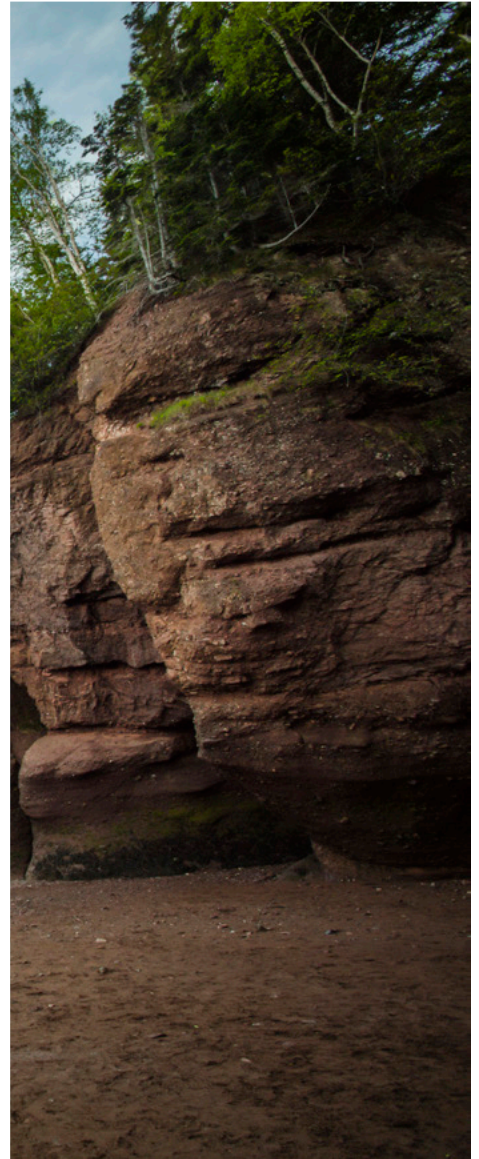
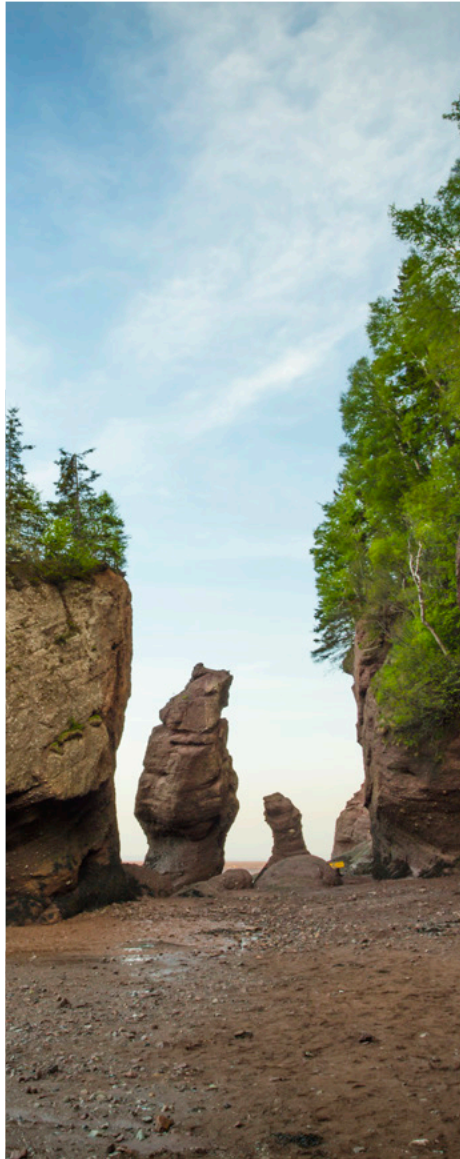


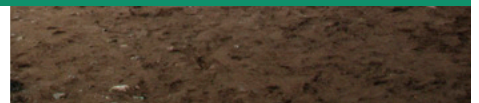


NEW BRUNSWICK
ENERGY & UTILITIES BOARD

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



ANNUAL REPORT
2021-2022



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

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CHAIRPERSON'S MESSAGE



I am honoured to present the New Brunswick Energy and Utilities Board's Annual Report for the fiscal period of 2021-2022. Leading our team has been a source of great pride and I want to thank Board Members and staff for their persistence and reliability. As citizens ourselves, we understand the significance the NBEUB plays in the daily lives of New Brunswickers and in the future of the regulatory and energy sector in New Brunswick.

