

## SCHEDULE 3.1

### 2020 Forecast

**Liberty (Gas New Brunswick)**

Forecasted Balance Sheet for Regulatory Purposes  
As at December 31, 2020

1 **Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board**

2 (in thousands of dollars)

3 **Assets** **2020**

4 **Regulated Assets**

5 **Property, Plant and Equipment (Note 2)**

6 **Gas Distributor Plant in Service - Net** (includes AFUDC capitalized during 2020 of \$62K) \$ 181,518

7 **Construction Work In Progress - Gas Distributor Plant** 1,951

8 **Total Property, Plant & Equipment** 183,469

9 **Deferred Charges**

10 **Deferred Development Costs - Net** (Note 3) 3,188

11 **Development O&M Capitalized Costs - Net** (Note 4) 77,658

12 **Total Deferred Charges** 80,846

13 **Short Term Investments** 3,007

14 **Total Regulated Rate Base Assets** 267,322

15 **Other Regulated Assets** (Note 5) 25,019

16 **Total Regulated Assets** 292,341

17 **Regulatory Deferral** (Note 1) 132,206

18 **Rate Payer Variance**

19 **Total Variance/Deferral** -

18 **Total Assets** \$ 424,547

19 **Liabilities and Partner's Equity**

20 **Partner's Equity** 129,607

21 **Long-term Advances from Associates and Affiliates** (Note 6) 155,000

22 **Other Regulated Liabilities** (Note 7) 7,734

23 \$ 292,341

24 **Partner's Equity (Regulatory Deferral)** 132,206

25 **Total Liabilities and Equity** \$ 424,547

**Financial Statement Effects of Rate Regulation and Legislative Changes – Note 1**

**Rate Base for Regulatory Purposes – Note 12**

**Capital Structure for Regulatory Purposes – Note 13**

**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

**1 Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board**

2 (in thousands of dollars)

	<b>2020</b>
<b>4 Revenue</b>	
<b>5 Operating Revenue</b> (Note 8)	
6 Gas distribution	\$ 44,141
7 Miscellaneous	1,070
<b>8 Allowance for Funds Used During Construction</b>	79
	45,290
<b>10 Service and Inspections</b>	
11 Revenue	642
12 Cost of goods sold	(444)
	198
<b>14 Total Revenue</b>	45,488
<b>15 Expenses</b>	
<b>16 Operating Expenses</b>	
17 Operating and maintenance (Note 9)	14,110
18 Transportation (net)	2,075
19 Total Operating and maintenance expenses	16,185
20 Other Expenses	-
21 Bad debt expense	96
<b>22 Amortization of Property, Plant and Equipment</b>	6,923
<b>23 Municipal and Other Taxes</b>	1,296
<b>24 Interest on Amounts Due to Associates &amp; Affiliates and Other Interest</b>	4,799
<b>25 Amortization of Deferred Development Costs</b>	2,919
<b>26 Amortization of Regulatory Deferral Account</b>	3,846
<b>27 Total Expenses</b>	36,064
<b>28 Income before Extraordinary Items, Regulatory Deferral and Return on Rate</b>	9,424
<b>29 Excess returned to customers</b>	1,569
<b>30 Income before Tax</b>	\$ 10,993

Financial Statement Effects of Rate Regulation and Legislative Changes – Note 1  
Details of Affiliate Transactions – Note 14

## Liberty (Gas New Brunswick)

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

### 1 Note 1 **Financial Statement Effects of Rate Regulation and Legislative Changes**

2 The Public Utility's primary business activities are subject to regulation by the New Brunswick Energy and  
3 Utilities Board (EUB). The Public Utility follows accounting practices prescribed by its regulator or stipulated in  
4 approved ratemaking decisions that are subject to examination and approval by the EUB and are similar to  
5 those being used by other enterprises in the gas distribution industry in Canada. Accordingly, the timing and  
6 recognition of certain revenues and expenses may differ from that otherwise expected under generally  
7 accepted accounting principles (GAAP) applicable to non-regulated operations. The ultimate recoverability of  
8 costs incurred is dependent upon the approval of the EUB.

9 In years prior to its acquisition by Liberty Utilities (Canada) LP, Enbridge Gas New Brunswick Limited  
10 Partnership had discontinued the application of regulatory accounting under the principles of U.S. Financial  
11 Accounting Standards Board (FASB) ASC Topic 980, Regulated Operations (ASC 980) due to uncertainty  
12 around the collectability in rates of certain costs. Based on an analysis performed on acquisition, Liberty  
13 Utilities (Gas New Brunswick) LP concluded that the regulatory environment had evolved to a point where the  
14 criteria for regulatory accounting would be met going forward as of October 1, 2019. As a result, the regulatory  
15 deferral asset, development O&M asset, regulatory liability related to overearnings refunded to customers and  
16 disallowances to PPE, were reflected in the GAAP financial statements.

