

2013-14

# ANNUAL REPORT



NEW BRUNSWICK  
ENERGY & UTILITIES BOARD

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

# CONTENTS

01	Chairman's message
02	Overview
04	Organizational chart
05	Board members
06	Reliability & Compliance
07	Electricity
08	Natural gas
09	Pipeline safety
10	Petroleum
11	Motor carrier
13	Financial statements

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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 and Financial Statements of the New Brunswick Energy and Utilities Board for the year ending March 31, 2014. This report serves as an opportunity to update the Legislature and the people of New Brunswick on our activities during that time.

The past year saw the completion of a significant restructuring at the Board with the replacement of our eight part-time members by three full-time members. The goal of this change is to help the Board more efficiently manage our regulatory and administrative processes and schedules. The new Board members, Michael Costello, Patrick Ervin and John Herron bring a variety of experience and knowledge to the Board and have already proven to be a great addition to our team.

At this time, I want to acknowledge the service of our part-time Board members over the past seven years. Each of them has made valuable contributions to the Board and regulation in New Brunswick during their terms of office and I wish to thank them for their service.

In October of 2013 the responsibility to adopt and enforce electric reliability standards in New Brunswick was transferred from the New Brunswick System Operator to the Energy and Utilities Board. In order to fulfill this new responsibility the Board hired three employees who had previously been responsible for reliability at the System Operator and opened an office in Fredericton.

I want to acknowledge the contributions of Vice-Chairman Cyril Johnston over the past seven years. At the end of this reporting year, Vice-Chairman Johnston resigned from the Board. He was the first full-time vice-chair of the EUB, and during his seven years of service he was of tremendous assistance in guiding the Board through various transitions. I want to thank Cyril for his hard work and unwavering dedication to the EUB.

As this annual report is being written, the Lieutenant-Governor in Council has just announced the appointment of François Beaulieu as the new vice-chairperson. I welcome François to the Board.

Finally, I would like to acknowledge and thank our staff for their hard work and dedication over the last year. The EUB is dependent on the professionalism of our staff all of whom continue to dedicate themselves to the goal of providing New Brunswick with effective regulation.



Raymond Gorman  
Chair





# OVERVIEW

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 (Board) is an independent quasi-judicial board charged with regulating public utilities.

The Energy and Utilities Board is made up of a full-time Chair, Vice-Chair and three Board members.

There is a staff of 20 including Board Members, advisors to the Board, administration employees, pipeline safety inspectors and compliance staff. The Board's offices are located on the 14th floor of 15 Market Square in Saint John. The Board's compliance staff are located in Fredericton.

## 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 Board 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 have a reasonable opportunity 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 applicant 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. Participants' 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**. After April 2015, if NB Power wants to increase the rates it charges consumers, it must seek approval of the Board. Capital projects of more than \$50 million dollars must also be approved by the Board.

The Board also ensures that the operators and users of the transmission system follow the rules to ensure the reliability of the bulk electricity system. There are hundreds of North America-wide standards that are monitored annually by Board staff.

With respect to the **natural gas industry**, the Board regulates the distribution rates and customer service policies of Enbridge Gas New Brunswick. 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. The price is set based on a strict average from the previous seven days of trading at the New York commodities



# OVERVIEW

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 increases and changes in services 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 they regulate - including electricity, natural gas and petroleum.



