



ANNUAL REPORT 2018-19



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



ANNUAL REPORT

2018-19

New Brunswick Energy & Utilities Board

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NEW BRUNSWICK
ENERGY & UTILITIES BOARD

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NOUVEAU-BRUNSWICK





CHAIRPERSON'S MESSAGE

On behalf of the New Brunswick Energy and Utilities Board, and pursuant to Section 22 of the *Energy and Utilities Board Act*, I am pleased to present the Annual Report and Audited Financial Statements of the New Brunswick Energy and Utilities Board for the reporting period beginning April 1, 2018 and ending March 31, 2019.

During this reporting period the Board received 36 applications and issued 28 decisions related to the five different sectors over which the Board has jurisdiction: Electricity, Natural Gas, Pipeline Safety, Petroleum Products and Motor Carrier. These decisions pertained to the setting of rates for Enbridge Gas New Brunswick and for the New Brunswick Power Corporation, 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.

In addition, the Board has dealt with 37 formal inquiries from the general public during this reporting period. Some inquiries require a formal investigation. They range from questions about changes in the energy prices to complaints about the actions of a service provider.

I would like to take this opportunity to formally thank our employees and Board members for their hard work, their professionalism and their dedication to providing the most effective regulation to the Province of New Brunswick. Each and every one of them has contributed significantly to the operations of the Board, and for that, I am very grateful.

The Board is looking forward to pursuing its mandate of ensuring that public utilities charge reasonable rates and provide reliable service to the people of New Brunswick.

A handwritten signature in black ink, appearing to read 'Raymond Gorman'.

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, appointed by the Lieutenant-Governor in Council for a term of ten years, subject to renewal. The appointments are made following a merit-based nomination process.

Established under the *Energy and Utilities Board Act*, 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 helps 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. 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 who participate in Board proceedings.

Most Board proceedings begin with the filing of a formal application 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.

