

NEW BRUNSWICK
ENERGY & UTILITIES BOARD

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



**ANNUAL
REPORT
2019-2020**

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NEW BRUNSWICK
ENERGY & UTILITIES BOARD

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

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ACTING CHAIRPERSON'S MESSAGE

The 2019-2020 Annual Report is presented pursuant to section 22 of the *Energy and Utilities Board Act*. It represents the Annual Report and Audited Financial Statements of the New Brunswick Energy and Utilities Board for the fiscal year beginning April 1, 2019 and ending March 31, 2020.

Since 1910, the New Brunswick Energy and Utilities Board and its predecessors have been performing a number of government regulatory functions. The Board has been challenged by a varied and evolving mandate in its 110-year history. This year was unprecedented.

The past year marked the retirement of Mr. Raymond Gorman, Q.C., following 13 years as its Chairperson and Chief Executive Officer. Under Mr. Gorman's leadership, the Board provided sound, predictable and transparent regulation of New Brunswick's energy and utilities sectors. These are areas of critical importance to both New Brunswick consumers and businesses.

On behalf of the Board, I would like to thank Mr. Gorman for his leadership and his dedication to this organization and to the people of New Brunswick. His sound judgment, knowledge and experience were greatly appreciated.

This year, the Board received 22 applications and issued 28 decisions. These decisions apply to the sectors over which the Board has jurisdiction. These include electricity, natural gas distribution and marketing, pipeline safety, petroleum product pricing, and public motor buses.

The Board also dealt with 77 inquiries from the general public and other organizations. Inquiries ranged from questions pertaining to changes in petroleum, natural gas and electricity prices, to complaints about the actions of a regulated service provider and requests for documentation. Nine inquiries resulted in investigations by the Board.

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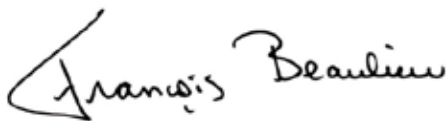
ACTING CHAIRPERSON'S MESSAGE ... continued

This year ended with the COVID-19 pandemic. The Provincial government declared a State of Emergency on March 19, 2020, under which there were numerous restrictions affecting individuals, businesses and the public sector. The Board was able to continue its day-to-day operations and meet its mandate during these challenging times.

Thanks to the hard work and adaptability of its employees and Members, working from home became a new normal. I would like to take this opportunity to thank them all for their efforts, their professionalism and their dedication.

I would also like to recognize the work of Board employees and Members who support their communities through fundraising and volunteering for organizations such as the Food Bank and the United Way. These individuals also fill leadership roles in organizations such as Canada's Energy and Utility Regulators (CAMPUR) and the Canadian Council of Administrative Tribunals (CCAT), as well as many local non-profit organizations.

The Board looks forward to serving the people of New Brunswick and meeting new challenges in the upcoming year.

A handwritten signature in black ink that reads "François Beaulieu". The signature is written in a cursive style with a large, stylized initial "F".

François Beaulieu
Acting 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.

Fourteen employees assist the Board in its duties. They provide legal and administrative support, regulatory and financial 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, 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 CCAT. 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 (www.nbeub.ca) 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 and common law principles of natural justice require that the Board ensures procedural fairness to all persons affected by its decisions. The Board has its own *Rules of Procedure* as a guide to all who participate in its proceedings. The *Rules of Procedure* are available on its website.

Most Board proceedings begin with the filing of an application and supporting written evidence. The Board may commence some proceedings on its own initiative. Notice of an application is normally provided to the public and stakeholders. The *Rules of Procedure* provide the requirements to apply for intervener status. Interveners actively take part in formal hearings and may submit evidence in support of their positions. The Public Intervener, a Provincial Government appointee, 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 the public to express views about a proceeding. In such cases, non-intervener submissions can be expressed in person before a panel of the Board, or by written submission.

A pre-hearing session of the Board sets deadlines for the filing of intervener evidence, information requests, and responses to information requests. Dates for the 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 and interveners present witnesses for cross-examination by other parties. Final submissions and rebuttals are presented at the conclusion of witness examinations.

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. All Board decisions, orders and notices are published in both official languages.

