

2012-13

# ANNUAL REPORT



NEW BRUNSWICK  
ENERGY & UTILITIES BOARD  
COMMISSION DE L'ÉNERGIE ET DES SERVICES PUBLICS  
NOUVEAU-BRUNSWICK

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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 year ending March 31, 2013. I welcome the opportunity to update the Legislature and the people of New Brunswick on the various activities of the Board over the past year. During that time, there have been a number of significant hearings involving all of the sectors regulated by the Board. These hearings are detailed later in this annual report.

In addition to its ongoing regulatory work, the Board has been preparing for anticipated changes in the energy sector. Under the new *Electricity Act*, the Board will have responsibility for monitoring the reliability of the bulk power system, which includes the high voltage transmission system in the province. The Board is taking the appropriate measures to be assured that it is ready to assume this responsibility on October 1.

The Board is also preparing for significant changes to its structure. Amendments to the *Energy and Utilities Board Act* will result in the replacement of the eight part-time members with three full-time members. The new legislation requires a nominating committee, comprised of myself as Board Chair; the Vice-Chair; as well as the Deputy Minister of Energy and Mines and the Deputy Minister of Justice, to compile a list of eligible candidates. This list will be submitted to Cabinet at which time the appropriate appointments will be made. The committee has begun its work and the recommendations will be made to Cabinet by this Fall.

I would like to take this opportunity to acknowledge the contributions of our staff who continue to dedicate themselves to providing New Brunswick with effective and efficient regulation. In particular, I would like to acknowledge the efforts of two dedicated staff members who have recently retired. Lorraine Legere, Secretary to the Board, served the Board for 25 years. During that time, Lorraine flawlessly coordinated hearings and controlled the flow of documents. Joan Sewell has served as Secretary to the Chairman and Vice-Chair for the last twelve years and has been an indispensable member of our team. The Board acknowledges their commitment and hard work over the past several years.

Finally, I would like to acknowledge the contributions of our part-time Board members who have served the Board very well over the past few years. They are all dedicated individuals and valuable contributors to the Board and their efforts are greatly appreciated.



Raymond P. Gorman, Q.C.  
Chairman



# OVERVIEW

## WHO WE ARE

The EUB is an independent quasi-judicial board charged with regulating public utilities.

The Energy and Utilities Board 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 which includes 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.

The EUB is an independent quasi-judicial board charged with regulating public utilities.

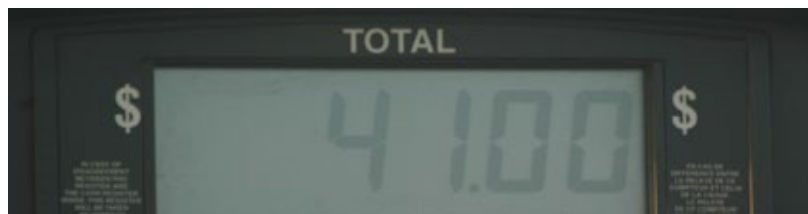
## WHAT WE DO

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 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 the consumers for fair rates with a utility's right to earn a fair return on its investment.



## WHAT IS THE PROCESS FOR A HEARING?

While the Board has a typical process 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 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 raise 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 it finds to be just and reasonable.

If the 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, which controls the province's high voltage transmission grid. The Board must approve its annual revenue requirement.

With respect to the **natural gas industry** the Board regulates the distribution rates and customer service 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 the price of the natural gas itself.

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.



# OVERVIEW

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. 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,

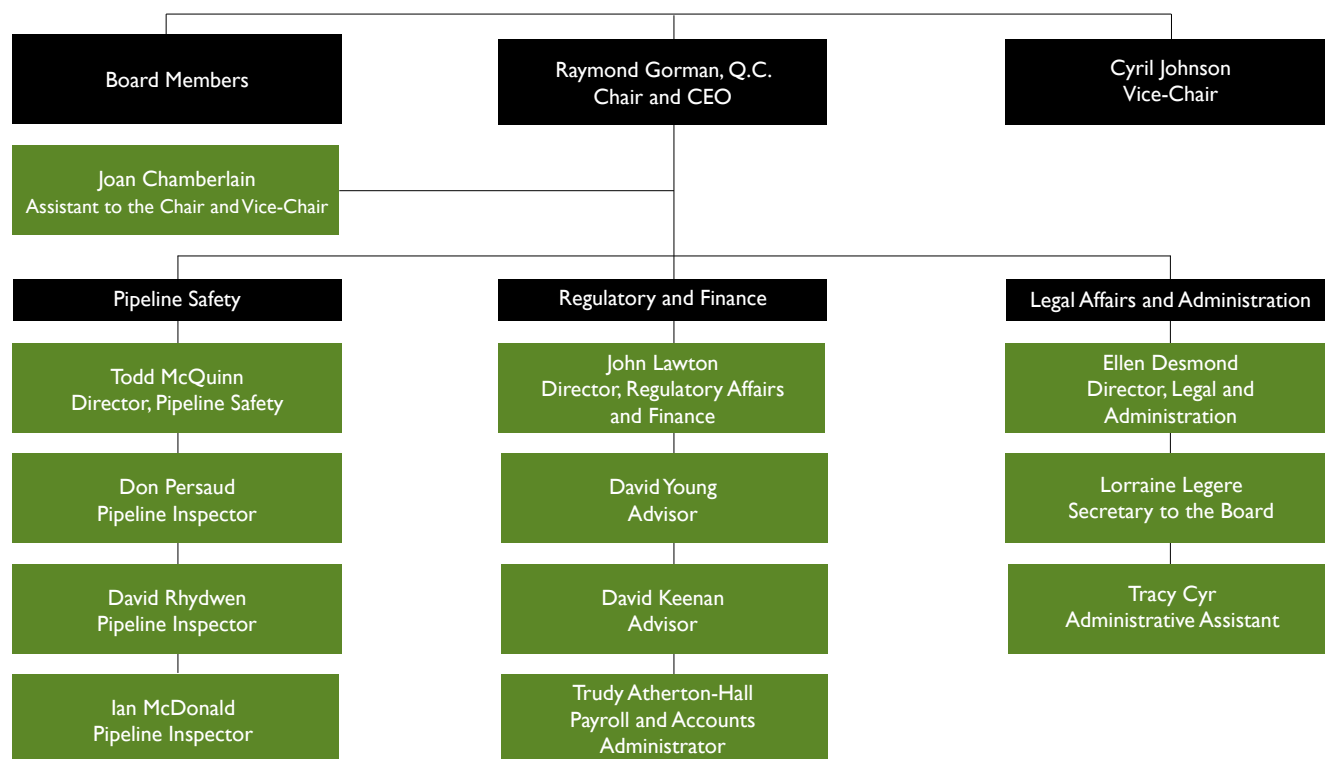
The Board also approves the rates and schedules for **scheduled intercity bus service**. Any motor carrier company that wants to run a bus service between communities within New Brunswick must first get approval from the Board. All rate increases and service changes must also be reviewed by the Board. 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.

