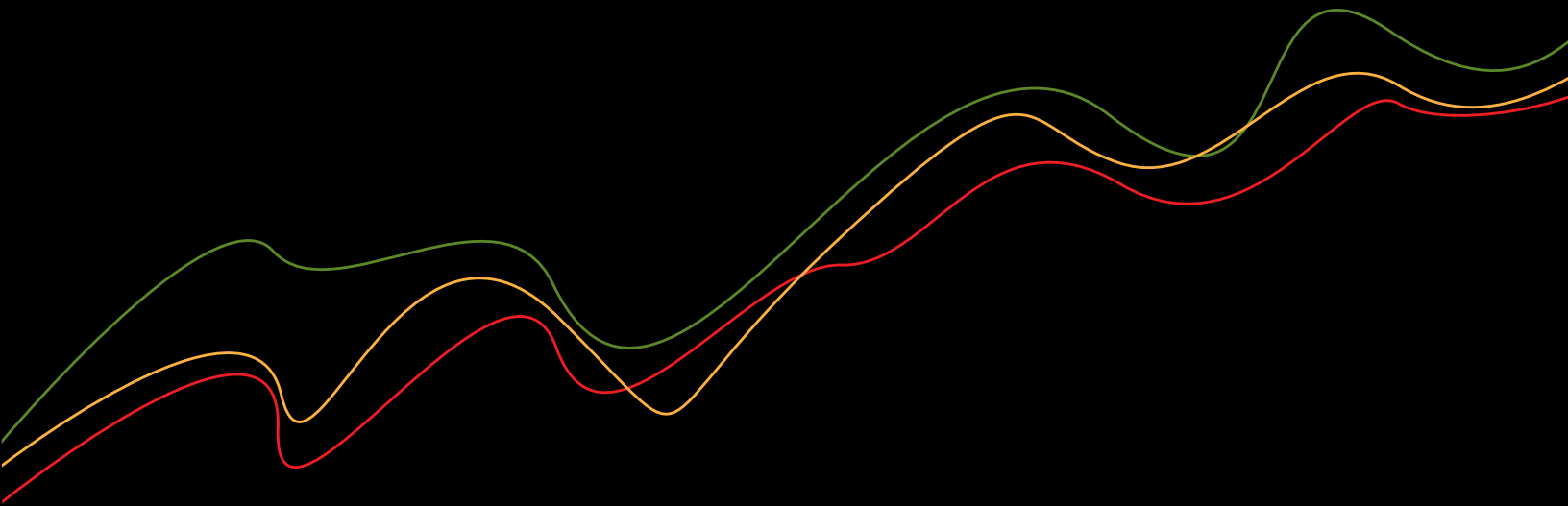




NEW BRUNSWICK
ENERGY & UTILITIES BOARD

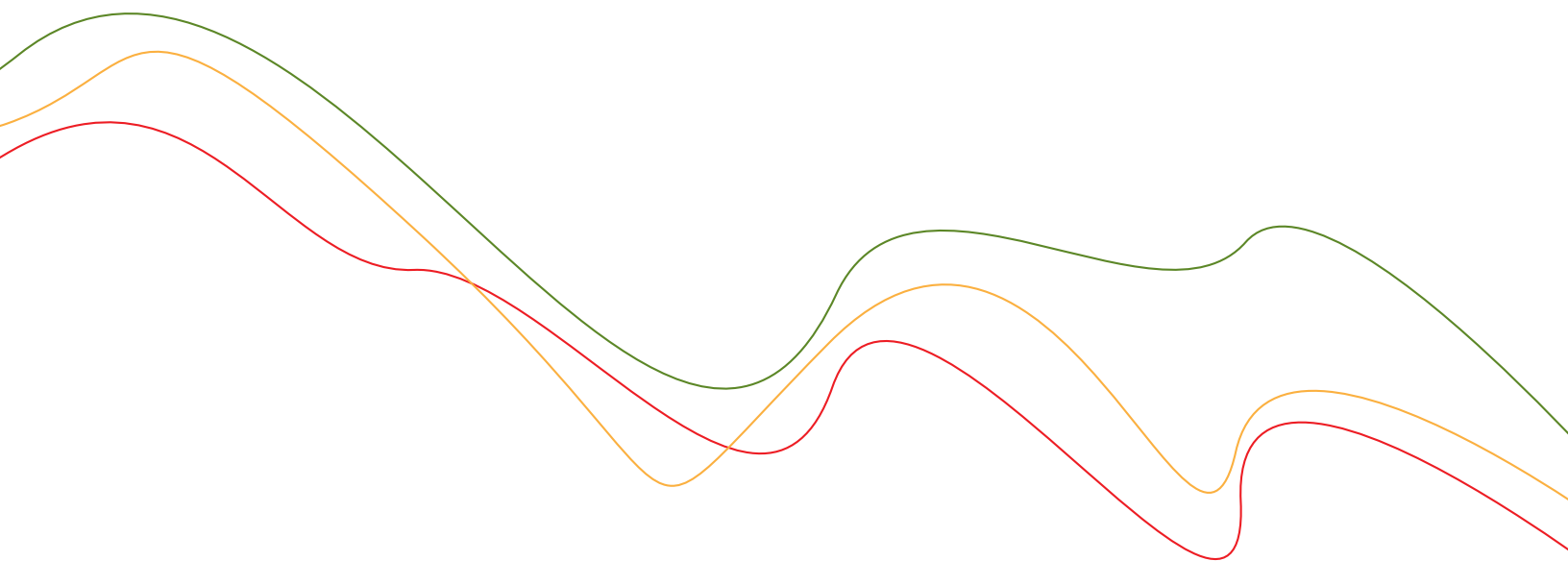
COMMISSION DE L'ÉNERGIE ET DES SERVICES PUBLICS
NOUVEAU-BRUNSWICK

ANNUAL REPORT



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New Brunswick Energy and Utilities Board

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CHAIRMAN'S MESSAGE

I am pleased to present the Annual Report of the New Brunswick Energy and Utilities Board for the reporting period ending March 31, 2011. I welcome the opportunity to update the Legislature on the activities of the Energy and Utilities Board over the past year.

While the Board has dealt with a number of important hearings in the last 12 months, one of the changes that will have the most impact on our long term operations is the shift to electronic hearings that occurred recently.

In these electronic hearings, the dozens of binders filled with paper are no longer necessary, having been replaced by monitors at each desk in the hearing room. Any interested party may now access, through the Board's website, all documents and exhibits filed during a hearing process. While all parties are still adjusting to the change, it will bring lower costs to the regulatory process and make hearings more efficient and transparent.

Another significant event in the last year was the government's announcement of changes that will be made in the energy sector. With the report of the Energy Commission and the New Brunswick Energy Blueprint, I anticipate changes both in the operation of the Board and in the companies that it regulates.

The Government of New Brunswick has announced that it will merge the various business units of NB Power back into a vertically integrate utility. In addition the independent system operator will also be folded back into the utility.

The changes with respect to the natural gas sector have begun with the passing of amendments to the Gas Distribution Act. Among other changes, the amendment mandates a rate hearing with new rates to be implemented on or before October 1, 2012. That process has begun but was not concluded at the time of the preparation of this report.

