

ANNUAL
REPORT
2020-21

110
YEARS
ANS



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



ANNUAL REPORT

2020-21

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NOUVEAU-BRUNSWICK

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ACTING CHAIRPERSON'S MESSAGE

I am pleased to present the New Brunswick Energy and Utilities Board's Annual Report for the fiscal year ending March 31, 2021. The Annual Report is made in accordance with section 22 of the *Energy and Utilities Board Act*.

The Board's mandate is to provide New Brunswickers with sound, reasoned and unbiased decisions on all matters concerning electricity, natural gas distribution and marketing, pipeline safety, petroleum product pricing, and public motor buses. Essential service providers operating in these sectors are generally "natural monopolies," meaning that having a single service provider in a region is economically more efficient than having many. Accordingly, an independent regulatory body ensures that those utilities' rates are "just and reasonable", as well as providing oversight in relation to other matters, such as safety and reliability. The Board's oversight of these sectors ensures fairness, transparency, openness and independence.

As a result of the COVID-19 pandemic, many Canadian regulatory Boards and Commissions were forced to change their practices, such as having "virtual hearings" in lieu of in-person hearings. To facilitate this, the Board issued videoconference guidelines for pre-hearing conferences, motions, and hearings, which includes simultaneous translation for both official languages. This provides a platform that protects the health and safety of all participants and Board staff. This approach minimized any disruption due to the pandemic.

Over the past year, the Board held 20 hearings and issued 22 written decisions in both official languages. The Board responded to 63 petroleum inquiries, 14 of which related to non-compliance with Board-regulated maximum pricing. There were 6 inquiries related to electricity and 2 general inquiries. Board staff completed 288 inspections of motor fuel retailers. Inspections ensured that petroleum prices complied with weekly maximum prices set by the Board.

The Board held webinars to educate stakeholders and the public, and public forums to facilitate participation in Board proceedings. Our Chief Clerk and Communications Officer, Kathleen Mitchell, shared her knowledge with the Smart Grid Innovation Network as a guest speaker to educate stakeholders on how they can get involved in matters affecting the energy sector in New Brunswick.

To commemorate the Board's 110th year anniversary, the Board commissioned a framed showcase of the 1910 legislation which created the Board of Public Utility Commissioners, the current Board's predecessor. During the past year, there were several staff changes. After 20 years of service, our Director of Regulation and Finance, Mr. John Lawton, announced his retirement, effective as of May 28, 2021. Ms. Caroline LeBlanc-Arseneau, the previous Chairperson's Executive Assistant, also retired. Both Mr. Lawton and Ms. LeBlanc-Arseneau were vital to the operations of the Board and we wish them both a happy retirement.

ACTING CHAIRPERSON'S MESSAGE (cont)



The Board's previous Counsel and Director of Administrative Services, Ms. Ellen Desmond, Q.C., began a new career as a Commissioner of the Canadian Radio-television and Telecommunications Commission. We are grateful for her 14 years of service to the Board.

During the past year, the Board welcomed three new staff members. Mrs. Katherine McBrearty assumed the role of Board Counsel, having previously served with the Human Rights Commission of New Brunswick and Service New Brunswick. The Chairperson's new Executive Assistant, Ms. Susan Colwell, has over 10 years of experience in the government and private sectors. Ms. Colwell has a solid academic record from the University of New Brunswick's Bachelor of Applied Management program. Ms. Sarah Thebeau is the Board's Administrative Assistant and Records Management Clerk. Ms. Thebeau has a Bachelor's degree in Psychology from the University of New Brunswick and has worked for with the Department of Social Development.

In the spirit of giving, Board members and staff made generous donations to the United Way of Greater Saint John, Romero House, and to a Christmas Turkey Drive. The donations were from various office fundraising initiatives.

Above all, I wish to thank Board members and staff for their determination and professionalism shown throughout the year. I am fortunate to work with such a talented and dedicated group. Having the opportunity to lead this century-old organization for the past year has instilled me with pride and a great sense of purpose.