The NBEUB's mission is to provide fair, transparent, open, and consistent regulation in New Brunswick. During the past year, New Brunswickers have been faced with cost-of-living increases triggered by fluctuating world markets, among many other contributing factors. In addition to the utilities it regulates, the NBEUB considers New Brunswickers as important stakeholders in regulation. The NBEUB has welcomed participation from public interest groups and individuals in its proceedings and continues to encourage their participation in upcoming proceedings.

During this fiscal year, the Board held 27 virtual hearings and issued 34 decisions of varying complexity. There were a total of 53 petroleum product price settings, with 9 price interruptions. The Board heard 71 inquiries, most of which related to motor fuels pricing. In responding to these inquiries, the Board was prompted to develop shareable content that makes information about how motor fuel prices are calculated more accessible. The Board engaged Hemmings House Pictures in 2021 to begin work on these materials. Educating and informing the public has become an emerging priority, beyond the Board's functions as a specialized tribunal.

In addition, the Board continues to focus on the delivery of our hearings so they can be accessed in-person and online simultaneously. To enhance our virtual hearings, the Board has been working with an architectural designer to

reimagine our hearing space to accommodate in-person and remote participants in our proceedings.

Looking ahead, the NBEUB seeks to improve its role as a specialized independent regulator by making our expertise and service delivery more integral. In our view, being more accessible and collaborative enriches our efforts to maintain impartiality and independence by bringing together all of the available information, perspectives, and expertise involved in regulation.

Sincerely,

A handwritten signature in black ink that reads "François Beaulieu". The signature is written in a cursive, flowing style.

François Beaulieu
Chairperson and CEO

NEW BRUNSWICK ENERGY AND UTILITIES BOARD 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.

Established under the *Energy and Utilities Board Act*, the Board has the same powers, rights, and privileges that are vested in the Court of Queen's Bench in relation to procedural, evidentiary and enforcement matters. Three members constitute a quorum in most regulatory proceedings.

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. The Board's head 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 provides information on and access to all aspects of the Board's functions, including its governing legislation, past and current decisions, procedural rules and questions and answers related to petroleum products.

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

- *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 also has its Rules of Procedure, which are intended as a comprehensive, consolidated set of procedural rules governing matters that come before the Board that involve a hearing process.

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

The Attorney General files the approved annual operating budget for the Public Intervener for the Energy Sector with the Board. In addition, the Public Intervener submits an accounting of all direct expenses to the Board. These expenses are included in the Board's assessments, as per section 50 of the *Energy and Utilities Board Act*.

BOARD MEMBERS

The composition of the Board consists of five full-time members, including a Chairperson and Vice-Chairperson.

The members are appointed by the Lieutenant-Governor in Council. From the five members, one Chairperson and one Vice-Chairperson are appointed.

In the 2021-2022 fiscal year, the Board operated with four members for a portion of the year, and after a subsequent retirement, operated with three members.



FRANÇOIS BEAULIEU
Chairperson and CEO



MICHAEL COSTELLO
Member



PATRICK ERVIN
Member



JOHN HERRON
Member

ANNUAL REPORT 2021-2022



ELECTRICITY

The Board's responsibilities include the 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, with the exception of the refurbishment of the Mactaquac Generating Station, as per section 139.1 of the *Electricity Act*.

NB Power has been previously 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.

Changes in the Electricity Act

In November of 2021, the Province of New Brunswick introduced amendments to the *Electricity Act* which modified some of the ways that the Board regulates the rates proposed by NB Power.

One change is the removal of the requirement for NB Power to file annual rate applications. The utility is now permitted to file applications for rate increases for up to three years at one time.

Another change to this legislation is that the creation of variance accounts is now permitted. The variance accounts will begin after April 1, 2022.

The amendment to the *Electricity Act* also set NB Power's electricity rates for 2022-2023, bypassing the Board's review process.

