



# ANNUAL REPORT

2017 | 18



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

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NOUVEAU-BRUNSWICK

P.O. Box 5001  
15 Market Square, Suite 1400  
Saint John, New Brunswick  
E2L 4Y9

Telephone: (506) 658-2504  
1-866-766-2782  
Fax: (506) 643-7300  
[www.nbeub.ca](http://www.nbeub.ca)

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# CHAIRPERSON'S MESSAGE



On behalf of the New Brunswick Energy and Utilities Board, I am pleased to present our Annual Report and Audited Financial Statements for the reporting period beginning April 1, 2017 and ending March 31, 2018.

As an overview of our activities during this reporting period, the Board received 36 applications related to the different sectors over which the Board has jurisdiction and delivered 29 decisions. These decisions pertained to the setting of rates for Enbridge Gas New Brunswick and NB Power; the approval of pipeline permits and licenses, the approval of numerous electricity reliability standards and compliance issues and the granting of licenses for motor carriers.

The Board also dealt with 53 formal inquiries from the general public during the reporting period. Those inquiries were related to the various sectors over which the Board has jurisdiction by law. Some of those inquiries did require an investigation.

I would like to recognize and thank our employees and Board members for their hard work, their professionalism and dedication over the past year. Each and every one of them has contributed significantly to the operations of the Board with the ultimate goal of providing effective regulation for our province.

It is my pleasure to provide this overview of the Board's activities pursuant to section 22 of the *Energy and Utilities Board Act*. The Board looks forward to pursuing its mandate and meeting new challenges in the coming year.

A handwritten signature in black ink, appearing to read 'Raymond Gorman', written in a cursive style.

Raymond Gorman, Q.C.  
Chairperson



## OVERVIEW

The New Brunswick Energy and Utilities Board is an independent, quasi-judicial tribunal, which regulates the industries and utilities under its jurisdiction. The Board is governed by legislation and by common law rules that require fairness in all of its proceedings.

## THE BOARD

The New Brunswick Energy and Utilities Board consists of five full-time members, including a Chairperson and Vice-Chairperson. The Provincial Cabinet appoints members based on a merit-based nomination process. All appointments are for legislated terms, subject to renewal.

The Board is a quasi-judicial tribunal. It has the same powers that are vested in the Court of Queen's Bench in relation to procedural, evidentiary and enforcement matters. Three members constitute a quorum in its regulatory proceedings. A single member may decide certain matters.

Fifteen employees assist the Board in its duties. They provide legal and administrative support, financial and regulatory support and analysis, pipeline safety inspection and analysis, and electricity reliability and compliance support. An organizational chart appears later in this report.

The Board is a member of CAMPUT – Canada's Energy and Utility Regulators, a self-supporting, non-profit association of federal, provincial and territorial regulatory boards that regulate electric, gas and pipeline utilities. It also actively participates in the Canadian Council of Administrative Tribunals (CCAT). The Board's involvement in these and other organizations help to foster national and international relationships in the utility regulatory community, and inform the Board on developments and best practices relevant to its functions.

The Board's main office is located at Suite 1400, 15 Market Square in Saint John and its Reliability and Compliance office is located at 520 King Street in Fredericton.

The Board's website is at [www.nbeub.ca](http://www.nbeub.ca). It provides information and access to all aspects of the Board's functions, including its governing legislation, past and current regulatory proceedings and decisions, and procedural rules.

## GOVERNING LEGISLATION

The Board derives its regulatory mandate and powers from the following New Brunswick statutes and regulations made under those statutes:

- *Energy and Utilities Board Act*
- *Electricity Act*
- *Gas Distribution Act, 1999*
- *Pipeline Act, 2005*
- *Petroleum Products Pricing Act*
- *Motor Carrier Act*
- *Motor Vehicle Act*

The Board's principal regulatory functions are described in detail later in this report.



## BOARD PROCEEDINGS

Governing legislation requires the Board to ensure procedural fairness to all persons affected by its decisions. Common law principles of natural justice, applicable to all regulatory tribunals, also govern its proceedings. The Board has adopted its own *Rules of Procedure* as a guide to parties appearing in Board proceedings.

A formal application filed by a party commences most proceedings, which is filed along with supporting written evidence. The Board may commence some proceedings on its own initiative. Notice of the application is normally provided to the public and stakeholders. The procedural rules provide the requirements to apply for intervener status. The Public Intervener is required to intervene in the public interest in relation to most regulatory matters.

In some cases, the Board will schedule an open forum to allow members of the public to express views about the matter, and to either appear before a panel of the Board or make a written submission.