François Beaulieu
Acting Chairperson and CEO



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 common law rules that require procedural fairness in all of its proceedings.

THE BOARD

The New Brunswick Energy and Utilities Board's legislated structure consists of five full-time members, including a Chairperson and Vice-Chairperson. All members are appointed by the Lieutenant-Governor in Council for a term of ten years, subject to renewal, to a maximum age of 70. 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.

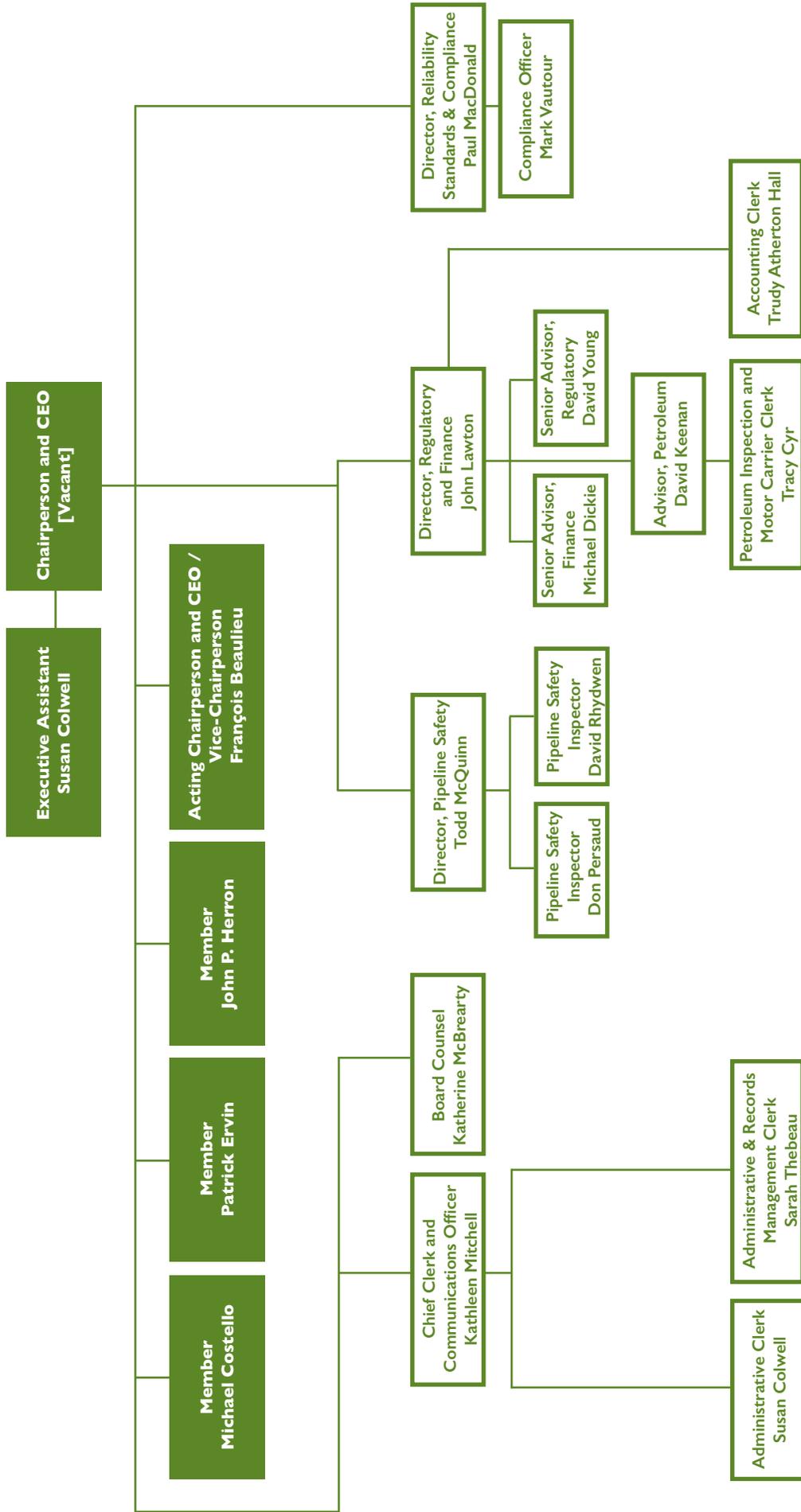
Sixteen employees assist the Board in its duties. They provide legal and administrative support, regulatory and financial support and analysis, pipeline safety inspection and analysis, and electricity reliability and compliance support. An organizational chart appears in this report.

