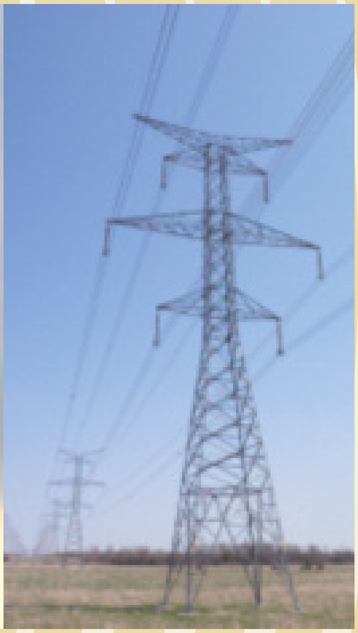


Giving Balance

NEW BRUNSWICK ENERGY AND UTILITES BOARD ANNUAL REPORT 2007-2008

Chairman's Message

In accordance with Section 22 of the EUB Act, I am pleased to present the Annual Report of the New Brunswick Energy and Utilities Board (Board) for the fiscal year ending March 31, 2008.

The Board has regulatory responsibilities under various Acts, primarily involving electricity, pipelines, natural gas, petroleum products and public motor buses. The Board operates with funds received from the industries it regulates with the exception of the public motor bus industry where it carries out its responsibilities with funds from the Provincial Department of Transportation.

Last year, during the second session of the 56th Legislative Assembly, the Legislature empowered the Board to regulate the Pay Day Loan industry. This legislation has not yet been proclaimed, but the Board has begun to explore the requirements of this legislation in order to deal with the challenges going forward.

The Board has a full-time staff of 16, including the Chair and Vice Chair, and 8 part-time members. The Board members and staff are dedicated to providing New Brunswick with effective and efficient service within the jurisdiction of the Board, and I wish to acknowledge their significant contributions over the past year.

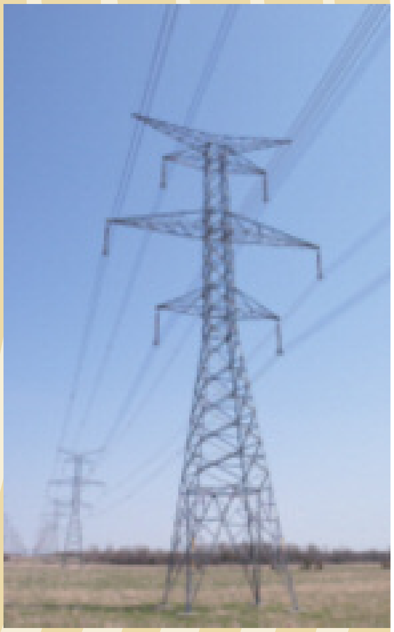
The Board looks forward to serving the The Board looks forward to serving the people of New Brunswick and meeting new challenges in the coming year.

Sincerely,

Raymond Gorman, Q.C.

The Board members and staff are dedicated to providing New Brunswick with effective and efficient service within the jurisdiction of the Board.

Introduction



The Board strives to carry out its duties in a fair, independent and accessible manner.

The New Brunswick Energy and Utilities Board is an independent quasi-judicial body created by the legislature to regulate the charges passed on to consumers by utilities. The Board strives to carry out its duties in a fair, independent and accessible manner.

The principle behind such utility regulation is that there are some industries where it is in society's interest to give one company a monopoly to serve a market. In exchange this type of natural monopoly, the company gives up the right to set its own rates and tolls. Instead the utility's rates must be approved by a regulatory board which considers what is just and reasonable for both the consumer and the utility.

The Board has been given jurisdiction to regulate the charges rates and tolls for the NB Power Distribution Company as well as other specific aspects of the electricity market. The board regulates portions of the natural gas, motor carrier and pipeline sectors. Additionally, the Board ensures the safe construction and operation of pipelines carrying natural gas, petroleum products and hazardous materials.

In recent years, the Board's responsibilities have been expanded to include the administration of a formula to set maximum prices for petroleum products. Most recently the Board was given the job of setting interest rates for pay day loans.

The Board's responsibilities are carried out by a staff of 16 people including a full-time chair and vice-chair. In addition there are eight part-time Board members appointed for terms of various lengths by the Lieutenant Governor-in-Council.

The Board's day-to-day operations are paid for by the industries they regulate in a series of levies and fees. In the case of electricity, natural gas and pipelines the costs are divided up proportionally. In these three industry sectors costs directly related to hearings are paid for by the applicant. In the case of petroleum products, the operations and hearing costs are paid for by a flat levy on petroleum product sales of 25 cents for every 1000 litres sold. In the case of motor carrier regulation, the Board receives a small grant from the Province of New Brunswick to offset the costs of regulation.