FUNDING OF BOARD EXPENSES

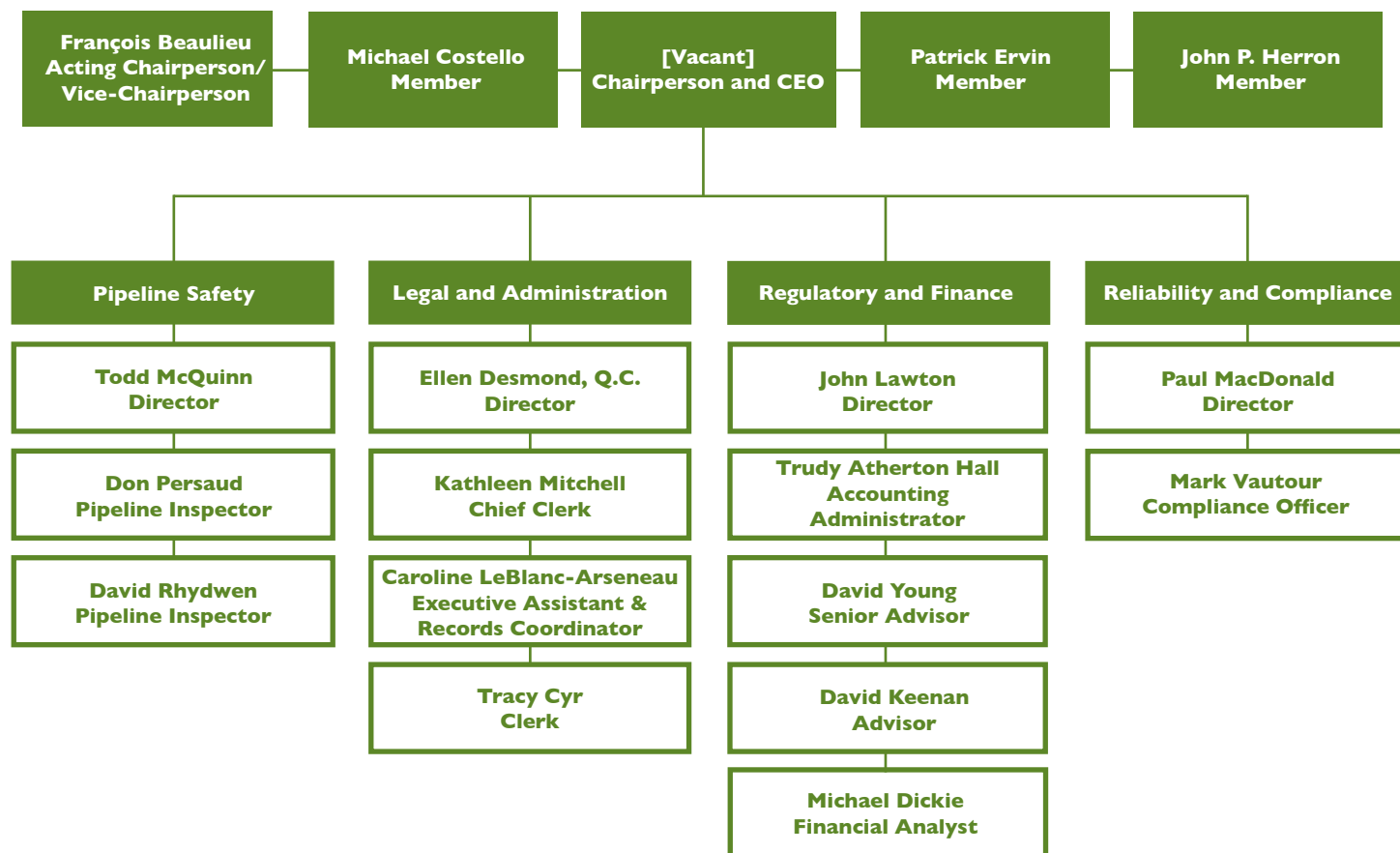
The expenses of the Board are comprised of common expenses, including general operating costs of the Board and direct expenses that are directly attributable to an entity, such as the costs of a proceeding initiated by a specific utility. The Board collects each regulated utility's share of common and direct expenses, with the exception of public motor bus operators.

volumes. A portion of this levy goes to fund the expenses of the Public Intervener in relation to petroleum margin reviews conducted by the Board.