A pre-hearing session of the Board is then held to determine the procedure for the matter and to establish a hearing schedule. This schedule sets deadlines for the filing

of intervener evidence, information requests, and written responses to information requests. The dates for the final hearing of evidence and submissions are also determined.

Oral hearings are held, either at the Board's hearing room, or at another suitable venue. They are similar to court proceedings, and follow a process outlined in the *Rules of Procedure*. The applicant presents witnesses for cross-examination by other parties, followed by intervener witnesses. At the conclusion of oral testimony, all parties present final submissions and rebuttals.

In some cases, a written hearing is sufficient to allow the Board to consider the evidence and submissions fairly and effectively.

All written evidence, hearing transcripts and other related documents are published on the Board's website, except evidence that is confidential in nature.



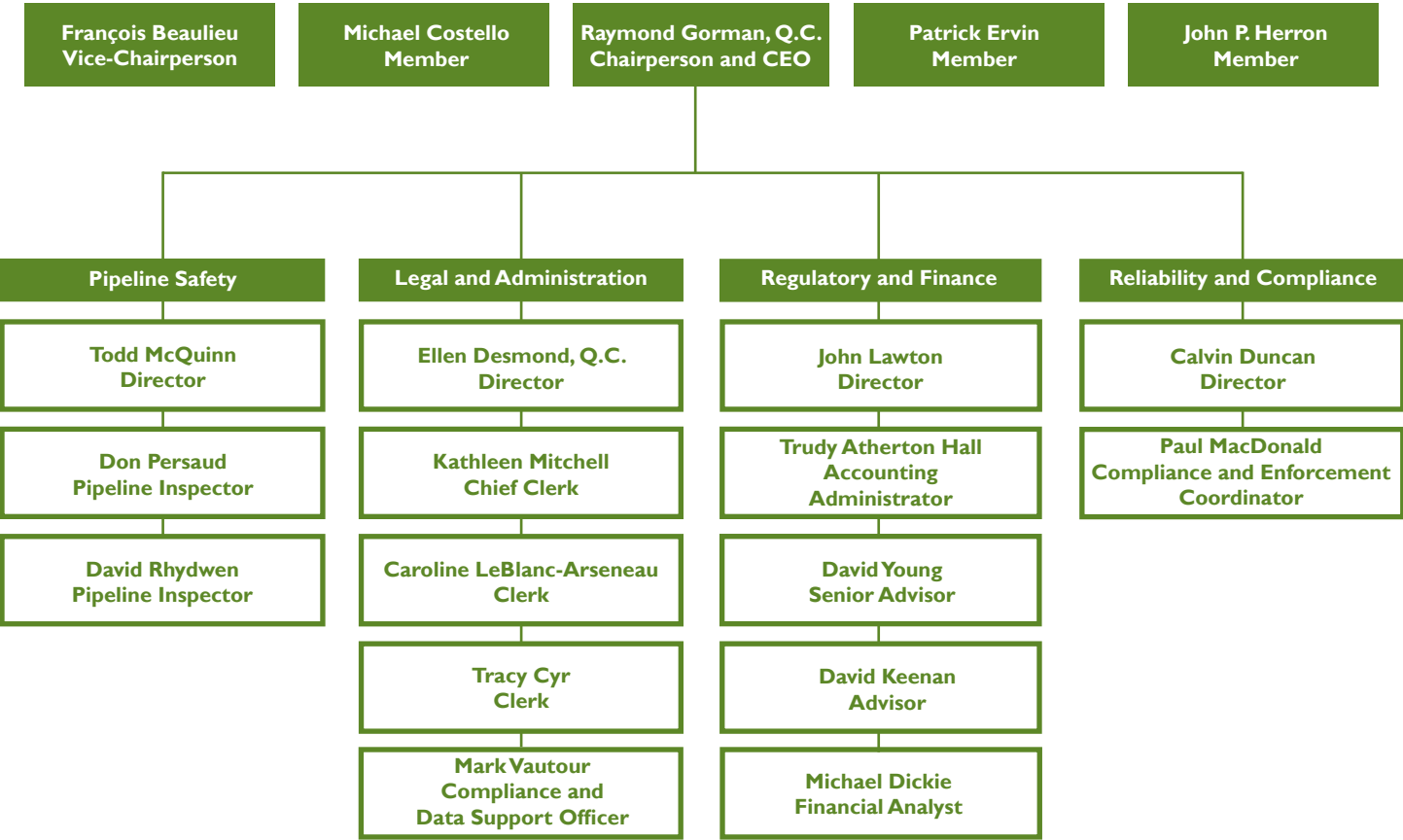
## FUNDING OF BOARD EXPENSES

The audited financial statements of the Board are included later in this report.

