



NEW BRUNSWICK  
ENERGY & UTILITIES BOARD

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

# Giving Balance

2010 - 2011



NEW BRUNSWICK ENERGY AND UTILITIES BOARD ANNUAL REPORT 2010 - 2011

# Chairman's Message

I am pleased to present the Annual Report of the New Brunswick Energy and Utilities Board for the reporting period beginning April 1, 2010 and ending March 31, 2011. It has been both a challenging and rewarding year for the Energy and Utilities Board.

During the year the Board dealt with several major applications. These ranged from highly technical matters regarding the province's electrical transmission system to applications for rate increases for bus passengers, natural gas customers and other utility customers.

In order to enhance its ability to deal with its regulatory responsibilities, the Board has made progress modernizing our day-to-day operations. We have made significant improvements in our filing system, developing an electronic document management system that will be the basis of a number of new electronic initiatives at the Board.

The first of these initiatives will be an electronic hearing during the fall of 2011. In this hearing there will be no paper copies of the evidence presented; instead the documentation will be displayed on video screens in the hearing room. Hearings regularly involve thousands of pages of evidence, tables of numbers and reports from experts. Moving to an electronic hearing will not only ease the document management burden during the hearing but it will also ease the burden on the utilities to print multiple copies of their evidence.

Another aspect of this initiative is that we will soon be able to make all evidence and documents connected to hearings available through the Board's website. We believe that making the documents available online will make it easier for members of the public to be fully informed about the work of the Board.

I would like to welcome two new appointees to the Board, Pat Darrah and Terry Totten. Both Pat and Terry bring years of valuable business and management expertise to the Board and I look forward to working with both of them.

At the same time, I would like to acknowledge some of the contributions made over the past number of years. Firstly I want to thank Board member Yvon Normandeau for his service to the Board since 2007. Yvon served on a number of panels helping to arrive at decisions related to natural gas, electricity and intercity bus service.

I also want to acknowledge the contributions of Douglas Goss over the last 20 years. Doug retired from his position as Director of Regulatory and Financial Affairs in October 2010. During his tenure Doug was the backbone of the regulatory and financial side of the Board. His experience and exceptional knowledge in regulatory matters were universally acknowledged by both his peers and by the utilities regulated by the Board.

Finally I want to acknowledge the many contributions of our Board members and staff who have dedicated themselves over the past year to providing New Brunswick with effective and efficient regulation.

  
Raymond Gorman, Q.C.  
Chair, NBEUB



**We will soon be able to make all evidence and documents connected to hearings available through the Board's website. We believe that making the documents available online will make it easier for members of the public to be fully informed about the work of the Board.**



# Introduction



**Rate regulation is a public process. For those who are interested, the documents are available to view and the process open to participation. The Board's work is completed through and open and transparent process which culminates in a public hearing.**

The Energy and Utilities Board was established in 2007 by the New Brunswick legislature with the enacting of the Energy and Utilities Board Act.

The role of the Board is to act as an independent, quasi-judicial agency to oversee aspects of the energy sector and to regulate the charges 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 which sets the maximum wholesale and retail price. The Board issues the weekly maximum price according to the formula results.

The Pay Day Loans Act gives the Board jurisdiction to set interest rates for Pay-Day Loans. This jurisdiction is dependent on government regulations that are not yet in force.

Rate regulation is a public process. For those who are interested, the documents are available to view and the process open to participation. The Board's work is completed through and open and transparent process which culminates in a public hearing.

The Board's duties are carried out by a staff of 16 including a full-time chair and vice chair. There are eight part-time Board members who are called upon as needed to participate in hearings. The Board members are appointed 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  
Pat Darrah  
Wanita McGraw  
Edward McLean  
Roger McKenzie  
Connie Morrison  
Yvon Normandeau  
Robert Radford, Q.C.  
Terry Totten

### 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
John Lawton	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
Trudy Atherton	Payroll and Accounts Administrator
David Keenan	Advisor
David Young	Advisor



photo credit: NB DoE

The Board's duties are carried out by a staff of 16 including a full-time chair and vice chair. There are eight part-time Board members who are called upon as needed to participate in hearings.

