued liabilities	50,137	(2,522)
Due to Province of New Brunswick	(60,000)	60,000
Reserve for future hearings	(60,000)	60,000
Future employee benefits	<u>70,432</u>	<u>105,802</u>
	<u>231,764</u>	<u>171,296</u>
Investing activities		
Transfer of capital assets from Natural Gas and Pipeline Fund (Note 9)	-	(89,157)
Purchase of capital assets	-	(60,678)
Proceeds on disposal of capital assets	<u>-</u>	<u>11,929</u>
	<u>-</u>	<u>(137,906)</u>
Financing activities		
Surplus transferred from Natural Gas and Pipeline Fund (Note 9)	-	105,964
INCREASE IN CASH	<u>231,764</u>	<u>129,434</u>
CASH AT BEGINNING OF YEAR	<u>827,051</u>	<u>687,598</u>
CASH AT END OF YEAR	<u>\$ 1,058,815</u>	<u>\$ 827,012</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	\$ 21,102	\$ 31,799

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

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 buses. The Board operates with funds received from the industries it regulates, with the exception of the public motor bus industry, where it carries out its responsibilities with funds from the Provincial Department of Transportation.

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

Financial Statement Presentation

During the year, the Board adopted a new financial statement reporting process. In the past, the Board reported the operations of each of the sectors it regulates in a separate financial statement. In the current year, the statements of financial position, change in net assets, operations and cash flows for each of the sectors have been combined into a single financial statement. The prior year figures have been restated in conform with the presentation adopted in the current year.

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 allocation

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

Direct Expenses

Direct expenses may include consultants' fees, members per diem, 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, 2009

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
Cash held in trust	Held-for-trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to the Province of New Brunswick	Other financial liabilities	Amortized cost
Cash held in trust	Other financial liabilities	Amortized cost

The Board's accounts receivable, accounts payable and accrued liabilities, due to the Province of New Brunswick and cash held in trust are recorded at amortized cost, which approximates their fair value. The Board does not have significant credit risk exposure to any individual customer.

4. ACCOUNTS RECEIVABLE

	2009	2008
Accounts receivable	\$ 11,944	\$ 7,539
HST receivable	24,970	18,254
Travel advances	1,384	1,182
	<u>\$ 38,298</u>	<u>\$ 26,975</u>

FIELD
SAUNTERS
DOYLE & CO.
Chartered Accountants

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

5. ACCOUNTS PAYABLE

	2009	2008
Trade accounts payable	\$ 99,067	\$ 72,970
Due to Department of Transportation - Motor Carrier License fees	7,534	-
Wages and benefits	<u>48,754</u>	<u>31,748</u>
	<u>\$ 155,355</u>	<u>\$ 104,718</u>

6. MOTOR CARRIER SECTOR

In the prior year, cash of \$10,109 relating to the regulation of the public motor bus industry in New Brunswick ("Motor Carrier") was being held in trust by the Board on behalf of the New Brunswick Department of Transportation. During the year, the Board began authorizing the activities of the Motor Carrier sector within its statement of operations and change in surplus. The original deposit of \$6,000 from the Department of Transportation was returned to them, and the net funds remaining were transferred to the board's operating bank account.

7. CAPITAL ASSETS

	2009		2008	
	Cost	Accumulated Amortization	Net	Net
Computer equipment	\$ 182,589	\$ 160,953	\$ 21,634	\$ 43,488
Vehicles	136,444	93,329	43,115	62,738
Leasehold improvements	<u>307,794</u>	<u>166,235</u>	<u>141,559</u>	<u>62,338</u>
	<u>\$ 626,827</u>	<u>\$ 420,517</u>	<u>\$ 206,308</u>	<u>\$ 168,564</u>

8. ASSESSMENT OF ELECTRIC UTILITIES

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. Assessments are adjusted to include the realized surplus or deficit from the prior year.

	2009	2008
Estimate of common expenses	\$ 889,873	\$ 842,230
Less: estimate of interest income	<u>(6,240)</u>	<u>(8,000)</u>
Estimate of net common expenses	873,633	824,230
Estimate of direct expenses	<u>545,080</u>	<u>555,030</u>
	1,418,713	1,379,260
Surplus from prior year	<u>(434,771)</u>	<u>(711,491)</u>
Assessment of electric utilities	<u>\$ 983,942</u>	<u>\$ 667,769</u>

8.

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Chartered Accountants

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

9. NATURAL GAS AND PIPELINE SECTORS

In 2007, the Board began to have regulatory responsibility for various types of pipelines under the Pipeline Act, 2005 ("Pipeline Act"). Prior to 2007, the Board's only responsibility for pipelines was pursuant to the Gas Distribution Act, 1939 ("GDA"). The Board decided that it would be appropriate, from a financial reporting perspective, to combine its activities under both the Pipeline Act and the GDA prior to 2007. Combining the sectors allowed the Board to become familiar with its new responsibilities and to determine the most appropriate way to allocate its common costs between the Natural Gas and the Pipeline sectors. Commencing in 2008, the Board began reporting these sectors separately.

10. ASSESSMENT OF NATURAL GAS DISTRIBUTORS

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.

	2009	2008
Estimate of common expenses	\$ 440,138	\$ 400,222
Less: estimate of interest income	<u>5,600</u>	<u>0,000</u>
Estimate of net common expenses	440,138	400,222
Estimate of direct expenses	<u>120,080</u>	<u>80,750</u>
	560,936	480,972
Surplus from prior year	(54,081)	-
Prior year surplus transferred from Natural gas and Pipeline Fund (Note 9)	<u>-</u>	<u>(105,984)</u>
Assessment of natural gas distributors	<u>\$ 506,455</u>	<u>\$ 374,988</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

11. ASSESSMENT OF PIPELINE OWNERS

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-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.

	2009	2008
Estimate of common expenses	\$ 567,710	\$ 553,995
Less: estimate of interest income	6,150	-
Less: amounts from Department of Energy	<u>156,180</u>	<u>350,725</u>
Estimate of net common expenses	205,370	203,269
Estimate of direct expenses	<u>32,000</u>	<u>11,750</u>
	<u>237,370</u>	<u>217,519</u>
Surplus from prior year	<u>(97,445)</u>	<u>-</u>
Assessment of pipeline owners	<u>\$ 139,925</u>	<u>\$ 217,519</u>

12. LEVIES CHARGED TO PETROLEUM WHOLESALERS

Section 26 of the Petroleum Products Pricing Act (the "PPP Act") requires each wholesaler, as defined in the Gasoline and Motor 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 motor fuel sold in the twelve-month period ending October 31st preceeding the calendar year for which a's wholesaler's license was issued. The levy is used to defray the Board's expenses under the PPP Act.

13. ASSESSMENT FOR PUBLIC INTERVIEWER

Pursuant to Section 31 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, \$583,817 (2008- \$257,725) was collected and \$583,817 (2008- \$257,725) was paid.

14. RESERVE FOR FUTURE HEARING

In the prior year, the Board established a reserve to assist in the cost of a future hearing. The hearing was held during the current year and the reserve was depleted.

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

REGULATION OF PETROLEUM WHOLESALE

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

15. FUTURE EMPLOYEE BENEFITS

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, 2008 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.

Hearing Allowances

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 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 up to a maximum of 25 years.

16. COMMITMENT

The Board has negotiated a lease of its office premises for a ten year period commencing March 1, 2008 and ending February 28, 2018. This cost is allocated between the sectors of the Board as described in Note 2.

The minimum annual lease payments due within the next two years are as follows:

2010	\$	149,923
2011		137,479