

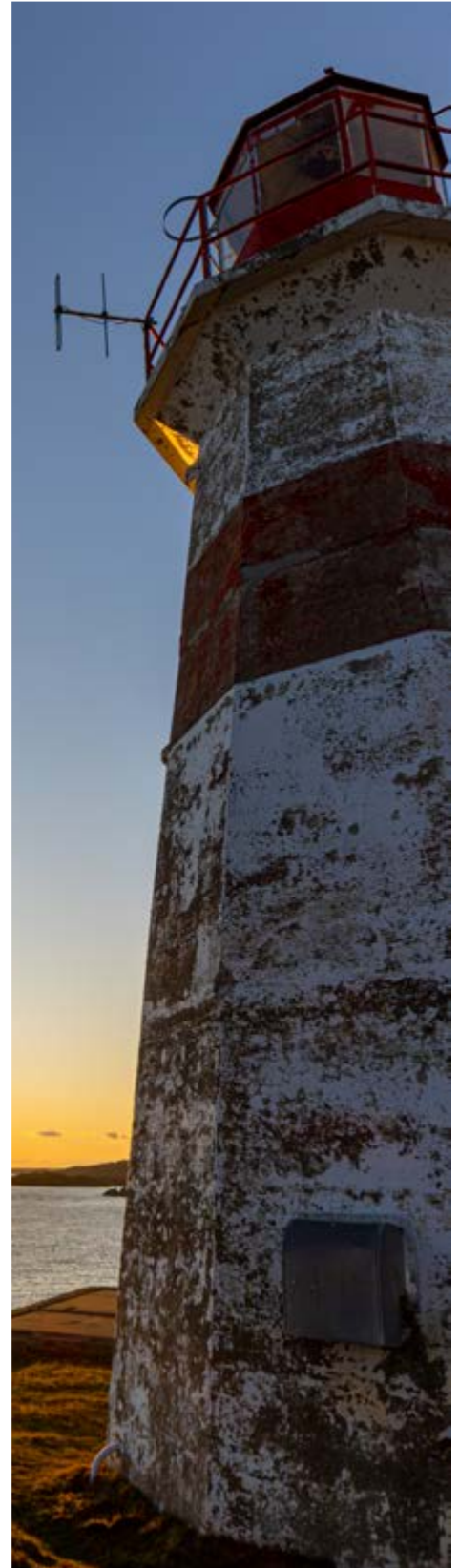


NEW BRUNSWICK
ENERGY & UTILITIES BOARD

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

ANNUAL REPORT

2022
2023



ANNUAL REPORT 2022-2023

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NEW BRUNSWICK
ENERGY & UTILITIES BOARD
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ACTING CHAIRPERSON'S MESSAGE



I am honoured to present the New Brunswick Energy and Utilities Board's Annual Report for the fiscal period of 2022-2023, taking over this effort following the unexpected passing of our esteemed past chair, François Beaulieu. His dedication, leadership, and unwavering commitment to the Board's work and New Brunswickers have left an indelible mark on all who had the privilege of knowing him. It is with heavy hearts that we move forward without his guidance, but we are committed to continuing his legacy and leading this organization with dedication and integrity.

The Board has seen several changes over the past year. Our Board welcomed three new members this year, Heather Black, Christopher Stewart, and myself, each of us bringing valuable expertise and fresh perspectives to the complex matters that were presented. The Board also bid farewell to retiring member Michael Costello, whose contributions to the New Brunswick energy sector and to the Board will always be appreciated, and we wish him the very best in his future endeavours.

In addition to the entities it regulates, the Board considers New Brunswickers as important stakeholders in its mandate to provide fair, transparent, and open processes. In the past year, the Board has been very active, and we are mindful of the challenges faced by New Brunswickers, such as cost-of-living increases, economic uncertainty, and fluctuating world markets. Forty proceedings with varying levels of complexity included opportunities for public participation. Participation included written submissions, participation at public forums, or as a formal intervener in our hearing process either in person or through video conferencing platforms. As part of its efforts to encourage participation, the Board will continue to look at best practices.