I would like to acknowledge the contributions of our Board members and staff who continue to dedicate themselves to providing New Brunswick with effective and efficient regulation. I would like to take the opportunity to thank retired Board member Connie Morrison for her work. Connie was a valuable contributor to the Board over the last five years and her efforts were greatly appreciated.



Raymond P. Gorman Q.C.
Chair



OVERVIEW

The Board must balance the needs of consumers for fair rates with a utility's right to earn a fair return on its investment.

The New Brunswick Energy and Utility Board's goal is to provide just and reasonable regulation for New Brunswickers in a timely and efficient manner.

Who we are

The Energy and Utilities Board (EUB) is an independent, quasi-judicial board charged with regulating public utilities.

The EUB is made up of a full-time Chair and full-time Vice-Chair along with up to eight part-time Board members. The part-time Board members are appointed by cabinet for terms of up to five years.

There is a staff of 14 including advisors to the Board, administration employees and a pipeline safety division.

The Board's offices are located on the 14th floor of 15 Market Square in Saint John.

What we do

The Energy and Utilities Board regulates aspects of electricity and natural gas utilities to ensure that customers receive safe and reliable service at just and reasonable rates. In addition, the Board sets weekly retail prices for petroleum products sold within the province.

The Board's regulatory functions are carried out through both written and oral proceedings and representative groups are encouraged to participate in the process. Participation helps to ensure that the EUB is informed of the issues and that Board decisions are made in the public interest.

Board hearings, which resemble court proceedings, are conducted by a panel of three or more Board members. The panel hears evidence about the need for a rate increase or a change in service. Unlike courts, much of the evidence is filed prior to the actual hearing. The Board members then deliberate and issue a written decision, usually within 45 days of the hearing.

The Board must balance the needs of consumers for fair rates with a utility's right to earn a fair return on its investment.