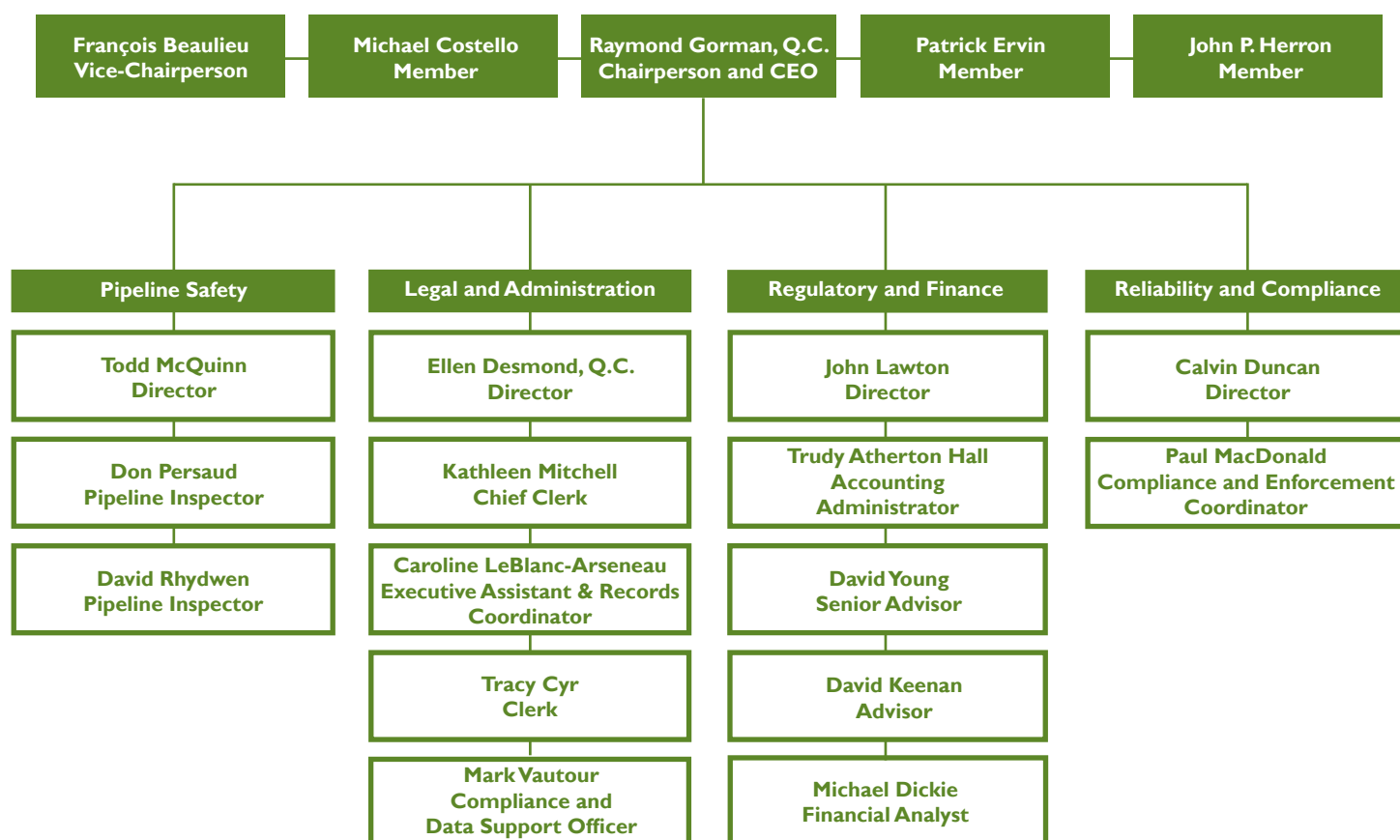
FUNDING OF BOARD EXPENSES

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



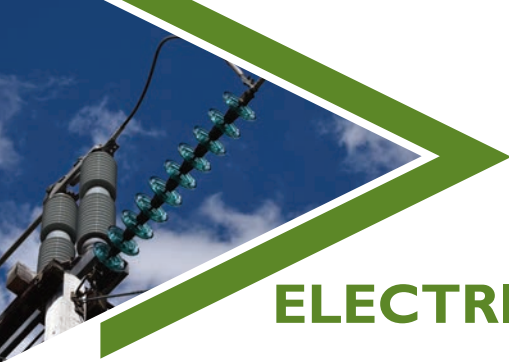
Raymond Gorman, Q.C.
Chairperson and CEO



Patrick Ervin
Member



John P. Herron
Member



ELECTRICITY

The Board's responsibilities include the annual approval of electricity rates for NB Power customers and approving a tariff for the provision of electricity transmission services. NB Power is also required to seek the Board's approval for capital projects estimated to cost \$50 million or more.

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

In 2018-19 the Board received two major applications from NB Power. An application was filed in July for approval of its transmission revenue requirements and for approval of various rates to be charged under its Open Access Transmission Tariff (OATT). A second application was filed in January 2019 for approval of the rates to be charged in 2019-20 and for approval of a deferral account. The Board also issued decisions on previously-filed applications by NB Power and Algonquin Tinker Gen Co. during 2018.

NB Power 2018-19 Distribution Rates

In October of 2017, NB Power had filed a general rate application seeking a 2.0 percent average increase and approval of an "Energy Smart" program, a rate adjustment mechanism and approval for a multi-year capital project to install advanced metering infrastructure (AMI).

In March 2018, NB Power withdrew its request for approval of a rate adjustment mechanism and amended its rate application to include its proposed financial accounting for an insurance settlement of a claim for delay costs

related to the refurbishment of the Point Lepreau Nuclear Generating Station. NB Power proposed allocating some of the settlement funds to its 2018-19 revenue requirements to reduce the requested rate increase from an average increase of 2.0 percent to an average increase of 1.5 percent.

The hearing continued into May and the Board issued its decision in July 2018. The Board determined that \$8.7 million of NB Power's proposed spending was not prudent and reduced the average rate increase for 2018-19 to 0.88 percent. The Board, finding that the business case for the AMI capital project was not positive and not in the public interest, denied approval of the project at that time.

Algonquin Tinker Gen Co.

Algonquin Tinker Gen Co. owns a small transmission facility that supplies electricity from the Tinker Dam to the Village of Perth Andover and into the NB Power grid. Transmission rates are regulated by the Board and financed through fees for use of the transmission system.

Algonquin had applied for approval to increase its revenue requirements, primarily to recover the costs of upgrading its transformer and associated facilities. The Board issued a decision in July 2018, approving the new revenue requirements of approximately \$3.2 million.