## BOARD MEMBERS



Michael Costello, Member



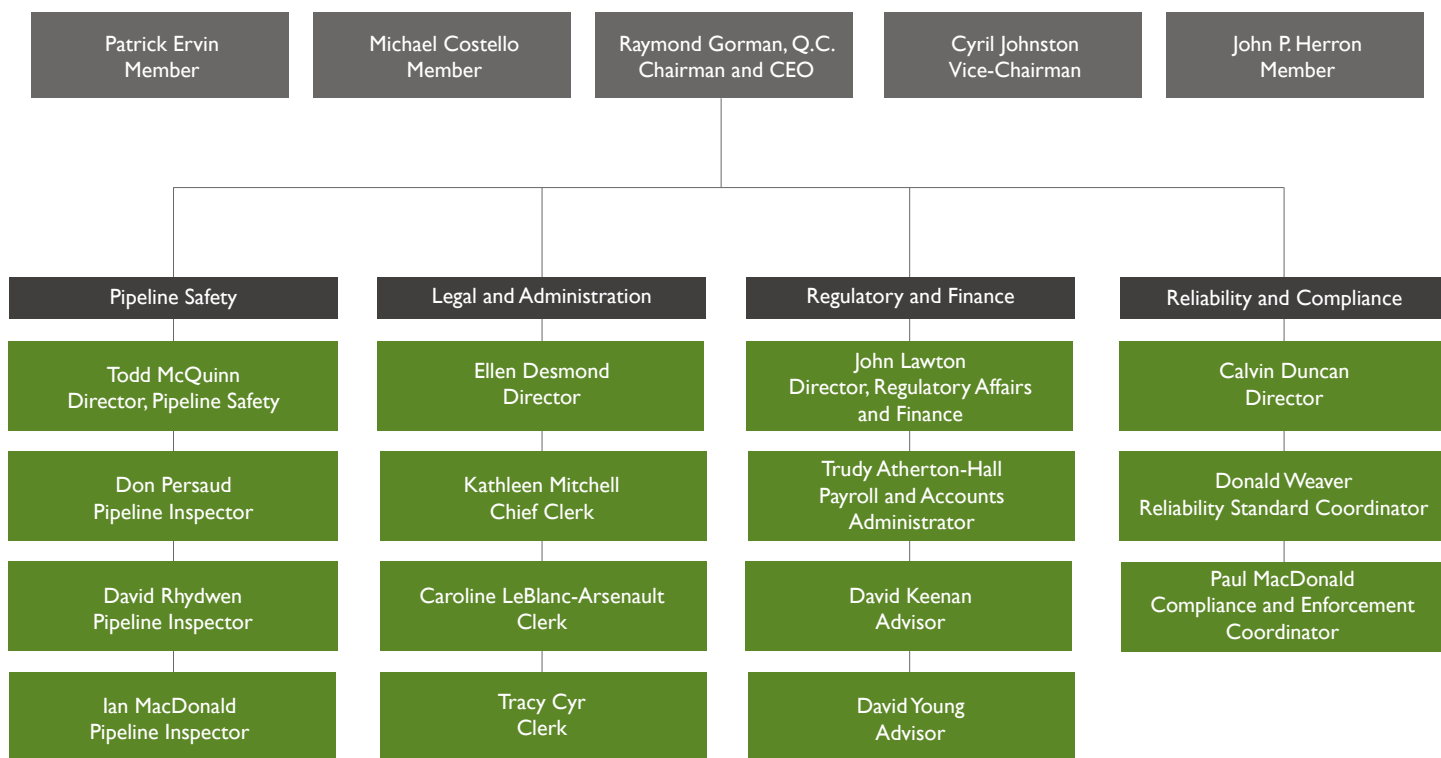
Patrick Ervin, Member



Raymond Gorman, QC, Chairman

# ORGANIZATION

There is a staff of 15 which includes advisors to the Board, a pipeline safety section, and administration.



John P. Herron, Member



Cyril Johnston, Vice-Chairman

The Board is made up of five members including a full-time chair, vice-chair and three board members.



# RELIABILITY & COMPLIANCE

On October 1, 2013, the responsibility to adopt and enforce electric reliability standards in New Brunswick was transferred from the New Brunswick System Operator to the Energy and Utilities Board.

The Board carries out its mandate for reliability under the authority of the Electricity Act and through the implementation of the New Brunswick Reliability Standards Regulation. Because of the interconnected nature of Bulk Power System, the Board's reliability programs are closely coordinated with those of the North American Electric Reliability Corporation (NERC) and the Northeast Power Coordinating Council (NPCC).

Key regulatory responsibilities include adopting NERC reliability standards, ruling on the scope of the bulk power supply, establishing and maintaining a compliance registry to identify owners, users and operators of the bulk power system. The users and operators of the system are subject to compliance with reliability standards. The Board conducts various compliance monitoring activities and carries out enforcement actions, including the imposition of fines and sanctions.

Currently, there are 102 reliability standards adopted and enforced in NB, consisting of more than 1200 individual requirements addressing the reliable planning and operation

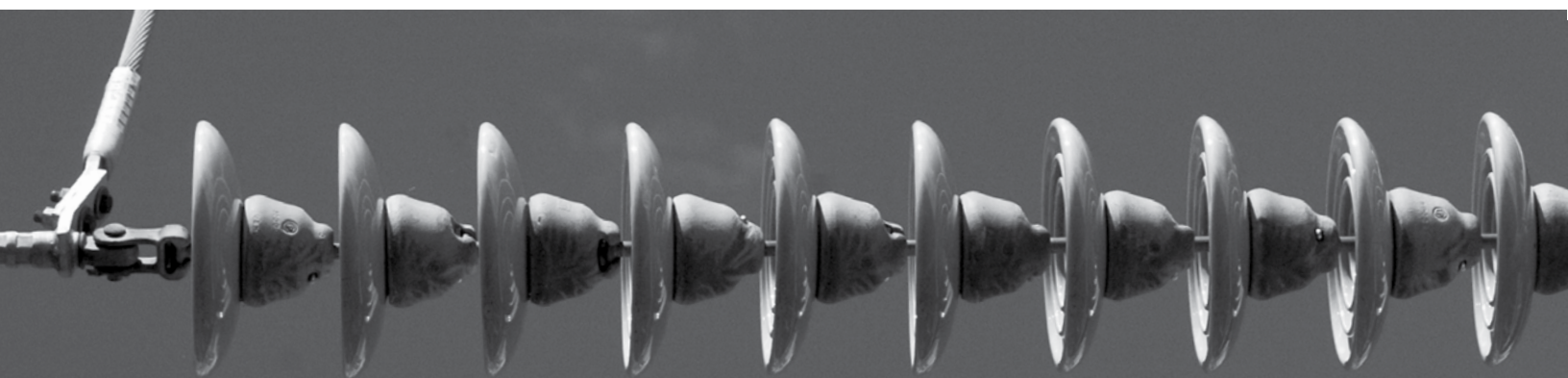
of the bulk power system. To maintain alignment with neighboring systems, when a standard receives regulatory approval in the United States New Brunswick Power is required to submit a corresponding proposal for Board approval. To date, the utility has submitted proposals affecting 29 standards which are at various stages of the comment, review and standard approval process.