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. The Board also actively participates in the Canadian Council of Administrative Tribunals (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.

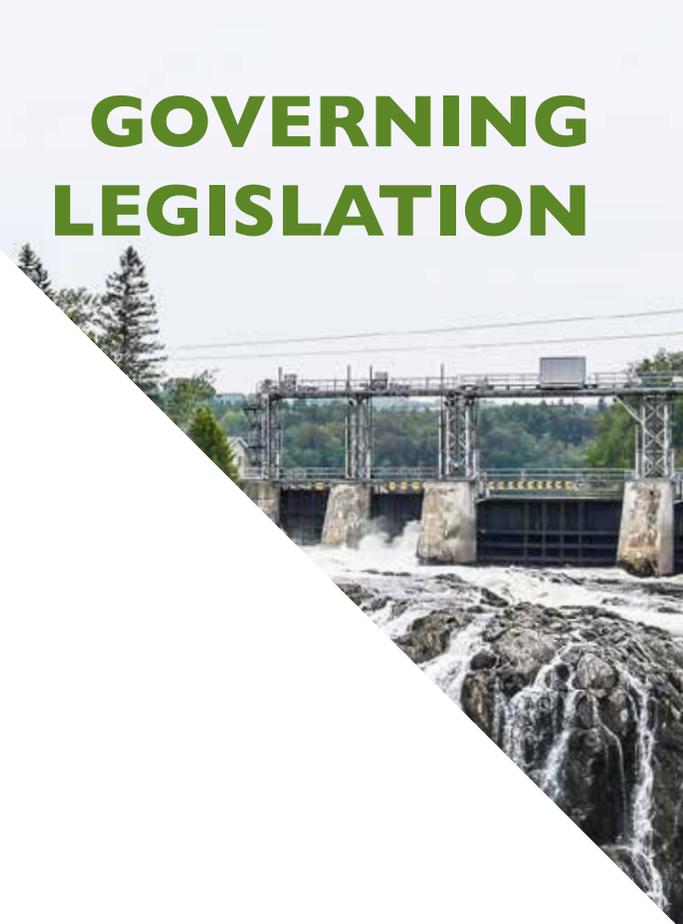
The Board's main office is located at Suite 1400, 15 Market Square in Saint John. Its Reliability and Compliance office is located at 520 King Street in Fredericton.

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.

BOARD STRUCTURE



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 legal principles of natural justice require that the Board ensures procedural fairness to all persons affected by its decisions. The Board has *Rules of Procedure*, available on its website, as a guide to participants in its proceedings.

Most Board proceedings begin with the filing of an application and supporting written evidence. The Board may also commence 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 audited financial statements of the Board are included in this annual report.

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

Board funding is also derived from an annual levy to petroleum wholesalers, based on annual motor fuel sales volumes. A portion of this levy funds the expenses of the Public Intervener in relation to petroleum margin reviews conducted by the Board.

BOARD MEMBERS



François Beaulieu
Acting Chairperson and
CEO/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. The Board also approves the 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 for approval of proposed rates for its services. The Board conducts a public hearing to review the evidence and submissions from NB Power and interveners, before issuing its decision. The Board may accept the rates as proposed or set other rates that it determines are just and reasonable.

