



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

# ANNUAL REPORT

2014-15

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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 fiscal year ending March 31, 2015.

This report serves as an opportunity to update the Legislature and the people of New Brunswick on some of our activities during 2014-2015.

The past 12 months have been busy in terms of hearings and applications. The Board received 34 applications during the reporting year and issued 34 decisions ranging from approving numerous electricity reliability standards, setting rates for Natural Gas customers, approving an Open Access Transmission Tariff for NB Power and granting licenses for Charter buses.

In March of this year, pipeline inspector Ian MacDonald retired after many years in the public sector, with both Public Safety and the Board. I want to thank Ian for his hard work and dedication to the Board and wish him well in retirement.

Over the past year the Board has produced a comprehensive package of Rules of Procedure for hearings. The Rules, which were designed to complement the Board's electronic filing system, consolidate and/or replace the rules and practices that have evolved over the Board's one hundred plus years of regulation in N.B. It is hoped that the new rules will be of assistance to all parties appearing before the Board in the future, especially those who are not well acquainted with the operation of administrative boards and tribunals.

Finally, I would like to thank all Board staff and Members for their hard work, dedication and support during the last year. The Board is dependent on the professionalism of our employees who continue to dedicate themselves to providing effective energy and utility regulation in New Brunswick.

Raymond Gorman  
Chairman



# 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.



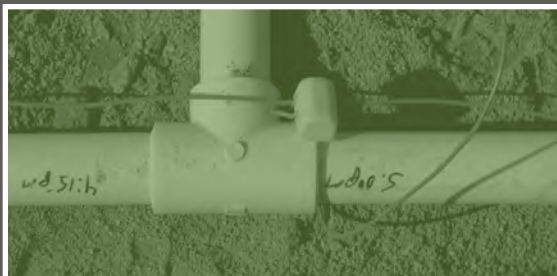
## WHAT WE DO

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 following 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 questions 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

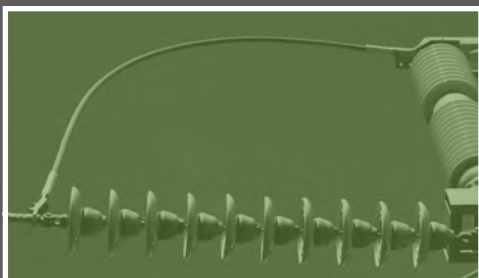
In each area, the Board has slightly different jurisdiction.

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.



# OVERVIEW

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 market where gasoline is traded daily. More detailed information about the formula is available on our website: [www.nbeub.ca/index.php/en/petroleum-products](http://www.nbeub.ca/index.php/en/petroleum-products).

The Board reviews and oversees the construction of intraprovincial **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 **inter-city 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