The expenses of the Board are comprised of direct expenses that are directly attributable to an entity, such as the costs of a proceeding initiated by a specific company, and common expenses, including general operating costs of the Board. The Board collects all of its expenses from each regulated company for its direct expenses and each company's share of common expenses.

Board funding is also derived from an annual levy to petroleum wholesalers, based on annual motor fuel sales volumes. The current levy is 0.0375 cent per litre. A portion of this levy goes to fund the expenses of the Public Intervener in relation to petroleum margin reviews conducted by the Board.

# BOARD STRUCTURE





## BOARD MEMBERS



François Beaulieu  
Vice-Chairperson



Michael Costello  
Member



Raymond Gorman, Q.C.  
Chairperson and CEO



Patrick Ervin  
Member



John P. Herron  
Member





# ELECTRICITY

**The Board's responsibilities include approving electricity rates for NB Power customers and approving a tariff for the provision of electricity transmission services. NB Power must also seek the Board's approval for any capital projects of \$50 million or more.**

Each year NB Power is required to apply to the Board for approval of its schedules of rates it proposes to charge for its services. Following a rate hearing, the Board will approve rates applied for, if satisfied that they are just and reasonable. If not so satisfied, the Board will fix other rates that it finds to be just and reasonable. Many factors, including those specified by legislation, are also considered by the Board during a rate hearing.

In 2017-18 the Board received two major applications from NB Power: an application for approval of changes to its rate structure, rate classes and rate design and an application for approval of rates to be charged in 2018-19. The Board also received an application from Algonquin Tinker Gen Co. to approve its transmission revenue requirements.

## **NB Power 2018-19 Distribution Rates**

In October of 2017, NB Power filed a general rate application to the Board that contained a number of proposals, including a rate increase.

The utility applied to increase the rates for its customers by an average of 2.0 percent effective April of 2018. As part of its application, the utility presented an "Energy Smart" program and also requested permission to implement a rate adjustment mechanism. During the hearing, NB Power withdrew its request for the approval of a rate adjustment mechanism.

NB Power also sought approval for a multi-year capital project to install advanced metering infrastructure – known as smart meters – throughout the province. Any capital project in excess of \$50 million requires Board approval.

During the course of the hearing, NB Power settled a claim against insurers regarding the costs of delays with the refurbishment of the Point Lepreau Nuclear Generating Station. Following that settlement, NB Power made a request to amend its application, in order to apply some of the settlement funds to the 2018-19 revenue requirement. The result of that amendment was to lower the requested rate increase from an average increase of 2.0 percent to an average increase of 1.5 percent.

At the end of the reporting period, the hearing was still in progress.

## **Algonquin Tinker Gen Co.**

Algonquin Tinker Gen Co. owns a small transmission facility that takes power from the Tinker Dam and connects to the town of Perth Andover and the NB Power grid in general. The transmission operation is regulated by the Board. The transmission system is financed through fees to use its transmission lines.

In November, Algonquin applied to the Board for approval of an increase to its revenue requirement, primarily to recover the costs of its transformer upgrades. Any increase to its revenue requirement would result in an increase to the transmission rates under the Open Access Transmission Tariff (OATT).

At the end of the reporting period, the hearing was still in progress.

## **Future Matters**

The Board is expecting several applications in the upcoming financial year from NB Power, including a general rate application for 2019-20, a transmission tariff application, and a major capital project application related to the Mactaquac Generating Station. In addition, there is an outstanding rate design hearing which is currently scheduled to be heard with the general rate application.



# RELIABILITY AND COMPLIANCE

**The Board adopts and enforces standards to address the reliability of the bulk power system, which includes large scale electric generation facilities and high voltage transmission systems within the Province.**

Reliability standards are a set of rules or requirements that generally apply to the North American electricity grid. Because of the interconnected nature of the grid, reliability standards are aimed at providing a continuous flow of power in the Province and minimizing instability, uncontrolled flows of electricity or cascading power failures within the grid.

The *Reliability Standards Regulation – Electricity Act* sets out specific requirements for the Board's approval of reliability standards and related compliance, monitoring and enforcement processes. The Board's reliability standards align with those of the North American Electric Reliability Corporation, an international regulatory authority whose mission is to assure the reliability and security of the bulk power system in North America.

## **Compliance Monitoring**

The Board engages the Northeast Power Coordinating Council (NPCC) to assist the Board in compliance monitoring and making recommendations on potential violations, mitigation plans and related enforcement actions. NPCC is responsible for promoting and enhancing the reliability of the bulk power system in Northeastern North America.