Transmission Tariff changes

Other utility companies use NB Power's transmission system to send electricity to their customers within and outside the Province. The rates and rules governing the use of the transmission lines are set out in the Open Access Transmission Tariff. NB Power is required to have these rates approved at least once every three years.

In December of 2021, NB Power filed its application for approval of new rates and other changes to transmission tariff.

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RELIABILITY AND COMPLIANCE

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

During the 2021-2022 reporting period, the Board approved revisions to sixteen reliability standards.

Registered entities submitted 143 compliance self-certification and data submittal reports to the Board for review through the compliance program.

The Board approved one mitigation plan filed by a registered entity to address an Operations and Planning reliability standard violation.

Reliability Standards

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 of all utilities under the *Electricity Act*, which includes regular auditing processes and enforcement actions.

In 2021-2022 the Board performed audits of Kent Hills Wind LP and Caribou Wind Park LP for compliance with their registered functions. In addition, registered entities submitted 143 compliance self-certification and data submittal reports to the Board for review through the compliance program.

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 2021-2022 the Board performed audits of Kent Hills Wind LP and Caribou Wind Park LP for compliance with their registered functions. In addition, registered entities submitted 143 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 standard Violations. These low-risk Violations were deemed to be a remediated issue following mitigation.

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.



RELIABILITY STANDARDS ENFORCED BY NBEUB, WITH OVER



INDIVIDUAL REQUIREMENTS

ANNUAL REPORT 2021-2022



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 distribute natural gas in the province.

As of March 31, 2022, the natural gas distribution system had 12,318 customers – an increase of 195 customers over the previous year.

Cost of Capital

As a result of a Board order, Liberty filed a cost of capital application in March of 2021. An application of this kind had not been filed in 10 years.

For regulated utilities, return on equity and other factors that would otherwise be left up to markets and competition are determined by the regulator. When the Board sets rates it uses pre-determined return on equity and cost of debt ratios.

These factors are usually examined on a periodic basis during a separate cost of capital hearing. The Board compares the risks of a specific utility with the risks faced by other companies and the market as a whole. Using this method, the Board determines a reasonable return on equity.

The Board held a hearing in July and issued a decision in October setting the return on equity at 8.5 percent. The cost of long-term debt was determined to be 3.315 percent. The capital structure remained at 55 percent debt and 45 percent equity. Liberty appealed the decision to the New Brunswick Court of Appeal. The case was heard in March of 2022.

2022 General Rate Application

Liberty often files its application for any change in rates during the summer months in order to have rates in place by the start of the following year. For 2022, the utility delayed the application pending the result of the cost of capital decision.



COMMUNITIES SERVED



GIGAJOULES OF NATURAL GAS IN 12 MONTHS

ANNUAL REPORT 2021-2022



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 NBEUB’s jurisdiction covers 1,442 km of intra-provincial pipelines, including 1,305 km of natural gas pipelines.

The division also investigates pipeline-related incidents, mostly comprised of third-party damage to installed pipelines. In 2021-2022, there were 11 such incidents.

Atlantic Canada Common Ground Alliance – Call or Click Before You Dig

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” . For more information on this service, please visit clickbeforeyoudig.com.



INTRA-PROVINCIAL PIPELINES



OF NATURAL GAS PIPELINES

ANNUAL REPORT 2021-2022



PETROLEUM PRODUCTS

The Board regulates wholesale and retail petroleum products 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.

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. A review of the margins was commenced in 2021.

At the end of the current year, the Board-approved margins were (in cents per litre):

| FUEL TYPE | WHOLESALE MARGIN | RETAIL MARGIN | MAX. DELIVERY COST | MAX. FULL SERVICE COST |
|-------------|------------------|---------------|--------------------|------------------------|
| Motor Fuel | 6.51 | 7.33 | 3.50 | 3.00 |
| Furnace Oil | 5.50 | 23.56 | 5.00 | n/a |
| Propane | 25.0 | 25.0 | 10.0 | n/a |

Site Inspections

In 2021-2022, Board staff conducted 491 site inspections of motor fuel retailers. During the inspections, 5% of the sites visited had closed, 3% were not properly displaying petroleum prices, 4% were charging more than the maximum allowable price, and 1% charging more than the allowable maximum full service charge.