There have been 52 price settings and 48 price interruptions for petroleum products in the past year. There were 73 inquiries received by the Board, most of them regarding motor fuel pricing. To address these inquiries, the Board continues to develop its website content. The Board recognizes that, as the complexity of the Board's functions and matters evolve, accessible information and education for the public through social media platforms is an emerging priority. As we move forward, we will continue to search for tools that will support our efforts, as we believe readily

available information, diverse perspectives, and expertise will make the process more effective.

In the coming year, we will continue to work on initiatives to increase the effectiveness and efficiency of our regulatory activities. After our year end, legislative changes added new mandates to the Board's responsibilities, including the mining sector and the independent adjudication in the financial and consumer services sectors. We will continue to listen, learn, and act with integrity to uphold our guiding principles as we move forward with our new and existing mandates.

In closing, I want to express my gratitude to our dedicated staff, Board members, and all stakeholders for their unwavering support and cooperation. Your commitment has been instrumental in the achievements of the past year, and I have no doubt that together we will overcome any challenges that lie ahead.

Sincerely,

A handwritten signature in green ink that reads "Stephanie Wilson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Stephanie Wilson
Acting 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 King'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 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:

- *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 operation budget for the Public Intervener for the Energy Sector to 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.

The Board finished the fiscal year with five Board members.

 <p>FRANÇOIS BEAULIEU Past Chairperson</p>	 <p>STEPHANIE WILSON Acting Chairperson and CEO</p>	 <p>HEATHER BLACK Member</p>
 <p>JOHN HERRON Member</p>	 <p>CHRISTOPHER STEWART Member</p>	

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ELECTRICITY

The Board is responsible for setting electricity rates for NB Power customers. The Board also approves the tariff for the provision of electricity transmission services. According to section 107 of the Electricity Act, NB Power is also required to seek the Board's approval for capital projects costing \$50 million or more.

In July 2022, a hearing was held regarding NB Power's Transmission Revenue Requirements. Final arguments were heard in September, with the Decision being rendered in December 2022. A number of changes were ordered in the Decision, including the disallowance of \$900 thousand in operations, maintenance and administration expenses. NB Power filed a general rate application in October 2022 for rates to take effect on April 1, 2023. The Board held a hearing on the application in February. The Board approved an increase of 5.7 percent for all customer classes starting April 1, 2023.

In March 2023, the Board approved the addition of a credit for all customers due to the variance accounts in accordance with the Electricity Act. The variance account applies to costs related to fuel and purchased power, export sales, and in-province revenue. Differences between forecasted and actual costs and revenues are captured by the variance account. In the case of a surplus in the variance account where NB Power earns more or spends less than expected, customers receive a credit on their bills. In the event of a deficit in the account, NB Power will collect the shortfall through a surcharge added to customers' bills. For 2023-2024, the credit approved by the Board was 0.12 cents per kilowatt hour for residential customers.

In June 2023, The Board heard NB Power's rate design application. This application is the first in a series of applications that will deal with the complex issue. The mechanism for NB Power to collect its required revenue from its customers is based on its rate design. It can be done through monthly charges, per kilowatt-hour charges, or charges based on peak usage. NB Power's customer classes and the way it charges for its services will be reviewed by the Board within the next few years. A decision is pending.

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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.

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

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

Reliability Standards

There are six 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.

When a reliability standard receives regulatory approval in the United States, NB Power is required to submit a corresponding proposal to the Board for approval, with appropriate modifications for New Brunswick. During the 2022-2023 reporting period, the Board approved revisions to sixteen reliability standards. There are 103 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.

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 2022-2023 registered entities submitted 158 compliance self-certification and data submittal reports to the Board for review through the compliance program.

The Board approved two mitigation plans filed by a registered entity to address Operations and Planning reliability standard Violations. These low-risk Violations were fully mitigated.