NB Power 2020-2021 Distribution Rates

In March of 2020, in response to the COVID-19 pandemic and the Province's declaration of a State of Emergency, NB Power requested that the Board adjourn the 2020-21 rate application proceeding. It submitted that any rate increase would not be in the public interest, given the circumstances. The Board granted that request.

In August, NB Power requested the Board lift the adjournment and issue its a decision, but requested that, should the Board approve a rate increase, it not come into effect until March 31, 2021. After considering submissions from participating parties, the Board agreed to lift the adjournment. The Board approved a 1.8 percent rate increase for all customer classes, effective March 31, 2021.

In a related motion, the Board granted NB Power's request to delay its 2021-22 rate application to the March 31st of 2021. In December of 2020 however, the legislature amended the *Electricity Act* to exempt NB Power from filing a 2021-22 rate application.

NB Power Advanced Metering Infrastructure Capital Project

In 2019, NB Power applied for approval of a \$92 million project to install Advanced Metering Infrastructure (AMI) across its distribution network. The project would include the installation of meters that measure electricity use by customers at regular intervals and automatically transmit the data to a central database. The public hearing for the AMI application took place in January 2020.

In March, NB Power requested, and the Board granted, an adjournment of the project, due to the State of Emergency declaration. In August, NB Power requested that the Board lift the adjournment and render its decision. Following a hearing to consider the request, the Board issued its decision to approve the AMI project on September 4, 2020. In its decision, the Board mandated that NB Power propose a process to review the progress of the implementation of the project.



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.

Reliability Standards

When a reliability standard receives regulatory approval in the United States, New Brunswick Power Corporation (NB Power) is required to submit a corresponding proposal to the Board for approval, with appropriate modifications for New Brunswick. During the 2020-2021 reporting period, the Board approved revisions to seventeen reliability standards and the retirement of four standards. There are 101 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 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.

Compliance Activities

In 2020-2021 the Board performed an audit of NB Power and Irving Oil Refining G.P. for compliance with their registered functions. In addition, registered entities submitted 89 compliance self-certification and data submittal reports to the Board for review through the compliance program.

The Board approved three mitigation plans filed by a registered entity to address Operations and Planning reliability standards Violations. These Violations were fully mitigated under the terms of a Settlement Agreement in 2020 and penalties were collected and remitted to the New Brunswick Minister of Finance.

The Board continues to refine its risk-based compliance monitoring plans. In this process, Board staff refers to Inherent Risk Assessments, which evaluate risks to the bulk power system posed by registered entities, and Internal Controls Evaluations, which evaluate internal controls of registered entities. The Board develops a Compliance Oversight Plan for each registered entity based on each entity’s risk profile.



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 certification from an insurance company that legislated insurance requirements have been satisfied. The Board may also impose any conditions on an applicant that it considers necessary.

Licences

The COVID -19 pandemic greatly reduced the demand for motor carrier services in New Brunswick. In 2020-2021, only 20 motor carriers renewed their licences (46 in 2019-20), and the Board only issued 136 motor carrier plates to licenced carriers (318 in 2019-20).

Routes and schedules

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

In March 2020, Coach Atlantic advised the Board that it wished to reduce its regional scheduled service (Maritime Bus) from seven days per week to three days per week, owing to the drop in ridership caused by the COVID-19 pandemic and the cessation of connections to Quebec. The Board reviewed this modification of service and approved the amended schedule, effective April 2, 2020. In July 2020, Maritime Bus expanded service to four days per week with the adoption of the Atlantic Bubble by the three Maritime provinces.

In January 2021, Coach Atlantic applied to the Board for modifications to several of its New Brunswick routes, including discontinuing service between Edmundston and Fredericton, and between Campbellton and Moncton.

Before the Board considered the application, Coach Atlantic withdrew its application on January 29, and the matter was closed without a decision.