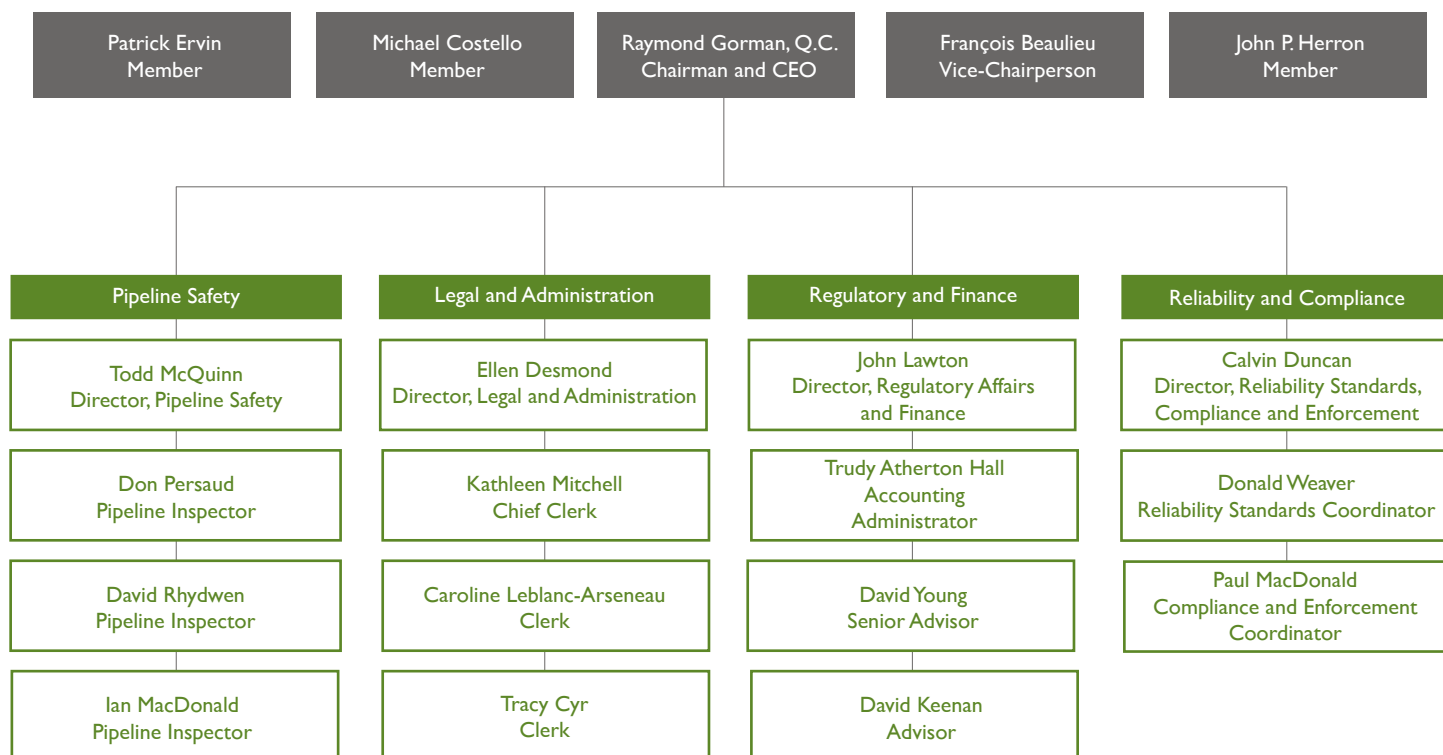
Patrick Ervin, Member



Raymond Gorman, Q.C., Chairman and CEO

# ORGANIZATION

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



John P. Herron, Member



François Beaulieu, Vice-Chairperson

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



# RELIABILITY & COMPLIANCE

***The Board has the responsibility under the *Electricity Act* to adopt and enforce electric reliability standards to address the reliability of the Bulk Power System. The Board implements the *Reliability Standards Regulation* which sets out specific requirements for the approval of standards, entity registrations and compliance monitoring and enforcement processes.***

Because of the interconnected nature of Bulk Power System, the Board's reliability programs are closely aligned with those of the North American Electric Reliability Corporation (NERC). The Board engages the Northeast Power Coordinating Council (NPCC) to assist with compliance monitoring and to make recommendations on potential violations, mitigation plans and related enforcement actions.

To maintain alignment with neighboring systems, when a reliability standard receives regulatory approval in the United States, NB

Power is required to submit a corresponding proposal to the Board for approval, along with any proposed modifications for New Brunswick. The Board considered and approved 10 new reliability standards, revisions to 52 others and the retirement of 46 standards during the 2015 reporting period. Currently there are 104 reliability standards enforced in New Brunswick consisting of more than 1200 individual requirements.

Each year the Board develops and implements an Annual Implementation Plan for compliance monitoring. There were two on-site comprehensive audits of NB Power carried out in 2014, one covering its planning and operations functions and one covering cyber security and Critical Infrastructure Protection standards. In addition, Registered Entities submitted approximately 100 compliance self-certification and data submittal reports to the Board through the Compliance Monitoring and Reporting System.

The Board closed out four compliance files that were initiated prior to the Board assuming its compliance responsibilities in 2013, including one Settlement Agreement with NB Power relating to vegetation management, and three other compliance files that were resolved through the Find Fix Track enforcement process.

The Board also entered into and closed out a Settlement Agreement with Canadian Hydro Developers to address a non-compliance with testing and maintenance standards, under which Canadian Hydro Developers was required to pay a \$10,000 financial penalty.

Going forward the Board is preparing for continuing developments in the NERC compliance programs, including the introduction of more sophisticated risk-based compliance monitoring and enforcement processes.





# ELECTRICITY

*The Board continued to be very engaged with activities as set out in its new mandate for the electricity sector and the transition of a number of NB Power companies into a vertically integrated utility.*

The Electricity Act, 2013, re-integrated generation, transmission, system operator and distribution activities into the New Brunswick Power Corporation. The transmission system carries electricity, from N.B. generation plants and from inter-connections with other jurisdictions, to serve customer loads within New Brunswick and external markets. The system operates in accordance with a Board approved "Open Access Transmission Tariff" providing non-discriminatory access to the New Brunswick electricity grid. All electricity transmitters must adhere to the Tariff rules. The system operator is tasked with the scheduling and balancing of electricity reservations and flows over the grid and oversight of the Tariff. System operations must also be carried out in a way that is unbiased. The Board regulates the New Brunswick Power Corporation in accordance with the Act and is also responsible for approving and ensuring compliance with electric reliability standards and regulations. The Board approves the rates for services provided under the Tariff for use of the transmission system.