The Energy and Utilities Board regulates aspects of electricity and natural gas utilities to ensure that customers receive safe and reliable service at just and reasonable rates. In addition the Board sets weekly retail prices for petroleum products sold within the province.

What is the process for a hearing?

While the Board has a typical process, as set out below, it can be modified if the Board believes that the modification is in the public interest.

1. The utility or other company files an application for a new service or a change in rates. This application usually contains all of the information needed to support the application.
2. A public notice is published – usually in the newspapers.
3. Any party that wants to participate in the proceeding notifies the Board.
4. The Board establishes a hearing process and sets a schedule.
5. The participants submit written questions to the applicant looking for more details about the application.
6. The applicant files written answers to the questions.
7. The participants can file their own information or evidence. Participant's evidence often challenges the application or makes recommendations for a different rate or service.
8. The participants must now answer any written question submitted on their evidence.
9. After the all of the written questions have been answered the hearing begins.
10. During the hearing the applicant and the participants answer more questions about the evidence they have submitted through cross examination. Following the conclusion of the hearing the participants make final submissions to the Board.
11. The Board deliberates and issues a decision – often within 45 days.

What we regulate

In each area the Board has slightly different jurisdiction.

The Board regulates parts of the electricity sector. When NB Power's Distribution Company wants to increase the rates it charges consumers by more than three percent it must seek approval from the Board. The Board can approve the rates applied for or set rates that it finds to be just and reasonable. If NB Power's Transmission Company wants to increase its rates, it must seek approval from the

Board. There is no three per cent threshold for applications to increase transmission rates.

The Board also has regulatory authority over the New Brunswick System Operator (NBSO), which controls the province's high voltage transmission grid. A review of the NBSO's revenue requirement is conducted by the Board annually.

With respect to the Natural gas industry the Board regulates the distribution rates and customer service



Raymond Gorman, Q.C.



Cyril Johnston



Don Barnett



Pat Darrah



Roger McKenzie



Edward McLean



Connie Morrison



Robert Radford, Q.C.

BOARD MEMBERS

policies of Enbridge Gas New Brunswick (EGNB). The Board only regulates the price that EGNB charges for delivering the gas to your door. The Board monitors, but doesn't regulate, the price of the natural gas itself.

Each Thursday morning the Board sets the maximum price that gasoline and heating fuel can be sold for in the province. This is done based on a formula established by legislation. Unlike other areas of Board regulation there is no discretion involved in setting petroleum prices. The price is set based on a strict average from the previous seven days of trading at the New York commodities market where gasoline is traded daily. More detailed information about the formula is available on our website at: <http://www.nbeub.ca/index.php/en/petroleum-products>

The Board reviews and oversees the construction of intra provincial pipelines that carry hazardous material (extra provincial pipelines are regulated by the National Energy Board). The vast majority of the pipelines regulated by the Board carry natural gas, although our jurisdiction also extends to pipelines that carry other hazardous substances such as oil, gasoline and brine.

The Board also approves the rates and schedules for scheduled intercity bus service. Any motor carrier company that wants to run a bus service between communities within NB must first get approval from the Board. All rate increase and services changes must also be reviewed by the Board. Charter buses are also licensed by the Board.

Who pays for regulation?

The Energy and Utilities Board does not receive funding from government — its costs are paid for by

the industries that are regulated - including electricity, natural gas and petroleum.



