



DECISION

IN THE MATTER OF a hearing to Review the
New Brunswick System Operator's (NBSO) 2009-
2010 Revenue Requirement.

April 24, 2009

NEW BRUNSWICK ENERGY AND UTILITIES BOARD

New Brunswick Energy and Utilities Board

IN THE MATTER OF a hearing to Review the New Brunswick System Operator's (NBSO) 2009-2010 Revenue Requirement.

PARTICIPANTS:

BOARD

Chairman
Vice-Chairman
Member
Member

Mr. Raymond Gorman, Q.C.
Mr. Cyril Johnston
Ms. Constance Morrison
Mr. Yvon Normandeau

BOARD STAFF

Ms. Ellen Desmond
Mr. Douglas Goss
Mr. John Lawton
Mr. Dave Young
Ms. Lorraine Légère

APPLICANT

New Brunswick System Operator

Mr. Kevin C. Roherty
Ms. Margaret Tracy

FORMAL INTERVENORS

Hydro-Quebec

Ms. Hélène Cossette

Integrus Energy Services, Inc.
("Integrus")

Mr. David MacDougall
Mr. Edward Howard

NB Power Holding Corporation
("Holdco")

Mr. John Furey
Ms. Nicole Poirier

New Brunswick Power Distribution
And Customer Service Corporation
("Disco")

Mr. Blair Kennedy

New Brunswick Power
Generation Corporation ("Genco")

Mr. Kirby O'Donnell

PUBLIC INTERVENOR

Mr. Daniel Theriault, Q.C.
Ms. Jacquelyn Oakley
Mr. Robert O'Rourke

INTERESTED PARTIES

Department of Energy

Mr. Stephen Waycott

INTRODUCTION

The New Brunswick System Operator (“the NBSO”) was ordered, in a decision dated November 26, 2008, to have its revenue requirement for Schedules 1 and 2 of the Open Access Transmission Tariff (“OATT”) approved annually beginning with 2009-2010. The NBSO’s annual operating budget is funded from Schedule 1 revenue. Schedule 2 revenue provides for the supply of Reactive Supply and Voltage Control Services.

The New Brunswick Energy and Utilities Board (“the Board”) in a letter dated December 17, 2008, advised parties that a pre-hearing conference would be held on January 6, 2009 to establish the process to review the 2009-2010 revenue requirements. The NBSO filed its revenue requirement application and supporting evidence on January 26, 2009. An “*Erratum*” to the Schedule 1 evidence was filed by the NBSO on February 6, 2009.

Interrogatory responses were filed by the NBSO on February 9, 2009 and a Motions Day in respect to some responses was held on February 12, 2009. Responses to interrogatories arising from the Motions Day were filed by the NBSO on February 17 and 24, 2009.

The Public Intervenor filed evidence on February 24, 2009 that had been prepared by Mr. Kurt Strunk (“Strunk”) of National Economic Research Associates. Responses to interrogatories on Strunk’s evidence were filed on March 12, 2009.

The hearing was held on March 16 and 17, 2009.

Schedule 1 Service

Schedule 1 Service is a mandatory OATT service that is required to schedule the movement of power through, out of, within or into a Control Area. The proposed Schedule 1 revenue requirement reflected an increase for 2009-2010 of \$2.068 million from its forecast for 2008-2009. The NBSO identified 3 key business drivers that would require it to acquire additional resources and incur additional expenses to fulfill its mandate. These drivers are:

- Establishing the NBSO as a self-supporting organization by 2010-2011;
- Succession Planning; and
- The Evolution of Policy and Market Environments.

The NBSO cited the following major reasons for the increase in the revenue requirement for 2009-2010.

- Funding for 6 new positions;
- A 3% cost of living increase;
- Unfunded pension liability assessments for seconded staff;
- IT and Infrastructure costs;
- Building Operations and Maintenance (“O&M”), principally costs for acquiring and setting up new office space;
- Computer software;
- Data Communications (wind forecasting system);
- Consulting Services;
- Travel and Training; and
- Administration Costs.