NB Power Transmission Revenue Requirements

In July 2018, NB Power filed an application requesting approval of its transmission revenue requirements of \$116.8 million and other various rates. This application included an estimate of \$170,000 related to two positions for the AMI capital project. The Board did not approve that project filed with NB Power's 2018-19 general rate application. In December 2018 the Board approved NB Power's transmission revenue requirements reducing the total by \$170,000.

Rates for OATT services are calculated using NB Power's and Algonquin's approved revenue requirements. NB Power was directed to file new OATT rates for 2019 based on the recently-approved revenue requirements. The Board approved the new OATT schedules of rates for January 2019.

NB Power 2019-20 Distribution Rates

In January 2019, NB Power filed an application for approval of rates for 2019-20, based on an average rate increase of 2.5 percent and proposed revenue requirements of \$1,704.4 million. NB Power also sought approval of a deferral account to record demand-side management expenditures. This matter continued after the end of the reporting period.

Future Matters

The Board expects to receive a number of applications in the upcoming fiscal year from NB Power, including a general rate application for 2020-21, an OATT tariff terms and conditions application and a revised request for approval of AMI capital project. Also, as part of an ongoing rate design matter, a “working group” has been struck to consider rate design options, studies and data requirements.





RELIABILITY & 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 (NERC), 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 2018-19 reporting period, the Board approved three new reliability standard, revisions to nine others, and the retirement of thirteen standards. There are 105 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 includes 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. During the 2018-19 reporting period, Irving Oil Refining G.P. was added to the Compliance Registry as a Transmission Owner. Emera Energy was removed from the Compliance Registry in 2019 due to the sale of its generation assets to NB Power.

Compliance Activities

In 2018-19 the Board completed an Operations and Planning Spot Check of NB Power's compliance with reliability standards applicable to its function as a Reliability Coordinator. 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 seven mitigation plans filed by registered entities to address lower risk potential violations of reliability standards. These 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 2018-19 and are deemed to be remediated.



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 by granting 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 on an applicant that it considers necessary.

Licences

There are currently 45 licenced motor carrier operations in the Province. In 2018-19, the Board approved 12 applications for new charter licences, granted 7 temporary permits, and issued 315 motor carrier plates.

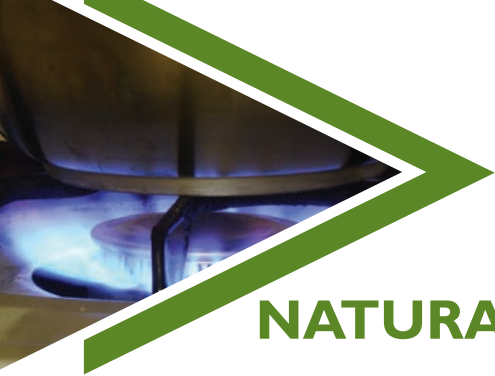
Every licenced motor carrier is deemed by legislation to be a public utility, and may not abandon or discontinue a scheduled service under its licence without an order of the Board, following a hearing. The Board supervises the activities of *scheduled service* motor carriers, including their fares, 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 neighbouring 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 2018-19, the Board undertook quarterly reviews of the fuel surcharge. Increasing diesel fuel prices resulted in fuel surcharges of between 2% and 3% being applied over the year.





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 (Enbridge) distributes natural gas to almost 12,000 customers in 10 communities in New Brunswick. The rates that the company charges must be approved by the Board.

In 2016, the *Gas Distribution Act* was amended, freezing distribution rates for commercial and industrial customers. It also set rate increases for the residential customers at 3.0 percent for 2018 and 2019.

The Act establishes the return on equity the utility can earn while the rate freeze is in effect. If Enbridge earns a return on equity above 10.9 percent, the excess revenue must be credited towards the balance of the company's regulatory deferral account. If the return on equity exceeds 12.9 percent, then a portion must also be used to lower rates for commercial and industrial customers.

Approval of 2017 Financial Results

In May of 2018, Enbridge filed an application for approval of its 2017 financial results, confirming that a payment to the regulatory deferral account was required. The company also requested approval of a variance account to allow it to carry any overspending or underspending on its incentive program into the next year. Finally, the company proposed a change in the method used to determine the prudence of its system expansion spending.