## **Reliability Standards**

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, with appropriate modifications for New Brunswick. During the 2017-18 reporting period, the Board approved two new reliability standards, revisions to eight others, and the retirement of eleven standards. There are 104 reliability standards enforced in the Province, consisting of more than 1,200 individual requirements.

The Board is responsible for administering the New Brunswick Compliance Monitoring and Enforcement Program established by regulation. As part of its responsibility, the Board implements an *Annual Implementation Plan* for compliance monitoring, which include regular auditing processes and enforcement actions.

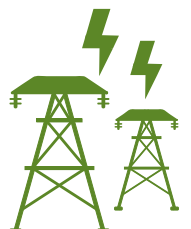
There are five Registered Entities, including NB Power, that perform one or more functions related to the bulk power system in the Province, and which are responsible for compliance with applicable reliability standards.

## **Compliance Activities**

In 2017-18 the Board performed an Operations and Planning audit and a Critical Infrastructure Protection audit of NB Power's compliance with reliability standards applicable to its functions as a Reliability Coordinator, Balancing Authority and Transmission Operator. The Board also performed an audit of Emera Energy's compliance with reliability standards applicable to its functions as a Generator Owner and Generator Operator and an audit of Saint John Energy's compliance with reliability standards applicable to its function as a Distribution Provider. In addition, Registered Entities submitted 149 compliance self-certification and data submittal reports to the Board for review through the compliance program.

The Board also approved five mitigation plans filed by registered entities to address potential reliability standards violations. Three of the mitigation plans submitted for lower risk potential violations were processed as part of the Find Fix Track compliance program process, which is a streamlined enforcement process to deal with lower risk potential violations. These lower risk potential violations were fully mitigated under the Find Fix Track process in 2017-18 and are deemed to be remediated.

The Board also finalized an enforcement action relating to ten violations discovered during a 2014 audit. A Settlement Agreement was executed to resolve the violations, under which approved mitigation plans were completed and a financial penalty was paid.





# MOTOR CARRIER

**In granting an application for a motor carrier licence, the Board must be satisfied that it would not be detrimental to the interests of the users of public transportation services, to provincial economic or social development, or to commercial activities.**

The Board regulates the operation of public motor buses through the issuance of motor carrier licences to approved applicants for specified routes or areas, and as a regular (scheduled) or irregular (charter) service. Applicants must provide a certificate from an insurance company that certifies that the legislated insurance requirements have been satisfied. The Board may also impose any conditions that it considers necessary.

## **Licences**

There are currently forty licenced motor carrier operations in the Province, including five providing scheduled services. In 2017-18, the Board approved seven applications for new charter licences, and granted eleven temporary permits.

Every licenced motor carrier providing scheduled service is deemed by legislation to be a public utility, and may not abandon or discontinue a service under its licence without an order of the Board, following a hearing. In the exercise of its mandate, the Board exercises supervision over the activities of motor carriers, including their fares, routes and schedules.

## **Fares**

In its regulation of fares, the Board implemented a fuel surcharge mechanism in 2012 for Coach Atlantic (operating as Maritime Bus), which provides daily intercity service in New Brunswick and neighboring provinces. This reduces the need for regular fare adjustment applications to the Board, due to fluctuating diesel fuel prices.

Legislation permits the Board to coordinate motor carrier hearings with other jurisdictions. The fuel adjustment mechanism operates in conjunction with the Nova Scotia Utility and Review Board's own review. This ensures that passengers enjoy uniform fares (based on distance travelled) within the region served by Coach Atlantic.

During 2017-18, the Board undertook quarterly reviews of the fuel surcharge. Rising diesel fuel prices resulted in a 1% fuel surcharge being applied for the first quarter of 2018.



# NATURAL GAS



**The Board's regulatory activities in the natural gas sector are primarily in relation to Enbridge Gas New Brunswick, which holds the general franchise for gas distribution in the Province.**

Enbridge Gas New Brunswick (EGNB) delivers natural gas to almost 12,000 customers in 10 communities in the province. The rates that the utility charges must be approved by the Board. Similar to electricity rates, the Board determines the rates after considering the projected prudent expenses and after consideration of relevant legislation.

## **Rates for 2018 and 2019**

In 2016, the *Gas Distribution Act, 1999* was amended and rates for commercial customers were frozen for 2018 and 2019. For residential customers, the rate increases were set at 3% for 2018 and another 3% in 2019.

In July of 2017, EGNB applied to the Board for approval of the rates prescribed by legislation. In December of 2017, the Board confirmed the rates set out in the amended *Gas Distribution Act, 1999*. In the application, EGNB also requested the approval of an incentive program for various customer classes. It proposed that incentives would have to be repaid within 25 years for new residential customers but the Board ruled that those incentives had to be recovered over 15 years.