## ORGANIZATION





# BOARD MEMBERS



Raymond Gorman, Q.C.



Cyril Johnston



Don Barnett



Pat Darrah



Roger McKenzie



Edward McLean



Robert Radford, Q.C.



Terry Totten

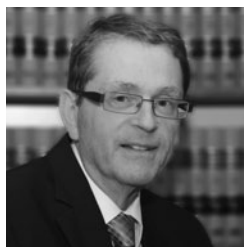
The EUB is made up of a full-time chair and full-time vice-chair along with up to eight part-time board members.

Board members are appointed by Cabinet for set periods.



Wanita McGraw

# STAFF



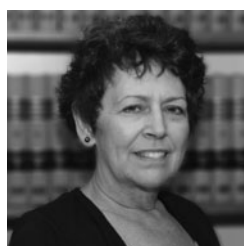
Raymond Gorman, Q.C.  
Chair and CEO



Cyril Johnston  
Vice-Chair

There is a staff of 14 which includes 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.



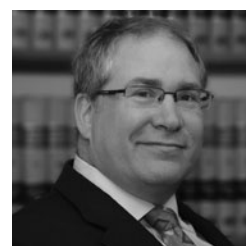
Lorraine Legere  
Secretary to the Board



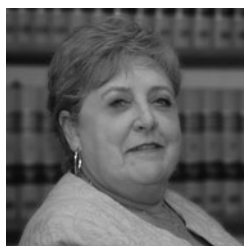
Ellen Desmond  
Director, Legal and  
Administration



John Lawton  
Director, Regulatory Affairs  
and Finance



Todd McQuinn  
Director, Pipeline Safety



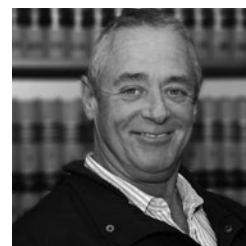
Joan Chamberlain  
Assistant to the Chair and  
Vice-Chair



Tracy Cyr  
Administrative Assistant



David Rhydwen  
Pipeline Inspector



Ian McDonald  
Pipeline Inspector



Don Persaud  
Pipeline Inspector



Trudy Atherton Hall  
Payroll and Accounts  
Administrator



David Keenan  
Advisor



David Young  
Advisor





# ELECTRICITY

The Board has a number of roles in the current electricity industry. The Board's mandate includes:

- Approving rate increases for NB Power Distribution Customers that are greater than three per cent.
- Regulating the New Brunswick System Operator.
- Approving any changes to the Open Access Transmission Tariff.
- Ensuring the Point Lepreau Deferral Account is recovered in rates.
- Reviewing applications to participate in the electricity market.
- Resolving disputes regarding the Market Rules.

The *Electricity Act* requires the Board to determine some aspects of how the costs related to the refurbishment of the Point Lepreau Generating Station will be recovered. Often utilities are required to spend money on projects that cannot be recovered under standard accounting rules. In regulatory accounting there is extra allowance for these deferred expenses to be held in a deferral account to be paid off over a longer period of time. The *Electricity Act* required NB Power to place some of the operating costs incurred during

The Electricity Act requires the Board to determine some aspects of how the costs related to the refurbishment of the Point Lepreau Generating Station will be recovered.

the refurbishment and the costs for replacing the electricity during the refurbishment in the deferral account.

The Act also required the Board to determine how this Point Lepreau Deferral Account should be recovered. During the last year that process was initiated and the Board identified four different issues to be resolved. The first two – the amount of money in the deferral account and over what time period the money will be paid off – were the subject of phase one of the hearing.