The Board approved the financial statements, including the reduction of the deferral account, the creation of a variance account and a change in the test for prudence of its system expansion spending.

Proposed Sale of Enbridge Gas New Brunswick

In November of 2018, Enbridge announced an agreement to sell the New Brunswick distribution system to Liberty Utilities (Canada) LP, a subsidiary of Algonquin Power & Utilities Corp, a Canadian-based corporation. Such a transaction requires approval of the Board and in January of 2019, Liberty Utilities applied to the Board for that approval.

The Board determined that the "no harm test" was the appropriate standard to review the transfer. The test requires that consumers not be worse off as a result of the sale. In May of 2019, the Board conditionally approved the sale.

Federal Carbon Charge

The Federal Government's carbon charge came into effect at the beginning of 2019. The regulation required Enbridge to begin collecting 3.91 cents per cubic meter of natural gas beginning on April 1. In March, the Board approved the addition of the federal carbon charge to non-exempt customers' bills.

Gas Marketers

The Board reviews the sale of natural gas, which is an independent activity from the distribution of natural gas. While the delivery of gas via a pipeline is a monopoly, the sale of the actual gas is a competitive market.

The Board monitors the activity of gas marketers as well as the sales of natural gas by Enbridge.

Sales of natural gas by Enbridge are reviewed to ensure that the company does not use its market power to influence the sale or price of natural gas. As a consequence, regulations prohibit Enbridge from making or losing money on the sale of its natural gas. The Board analyzes the sales of natural gas annually, to ensure that Enbridge is compliant with the regulations.

The Board also licenses companies that deliver natural gas to customers by truck. There are currently two companies licensed to deliver natural 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 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 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 petroleum product consists of the benchmark price, the maximum wholesale and retail margin, the applicable taxes, the federal fuel charge, 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 margin review process, during which the Board examines evidence that would support any adjustments. The last retail margin review concluded in 2017. In January 2019, the Board initiated a new margin review process, which will continue into the next fiscal year.

Site Inspections

As part of its ongoing market monitoring responsibility, Board staff conducts site inspections and retailer visits to ensure regulatory compliance. In 2018-19, Board staff made 221 site inspections of motor fuel retailers.

Inquiries

The public regularly contacts the Board with questions about petroleum products and pricing. During 2018-19, Board staff responded to 19 formal inquiries, representing approximately 50% 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 1,363 km of intra-provincial pipelines, including 1,227 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 2018-19, there were 21 such incidents.

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 2018-19, the Board made a number of decisions in relation to pipeline activity, as outlined below:

Irving Oil Refinery G.P. was granted approval to reactivate the 30" crude pipeline at the Canaport LNG site while the off-shore monobuoy was being replaced.

Irving Oil Refinery G.P. was granted approval to deactivate the 30" crude pipeline at the Canaport LNG site.

Potash Corporation of Saskatchewan was granted approval to reactivate the 10" Brine pipeline in Penobsquis.

Irving Oil Terminals and Pipelines, G.P. was granted permission to add No. 6 fuel oil as an approved product for transport via the 10" pipeline operating under License PLL 88-09.



NEW BRUNSWICK ENERGY AND UTILITIES BOARD

FINANCIAL STATEMENTS

MARCH 31, 2019

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

MARCH 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Chairperson and Members of the New Brunswick Energy and Utilities Board

Opinion

We have audited the financial statements of the New Brunswick Energy and Utilities Board (the "Board"), which comprise the statement of financial position as at March 31, 2019, and the statements of change in accumulated surplus by sector, change in net financial assets, operations and cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Saint John, N. B.
June 5, 2019