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. 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

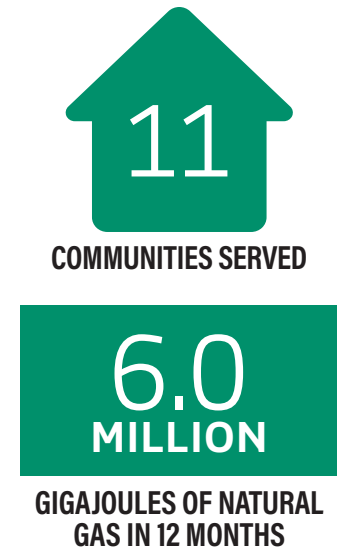
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NATURAL GAS

The Board's primary role with respect to the natural gas market in New Brunswick is to regulate the activities of the holders of natural gas franchises to distribute natural gas in the Province.

As of March 31, 2023, the natural gas distribution system had 12,528 customers. After the recent expansion in Havelock, the system now serves 11 communities and delivers over 6 million gigajoules of natural gas.



Liberty Cost of Capital

Liberty Utilities filed an appeal with the New Brunswick Court of Appeal regarding the Board's Decision on its 2021 Cost of Capital application. The Court of Appeal remitted the matter to the Board for rehearing. The rehearing was held in September 2022, with a Decision issued in November. In its Decision, the Board approved a revised return on equity of 9.8 percent effective December 1, 2022.

Liberty Natural Gas Sales Review

Annually, the Board reviews the sales of natural gas by Liberty to customers. To prevent unfair competition with other gas marketers in the province, Liberty is prohibited from making or losing money on its natural gas commodity sales. Consequently, the company must price its gas to reflect its costs and anticipated sales; inadvertent losses or gains from gas sales must be recouped or rebated over time. Board Staff review Liberty's sales of Natural Gas to ensure the process follows the regulation.

Within the fiscal year, the Board reviewed Liberty's 2020 and 2021 Natural Gas Sales.

As part of the annual review, Board Staff review the competitiveness of Liberty's gas price, the calculation for lost and unaccounted for gas that leaves the system, and Liberty's overhead and corporate allocation costs are being recorded fairly to their business activities in New Brunswick.

Liberty Lost and Unaccounted for Gas Review

In 2022 the Board reviewed the methodology of calculating, allocating, and financially settling lost and unaccounted for gas on the Liberty Utilities distribution system, as contemplated in a previous Board decision. The Board concluded no changes to the previously approved methodology.

Liberty Distribution Rate and other charges Application for 2023

Liberty filed its distribution rate application for 2023 in March of 2023. A hearing was held in Saint John in July of 2023. A decision is currently pending.

