



Schedule 3.1 – 2022 Forecast – REDACTED

March 3, 2023

Liberty Utilities (Gas New Brunswick)
Forecasted Balance Sheet for Regulatory Purposes
For the year ended December 31, 2022

1	Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board		
2			
3	(In thousands of dollars)		
4			
5	Assets		<u>2022</u>
6			
7	Regulated Assets		
8	Property, Plant and Equipment	(Note 2)	
9	Gas Distributor Plant in Service - Net		\$ 194,337
10	Construction Work in Progress - Gas Distributor Plant		<u>1,210</u>
11	Total Property, Plant and Equipment		<u>195,547</u>
12			
13	Intangible Software - Net	(Note 3)	2,846
14			
15	Development O&M Capitalized Costs - Net	(Note 4)	72,071
16			
17	Short term Investments		-
18			
19	Total Regulated Rate Base Assets		<u>270,464</u>
20			
21	Other Regulated Assets	(Note 5)	43,198
22			
23	Total Regulated Assets		<u>313,662</u>
24			
25	Regulatory Deferral	(Note 1)	124,513
26			
27	Total Assets		<u>\$ 438,175</u>
28			
29	Liabilities and Partner's Equity		
30			
31	Partner's Equity (Rate Base)	(Note 1)	\$ 144,875
32			
33	Long-term Advances from Associates and Affiliates	(Note 6)	155,000
34			
35	Other Regulated Liabilities	(Note 7)	13,787
36			
37			<u>313,662</u>
38			
39	Partner's Equity (Regulatory Deferral)		124,513
40			
41	Total Liabilities and Partner's Equity		<u>\$ 438,175</u>
42			
43	Financial Statement Effects of Rate Regulation and Legislative Changes - Note 1		
44	Rate Base for Regulatory Purposes - Note 12		
45	Capital Structure for Regulatory Purposes - Note 13		



Liberty Utilities (Gas New Brunswick)
Statement of Forecasted Income for Regulatory Purposes
For the year ended December 31, 2022

1	Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board		
2			
3	(In thousands of dollars)		
4			<u>2022</u>
5	Revenue		
6	Operating Revenue	(Note 8)	
7	Gas Distribution		\$ 46,431
8	Miscellaneous		2,077
9	Allowance for Funds Used During Construction		<u>8</u>
10			48,516
11	Service and Inspection		
12	Revenue		1,679
13	Cost of Goods Sold		<u>(1,478)</u>
14			201
15			
16	Total Revenue		<u>48,717</u>
17			
18	Expenses		
19	Operating Expenses		
20	Operating and Maintenance	(Note 9)	12,064
21	Other Expense		840
22	Bad Debt		165
23			
24	Amortization of Property, Plant and Equipment		6,962
25			
26	Municipal and Other Taxes		1,238
27			
28	Interest on Amounts Due to Associates and Affiliates and Other Interest	(Note 10)	4,973
29			
30	Amortization of Development O&M Capitalized Costs		2,793
31			
32	Amortization of Intangible Software		169
33			
34	Amortization of Regulatory Deferral Account		3,846
35			
36	Total Expenses		<u>33,050</u>
37			
38	Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base		15,667
39			
40	Amortization of Ratepayer Variance Accounts		378
41			
42	Net Income Before Income Tax		<u>15,288</u>
43			
44	Income Tax Expense		3,216
45			
46	Net Income		<u>\$ 12,072</u>
47			
48	Regulated Return on Equity	(Note 11)	<u>\$ 13,265</u>



Liberty Utilities (Gas New Brunswick)
Notes to 2022 Forecasted Regulatory Financial Results
For the year ended December 31, 2022

1 **Note 1 Financial Statement Effect of rate regulation and Legislative Changes**

2

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

9

10 In years prior to its acquisition by Liberty Utilities (Canada) LP, Enbridge Gas New Brunswick Limited Partnership had discontinued
 11 the application of regulatory accounting under the principles of U.S. Financial Accounting Standards Board (FASB) ASC Topic 980,
 12 Regulated Operations (ASC 980) due to uncertainty around the collectability in rates of certain costs. Based on an analysis performed
 13 on acquisition, Liberty 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, regulatory assets and liabilities are
 15 reflected in the GAAP financial statements.

16

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

19

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

27

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

31

32 On December 16, 2016, the Government of New Brunswick enacted amendments to the Gas Distribution Act, 1999. The General
 33 Franchise Agreement was extended for an additional 25 years with an additional 25 year option. The new legislation modifies the
 34 current approach to setting rates from a combination of cost of service and market based rates to a cost of service approach only.
 35 The regulatory deferral account was reduced to \$144.5 million with \$100 million to be included in revenue requirement over 26
 36 years commencing on January 1, 2020 and ending on December 31, 2045. The remaining regulatory deferral account balance is to
 37 be recovered as authorized by the EUB.