CHARTERED PROFESSIONAL ACCOUNTANTS

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

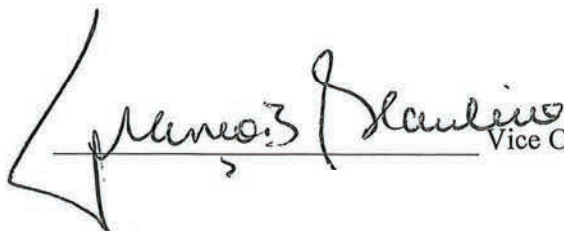
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
FINANCIAL ASSETS		
Cash	\$ 1,809,697	\$ 1,291,825
Accounts receivable (Note 4)	<u>67,828</u>	<u>168,836</u>
	<u>1,877,525</u>	<u>1,460,661</u>
LIABILITIES		
Accounts payable and accrued liabilities (Notes 5 and 11)	184,144	273,196
Reserve for future hearings (Note 12)	664,660	730,033
Future employee benefits (Note 13)	<u>290,409</u>	<u>260,409</u>
	<u>1,139,213</u>	<u>1,263,638</u>
NET FINANCIAL ASSETS	<u>738,312</u>	<u>197,023</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	48,523	68,180
Prepaid expenses	<u>172,707</u>	<u>148,708</u>
	<u>221,230</u>	<u>216,888</u>
ACCUMULATED SURPLUS	<u>\$ 959,542</u>	<u>\$ 413,911</u>
COMMITMENTS (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, 2019

	Balance at Beginning of <u>Year</u>	Surplus (Deficit)	Balance at End of <u>Year</u>
ELECTRICITY SECTOR	\$ 283,255	\$ 547,163	\$ 830,418
NATURAL GAS SECTOR	53,713	2,089	55,802
PIPELINE SECTOR	76,943	(3,621)	73,322
PETROLEUM SECTOR	-	-	-
MOTOR CARRIER SECTOR	-	-	-
	<u>\$ 413,911</u>	<u>\$ 545,631</u>	<u>\$ 959,542</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

AS AT MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
Surplus (deficit) of revenue over expenses	\$ 545,631	\$ (87,922)
Purchase of tangible capital assets	(8,736)	(4,974)
Amortization of tangible capital assets	<u>28,393</u>	<u>27,727</u>
	565,288	(65,169)
Increase in prepaid expenses	<u>(23,999)</u>	<u>(743)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	541,289	(65,912)
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	<u>197,023</u>	<u>262,935</u>
NET FINANCIAL ASSETS AT END OF YEAR	<u>\$ 738,312</u>	<u>\$ 197,023</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2019

	<u>2019</u> Budget	<u>2019</u> Actual	<u>2018</u> Actual
REVENUE			
Electricity Sector (Note 7)	\$ 3,066,024	\$ 2,816,471	\$ 2,496,415
Natural Gas Sector (Note 8)	409,149	359,898	383,927
Pipeline Sector (Note 9)	595,303	520,668	493,888
Petroleum Sector (Notes 10 and 12)	<u>864,825</u>	<u>709,060</u>	<u>548,250</u>
	<u>4,935,301</u>	<u>4,406,097</u>	<u>3,922,480</u>
DIRECT EXPENSES			
Electricity Sector	1,155,000	743,491	958,712
Natural Gas Sector	5,000	10,878	11,841
Pipeline Sector	5,000	6,173	10,885
Petroleum Sector (Note 12)	<u>260,000</u>	<u>59,710</u>	<u>36,661</u>
	<u>1,425,000</u>	<u>820,252</u>	<u>1,018,099</u>
NET REVENUE BEFORE COMMON EXPENSES	<u>3,510,301</u>	<u>3,585,845</u>	<u>2,904,381</u>
COMMON EXPENSES			
Salaries and benefits	2,717,301	2,478,467	2,378,323
Office and administration (Note 15)	635,000	446,849	473,195
Training	130,000	86,505	113,058
Amortization	<u>28,000</u>	<u>28,393</u>	<u>27,727</u>
	<u>3,510,301</u>	<u>3,040,214</u>	<u>2,992,303</u>
SURPLUS (DEFICIT) OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ 545,631</u>	<u>\$ (87,922)</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
CASH PROVIDED BY (USED IN)		
Operating activities		
Surplus (deficit) of revenue over expenses	\$ 545,631	\$ (87,922)
Item not involving cash		
Amortization	<u>28,393</u>	<u>27,727</u>
	574,024	(60,195)
Changes in non-cash working capital balances		
Accounts receivable	101,008	(44,931)
Prepaid expenses	(23,999)	(743)
Accounts payable and accrued liabilities	(89,052)	41,344
Reserve for future hearings	(65,373)	133,333
Future employee benefits	<u>30,000</u>	<u>30,000</u>
	<u>526,608</u>	<u>98,808</u>
Investing activity		
Purchase of tangible capital assets	<u>(8,736)</u>	<u>(4,974)</u>
INCREASE IN CASH	517,872	93,834
CASH AT BEGINNING OF YEAR	<u>1,291,825</u>	<u>1,197,991</u>
CASH AT END OF YEAR	<u>\$ 1,809,697</u>	<u>\$ 1,291,825</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	<u>\$ 43,295</u>	<u>\$ 23,635</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