Wanita McGraw

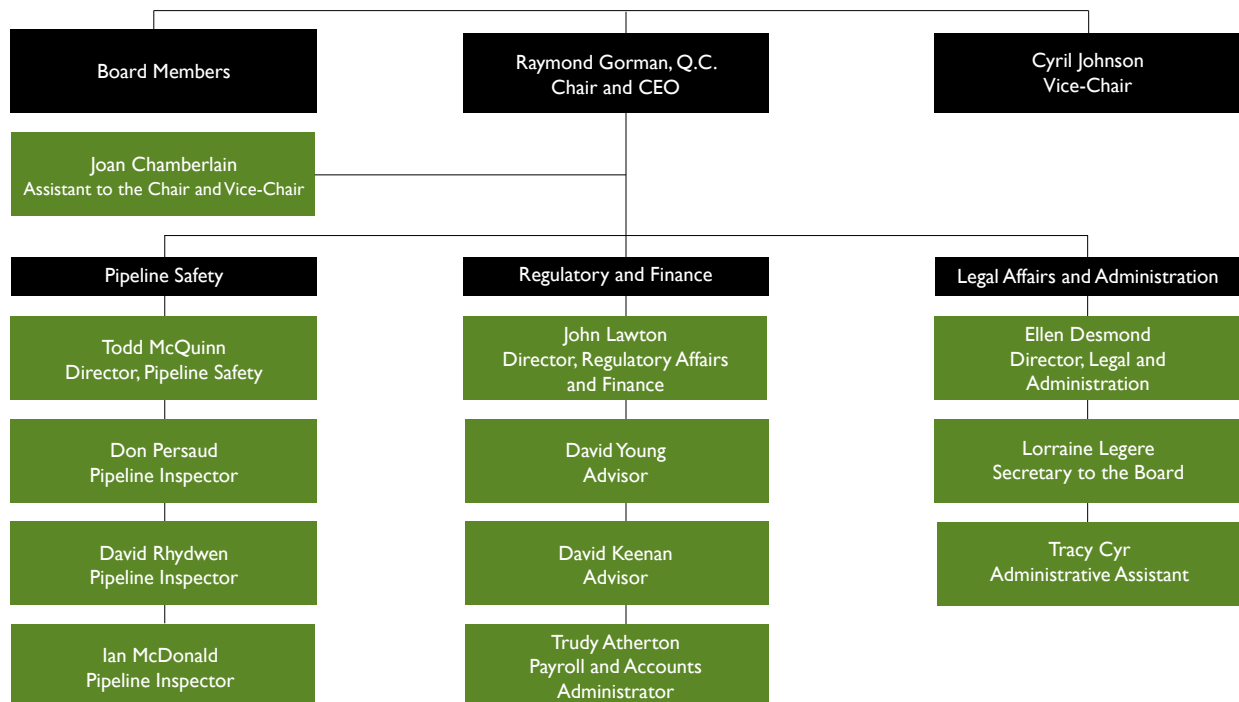


Terry Totten

The EUB is made up of a full-time chair and full-time vice-chair along with up to eight part-time board members.

Board members are appointed by cabinet for set periods.

ORGANIZATION



STAFF



Raymond Gorman, Q.C.
Chair and CEO



Cyril Johnston
Vice-Chair



Lorraine Legere
Secretary to the Board



Ellen Desmond
Director, Legal and
Administration



John Lawton
Director, Regulatory Affairs
and Finance



Todd McQuinn
Director, Pipeline Safety



Joan Chamberlain
Assistant to the Chair and
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

There is a staff of 14 including advisors to the Board, a pipeline safety section, and administration.

The Board offices are in Saint John on the 14th floor of 15 Market Square which is the City Hall Building.

ELECTRICITY

The Board's various regulatory responsibilities for the electricity sector are proscribed in the Electricity Act.

The mandate and responsibilities include:

- Approving rate increases greater than three percent for NB Power Distribution customers;
- Regulating the New Brunswick System Operator;
- Approving changes to the Open Access Transmission Tariff and changes in rates that transmitters may charge;
- Various obligations with respect to the Market Rules that govern the electricity market in New Brunswick;
- Reviewing licence applications for the electricity market participants; and
- Ensuring that the amounts recorded in the Point Lepreau Deferral Account are recovered over the operating life of the generating station, in accordance with section 143.1 of the Electricity Act.

Operator's Revenue Requirement for 2011-2012. Certain expenses, including wage adjustments, were disallowed. The decision also directed that amendments be made to the minimum filing requirements to include quantitative and customer satisfaction metrics.

Applications filed by the System Operator, for changes to the methodology for calculating the transmission loss factor and for changes to the transmission tariff, filed previously, continued in 2011-2012. However, during the year the Government of New Brunswick announced its intention to restructure the NB Power group of companies into a vertically integrated utility and to re-integrate system operations. A motion was filed with the Board requesting that the two applications be adjourned. The Board heard the submissions of the parties and subsequently approved the adjournment.

In September, Board staff participated in a reliability audit of the System Operator. The proposal to re-integrate the System Operator into the NB Power group resulted in a delay in filing an application for

During the year thirty-one electricity licence renewal applications were reviewed and approved.



During the year, thirty-one electricity licence renewal applications were reviewed and approved.

The Board's role with respect to the System Operator continued as a significant focus of activity for the year. The System Operator is charged with operating the transmission grid within the Province. Its responsibilities include ensuring there is a reliable supply of electricity and to facilitate the development of a competitive wholesale electricity market in New Brunswick. Funding for the System Operator comes from charges specified in the Open Access Transmission Tariff.

In May, the Board issued a decision on the System

approval of the System Operator's 2012-2013 revenue requirement. The application was filed with the Board in March with a motion asking for interim approval of the 2012-2013 revenue requirement, which was granted.