As of March 31, 2021 Maritime Bus continues to operate solely within the Maritime provinces, as connections to Quebec remained closed.

In January 2021, the Saint John Transit Commission applied to the Board to amend its motor carrier licence with respect to its Community Express (Comex) service, and to discontinue its daily scheduled service between the City of Saint John and the Town of Hampton, which was approved by the Board.

Fares

Legislation permits the Board to coordinate motor carrier hearings with other jurisdictions. This ensures that passengers enjoy uniform fares (based on distance travelled) within the region served by Coach Atlantic.

In its regulation of fares, there is a fuel surcharge mechanism for Coach Atlantic, implemented by the Board in 2012. This reduces the need for regular fare adjustment applications due to fluctuating diesel fuel prices. The fuel adjustment mechanism operates in conjunction with the Nova Scotia Utility and Review Board's own review. During the past year, the Board undertook quarterly reviews of the fuel surcharge. As a consequence of low diesel fuel prices related to the COVID-19 pandemic, fuel surcharges fell from 2% (January 2020) to 0% (April 2020) and stayed at that level for the remainder of 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 utilities that hold the natural gas franchise to distribute natural gas in the province.

As of March 31, 2021, the natural gas distribution system had 12,123 customers – and increase of 123 customers over the previous year. The system serves 10 communities and delivered about 5.1 million gigajoules of natural gas in the last 12 months.

Rate Application for 2021

In August 2020 Liberty Utilities (Gas New Brunswick) LP applied to Board to lower rates for some of its customers in 2021. The Gas Distribution Act required Liberty to return a portion of any excess earnings to non-residential customers from 2017 to 2019. In 2019, the final year of this condition, the company had excess earnings of \$4.5 million. About \$1.1 million was to be returned to non-residential customers in the form of lower rates in 2021. In its application, Liberty proposed lower rates for commercial and industrial customers. Rates for residential customers were to be maintained at the 2020 level.

A public hearing was held via video conference in November, and in December, the Board issued a decision approving the rate changes.

Liberty also requested approval of a COVID-19 deferral account. The purpose of this special account was to allow Liberty to track extraordinary costs related to the pandemic and allow their recovery from ratepayers in future years. The Board approved the deferral account, conditional on a review of the amounts to be included in the next rate application.

In the same matter, the Board ordered Liberty to file a Cost of Capital application to review, among other things, Liberty's return on equity. The application was filed on March 31, 2021.

Gas Marketers

In New Brunswick, the natural gas distributor is a regulated monopoly. Although distribution rates are regulated, the sale of natural gas as a commodity is subject to competitive markets. Customers are accordingly able to purchase natural gas from a number of gas marketers. Liberty, as the gas distributor, is also allowed to sell natural gas, under conditions to ensure that there is no abuse of its market power. The Board reviews the natural gas sales of the distributor annually to ensure compliance with such conditions.

In the past year, Emera Energy and Atlantica Energy were granted gas marketers certificates. There are currently ten companies registered to sell natural gas in the province. Most customers on the Liberty system are served by Liberty, Irving Energy Services and Park Fuels Ltd.

In any natural gas distribution system, a small amount of gas is lost. The Board initiated a working group among gas marketers to review the procedures to allocate lost and unaccounted for gas. The cost of lost gas is divided among the gas marketers using the system. At the request of Liberty and another marketer, the Board initiated a process to develop a new system that will be incorporated into system rules.

The Board also licenses the delivery of compressed natural gas in the province. There are currently two licensees delivering compressed natural gas in the province. passengers enjoy uniform fares (based on distance travelled) within the region served by Coach Atlantic.



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 regulated petroleum product consists of the benchmark price, the maximum wholesale and retail margin, applicable taxes, plus a delivery cost allowance. A full service charge may be added where applicable. Weekly maximum price settings take effect every Thursday.