The 2008-2009 approved revenue requirement included a contingency allowance of \$300,000 that is continued in this application.

The Board is mindful of the fact that the NBSO's approved revenue requirement can only be used to fulfill its Objects as identified in the Electricity Act (the Act). The NBSO's proposals to fulfill those Objects were the catalyst for much of the increase in the Schedule 1 revenue requirement.

At the hearing, parties took issue with the NBSO's interpretation of the Objects and how they should be fulfilled. The Objects identified in Section 42 of the Act are:

“Objects

42 The objects of the SO are

(a) to exercise and perform the powers, duties and functions assigned to the SO under this Act, the market rules and its licence,

(b) to enter into agreements with transmitters giving the SO the authority to direct the operations of their transmission systems,

(c) to direct the operation and maintain the adequacy and reliability of the SO-controlled grid,

(d) to procure and provide ancillary services,

(e) to maintain the adequacy and reliability of the integrated electricity system,

(f) to enter into interconnection agreements with transmitters,

(g) to work with responsible authorities outside New Brunswick to coordinate the SO's activities with their activities,

(h) to participate with any standards authority in the development of standards and criteria relating to the reliability of transmission systems,

(i) to undertake and coordinate power system planning and development responsibilities to maintain and ensure the adequacy and reliability of the integrated electricity system for present and future needs and for the efficient operation of a competitive market, and

(j) to facilitate the operation of a competitive electricity market.”

Schedule 2 Service

Schedule 2 is a mandatory OATT Ancillary Service for maintaining the voltages on the transmission system within acceptable limits. The NBSO has procurement contracts, which include escalation clauses based on the New Brunswick Consumer Price Index, to supply this service. In its evidence the NBSO identified the change in the revenue requirement as an increase of 2% over the rate that would otherwise go into effect on April 1, 2009, in accordance with the decision of November 26, 2008.

The Board’s Authority

The NBSO filed its application pursuant to Section 111 of the Act, which provides the Board with the authority to approve a tariff application as applied for or to set a tariff for whatever rate that it finds to be just and reasonable.

Section 111 of the Act states:

“Application for approval of tariff

111(1) The SO may make application to the Board for approval of a tariff pertaining to the provision of transmission services or ancillary services, or both.

111(2) *The Board shall, on receipt of an application from the SO for approval of a tariff pertaining to transmission services or ancillary services, or both, proceed under section 123.*

111(3) *When an application is made under this section for approval of a tariff pertaining to transmission services, a transmitter shall attend the hearing under section 123 for the purposes of defending its revenue requirements, and is deemed to be a party in the proceedings before the Board.*

111(4) *The Board shall, when considering an application by the SO in respect of an approval of a tariff pertaining to transmission services, base its order or decision respecting the tariff on all of the projected revenue requirements of the SO and the transmitters for transmission services and the allocation of such revenue requirements between the SO and the transmitters.*

111(5) *The Board shall, when considering an application by the SO in respect of an approval of a tariff pertaining to ancillary services, allow in its order or decision for mechanisms to recover the reasonable costs incurred by the SO in the acquisition and provision of ancillary services, or base its order or decision respecting the tariff on all of the projected revenues from the sale of ancillary services and all of the projected costs to be incurred by the SO in the acquisition or provision of ancillary services.*

111(6) *The Board at the conclusion of the hearing shall*
(a) Approve the tariff, if it is satisfied that the tariff applied for is just and reasonable or, if not so satisfied, fix such other tariff as it finds to be just and reasonable, and
(b) Set the time at which any change in the tariff is to take effect.”

Section 40 of the Energy and Utilities Board Act provides the Board with the authority to make an *Interim* order on any matter that is before it where the Board considers it advisable to do so.