A three-day hearing in January resulted in a decision that determined the balance in the deferral account of \$1.036 billion and that this amount would be paid off over the next 27 years. The Board also ordered NB Power to file annual updates on the life of the plant and balance in the deferral account.

In the next phase of the hearing the Board will determine the appropriate method for amortizing the deferral account over the life of the plant and ensure that the deferral account is recovered in rates. The hearing for these issues is scheduled for the Fall of 2013.

The Board also held two proceedings related to the New Brunswick System Operator during the reporting period. In November the System Operator sought approval from the Board to distribute surplus money to market participants. Annually the System Operator estimates its revenue requirement for the coming 12 months. Because some of the expenses and revenues are directly connected to a forecast of use, there can be discrepancies where the System Operator collects more money than is required. The System Operator is required to return this money. In September of 2012 the System Operator reported to the Board that it had a surplus of \$2.3 million dollars and proposed a method of redistributing this money to the market participants. After reviewing the file the Board issued an order to the System Operator approving the proposal.

The second application was related to the Revenue Requirement for 2013-2014. At the close of the reporting period the Board received an application for rates for the next twelve months. In May of 2013 a new *Electricity Act* was introduced which will eliminate the System Operator by October 2013. Many of the duties of the System Operator will be incorporated into the NB Power Corporation.

Because the legislation was anticipated, the System Operator has already begun to transfer staff to other agencies and cancel capital projects. As a result the budget was significantly lower than in previous years. The hearing was held in May and the revenue requirement was approved.

# NATURAL GAS



The Board has two related roles with respect to the natural gas industry in New Brunswick.

The primary role has been the regulation of Enbridge Gas New Brunswick, the holder of the distribution franchise in New Brunswick. The Board's main responsibility in this regard is to ensure the delivery rates charged by Enbridge are just and reasonable.

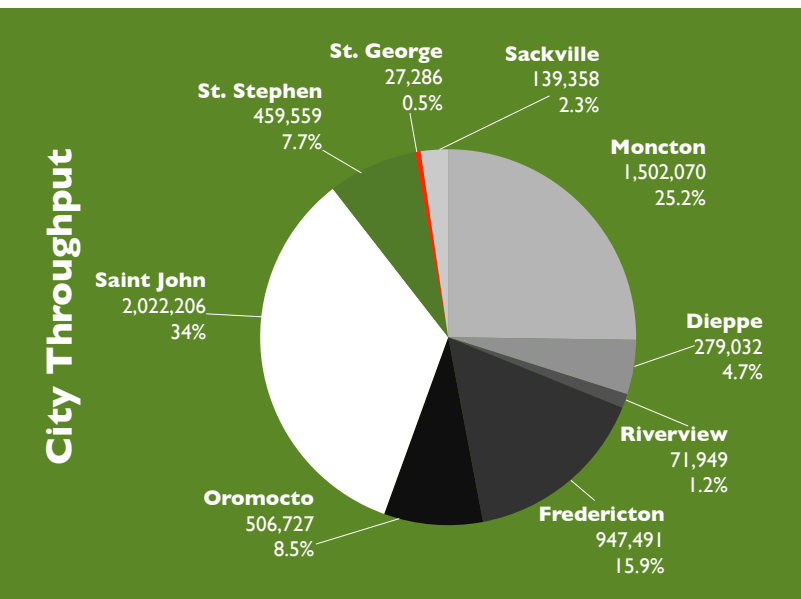
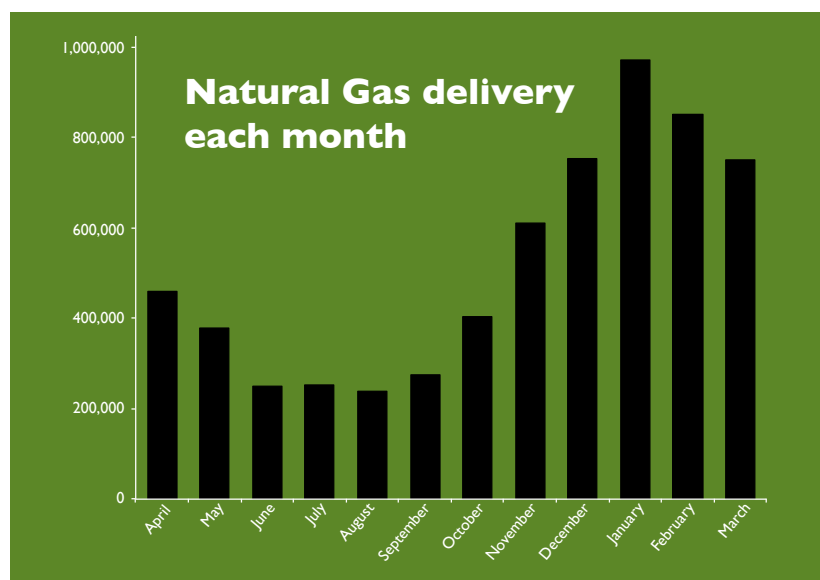
The second role is with respect to the sale of natural gas itself. The New Brunswick natural gas marketing system is designed to be open and competitive and the Board monitors the market to ensure the market is competitive enough to protect consumers' interests.