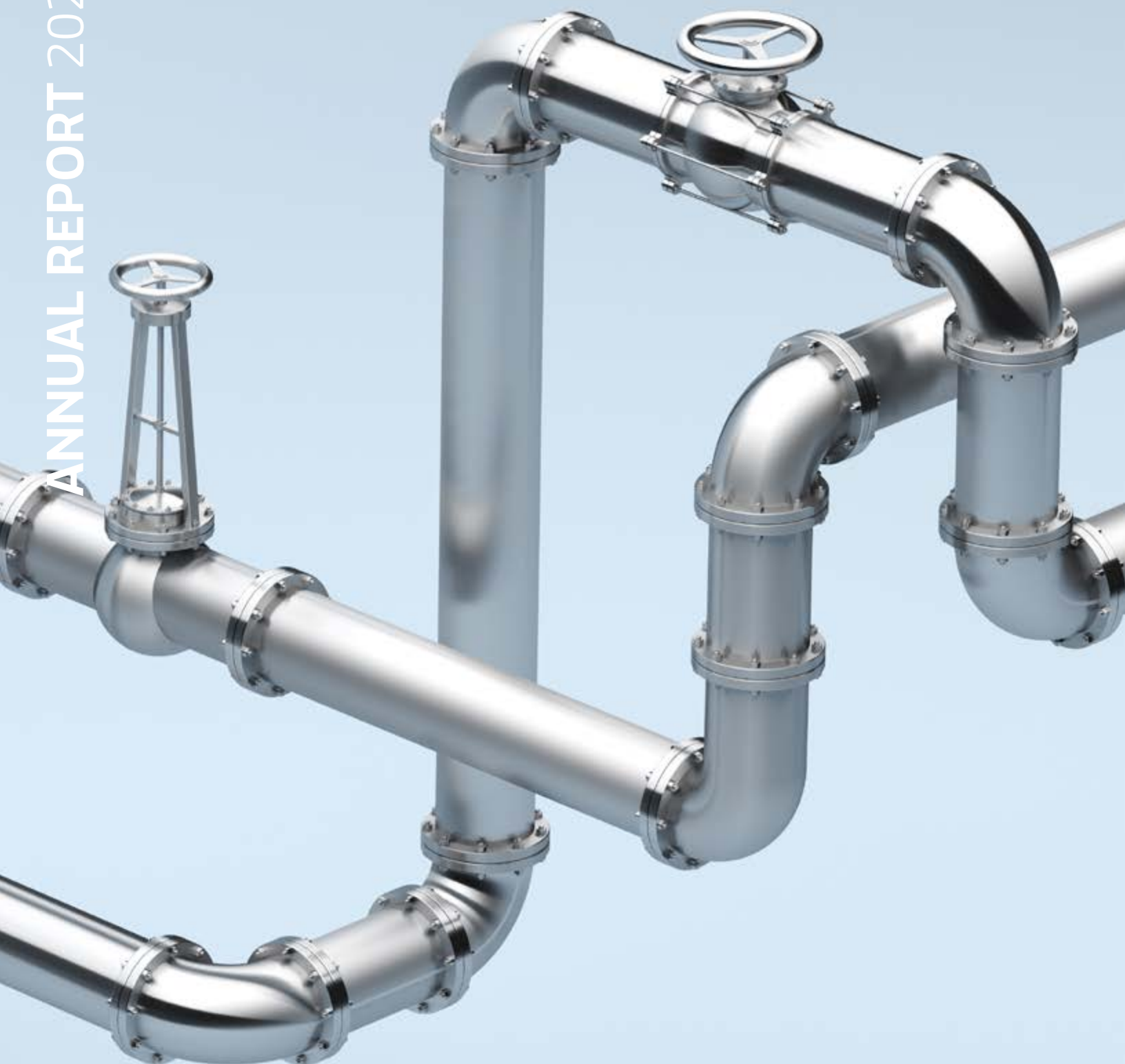
Natural Gas Marketers

During the fiscal year, the Board granted Gas Marketer's Certificates to BP Canada, Irving Energy Services Limited, New Brunswick Energy Marketing Corporation, Repsol Oil & Gas Canada Inc. and Repsol Energy North America Canada Partnership.

Potash Corporation of Saskatchewan Inc. Local Gas Producer Franchise Agreement

The Board held a hearing related to an application from Potash Corporation of Saskatchewan Inc. for renewal of its Local Gas Producer Franchise Agreement. The Board issued a decision in May 2022 extending the agreement for 20 years.

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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 1,461 km of intra-provincial pipelines, including 1,328 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 comprised of third-party damage to installed pipelines by excavation contractors. In 2022-2023, there were 10 such incidents.

Atlantic Canada Common Ground Alliance

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

Pipeline Matters

During 2022-23, the Board made several decisions in relation to pipeline activity, as outlined below:

Liberty Utilities was granted approval on April 21, 2022 to relocate approximately 155 meters of a natural gas pipeline on Brookside Drive in Fredericton.

On May 4, 2022 the Board approved an application from Irving Oil Limited to relocate 185 meters of the Lorneville Pipeline operating under License PLL 88-11. This relocation was necessary to facilitate maintenance and improvements to the bridge’s structure.

The Board approved an application from NB Power on June 29, 2022 for the abandonment of a fuel pipeline in Dalhousie, NB. This approval included the removal of approximately 2,900 meters of above-ground pipeline; the abandonment in place of approximately 600 meters of pipeline in three tunneled sections; and the abandonment in place of approximately 160 meters of buried pipeline.



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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.

For most of the fiscal year, weekly maximum price settings took effect every Thursday. In December 2022, changes were made to the *Petroleum Products Pricing Act*. One such change was that price settings now take place every Friday. Changes to the Act also included the addition of a Cost of Carbon Adjustor and Market Adjustor to the maximum petroleum product prices.

In December 2022, the amounts for these adjustors were both set at zero.