In New Brunswick there are two transmission owners, NB Power and Algonquin Tinker Genco. In July of 2014, NB Power applied to the Board for approval of a new transmission tariff and rates. During the review of that application, Algonquin Tinker Genco, which provides service to Perth Andover, applied for approval of

upgrades to its equipment. The hearings into these issues were held in February and March of 2015. The decision was issued following the end of the reporting year. In April, the Board also approved the standards of conduct for NB Power. The Standards are meant to ensure that commercial information given to the system operator is not used to benefit NB Power.

The final transitional matter was related to the creation of a new energy marketing company that would buy and sell electricity for NB Power. Such activities inherently involve some risk. In May of 2014 NB Power applied to the Board to have the financial risk management policies of the New Brunswick Energy Marketing Corporation approved. The application was approved in October.

NB Power filed two other applications with the Board during the year. The company filed for approval of a new cost allocation study. A central part of electricity regulation is trying to ensure that each customer class pays its share of the cost of providing electricity. However estimating those costs can be complicated and takes specialized studies.

In 2007 the Board ordered that NB Power complete a new cost allocation study prior to applying for any rate increases. The application for approval of the allocation study was filed in October of 2014. However the parties involved in the application came to the conclusion that the Board should not proceed until further studies are completed. As a result the Board adjourned the matter and adopted a timeline for the studies to be completed.

Finally, in November, NB Power applied for a two percent increase to its rates. This was the first rate application under the new Electricity Act and the first hearing for the vertically integrated utility since 1992. The review process for interrogatories and filing intervenor evidence was ongoing during the rest of the reporting year. The hearing was scheduled for June 2015.



# NATURAL GAS

## *The Board's mandate in the Natural Gas Sector deals mainly with the regulation of the distribution rates charged by Enbridge Gas New Brunswick (Enbridge).*

Enbridge is the monopoly provider of natural gas distribution services in the province and as such is only permitted to charge rates approved by the Board. The Board sets maximum rates after reviewing evidence about the company's planned future expenses. Only justifiable expenses along with a reasonable return on equity may be recovered from the customers.

At the beginning of this reporting year, the Board approved new rates for Enbridge's customers for the remainder of 2014. In its decision the Board set the distribution rates for the small general service customers at \$10 per gigajoule. At that time the Board expressed concern about the methodology for setting rates for this class. The methodology provided insufficient savings to homeowners included in the class and provided excessive savings to the small business customers included in the class. The Board instructed Enbridge to propose a solution to resolve the "savings" issues in its next application.

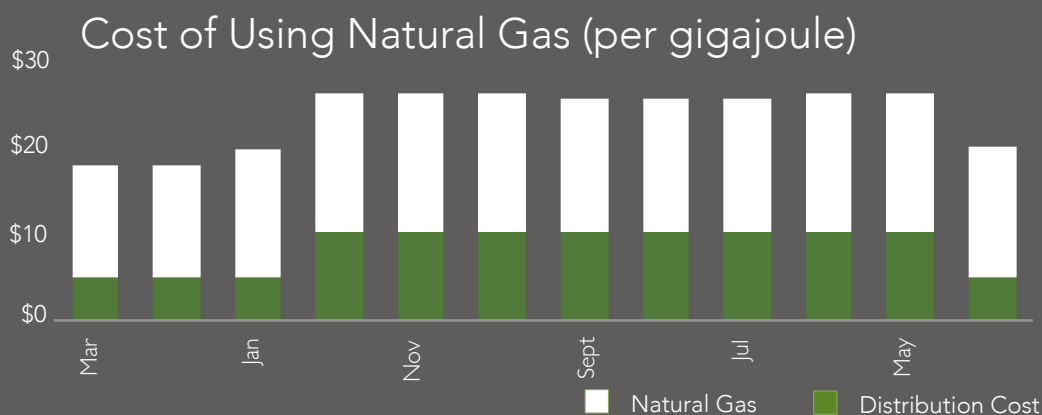
Enbridge filed a rate application at the end of June for a change in rates that would take effect in January 2015. The company proposed changing the small general service class to include only residential customers. Small commercial customers would be moved into the mid-general service class, comprised of predominantly commercial customers. In December, the Board approved the customer class changes and new maximum rates effective January 1, 2015. The distribution rate for the small general service class was reduced to \$4.85 per gigajoule.