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

Board funding is also derived from an annual levy to petroleum wholesalers, based on annual motor fuel sales

BOARD STRUCTURE



BOARD MEMBERS



François Beaulieu
Acting Chairperson/
Vice-Chairperson



Michael Costello
Member



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 conducts a public hearing to review the evidence provided in the rate application. The Board may decide to accept the rates as proposed or set other rates that it determines are just and reasonable.

The Board dealt with three applications from NB Power in the past year.

NB Power 2019-2020 Distribution Rates

In January 2019, NB Power applied for rate increases for customer classes, to take effect in April. The application was delayed due to the purchase of the Bayside power plant which had a material impact on the estimate for fuel and purchased power costs.

While the average requested increase across all customers was 2.5 per cent, NB Power proposed a rate increase for residential customers of 2.9 per cent. Proposed increases for General Service and Small Industrial classes were less than 1.7 per cent. These differential rate increases were to partially address concerns about overpayment by General Service and Small Industrial customers and underpayment by residential customers, relative to the costs of serving each of those classes.

NB Power also requested approval to establish a deferral account to spread out the increasing costs of demand side management programs.

The hearing took place in May 2019. In its July decision, the Board disallowed some costs and approved an average

increase of 2.48 per cent. The Board also rejected the differential rate increases and therefore the 2.48 per cent increase applied to all classes. The Board also rejected the establishment of a deferral account.

NB Power Advanced Metering Infrastructure Capital Project

The company applied for approval of a \$92 million smart meter capital project in August 2019. NB Power proposed to install advanced metering infrastructure (AMI) to serve all its customers. The project would include smart meters that can measure electricity use at regular intervals and communicate such measurements to a central system. The project would also include the installation of a communication network and software system to manage the meter data. A similar application in 2017 was rejected by the Board, which concluded that the benefits did not outweigh the costs. If approved, NB Power proposes to begin the project in 2020-2021 and install the meters over three years.

A public hearing was held by the Board in January 2020 to consider the application.

In March, in response to the COVID-19 State of Emergency declared by the province, the Board accepted NB Power's request to adjourn the AMI application for an indefinite duration. As of the fiscal year end, no decision on this matter had been issued.

NB Power 2020-2021 Distribution Rates

In October 2019, NB Power requested approval for a 2.0 per cent increase to rates for all its customer classes. A public hearing was held in February 2020.

In March, in response to the State of Emergency, the Board accepted NB Power's request to adjourn the rate application for an indefinite duration. As of the fiscal year end, no decision had been issued on this matter.



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 2019-2020 reporting period, the Board approved one new reliability standard, revisions to nine others, and the retirement of one standard. 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.

Compliance Activities

In 2019-2020, Registered Entities submitted 133 compliance self-certification and data submittal reports to the Board for review through the compliance program.

The Board approved nine mitigation plans filed by registered entities to address lower risk Operations and Planning reliability standards potential violations. 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 2019-2020 and are deemed to be remediated.

The Board also approved mitigation plans and penalties for two confirmed violations. These two violations were fully mitigated and penalties were collected and remitted to the New Brunswick Minister of Finance.



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 42 licensed motor carrier operations in the Province. In 2019-2020, the Board approved 5 applications for new charter licences, granted 11 temporary permits and issued 318 motor carrier plates.

Routes and schedules

Every licensed motor carrier 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. The Board oversees the activities of scheduled service motor carriers, approving fares, routes and schedules.

Coach Atlantic Transportation Group Inc. (Coach Atlantic) operates the *Maritime Bus* scheduled line-run service,

providing daily intercity service in New Brunswick and neighbouring provinces. In 2019-2020, Coach Atlantic applied to the Board to discontinue its pilot project that provided scheduled service between Saint John and St. Stephen. The Board approved the discontinuance and the service was terminated on May 31, 2019.

In March 2020, Coach Atlantic informed the Board that it needed to reduce its regional service. It applied for approval to reduce its scheduled operations from seven days per week to three days per week. This resulted from a drop in ridership caused by the COVID-19 pandemic. As of the fiscal year end, the Board had not issued a decision.