The Legislation

Energy and Utilities Board Act
Electricity Act
Gas Distribution Act
Pipeline Act
Petroleum Products Pricing Act
Payday Loans Act
Motor Carrier Act

THE BOARD

Full-time Members	
Raymond Gorman Q.C.	Saint John
Cyril Johnston	Moncton

PART-TIME MEMBERS

Don Barnett	Fredericton
Wanita McGraw	Shippigan
Roger McKenzie	Saint John
Edward McLean	Saint John
Connie Morrison	Bathurst
Yvon Normandeau	Caraquet
Robert Radford	Pointe-du-Chene
Steve Toner	Grand Falls

STAFF

Raymond Gorman, Q.C.	Chair and CEO
Cyril Johnston	Vice-Chair
Lorraine Legere	Secretary to the Board
Ellen Desmond	Director, Legal and Administration
Doug Goss	Director, Regulatory Affairs and Finance
Todd McQuinn	Director Pipeline Safety
Juliette Savoie	Assist. Secretary to the Board
Joan Chamberlain	Assistant to the Chair and the Vice-Chair
Tracy Cyr	Administrative Assistant
Nadine McCormick	Administrative Assistant
David Rhydwen	Pipeline Inspector
Ian McDonald	Pipeline Inspector
Don Persaud	Pipeline Inspector
John Lawton	Senior Advisor
Trudy Atherton	Payroll and Accounts Administrator
David Keenan	Advisor
David Young	Advisor

The Board's responsibilities are carried out by a staff of 16 people including a full-time chair and vice-chair.

Electricity

In February, the Board issued a decision approving an average increase of 5.9 percent and ordering a rebate to customers for the amount overpaid.

On April 19, 2007 the New Brunswick Power Distribution and Customer Service Corporation applied to the Board for an increase in its rates of 9.6 per cent. At the same time, the company asked the Board for approval of an interim rate increase pending the outcome of the application. After hearing from the company and interested parties on May 31, 2007 the Board approved the interim rate increase of 9.6 per cent. The Board ordered the filing of a plan to repay customers should the Board rule the full increase unwarranted.

The Board was also asked by the company, and some intervenors, to clarify the role of the generation costs in the upcoming hearing. The Board issued a decision on this issue on July 16, 2007.

In August, the Distribution Company applied to the Board to amend its application and lower the requested increase. The amendment stemmed from the settlement of a lawsuit with the Venezuelan oil company PDVSA for the supply of Orimulsion to the company. The applicant requested to lower the average increase so the increase from the previous year would have been 7.1 percent. The interim increase would have been lowered by the same amount. As part of this amendment the company requested approvals for the establishment of a deferral account to allow for the leveling out of the benefits to customers over 23 years. The Board heard argument on the issue on August 17 and issued a decision on August 23, 2007. The Board ruled that the deferral account should only be for 17 years. The result was to lower the average rate increase and the corresponding interim increase to 6.4 per cent.

The full hearing commenced on Nov. 26, 2007 and concluded after 14 hearing days. As in past hearings, the Board held a "public day" to hear from informal intervenors and the general public. The Board listened to presentations from seven groups representing wide range of consumers. In February, the Board issued a decision approving an average increase of 5.9 percent and ordering a rebate to customers for the amount overpaid. The Board also ordered that the declining block rate structure be eliminated by April 2010. The declining block provides a discount on electricity use above 1300 kWh a month.

At the end of February, the company informed that Board that on April 1, 2008 it would be increasing its rates by 3 percent as per Section 99 of the Electricity Act. In early March the Board was directed by the Minister to investigate and report back concerning the decisions by NB Power Distribution to increase its rates. This investigation was ongoing at the end of the reporting period and was expected to be complete by the end of June.

In the fall of 2007 the New Brunswick System operator applied to the Board for approval of a proposed allocation of its operating surplus to 2006-2007. The surplus was approximately $1.87 million. The Board adopted a process of alternative dispute resolution to allow interested parties to explore their interests and come up with an interest-based solution. A technical conference was held and a proposal was brought forward that was agreed to by all parties. The Board adopted this solution.

March of 2007 bought the expiration of the electricity licences issued to market participants when the electricity market was restructured in 2002. The Board established a process for renewal and approved licence renewals.

Natural Gas

The Board's activities in the natural gas market were dominated by two applications by Enbridge Gas New Brunswick (EGNB) for rate increases.

In November EGNB applied to the Board to increase its distribution rate for customers in the Contract Large General Service-Light Fuel Oil class. The applicant requested approval for an increase from $2.3910/GigaJoule of Natural Gas delivered to $4.5420/GJ.