Inquiries

Board staff responded to 59 formal inquiries, representing approximately 83% of all formal inquiries received by the Board. Petroleum inquiries ranged widely in topic, including questions about how maximum petroleum products prices are calculated, whether petroleum prices charged exceed the maximum allowable price, and questions about why there are price differences between New Brunswick and neighbouring jurisdictions.

HOW ARE THE MAXIMUM PRICES ESTABLISHED?

STEP 1

Calculating the Benchmark Price



Benchmark prices are based on the average prices of specific markets where the product is sold in significant volumes.

For motor fuels and furnace oil, the benchmark price is based on the average New York Harbour price. For propane, it is based on the Sarnia, Ontario price. Certain motor fuels have a mark-up added, which is established by Regulation.

STEP 2

Adding the Wholesale Margins



The Board establishes the maximum wholesale margins using a procedure prescribed by Regulation.

The maximum margins are 6.51 cents per litre (cpl) for motor fuel, 5.5 cpl for furnace oil, and 25.0 cpl for propane.

STEP 3

Taxes are Added



After the maximum wholesale margins are added, the appropriate taxes are applied.

In the case of motor fuels, the federal excise tax, the provincial gasoline and motive fuel tax, the provincial carbon emitting products tax, and the harmonized sales tax (HST) are all applied.

For heating fuels, only the HST is added.

STEP 4

Adding the Retail Margins



The Board establishes the maximum retail margins using a procedure prescribed by Regulation.

The maximum margin is 7.33 cpl for motor fuels. For full-service, an additional 3.0 cpl may be charged. For furnace oil, the maximum margin is 23.56 cpl and propane 25.0 cpl.

HST is then added.

STEP 5

Adding the Delivery Cost



Wholesalers are allowed to recover the cost of delivering motor fuels, furnace oil and propane.

The maximum delivery cost for motor fuels is 3.5 cpl, and on Grand Manan is 5.0 cpl.

For furnace oil it is 5.0 cpl and propane 10.0 cpl.

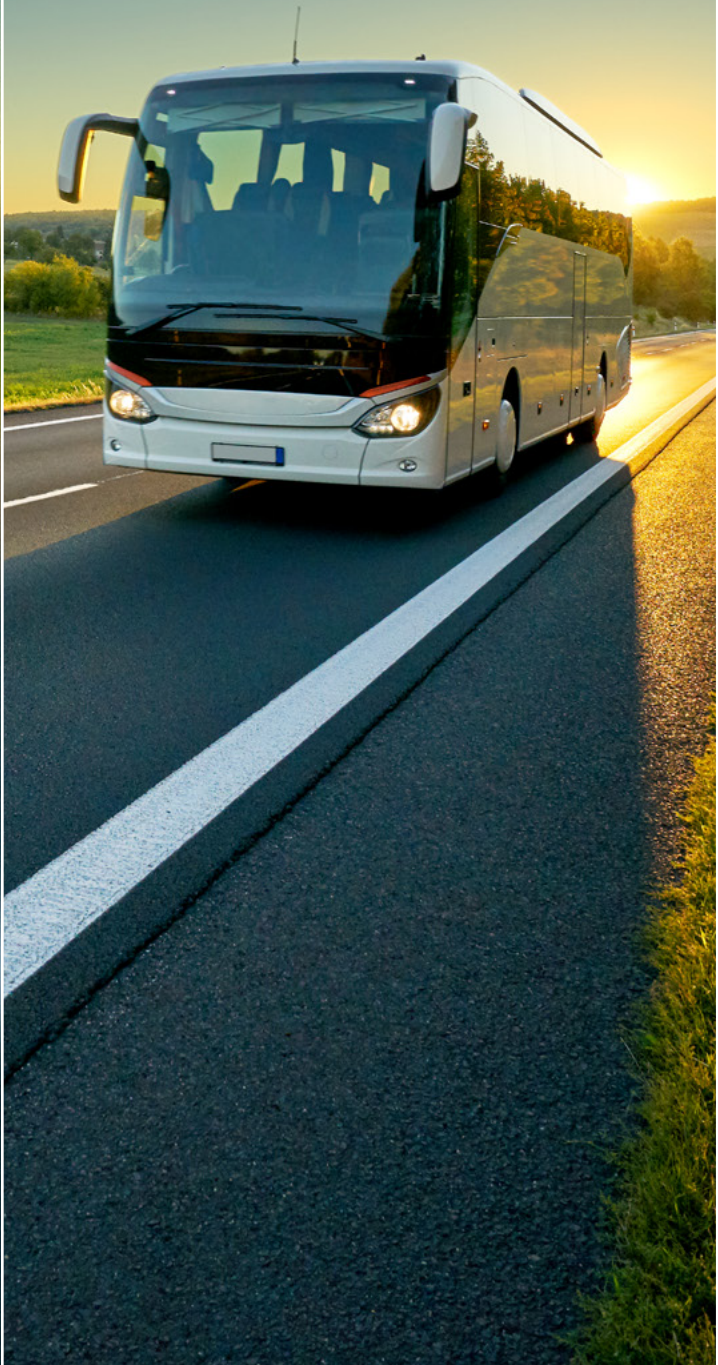
Retailers may include any delivery costs paid to the wholesaler or otherwise incurred for the delivery.