# Electricity

In the electricity sector the Board has a variety of roles and responsibilities.

These responsibilities include:

- Approving rate increases in excess of three percent for NB Power customers
- Monitoring the electricity market in New Brunswick
- Considering licence applications from those wishing to participate in the province's electricity market.
- Regulating the New Brunswick System Operator and the rules for using the transmission grid in the province.
- Setting the rates charged by transmission companies in New Brunswick.

The Board held a number of electricity hearings during the year.

In April of 2010 the New Brunswick Power Distribution and Customer Service Corporation – which delivers electricity to most New Brunswickers - notified the Board that it planned to increase rates by three percent effective June 1, 2010.

Under Section 99 of the Electricity Act, the distribution corporation may increase its rates by three percent or less without approval by the Board. As in past years, the Board was directed by the Minister of Energy to investigate the necessity of this increase.

The Board held a two-day hearing in June and delivered its report to the Minister on July 12, 2010. In its findings and recommendations, the Board found:

- All of the 3% increase in rates will go to providing net earnings for Disco.
- To determine the appropriate level of net earnings for Disco would require a hearing that could take many months.
- Given the evidence that NB Power operates as a vertically integrated utility, the focus should be on the appropriate net earnings for the entire group of NB Power companies.
- The Board does not have jurisdiction over either the NB Power generating companies or the NB Power holding company and therefore cannot make a determination regarding the appropriate level of net earnings for the NB Power group as a whole.

Based on those findings the Board concluded that it could not determine whether or not the three percent increase was necessary.

The Board's role with respect to the New Brunswick System Operator was a significant focus of activity in this year.

The System Operator 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.

The System Operator applied for approval of its revenue requirement for 2010-2011. The hearing was delayed by the proposed deal to sell NB Power to Hydro Quebec which originally included a provision to discontinue the system operator. A hearing was held in June 2010. In its final decision, the Board disallowed the amount of \$200 thousand that the System Operator anticipated might be recommended in a pending compensation study.

In the Fall of 2010, the System Operator applied for approval of its next revenue requirement – for the 12 months beginning April 1, 2011. A hearing was held in February of 2011. A decision was pending at the end of this reporting year.

During the year the System Operator filed two other applications with the Board.

The first application involved a number changes to the Open Access Transmission Tariff. The goal of the tariff is to ensure that companies using the transmission lines are treated fairly and without discrimination.

The second application was in connection to the real power loss factor. In transmitting electricity through the transmission wires, a certain amount of electricity is lost. As a result, additional electricity must be generated, and injected into the transmission system, to account for the loss. The System Operator applied to the Board to change this transmission loss factor used in the tariff. The System Operator also proposed a methodology for future changes in the transmission loss factor.

In the week prior to the commencement of the hearing, the System Operator informed the Board that it was withdrawing both applications following which the System Operator was ordered to appear at a hearing. At that hearing, the System Operator argued that it had the right to withdraw applications without providing any reasons. The Board ruled that the System Operator could not withdraw the applications without providing appropriate reasons.

...the Board disallowed the amount of \$200 thousand that the system operator anticipated might be recommended in a pending compensation study.

# Natural Gas

The natural gas distribution franchise in New Brunswick is held by Enbridge Gas New Brunswick which is a public utility. As such the Board has general regulatory supervision over Enbridge.

At the end of this reporting period the utility served 10,961 customers, a year over year increase of 653 customers. Enbridge delivered 5.4 million gigajoules of natural gas compared to 5.2 million gigajoules last year.

The Board has initiated a series of hearings to resolve issues that face the company as it makes the transition operation as a mature utility.

When natural gas first came to New Brunswick, it was realized that the cost of installing pipe and building the distribution system would be so high that traditional rates – based on the utility's costs – would be too high for customers to pay. A system was adopted where Enbridge would charge rates that would produce a savings compared to using an alternative fuel. These rates would be lower than the cost of service and as a result Enbridge would lose money. Enbridge tracks these losses in a "deferral account" to be recovered from future customers.