17 Rate regulation creates differences between the manner in which the Public Utility accounts for transactions  
18 or events and how they would be accounted for if the Public Utility was not subject to rate regulation. The  
19 differences in accounting treatment include:

20 The EUB permits an "allowance for funds used during construction" (AFUDC) to be included in the rate base.  
21 In addition, AFUDC is included in the cost of property, plant and equipment and is depreciated over future  
22 periods as part of the total cost of the related asset, based on the expectation that depreciation expense,  
23 including the AFUDC component, will be approved for inclusion in future rates. AFUDC for rate-regulated  
24 entities includes both an interest component and a cost of equity component. In the absence of rate regulation,  
25 GAAP would permit the capitalization of only the interest component. Therefore, the initial set up of the equity  
26 component as a capitalized asset and the corresponding revenue recognized during the construction phase  
27 would not be recognized nor would the subsequent depreciation of the asset.

28 As prescribed by the EUB, the Public Utility does not recognize gains and losses on the sale of Liberty Utility  
29 Gas (LUG) in the statement of income and uses a purchase gas variance account to defer the gain or loss on  
30 sale. Non-regulated enterprises would normally account for the gain or loss in the statement of income or  
31 comprehensive income.

32 Algonquin Power & Utilities Corp., on behalf of the Public Utility, maintains a pension plan which provides  
33 defined benefit pension benefits to employees. As prescribed by the EUB, contributions made to the plan are  
34 expensed as paid, consistent with the recovery of such costs in rates. Under GAAP, pension costs and  
35 obligations for defined benefit pension plans are determined using the projected benefit method and are  
36 charged to income as services are rendered.

**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

1 Note 1 **Financial Statement Effects of Rate Regulation and Legislative Changes (continued)**

2 On December 16, 2016, the Government of New Brunswick enacted amendments to the Gas Distribution Act,  
3 1999. The General Franchise Agreement was extended for an additional 25 years with an additional 25 year  
4 option. The new legislation modifies the current approach to setting rates from a combination of cost of  
5 service and market based rates to a cost of service approach only. The regulatory deferral account was  
6 reduced to \$144.5 million with \$100 million to be included in revenue requirement over 26 years commencing  
7 January 1, 2020. The remaining regulatory deferral account balance of \$44.5 million is to be recovered in  
8 accordance with the amendments and as authorized by the EUB.

			<u>2020</u>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Rates of Amortization</b>
4 Regulatory Deferral Account, Allowed by Legislation	\$ 100,000	\$ (3,846)	\$ 96,154	3.85%
5 Regulatory Deferral Account	36,052	-	36,052	0.00%
6 <b>Regulatory Deferral Account, net</b>	<u>\$ 136,052</u>	<u>\$ (3,846)</u>	<u>\$ 132,206</u>	

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**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

(in thousands of dollars)

**Note 2 Property, Plant & Equipment**

			<b>2020</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Rates of Amortization</b>
<b>4 Property, plant &amp; equipment</b>				
5 General plant				
6 Computer hardware	\$ 1,124	\$ (183)	\$ 941	8.87%
7 Tools and work equipment	2,102	(2,102)	-	14.53%
8 Office furniture and equipment	572	(375)	197	6.41%
9 Transportation	2,128	(828)	1,300	6.32%
10 Incentives	1,247	(304)	943	20.00%
11 Leasehold improvements (1)	290	(112)	178	
12 Subtotal	<u>7,463</u>	<u>(3,904)</u>	<u>3,559</u>	
13 Distribution plant				
14 Land	375	-	375	-
15 Rights of way and easements	189	-	189	-
16 Distribution mains	134,196	(38,953)	95,243	1.64%
17 Street services	74,806	(20,961)	53,845	1.74%
18 Meters and regulators	25,335	(5,577)	19,758	7.63%
19 Stations	16,838	(8,289)	8,549	2.82%
20 Subtotal	<u>251,739</u>	<u>(73,780)</u>	<u>177,959</u>	
21 Total plant in service	259,202	(77,684)	181,518	
22 Construction work in progress	<u>1,951</u>	<u>-</u>	<u>1,951</u>	
23 <b>Total property, plant &amp; equipment</b>	<u>\$ 261,153</u>	<u>\$ (77,684)</u>	<u>\$ 183,469</u>	

24 (1) Amortized over the term of the related leases.