In its review of the evidence, the Board became concerned with the development period. The development period is the special status that was given to Enbridge at the start of the franchise period. During the development period, Enbridge was permitted to accumulate its losses in a deferral account. That account can increase only during the development period. The account was allowed to earn a return and was to be recovered through future revenue. However current regulations do not allow for the recovery of the deferral account. The Board expressed concern about whether the development period has concluded. In the December decision, Enbridge was ordered to file evidence for continuing the development period at a hearing to be held in the coming year.

In January of 2015, the Board appeared before the New Brunswick Court of Appeal as a respondent in relation to the Enbridge 2014 rate application. The Court of Appeal rendered an oral decision and the appeal was dismissed. A written decision had not been rendered during this reporting period.

The price of natural gas is determined by the competitive market. The Board monitors the market and prices to ensure that there is sufficient competition and it also licences natural gas marketers. In the past year, the Board approved one new gas marketer's certificate.

The Board is also required to confirm that Enbridge complies with regulations with respect to the sale of its gas. This review was carried out for the 2013 year. The Board determined that Enbridge did not comply with the regulation with respect to the sale of alternatively priced natural gas. The Board ordered the company to develop a compliance plan for future years. Enbridge has complied with the Board's directive.



# 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.*

During the fiscal year 2014-15, Enbridge Gas New Brunswick (EGNB) which was awarded the provincial gas distribution franchise in 1999, installed approximately seven kilometres of pipeline. Inspectors from the Pipeline Safety Division inspected the installation and testing of this pipe. Existing licenses (License to Operate pipelines) were amended for this expansion of the

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 license to operate eight potash process pipelines between the existing Penobsquis facility and the new Picadilly Mine.

In 2015-16, PCS is expected to file an application to abandon two natural gas pipelines that were rendered obsolete with the recently constructed 8-inch pipeline to tie into Corridor Resources Inc's pipeline system. This new 8-inch pipeline replaced the existing 2-to-3-inch pipelines to supply the increased natural gas requirements of the new Picadilly Mine.

Irving Oil Refining GP was granted a Permit to Construct a pipeline in Mispec, NB. This new pipeline leading from the Canaport LNG pier is used as an alternative to the offshore monobuoy crude unloading point when the monobuoy system is out of service during scheduled and unscheduled maintenance. A license to operate the new pipeline was also issued.

Irving Oil Terminals and Pipelines, GP was granted approval to reactivate the Coleson Cove fuel delivery pipeline.

NB Power was granted approval to take-up and remove a portion of the Dalhousie fuel delivery pipeline. This work is presently on-hold. It is expected that an application to take-up and remove the remainder of this pipeline will be filed with the Board. These applications are part of the decommissioning of this generating station.



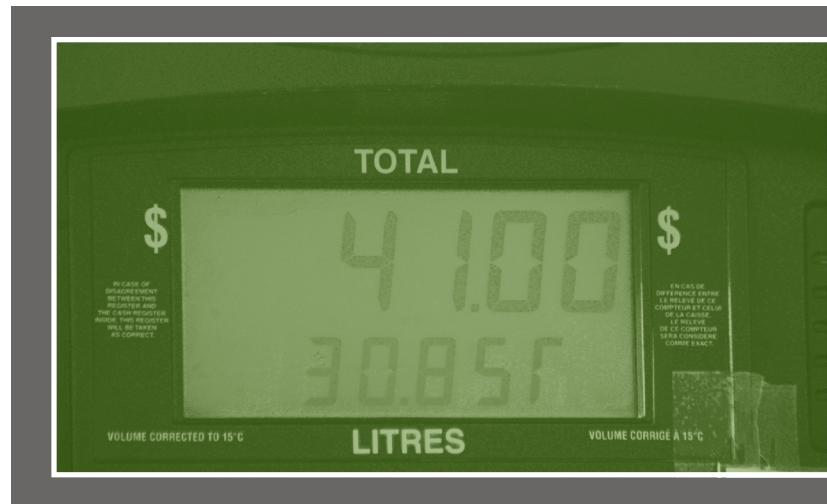
# PETROLEUM

*The Board regulates petroleum products in New Brunswick by setting maximum wholesale and retail prices for motor fuels and heating fuels; including all grades of gasoline, ultra-low sulphur diesel fuel (ULSD), furnace oil and propane used for heating.*