Each year the Board reviews the financial results of Enbridge Gas New Brunswick at a public hearing. One of the key roles in this review is to ensure that additions to the deferral account are prudent.

In the past year the Board modified this process. In addition to reviewing the spending for 2009 the Board reviewed the proposed 2011 budget. The purpose was to give any guidance necessary to Enbridge about what spending the Board deemed prudent prior to the money being spent.

The hearing for the 2009 review and 2011 budget occurred in February. The Board issued a decision in May of 2011, approving the 2009 spending with some exceptions. The decision also set rules for expansion costs going forward.

The Board also held hearings into both the Cost of Capital and the Cost of Service methodology in the Fall of 2010.

In its decision the Board lowered the return on equity from 13 percent to 10.9 percent beginning January 1, 2011. The cost of debt remained the same. Prior to the hearing the debt to equity ratio was 50 percent debt and 50 percent equity. However, the Board determined that the percentage of debt should be higher and set the ratio at 55 percent debt and 45 percent equity. Enbridge appealed this decision to the Court of Appeal. In a decision dated April 21, 2011, the appeal was denied.

Following the Cost of Capital hearing the Board held a hearing into the Cost of Service.

One of the roles of a regulator is to ensure that customers pay their appropriate share of the utility's costs. This involves apportioning shared costs between customer classes. For example what portion of administration costs should be paid for by large customers and what share by small residential customers? The most significant of these shared costs is the deferral account.

While EGNB's rates are currently market based and not based on the costs, it is anticipated that the rates will have some cost component in the near future. It was imperative to establish how those rates would be determined.

A decision on the Cost of Service was issued at the end of 2010. This decision sets out the methodologies to be applied in determining the proportions of various costs which are the responsibility of the different customer classes.

Following both the Cost of Capital and Cost of Service hearings the Board received an application from Enbridge for an increase in rates for all classes. The hearing was pending at the close of this fiscal year.



**The Board lowered the return on equity from 13 percent to 10.9 percent beginning January 1, 2011.**



# Pipeline



photo credit: Brunswick Pipelines

The Pipeline Safety Division's mandate is to promote safety and to ensure 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.

The Pipeline Safety Division's mandate is to promote safety and to ensure 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 Safety Divisions use of inspection, education, compliance audits and damage prevention programs.

This year Enbridge Gas New Brunswick, which was awarded the provincial gas distribution franchise in 1999, has installed approximately 63 km of pipeline during this reporting period. Inspectors from the Pipeline Safety Division inspected the installation and testing of this pipe.

Potash Corporation of Saskatchewan (PCS) applied for and was granted approval to amend a permit previously issued in September 2009 to construct eight pipelines to transport natural gas, brine and brine slurries between their Picadilly mine and Penobsquis mill. The amended permit allowed for an additional temporary ore slurry pipeline and other minor revisions to support system design changes.

Irving Oil Limited was granted permis-

sion by the Board to resume operation of the fuel oil pipeline to the NB Power's Coleson Cove Generating facility in November 2010. The Board approved a further application from Irving Oil to temporarily suspend operations of this pipeline in January 2011.

Compliance Audits were conducted for the pipeline operations of Enbridge Gas New Brunswick and Corridor Resources Inc. In both cases no major non-compliance items noted.



# 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). The Board sets maximum prices based on a seven-day trading week, commencing each Wednesday and concluding the following Tuesday. New maximum petroleum prices come into effect at 12:01 AM each Thursday morning.

The rules for setting maximum petroleum prices follow a strict formula set out in regulation.

In 2010 the Board initiated its second review of the maximum margins, maximum delivery costs and maximum full service charge allowed under the Petroleum Products Pricing Act to ensure they were justified.

In August the Board retained Gardner Pinfold Consulting Economists to independently review the regulated marketplace and make recommendations as to whether or not changes would be justified. Gardner Pinfold submitted its report to the Board in December 2010. As part of the proceeding the Board also received evidence from the Atlantic Convenience Stores Association, Co-op Atlantic, the Scholten's Group, and the Public Intervenor appointed by the Attorney-General. The public hearing on the matter was held for Fredericton in April 2011. A decision was pending at the end of the reporting period.