The Board is required to develop an Annual Implementation Plan to identify the standards it plans to actively monitor during the year. The 2014 Plan calls for a comprehensive audit of NB Power's planning and operations functions as well as requirements for approximately 100 self-certification and data submittal reports applicable to all registered entities. Most of the compliance reporting by registered entities is made electronically through the Board's Compliance Monitoring and Reporting System.

The Board has engaged the NPCC, as a recognized compliance body, to assist with the implementation of the compliance monitoring program in the province. The NPCC may also make recommendations to the Board regarding potential violations, mitigation plans and related enforcement matters.

The Board publicly posts the compliance outcome of discovered violations at the conclusion of the applicable enforcement process.

Leading into the second half of 2014, the Board is preparing for continuing developments in the reliability area, including an expected filing to modify the scope of the bulk power system and the adoption and implementation of new cyber security standards for the province.



# ELECTRICITY

During the year the legislature passed the new Electricity Act restructuring the electricity market and changing the regulation of the market by the Board.

Under the new structure the various companies of the NB Power Group were re-amalgamated into one utility again. In addition, the potential for some large consumers to purchase electricity from other suppliers was removed which eliminated the electricity market.

Under the new market, the Board's role expanded to include the generation of electricity and the approval of some capital projects. Beginning in 2015 the utility is required to apply to the Board annually for approval of rates.

The restructuring also eliminated the New Brunswick System Operator as a separate entity as of October 1, 2013. The majority of the operations of the system operator were folded back into the NB Power operations. However, the system operator's role ensuring that reliability standards are complied with was transferred to the Board.

Although the NBSO was dissolved, it still needed approval of an operating budget for the year until October 1st. The Board held a hearing in the early part of the year and

approved the budget of \$8.7 million. After October, the Board approved the disbursement of the surplus from the operation.

Finally, the dissolution of the system operator resulted in a hearing approving the Standards of Conduct by NB Power in relation to system operations. The system operator controls the use of the transmission system not only by NB Power but the use by other companies selling electricity in New England. This means that a portion of NB Power's operation has access to commercially sensitive information of its competitors. Electricity market rules in the United States require that a utility have rules and procedures in place to ensure the separation of the operation that has access to the commercially sensitive information from the part of the company that could benefit from that information. NB Power applied for approval of its Standards of Conduct in November 2013. A written proceeding was conducted and a decision was issued shortly after the close of this reporting year.

Separate from the restructuring of the electricity market, the Board completed hearings related to completion of the refurbishment of the Point Lepreau Generating Station. Legislation required the Board to determine the method by which the deferral account created for the Lepreau refurbishment was recovered. This was done in two stages. The first stage, completed last year, determined that the amount to be recovered was \$1.036 billion and that the money would be recovered over 27 years.





# NATURAL GAS

The Board's main role in this sector is related to Enbridge Gas New Brunswick, the holder of the franchise for the distribution of Gas in the province. Board regulates the rates Enbridge charges to deliver gas to its customers as well as the customer service policies.

The utility had 12,177 customers at the end of March 2014, an increase of 158 customers over the previous year. More than 80 per cent of those customers are small including homeowners and small businesses. However, these customers do not consume the majority of the natural gas.

Enbridge delivered about 6.7 million gigajoules of natural gas in the last 12 months. About 15 percent of that gas was delivered to small customers. The largest portion – about one third - was delivered to the large industrial customers.

The past year was one of transition for the utility. It was the first full year under new legislation and regulations governing the rates to deliver the gas. In September of 2012, the Board issued a decision setting rates for 2013, but in July of 2013 the Court of Appeal ruled that a portion of the new Rates and Tariff regulation was *ultra vires*. The Board subsequently reviewed its September 2012 decision and set new rates as of August 2013.

Enbridge applied for its 2014 rates in October of 2013. A hearing was held in March of 2014, and a decision issued in April.

In addition to the operation of the utility, the Board also has jurisdiction over the marketing of natural gas in the province. While Enbridge has the sole right to distribute the gas in the province; the ability to sell gas is a competitive market. Currently there are five marketers licensed to sell gas to customers in the province although only three companies are actively selling to a wide number of customers: Park Fuels Inc., Irving Energy Services and Enbridge.

The market for natural gas exhibited extreme volatility in the past winter setting record high prices.

As with many commodity prices the price of Natural Gas is based on a regional price. In the case of New Brunswick, the price is most often based on the price of Gas in New England. Due to higher consumption and the inability to increase the supply the price reached record prices. It is important to note that while Natural Gas has increased in the United States the pipelines to get the gas to market have not developed as quickly. The result was an inability to supply all the demand in the Northeast this past winter.