Fares

The Board approved the use of a fuel surcharge mechanism in 2012 for Coach Atlantic. This reduced 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 is approved 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 2019-2020, the Board undertook four quarterly reviews of the fuel surcharge. Diesel fuel price changes resulted in approval of fuel surcharges of between 1.0 per cent and 2.5 per cent being applied during the year.





NATURAL GAS

The Board's primary role with respect to the natural gas market in New Brunswick is to regulate the activities of the utility that holds the general franchise to distribute natural gas in the province.

At the end of the fiscal year, the natural gas distribution system had 11,995 customers in 10 communities and delivered almost 5.6 million gigajoules of natural gas during the year.

Sale of Enbridge Gas New Brunswick

In early 2019, Liberty Utilities (Canada) LP applied to the Board to acquire Enbridge Gas New Brunswick Limited Partnership. Following a hearing in May, the Board concluded that customers would not be harmed by the sale of the utility. The Board approved the sale, subject to reviewing the amended general franchise agreement. Liberty Utilities (Gas New Brunswick) LP became the natural gas distributor in New Brunswick on October 1, 2019.

Rate Application for 2020

In August 2019, Liberty Utilities applied to the Board to increase its distribution rates as of January 2020.

As a result of amendments to the *Gas Distribution Act* in 2016, rates for commercial and industrial customers were frozen until December 31, 2019. Until that time, residential rates were limited to a 3.0 per cent annual increase. The amendments also established a cap for return on equity for a given year. If the utility earned above the cap, a portion of profits would be returned to commercial and industrial customers in the following year. The Board determined that in those instances, any profits above the cap for 2018 would be rebated to customers in 2020.

In 2018, the utility earned \$5.53 million dollars above the prescribed return on equity. Of that amount, \$3.96 million was credited against the regulatory deferral account and \$1.57 million was used to reduce 2020 rates.

Following a hearing in November 2019, the Board approved an increase to both the monthly charge and the delivery charge for residential customers. On average, residential rates increased by 7.1 per cent. As a result of the rebate described above, rates for commercial and industrial customers decreased in 2020, ranging from 1.8 to 3.2 per cent.

Gas Marketers

While the distribution of natural gas is a regulated monopoly, sales of natural gas occur in a competitive market. The Board monitors the activity of gas marketers as well as the sale of natural gas by the distributor. Liberty Utilities is permitted to sell natural gas in New Brunswick. In order to ensure that the gas distributor does not abuse its market influence, regulations prohibit the distributor from making or losing money on those sales. Annually, the Board reviews gas sales to ensure that Liberty Utilities is compliant with the regulations.

The Board also licences companies to deliver natural gas by truck. There are currently two companies in New Brunswick licensed to deliver natural gas by truck.

During the fiscal year, the Board received an application from Emera Energy Limited Partnership for a Gas Marketers' Certificate. The company plans to sell natural gas to large customers in New Brunswick. At fiscal year end, the certificate had not been issued.



PETROLEUM PRODUCTS

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

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

The General Regulation - Petroleum Products Pricing Act requires the Board to monitor daily price changes in specific trading markets. In cases where benchmark prices are especially volatile during the week, the Board will approve a maximum petroleum price to take effect outside of the normal Thursday maximum price settings. This interim change is described as a price interruption. During 2019-2020, maximum prices were interrupted five times, once in August and four times in March. The March interruptions were a result of market volatility related to the COVID-19 outbreak.

Maximum prices were also changed on April 1, 2019, due to the implementation of a federal fuel charge.

The Board has authority to adjust the maximum wholesale and retail margins, as well as the delivery cost allowances and the full service charge. This is done following a public review process, in which the Board considers evidence that may support adjustments to the margins, delivery allowances or full service charge. In January 2019, the Board initiated a margin review process. In its decision in November 2019, the Board increased the maximum retail margin for motor fuel to 6.8 cents per litre (an increase of 0.3 cpl), and the maximum retail margin for furnace oil to 21.0 cents per litre (an increase of 2.5 cpl).

Site Inspections

As part of its ongoing market monitoring responsibilities, Board staff conducts site inspections and retailer visits to ensure regulatory compliance. In 2019-2020, staff inspected over 200 motor fuel retailer sites. Numerous violations were noted and acted upon. These included fuel prices exceeding the maximum regulated price and price display violations.