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, 2019

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, 2019:

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, 2019

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>2019</u>	<u>2018</u>
Trade accounts receivable	\$ 34,311	\$ 123,285
HST receivable	32,252	44,207
Travel advances	<u>1,265</u>	<u>1,344</u>
	<u>\$ 67,828</u>	<u>\$ 168,836</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2019</u>	<u>2018</u>
Trade accounts payable	\$ 69,804	\$ 176,475
Due to Province of New Brunswick	975	801
Wages and benefits	<u>113,365</u>	<u>95,920</u>
	<u>\$ 184,144</u>	<u>\$ 273,196</u>

6. TANGIBLE CAPITAL ASSETS

	<u>2019</u>			<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 31,501	\$ 14,004	\$ 17,497	\$ 16,561
Vehicles	<u>117,263</u>	<u>86,237</u>	<u>31,026</u>	<u>51,619</u>
	<u>\$ 148,764</u>	<u>\$ 100,241</u>	<u>\$ 48,523</u>	<u>\$ 68,180</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

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>2019</u>	<u>2018</u>
Estimate of common expenses	\$ 1,911,024	\$ 1,817,538
Estimate of direct expenses	<u>1,155,000</u>	<u>1,012,000</u>
	3,066,024	2,829,538
Surplus from prior year	<u>(283,255)</u>	<u>(351,737)</u>
Assessment of electric utilities	2,782,769	2,477,801
Add: interest income	<u>33,702</u>	<u>18,614</u>
	<u>\$ 2,816,471</u>	<u>\$ 2,496,415</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>2019</u>	<u>2018</u>
Estimate of common expenses	\$ 404,149	\$ 418,015
Estimate of direct expenses	<u>5,000</u>	<u>25,000</u>
	409,149	443,015
Surplus from prior year	<u>(53,713)</u>	<u>(61,769)</u>
Assessment of natural gas distributors	355,436	381,246
Add: other income	-	400
Add: interest income	<u>4,462</u>	<u>2,281</u>
	<u>\$ 359,898</u>	<u>\$ 383,927</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

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>2019</u>	<u>2018</u>
Estimate of common expenses	\$ 587,480	574,475
Estimate of direct expenses	<u>5,000</u>	<u>5,000</u>
	592,480	579,475
Surplus from prior year	<u>(76,943)</u>	<u>(88,327)</u>
Assessment of pipeline owners	515,537	491,148
Add: interest income	<u>5,131</u>	<u>2,740</u>
	<u>\$ 520,668</u>	<u>\$ 493,888</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 Intervener 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, \$515,118 (2018 - \$196,484) was remitted to the Minister of Finance. The funds remitted consisted of direct assessments collected from the Electricity, Natural Gas and Pipeline Sectors totaling \$486,634 (2018 - \$185,972), and \$28,484 (2018 - \$10,512) 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 \$975 (2018 - \$801) is due to the Minister of Finance as at March 31, 2019 and is included in accounts payable.

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

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>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 730,033	\$ 596,700
Add: levies contributed to the reserve	-	133,333
Less: hearing costs during the year	<u>65,373</u>	<u>-</u>
Balance at end of year	<u>\$ 664,660</u>	<u>\$ 730,033</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 \$290,409 (2018 - \$260,409) 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, 2019

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 two years are as follows:

2020	\$	177,967
2021		<u>177,967</u>
	\$	<u>355,934</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 four years are as follows:

2020	\$	2,542
2021		2,542
2022		2,542
2023		<u>1,483</u>
	\$	<u>9,109</u>

Fredericton

The Board has signed a lease for its office premises for a five year period commencing March 1, 2019. The minimum annual lease payments due within the next five years are as follows:

2020	\$	37,144
2021		37,144
2022		37,144
2023		37,144
2024		<u>37,144</u>
	\$	<u>185,720</u>