

Mr. Rock Marois  
General Manager  
Enbridge Gas New Brunswick  
440 Wilsey Road Suite 203  
Fredericton, New Brunswick  
E3B 7G5

October 17, 2003

Dear Mr. Marois:

Re: Review of Enbridge Gas New Brunswick (EGNB) Financial Results for the Year Ending December 31, 2001

## **DECISION**

The Board of Commissioners of Public Utilities (“Board”) has conducted a review of EGNB’s financial results for the 2001 year. This review was completed with the assistance of Mr. J.H.S. Easson, C.A., the Board’s financial consultant, who conducted a thorough review of EGNB’s financial information. He submitted a report that addressed the reasonableness of the expenditures made by EGNB and its compliance with the directions made by the Board in its earlier decisions.

Mr. Easson’s report and the financial information provided by EGNB were available to the public. Several parties registered but only the Maritime Natural Gas Pipeline Contractors Association Inc. submitted written comments to which EGNB responded.

It is the opinion of the Board that there was only one matter at issue. This was the method used by EGNB to account for the costs associated with construction work prior to the time that the assets involved are put into service. EGNB did not use the “traditional” method which requires establishing an “Allowance for Funds Used During Construction” (AFUDC) and including this amount as a revenue item in the income statement.

The Board retained Ernst & Young, a firm of chartered accountants, to review this matter. Ernst & Young examined the accounting records of EGNB with respect to this issue. Ernst & Young provided a report to the Board in which they stated that the method used by EGNB does not result in an excess recovery from the ratepayers.

The Board will therefore approve, for regulatory purposes, the financial statements for the 2001 year as provided by EGNB in its letter of February 12, 2003. The Board, however, directs EGNB, for 2002 and future years, to prepare its income statement, for regulatory purposes, in the “traditional” manner showing AFUDC as an income item.

Yours truly,

Lorraine Legere  
Board Secretary  
cc. Registered Parties