In accordance with the Canadian Environmental Protection Act, ethanol-blended gasoline was introduced to the New Brunswick marketplace in March 2011. In preparation, the government approved new regulations to the Petroleum Products Pricing Act to incorporate the new fuel into the schedule of prices issued by the Board. Under the new regulation, the Board tracks the New York prices of regular unleaded gasoline as well as prices for ethanol. The Board then calculates a price for a blended product containing ten percent ethanol.

The regulations direct that each week the Board set the price for regular gasoline on the higher of either the regular unleaded gasoline

or for the ethanol blend.

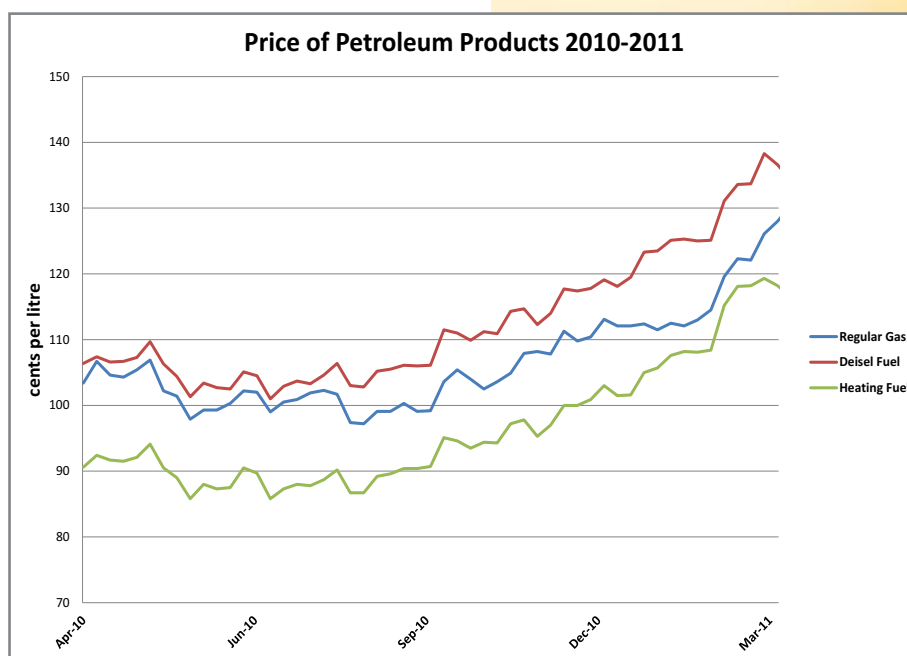
Maximum prices for gasoline began falling from April through June and remained fairly flat through the summer months. In September, however, gasoline prices began rising, reaching the high point of 128.0 cents per litre in March 2011. For the year the lowest maximum price for regular gasoline was 97.2 cents per litre, set on August 26, 2010.

Maximum prices for ultra-low sulphur diesel fuel and heating oil followed a similar course throughout the year, falling from April through June, reaching a low-point in July, and then rising for the remainder of the year. For ultra-low sulphur diesel fuel the lowest maximum price for the year was 101.0 cents per litre set on July 8, 2010, while the highest maximum price was 138.3 cents per litre in March 2011. The highest price for heating oil was 119.3 cents per litre, also in March 2011, while the lowest was 85.8 cents per litre set in May of 2010.

Maximum prices for delivered propane showed less price variability than other products for the year. The lowest maximum price for propane was 99.6 cents per litre in July 2010 while the highest maximum price was 113.6 cents per litre in March 2011.



In 2010 the Board initiated its second review of the maximum margins, maximum delivery costs and maximum full service charge allowed under the Petroleum Products Pricing Act to ensure they were justified.



# Motor Carrier



**In March 2010 the Board conducted a public hearing to consider Acadian's application to change its routes and schedules in New Brunswick, including reductions in service and the elimination of service to several communities.**

The Board regulates the motor coach industry through the licensing of charter buses and 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.