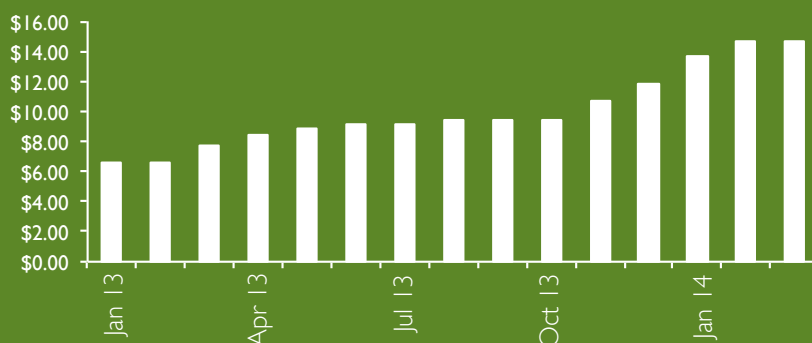
While Natural Gas will sell for under \$6 per gigajoule in the summer, the prices rose to over \$30 per gigajoule in February. Spot prices in New England reach \$90 on the coldest days of the winter.

While pipelines are currently being planned and constructed to ease congestion, this relief will not begin to materialize until after the spring of 2015.

The Board has initiated a review of the natural gas market to help provide consumers the information that they may need to keep them informed.



### Price of Standard Offer Gas





# PIPELINE SAFETY

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 Division's use of inspection, education, compliance audits and damage prevention programs.

This year, to date, Enbridge Gas New Brunswick has installed approximately 10 km of pipeline during this reporting period. Inspectors from the Pipeline Safety Division inspected the installation and testing of this pipe.

The Board issued licenses to Enbridge to operate pipelines on Horsemen Street, Desbrisay Avenue, and Cooke Drive in Moncton.

Enbridge 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.

The Potash Corporation of Saskatchewan applied for and was granted a license to operate 8 potash process pipelines for the new Picadilly Mine in April 2014.

The Potash Corporation is expected to file an application to abandon 2 natural gas pipelines that were rendered obsolete. The company recently completed an 8-inch pipeline to tie into Corridor Resources Inc's pipeline system. This new 8-inch pipeline replaced the existing 2-3-inch pipelines to supply the increased natural gas requirements of the new Picadilly Mine.

Irving Oil was granted approval to reactivate the Coleson Cove fuel delivery pipeline in January 2014 and to deactivate it in March 2014.

NB Power was granted approval to abandon and to take-up and remove a portion of the Dalhousie fuel delivery pipeline in May 2013. The company also applied to take-up and remove another portion of this pipeline in March 2014. It is expected that an application to take-up and removal the remainder of this pipeline will be filed with the Board in 2014. These applications are part of the decommissioning of this generating station.





# PETROLEUM

The Board sets the maximum prices for motor fuels and heating fuels each week.

The maximum prices are set using the weekly average spot price for refined petroleum products traded at the New York Harbour division of the New York Mercantile Exchange.

The Board sets the price based on a seven-day trading week, from Wednesday to the following Tuesday. The new maximum prices come into effect at 12:01 AM each Thursday morning. The prices are set using a strict formula set out in regulation and include 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 authorizes the Board to make adjustments to the maximum wholesale and retail margins, the maximum delivery costs, and the maximum charge that motor fuel retailers can charge for full service. Since petroleum regulation commenced in July 2006, the Board had made adjustments to the maximum wholesale margins for motor fuels and heating oil (2013), the maximum retail margin for motor fuels (2011), the maximum delivery cost for motor fuels (2008) and the maximum full service charge for dispensing motor fuels (2011).

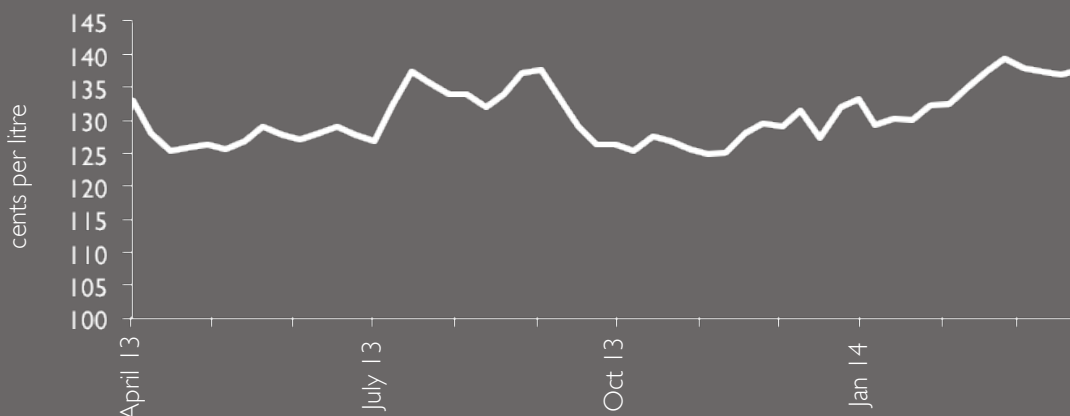
Section 14 of the Act says the Board can review the margins, delivery costs and the full service charge. Prior Board reviews in 2008 and 2011 resulted in the adjustments noted above. In 2013, the Board initiated its third review of the margins delivery costs as well as the full service charge.