Inquiries

The public regularly contacts the Board with questions about petroleum products and pricing. During 2019-2020, staff responded to 57 formal inquiries, representing approximately 75 per cent 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 related to oil and gas operations. 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 Board's jurisdiction covers 1,427 km of intra-provincial pipelines, including 1,291 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 Pipeline Safety Division also investigates pipeline-related incidents, mostly comprising of third-party damage to installed pipelines. In 2019-2020, there were 15 such incidents.

Permits and Licences

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 2019-2020, the Board issued a number of decisions in relation to pipeline activity, as outlined below:

- Enbridge Gas New Brunswick was granted an extension of the expiry dates stated on its Permits to Construct to August 30, 2044.
- As a result of the recent Board approval of the acquisition of Enbridge Gas New Brunswick Limited Partnership by Liberty Utilities (Canada) LP, existing Permits to Construct and Licences to Operate were transferred to Liberty Utilities (Gas New Brunswick) Corp.
- Irving Oil Terminals and Pipelines G.P. was granted approval to amend Licence 86-1 to correct an error in the stated maximum allowable operating pressure.



NEW BRUNSWICK ENERGY AND UTILITIES BOARD

FINANCIAL STATEMENTS

MARCH 31, 2020

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

MARCH 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Acting 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, 2020, 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, 2020, 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 12, 2020



CHARTERED PROFESSIONAL ACCOUNTANTS

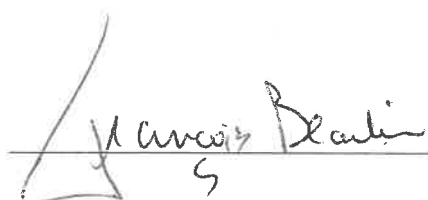
NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Cash	\$ 1,158,521	\$ 1,809,697
Accounts receivable (Note 4)	<u>58,953</u>	<u>67,828</u>
	<u>1,217,474</u>	<u>1,877,525</u>
LIABILITIES		
Accounts payable and accrued liabilities (Notes 5 and 11)	257,319	184,144
Reserve for future hearings (Note 12)	657,871	664,660
Future employee benefits (Note 13)	<u>-</u>	<u>290,409</u>
	<u>915,190</u>	<u>1,139,213</u>
NET FINANCIAL ASSETS	<u>302,284</u>	<u>738,312</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	73,335	48,523
Prepaid expenses	<u>203,431</u>	<u>172,707</u>
	<u>276,766</u>	<u>221,230</u>
ACCUMULATED SURPLUS	<u>\$ 579,050</u>	<u>\$ 959,542</u>
COMMITMENTS (Note 15)		

APPROVED ON BEHALF OF THE BOARD:

 Acting Chairperson

NEW BRUNSWICK ENERGY AND UTILITIES BOARD
STATEMENT OF CHANGE IN ACCUMULATED SURPLUS BY SECTOR
FOR THE YEAR ENDED MARCH 31, 2020

	Balance at Beginning of <u>Year</u>	Surplus (Deficit)	Balance at End of <u>Year</u>
ELECTRICITY SECTOR	\$ 830,418	\$ (581,506)	\$ 248,912
NATURAL GAS SECTOR	55,802	148,806	204,608
PIPELINE SECTOR	73,322	52,208	125,530
PETROLEUM SECTOR	-	-	-
MOTOR CARRIER SECTOR	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 959,542</u>	<u>\$ (380,492)</u>	<u>\$ 579,050</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

AS AT MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
Surplus (deficit) of revenue over expenses	\$ (380,492)	\$ 545,631
Purchase of tangible capital assets	(53,627)	(8,736)
Proceeds on disposal of tangible capital assets	14,500	-
Amortization of tangible capital assets	28,815	28,393
Gain on sale of tangible capital assets	<u>(14,500)</u>	<u>-</u>
	(405,304)	565,288
Increase in prepaid expenses	<u>(30,724)</u>	<u>(23,999)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(436,028)	541,289
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	<u>738,312</u>	<u>197,023</u>
NET FINANCIAL ASSETS AT END OF YEAR	<u>\$ 302,284</u>	<u>\$ 738,312</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2020