When the company's general franchise agreement was established it was decided that setting rates based on the cost of service would not be feasible in the early stages of the development of the market. As a result, a formula was established to set rates based on energy markets during the development period. The development period is approved until the end of 2010.

Under the current market-based formula, the distribution rates charged by EGNB are designed to provide an incentive for customers to convert to natural gas. To do this EGNB calculates the cost of heating using an alternative fuel. The company then calculates a distribution rate so that the cost of heating with natural gas provides a specified target savings. The result of this system is that as long as the gap between the price of the alternative fuel and natural gas remain relatively constant, the distribution rate will be relatively constant. As the gap between the two commodities increases, EGNB has an opportunity to increase the distribution rate and reduce additions to its deferral account.

As a result of the LFO application two customers - Atlantic Wallboard and Flakeboard Ltd. - took an active part in the hearing as formal intervenors. Atlantic Wallboard filed a motion to have the Board rule that the development period is over and the application be delayed until a new method of rates is established.

The Board ruled that the development period was not over yet and so market-based rates would continue for the immediate future. However the Board also directed staff to organize a meeting to begin discussions about what criteria should be used to determine the end of the development period. The hearing for the LFO class rate increase was held in February.

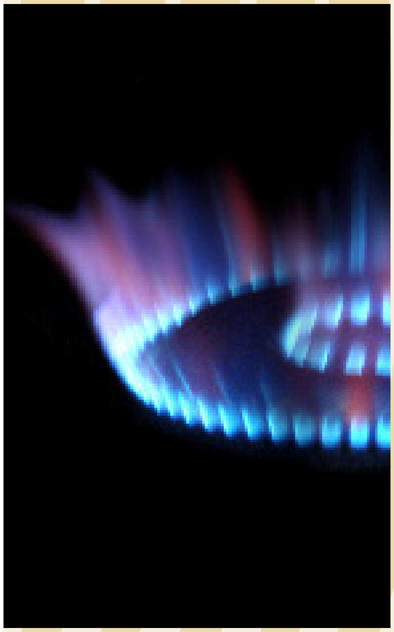
The second application from EGNB was received in December of 2007. The company applied to raise rates for most of its other classes, the exception being the Heavy Fuel Oil Class. A public intervenor was appointed represent EGNB customers in this rate hearing. The hearing for this class was held in late March.

A decision for both applications was issued early in April (after the start of the new fiscal year). In the decision the Board approved increase for all classes but it also noted that there is far more judgment involved in the implementation of the market-based rate formula than is necessary. The Board instructed staff to begin a process to resolve any issues of judgment in the formula. Both this process and the meeting to determine the criteria for the end of the development period have begun.

Aside from rate applications the natural gas distribution network grew in 2007-2008. By the end of the reporting period, EGNB had 8,370 customers on the distribution system. This is an increase of more than 2000 customers from the end of March 2007. About 70 percent of the customers are residential.

The throughput on the system in 2007 was 4,469.2 terrajoules of Natural Gas. This was below company forecasts for the year. During the First quarter of 2008 the throughput was 2004.4 terrajoules which is about 14 percent behind forecast.

Currently the system serves the communities of Fredericton, Oromocto, St. Stephen, St. George, Saint John, Moncton, Riverview and Dieppe. In 2007, the Board approved the expansion of the network into Sackville.



The Board also directed staff to organize a meeting to begin discussions about what criteria should be used to determine the end of the development period.

Pipeline

Enbridge Gas New Brunswick has installed approximately 35 km of pipeline. Inspectors from the Pipeline Safety Division inspected the installation of this pipe.

The Pipeline Safety Division's mandate is to promote safety and to ensure that companies design, construct, operate and abandon pipelines under the Board's jurisdiction in a manner that provides for the safety of the public and company employees, as well as the protection of property and the environment.

This is accomplished through the Safety Divisions use of inspection, education, compliance audits and damage prevention programs.

This year, to date, Enbridge Gas New Brunswick has installed approximately 35 km of pipeline. Inspectors from the Pipeline Safety Division inspected the installation of this pipe.

Corridor Resources applied for and was issued a permit in September 2007 to construct pipelines and 3 well site production facilities as part of their 2007 natural gas gathering system expansion in Penobsquis. The existing operating license was revised in February and March of 2008 as part of this expansion.

Enbridge Gas New Brunswick applied for and was issued a pipeline operating licence for Sackville in January 2008.

Potash Corporation of Saskatchewan (PCS) applied for and was issued a permit in November of 2007 to connect their natural gas production facilities in Penobsquis to Corridor Resources gathering system. The existing operating license was revised in January of 2008 as part of this project.