In March, the Board conducted a hearing to consider the issues surrounding the Point Lepreau deferral account. The legislation requires that the Board ensure that the account balance is recovered over the life of the generating station. Among the issues that the Board will have to determine are the operating life of the plant, the amortization period for the deferral account and how the total amount will be recovered over time through its charges, rates and tolls.

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 11,495 customers, a year over year increase of 534 customers. Enbridge delivered 5.53 million gigajoules of natural gas in the last 12 months compared to 5.4 million gigajoules in the previous year.

During this last year the Board conducted a hearing to review the 2010 financial results and to approve the 2012 budget. After making some adjustments, the 2012 was approved. With respect to the 2010 results the Board disallowed \$634,000 in expenses related to Enbridge's installation services operation. The amount is related to the installation and service of furnaces and not the distribution of natural gas.



In May of 2011, the Board conducted a hearing following an application by Enbridge to increase its rates based on the changes in the markets. In July, the Board issued its decision: two classes did not receive a rate increase and the increase was limited for the residential oil class and small commercial class.

In addition, the Board ordered Enbridge to develop and file a transition plan that would move distribution rates from a strict market based system to one that included the concept of rates based on costs. EGNB was also directed to include the following:

- A merger of the two residential rate classes.
- A timeline for the implementation of the plan.
- Details of rate design tools, such as flex rates, or market-based formulas EGNB wishes to propose.
- Rates which include a cost of service component for those classes where it is feasible.
- A proposal to limit the cross-subsidization between customer classes.
- For those customers paying less than the cost of service, a market-related rate that ensures the resulting rates are based on sound assumptions and produces the savings projected for a majority of the customers for whom natural gas is a primary energy source.
- Distribution rates that reflect the economies of scale common in more traditional rate-setting regimes, with lower rates for customers with greater consumption.

In October, Enbridge filed another rate application for an increase for the Contract General Service Heavy Fuel Oil customer class. No party opposed the application and it was granted an increase on December 7, 2012.

In December, the Government of New Brunswick introduced and passed legislation to amend the Gas Distribution Act. Pursuant to the amended legislation, the Board ordered the merger of the residential rate classes on March 1, 2012. EGNB was ordered to base the rates for all residential customers on the rate for former residential electric customers.

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PIPELINE

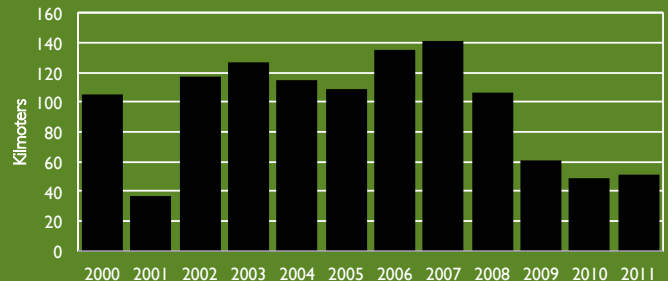
The Pipeline Safety Division promotes safety and ensures that companies design, construct, operate and abandon pipelines under the Board's jurisdiction in a manner that provides for the safety of the public and company employees, as well as the protection of property and the environment. This is done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

This year, to date, Enbridge Gas New Brunswick (EGNB) which was awarded the provincial natural gas distribution franchise in 1999 has installed approximately 50 kilometers of pipeline during this reporting period. Inspectors from the Pipeline Safety Division inspected the installation and testing of this pipe.

In June of 2011, EGNB applied to the Board to expand its pipeline system to Dorchester to serve the Dorchester Penitentiary and associated buildings. The expansion involved the construction of a 13.6 kilometer pipeline from the existing system in Sackville to the Village of Dorchester. In July, the Board held a public hearing in Dorchester to review the matter and approved a permit to construct the pipeline.



EGNB Annual Pipeline Construction



Inspectors from the Pipeline Safety Division inspected the installation and testing of the 50 kilometers of pipe installed year-to-date.

EGNB also required several revisions to existing licences (licence to operate pipelines) to facilitate the expansion of their existing natural gas distribution systems in Oromocto, Fredericton, Riverview, Moncton, Saint John, St. George, Sackville, St. Stephen and Hanwell.

As part of its role in overseeing pipeline construction, the Board set up and chairs the Pipeline Coordinating Committee. The committee streamlines and improves the efficiency in the pipeline approval process. The Committee members represent the various government departments involved in reviewing and approving pipeline construction. The Committee reviews pipeline applications and makes recommendation prior to the Board considering the application.