Section 40 states:

“Interim orders

40(1)*The Board may, with respect to any matter before it, make an interim order where it considers it advisable to do so, and may impose such terms and conditions as it considers appropriate.*

40(2)*The Board may provide directions in the event that the interim order is different from the final order.*

40(3)*Section 104 of the Electricity Act does not apply to an interim order made by the Board with respect to charges, rates or tolls.”*

The application for the fiscal year 2009-2010 requested approval of the:

- Schedule 1 (Scheduling, System Control and Dispatch Service) revenue requirement in the amount of \$10.265 million; and
- Schedule 2 (Reactive Supply and Voltage Control) revenue requirement in the amount of \$5.752 million.

SCHEDULE 1 REVENUE REQUIREMENT

Proposed Expenses

Labour and Benefits \$6,831,000

The addition of 6 new staff positions, cost of living and merit increases and an assessment for an unfunded pension liability for seconded employees were identified by the NBSO as the primary reasons for the increased costs for labour and benefits in 2009-2010 over the previous year.

The NBSO proposed hiring 6 additional staff at a cost of \$363,000. The justification for the additional staff was described as succession planning, the movement toward operational self-sufficiency and the necessity to provide additional financial and economic analysis.

The forecast also included \$346,000 for cost of living increases and merit increases. A 3% cost of living increase took effect in January 2009 and a further 3% increase is scheduled for January 2010 for unionized employees in accordance with the terms of a collective agreement that expires on December 31, 2012. Non-union employees received a 3% cost of living increase in February 2009 and a further 3% increase is scheduled for February 2010. The forecast includes the full year cost of salary evaluations, reclassification and merit increases implemented between September 2008 and February 2009.

Integrus Energy Services (“Integrus”) cited the Government of New Brunswick’s wage restraint policy that will freeze wages for two years for Government employees. It submitted that the revenue requirement

should be adjusted to account for the impact of the public service wage freeze.

The Public Intervenor questioned whether the NBSO's proposed forecast for labour would provide sufficient resources for the NBSO to fulfill its mandate as stated in the Objects. The Public Intervenor raised issues with regards to recruitment and compensation policies and requested that the NBSO be required to submit a proposal to the Board for a staff classification and compensation review.

The New Brunswick Power Holding Corporation, the New Brunswick Power Generation Corporation and the New Brunswick Power Distribution and Customer Service Corporation ("NB Power") submitted that the New Brunswick electricity market has not yet developed to the extent that a fully independent system operator is required. NB Power argued that, in the absence of a demonstrated benefit from a move to a self-supporting organization, all costs associated with such a move should be disallowed.

The NBSO has been established by legislation as an independent organization. The Board continues to believe that it is appropriate for the NBSO to take all actions that it considers necessary in order to become fully independent. The Board finds that no party has demonstrated that the NBSO is proposing to conduct activities that are outside its mandate nor has any party convinced the Board that the NBSO should be conducting any additional activities in 2009-2010 beyond what it has proposed.

The costs of the activities proposed by the NBSO for 2009-2010 were properly subject to examination in order to ensure that the NBSO minimizes the cost of fulfilling its mandate.

As a result of this examination, the Board finds it appropriate to make an adjustment to proposed cost for wages. The NBSO has included in its forecast an amount for a 3% increase for non-union staff for late in 2009-2010. The Board, in light of the government's wage restraint policy, will disallow this increase. The Board's estimate of the amount of the increase for 2009-2010 is \$6,000 and the full-year effect for 2010-2011 would be \$36,000. The Board:

- Approves funding for the 6 additional staff positions;
- Recognizes the effect of the Government wage freeze initiative on the cost of living increase for non-union employees and reduces the Labour and Benefits forecast by \$6,000 and;
- Denies the Public Intervenor's request for a staff classification and compensation review.

The New Brunswick Power Transmission Corporation ("Transco") had written the NBSO advising that it was responsible for the payment of \$215,000 for unfunded pension liabilities for seconded employees for 2009-2010. The NBSO had received a similar notice during 2008-2009 and had allocated that payment to the contingency allowance. The NBSO stated that it was obligated to pay this amount under the terms of secondment agreement.