In May 2013, the Board engaged MJ Ervin & Associates to independently review the regulated marketplace and make recommendations as to whether the existing retail margins, etc. were justified and, if not, to make recommendations for changes. MJ Ervin submitted its report to the Board in September 2013. In October, the Board held a pre-hearing conference as part of the review (Matter 214) in Moncton for all interested parties to the proceeding. As part of Matter 214, the Board also received evidence from a number of parties including the Atlantic Convenience Stores Association, the Canadian Oil Heat Association, Clark Oil, Co-op Atlantic, Fundy Energy, the Scholten Group and the Public Intervenor appointed by the Attorney-General. A public comments session was held in Moncton on December 13th and a public hearing on the evidence took place in Saint John from December 16-19, 2013.

As a result of the review, the Board approved an increase of 5.2 cents per litre to the maximum retail margin for heating oil and an increase of 0.5 cent per litre to the maximum retail margin for motor fuel. No adjustments were approved for the maximum retail margin for propane, nor were any changes made to the maximum delivery cost or the maximum full service charge. The approved changes to the retail margins came into effect on February 6, 2014.

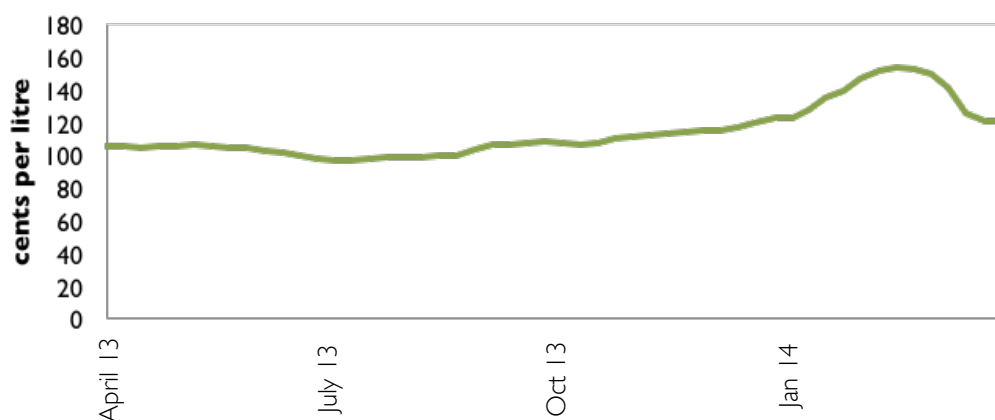
In overall terms, this year saw substantial volatility in petroleum prices. Regular gasoline was the least volatile product ranging in price from below \$1.25 per litre in November 2013, to almost \$1.40 per litre in February 2014. For the year, the maximum allowable price for regular

## Regular Gasoline





## Maximum Propane Price



## Heating Oil



gasoline averaged \$1.31 per litre. Ultra-low sulphur diesel fuel experienced substantially more price volatility, ranging in price from below \$1.28 per litre in April 2013, to a high of \$1.55 per litre in March 2014. For the year the maximum allowable price of ULSD averaged \$1.40 per litre. Similarly, furnace oil experienced a high degree of price volatility, ranging in price from below \$1.08 per litre in April 2013, to more than \$1.35 per litre in February 2014. For the year, the maximum allowable price of furnace oil averaged \$1.20 per

litre. Propane experienced the greatest price volatility over the course of the year, ranging in price from below \$0.96 per litre in July 2013 to almost \$1.53 per litre in February 2014. Mid-winter prices for propane were particularly high this year primarily due to weather related product shortages in North America. For the year the maximum allowable price of propane for heating averaged \$1.13 per litre.



# MOTOR CARRIER

The Board's regulation of the motor coach sector involves two main activities. The Board licenses charter buses and it also approves the routes, schedules and fares for scheduled intercity bus service.

The past year was one of relative stability for the motor carrier sector in New Brunswick. The previous year saw Acadian Coach Lines, the primary operator in New Brunswick, cease operations and discontinue service throughout the Maritime Provinces. Coach Atlantic Transportation Group Inc. of Charlottetown, applied to the Board for approval to provide a bus service over most of the routes that had been served Acadian Coach Lines. Coach Atlantic Transportation Group Inc., which operates under the business name Maritime Bus, received Board approval of its fares, routes and schedules in November 2012 (Board Matter 192) and was able to commence operations effective December 1, 2012, the day after Acadian Coach Lines ceased operations. Since commencing operations Coach Atlantic/Maritime Bus has provided daily intercity motor coach service to most points in New Brunswick, with connecting service to Nova Scotia, Prince Edward Island and Quebec.

In granting the service, the Board also approved a quarterly fuel surcharge for Coach Atlantic/Maritime Bus, in order to "reduce the need for future fare applications thus reducing the regulatory burden on the Applicant." The approved fuel surcharge mechanism requires the Board to make adjustments to passenger fares on a quarterly basis, to reflect changes in the price of ultra-low sulphur diesel fuel. On April 8, 2013, the Board issued its first fuel surcharge

order, effective April 15, 2013, approving a 5.5% surcharge to passenger fares. Since that date the Board has made quarterly adjustments to the fuel surcharge ranging from a low of 3.5% (July 2013) to a high of 7.0% (April 2014).