HST is then added.



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

For more information, visit nbeub.ca



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MOTOR CARRIER

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

The Covid-19 pandemic continued to depress demand for motor carrier services in New Brunswick. In 2021-2022 the Board approved two new motor carrier licences, while only 16 motor carrier renewed their licences (down from 46 in 2019-2020). Additionally the Board issued 141 motor carrier plates to licenced carriers (down from 318 in 2019-2020).

Fares

In its regulation of fares, the Board implemented a fuel surcharge mechanism in 2012 for Coach Atlantic. This reduces the need for regular fare adjustment applications to the Board, due to fluctuating diesel fuel prices.

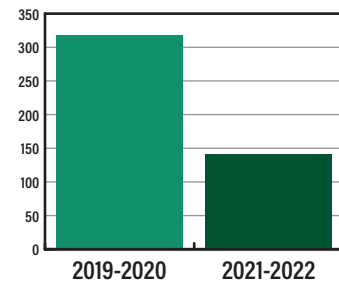
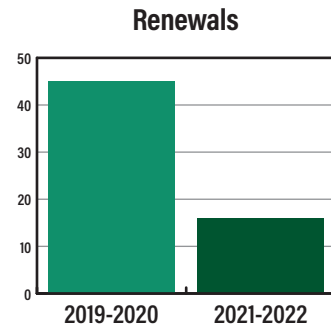
Legislation permits the Board to coordinate motor carrier hearings with other jurisdictions. The fuel adjustment mechanism operates in conjunction with the Nova Scotia Utility and Review Board's own review. This ensures that passengers enjoy uniform fares (based on distance travelled) within the region served by Coach Atlantic. During 2021-2022, the Board undertook quarterly reviews of the fuel surcharge. The price of diesel fuel increased over the current year and, as a consequence, the fuel surcharge rose. In April of 2021 the fuel surcharge was 0% but it increased to 4.5% by the January 2022 setting. A spike in diesel prices during the final quarter of 2021-

2022 caused the fuel surcharge to jump to 9.5% at the April 2022 setting.

Routes and schedules

Every licensed 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. In this mandate, the Board exercises supervision over the activities of scheduled service motor carriers, including their fares, routes and schedules.

The primary scheduled motor coach service within the Maritime provinces is provided by Coach Atlantic Transportation Group Inc. (Coach Atlantic) through its Maritime Bus division. Owing to the depressed demand for motor coach services caused by the Covid-19 pandemic, in April 2020 the Board approved an application by Maritime Bus to reduce its scheduled service operations in New Brunswick from seven days per week to three days per week (Matter 464), including the suspension of service into Quebec. In 2020 Maritime Bus increased its frequency of service to four days per week and, in 2021, service was further increased to six days per week (with no service on Saturdays). As of March 31, 2022, Maritime Bus continued to operate within New Brunswick, Nova Scotia and Prince Edward Island six days per week, with no service into Quebec and points west.



Plates

AUDITED
FINANCIAL
STATEMENTS

MARCH 31, 2022

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

MARCH 31, 2022

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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, 2022, 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, 2022, 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.