In the same application, EGNB requested approval of its 2016 financial statements. The Board approved those statements, except for the amount of capital additions within the year. The Board determined that some system-expansion costs from 2016 were imprudent and could not be collected from ratepayers, resulting in a reduction from rate base of approximately \$1.2 million.

In January, EGNB filed a motion requesting that the Board vary its decision on the disallowed system-expansion costs and the residential incentives. The Board conducted a hearing with respect to this motion and dismissed the application relating to the residential incentives and allowed a small amount of the disallowed system-expansion costs to be recovered.

## **Gas Marketers**

The Board regulates the sale of natural gas separately from the delivery of natural gas. While the delivery of a gas via pipeline is a monopoly, the sale of gas is a competitive market.

In 2017, the Board received two applications for new gas marketer's certificates. Direct Energy Ltd. and New England Gas NG Supply Limited were both granted approval to sell gas in New Brunswick.

In addition, the Board received an application to change the conditions that apply to Corridor Resources Inc.'s licence. The Board approved that application, which now allows Corridor to sell natural gas to additional customers.

The Board oversees the sale of natural gas by EGNB. To ensure that the company does not use its market power to influence gas sales, EGNB is only allowed to sell gas if it neither makes nor loses money. The Board reviews the sales annually to ensure that the company is compliant with this regulation.

Beginning in 2017, the Board began licensing the companies that deliver gas by methods other than pipelines. There are two companies currently licensed to deliver gas by truck.







# PETROLEUM PRODUCTS

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

The Board determines weekly maximum petroleum prices using a process prescribed by governing legislation and regulations. This involves establishing a benchmark price for each type of petroleum product, based on published product reference prices in actively traded markets, such as the New York Mercantile Exchange. The maximum regulated price for each product consists of the benchmark prices, the maximum wholesale and retail margins, applicable taxes, plus a delivery cost allowance. A full service charge may be added where applicable. Weekly maximum price settings take effect every Thursday.

The Board has authority to adjust the maximum wholesale and retail margins, as well as the delivery cost allowance and the full service charge. This is done following a public hearing, during which the Board examines evidence that would support any adjustments. In 2016 the Board commenced a retail margin review. A decision on the matter (Matter 338) was released in May 2017.

## ***Site Inspections***

As part of its ongoing market monitoring responsibility, Board staff conducts site inspections and retailer visits to ensure regulatory compliance. In 2017-18, Board staff made 199 site inspections of motor fuel retailers.

## ***Inquiries***

The public regularly contacts the Board with questions about petroleum products and pricing. During 2017-18, Board staff responded to 22 formal inquiries, representing approximately 40% of all formal inquiries received by the Board.



# PIPELINE SAFETY



**The mandate of the Pipeline Safety Division is to ensure the safety of pipelines under the Board's jurisdiction, which covers intra-provincial pipelines transmitting oil, natural gas, minerals and other fluids. The design, construction, operation and abandonment of pipelines must provide for the safety and protection of the public, company employees, property and the environment. This is accomplished by inspections, education, compliance audits and damage prevention programs.**

The Energy and Utilities Board's jurisdiction covers 1,338 km of intra-provincial pipelines, including 1,278 km of natural gas pipelines. The Pipeline Safety Division provides information through meetings and publications to explain legislated safety requirements. Inspections and audits are conducted on a regular basis.

The Division also investigates pipeline-related incidents, mostly comprising of third-party damage to installed pipelines. In 2017-18, there were 16 such incidents.

One incident of note was a butane pipeline leak that occurred in January 2018 near the refinery in Saint John. The investigation, which included material analysis at the Fredericton Research and Productivity Council's facilities, concluded the pipe material failed due to the design of a support, combined with inadequate drainage and the extreme temperature fluctuations at the time of the incident. The investigation report included several recommended corrective actions which were cumulated in a Board order issued to the pipeline operator.

## **Permits and Licencing**

Any person wishing to construct a pipeline must apply to the Board for a permit. Before issuing a permit, the Board considers the location of the proposed pipeline and its effect upon public health and safety and the environment.

Enbridge Gas New Brunswick was granted a blanket permit in 2000 to construct natural gas pipelines within certain municipalities.

Before a pipeline goes into service, the operator must apply for a licence to operate. The Pipeline Safety Division inspects the construction and testing of pipelines as part of the licensing approval process. After a pipeline has been tested to its satisfaction, the Board may issue a licence to operate the pipeline.