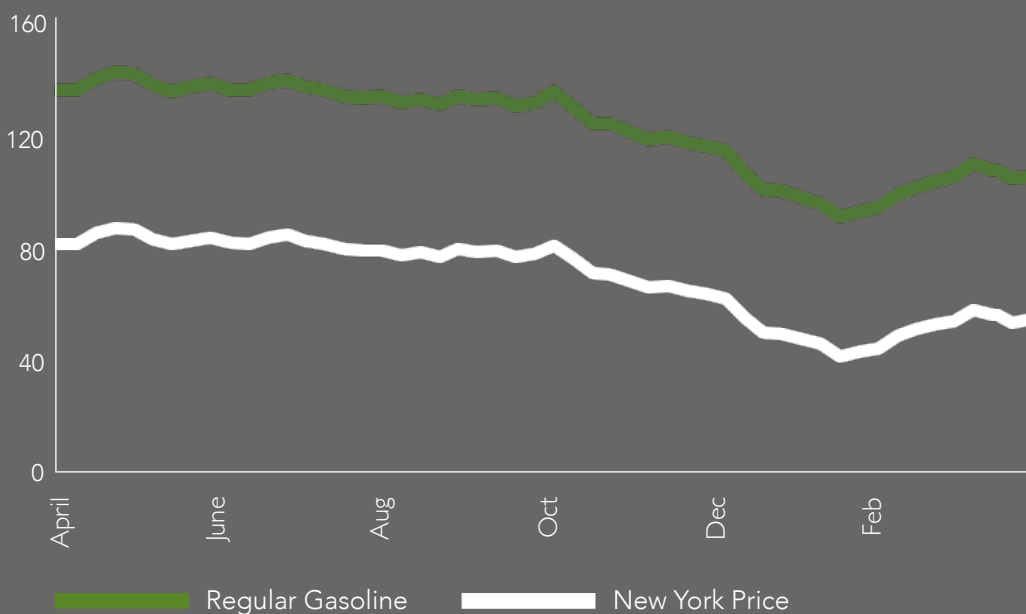
Maximum prices for all fuels are set weekly. Maximum prices are calculated using the weekly average spot price for refined petroleum products traded at the New York Harbour division of the New York Mercantile Exchange (NYMEX). Maximum prices for all fuels are approved weekly, based on a seven-day trading week, commencing each Wednesday and concluding the following Tuesday. New maximum prices come into effect at 12:01 AM each Thursday morning. The rules for setting maximum petroleum prices follow a strict formula set out in regulation. Maximum prices

include a cost component for the fuels plus regulated wholesale and retail margins, delivery costs and all applicable taxes.

The Petroleum Products Pricing Act (PPPA) authorizes the Board to adjust the maximum margins (wholesale and retail), maximum delivery costs, and the maximum amount that motor fuel retailers may charge for dispensing fuel on a full service basis. Adjustments to the existing margins can only be made after a review of the existing margins, whether initiated by the Board or by an applicant.



## Price of Regular Gasoline (cents per litre)





The last adjustments were made, effective February 6, 2014, following a Board-initiated review of the retail margins for motor fuel and furnace oil (Matter 214).

The maximum margins, delivery costs, and full service charge in effect over the past year were:

#### Motor Fuels

Maximum wholesale margin – 6.51 cents per litre  
Maximum retail margin – 6.4 cents per litre  
Maximum full service charge – 3.0 cents per litre  
Maximum delivery cost – 2.5 cents per litre

#### Furnace Oil

Maximum wholesale margin – 5.5 cents per litre  
Maximum retail margin – 18.2 cents per litre  
Maximum delivery cost – 5.0 cents per litre

#### Propane

Maximum wholesale margin – 25.0 cents per litre  
Maximum retail margin – 25.0 cents per litre  
Maximum delivery cost – 10.0 cents per litre

In August 2014, the Lieutenant-Governor in Council approved New Brunswick Regulation 2014-130 which amended Schedule A.1 of New Brunswick Regulation 2006-41 under the PPPA. These amendments changed the product mix used to calculate

the maximum allowable price for furnace oil under the PPPA, substituting ULSD and ultra-low sulphur kerosene for No. 2 fuel oil (high sulphur furnace oil) and jet fuel. The Board first set maximum prices utilizing the new regulation on August 21, 2014.

Pursuant to Order in Council 2014-390, the Lieutenant-Governor in Council proclaimed An Act Respecting a Public Intervener for the Energy Sector to come into force on September 10, 2014. A consequential amendment of the Act amended Section 26 of the PPPA (Regulatory charges). As a result, expenses incurred by the Public Intervener in a review conducted by the Board under subsection 14(1) of the PPPA, will be reimbursed from funds received from the annual petroleum wholesale levy. Accordingly the annual levy paid by petroleum wholesalers was increased from 0.025 cents per litre to 0.0375 cents per litre. The Board applied the new rate to all levies that were due after September 9, 2014. As part of its ongoing market monitoring responsibility, Board staff conducted numerous site inspections and site visits with petroleum wholesalers and retailers over the past year. These inspections and visits took place in the spring and autumn of 2014.