Irving Oil Limited was granted permission by the Board to temporarily suspend operations of the fuel oil pipeline to the NB Power's Coleson Cove Generating facility in February 2008. Operations are expected to resume in the fall of 2008.

The Safety Division will carry out general pipeline safety compliance audits of Xstrata's Brunswick Mine ARD disposal pipeline and NB Power's Dalhousie Generating Station fuel supply pipeline. Construction, operations and maintenance procedural manuals and records will be reviewed and compared against the requirements of the Pipeline Act, 2005 and regulations including the CSA Standard - Z662 Oil and Gas Pipeline Systems.

Petroleum

The Board administers the formula to set maximum prices for petroleum products including all grades of gasoline, diesel fuel, heating oil and propane used for heating. As part of this jurisdiction the Board monitors market prices for these products at the New York Harbour market. Average market prices are calculated then the margins, as stipulated by regulation and the appropriate taxes are added to arrive at a maximum price for both wholesalers and retailers.

In April of 2007 the Lieutenant Governor in Council approved new regulations to change the way the price is calculated. Most significantly, under the new regulations the length of time maximum prices stay in effect is reduced from two weeks to one week. The changes also included amending the threshold which must be met for the Board to interrupt the price cycle and reset the maximum price. The result of this change was a significant reduction in the price interruptions during the year compared to the year previously.

The Board also has responsibility to handle complaints from consumers who feel they have paid more than the regulated maximum price. In the past year the Board has received four complaints of overcharging. Three of these complaints have involved allegations that a retailer overcharged a consumer while on charge was that a wholesaler overcharged a retailer. Three of the four complaints had been resolved at the end of the reporting period.

Under the new regulations there was a significant reduction in the price interruptions during the year compared to the year previously.

Motor Carrier

The Board approved the increase and in doing so noted that Acadian would not be profitable in its New Brunswick operation even with the increase.

The Board regulates the Motor Carrier industry through the licensing of charter buses as well as the setting of fares for scheduled service.

In May of 2007 the Board held a joint hearing in Sackville with the Nova Scotia Utility and Review Board. The two Boards heard an application from Acadian Coach Lines to increase fares in both New Brunswick and Nova Scotia by an average of 2.9 percent. The company wanted to increase its ticket prices by $1 to $2 per zone of distance for zones 4 to 52. The Board approved the increase and in doing so noted that Acadian would not be profitable in its New Brunswick operation even with the increase.

The Board also heard an application by Acadian to discontinue Trip 10 from its schedule. Trip 10 departs from St. Stephen at 7:15 a.m. and arrives in Saint John at 8:30 a.m. each weekday. The company provided ridership and financial figures for the run which showed the company was losing considerable amounts on money on the service. The Board approved the application.

Subsequently the Board received an application from HMS Transportation of Saint Andrews to begin a daily service between St. Andrews and Saint John which would stop in St. Stephen, St. George and Pennfield. The Board held a hearing on September 18 and approved the application.

In June of 2007 Saint John Transit applied to amend its licence to allow for the commencement of scheduled services between Saint John and the communities of Grand Bay/Westfield, Hampton and Rothesay. A hearing was held in August of 2007 and the application was approved for commuter service to begin in September of 2007.

The Board also has the responsibility for the licensing of Charter bus service. The Board activities in this area are summarized below.

CHARTER APPLICATIONS

Received	6
Opposed	0
Granted (as advertised)	3
Granted (with amendments)	0
Abandoned, Withdrawn or dismissed	3

SCHEDULED SERVICE APPLICATIONS

Received	1
Opposed	0
Granted (as advertised)	1
Granted (with amendments)	0
Abandoned, Withdrawn or dismissed	0

LICENCES

Denied	0
Cancelled or Revoked	0
Active at Year End	42

MOTOR CARRIERS

Plates Issued	254
No. of Temporary Permits Issued to Unlicensed Carriers	3
No. of Temporary Permits Issued to Licensed Carriers	9