The Board commenced a process to determine the Cost of Carbon Adjustor, with a hearing to be held in April 2023.

The Board accepted initial submissions on the methodology used to adjust the benchmark prices for motor and heating fuels. A further process will be set by the Board on this issue in the next fiscal year.

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 margin review hearing was held in October 2022.

At the end of the fiscal year, the Board-approved margins were as outlined in the table at the bottom of this page.

Site Inspections

As part of its ongoing market monitoring responsibilities, Board staff conducts site inspections and retailer visits to ensure regulatory compliance. In 2022-2023, staff inspected approximately 65 motor fuel retailer sites.

Inquiries

Board staff responded to 69 petroleum products inquiries, representing approximately 95% 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.

FUEL TYPE	WHOLESALE MARGIN	RETAIL MARGIN	MAX. DELIVERY COST	MAX. FULL SERVICE COST
Motor Fuel	6.51	8.46	3.75	3.00
Furnace Oil	5.50	27.21	5.00	n/a
Propane	25.0	25.0	10.0	n/a

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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

In 2022-2023 the Board approved five new motor carrier licences, while 22 motor carriers renewed their licences (up from 16 in 2021-2022). Additionally, the Board issued 198 motor carrier plates to licenced carriers (up from 141 in 2021-2022).

In March 2023, the Board granted a license to operate a public motor bus as a scheduled service to the Acadian Peninsula Regional Service Commission (APRSC). Following the granting of their license, the APRSC made an application for approval of their rates and schedules. The hearing was scheduled to be held in May 2023.

Fares

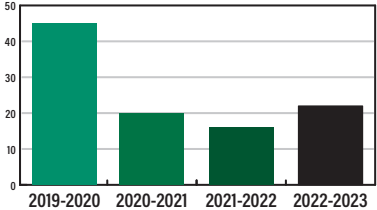
In its regulation of fares, the Board implemented a fuel surcharge mechanism in 2012 for Coach Atlantic Transportation Group Inc. (Coach Atlantic). This provides relief to the carrier with an efficient regulatory response due to fluctuating diesel fuel prices at New York Harbor. Legislation permits the 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.

Routes and schedules

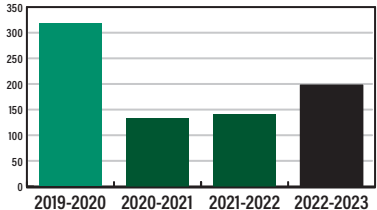
Every licensed carrier is deemed by legislation to be a public utility and may not abandon or discontinue a service under its licence without an order of the Board, following a hearing. In this mandate, the Board exercises supervision over the activities of scheduled service motor carriers, including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

.....

Renewals



Plates



AUDITED
FINANCIAL
STATEMENTS

MARCH 31, 2023

To the Vice 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, 2023, 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, 2023, 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 1, 2023



CHARTERED PROFESSIONAL ACCOUNTANTS

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
FINANCIAL ASSETS		
Cash	\$ 828,281	\$ 944,832
Accounts receivable (Note 4)	<u>209,319</u>	<u>218,850</u>
	<u>1,037,600</u>	<u>1,163,682</u>
 LIABILITIES		
Accounts payable and accrued liabilities (Notes 5 and 11)	1,333,319	277,026
Reserve for future hearings and service to the sector (Note 12)	<u>384,648</u>	<u>541,078</u>
	<u>1,717,967</u>	<u>818,104</u>
 NET FINANCIAL (DEBT) ASSETS	<u>(680,367)</u>	<u>345,578</u>
 NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	28,423	26,904
Prepaid expenses	<u>271,587</u>	<u>230,915</u>
	<u>300,010</u>	<u>257,819</u>
 ACCUMULATED (DEFICIT) SURPLUS	<u>\$ (380,357)</u>	<u>\$ 603,397</u>

COMMITMENTS (Note 14)

APPROVED ON BEHALF OF THE BOARD:

 Vice Chairperson

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CHANGE IN ACCUMULATED SURPLUS BY SECTOR