IntegrYS stated that Section 2.6 of the Secondment Agreement specifically provides that seconded employees are not to be considered employees of the NBSO. Further, IntegrYS argues that it is inappropriate for the NBSO to pay Transco's liability for unfunded pension costs for Transco's long-term employees and that these costs are for liabilities arising from prior years. IntegrYS argued that the statutory duty to fund the pension rests

with Transco and that the NBSO has no contractual obligation to pay those costs.

The Public Intervenor stated that the seconded employees were long-term employees of Transco and had worked under the NBSO for only a few years. He submitted that Transco should pay its pro rata share of the unfunded liability costs. Mr. Strunk testified that the NBSO should not be excused from hard-nosed bargaining with its counter parties.

The Board recognizes that the NBSO is a not for profit organization. However, it has a responsibility to ensure that all costs that it incurs are both necessary and reasonable because these costs will be recovered from its customers. It is not clear to the Board that the NBSO has, in fact, minimized the costs associated with the unfunded pension liability for the seconded employees.

The Board has reviewed the Secondment Agreement. That agreement does not specifically address the issue of whose responsibility it is to pay for unfunded pension liability costs. As a result of the foregoing, the Board will deal with this matter on an interim basis. The Board:

- Approves, on an interim basis, the amount of \$215,000 for the unfunded liability;
- Orders the continuation of this hearing in order to fully investigate the NBSO's responsibility to pay for the costs of the unfunded pension liability for seconded employees and;
- Will require the NBSO and Transco to attend and to argue the merits of the Secondment Agreement, its ensuing liabilities and the basis for determining how the liability was determined.

Market participants may be financially affected by this issue and the Board encourages their participation.

The Board approves an amount of \$6,825,000 for Labour and Benefits on an interim basis.

Board Costs \$123,000

The Board approves the amount of \$123,000 for Board Costs.

EUB Assessments \$220,000

The Board approves the amount of \$220,000 for EUB Assessments.

Energy Control Center \$426,000

The Board approves the amount of \$426,000 for the Energy Control Center.

Building O&M \$728,000

The budget for Building O&M is forecast to increase by \$393,000 over the expected costs for 2008-2009. The NBSO identified \$307,000 in budgeted costs for additional office space as the main factor for the increase. That budget was comprised of estimates for office space rental costs of \$152,000, \$40,000 for communication, data circuits and utility costs and \$115,000 for one-time setup charges for the additional office space.

The NBSO stated that the Energy Control Center (“the ECC”) was overcrowded and that additional office space was needed to accommodate the

proposed new employees and alleviate overcrowding. The NBSO proposed acquiring 6100 sq. ft. of office space at a rate of \$25.00 per square foot per year. It stated that in its forecast that a conservative approach had been used that set an upper limit for the cost of acquiring the additional space.

The Public Intervenor requested that the NBSO be required to submit a proposal to the Board concerning long-term space requirements. He further submitted that the budgeted costs for new space be disallowed until such time as this occurs.

Integritys submitted that the NBSO had not conducted an analysis with respect to the extra space and that ongoing costs appeared excessive. It stated that the Board should consider whether the forecast was reasonable.

NB Power stated that any of the costs associated with the NBSO's initiative of moving toward self-sufficiency should be disallowed.

The Board has considered the NBSO's testimony and the comments from the parties. There was no detailed plan for space requirements, costs or employee assignments to the new office space filed at the hearing. This is an NBSO management function and should not be a topic for a study as proposed by the Public Intervenor. The Board expects the NBSO to effectively manage the costs for acquiring and setting up additional office space and to be able to demonstrate its administration at future reviews.

The NBSO will require time to identify lease options and to undertake a competitive hiring process for new employees. As such the NBSO would not incur rental costs for its full fiscal year. In light of the above the Board is reducing the amount for Building O&M by \$25,000.

The Board approves an amount of \$703,000 for Building O&M.

Service Agreements – NBP \$417,000

The Board approves the amount of \$417,000 for Service Agreements.