## **Atlantic Canada Common Ground Alliance**

The Atlantic Canada Common Ground Alliance represents 12 member companies and municipalities which collaborate to promote the protection of underground infrastructure by providing a one-call pre-excavation location service (Call or Click Before You Dig).

## **Pipeline Decisions**

During 2017-18, the Board made a number of decisions in relation to pipeline activity, as outlined below:

Enbridge Gas New Brunswick was approved to abandon and relocate approximately 80 m of 2" high pressure pipeline on Bingham Drive in Moncton.

Potash Corporation of Saskatchewan was allowed to suspend the operations of 14 brine and slurry process pipelines.

Enbridge Gas New Brunswick was approved to abandon and relocate approximately 30 m of 2" intermediate pressure pipeline on Loch Lomond Road in Saint John.

Enbridge Gas New Brunswick was approved to abandon and relocate approximately 116 m of 1.25" intermediate pressure pipeline on Lester Avenue in Moncton.

**NEW BRUNSWICK ENERGY AND UTILITIES BOARD**

**FINANCIAL STATEMENTS**

**MARCH 31, 2018**

# **NEW BRUNSWICK ENERGY AND UTILITIES BOARD**

**MARCH 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Chairperson 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, 2018 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*

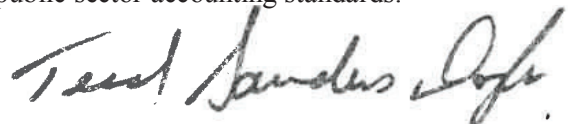
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Saint John, N. B.

May 22, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## STATEMENT OF FINANCIAL POSITION

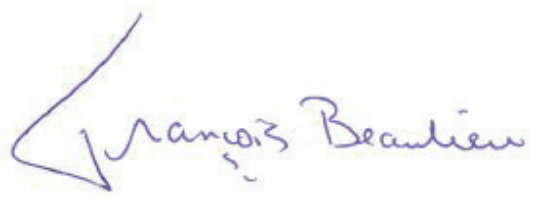
AS AT MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 1,291,825	\$ 1,197,991
Accounts receivable (Note 4)	<u>168,836</u>	<u>123,905</u>
	<u>1,460,661</u>	<u>1,321,896</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Notes 5 and 11)	273,196	231,852
Reserve for future hearings (Note 12)	730,033	596,700
Future employee benefits (Note 13)	<u>260,409</u>	<u>230,409</u>
	<u>1,263,638</u>	<u>1,058,961</u>
 <b>NET FINANCIAL ASSETS</b>	<u>197,023</u>	<u>262,935</u>
 <b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 6)	68,180	90,933
Prepaid expenses	<u>148,708</u>	<u>147,965</u>
	<u>216,888</u>	<u>238,898</u>
 <b>ACCUMULATED SURPLUS</b>	<u>\$ 413,911</u>	<u>\$ 501,833</u>
 <b>COMMITMENTS</b> (Note 15)		

**APPROVED ON BEHALF OF THE BOARD:**



Chairperson



Vice Chairperson

**NEW BRUNSWICK ENERGY AND UTILITIES BOARD**  
**STATEMENT OF CHANGE IN ACCUMULATED SURPLUS BY SECTOR**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	<b>Balance at Beginning of <u>Year</u></b>	<b>Surplus (Deficit)</b>	<b>Balance at End of <u>Year</u></b>
<b>ELECTRICITY SECTOR</b>	\$ 351,737	\$ (68,482)	\$ 283,255
<b>NATURAL GAS SECTOR</b>	61,769	(8,056)	53,713
<b>PIPELINE SECTOR</b>	88,327	(11,384)	76,943
<b>PETROLEUM SECTOR</b>	-	-	-
<b>MOTOR CARRIER SECTOR</b>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 501,833</u>	<u>\$ (87,922)</u>	<u>\$ 413,911</u>

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

AS AT MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
Surplus (deficit) of revenue over expenses	\$ (87,922)	\$ 51,574
Purchase of tangible capital assets	(4,974)	(35,525)
Proceeds on disposal of tangible capital assets	-	3,100
Amortization of tangible capital assets	27,727	22,843
Gain on disposal of tangible capital assets	<u>-</u>	<u>(3,100)</u>
	(65,169)	38,892
Increase in prepaid expenses	<u>(743)</u>	<u>(2,934)</u>
<b>INCREASE (DECREASE) IN NET FINANCIAL ASSETS</b>	(65,912)	35,958
<b>NET FINANCIAL ASSETS AT BEGINNING OF YEAR</b>	<u>262,935</u>	<u>226,977</u>
<b>NET FINANCIAL ASSETS AT END OF YEAR</b>	<u>\$ 197,023</u>	<u>\$ 262,935</u>



# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u> Budget	<u>2018</u> Actual	<u>2017</u> Actual
<b>REVENUE</b>			
Electricity Sector (Note 7)	\$ 2,829,538	\$ 2,496,415	\$ 2,344,027
Natural Gas Sector (Note 8)	443,015	383,927	473,476
Pipeline Sector (Note 9)	579,475	493,888	435,371
Petroleum Sector (Notes 10 and 12)	<u>621,922</u>	<u>548,250</u>	<u>680,608</u>
	<u>4,473,950</u>	<u>3,922,480</u>	<u>3,933,482</u>
<b>DIRECT EXPENSES</b>			
Electricity Sector	1,012,000	958,712	673,818
Natural Gas Sector	25,000	11,841	27,210
Pipeline Sector	5,000	10,885	3,311
Petroleum Sector (Note 12)	<u>50,000</u>	<u>36,661</u>	<u>172,274</u>
	<u>1,092,000</u>	<u>1,018,099</u>	<u>876,613</u>
<b>NET REVENUE BEFORE COMMON EXPENSES</b>	<u>3,381,950</u>	<u>2,904,381</u>	<u>3,056,869</u>
<b>COMMON EXPENSES</b>			
Salaries and benefits	2,580,001	2,378,323	2,454,452
Office and administration (Note 15)	645,547	473,195	451,228
Training	130,000	113,058	76,772
Amortization	<u>26,402</u>	<u>27,727</u>	<u>22,843</u>
	<u>3,381,950</u>	<u>2,992,303</u>	<u>3,005,295</u>
<b>SURPLUS (DEFICIT) OF REVENUE OVER EXPENSES</b>	<u>\$ -</u>	<u>\$ (87,922)</u>	<u>\$ 51,574</u>

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Surplus (deficit) of revenue over expenses	\$ (87,922)	\$ 51,574
Items not involving cash		
Amortization	27,727	22,843
Gain on disposal of tangible capital assets	<u>-</u>	<u>(3,100)</u>
	(60,195)	71,317
Changes in non-cash working capital balances		
Accounts receivable	(44,931)	(76,910)
Prepaid expenses	(743)	(2,934)
Accounts payable and accrued liabilities	41,344	159,891
Reserve for future hearings	133,333	6,814
Future employee benefits	<u>30,000</u>	<u>29,996</u>
	<u>98,808</u>	<u>188,174</u>
Investing activities		
Purchase of tangible capital assets	(4,974)	(35,525)
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>3,100</u>
	<u>(4,974)</u>	<u>(32,425)</u>
<b>INCREASE IN CASH</b>	93,834	155,749
<b>CASH AT BEGINNING OF YEAR</b>	<u>1,197,991</u>	<u>1,042,242</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 1,291,825</u>	<u>\$ 1,197,991</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	<u>\$ 23,634</u>	<u>\$ 15,107</u>

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

### 1. PURPOSE OF THE ORGANIZATION

The Board is 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 carriers. The Board operates with funds received from the industries it regulates. The Board is exempt from income tax under Section 149(1)(d) of the Income Tax Act of Canada.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The financial statements were prepared in accordance with Canadian public sector accounting standards ("PSAS").

#### 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, out of pocket expenses and assessments from the North American Electric Reliability Corporation ("NERC") 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.

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Cash and Cash Equivalents

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, 2018:

#### 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.

#### Currency Risk

Currency risk is the risk to the Board that may arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Board is exposed to foreign currency exchange risk for expenses incurred in U.S. dollars.



# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

### 3. FINANCIAL INSTRUMENTS (cont'd)

#### 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

	<u>2018</u>	<u>2017</u>
Trade accounts receivable	\$ 123,285	\$ 83,110
HST receivable	44,207	39,797
Travel advances	<u>1,344</u>	<u>998</u>
	<u>\$ 168,836</u>	<u>\$ 123,905</u>

### 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2018</u>	<u>2017</u>
Trade accounts payable	\$ 176,475	\$ 84,287
Due to Province of New Brunswick	801	12,439
Wages and benefits	<u>95,920</u>	<u>135,126</u>
	<u>\$ 273,196</u>	<u>\$ 231,852</u>

### 6. TANGIBLE CAPITAL ASSETS

	<u>2018</u>			<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 27,259	\$ 10,698	\$ 16,561	\$ 18,722
Vehicles	<u>117,263</u>	<u>65,644</u>	<u>51,619</u>	<u>72,211</u>
	<u>\$ 144,522</u>	<u>\$ 76,342</u>	<u>\$ 68,180</u>	<u>\$ 90,933</u>

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

### 7. ELECTRICITY SECTOR REVENUE

In accordance with Section 50 of the Energy and Utilities Board Act, certain corporations are assessed each year for their estimated direct expenses together with their estimated share of the Board's common expense budget. Assessments are adjusted to include the audited surplus or deficit from the prior year.