Enbridge added 524 new customers to its distribution system in the 12 months ending on March 31 bringing the total number of natural gas customers to 12,019. The company delivered 6.2 million gigajoules of natural gas to homes and businesses. The Natural Gas market has seven licensed gas marketers but most customers are served by one of Enbridge, Park Fuels or Irving Energy Services. Enbridge is the dominant marketer in the system.

In December of 2011 the government introduced amendments to the *Gas Distribution Act* that fundamentally changed the costs related to the distribution of gas. This required a change in the way delivery rates were set. As directed by the amended Act, Enbridge filed a rate application on May 31st that would comply with the legislation and associated regulations. Under the new rules

the rates are to be the lower of either the market-based method or the cost-of-service method. The regulations also determined that the new rates would come into effect on October 1, 2012. The Board held a hearing on the matter at the end of summer and a decision was issued on September 20, 2012. The decision set rates for the class of small customers using the market-based formula. This method forecasts the cost of heating a home with electricity and then sets rates so that the total cost of heating with natural gas (distribution rate and commodity cost) provides a savings of 20 per cent for the average customer.

The rates for the remaining five classes were set based on the more traditional cost-of-service method. The regulation capped the extent by which the rate could exceed costs



to 120 percent of the cost-of-service. This aspect of the regulation was under appeal and struck down in the months following this reporting year.

During the 2012-2013 heating season the province experienced extreme price volatility for natural gas. The volatility was caused by ongoing problems with the Sable Offshore Energy Project. Since Sable is the main source of natural gas in the Maritimes the unexpected shortage caused natural gas marketers to scramble and replace gas on a daily basis. Enbridge was forced to purchase natural gas on the spot market at higher prices. During the winter months the price was more than five times the historical price. In light of this, the Board has undertaken a review of the gas supply for the province to determine what changes if any may be warranted to protect consumers interest.



# PIPELINE SAFETY

The Pipeline Safety Division promotes safety and ensures that pipelines are designed, constructed, operated and abandoned in a manner that provides safety for the public and company employees. The division uses inspection, education, compliance audits and damage prevention programs.

The Pipeline Safety Division promotes safety and ensures that pipelines are designed, constructed, operated and abandoned in a manner that provides safety for the public and company employees.

In the last year, Enbridge Gas New Brunswick (EGNB), which has the provincial gas distribution franchise, has installed approximately 30 km of pipeline. Inspectors from the Pipeline Safety Division inspected the installation and testing of this pipe.

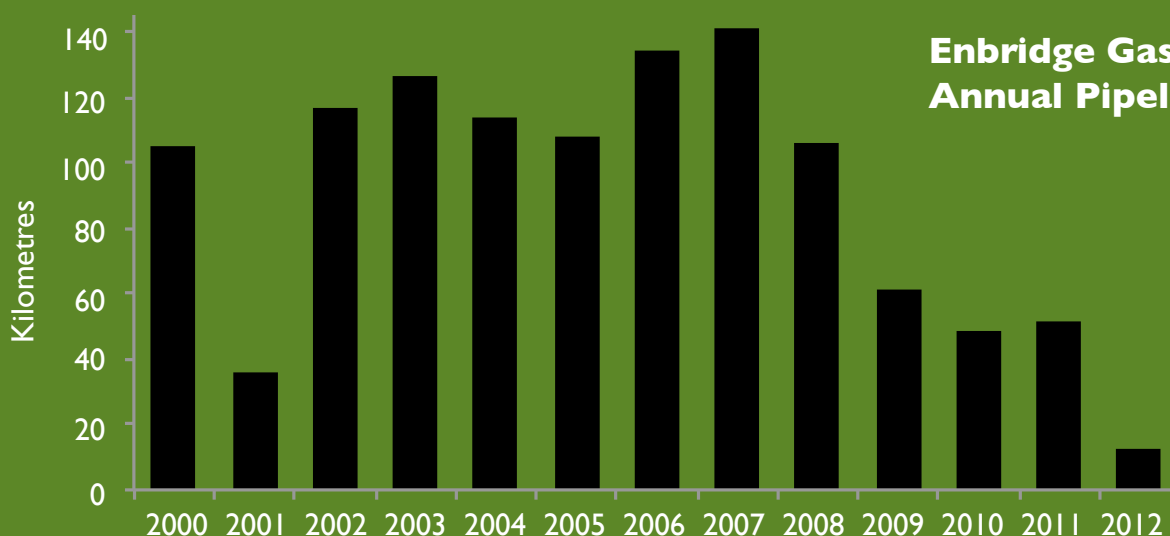
EGNB was issued licenses to operate pipelines on McAllister Drive and Bayside Drive in Saint John, on Woodlawn Avenue in Dorchester, and on DesBrisay Avenue in Moncton.

EGNB also required several revisions to existing licenses (License 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.

Potash Corporation of Saskatchewan (PCS) applied for and was granted a permit to construct a pipeline to tie into Corridor Resources Inc's pipeline system. This new eight-inch pipeline will replace the existing pipelines to supply the increased natural gas requirements of the new Picadilly Mine.

Irving Oil was granted a number of changes to existing Licenses to Operate including change of substance and operating pressure to facilitate the receiving of western crude via railcars.

NB Power was granted approval to reactivate the fuel delivery pipeline for the Dalhousie generating station to facilitate the removal of fuel from storage tanks. This is part of the decommissioning of this generating station.