	<u>2020</u> Budget	<u>2020</u> Actual	<u>2019</u> Actual
REVENUE			
Electricity Sector (Note 7)	\$ 2,973,441	\$ 2,178,703	\$ 2,816,471
Natural Gas Sector (Note 8)	539,175	490,086	359,898
Pipeline Sector (Note 9)	579,931	524,486	520,668
Petroleum Sector (Notes 10 and 12)	<u>789,288</u>	<u>696,292</u>	<u>709,060</u>
	<u>4,881,835</u>	<u>3,889,567</u>	<u>4,406,097</u>
DIRECT EXPENSES			
Electricity Sector	1,120,000	1,304,091	743,491
Natural Gas Sector	95,000	21,106	10,878
Pipeline Sector	5,000	7,965	6,173
Petroleum Sector (Note 12)	<u>75,000</u>	<u>120,435</u>	<u>59,710</u>
	<u>1,295,000</u>	<u>1,453,597</u>	<u>820,252</u>
NET REVENUE BEFORE COMMON EXPENSES	<u>3,586,835</u>	<u>2,435,970</u>	<u>3,585,845</u>
COMMON EXPENSES			
Salaries and benefits	2,739,700	2,229,365	2,478,467
Office and administration (Note 15)	685,000	485,204	446,849
Training	130,000	73,078	86,505
Amortization	<u>32,135</u>	<u>28,815</u>	<u>28,393</u>
	<u>3,586,835</u>	<u>2,816,462</u>	<u>3,040,214</u>
SURPLUS (DEFICIT) OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ (380,492)</u>	<u>\$ 545,631</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
CASH PROVIDED BY (USED IN)		
Operating activities		
Surplus (deficit) of revenue over expenses	\$ (380,492)	\$ 545,631
Item not involving cash		
Amortization	<u>28,815</u>	<u>28,393</u>
	(351,677)	574,024
Changes in non-cash working capital balances		
Accounts receivable	8,875	101,008
Prepaid expenses	(30,724)	(23,999)
Accounts payable and accrued liabilities	73,175	(89,052)
Reserve for future hearings	(6,789)	(65,373)
Future employee benefits	<u>(290,409)</u>	<u>30,000</u>
	<u>(597,549)</u>	<u>526,608</u>
Investing activity		
Purchase of tangible capital assets	<u>(53,627)</u>	<u>(8,736)</u>
INCREASE (DECREASE) IN CASH	(651,176)	517,872
CASH AT BEGINNING OF YEAR	<u>1,809,697</u>	<u>1,291,825</u>
CASH AT END OF YEAR	<u>\$ 1,158,521</u>	<u>\$ 1,809,697</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	<u>\$ 46,171</u>	<u>\$ 43,295</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

1. PURPOSE OF THE ORGANIZATION

During part of this fiscal period, the Board was comprised of five full time members, however, due to a retirement in January, it is now comprised of four full time members. There is currently a vacant position and the Vice-Chairperson is acting in his capacity and also performing the duties and exercising the powers of the 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 paragraph 149(1)(d) of the *Income Tax Act*.

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, 2020

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; and
- the recoverability of tangible capital assets.

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, 2020:

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, 2020

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>2020</u>	<u>2019</u>
Trade accounts receivable	\$ 6,625	\$ 34,311
HST receivable	51,375	32,252
Travel advances	<u>953</u>	<u>1,265</u>
	<u>\$ 58,953</u>	<u>\$ 67,828</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2020</u>	<u>2019</u>
Trade accounts payable	\$ 71,120	\$ 69,804
Due to Province of New Brunswick	77,923	975
Wages and benefits	<u>108,276</u>	<u>113,365</u>
	<u>\$ 257,319</u>	<u>\$ 184,144</u>

6. TANGIBLE CAPITAL ASSETS

	<u>2020</u>			<u>2019</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 40,581	\$ 14,497	\$ 26,084	\$ 17,497
Vehicles	<u>105,367</u>	<u>58,116</u>	<u>47,251</u>	<u>31,026</u>
	<u>\$ 145,948</u>	<u>\$ 72,613</u>	<u>\$ 73,335</u>	<u>\$ 48,523</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