The Board has authority to adjust the maximum wholesale and retail margins, as well as the delivery cost allowance and the full service charge. This is done following a public margin review process, during which the Board examines evidence that would support any adjustments.

In December 2020, the Board initiated a margin review process and issued its decision in May 2021. The Board set the maximum retail margin for motor fuel at 7.33 cents per litre, the maximum retail margin for furnace oil at 23.56 cents per litre, and the maximum delivery cost for motor fuels at 3.5 cents per litre.

Site Inspections

As part of its ongoing market monitoring responsibility, Board staff conducts site inspections and retailer visits to ensure regulatory compliance. In 2020-2021, Board staff made 288 site inspections of motor fuel retailers.

Inquiries

The public regularly contacts the Board with questions about petroleum products and pricing. During 2020-2021, Board staff responded to 63 formal inquiries, representing approximately 79% 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 1,435 km of intra-provincial pipelines, including 1,299 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 2020-2021, there were 14 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. This permit currently applies to Enbridge's successor, Liberty Utilities (Gas New Brunswick) LP.

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-excitation location service (Call or Click Before You Dig).

Pipeline Matters

During 2020-2021, the Board issued an amendment of the License to Operate issued to Corridor Resources Inc. to reflect the name change to Headwater Exploration Inc.

The Board granted Liberty Utilities *ex parte* approval of a Public Information program in relation to an upcoming application for a Permit to Construct Pipelines in the Local Service District of Havelock, NB.



FINANCIAL STATEMENTS

MARCH 31, 2021

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

FINANCIAL STATEMENTS

MARCH 31, 2021

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

MARCH 31, 2021

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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, 2021, 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, 2021, 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 17, 2021



CHARTERED PROFESSIONAL ACCOUNTANTS

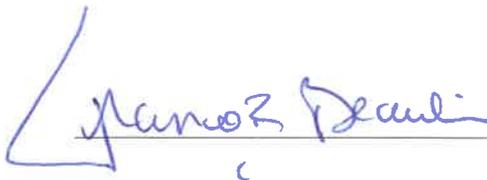
NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
FINANCIAL ASSETS		
Cash	\$ 1,580,020	\$ 1,158,521
Accounts receivable (Note 4)	<u>39,877</u>	<u>58,953</u>
	<u>1,619,897</u>	<u>1,217,474</u>
LIABILITIES		
Accounts payable and accrued liabilities (Notes 5 and 11)	251,876	257,319
Reserve for future hearings and service to the sector (Note 12)	<u>529,108</u>	<u>657,871</u>
	<u>780,984</u>	<u>915,190</u>
NET FINANCIAL ASSETS	<u>838,913</u>	<u>302,284</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	52,826	73,335
Prepaid expenses	<u>185,383</u>	<u>203,431</u>
	<u>238,209</u>	<u>276,766</u>
ACCUMULATED SURPLUS	<u>\$ 1,077,122</u>	<u>\$ 579,050</u>
COMMITMENTS (Note 14)		

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, 2021

	Balance at Beginning of <u>Year</u>	Surplus (Deficit)	Balance at End of <u>Year</u>
ELECTRICITY SECTOR	\$ 248,912	\$ 688,047	\$ 936,959
NATURAL GAS SECTOR	204,608	(194,500)	10,108
PIPELINE SECTOR	125,530	4,525	130,055
PETROLEUM SECTOR	-	-	-
MOTOR CARRIER SECTOR	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 579,050</u>	<u>\$ 498,072</u>	<u>\$ 1,077,122</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

AS AT MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
Surplus (deficit) of revenue over expenses	\$ 498,072	\$ (380,492)
Purchase of tangible capital assets	(12,805)	(53,627)
Proceeds on disposal of tangible capital assets	818	14,500
Amortization of tangible capital assets	27,048	28,815
Loss (gain) on sale of tangible capital assets	<u>5,449</u>	<u>(14,500)</u>
	518,582	(405,304)
Increase (decrease) in prepaid expenses	<u>18,047</u>	<u>(30,724)</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	536,629	(436,028)
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	<u>302,284</u>	<u>738,312</u>
NET FINANCIAL ASSETS AT END OF YEAR	<u>\$ 838,913</u>	<u>\$ 302,284</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2021