Computer Software \$190,000

The Board approves the amount of \$190,000 for Computer Software.

Data Communications \$303,000

The NBSO stated that the Data Communications budget is forecast to increase by \$211,000 and that the increase was solely attributable to the development and implementation of a wind forecasting system. The increase includes one-time software licensing costs and tendering costs of \$115,000 and recurring annual service costs of \$100,000.

The NBSO proposed allocating this cost to all market participants. It stated that wind production forecast errors and inflexibilities in the existing system would lead to higher costs for the market participants. No evidence supporting such higher costs was submitted.

IntegrYS stated that it was not appropriate to socialize the wind forecasting costs. Those costs are incurred due to wind generation and should be charged to the wind generators similar to costs in Section 3 (c) of the OATT. IntegrYS also submitted that the \$15,000 external cost to run a tendering process be disallowed as the NBSO has the ability to do so in-house.

The Board accepts the NBSO's determination that it is appropriate to retain an expert to conduct a tendering process in this case. The Board finds that the NBSO's allocation of this cost to Schedule 1 Service is appropriate.

The Board approves the amount of \$303,000 for Data Communications

Insurance \$140,000

The Board approves the amount of \$140,000 for Insurance.

Consulting \$598,000

The NBSO forecasts an increase in this cost of \$70,000 from its expected costs for 2008-2009. The NBSO had identified \$253,000 in "one-time costs" in the 2008-2009 budget and proposed \$320,000 in additional consulting services for 2009-2010, to explain the increase.

The NBSO's proposal for 2009-2010 included consulting costs associated with the following initiatives:

- Development of a Comprehensive Power Study System;
- Review and re-design of the Tariff and Market Rules;
- Studies in relation to Transmission expansion within New Brunswick;
- Increased co-ordination with adjacent markets;
- Development of wind forecasting;
- Recruitment of new staff; and
- Organizational self-sufficiency.

Integritys took issue with many of the consulting proposals submitting that the Comprehensive Power System Study and the Organizational Self-Sufficiency Initiative were not justifiable. It further stated that consulting services for Tariff and Market Rules, Transmission Constraints and Adjacent Market Co-ordination initiatives could be done using NBSO staff with input from the Market Advisory Committee.

The Public Intervenor requested the Board to treat Consulting as an item that would come under the procurement review process he recommended.

NB Power's position in regards to consulting services and proposed studies was that any of the costs associated with the NBSO's initiative of moving toward self-sufficiency should be disallowed.

The Board's role in this review is to determine whether the NBSO's proposed revenue requirement is just and reasonable. No evidence was provided that demonstrated that the costs proposed by the NBSO were unreasonable. The Board was not convinced that the studies were beyond the NBSO's mandate.

The Board approves the amount of \$598,000 for Consulting.

Travel and Training \$442,000

The forecast for travel and training is \$97,000 higher for 2009-2010 than the expected costs for 2008-2009. The NBSO cited travel costs associated with its initiatives, training for new staff and a change requiring the NBSO to pay for travel costs for attending committee meetings of the

Northeast Power Coordinating Council (“NPCC”) as the reasons for the increase.

Parties inquired into the NBSO’s travel policy, the change in NPCC’s travel reimbursement policy and training guidelines. No party offered evidence supporting a change in the proposed forecast. The Board has reviewed the amount and finds it reasonable.

The Board approves the amount of \$442,000 for Travel and Training.

Administration \$218,000

The Board approves the amount of \$218,000 for Administration.

EUB Hearing Costs \$62,000

The Board approves the amount of \$62,000 for EUB Hearing Costs.

Contingency \$300,000

The Board approves the amount of \$300,000 for Contingencies.

Miscellaneous Revenue (\$732,000)

The Board approves the amount of (\$732,000) for Miscellaneous Revenue.

Schedule 1 Revenue Requirement Conclusion

The NBSO proposed for Schedule 1 a revenue requirement of \$10,265,000. The Board has disallowed an amount of \$31,000.