In July 2013, Coach Atlantic/Maritime Bus applied to the Board for temporary authority to extend its once-daily service between Miramichi and Moncton (Routes 340 and 341) to include service to the communities of Bathurst and Campbellton. These communities had previously been served by Acadian Coach Lines prior to December 2011, but were not included in the routes applied for by Coach Atlantic/Maritime Bus in Matter 192. The Board considered the application for temporary authority (Matter 221) and granted approval commencing August 19, 2013. This temporary authority was granted until August 31, 2014, and may only be terminated on 30-days' written notice to the Board and to passengers served on these routes.

In March 2013, the Board received an application from the Saint John Transit Commission seeking an order to exempt its weekday schedule, community express (ComeX) service from regulation by the Board under the Motor Carrier Act. This application was considered by the Board as Matter 211 and included a public hearing at the Board's premises on October 17, 2013. In a written decision, dated November 19, 2013, the Board refused to grant an order exempting the ComeX service from Board regulation under the Act. However the Board did, exempt the Commission from requiring Board approval to make changes to ComeX fares.

In February 2014, the Board received an application from EastLink Door to Door ShuttleExpress Inc. of Moncton, a licenced motor carrier, for temporary authority to operate a weekday scheduled service between Moncton, Amherst NS, and several communities in the Tantramar region. The application was made in conjunction with EOS Eco-Energy of Sackville, a not-for-profit community organisation, indicating that the service would be operated as a four-week pilot project. The application was considered by the Board as Matter 239 and a temporary authority was approved on March 6, 2014. The carrier operated the scheduled service as a pilot project between March 17 and April 11, 2014.

In addition to the above-noted applications, during the past year the Board approved six applications for charter licences, renewed 41 motor carrier licences, issued 246 motor carrier plates and granted 21 temporary permits.



# FINANCIAL STATEMENTS

MARCH 31, 2014

## CONTENTS

14 INDEPENDENT AUDITORS' REPORT

15 Statement of Financial Position

16 Statement of Change in Accumulated  
Surplus by Sector

17 Statement of Change in Net Financial  
Assets

18 Statement of Operations

19 Statement of Cash Flows

20-26 Notes to 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, 2014 and the statements of change in accumulated surplus by sector, net financial assets, 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 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 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.

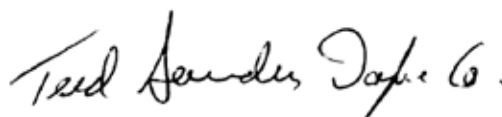
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2014 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Saint John, NB  
May 27, 2014



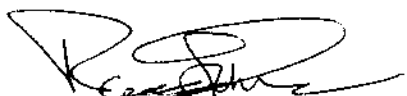
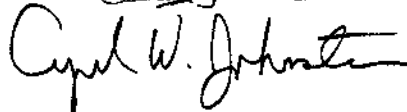
CHARTERED ACCOUNTANTS



# STATEMENT OF FINANCIAL POSITION

	2014	2013
<b>FINANCIAL ASSETS</b>		
Cash (Notes 2 and 3)	\$ 754,056	\$ 952,938
Accounts receivable (Notes 2, 3 and 4)	<u>37,875</u>	<u>34,480</u>
	<u>791,931</u>	<u>987,418</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Notes 2, 3 and 5)	247,968	79,173
Reserve for future hearings (Notes 2, 3 and 12)	29,234	106,472
Future employee benefits (Note 13)	<u>140,413</u>	<u>290,709</u>
	<u>417,615</u>	<u>476,354</u>
<b>NET FINANCIAL ASSETS</b>	<u>374,316</u>	<u>511,064</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Notes 2 and 6)	57,114	91,326
Prepaid expenses	<u>8,873</u>	<u>4,156</u>
	<u>65,987</u>	<u>95,482</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 440,303</u>	<u>\$ 606,546</u>
<b>COMMITMENTS</b> (Note 15)		

## APPROVED ON BEHALF OF THE BOARD:

Chairman

Vice-Chairman

# STATEMENT OF CHANGE IN ACCUMULATED SURPLUS BY SECTOR

FOR THE YEAR ENDED MARCH 31, 2014

	Balance at Beginning of Year	Surplus/ (Deficit)	Balance at End of Year
<b>ELECTRICITY SECTOR</b>	\$ 420,696	\$ (61,936)	\$ 358,760
<b>NATURAL GAS SECTOR</b>	122,080	(78,879)	43,201
<b>PIPELINE SECTOR</b>	63,770	(25,428)	38,342
<b>PETROLEUM SECTOR</b>	-	-	-
<b>MOTOR CARRIER SECTOR</b>	-	-	-
	<u>\$ 606,546</u>	<u>\$ (166,243)</u>	<u>\$ 440,303</u>



# STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
Deficiency of revenue over expenses	\$ (166,243)	\$ (153,055)
Purchase of tangible capital assets	(4,963)	(34,527)
Proceeds on disposal of tangible capital assets	-	2,500
Amortization of tangible capital assets	39,175	38,855
Gain on disposal of tangible capital assets	<u>-</u>	<u>(2,500)</u>
	(132,031)	(148,727)
Increase in prepaid expenses	<u>(4,717)</u>	<u>(119)</u>
<b>DECREASE IN NET FINANCIAL ASSETS</b>	(136,748)	(148,846)
<b>NET FINANCIAL ASSETS AT BEGINNING OF YEAR</b>	<u>511,064</u>	<u>659,910</u>
<b>NET FINANCIAL ASSETS AT END OF YEAR</b>	<u>\$ 374,316</u>	<u>\$ 511,064</u>



# STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget	2014 Actual	2013 Actual
<b>REVENUE</b> (Note 2)			
Electricity Sector (Note 7)	\$ 1,905,247	\$ 1,496,458	\$ 620,061
Natural Gas Sector (Note 8)	383,783	263,209	471,936
Pipeline Sector (Note 9)	511,933	449,351	427,127
Petroleum Sector (Note 10)	<u>413,365</u>	<u>393,054</u>	<u>435,584</u>
	<u>3,214,328</u>	<u>2,602,072</u>	<u>1,954,708</u>
<b>DIRECT EXPENSES</b> (Note 2)			
Electricity Sector	210,000	32,744	39,412
Natural Gas Sector	50,000	25,083	118,454
Pipeline Sector	12,000	7,869	8,174
Petroleum Sector	<u>50,000</u>	<u>37,577</u>	<u>29,325</u>
	<u>322,000</u>	<u>103,273</u>	<u>195,365</u>
<b>NET REVENUE BEFORE COMMON EXPENSES</b>	<u>2,892,328</u>	<u>2,498,799</u>	<u>1,759,343</u>
<b>COMMON EXPENSES</b> (Note 2)			
Salaries and benefits	1,877,510	1,915,907	1,436,751
Office and administration (Note 15)	885,002	642,109	388,384
Training	85,000	67,851	48,408
Amortization	<u>44,816</u>	<u>39,175</u>	<u>38,855</u>
	<u>2,892,328</u>	<u>2,665,042</u>	<u>1,912,398</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	<u>\$ -</u>	<u>\$ (166,243)</u>	<u>\$ (153,055)</u>



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Deficiency of revenue over expenses	\$ (166,243)	\$ (153,055)
Items not involving cash		
Amortization	39,175	38,855
Gain on disposal of tangible capital assets	<u>-</u>	<u>(2,500)</u>
	(127,068)	(116,700)
Changes in non-cash working capital balances		
Accounts receivable	(3,395)	(15,019)
Prepaid expenses	(4,717)	(119)
Accounts payable and accrued liabilities	168,795	17,132
Reserve for future hearings	(77,238)	23,724
Future employee benefits	<u>(150,296)</u>	<u>7,962</u>
	<u>(193,919)</u>	<u>(83,020)</u>
Investing activities		
Purchase of tangible capital assets	(4,963)	(34,527)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>2,500</u>
	<u>(4,963)</u>	<u>(32,027)</u>
<b>DECREASE IN CASH</b>	(198,882)	(115,047)
<b>CASH AT BEGINNING OF YEAR</b>	<u>952,938</u>	<u>1,067,985</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 754,056</u>	<u>\$ 952,938</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 12,858	\$ 11,317

# NOTES TO FINANCIAL STATEMENTS

## I. 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"). Pursuant to amendments to the Act in 2013, the part time Board member positions were replaced with three full time members. The Board is now comprised of five full time members which include a chairperson and a vice chairperson.

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 Government of New Brunswick on May 7th, 2013 introduced Bill 39, the "Electricity Act". This new legislation became effective on October 1, 2013. As a result of the change in legislation, the Board's mandate for the electricity sector changed by adding responsibility for approval of reliability standards, compliance monitoring and enforcement. As a result, the Board hired three new staff previously employed by the New Brunswick System Operators and opened a new sub-office in Fredericton. The various companies operating within the New Brunswick Power group of companies were restructured into the New Brunswick Power Corporation and the Board's regulatory responsibilities were also changed as a result of the restructuring.

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 the 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.

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### 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.

### Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equity instruments with actively traded markets are reported at fair value, with any unrealized gains losses reported in income. All other financial instruments are reported at amortized costs, and tested for impairment at each reporting date. Transactions costs on the acquisition, sale or issue of financial instruments are expensed when incurred.

### Statement of Cash Flows

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.

### 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 capital 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 Board's risk exposure and concentration as of March 31, 2014:

### Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. 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.

### 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 as it does not hold any foreign currency.

## NOTES TO FINANCIAL STATEMENTS

### 4. ACCOUNTS RECEIVABLE

	2014	2013
Trade accounts receivable	\$ 5,029	\$ 13,177
HST receivable	28,350	20,870
Travel advances	<u>4,496</u>	<u>433</u>
	<u>\$ 37,875</u>	<u>\$ 34,480</u>

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	2013
Trade accounts payable	\$ 92,300	\$ 51,565
Due to Province of New Brunswick	150,659	27,538
Wages and benefits	<u>5,009</u>	<u>70</u>
	<u>\$ 247,968</u>	<u>\$ 79,173</u>

### 6. TANGIBLE CAPITAL ASSETS

	Cost	2014 Accumulated Amortization	Net	Net
Computer equipment	\$ 54,307	\$ 39,744	\$ 14,563	\$ 23,943
Vehicles	<u>118,602</u>	<u>76,051</u>	<u>42,551</u>	<u>67,383</u>
	<u>\$ 172,909</u>	<u>\$ 115,795</u>	<u>\$ 57,114</u>	<u>\$ 91,326</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.