Inspectors from the Pipeline Safety Division inspected the installation and testing of this pipe.

# PETROLEUM

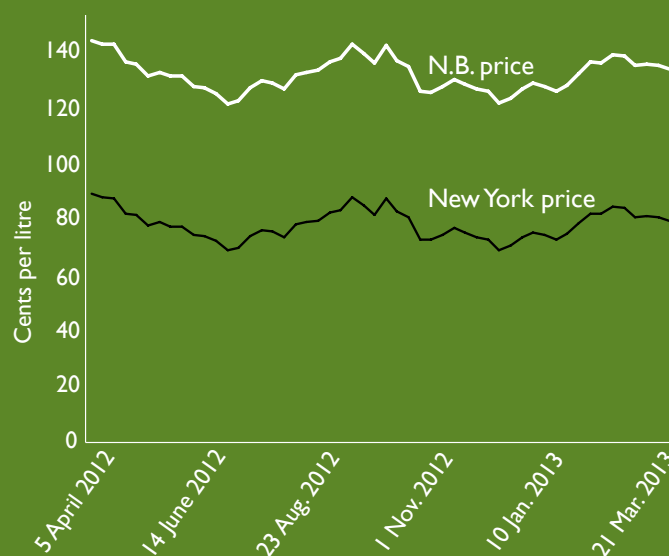
The Board regulates retail and wholesale petroleum sales in New Brunswick by setting maximum prices for motor fuels and heating fuels; including all grades of gasoline, ultra-low sulphur diesel fuel, heating oil and propane used for heating. Maximum prices for all fuels are set weekly.

The rules for setting maximum petroleum prices follow a strict formula set out in regulation. The prices use the weekly average price for petroleum products at the New York Mercantile Exchange (NYMEX). The week starts on Wednesday and concludes the following Tuesday and the new prices come into effect at each Thursday. Maximum prices set by the Board include regulated wholesale and retail margins, delivery costs and all applicable taxes. The Board exercises no discretion when setting maximum petroleum prices.

The Petroleum Products Pricing Act (PPPA) authorises the Board to make adjustments to the maximum margins (wholesale and retail), maximum delivery costs, and the maximum full service charge that motor fuel retailers can charge for dispensing fuel on a full service basis. Since petroleum regulation commenced in July 2006 the Board had made adjustments to the maximum retail margin for motor fuels (2011), the maximum delivery cost for motor fuels (2008) and the maximum full service charge for motor fuels (2011). However, prior to 2012 no adjustments had been made to the maximum wholesale margins for motor fuel, nor had there been any adjustments for heating fuels.

Section 12 of the PPPA allows wholesalers and retailers to apply to the Board for adjustments to the maximum wholesale and retail margins on petroleum products sold in New Brunswick. In June 2012, two petroleum wholesalers, Irving Oil Commercial GP and Irving Oil Marketing GP, filed a joint application for an increase to the maximum wholesale margins for motor fuels and heating oil. The Board considered this application as Matter 181. In August, a pre-hearing took place at the Board's premises in Saint John and all parties agreed to a timetable with a public hearing scheduled to take place in early December 2012.

## Maximum Gasoline Prices in N.B.



## Heating Oil Prices



In December, the applicants and the public intervenor submitted a settlement proposal to the Board. The Board opted not to accept the settlement and proceeded to a full hearing in January.

Much of the evidence in Matter 181 was provided exclusively by the applicants and contained commercially sensitive financial data. Owing to the nature of the evidence, the applicants exercised a claim of confidentiality, pursuant to section 16(1) of the PPPA and section 34 of the *Energy and Utilities Board Act*, and a significant portion of the hearing took place in camera. The Board's decision on Matter 181, released March 1, 2013, approved a 0.51 cent per litre increase to the wholesale margin for motor fuels (from 6.0 to 6.51 cents per litre) and a 0.5 cent per litre increase to the wholesale margin for heating oil (from 5.0 to 5.5 cents per litre). The adjusted maximum wholesale margins came



into effect on March 7, 2013.

In overall terms, this year was stable with respect to petroleum prices. There were no mid-week price interruptions on any of the fuels regulated by the Board. Maximum prices for all fuels but propane peaked in April 2012 and again in October. June and December saw the lowest maximum allowable prices. For the year the maximum allowable price for regular grade gasoline averaged 130.2 cents per litre; ultra-low sulphur diesel fuel averaged 137.3 cents per litre; heating oil averaged 116.5 cents per litre; and propane for heating averaged 97.7 cents per litre.



# MOTOR CARRIER

The Board regulates the motor coach industry approving the routes, schedules and passenger fares for intercity, scheduled service bus companies. The Board also licenses charter buses.

The last year was a turbulent one in the motor carrier sector in New Brunswick.

A six-month labour dispute at Acadian Coach Lines, the primary intercity motor coach company in New Brunswick, ended in May of 2012. This dispute interrupted all of Acadian's intercity bus service in New Brunswick and Prince Edward Island and prevented interprovincial service between Nova Scotia and Quebec. At that time Acadian indicated its intention to return to full service on its New Brunswick network by Labour Day 2012.