The Committee received and reviewed an application from Potash Corporation of Saskatchewan to construct a pipeline to tie into Corridor Resources Inc.'s pipeline system. This new 8" pipeline will replace the existing 2-3" pipelines to supply the increased natural gas requirements of the new Picadilly Mine. The committee's report to the EUB put forth 20 recommended conditions to be included in the Permit to Construct.

A general safety compliance audit of the PCS natural gas pipeline system was carried out in November 2011. Only one minor compliance issue was encountered which was rectified.

PETROLEUM

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

Maximum prices for all fuels are set weekly. These prices are set using the weekly average spot price for the products traded at the New York Harbour division of the New York Mercantile Exchange. Each Wednesday morning, the Board takes the average market price for the last seven days, converts that price into Canadian dollars per litre, and then adds the taxes as well as the wholesale and retail margins. The rules for setting maximum petroleum prices follow a strict formula set out by regulation. The Board exercises no discretion when setting maximum petroleum prices. New maximum petroleum prices come into effect at 12:01 a.m. each Thursday morning.

In the last year Changes to the Canadian Environmental Protection Act required petroleum manufacturers to supply ethanol-blended gasoline to comply with the national Renewable Fuel Regulations. In March 2011,

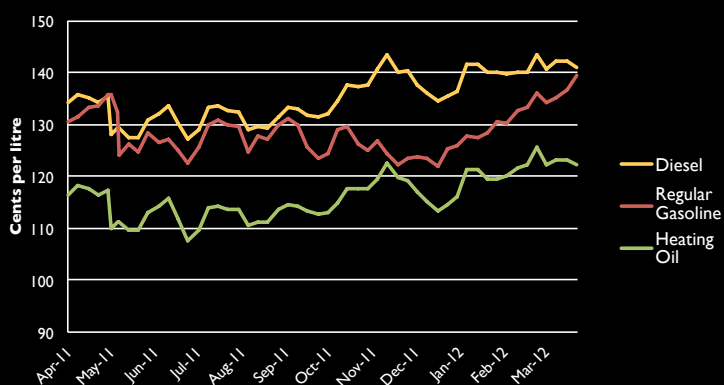
higher. The Board first set maximum prices utilising the new regulations on March 24, 2011.

Despite the change in regulations, maximum gasoline prices in New Brunswick generally reflected the price of regular gasoline, not E10 gasoline. The first price setting that was based on E10 gasoline was on May 26, 2011. Overall, from April 2011 through March 2012, the Board set maximum prices based on an E10 benchmark fourteen times or, roughly, one price setting in four.

In the summer of 2010, the Board initiated its second review of the margins, delivery costs and the full service charge. The purpose of the review was to ensure the margins were justified. A public hearing on the matter took place in Fredericton at the beginning of April 2011. In its review, the Board considered evidence from an independent expert (Gardner Pinfold Consulting Economists) engaged by the Board and the submissions from four intervenors. The Board approved an increase of 0.9 cents per litre to the maximum retail margin for motor fuels, and an increase of 0.5 cents per litre to the maximum full service charge for an attendant to dispense motor fuel. There were no adjustments to the maximum wholesale or retail margins for heating fuels, and no adjustment to the maximum wholesale margin for motor fuels. The approved changes to the margins came into effect on June 30, 2011.

In May 2011, the Board interrupted the weekly price schedule on two occasions; reducing maximum prices as required under Section 6 of NB Regulation 2006-41. On May 7, 2011 the Board reduced maximum prices for ultra-low sulphur diesel fuel and heating oil, owing to significant drops in the wholesale prices for those products at New York Harbour. The following week, on May 13, 2011, the Board reduced maximum prices for all grades of gasoline following a substantial drop in the benchmark price of regular gasoline at New York Harbour. These two price changes marked the first time the Board “interrupted” the weekly price cycle (required by Section 6 of NB Regulation 2006-41) since September 2008.

Petroleum Prices



ethanol-blended gasoline (E10 gasoline) was introduced to the New Brunswick marketplace. E10 gasoline is a blend that incorporates a 10% ethanol-content with a 90% gasoline-content. New regulations for ethanol-blended gasoline require the Board to set maximum gasoline prices based on the price of conventional gasoline or the price of E10 gasoline, whichever is

MOTOR CARRIER

The Board regulates the motor coach industry through licensing and setting the routes, schedules and passenger fares for intercity scheduled service bus companies. It also licenses charter buses within the province.

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 2010, Acadian applied to the Board to make changes to the routes and schedules for its New Brunswick operations. The Board approved changes to the routes and schedules, which went into effect on February 27, 2011.