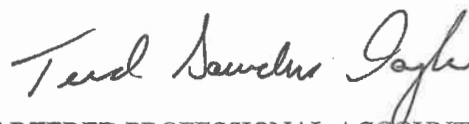
Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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 20, 2022



CHARTERED PROFESSIONAL ACCOUNTANTS

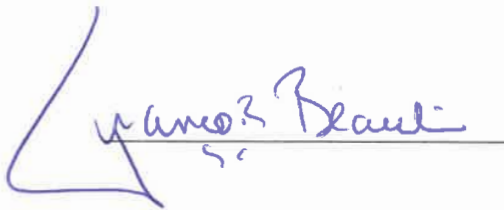
NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2022

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------------------------------------|-------------------|---------------------|
| FINANCIAL ASSETS | | |
| Cash | \$ 944,832 | \$ 1,580,020 |
| Accounts receivable (Note 4) | <u>218,850</u> | <u>39,877</u> |
| | <u>1,163,682</u> | <u>1,619,897</u> |
| LIABILITIES | | |
| Accounts payable and accrued liabilities (Notes 5 and 11) | 277,026 | 251,876 |
| Reserve for future hearings and service to the sector (Note 12) | <u>541,078</u> | <u>529,108</u> |
| | <u>818,104</u> | <u>780,984</u> |
| NET FINANCIAL ASSETS | <u>345,578</u> | <u>838,913</u> |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Note 6) | 26,904 | 52,826 |
| Prepaid expenses | <u>230,915</u> | <u>185,383</u> |
| | <u>257,819</u> | <u>238,209</u> |
| ACCUMULATED SURPLUS | <u>\$ 603,397</u> | <u>\$ 1,077,122</u> |
| COMMITMENTS (Note 14) | | |

APPROVED ON BEHALF OF THE BOARD:

 Chairperson

NEW BRUNSWICK ENERGY AND UTILITIES BOARD
STATEMENT OF CHANGE IN ACCUMULATED SURPLUS BY SECTOR
FOR THE YEAR ENDED MARCH 31, 2022

| | Balance at Beginning of Year | Surplus (Deficit) | Balance at End of Year |
|-----------------------------|---------------------------------------------|------------------------------|---------------------------------------|
| ELECTRICITY SECTOR | \$ 936,959 | \$ (357,334) | \$ 579,625 |
| NATURAL GAS SECTOR | 10,108 | (69,984) | (59,876) |
| PIPELINE SECTOR | 130,055 | (46,407) | 83,648 |
| PETROLEUM SECTOR | - | - | - |
| MOTOR CARRIER SECTOR | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,077,122</u> | <u>\$ (473,725)</u> | <u>\$ 603,397</u> |

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

AS AT MARCH 31, 2022

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------|-------------------|-------------------|
| Surplus (deficit) of revenue over expenses | \$ (473,725) | \$ 498,072 |
| Purchase of tangible capital assets | - | (12,805) |
| Proceeds on disposal of tangible capital assets | - | 818 |
| Amortization of tangible capital assets | 25,923 | 27,048 |
| Loss (gain) on sale of tangible capital assets | <u>-</u> | <u>5,449</u> |
| | (447,802) | 518,582 |
| Increase (decrease) in prepaid expenses | <u>(45,533)</u> | <u>18,047</u> |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | (493,335) | 536,629 |
| NET FINANCIAL ASSETS AT BEGINNING OF YEAR | <u>838,913</u> | <u>302,284</u> |
| NET FINANCIAL ASSETS AT END OF YEAR | <u>\$ 345,578</u> | <u>\$ 838,913</u> |