Acadian Coach Lines is the primary intercity, scheduled service motor coach company in New Brunswick, providing connecting service to Nova Scotia, Prince Edward Island and Quebec. In March 2010 the Board conducted a public hearing to consider Acadian's application to change its routes and schedules in New Brunswick, including reductions in service and the elimination of service to several communities. As part of the proceeding the Board held sessions for public input in St. Stephen, Miramichi and Fredericton. The Board issued its decision on July 16, 2010 approving the following changes to Acadian's route network:

- Route 1 – to discontinue one daily round-trip between St. Stephen NB and Bangor ME while providing a minimum three-day-per-week, round-trip service between St. Stephen and Saint John.
- Route 2 – to reduce service between Fredericton and Rivière-du-Loup QC from three round-trips per day to two round-trips per day.
- Route 3 – to reduce direct service between Fredericton and Miramichi from one daily round-trip to a minimum of three-days-per-week, round-trip service.
- Route 4 – no changes to the one daily round-trip between Moncton and Campbellton.
- Route 5 – the elimination of the Friday and Sunday evening round-trip between Moncton and Charlottetown. Twice daily, round-trip service between these communities to be continued.
- Increase to the frequency of intercity service on the Halifax-Moncton-Fredericton-Saint John corridor.

In September 2010, before implementing the approved changes to its routes and schedules, Acadian applied to the Board to vary the July decision. The company requested that the requirement to increase the frequency of service along the intercity corridor routes be dropped, based on declining ridership numbers. After providing other participants to the proceeding with an opportunity to make further submis-

sions, the Board varied the July decision on December 8, 2010, removing the requirement for Acadian to increase the frequency of service along the Halifax-Moncton-Fredericton-Saint John corridor. Acadian implemented its new schedule, effective February 27, 2011.

In April 2010 Acadian Coach Lines filed an application to increase passenger fares by an average of two percent. As Acadian operates an integrated bus service in New Brunswick and Nova Scotia, with a uniform fare structure, the application was heard jointly with a similar application to the Nova Scotia Utility and Review Board on June 8, 2010. The Board approved the applied-for fare increase, effective June 14, 2010.

In September the Board received an application from EASTLINK Door-to-Door Shuttle-Express Inc. of Moncton, a licensed charter operator, to amend its licence so the company could provide daily, scheduled passenger service between Moncton and Shediac NB. The application was heard in Saint John on December 1, 2010. The Board approved the amendment to the company's motor carrier licence, as well as the applied-for schedule and passenger fares. EASTLINK commenced its scheduled service on January 5, 2011.

In December the Board received an application from the Saint John Transit Commission, which operates a scheduled, weekday commuter service (ComeX) between Saint John and the communities of Grand Bay, Hampton, Rothesay and Quispamsis. The transit commission applied to increase its cash fares and passes. The Board heard the application in Saint John on January 17, 2011 approving the applied-for increases.

During the year the Board also granted three new applications for charter bus service, renewed 42 charter licences, issued 281 motor carrier plates, and issued three temporary permits.

# Board Members



Raymond Gorman, Q.C.



Cyril Johnston



Don Barnett



Pat Darrah



Wanita McGraw



Roger McKenzie



Edward McLean



Connie Morrison



Yvon Normandeau



Robert Radford, Q.C.



Terry Totten



**NEW BRUNSWICK ENERGY AND UTILITIES BOARD**

**FINANCIAL STATEMENTS**

**MARCH 31, 2011**

TEED  
SAUNDERS  
DOYLE & CO.  
Chartered Accountants

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

MARCH 31, 2011

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the New Brunswick Energy and Utilities Board, which comprise the statement of financial position as at March 31, 2011, and the statements of change in surplus, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

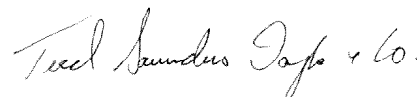
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the New Brunswick Energy and Utilities Board as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Saint John, NB  
June 29, 2011



CHARTERED ACCOUNTANTS

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SAUNDERS  
DOYLE & CO.  
Chartered Accountants

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# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2011