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>2020</u>	<u>2019</u>
Estimate of common expenses	\$ 1,853,441	\$ 1,911,024
Estimate of direct expenses	<u>1,120,000</u>	<u>1,155,000</u>
	2,973,441	3,066,024
Surplus from prior year	<u>(830,418)</u>	<u>(283,255)</u>
Assessment of electric utilities	2,143,023	2,782,769
Add: other income	800	-
Add: interest income	<u>34,880</u>	<u>33,702</u>
	<u>\$ 2,178,703</u>	<u>\$ 2,816,471</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>2020</u>	<u>2019</u>
Estimate of common expenses	\$ 444,175	\$ 404,149
Estimate of direct expenses	<u>95,000</u>	<u>5,000</u>
	539,175	409,149
Surplus from prior year	<u>(55,802)</u>	<u>(53,713)</u>
Assessment of natural gas distributors	483,373	355,436
Add: other income	400	-
Add: interest income	<u>6,313</u>	<u>4,462</u>
	<u>\$ 490,086</u>	<u>\$ 359,898</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

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>2020</u>	<u>2019</u>
Estimate of common expenses	\$ 574,931	587,480
Estimate of direct expenses	<u>5,000</u>	<u>5,000</u>
	579,931	592,480
Surplus from prior year	<u>(73,322)</u>	<u>(76,943)</u>
Assessment of pipeline owners	506,609	515,537
Add: other income	12,900	-
Add: interest income	<u>4,977</u>	<u>5,131</u>
	<u>\$ 524,486</u>	<u>\$ 520,668</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, \$327,888 (2019 - \$515,118) was remitted to the Minister of Finance. The funds remitted consisted of direct assessments collected from the Electricity, Natural Gas and Pipeline Sectors totaling \$269,466 (2019 - \$486,634), and \$58,422 (2019 - \$28,484) 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 \$77,923 (2019 - \$975) is due to the Minister of Finance as at March 31, 2020 and is included in accounts payable.

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

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>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 664,660	\$ 730,033
Add: levies contributed to the reserve	-	-
Less: hearing costs during the year	<u>6,789</u>	<u>65,373</u>
Balance at end of year	<u>\$ 657,871</u>	<u>\$ 664,660</u>

13. FUTURE EMPLOYEE BENEFITS

During the year, the Chairperson retired and began receiving regular and supplemental pension benefits from Vestcor, the pension administrator. Pension benefits are funded by contributions from the Board and the employees. The remaining surplus in the future employee benefits reserve account was credited to the Electricity, Natural Gas, Pipeline and Petroleum Sectors at year end.

14. PENSION PLAN

On January 1, 2014, the Province replaced the *Public Service Superannuation Act* with the Public Service Shared Risk Plan, 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, 2020

15. COMMITMENTS

Saint John

During the year, the Board signed a lease extension for its office premises for an additional forty-one month period commencing February 28, 2021 and expiring July 31, 2024.

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

2021	\$	177,821
2022		176,160
2023		176,160
2024		176,160
2025		<u>58,720</u>
	\$	<u>765,021</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 \$2,542 were made. The minimum annual lease payments due within the next three fiscal years are as follows:

2021	\$	2,542
2022		2,542
2023		<u>1,483</u>
	\$	<u>6,567</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 fiscal years are as follows:

2021	\$	37,144
2022		37,144
2023		37,144
2024		<u>37,144</u>
	\$	<u>148,576</u>

16. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial assets and condition of the Board in future periods.

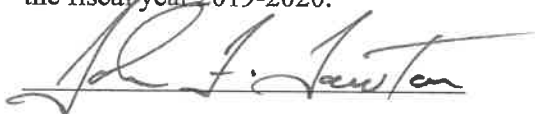
NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

17. DIRECTOR OF REGULATORY & FINANCE

Internal financial accounting and reporting is completed under my supervision as Director of Regulatory & Finance for the Board. I confirm that the audited financial statements as at March 31, 2020, as prepared by Teed Saunders Doyle accurately report the financial results of the Board for the fiscal year 2019-2020.



John F. Lawton
Director of Regulatory & Finance