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2022

| | <u>2022</u> Budget | <u>2022</u> Actual | <u>2021</u> Actual |
|-------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| REVENUE | | | |
| Electricity Sector (Note 7) | \$ 2,868,519 | \$ 1,944,757 | \$ 2,683,471 |
| Natural Gas Sector (Note 8) | 495,217 | 486,080 | 239,252 |
| Pipeline Sector (Note 9) | 581,574 | 453,423 | 438,813 |
| Petroleum Sector (Notes 10 and 12) | <u>924,760</u> | <u>711,473</u> | <u>817,419</u> |
| | <u>4,870,070</u> | <u>3,595,733</u> | <u>4,178,955</u> |
| DIRECT EXPENSES | | | |
| Electricity Sector | 1,187,699 | 721,304 | 750,276 |
| Natural Gas Sector | 84,529 | 176,441 | 26,869 |
| Pipeline Sector | 47,946 | 13,625 | 7,056 |
| Petroleum Sector (Note 12) | <u>244,840</u> | <u>87,807</u> | <u>153,518</u> |
| | <u>1,565,014</u> | <u>999,177</u> | <u>937,719</u> |
| NET REVENUE BEFORE COMMON EXPENSES | <u>3,305,056</u> | <u>2,596,556</u> | <u>3,241,236</u> |
| COMMON EXPENSES | | | |
| Salaries and benefits | 2,569,216 | 2,426,974 | 2,231,666 |
| Office and administration (Note 14) | 642,400 | 584,120 | 462,879 |
| Training | 60,000 | 33,264 | 21,571 |
| Amortization | <u>33,440</u> | <u>25,923</u> | <u>27,048</u> |
| | <u>3,305,056</u> | <u>3,070,281</u> | <u>2,743,164</u> |
| SURPLUS (DEFICIT) OF REVENUE OVER EXPENSES | <u>\$ -</u> | <u>\$ (473,725)</u> | <u>\$ 498,072</u> |

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2022

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------------------------|-------------------|---------------------|
| CASH PROVIDED BY (USED IN) | | |
| Operating activities | | |
| Surplus (deficit) of revenue over expenses | \$ (473,725) | \$ 498,072 |
| Item not involving cash | | |
| Amortization | <u>25,923</u> | <u>27,048</u> |
| | (447,802) | 525,120 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (178,973) | 19,076 |
| Prepaid expenses | (45,533) | 18,047 |
| Accounts payable and accrued liabilities | 25,150 | (5,443) |
| Reserve for future hearings and service to the sector | <u>11,970</u> | <u>(128,763)</u> |
| | <u>(635,188)</u> | <u>428,037</u> |
| Investing activities | | |
| Purchase of tangible capital assets | - | (12,805) |
| Proceeds on disposal of tangible capital assets | - | 818 |
| Loss (gain) on disposal of tangible capital assets | <u>-</u> | <u>5,449</u> |
| | <u>-</u> | <u>(6,538)</u> |
| INCREASE (DECREASE) IN CASH | (635,188) | 421,499 |
| CASH AT BEGINNING OF YEAR | <u>1,580,020</u> | <u>1,158,521</u> |
| CASH AT END OF YEAR | <u>\$ 944,832</u> | <u>\$ 1,580,020</u> |
| SUPPLEMENTARY CASH FLOW INFORMATION | | |
| Interest received | <u>\$ 15,100</u> | <u>\$ 17,300</u> |

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

1. PURPOSE OF THE ORGANIZATION

The Board is comprised of five full time members, however, due to a retirement in October of the prior year, it is now comprised of three full time members until two new members are appointed. There are currently two vacant positions 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, 2022

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, 2022:

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, 2022

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>2022</u> | <u>2021</u> |
|-----------------------------------------|-------------------|------------------|
| Trade accounts receivable | \$ 11,183 | \$ 1,527 |
| HST receivable | 33,571 | 35,491 |
| Public intervenor assessments (Note 11) | 173,084 | - |
| Due from Province of New Brunswick | - | 1,906 |
| Travel advances | <u>1,012</u> | <u>953</u> |
| | <u>\$ 218,850</u> | <u>\$ 39,877</u> |

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | <u>2022</u> | <u>2021</u> |
|----------------------------------|-------------------|-------------------|
| Trade accounts payable | \$ 133,193 | \$ 101,536 |
| Due to Province of New Brunswick | - | 680 |
| Wages and benefits | <u>143,833</u> | <u>149,660</u> |
| | <u>\$ 277,026</u> | <u>\$ 251,876</u> |