However, on August 8, 2012 Acadian announced it intended to permanently discontinue passenger bus service in New Brunswick. Citing financial losses over many years, Acadian would cease operations in New Brunswick effective December 1, 2012. The discontinuance of service was considered and Acadian was required to file ridership data as well as publish notice of the cessation of service in the province's four daily newspapers. Acadian's last day of service in New Brunswick was November 30th. After it ceased operations Acadian surrendered its motor carrier licence and returned all the company's motor carrier plates to the Board. Subsequent to the Acadian announcement the Board received three applications from other carriers to provide scheduled service over parts of the routes served by Acadian.

Atlantic Transportation Group Inc. (Coach Atlantic) of Charlottetown, a licenced charter carrier, made applications to both the Board and the Nova Scotia Utility and Review Board to provide scheduled motor coach service over the majority of the network served by Acadian Coach Lines. On October 3, 2012 the Board approved Coach Atlantic's application, amending its licence to include scheduled service in accordance with the *Motor Carrier Act*. On October 31st, the Board held a public hearing to set the schedule and rates for the service. At the hearing Coach Atlantic advised the Board that its proposed route network in New Brunswick, Nova Scotia, Prince Edward Island and Quebec would operate as "Maritime Bus." The applicant also sought authority to provide a flexible service with both minimum and maximum frequencies for individual routes. The applicant also sought Board approval of a fuel surcharge mechanism that would adjust fares as the price of ultra-low sulphur

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diesel fuel increased and decreased. On November 1, the Board gave “approval in principle” to the application.

On November 9, the Board issued a written decision approving the minimum and maximum frequencies sought by the applicant, subject to mandatory notice periods. The Board also gave “approval in principle” to a fuel surcharge in order to “reduce the need for future fare applications, thus reducing the regulatory burden on the Applicant.” On November 30, 2012 the Board provided written approval to the minimum and maximum frequencies of service over the route network, as well as the schedule of fares and stops over the route network. On December 1, 2012 Coach Atlantic began providing scheduled, intercity bus service within New Brunswick, Nova Scotia, Prince Edward Island and Quebec.

The fuel surcharge mechanism was approved by way of a separate order, dated April 8, 2013, allowing for fares to be adjusted on a quarterly basis, to reflect changes in the price of ultra-low sulphur diesel fuel. The surcharge went into effect on April 15, 2013.

In addition to Coach Atlantic, Taxi Cormier Ltée, a licenced motor carrier from Anse Bleue, N.B., sought authority to add Moncton and Fredericton to the list of communities it served on its approved service between northern New Brunswick and Montreal (Matter 191). Taxi Cormier subsequently amended its application, dropping Moncton and Fredericton from the list of communities it intended

to serve. The Board approved the amended application in October 2012.

Finally, Autobus les Sillons Inc., a motor carrier from Les Îles de la Madeleine Q.C., applied for authority to pick up and drop off passengers in New Brunswick as part of its weekly service between Fatima, Q.C. and Montreal (Matter 196). After a competing carrier objected, the application was amended to allow the carrier to carry passengers between Les Îles de la Madeleine and points in New Brunswick only. The amended application was approved by the Board in February 2013.

In addition to the above-noted applications, the Board also approved twelve applications for charter licences, renewed 47 motor carrier licences, issued 276 motor carrier plates and granted 83 temporary permits.

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# FINANCIAL STATEMENTS

**MARCH 31, 2013**

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# FINANCIAL STATEMENTS

## INDEPENDENT AUDITORS' REPORT

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

We have audited the statement of financial position of the New Brunswick Energy and Utilities Board, as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of change in accumulated surplus, net financial assets, operations and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 public sector accounting standards, 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*

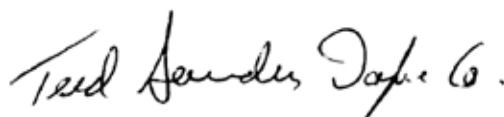
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable 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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and cash flows for the years then ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounting standards.



Teed Saunders Doyle & Co.  
CHARTERED ACCOUNTANTS

Saint John, NB  
June 19, 2013

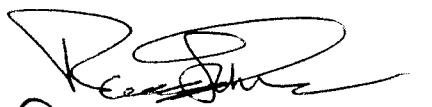
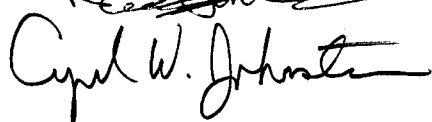
# STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2013

	2013	2012	April 1, 2011 (Note 2)
<b>FINANCIAL ASSETS</b>			
Cash (Note 4)	\$ 952,938	\$ 1,067,985	\$ 1,064,704
Accounts receivable (Notes 4 and 5)	34,480	19,461	31,529
	987,418	1,087,446	1,096,233
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities (Notes 4 and 6)	79,173	62,041	86,418
Reserve for future hearings (Note 13)	106,472	82,748	53,328
Future employee benefits (Note 14)	290,709	282,747	254,159
	476,354	427,536	393,905
<b>NET FINANCIAL ASSETS</b>	511,064	659,910	702,328
<b>NON-FINANCIAL ASSETS</b>			
Tangible capital assets (Notes 3 and 7)	91,326	95,654	84,128
Prepaid expenses	4,156	4,037	17,252
	95,482	99,691	101,380
<b>ACCUMULATED SURPLUS</b>	606,546	759,601	803,708