Acadian made no applications to the Board this year but was involved in a lengthy labour dispute, which disrupted all of Acadian's intercity bus service in New Brunswick and Prince Edward Island. This labour dispute commenced on December 3, 2011 and continued until May 2012. During the service disruption the Board received requests to intervene in the labour dispute. Upon examination the Board determined that the labour dispute fell under the jurisdiction of the Canadian Industrial Relations Board.

In December 2011, the Board received an application from Advanced Shuttle Services for a motor carrier licence to provide scheduled and charter service in New Brunswick. The company, based in Summerside PEI, operates a van service between Charlottetown and Halifax, and wished to expand into New Brunswick. The Board received objections to the application from several parties.

In March 2012, a public hearing was held in Saint John to consider the Advanced Shuttle application. The charter licence was approved, however, the Board found that the scheduled service model proposed by the Applicant, a "reservations-only" service, did not meet the requirements of a "scheduled service" as described in the Motor Carrier Act. The Board denied the application.



During the year, the Board also approved two applications for charter licences, renewed 43 motor carrier licences, issued 282 motor carrier plates and granted five temporary permits.

The Board regulates the motor coach industry through licensing and setting the routes, schedules and passenger fares for intercity scheduled service bus companies. It also licenses charter buses within the province.

FINANCIAL STATEMENTS

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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, 2012, 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, 2012, 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
June 29, 2012

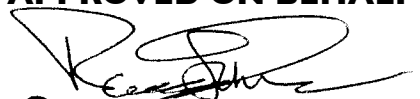
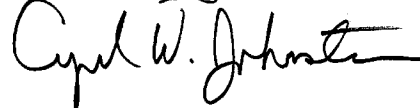
FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

	2012	2011
ASSETS		
CURRENT		
Cash (Note 3)	\$ 1,067,985	\$ 1,064,704
Accounts receivable (Notes 3 and 4)	19,461	31,529
Prepaid expenses	4,037	17,252
	<u>1,091,483</u>	<u>1,113,485</u>
CAPITAL ASSETS (Notes 2 and 6)	<u>95,654</u>	<u>84,128</u>
	\$ 1,187,137	\$ 1,197,613
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Notes 3 and 5)	\$ 62,040	\$ 86,417
RESERVE FOR FUTURE HEARINGS (Note 12)	<u>82,748</u>	<u>53,328</u>
FUTURE EMPLOYEE BENEFITS (Note 13)	<u>282,747</u>	<u>254,159</u>
SURPLUS		
SURPLUS	<u>759,602</u>	<u>803,709</u>
	\$ 1,187,137	\$ 1,197,613
COMMITMENT (Note 15)		

APPROVED ON BEHALF OF THE BOARD:

Chairman

Vice-Chairman

STATEMENT OF CHANGE IN SURPLUS

FOR THE YEAR ENDED MARCH 31, 2012

ELECTRICITY SECTOR
NATURAL GAS SECTOR
PIPELINE SECTOR
PETROLEUM SECTOR
MOTOR CARRIER SECTOR

Balance at Beginning of Year	Surplus/(Deficit)	Balance at End of Year
\$ 556,298	\$ (908)	\$ 555,390
105,487	5,372	110,859
141,924	(48,571)	93,353
-	-	-
-	-	-
<u>\$ 803,709</u>	<u>\$ (44,107)</u>	<u>\$ 759,602</u>



FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2012

REVENUE (Note 2)	2012	2011
Electricity Sector (Note 7)	\$ 739,425	\$ 981,078
Natural Gas Sector (Note 8)	486,657	622,944
Pipeline Sector (Note 9)	388,293	515,552
Petroleum Sector (Note 10)	466,472	455,536
Motor Carrier Sector	557	-
	<u>2,081,404</u>	<u>2,575,110</u>
DIRECT EXPENSES (Note 2)		
Electricity Sector	23,203	68,673
Natural Gas Sector	113,394	132,160
Pipeline Sector	7,667	10,426
Petroleum Sector	69,487	71,108
	<u>213,751</u>	<u>282,367</u>
NET REVENUE BEFORE COMMON EXPENSES	<u>1,867,653</u>	<u>2,292,743</u>
COMMON EXPENSES (Note 2)		
Salaries and benefits	1,420,987	1,401,085
Office and administration	386,737	377,095
Training	63,083	55,137
Amortization	40,953	50,944
	<u>1,911,760</u>	<u>1,884,261</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (44,107)</u>	<u>\$ 408,482</u>