**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

(in thousands of dollars)

**Note 3 Deferred Development Costs - Net**

			<b>2020</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Rates of Amortization</b>	
1					
2					
3					
4	Franchise fee	\$ 1,500	\$ (1,500)	\$ -	5.00%
5	Intangible Software	3,688	(500)	3,188	4.96%
6	<b>Total deferred development costs, net</b>	<b>\$ 5,188</b>	<b>\$ (2,000)</b>	<b>\$ 3,188</b>	

**Note 4 Development O&M Capitalized Costs – Net**

			<b>2020</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Rates of Amortization</b>	
7					
8					
9					
10	Development O&M capitalized costs	\$ 114,953	\$ (37,295)	\$ 77,658	2.43%
11	<b>Total development O&amp;M capitalized costs,</b>	<b>\$ 114,953</b>	<b>\$ (37,295)</b>	<b>\$ 77,658</b>	

**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

(in thousands of dollars)

**Note 5 Other Regulated Assets**

		<u><b>2020</b></u>
1		
2	Cash & Short Term Investments	\$ 5,496
3	Accounts Receivable	16,401
4	Long term receivable	312
5	Inventory	1,189
6	Lease Asset	<u>1,621</u>
7		<u>\$ 25,019</u>



**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

(in thousands of dollars)

**Note 6 Long-term Advances from Associates and Affiliates**

		Issue Date	Maturity Date	Amount	2020 Cost of Debt		
					LUC	LUGNB Regulated	
1							
2							
3							
4	Promissory Note	April 01, 2020	February 14, 2050	\$ 155,000	3.315%	3.315%	3.315%
17	Total long-term advances						
18	from associates and affiliates			\$ 155,000	3.315%	3.315%	3.315%

**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

(in thousands of dollars)

**Note 7 Other Regulated Liabilities**

	<b>2020</b>
1	
2 Rates variance	\$ 1,065
3 Accounts Payable	4,546
4 Long Term Payable	-
5 Long Term Deferred Post Employment Liabilities	502
6 Lease Liability	1,621
7	<u>\$ 7,734</u>

**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

(in thousands of dollars)

**Note 8 Operating Revenue**

**a. Gas Distribution**

1	2020		
	2 Revenue	3 Customers	Throughput TJs
4 Small General Service (SGS)	\$ 8,103	8,389	587
5 Mid-General Service (MGS)	13,322	3,252	1,112
6 Large General Service (LGS)	11,563	393	1,450
7 Contract General Service (CGS)	5,799	82	884
8 Industrial Contract General Service (ICGS)	5,295	9	1,345
9 Off-Peak Service (OPS)	59	11	11
10 Total	<u>\$ 44,141</u>	<u>12,136</u>	<u>5,389</u>

11 1 Terajoule (TJ) = 1,000 Gigajoules (GJ)

**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

(in thousands of dollars)

**Note 8 Operating Revenue (continued)**

**b. Miscellaneous**

1	<u>2020</u>
2 Agent billing and collection	\$ 217
3 Other miscellaneous revenue	<u>853</u>
4 <b>Total miscellaneous</b>	<u>\$ 1,070</u>

**5 Details of Agent Billing and Collection Revenue**

6 (in dollars)

7	<u>2020</u>
8 Small General Service (SGS)	\$ 140,198
9 Mid-General Service (MGS)	60,583
10 Large General Service (LGS)	7,717
11 Contract General Service (CGS)	7,849
12 Industrial Contract General Service (ICGS)	407
13 Off-Peak Service (OPS)	<u>645</u>
14 <b>Total agent billing and collection revenue</b>	<u>\$ 217,399</u>

**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

(in thousands of dollars)

**Note 9 Operating and Maintenance Expenses**

1	<u>2020</u>
2 Corporate management	\$ 1,337
3 Corporate administration	769
4 Financial reporting	1,366
5 Information technology	2,187
6 Regulatory & upstream	990
7 Sales & marketing	1,163
8 Distribution & maintenance	5,525
9 Customer care	1,441
10 Human resources	3,195
11 Gas transportation and related activities	<u>2,075</u>
12 <b>Total prior to capitalization</b>	<u>20,048</u>
13 Property, plant & equipment	<u>3,863</u>
14 <b>Total capitalized</b>	<u>3,863</u>
15 <b>Total expense</b>	<u>\$16,185</u>