FOR THE YEAR ENDED MARCH 31, 2023

	Balance at Beginning of <u>Year</u>	Surplus (Deficit)	Balance at End of <u>Year</u>
ELECTRICITY SECTOR	\$ 579,625	\$(1,061,919)	\$ (482,294)
NATURAL GAS SECTOR	(59,876)	120,883	61,007
PIPELINE SECTOR	83,648	(42,718)	40,930
PETROLEUM SECTOR	-	-	-
MOTOR CARRIER SECTOR	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 603,397</u>	<u>\$ (983,754)</u>	<u>\$ (380,357)</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

AS AT MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
Deficiency of revenue over expenses	\$ (983,754)	\$ (473,725)
Purchase of tangible capital assets	(22,332)	-
Amortization of tangible capital assets	20,403	25,923
Loss (gain) on sale of tangible capital assets	<u>409</u>	<u>-</u>
	(985,274)	(447,802)
Decrease in prepaid expenses	<u>(40,671)</u>	<u>(45,533)</u>
DECREASE IN NET FINANCIAL (DEBT) ASSETS	(1,025,945)	(493,335)
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	<u>345,578</u>	<u>838,913</u>
NET FINANCIAL (DEBT) ASSETS AT END OF YEAR	<u>\$ (680,367)</u>	<u>\$ 345,578</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2023

	<u>2023</u> Budget	<u>2023</u> Actual	<u>2022</u> Actual
REVENUE			
Electricity Sector (Note 7)	\$ 2,951,539	\$ 2,412,012	\$ 1,944,757
Natural Gas Sector (Note 8)	542,344	608,772	486,080
Pipeline Sector (Note 9)	611,556	536,145	453,423
Petroleum Sector (Notes 10 and 12)	<u>688,646</u>	<u>714,068</u>	<u>711,473</u>
	<u>4,794,085</u>	<u>4,270,997</u>	<u>3,595,733</u>
DIRECT EXPENSES			
Electricity Sector	1,062,099	1,695,097	721,304
Natural Gas Sector	52,994	46,142	176,441
Pipeline Sector	-	13,315	13,625
Petroleum Sector (Note 12)	<u>99,106</u>	<u>202,346</u>	<u>87,807</u>
	<u>1,214,199</u>	<u>1,956,900</u>	<u>999,177</u>
NET REVENUE BEFORE COMMON EXPENSES	<u>3,579,886</u>	<u>2,314,097</u>	<u>2,596,556</u>
COMMON EXPENSES			
Salaries and benefits	2,717,966	2,585,783	2,426,974
Office and administration (Note 14)	705,930	591,649	584,120
Training	119,299	100,016	33,264
Amortization	<u>36,691</u>	<u>20,403</u>	<u>25,923</u>
	<u>3,579,886</u>	<u>3,297,851</u>	<u>3,070,281</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ -</u>	<u>\$ (983,754)</u>	<u>\$ (473,725)</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
CASH PROVIDED BY (USED IN)		
Operating activities		
Deficiency of revenue over expenses	\$ (983,754)	\$ (473,725)
Item not involving cash		
Amortization	<u>20,403</u>	<u>25,923</u>
	(963,351)	(447,802)
Changes in non-cash working capital balances		
Accounts receivable	9,531	(178,973)
Prepaid expenses	(40,671)	(45,533)
Accounts payable and accrued liabilities	1,056,293	25,150
Reserve for future hearings and service to the sector	<u>(156,430)</u>	<u>11,970</u>
	<u>(94,628)</u>	<u>(635,188)</u>
Investing activities		
Purchase of tangible capital assets	(22,332)	-
Loss (gain) on disposal of tangible capital assets	<u>409</u>	<u>-</u>
DECREASE IN CASH	(116,551)	(635,188)
CASH AT BEGINNING OF YEAR	<u>944,832</u>	<u>1,580,020</u>
CASH AT END OF YEAR	<u>\$ 828,281</u>	<u>\$ 944,832</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	<u>\$ 53,224</u>	<u>\$ 15,100</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

1. PURPOSE OF THE ORGANIZATION

The Board is comprised of five full time members (see note 15). 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, 2023

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, 2023:

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, 2023

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>2023</u>	<u>2022</u>
Trade accounts receivable	\$ 31,362	\$ 11,183
HST receivable	77,390	33,571
Public intervenor assessments (Note 11)	96,196	173,084
Travel advances	<u>4,371</u>	<u>1,012</u>
	<u>\$ 209,319</u>	<u>\$ 218,850</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2023</u>	<u>2022</u>
Trade accounts payable	\$ 1,216,217	\$ 133,193
Due to Province of New Brunswick	768	-
Wages and benefits	<u>116,334</u>	<u>143,833</u>
	<u>\$ 1,333,319</u>	<u>\$ 277,026</u>

6. TANGIBLE CAPITAL ASSETS

	<u>2023</u>			<u>2022</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 60,890	\$ 40,874	\$ 20,016	\$ 11,291
Vehicles	<u>83,912</u>	<u>75,505</u>	<u>8,407</u>	<u>15,613</u>
	<u>\$ 144,802</u>	<u>\$ 116,379</u>	<u>\$ 28,423</u>	<u>\$ 26,904</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

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>2023</u>	<u>2022</u>
Estimate of common expenses	\$ 1,889,440	\$ 1,680,820
Estimate of direct expenses	<u>1,062,100</u>	<u>1,187,700</u>
	2,951,540	2,868,520
Surplus from prior year	<u>(579,625)</u>	<u>(936,959)</u>
Assessment of electric utilities	2,371,915	1,931,561
Add: other income (expenses)	(409)	-
Add: interest income	<u>40,506</u>	<u>13,196</u>
	<u>\$ 2,412,012</u>	<u>\$ 1,944,757</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>2023</u>	<u>2022</u>
Estimate of common expenses	\$ 489,350	\$ 410,688
Estimate of direct expenses	<u>52,994</u>	<u>84,529</u>
	542,344	495,217
Deficit (surplus) from prior year	<u>59,876</u>	<u>(10,108)</u>
Assessment of natural gas distributors	602,220	485,109
Add: other income	2,072	971
Add: interest income	<u>4,480</u>	<u>-</u>
	<u>\$ 608,772</u>	<u>\$ 486,080</u>

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

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>2023</u>	<u>2022</u>
Estimate of common expenses	\$ 611,556	533,628
Estimate of direct expenses	<u>-</u>	<u>47,946</u>
	611,556	581,574
Surplus from prior year	<u>(83,648)</u>	<u>(130,055)</u>
Assessment of pipeline owners	527,908	451,519
Add: interest income	<u>8,237</u>	<u>1,904</u>
	<u>\$ 536,145</u>	<u>\$ 453,423</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, \$416,712 (2022 - \$267,710) was remitted to the Minister of Finance. The funds remitted consisted of direct assessments collected from the Electricity, Natural Gas and Pipeline Sectors totaling \$339,235 (2022 - \$263,285), and \$74,639 (2022 - \$4,425) 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 (2022 - \$nil) due to the Minister of Finance as at March 31, 2023. There were \$96,196 of assessments due to the Board at March 31, 2023.

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

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>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 541,078	\$ 529,108
Add: levies contributed to the reserve	-	11,970
Less: hearing costs during the year	<u>156,430</u>	<u>-</u>
Balance at end of year	<u>\$ 384,648</u>	<u>\$ 541,078</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 two fiscal years are as follows:

2024	\$ 176,160
2025	<u>58,720</u>
	<u>\$ 234,880</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 \$2,542.

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2023

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:

2024	\$	37,144
2025		<u>34,048</u>
	\$	<u>71,192</u>

15. SUBSEQUENT EVENT

Subsequent to the yearend, the Chairperson passed away. A Vice Chairperson has been appointed to carry out the duties of the Chairperson until such time a new Chairperson is appointed. The Board is comprised of four members as of June 1, 2023.

16. EXECUTIVE DIRECTOR- FINANCE

Internal financial accounting and reporting is completed under my supervision as Executive Director- Finance for the Board. I confirm that the audited financial statements as at March 31, 2023, as prepared by Teed Saunders Doyle accurately report the financial results of the Board for the fiscal year 2022-2023.



Michael Dickie CPA, CGA
Executive Director - Finance