6. TANGIBLE CAPITAL ASSETS

| | <u>2022</u> | | | <u>2021</u> |
|--------------------|-------------------|-------------------------------------|------------------|------------------|
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net</u> | <u>Net</u> |
| Computer equipment | \$ 40,399 | \$ 29,108 | \$ 11,291 | \$ 24,757 |
| Vehicles | <u>83,912</u> | <u>68,299</u> | <u>15,613</u> | <u>28,069</u> |
| | <u>\$ 124,311</u> | <u>\$ 97,407</u> | <u>\$ 26,904</u> | <u>\$ 52,826</u> |

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

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>2022</u> | <u>2021</u> |
|----------------------------------|---------------------|---------------------|
| Estimate of common expenses | \$ 1,680,820 | \$ 1,757,527 |
| Estimate of direct expenses | <u>1,187,700</u> | <u>1,165,000</u> |
| | 2,868,520 | 2,922,527 |
| Surplus from prior year | <u>(936,959)</u> | <u>(248,912)</u> |
| Assessment of electric utilities | 1,931,561 | 2,673,615 |
| Add: other income (expenses) | - | (1,969) |
| Add: interest income | <u>13,196</u> | <u>11,825</u> |
| | <u>\$ 1,944,757</u> | <u>\$ 2,683,471</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>2022</u> | <u>2021</u> |
|----------------------------------------|-------------------|-------------------|
| Estimate of common expenses | \$ 410,688 | \$ 418,521 |
| Estimate of direct expenses | <u>84,529</u> | <u>20,000</u> |
| | 495,217 | 438,521 |
| Surplus from prior year | <u>(10,108)</u> | <u>(204,608)</u> |
| Assessment of natural gas distributors | 485,109 | 233,913 |
| Add: other income | 971 | 2,500 |
| Add: interest income | <u>-</u> | <u>2,839</u> |
| | <u>\$ 486,080</u> | <u>\$ 239,252</u> |

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

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>2022</u> | <u>2021</u> |
|-------------------------------|-------------------|-------------------|
| Estimate of common expenses | \$ 533,628 | 558,589 |
| Estimate of direct expenses | <u>47,946</u> | <u>6,600</u> |
| | 581,574 | 565,189 |
| Surplus from prior year | <u>(130,055)</u> | <u>(125,530)</u> |
| Assessment of pipeline owners | 451,519 | 439,659 |
| Add: other income (expense) | - | (3,481) |
| Add: interest income | <u>1,904</u> | <u>2,635</u> |
| | <u>\$ 453,423</u> | <u>\$ 438,813</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, \$267,710 (2021 - \$442,207) was remitted to the Minister of Finance. The funds remitted consisted of direct assessments collected from the Electricity, Natural Gas and Pipeline Sectors totaling \$263,285 (2021 - \$403,127), and \$4,425 (2021 - \$39,080) 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 (2021 - \$nil) due to the Minister of Finance as at March 31, 2022. There were \$173,084 of assessments due to the Board at March 31, 2022.

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

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>2022</u> | <u>2021</u> |
|----------------------------------------|-------------------|-------------------|
| Balance at beginning of year | \$ 529,108 | \$ 657,871 |
| Add: levies contributed to the reserve | 11,970 | - |
| Less: hearing costs during the year | <u>-</u> | <u>128,763</u> |
| Balance at end of year | <u>\$ 541,078</u> | <u>\$ 529,108</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.

14. COMMITMENTS

Saint John

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 three fiscal years are as follows:

| | |
|------|-------------------|
| 2023 | \$ 176,160 |
| 2024 | 176,160 |
| 2025 | <u>58,720</u> |
| | <u>\$ 411,040</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 payment due within the next fiscal year is \$1,483.

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

14. COMMITMENTS (cont'd)

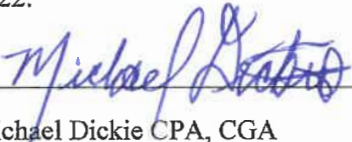
Fredericton

The Board signed a lease for its office premises for a five year period commencing March 1, 2019 and expiring February 28, 2024. The minimum annual lease payments due within the next two fiscal years are as follows:

| | | |
|------|----|---------------|
| 2023 | \$ | 37,144 |
| 2024 | | <u>34,048</u> |
| | \$ | <u>71,192</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, 2022, as prepared by Teed Saunders Doyle accurately report the financial results of the Board for the fiscal year 2021-2022.



Michael Dickie CPA, CGA
Manager- Finance