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 3)	\$ 1,064,704	\$ 828,622
Accounts receivable (Notes 3 and 4)	31,529	17,597
Prepaid expenses	<u>17,252</u>	<u>8,356</u>
	<u>1,113,485</u>	<u>854,575</u>
<b>CAPITAL ASSETS</b> (Notes 2 and 6)	<u>84,128</u>	<u>97,286</u>
	<u>\$ 1,197,613</u>	<u>\$ 951,861</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Notes 3 and 5)	\$ <u>86,416</u>	\$ <u>158,561</u>
<b>RESERVE FOR FUTURE HEARINGS</b> (Note 12)	<u>53,328</u>	<u>75,000</u>
<b>FUTURE EMPLOYEE BENEFITS</b> (Note 13)	<u>254,159</u>	<u>323,074</u>
<b>SURPLUS</b>		
<b>SURPLUS</b>	<u>803,710</u>	<u>395,226</u>
	<u>\$ 1,197,613</u>	<u>\$ 951,861</u>
<b>COMMITMENT</b> (Note 15)		

APPROVED ON BEHALF OF THE BOARD:

 Chairman  
 Vice-Chairman

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Chartered Accountants

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## STATEMENT OF CHANGE IN SURPLUS

FOR THE YEAR ENDED MARCH 31, 2011

	Balance at Beginning of <u>Year</u>	<u>Surplus</u>	Balance at End of <u>Year</u>
ELECTRICITY SECTOR	\$ 355,906	\$ 200,394	\$ 556,300
NATURAL GAS SECTOR	1,838	103,649	105,487
PIPELINE SECTOR	37,482	104,441	141,923
PETROLEUM SECTOR	-	-	-
MOTOR CARRIER SECTOR	-	-	-
	<u>\$ 395,226</u>	<u>\$ 408,484</u>	<u>\$ 803,710</u>

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# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2011

	<u>2011</u>	<u>2010</u>
<b>REVENUE</b> (Note 2)		
Electricity Sector (Note 7)	\$ 981,078	\$ 599,781
Natural Gas Sector (Note 8)	622,944	520,258
Pipeline Sector (Note 9)	515,552	451,541
Petroleum Sector (Note 10)	455,536	455,444
Motor Carrier Sector	<u>-</u>	<u>13,051</u>
	<u>2,575,110</u>	<u>2,040,075</u>
<b>DIRECT EXPENSES</b> (Note 2)		
Electricity Sector	68,673	66,914
Natural Gas Sector	132,160	163,944
Pipeline Sector	10,426	11,173
Petroleum Sector	71,108	75,893
Motor Carrier Sector	<u>-</u>	<u>13,051</u>
	<u>282,367</u>	<u>330,975</u>
<b>NET REVENUE</b>	<u>2,292,743</u>	<u>1,709,100</u>
<b>COMMON EXPENSES</b> (Note 2)		
Salaries and benefits	1,401,085	1,593,459
Office and administration	377,095	381,921
Training	55,135	85,788
Amortization	<u>50,944</u>	<u>60,182</u>
	<u>1,884,259</u>	<u>2,121,350</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 408,484</u>	<u>\$ (412,250)</u>

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# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2011

	<u>2011</u>	<u>2010</u>
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 408,484	\$ (412,250)
Item not involving cash		
Amortization	<u>50,944</u>	<u>60,182</u>
	459,428	(352,068)
Changes in non-cash working capital balances		
Accounts receivable	(13,932)	20,701
Prepaid expenses	(8,896)	4,594
Accounts payable and accrued liabilities	(72,145)	3,707
Reserve for future hearings	(21,672)	75,000
Future employee benefits	<u>(68,915)</u>	<u>69,052</u>
	<u>273,868</u>	<u>(179,014)</u>
Investing activities		
Purchase of capital assets	<u>(37,786)</u>	<u>(51,160)</u>
<b>INCREASE (DECREASE) IN CASH</b>	236,082	(230,174)
<b>CASH AT BEGINNING OF YEAR</b>	<u>828,622</u>	<u>1,058,796</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 1,064,704</u>	<u>\$ 828,622</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 9,832	\$ 337

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# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