	<u>2021</u> Budget	<u>2021</u> Actual	<u>2020</u> Actual
REVENUE			
Electricity Sector (Note 7)	\$ 2,922,527	\$ 2,683,471	\$ 2,178,703
Natural Gas Sector (Note 8)	438,521	239,252	490,086
Pipeline Sector (Note 9)	558,654	438,813	524,486
Petroleum Sector (Notes 10 and 12)	<u>792,298</u>	<u>817,419</u>	<u>696,292</u>
	<u>4,712,000</u>	<u>4,178,955</u>	<u>3,889,567</u>
DIRECT EXPENSES			
Electricity Sector	1,165,000	750,276	1,304,091
Natural Gas Sector	20,000	26,869	21,106
Pipeline Sector	6,600	7,056	7,965
Petroleum Sector (Note 12)	<u>100,000</u>	<u>153,518</u>	<u>120,435</u>
	<u>1,291,600</u>	<u>937,719</u>	<u>1,453,597</u>
NET REVENUE BEFORE COMMON EXPENSES	<u>3,420,400</u>	<u>3,241,236</u>	<u>2,435,970</u>
COMMON EXPENSES			
Salaries and benefits	2,704,600	2,231,666	2,229,365
Office and administration (Note 14)	573,000	462,879	485,204
Training	110,000	21,571	73,078
Amortization	<u>32,800</u>	<u>27,048</u>	<u>28,815</u>
	<u>3,420,400</u>	<u>2,743,164</u>	<u>2,816,462</u>
SURPLUS (DEFICIT) OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ 498,072</u>	<u>\$ (380,492)</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
CASH PROVIDED BY (USED IN)		
Operating activities		
Surplus (deficit) of revenue over expenses	\$ 498,072	\$ (380,492)
Item not involving cash		
Amortization	<u>27,048</u>	<u>28,815</u>
	525,120	(351,677)
Changes in non-cash working capital balances		
Accounts receivable	19,076	8,875
Prepaid expenses	18,047	(30,724)
Accounts payable and accrued liabilities	(5,443)	73,175
Reserve for future hearings and service to the sector	(128,763)	(6,789)
Future employee benefits	<u>-</u>	<u>(290,409)</u>
	<u>428,037</u>	<u>(597,549)</u>
Investing activities		
Purchase of tangible capital assets	(12,805)	(53,627)
Proceeds on disposal of tangible capital assets	818	14,500
Loss (gain) on disposal of tangible capital assets	<u>5,449</u>	<u>(14,500)</u>
	<u>(6,538)</u>	<u>(53,627)</u>
INCREASE (DECREASE) IN CASH	421,499	(651,176)
CASH AT BEGINNING OF YEAR	<u>1,158,521</u>	<u>1,809,697</u>
CASH AT END OF YEAR	<u>\$ 1,580,020</u>	<u>\$ 1,158,521</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	<u>\$ 17,299</u>	<u>\$ 46,171</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

1. PURPOSE OF THE ORGANIZATION

The Board is comprised of five full time members, however, due to a retirement in January of the prior year, it is now comprised of four full time members until a new member is selected. 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 and the Chief Executive Officer. 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, 2021

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, 2021:

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 the sectors it regulates 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, 2021

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>2021</u>	<u>2020</u>
Trade accounts receivable	\$ 1,527	\$ 6,625
HST receivable	35,491	51,375
Due from Province of New Brunswick	1,906	-
Travel advances	<u>953</u>	<u>953</u>
	<u>\$ 39,877</u>	<u>\$ 58,953</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2021</u>	<u>2020</u>
Trade accounts payable	\$ 101,536	\$ 71,120
Due to Province of New Brunswick	680	77,923
Wages and benefits	<u>149,660</u>	<u>108,276</u>
	<u>\$ 251,876</u>	<u>\$ 257,319</u>