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
CASH PROVIDED BY (USED IN)		
Operating activities		
Excess (deficiency) of revenue over expenses	\$ (44,107)	\$ 408,482
Items not involving cash		
Amortization	40,953	50,944
Gain on disposal of capital assets	(4,105)	-
	(7,259)	459,426
Changes in non-cash working capital balances		
Accounts receivable	12,068	(13,932)
Prepaid expenses	13,215	(8,896)
Accounts payable and accrued liabilities	(24,377)	(72,143)
Reserve for future hearings	29,420	(21,672)
Future employee benefits	28,588	(68,915)
	51,655	273,868
Investing activities		
Purchase of capital assets	(52,479)	(37,786)
Proceeds on disposal of capital assets	4,105	-
	(48,374)	(37,786)
INCREASE IN CASH	3,281	236,082
CASH AT BEGINNING OF YEAR	1,064,704	828,622
CASH AT END OF YEAR	\$ 1,067,985	\$ 1,064,704
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	\$ 12,714	\$ 9,832

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

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%

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.

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.

Measurement Uncertainty

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.

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

4. ACCOUNTS RECEIVABLE

	2012	2011
Accounts receivable	\$ 5,124	\$ 4,682
HST receivable	13,859	22,530
Travel advances	478	4,317
	<u>\$ 19,461</u>	<u>\$ 31,529</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Trade accounts payable	\$ 60,878	\$ 85,883
Due to Department of Transportation - Motor Carrier License fees	461	394
Wages and benefits	701	140
	<u>\$ 62,040</u>	<u>\$ 86,417</u>

6. CAPITAL ASSETS

	2012			2011
	Cost	Accumulated Amortization	Net	Net
Computer equipment	\$ 49,866	\$ 17,822	\$ 32,044	\$ 45,777
Vehicles	116,926	53,316	63,610	38,351
	<u>\$166,792</u>	<u>\$ 71,138</u>	<u>\$ 95,654</u>	<u>\$ 84,128</u>

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.

	2012	2011
Estimate of common expenses	\$ 885,421	\$ 911,473
Estimate of direct expenses	400,000	400,000
	<hr/>	<hr/>
	1,285,421	1,311,473
Surplus from prior year	(556,300)	(355,906)
	<hr/>	<hr/>
Assessment of electric utilities	729,121	955,567
Add: Electricity Licensing fees	1,936	20,300
Add: Interest income	8,368	5,211
	<hr/>	<hr/>
	\$ 739,425	\$ 981,078
	<hr/>	<hr/>

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.

	2012	2011
Estimate of common expenses	\$ 435,723	\$ 472,324
Estimate of direct expenses	150,000	150,000
	<hr/>	<hr/>
	585,723	622,324
Surplus from prior year	(105,487)	(1,838)
	<hr/>	<hr/>
Assessment of natural gas distributors	480,236	620,486
Add: Other income	4,105	-
Add: Interest income	2,316	2,458
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	\$ 486,657	\$ 622,944
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FINANCIAL STATEMENTS

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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.

	2012	2011
Estimate of common expenses	\$ 514,187	\$ 530,871
Less: amounts from Department of Energy	372,058	364,762
Estimate of net common expenses	142,129	166,109
Estimate of direct expenses	14,000	20,000
	<hr/>	<hr/>
	156,129	186,109
Surplus from prior year	(141,923)	(37,482)
	<hr/>	<hr/>
Assessment of pipeline owners	14,206	148,627
Add: amounts from Department of Energy	372,058	364,762
Add: interest income	2,029	2,163
	<hr/>	<hr/>
	\$ 388,293	\$ 515,552
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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, \$573,928 (2011 - \$757,881) was collected and \$573,928 (2011 - \$757,881) was remitted. These amounts are not included in the revenue and expenses of the Board.

12. RESERVE FOR FUTURE HEARING

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

	2012	2011
Balance at beginning of year	\$ 53,328	\$ 75,000
Add: contributions to the reserve	67,693	-
Less: hearing costs during the year	<u>38,273</u>	<u>21,672</u>
Balance at end of year	<u>\$ 82,748</u>	<u>\$ 53,328</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 up to a maximum of 25 years.

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, 2011 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.

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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 are as follows:

2013	\$ 166,944
2014	166,944
2015	171,353
2016	171,353
2017	171,353
Remainder of lease	<u>711,870</u>
	<u>\$1,559,817</u>

16. CHANGE IN ACCOUNTING FRAMEWORK

The CICA Public Sector Accounting Board (PSAB) requires that all government not-for-profit organizations adopt standards in the CICA Public Sector Accounting (PSA) Handbook for fiscal years beginning on or after January 1, 2012. The Board is currently assessing the adoption requirements.



New Brunswick Energy and Utilities Board

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