The Board therefore varies and approves, on an interim basis, the NBSO's Schedule 1 Revenue Requirement for 2009-2010 in the amount of \$10,234,000. The Board will determine the appropriate amount, on a final basis, after it has completed its review of the liability for costs arising from the unfunded pension liability for seconded employees.

Other Issues

Purchasing and Other Policies

The NBSO does not have a documented purchasing policy and in its final submission acknowledged:

“it is fair to say that additional focus is required on documentation related to some administrative matters, particularly in the purchasing area.”

Integrus submitted that until a procurement policy is approved, that the Board should order the NBSO to conduct a *Request for Proposal* (“RFP”) process for any consulting studies approved in the revenue requirement. Further that the Board should approve the NBSO's purchasing policy.

The Public Intervenor commended the NBSO on its initiative to develop and formalize some administrative policies including procurement. He stated that the NBSO should be required to submit the details of its

initiative on procurement activities to the Board within 90 days from the date of this decision and that consulting services should be one of the items detailed in the initiative.

The Board recognizes the concerns of Integrys and the Public Intervenor. It believes that the NBSO should follow good business practices and have documented procedures for purchasing and all administrative functions in place.

The Board orders the NBSO to develop a formal purchasing policy including a process for use of RFPs where applicable. This policy shall be available for review by parties in future revenue requirement reviews.

Three Year Revenue Requirement Forecast

The Public Intervenor and NB Power stated that the NBSO should have a three-year budget forecast. The Board has considered the positions of the parties and believes that such a forecast is dependent on many assumptions and variables that may change over time. Although such a forecast may provide some guidance to the NBSO, the Board will not require the NBSO to develop and file such a forecast for a review that is focused on a single year, as there was no demonstrated benefit to do so.

SCHEDULE 2 REVENUE REQUIREMENT

The NBSO requested approval of the Schedule 2 Revenue Requirement in the amount of \$5.752 million.

Pricing for the Grand Lake Generator

The Grand Lake Generator is contracted by the NBSO to provide Schedule 2 Reactive Supply and Voltage Control Service. The contracted rate to supply mega voltage ampere resistance (“MVARs”) is \$307/MVAR per month.

The Grand Lake Generator is a non-peaking facility. The rate for MVARs from all other non-peaking facilities is \$207/MVAR per month. The NBSO was unable to explain why the rate for Grand Lake was significantly higher than the rate for the other non-peaking facilities other than it may have been a typographical error.

The Ancillary Services Contract in Section 1.2 of Appendix 2 states:

“For greater certainty, the term of this Contract and the Contract Periods for each and all Contracted Ancillary Services shall commence on the date specified in Section 14.1 and, unless terminated earlier in accordance with this Contract, shall continue in respect of each Contracted Ancillary Service until the estimated shutdown date for the Contracted Facility providing that Contracted Ancillary Service.”

The estimated shutdown date for the Grand Lake Generator as shown in the contract is March 31, 2005 and there was no evidence of a contract extension.

The conclusion is that the NBSO should not pay for MVARs at the rate of \$307. The Board finds that the appropriate rate is \$207. The reduction in the rate results in a decrease of \$44,400 to the base cost. The base rates for MVARs have been adjusted for inflation. The proposed rate for 2009/2010 includes a factor of 9.76% for inflation. This means that the amount of the reduction should be \$48,733 for 2009/2010.

The Board orders the revenue requirement to be reduced by the amount of \$48,733 to recognize the reduction in the rate to be paid for MVARs.

The parties also stated that the NBSO should determine whether previous payments had also been made at the rate of \$307. If so, they submitted that the NBSO should seek reimbursement for any overpayment and rebate that amount to their customers.

The purpose of this application is to review the revenue requirement for 2009-2010 and not to revisit the prudence of costs for prior years. Unless rates have been approved on an interim basis, the Board will not retroactively adjust rates for prior years.