6. TANGIBLE CAPITAL ASSETS

	<u>2021</u>			<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 40,399	\$ 15,642	\$ 24,757	\$ 26,084
Vehicles	<u>83,912</u>	<u>55,843</u>	<u>28,069</u>	<u>47,251</u>
	<u>\$ 124,311</u>	<u>\$ 71,485</u>	<u>\$ 52,826</u>	<u>\$ 73,335</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

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>2021</u>	<u>2020</u>
Estimate of common expenses	\$ 1,757,527	\$ 1,853,441
Estimate of direct expenses	<u>1,165,000</u>	<u>1,120,000</u>
	2,922,527	2,973,441
Surplus from prior year	<u>(248,912)</u>	<u>(830,418)</u>
Assessment of electric utilities	2,673,615	2,143,023
Add: other income (expenses)	(1,969)	800
Add: interest income	<u>11,825</u>	<u>34,880</u>
	<u>\$ 2,683,471</u>	<u>\$ 2,178,703</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>2021</u>	<u>2020</u>
Estimate of common expenses	\$ 418,521	\$ 444,175
Estimate of direct expenses	<u>20,000</u>	<u>95,000</u>
	438,521	539,175
Surplus from prior year	<u>(204,608)</u>	<u>(55,802)</u>
Assessment of natural gas distributors	233,913	483,373
Add: other income	2,500	400
Add: interest income	<u>2,839</u>	<u>6,313</u>
	<u>\$ 239,252</u>	<u>\$ 490,086</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

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>2021</u>	<u>2020</u>
Estimate of common expenses	\$ 558,589	574,931
Estimate of direct expenses	<u>6,600</u>	<u>5,000</u>
	565,189	579,931
Surplus from prior year	<u>(125,530)</u>	<u>(73,322)</u>
Assessment of pipeline owners	439,659	506,609
Add: other income (expense)	(3,481)	12,900
Add: interest income	<u>2,635</u>	<u>4,977</u>
	<u>\$ 438,813</u>	<u>\$ 524,486</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, \$442,207 (2020 - \$327,888) was remitted to the Minister of Finance. The funds remitted consisted of direct assessments collected from the Electricity, Natural Gas and Pipeline Sectors totaling \$403,127 (2020 - \$269,466), and \$39,080 (2020 - \$58,422) 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. There was no amount (2020 - \$77,923) due to the Minister of Finance as at March 31, 2021 and is included in accounts payable.

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2021

12. RESERVE FOR FUTURE HEARINGS AND SERVICE TO THE SECTOR

The Board has established a reserve to assist in the cost of future hearings and service to the sector 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>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 657,871	\$ 664,660
Add: levies contributed to the reserve	-	-
Less: hearing costs during the year	<u>128,763</u>	<u>6,789</u>
Balance at end of year	<u>\$ 529,108</u>	<u>\$ 657,871</u>

13. 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, 2021

14. 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 four fiscal years are as follows:

2022	\$	176,160
2023		176,160
2024		176,160
2025		<u>58,720</u>
	\$	<u>587,200</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 two fiscal years are as follows:

2022	\$	2,542
2023		<u>1,483</u>
	\$	<u>4,025</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 three fiscal years are as follows:

2022	\$	37,144
2023		37,144
2024		<u>37,144</u>
	\$	<u>111,432</u>

15. MANAGER- FINANCE

Internal financial accounting and reporting is completed under my supervision as Manager- Finance for the Board. I confirm that the audited financial statements as at March 31, 2021, as prepared by Teed Saunders Doyle accurately report the financial results of the Board for the fiscal year 2020-2021.



Michael Dickie CPA, CGA
Manager- Finance