### 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.

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

### 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, 2011

### 4. ACCOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
Accounts receivable	\$ 4,682	\$ 1,195
HST receivable	22,530	15,999
Travel advances	<u>4,317</u>	<u>403</u>
	<u>\$ 31,529</u>	<u>\$ 17,597</u>

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2011</u>	<u>2010</u>
Trade accounts payable	\$ 85,882	\$ 86,339
Due to Department of Transportation - Motor Carrier License fees	394	32,629
Wages and benefits	<u>140</u>	<u>39,593</u>
	<u>\$ 86,416</u>	<u>\$ 158,561</u>

### 6. CAPITAL ASSETS

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 60,893	\$ 15,116	\$ 45,777	\$ 13,529
Vehicles	116,122	77,771	38,351	62,978
Leasehold improvements	<u>207,794</u>	<u>207,794</u>	<u>-</u>	<u>20,779</u>
	<u>\$ 384,809</u>	<u>\$ 300,681</u>	<u>\$ 84,128</u>	<u>\$ 97,286</u>

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## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

#### 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>2011</u>	<u>2010</u>
Estimate of common expenses	\$ 911,473	\$ 892,242
Less: estimate of interest income	<u>-</u>	<u>10,440</u>
Estimate of net common expenses	911,473	881,802
Estimate of direct expenses	<u>400,000</u>	<u>345,000</u>
	1,311,473	1,226,802
Surplus from prior year	<u>(355,906)</u>	<u>(637,976)</u>
Assessment of electric utilities	955,567	588,826
Add: Electricity Licensing fees	20,300	10,618
Add: Interest income	<u>5,211</u>	<u>337</u>
	<u>\$ 981,078</u>	<u>\$ 599,781</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>2011</u>	<u>2010</u>
Estimate of common expenses	\$ 472,324	\$ 447,668
Less: estimate of interest income	<u>-</u>	<u>3,600</u>
Estimate of net common expenses	472,324	444,068
Estimate of direct expenses	<u>150,000</u>	<u>150,000</u>
	622,324	594,068
Surplus from prior year	<u>(1,838)</u>	<u>(73,810)</u>
Assessment of natural gas distributors	620,486	520,258
Add: Interest income	<u>2,458</u>	<u>-</u>
	<u>\$ 622,944</u>	<u>\$ 520,258</u>

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

#### 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>2011</u>	<u>2010</u>
Estimate of common expenses	\$ 530,871	\$ 531,191
Less: estimate of interest income	-	3,960
Less: amounts from Department of Energy	<u>364,762</u>	<u>362,948</u>
Estimate of net common expenses	166,109	164,283
Estimate of direct expenses	<u>20,000</u>	<u>20,000</u>
	186,109	184,283
Surplus from prior year	<u>(37,482)</u>	<u>(95,690)</u>
Assessment of pipeline owners	148,627	88,593
Add: amounts from Department of Energy	364,762	362,948
Add: interest income	<u>2,163</u>	<u>-</u>
	<u>\$ 515,552</u>	<u>\$ 451,541</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 proceeding 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 costs incurred by the Attorney General under Section 49 of the Energy and Utilities Board Act are to be collected by the Board and remitted to the Minister of Finance. During the year, \$757,881 (2010- \$613,463) was collected and \$757,881 (2010 - \$613,463) was remitted. These amounts are not included in the revenue and expenses of the Board.

## NEW BRUNSWICK ENERGY AND UTILITIES BOARD

### NOTES TO FINANCIAL STATEMENTS

March 31, 2011

#### 12. RESERVE FOR FUTURE HEARING

During the previous year, the Board established a reserve to assist in the cost of future hearings in the Petroleum Sector. The activity during the year was as follows:

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	\$ 75,000	\$ -
Add: contributions to the reserve	-	75,000
Less: hearing costs during the year	<u>21,672</u>	<u>-</u>
Balance at end of year	<u>\$ 53,328</u>	<u>\$ 75,000</u>

#### 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, 2010 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, 2011.

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

2012	\$ 170,760
2013	170,760
2014	170,760
2015	170,760
2016	170,760

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