Escalation of Base Prices

The forecast revenue requirement for Schedule 2 is based on an escalation of the price caps listed in the Attachments for Appendix 1 of the Ancillary Services Contract. Without any escalation of the price caps the amount for 2009-2010 would be \$5,241,000. The NBSO has proposed that the cost for 2009-2010 be adjusted to reflect the compounded effect of the annual increase in the New Brunswick consumer price index since 2005-2006. The amount proposed by the

NBSO for 2009-2010 is \$511,000 more than it would be if no price escalation had occurred during the years since 2005-2006.

The Ancillary Services Contract, at Section 1.5 of Appendix 2 describes the escalation provision. Parts (a), (i) and ii state:

“(a) These price caps are to remain fixed until the implementation of Public Utilities Board (PUB) approved ancillary service rates for Transmission Customers that take into account:

- (i) the implementation of Section 6.2.17 of the Market Rules, and*
- (ii) the completion of a Request for Proposal (RFP) or other competitive procurement process in compliance with the PUB Decision of March 31, 2003.”*

The NBSO confirmed that no RFP or other competitive process had been held for Schedule 2 Ancillary Services. The NBSO testified that it could not envision how such an RFP process could be done and further that it took comfort from a Board letter that it believed relieved it of the obligation to conduct a competitive process.

IntegrYS and the Public Intervenor submitted that the terms of the contract had not been met and that the forecast amount for price escalation should be disallowed.

The revenue requirement, as approved by the Board, is charged to the market participants and it has a direct financial impact on them. A full examination of the contract, related documents or precedents did not occur during the hearing and the Board’s letter referenced by the NBSO was not in evidence. As such, the Board is not in a position to rule on the appropriateness of the escalation at this time.

A hearing will be held in respect to the unfunded pension liability under Schedule 1 and the Board believes that arguments in respect to the escalation clause under Schedule 2 should also be heard at that time. Attachment "A" to this decision describes the process to be followed in connection with the upcoming hearing.

The Public Intervenor also submitted that amounts paid for price escalation for prior years should be recovered by the NBSO and distributed to the market participants. As noted above, the purpose of this review was to determine the revenue requirement for 2009-2010 and not to revisit the prudence of costs for prior years.

The Board varies the NBSO's Schedule 2 Revenue Requirement and approves on an interim basis the amount of \$5,703,000 for 2009/2010. The Board will determine the appropriate amount on a final basis after it has completed its review of the inflation adjustment.

The NBSO is ordered to maintain detailed records on customer usage and payments for Schedule 1 and 2 services so that any rebate necessary as a result of the reviews as ordered above, can be properly calculated.

ATTACHMENT "A"

Continuation of the Revenue Requirement Hearing to Review the Unfunded Pension Liability (Schedule 1) and Escalation Clause (Schedule 2)

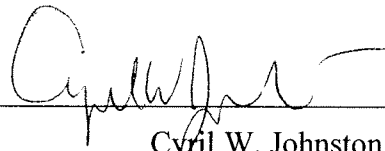
All Parties to file evidence	May 14, 2009
Information Requests to all Parties	May 27, 2009
Responses to all Information Requests	June 10, 2009
Public Hearing (Crown Plaza Hotel, Fredericton)	June 15/16, 2009

This review will be limited to the matters of the unfunded pension liability for seconded employees and the appropriateness of the escalation in price for the supply of the Schedule 2 services. Evidence and Information Requests are to be limited to these two topics.

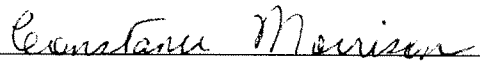
Dated at the City of Saint John, New Brunswick this 24th day of April 2008.



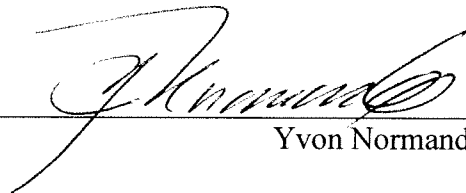
Raymond Gorman, Q.C., Chairman



Cyril W. Johnston, Vice-Chairman



Constance Morrison, Member



Yvon Normandeau, Member