The Board regularly deals with questions from the public about the regulated petroleum market. In 2014/2015 individual petroleum enquiries accounted for 63% of all contacts from the general public (113 of 180).

## Heating Oil (cents per litre)



# MOTOR CARRIER

## *The Board regulates the motor coach industry through the licensing of charter buses and approving the routes, schedules and passenger fares for intercity, scheduled service bus companies.*

Scheduled motor coach service in New Brunswick is provided by the Coach Atlantic Transportation Group of Charlottetown (Coach Atlantic) which provides daily, inter-city service to many points in New Brunswick, with connecting service to Nova Scotia, Prince Edward Island and Quebec. Coach Atlantic operates this service under the business name Maritime Bus. Coach Atlantic commenced operations in New Brunswick on December 1, 2012 and requires Board approval of its fares, routes and schedules.

In July 2013, Coach Atlantic 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. The Board granted this temporary authority (Matter 221) by Order, dated August 6, 2013, approving the service until August 31, 2014, subject to termination by the carrier on thirty days' written notice to the Board and passengers served on these routes. On September 1, 2014, as per the Board's original order, the routes subject to the temporary authority (Routes 340 and 341) became a service under Coach Atlantic's motor carrier licence. The extension of Routes 340 and 341 to Bathurst and Campbellton was confirmed by Board Order, dated October 1, 2014.

In its decision in Matter 192, the Board granted "approval in principle" to a fuel surcharge for Coach Atlantic, 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. During the past year, the Board made quarterly adjustments to the fuel surcharge on April 15, July 15, October 15 and January 15. In line with the general decline in fuel prices over the past year the fuel surcharge declined from a high of seven percent (April 2014) to a low of three percent (January 2015).

In addition to the above-noted items, over the past year the Board approved three applications for charter licences, renewed 42 motor carrier licences, issued 257 motor carrier plates and granted ten temporary permits.



# FINANCIAL STATEMENTS



MARCH 31, 2015

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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, 2015 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, 2015 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  
June 2, 2015



CHARTERED PROFESSIONAL ACCOUNTANTS

# STATEMENT OF FINANCIAL POSITION

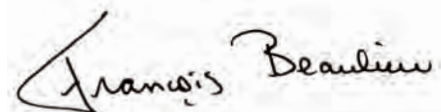
AS AT MARCH 31, 2015

	2015	2014
<b>FINANCIAL ASSETS</b>		
Cash (Notes 2 and 3)	\$ 1,004,043	\$ 754,056
Accounts receivable (Notes 2, 3 and 4)	<u>39,557</u>	<u>37,875</u>
	<u>1,043,600</u>	<u>791,931</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Notes 2, 3 and 5)	111,400	247,968
Reserve for future hearings (Notes 2, 3 and 12)	314,518	29,234
Future employee benefits (Note 13)	<u>171,271</u>	<u>140,413</u>
	<u>597,189</u>	<u>417,615</u>
<b>NET FINANCIAL ASSETS</b>	<u>446,411</u>	<u>374,316</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Notes 2 and 6)	53,176	57,114
Prepaid expenses	<u>910</u>	<u>8,873</u>
	<u>54,086</u>	<u>65,987</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 500,497</u>	<u>\$ 440,303</u>
<b>COMMITMENTS</b> (Note 15)		

**APPROVED ON BEHALF OF THE BOARD:**



Chairman



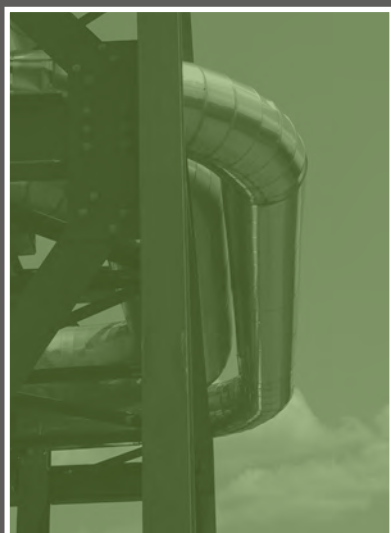
Vice-Chairperson

# FINANCIAL STATEMENTS

## STATEMENT OF CHANGE IN ACCUMULATED SURPLUS BY SECTOR

FOR THE YEAR ENDED MARCH 31, 2015

	Balance at Beginning of Year	Surplus/ (Deficit)	Balance at End of Year
<b>ELECTRICITY SECTOR</b>	\$ 358,760	\$ (12,881)	\$ 345,879
<b>NATURAL GAS SECTOR</b>	43,201	32,084	75,285
<b>PIPELINE SECTOR</b>	38,342	40,991	79,333
<b>PETROLEUM SECTOR</b>	-	-	-
<b>MOTOR CARRIER SECTOR</b>	-	-	-
	<u>\$ 440,303</u>	<u>\$ 60,194</u>	<u>\$ 500,497</u>



# STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

AS AT MARCH 31, 2015

	2015	2014
Surplus (deficiency) of revenue over expenses	\$ 60,194	\$ (166,243)
Purchase of tangible capital assets	(23,788)	(4,963)
Amortization of tangible capital assets	<u>27,726</u>	<u>39,175</u>
	64,132	(132,031)
Decrease (increase) in prepaid expenses	<u>7,963</u>	<u>(4,717)</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	72,095	(136,748)
<b>NET FINANCIAL ASSETS AT BEGINNING OF YEAR</b>	<u>374,316</u>	<u>511,064</u>
<b>NET FINANCIAL ASSETS AT END OF YEAR</b>	<u>\$ 446,411</u>	<u>\$ 374,316</u>

# FINANCIAL STATEMENTS

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2015

	2015 Budget	2015 Actual	2014 Actual
<b>REVENUE</b> (Note 2)			
Electricity Sector (Note 7)	\$ 2,064,293	\$ 1,713,958	\$ 1,496,458
Natural Gas Sector (Note 8)	489,191	447,019	263,209
Pipeline Sector (Note 9)	701,048	662,711	449,351
Petroleum Sector (Notes 10 and 12)	<u>422,130</u>	<u>339,790</u>	<u>499,526</u>
	<u>3,676,662</u>	<u>3,163,478</u>	<u>2,708,544</u>
<b>DIRECT EXPENSES</b> (Note 2)			
Electricity Sector	300,000	124,731	32,744
Natural Gas Sector	50,000	47,892	25,083
Pipeline Sector	12,000	6,731	7,869
Petroleum Sector (Note 12)	<u>65,000</u>	<u>6,016</u>	<u>144,049</u>
	<u>427,000</u>	<u>185,370</u>	<u>209,745</u>
<b>NET REVENUE BEFORE COMMON EXPENSES</b>	<u>3,249,662</u>	<u>2,978,108</u>	<u>2,498,799</u>
<b>COMMON EXPENSES</b> (Note 2)			
Salaries and benefits	2,435,958	2,290,671	1,915,907
Office and administration (Note 15)	618,103	486,734	642,109
Training	152,000	112,783	67,851
Amortization	<u>43,601</u>	<u>27,726</u>	<u>39,175</u>
	<u>3,249,662</u>	<u>2,917,914</u>	<u>2,665,042</u>
<b>SURPLUS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ -</u>	<u>\$ 60,194</u>	<u>\$ (166,243)</u>

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Surplus (deficiency) of revenue over expenses	\$ 60,194	\$ (166,243)
Item not involving cash		
Amortization	<u>27,726</u>	<u>39,175</u>
	87,920	(127,068)
Changes in non-cash working capital balances		
Accounts receivable	(1,682)	(3,395)
Prepaid expenses	7,963	(4,717)
Accounts payable and accrued liabilities	(136,568)	168,795
Reserve for future hearings	285,284	(77,238)
Future employee benefits	<u>30,858</u>	<u>(150,296)</u>
	<u>273,775</u>	<u>(193,919)</u>
Investing activity		
Purchase of tangible capital assets	<u>(23,788)</u>	<u>(4,963)</u>
<b>INCREASE (DECREASE) IN CASH</b>	249,987	(198,882)
<b>CASH AT BEGINNING OF YEAR</b>	<u>754,056</u>	<u>952,938</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 1,004,043</u>	<u>\$ 754,056</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 14,954	\$ 12,858

# FINANCIAL STATEMENTS

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2015

### 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 buses. 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. 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.

#### 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, 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 and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred.

#### 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 capital assets; and
- the calculation of future employee benefits.

### 3. 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, 2015:

#### 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 Board 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.

# FINANCIAL STATEMENTS

## NOTES TO FINANCIAL STATEMENTS

### 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.

### Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Board manages exposure through its normal operating and financing activities. The Board is not exposed to interest rate risk as it does not have any interest bearing debt.