	<u>2018</u>	<u>2017</u>
Estimate of common expenses	\$ 1,817,538	\$ 1,822,363
Estimate of direct expenses	<u>1,012,000</u>	<u>775,000</u>
	2,829,538	2,597,363
Surplus from prior year	<u>(351,737)</u>	<u>(264,056)</u>
Assessment of electric utilities	2,477,801	2,333,307
Add: interest income	<u>18,614</u>	<u>10,720</u>
	<u>\$ 2,496,415</u>	<u>\$ 2,344,027</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 estimated direct expenses together with their estimated share of the Board's common expense budget. Assessments are adjusted to include the audited surplus or deficit from the prior year.

	<u>2018</u>	<u>2017</u>
Estimate of common expenses	\$ 418,015	\$ 482,180
Estimate of direct expenses	<u>25,000</u>	<u>35,000</u>
	443,015	517,180
Surplus from prior year	<u>(61,769)</u>	<u>(45,777)</u>
Assessment of natural gas distributors	381,246	471,403
Add: other income	400	200
Add: interest income	<u>2,281</u>	<u>1,873</u>
	<u>\$ 383,927</u>	<u>\$ 473,476</u>

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

### 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 estimated direct expenses together with their estimated share of the Board's common expense budget.

	<u>2018</u>	<u>2017</u>
Estimate of common expenses	\$ 574,475	565,182
Estimate of direct expenses	<u>5,000</u>	<u>5,000</u>
	579,475	570,182
Surplus from prior year	<u>(88,327)</u>	<u>(140,426)</u>
Assessment of pipeline owners	491,148	429,756
Add: other income	-	3,100
Add: interest income	<u>2,740</u>	<u>2,515</u>
	<u>\$ 493,888</u>	<u>\$ 435,371</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 in 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 preceeding 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 INTERVENER

Pursuant to Section 10 of the Act Respecting a Public Intervener for the Energy Sector, costs incurred by the Public Intervener are to be included in the annual expenses of the Board for the purposes of assessment under section 50 of the Energy and Utilities Board Act and remitted to the Minister of Finance. During the year, \$196,484 (2017 - \$407,380) was remitted to the Minister of Finance. The funds remitted consisted of direct assessments collected from the Electricity, Natural Gas and Pipeline Sectors totaling \$185,972 (2017 - \$368,394), and \$10,512 (2017 - \$38,986) collected from the Petroleum Sector via levies. The amounts directly assessed to the Electricity, Natural Gas and Pipeline Sectors are not included in the revenue and expenses of the Board. An amount of \$801 (2017 - \$9,330) is due to the Minister of Finance as at March 31, 2018 and is included in accounts payable.

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

### 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 was as follows:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 596,700	\$ 589,886
Add: levies contributed to the reserve	<u>133,333</u>	<u>6,814</u>
Balance at end of year	<u>\$ 730,033</u>	<u>\$ 596,700</u>

### 13. FUTURE EMPLOYEE BENEFITS

The Board has a liability related to the eligibility of the chairperson 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 \$260,409 (2017 - \$230,409) 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"), which is now known as the New Brunswick Public Service Pension Plan ("NBPSPP"). 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 NBPSPP will pay cost of living increases and other ancillary benefits only to the extent that funds are available for such benefits. The NBPSPP is governed by an independent board of trustees. Other changes include retirement age as well as increases in pension reduction for early retirement.

# NEW BRUNSWICK ENERGY AND UTILITIES BOARD

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

### 15. COMMITMENTS

#### Saint John

The Board has signed a lease for its office premises for a ten year period commencing March 1, 2011 and expiring February 28, 2021.

The minimum annual lease payments due over the next three years are as follows:

2019	\$	177,967
2020		177,967
2021		<u>177,967</u>
	\$	<u><u>533,901</u></u>

In 2017, the Board committed to Konica Minolta Business Solutions, \$212 payable each month over 60 months for office equipment. During the year, total payments of \$1,060 were made. The minimum annual lease payments due within the next five years are as follows:

2019	\$	2,542
2020		2,542
2021		2,542
2022		2,542
2023		<u>1,483</u>
	\$	<u><u>11,651</u></u>

#### Fredericton

The Board has signed a lease for its office premises for a five year period commencing March 1, 2014. The minimum annual lease payment due within the next year is \$31,919.