Board Members


Raymond Gorman


Cyril Johnston

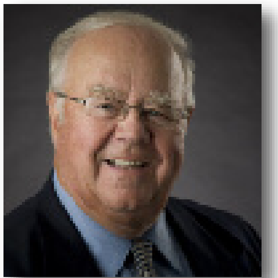

Don Barnett

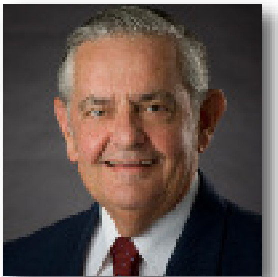

Wanita McGraw

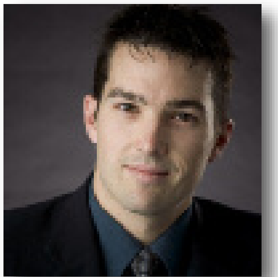

Roger McKenzie


Edward McLean


Connie Morrison


Yvon Normandeau


Robert Radford


Steve Toner

Consolidated Sector Totals

2007-2008 Budget vs. Actual Figures

	Budget	Actual		Difference
Salaries & Benefits	1,499,109	1,405,404	(note 1)	93,705
Training	167,190	102,474	(note 2)	64,716
Office & Administration	471,923	436,480	(note 3)	35,443
Common Expenses	2,138,222	1,944,358		193,864
Direct Expenses	709,500	347,840	(note 4)	361,660
Total Expenses	2,847,722	2,292,198		555,524

Notes:

1. Salaries and Benefits included an allowance for a new position with the Board that was not required in the year.
2. The Board was unable to complete the anticipated training for new Board members and staff due to a busier than anticipated regulatory schedule.
3. Costs for employee recruitment were considerably lower than forecast and a proposed website upgrade was not undertaken.
4. An anticipated second major electricity hearing did not occur.

Electricity Sector

2007-2008 Budget vs. Actual Figures

	Budget	Actual		Difference
Salaries & Benefits	588,971	545,347	(note 1)	43,624
Training	79,845	49,616	(note 2)	30,229
Office & Administration	176,803	162,541	(note 3)	14,262
Common Expenses	845,619	757,504		88,115
Direct Expenses	555,000	195,260	(note 4)	359,740
Total Expenses	1,400,619	952,764		447,855

Notes:

1 Salaries and Benefits included an allowance for a new position with the Board that was not required in the year.

2 Hearings in both the Electricity and Natural Gas Sector prevented new Board members and staff from completing the anticipated training.

3 Costs for employee recruitment were considerably lower than forecast and a proposed website upgrade was not undertaken.

4 Direct Costs for a rate hearing were lower than estimated and a second major hearing that was anticipated did not occur.

Natural Gas

2007-2008 Budget vs. Actual Figures

	Budget	Actual		Difference
Salaries & Benefits	292,710	260,131	(note 1)	32,579
Training	32,688	23,571	(note 2)	9,117
Office & Administration	83,824	78,018	(note 3)	5,806
Common Expenses	409,222	361,720		47,502
Direct Expenses	80,750	69,614	(note 4)	11,136
Total Expenses	489,972	431,334		58,638

Notes:

1 Salaries and Benefits included an allowance for a new position with the Board that was not required in the year.

2 Hearings in both the Electricity and Natural Gas Sector prevented new Board members and staff from completing the anticipated training.

3 Costs for employee recruitment were considerably lower than forecast and a proposed website upgrade was not undertaken.

4 Expenses were lower than forecast due to lower consultants costs.

Pipeline Sector

2007-2008 Budget vs. Actual Figures

	Budget	Actual		Difference
Salaries & Benefits	374,828	318,781	(note 1)	56,047
Training	38,688	21,505	(note 2)	17,183
Office & Administration	144,865	111,984	(note 3)	32,881
Common Expenses	558,381	452,270		106,111
Direct Expenses	13,750	22,966	(note 4)	(9,216)
Total Expenses	572,131	475,236		96,895

Notes:

1. Salaries and Benefits included an allowance for a new position with the Board that was not required in the year.
2. Hearings in both the Electricity and Natural Gas Sector prevented new Board members and staff from completing the anticipated training.
3. Costs for employee recruitment were considerably lower than forecast and a proposed website upgrade was not undertaken.
4. Direct Costs for a rate hearing were slightly higher than anticipated because of an unexpected proceeding.

Petroleum Wholesalers

2007-2008 Budget vs. Actual Figures

	Budget	Actual		Difference
Salaries & Benefits	242,600	281,145	(note 1)	(38,545)
Training	15,969	7,782	(note 2)	8,187
Office & Administration	66,431	83,937	(note 3)	(17,506)
Common Expenses	325,000	372,864		(47,864)
Direct Expenses	60,000	60,000	(note 4)	0
Total Expenses	385,000	432,864		(47,864)

Notes

1. Staff time required for this sector was higher than anticipated.
2. The Board was unable to complete the anticipated training for new Board members and staff due to a busier than anticipated regulatory schedule.
3. Regulation of this sector required more office and administration resources than was originally anticipated.
4. During the year the board established a reserve to assist in the cost of a future hearing. A hearing is planned for the Fall of 2008.