**COMMITMENT** (NOTE 16)

**APPROVED ON BEHALF OF THE BOARD:**

Chairman

Vice-Chairman

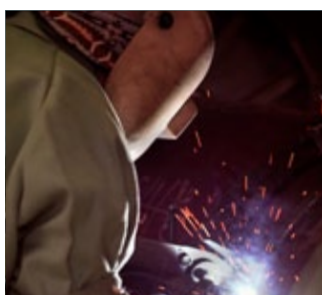
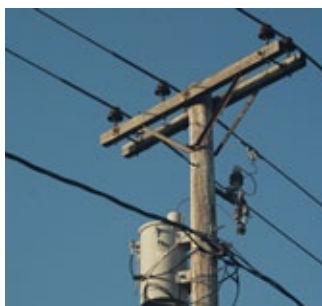
# FINANCIAL STATEMENTS

## STATEMENT OF CHANGE IN ACCUMULATED SURPLUS BY SECTOR

FOR THE YEAR ENDED MARCH 31, 2013

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

Balance at Beginning of Year	Surplus/(Deficit)	Balance at End of Year
\$ 555,390	\$ (134,694)	\$ 420,696
110,859	11,221	122,080
93,352	(29,582)	63,770
-	-	-
-	-	-
<u>\$ 759,601</u>	<u>(153,055)</u>	<u>\$ 606,546</u>

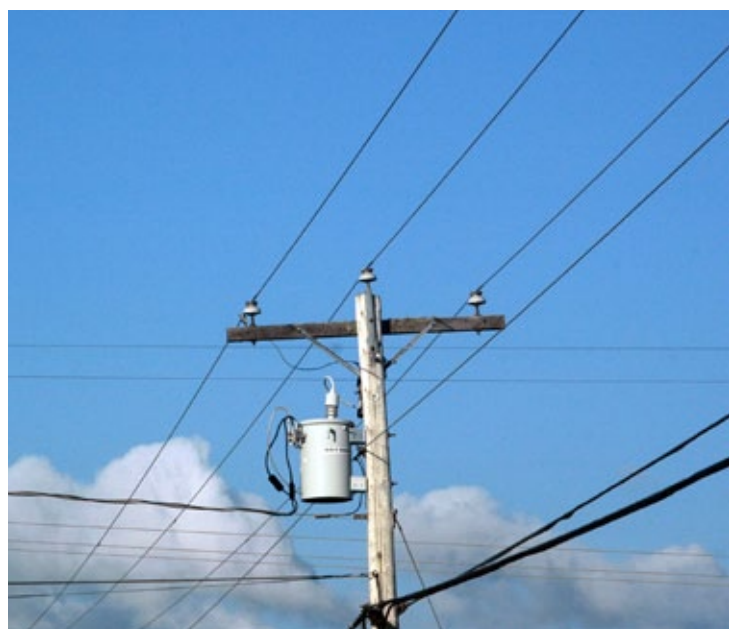




# STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

## FOR THE YEAR ENDED MARCH 31, 2013

	2013	2012
Deficiency of revenue over expenses	\$ (153,055)	\$ (44,107)
Purchase of tangible capital assets	(34,527)	(52,479)
Proceeds on disposal of tangible capital assets	2,500	4,105
Amortization of tangible capital assets	38,855	40,953
Gain on disposal of tangible capital assets	(2,500)	(4,105)
	(148,727)	(55,633)
(Increase) decrease in prepaid expenses	(119)	13,215
<b>DECREASE IN NET FINANCIAL ASSETS</b>	(148,846)	(42,418)
<b>NET FINANCIAL ASSETS AT BEGINNING OF YEAR</b>	659,910	702,328
<b>NET FINANCIAL ASSETS AT END OF YEAR</b>	511,064	659,910



# FINANCIAL STATEMENTS

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2013

	2013 Budget	2013 Actual	2012 Actual
<b>REVENUE</b> (Note 3)			
Electricity Sector (Note 8)	\$ 612,245	\$ 620,061	\$ 739,425
Natural Gas Sector (Note 9)	466,058	471,936	486,657
Pipeline Sector (Note 10)	425,553	427,127	388,293
Petroleum Sector (Note 11)	462,561	435,584	466,472
Motor Carrier Sector	-	-	557
	<u>1,966,417</u>	<u>1,954,708</u>	<u>2,081,404</u>
<b>DIRECT EXPENSES</b> (Note 3)			
Electricity Sector	300,000	39,412	23,203
Natural Gas Sector	150,000	118,454	113,394
Pipeline Sector	15,000	8,174	7,667
Petroleum Sector	85,000	29,325	69,487
	<u>550,000</u>	<u>195,365</u>	<u>213,751</u>
<b>NET REVENUE BEFORE COMMON EXPENSES</b>	<u>1,416,417</u>	<u>1,759,343</u>	<u>1,867,653</u>
<b>COMMON EXPENSES</b> (Note 3)			
Salaries and benefits	1,645,193	1,436,751	1,420,987
Office and administration	401,000	388,384	386,737
Training	87,000	48,408	63,083
Amortization	42,825	38,855	40,953
	<u>2,176,018</u>	<u>1,912,398</u>	<u>1,911,760</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	<u>\$ (759,601)</u>	<u>\$ (153,055)</u>	<u>\$ (44,107)</u>