	2014	2013
Estimate of common expenses	\$ 1,695,247	\$ 867,634
Estimate of direct expenses	<u>210,000</u>	<u>300,000</u>
	1,905,247	1,167,634
Surplus from prior year	<u>(420,696)</u>	<u>(555,390)</u>
Assessment of electric utilities	1,484,551	612,244
Add: electricity licensing fees	1,744	-
Add: interest income	<u>10,163</u>	<u>7,817</u>
	<u>\$ 1,496,458</u>	<u>\$ 620,061</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.

	2014	2013
Estimate of common expenses	\$ 333,783	\$ 426,916
Estimate of direct expenses	<u>50,000</u>	<u>150,000</u>
	383,783	576,916
Surplus from prior year	<u>(122,080)</u>	<u>(110,859)</u>
Assessment of natural gas distributors	261,703	466,057
Add: other income	-	3,770
Add: interest income	<u>1,506</u>	<u>2,109</u>
	<u>\$ 263,209</u>	<u>\$ 471,936</u>

## NOTES TO FINANCIAL STATEMENTS

### 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 and Mines were submitted by the Department to the Board to be used to reduce common expenses for regulation of pipelines.

	<b>2014</b>	<b>2013</b>
Estimate of common expenses	\$ 499,933	\$ 503,906
Less: amounts from Department of Energy and Mines	<u>390,884</u>	<u>383,219</u>
Estimate of net common expenses	109,049	120,687
Estimate of direct expenses	<u>12,000</u>	<u>15,000</u>
	121,049	135,687
Surplus from prior year	<u>(63,770)</u>	<u>(93,353)</u>
Assessment of pipeline owners	57,279	42,334
Add: amounts from Department of Energy and Mines	390,884	383,219
Add: interest income	<u>1,188</u>	<u>1,574</u>
	<u><u>\$ 449,351</u></u>	<u><u>\$ 427,127</u></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 Act, the costs incurred by the Attorney General under Section 49 of the Act are to be collected by the Board and remitted to the Minister of Finance. During the year, \$475,686 (2013- \$371,109) was collected and \$357,296 (2013 - \$371,109) was remitted to the Minister of Finance. These amounts are not included in the revenue and expenses of the Board. An amount of \$118,390 (2013 - \$nil) is due to the Minister of Finance as at March 31, 2014 and is included in accounts payable.

## 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:

	2014	2013
Balance at beginning of year	\$ 106,472	\$ 82,748
Add: contributions to the reserve	29,234	23,724
Less: hearing costs during the year	106,472	-
Balance at end of year	<u>\$ 29,234</u>	<u>\$ 106,472</u>

## 13. FUTURE EMPLOYEE BENEFITS

Following the policy of the Province of New Brunswick, the Board eliminated the employee retirement allowance benefit on June 30, 2013. All retirement allowance benefits earned up to that date were paid out with the exception of one employee who opted to use the allowance towards their pre-retirement leave.

The Board has a liability related to the eligibility of the chairman for Deputy Minister pension/termination benefits including supplemental pension benefits of one year (or part year) of service to a maximum of five years of service. The Board has accrued \$140,413 for this future employee benefit.

## 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 ("PSSA"). 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, 2013 financial statements, the pension plan has a net actuarial surplus. Any shortfall in the funding of the plan is guaranteed by the Province of New Brunswick, which is the sponsor of the plan.

On January 1, 2014, the Province replaced the PSSA with the Public Service Shared Risk Plan ("PSSRP"). Pension entitlements earned by employees up to December 31, 2013 under the PSSA continue to be guaranteed by the Province. For pension entitlements earned after January 1, 2014, the employer will make defined contributions to the plan, with no guarantee of the benefit payout at retirement. The PSSRP will pay cost of living increases and other ancillary benefits only to the extent that funds are available for such benefits. The PSSRP is governed by an independent board of trustees. Other changes include retirement age as well as increases in pension reduction for early retirement.

## 16. COMMITMENT

### Saint John

The Board has signed a lease of its office premises for a ten year period commencing March 1, 2011. The minimum annual lease payments due are as follows:

2015	\$ 171,353
2016	171,353
2017	171,353
2018	177,967
2019	177,967
Remainder of lease	<u>355,936</u>
	<u><u>\$ 1,225,929</u></u>

### Fredericton

The Board has signed a lease of its office premises for a five year period commencing March 1, 2014. The minimum annual lease payments due are as follows:

2015	\$ 29,950
2016	29,950
2017	29,950
2018	29,950
2019	<u>27,455</u>
	<u><u>\$ 147,255</u></u>

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