**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

(in thousands of dollars)

**Note 10 Interest on Amounts Due to Associates & Affiliates and Other Interest**

1	<u>2020</u>
2 Interest on long-term debt	\$ 4,843
3 Other interest expenses	(66)
4 AIDC - allowance for funds used during construction (debt component)	22
5	
6 <b>Total interest on amounts due to associates &amp; affiliates and other interest</b>	<u>\$ 4,799</u>

**Note 11 Regulated Return on Equity**

5	<u>2020</u>
6 Regulated return on equity - Calculated	\$ 10,936
7 Budgeted amount that exceeds 10.9%	-
8 AEDC - allowance for funds used during construction (equity component)	57
9 <b>Total regulated return on equity</b>	<u>\$ 10,993</u>

**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

(in thousands of dollars)

**Note 12 Rate Base for Regulatory Purposes**

1	<u>2020</u>
<b>2 Property, plant &amp; equipment</b>	
3 Cost	\$ 259,202
4 Accumulated amortization	<u>(77,684)</u>
5 Net	181,518
<b>6 Deferred charges</b>	
7 Franchise fee, at cost	1,500
8 Accumulated amortization	<u>(1,500)</u>
9 Net	-
10 Development O&M capitalized costs	114,953
11 Accumulated amortization	<u>(37,295)</u>
12 Net	77,658
13 Intangible Software	3,688
14 Accumulated amortization	<u>(500)</u>
15 Net	3,188
16 Deferral account	<u>-</u>
17 <b>Total deferred charges</b>	80,846
18 <b>Term deposit</b>	3,007
19 <b>Working capital allowance</b>	<u>1,768</u>
20 <b>Total rate base</b>	<u>\$ 267,139</u>
21 <b>Average rate base</b>	<u>\$ 265,650</u>

**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

(in thousands of dollars)

**Note 13 Capital Structure for Regulatory Purposes**

1		<b>2020</b>
2	<b>Capital structure</b>	
3	Long-term debt	\$ 155,000
4	Equity	<u>129,607</u>
5	Total	<u><u>\$ 284,607</u></u>

**6 Capital structure percentage**

7	Long-term debt	54.46%
8	Equity	<u>45.54%</u>
9	Total	<u><u>100.00%</u></u>

**10 Capital structure average percentage for regulatory purposes**

11	Long-term debt	55.00%
12	Equity	<u>45.00%</u>
13	Total	<u><u>100.00%</u></u>

**14 Weighted cost of capital for regulatory purposes**

15	Long-term debt	1.82%
16	Equity	<u>4.91%</u>
17	Total	<u><u>6.73%</u></u>



**Liberty (Gas New Brunswick)**

Notes to 2020 Forecasted Regulatory Financial Results  
For the year ended December 31, 2020

(in thousands of dollars)

**Note 14 Details of Affiliate Transactions**

		APUC	LUC (LABS)	LUC (LUC)	LUSC (US)	Other Affiliates	Saint Lawrence Gas	Total Affiliate Consulting and Services	Total Consulting and Services	Affiliate Expenditure as Percent of Total Consulting and Services
1	<b>Consulting and Services</b>									
2	<b>For the period ending December 31, 2020</b>									
3	Corporate management	\$ -	\$ -	\$ -	\$ 24	\$ -	\$ -	\$ 24	\$ 162	15%
4	Sales & marketing	-	-	4	141	-	-	145	313	46%
5	Human resources	-	110	-	31	-	-	141	150	94%
6	Distribution & maintenance	-	5	-	264	-	-	269	779	35%
7	Budget & regulatory	-	-	-	-	-	-	-	706	0%
8	Financial reporting	-	76	-	49	-	-	125	259	48%
9	Customer care	-	-	-	46	-	-	46	784	6%
10	Corporate administration	-	49	12	402	-	-	463	463	100%
11	Gas transportation & related	-	-	5	148	-	-	153	276	55%
12	Information technology	-	717	50	150	-	-	917	1,485	62%
13	Gas Purchase and Sales	-	-	-	-	-	-	-	-	0%
14	Recoveries	-	-	-	-	(354)	(28)	(382)	(382)	100%
15	<b>Total</b>	<b>\$ -</b>	<b>\$ 957</b>	<b>\$ 71</b>	<b>\$ 1,255</b>	<b>\$ (354)</b>	<b>\$ (28)</b>	<b>\$ 1,901</b>	<b>\$ 4,995</b>	<b>38%</b>