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2013

	2013	2012
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Deficiency of revenue over expenses	\$ (153,055)	\$ (44,107)
Items not involving cash		
Amortization	38,855	40,953
Gain on disposal of tangible capital assets	(2,500)	(4,105)
	(116,700)	(7,259)
Changes in non-cash working capital balances		
Accounts receivable	(15,019)	12,068
Prepaid expenses	(119)	13,215
Accounts payable and accrued liabilities	17,132	(24,377)
Reserve for future hearings	23,724	29,420
Future employee benefits	7,962	28,588
	(83,020)	51,655
Investing activities		
Purchase of tangible capital assets	(34,527)	(52,479)
Proceeds on disposal of tangible capital assets	2,500	4,105
	(32,027)	(48,374)
<b>INCREASE (DECREASE) IN CASH</b>	(115,047)	3,281
<b>CASH AT BEGINNING OF YEAR</b>	1,067,987	1,064,704
<b>CASH AT END OF YEAR</b>	\$ 952,938	\$ 1,067,985
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 11,317	\$ 12,714

# 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 buses. 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. CHANGE IN ACCOUNTING POLICY

During the year, the Board adopted Public Sector Accounting Standards (PSA). These financial statements are the first prepared in accordance with these standards. The adoption of PSA had no impact on the accumulated surplus as at April 2011, or revenues and expenditures or cash flows for the year ended March 31, 2012, as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Tangible Capital Assets

Tangible 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.



## 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 public sector accounting standards 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.

## 4. FINANCIAL INSTRUMENTS

The Board is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Commission's risk exposure and concentration as of March 31, 2013:

### 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.

### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, accounts payable and accrued liabilities and other obligations.

### 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

### 5. ACCOUNTS RECEIVABLE

	2013	2012
Trade accounts receivable	\$ 13,177	\$ 5,124
HST receivable	20,870	13,859
Travel advances	433	478
	<u>\$ 34,480</u>	<u>\$ 19,461</u>

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2013	2012
Trade accounts payable	\$ 55,729	\$ 60,879
Due to Department of Transportation - Motor Carrier License fees	23,364	461
Wages and benefits	70	701
	<u>\$ 79,163</u>	<u>\$ 62,041</u>

### 7. TANGIBLE CAPITAL ASSETS

	2013			2012
	Cost	Accumulated Amortization	Net	Net
Computer equipment	\$ 58,099	\$ 34,156	\$ 23,943	\$ 32,044
Vehicles	118,602	51,219	67,383	63,610
	<u>\$176,701</u>	<u>\$ 85,375</u>	<u>\$ 91,326</u>	<u>\$ 95,654</u>

## 8. 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.

	2013	2012
Estimate of common expenses	\$ 867,634	\$ 885,421
Estimate of direct expenses	300,000	400,000
	<hr/>	<hr/>
	1,167,634	1,285,421
Surplus from prior year	(555,390)	(556,300)
	<hr/>	<hr/>
Assessment of electric utilities	729,121	729,121
Add: Electricity Licensing fees	-	1,936
Add: Interest income	7,817	8,368
	<hr/>	<hr/>
	\$ 620,061	\$ 739,425
	<hr/>	<hr/>

## 9. 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.

	2013	2012
Estimate of common expenses	\$ 426,916	\$ 435,723
Estimate of direct expenses	150,000	150,000
	<hr/>	<hr/>
	576,916	585,723
Surplus from prior year	(110,859)	(105,487)
	<hr/>	<hr/>
Assessment of natural gas distributors	466,057	480,236
Add: Other income	4,105	4,105
Add: Interest income	2,109	2,316
	<hr/>	<hr/>
	\$ 471,936	\$ 486,657
	<hr/>	<hr/>

# FINANCIAL STATEMENTS

## NOTES TO FINANCIAL STATEMENTS

### 10. 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.

	2013	2012
Estimate of common expenses	\$ 503,906	\$ 514,187
Less: amounts from Department of Energy	383,219	372,058
Estimate of net common expenses	120,687	142,129
Estimate of direct expenses	15,000	14,000
	<hr/>	<hr/>
	135,687	156,129
Surplus from prior year	(93,353)	(141,923)
	<hr/>	<hr/>
Assessment of pipeline owners	42,334	14,206
Add: amounts from Department of Energy	383,219	372,058
Add: interest income	1,574	2,029
	<hr/>	<hr/>
	\$ 427,127	\$ 388,293
	<hr/>	<hr/>

### 11. 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 its wholesaler's license was issued. The levy is used to defray the Board's expenses under the PPP Act.



## 12. 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, \$371,109 (2012- \$573,928) was collected and \$371,109 (2012 - \$573,928) was remitted. These amounts are not included in the revenue and expenses of the Board.

## 13. 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:

	2013	2012
Balance at beginning of year	\$ 53,328	\$ 53,328
Add: contributions to the reserve	23,724	67,693
Less: hearing costs during the year	-	38,273
	<hr/>	<hr/>
Balance at end of year	\$ 106,472	\$ 82,748

## 14. FUTURE EMPLOYEE BENEFITS

Following the guidelines set forth by the Province of New Brunswick, employees with a minimum of five continuous years of service, with the exception of the chairman of the Board, 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. Effective February 15th, 2013, new employees are not entitled to this benefit.

## 15. 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.

# FINANCIAL STATEMENTS

## 16. 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>

## 17. 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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