#### 4. ACCOUNTS RECEIVABLE

	2015	2014
Trade accounts receivable	\$ 34	\$ 5,029
Employee vacation	5,693	-
HST receivable	27,583	28,350
Travel advances	<u>6,247</u>	<u>4,496</u>
	<u>\$ 39,557</u>	<u>\$ 37,875</u>

#### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade accounts payable	\$ 91,853	\$ 92,300
Due to Province of New Brunswick	3,815	150,659
Wages and benefits	<u>15,732</u>	<u>5,009</u>
	<u>\$ 111,400</u>	<u>\$ 247,968</u>

#### 6. TANGIBLE CAPITAL ASSETS

	Cost	2015 Accumulated Amortization	Net	Net
Computer equipment	\$ 50,383	\$ 36,613	\$ 13,770	\$ 14,563
Vehicles	<u>137,897</u>	<u>98,491</u>	<u>39,406</u>	<u>42,551</u>
	<u>\$ 188,280</u>	<u>\$ 135,104</u>	<u>\$ 53,176</u>	<u>\$ 57,114</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:

	2015	2014
Estimate of common expenses	\$ 1,760,292	\$ 1,695,247
Estimate of direct expenses	<u>300,000</u>	<u>210,000</u>
	2,060,292	1,905,247
Surplus from prior year	<u>(358,760)</u>	<u>(420,696)</u>
Assessment of electric utilities	1,701,532	1,484,551
Add: electricity licensing fees	-	1,744
Add: interest income	<u>12,426</u>	<u>10,163</u>
	<u>\$ 1,713,958</u>	<u>\$ 1,496,458</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:

	2015	2014
Estimate of common expenses	\$ 438,191	\$ 333,783
Estimate of direct expenses	<u>50,000</u>	<u>50,000</u>
	488,191	383,783
Surplus from prior year	<u>(43,201)</u>	<u>(122,080)</u>
Assessment of natural gas distributors	444,990	261,703
Add: other income	500	-
Add: interest income	<u>1,529</u>	<u>1,506</u>
	<u>\$ 447,019</u>	<u>\$ 263,209</u>

# FINANCIAL STATEMENTS

## 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.

	2015	2014
Estimate of common expenses	\$ 688,053	\$ 499,933
Less: amounts from Department of Energy and Mines	<u>393,229</u>	<u>390,884</u>
Estimate of net common expenses	294,824	109,049
Estimate of direct expenses	<u>12,000</u>	<u>12,000</u>
	306,824	121,049
Surplus from prior year	<u>(38,342)</u>	<u>(63,770)</u>
Assessment of pipeline owners	268,482	57,279
Add: amounts from Department of Energy and Mines	393,229	390,884
Add: interest income	<u>1,000</u>	<u>1,188</u>
	<u>\$ 662,711</u>	<u>\$ 449,351</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. Per amended legislation passed on September 2014, the levy shall be based on the volume of gasoline and motive fuel, as defined by the Gasoline and Motive Fuel Tax Act, or based on 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 as well as defraying the expenses incurred by the Public Intervenor for the Energy Sector as a result of a review conducted by the Board under subsection 14(1).

### 11. ASSESSMENT FOR PUBLIC INTERVENOR

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, \$196,396 (2014 - \$475,686) was collected and \$196,396 (2014 - \$357,296) was remitted to the Minister of Finance. These amounts are not included in the revenue and expenses of the Board. There are no fees due to the Minister of Finance as at March 31, 2015 (2014 - \$118,390).

## 12. RESERVE FOR FUTURE HEARINGS

The Board has established a reserve to assist in the cost of future hearings in the Petroleum Sector. The levies received to cover the costs of such hearings are included in the reserve and will be recognized when the hearing costs are incurred. The activity during the year were as follows:

	2015	2014
Balance at beginning of year	\$ 29,234	\$ 106,472
Add: levies contributed to the reserve	285,284	29,234
Less: hearing costs during the year	<u>-</u>	<u>106,472</u>
Balance at end of year	<u>\$ 314,518</u>	<u>\$ 29,234</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 \$171,271 (2014 - \$140,413) for this future employee benefit.

## 14. PENSION PLAN

On January 1, 2014, the Province replaced the Public Service Superannuation Act ("PSSA") with the Public Service Shared Risk Plan ("PSSRP"). 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.

# FINANCIAL STATEMENTS

## 15. COMMITMENTS

### 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:

2016	\$	171,353
2017		171,353
2018		177,967
2019		177,967
2020		177,967
Remainder of lease		<u>177,967</u>
	\$	<u>1,054,574</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:

2016	\$	31,795
2017		31,795
2018		31,795
2019		<u>29,145</u>
	\$	<u>124,530</u>

## 16. COMPARATIVE FIGURES

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.



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