38

39

40

41

42

43

44 Regulatory Deferral Account, Allowed by Legislation

45 Regulatory Deferral Account

46

47 Total Regulatory Deferral Account, Net

	2022			
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
Regulatory Deferral Account, Allowed by Legislation	\$ 100,000	\$ (11,538)	\$ 88,462	3.85%
Regulatory Deferral Account	36,052	-	36,052	0.00%
Total Regulatory Deferral Account, Net	\$ 136,052	\$ (11,538)	\$ 124,513	



Liberty Utilities (Gas New Brunswick)
Notes to 2022 Forecasted Regulatory Financial Results
For the year ended December 31, 2022

1 (In thousands of dollars)

2

3 Note 2 Property, Plant & Equipment

4

5

6

7 General plant

8 Computer hardware

9 Tools and work equipment

10 Office furniture and equipment

11 Transportation

12 Incentives

13 Leasehold improvements

14 Subtotal

15

16 Distribution plant

17 Land

18 Rights of way and easements

19 Distribution mains

20 Street services

21 Meters and regulators

22 Stations

23 Subtotal

24

25 Total plant in service

26

27 Construction work in progress

28

29 Total property, plant & equipment

	2022			
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
	\$ 1,381	\$ (453)	\$ 928	8.87%
	529	(247)	282	14.53%
	372	(231)	141	6.41%
	2,442	(907)	1,536	6.32%
	1,822	(869)	953	20.00%
	365	(132)	234	20.00%
	<u>6,911</u>	<u>(2,838)</u>	<u>4,073</u>	
	406	-	406	0.00%
	189	-	189	0.00%
	144,259	(42,783)	101,476	1.64%
	82,588	(23,139)	59,449	1.74%
	25,797	(7,503)	18,294	7.63%
	19,774	(9,325)	10,449	2.82%
	<u>273,013</u>	<u>(82,750)</u>	<u>190,264</u>	
	279,924	(85,588)	194,337	
	1,210		1,210	
	<u>\$ 281,134</u>	<u>\$ (85,588)</u>	<u>\$ 195,547</u>	



Liberty Utilities (Gas New Brunswick)
Notes to 2022 Forecasted Regulatory Financial Results
For the year ended December 31, 2022

1 (In thousands of dollars)

2

3 **Note 3 Intangible Software**

4

	2022			
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
5				
6				
7				
8 Intangible Software	\$ 3,617	\$ (771)	\$ 2,846	4.96%
9				
10 Total Intangible Software, Net	<u>\$ 3,617</u>	<u>\$ (771)</u>	<u>\$ 2,846</u>	

11

12 **Note 4 Development O&M Capitalized Costs**

13

	2022			
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
14				
15				
16				
17 Development O&M Capitalized Costs	\$ 114,952	\$ (42,881)	\$ 72,071	2.43%
18				
19 Development O&M Capitalized Costs, Net	<u>\$ 114,952</u>	<u>\$ (42,881)</u>	<u>\$ 72,071</u>	



Liberty Utilities (Gas New Brunswick)
Notes to 2022 Forecasted Regulatory Financial Results
For the year ended December 31, 2022

1 (In thousands of dollars)

2

3 Note 5 Other Regulated Assets

4

5

6 Cash

2022

\$ 14,288

7 Accounts Receivable

22,054

8 Prepaid

1,784

9 Inventory

1,649

10 Right-of-use Asset

1,879

11 Other Long-term Asset

129

12 Ratepayer Variance Accounts

1,416

13

14 Total Other Regulated Assets

\$ 43,198



Liberty Utilities (Gas New Brunswick)
Notes to 2022 Forecasted Regulatory Financial Results
For the year ended December 31, 2022

1 (In thousands of dollars)

2

3 Note 6 Long-term Advances from Associates and Affiliates

4

5

	Issue Date	Maturity Date	Amount	2022 Cost of Debt		
				LUC	LUGNB	Regulated
6						
7 Promissory Note	Apr 01, 2020	Feb 14, 2050	\$ 155,000	3.315%	3.315%	3.315%
8						
9 Total long-term advances						
10 from associates and affiliates			<u>\$ 155,000</u>	<u>3.315%</u>	<u>3.315%</u>	<u>3.315%</u>



Liberty Utilities (Gas New Brunswick)
Notes to 2022 Forecasted Regulatory Financial Results
For the year ended December 31, 2022

1 (In thousands of dollars)

2

3 **Note 7 Other Regulated Liabilities**

4

5

6 Ratepayer Variance

7 Accounts Payable

8 Lease liability

9 HST Payable

10 Pension Liability

11

12 **Total Other Regulated Liabilities**

	<u>2022</u>
	-
	10,885
	1,879
	995
	27
	<u>\$ 13,787</u>



Liberty Utilities (Gas New Brunswick)
Notes to 2022 Forecasted Regulatory Financial Results
For the year ended December 31, 2022

1 (In thousands of dollars)

2

3 **Note 8 Operating Revenue**

4

5 **a. Gas Distribution**

6

7

8

9 Small General Service (SGS)

10 Mid-General Service (MGS)

11 Large General Service (LGS)

12 Contract General Service (CGS)

13 Industrial Contract General Service (ICGS)

14 Off-peak Service (OPS)

15

16 Total

17

18 1 Terajoule (TJ) = 1,000 Gigajoules (GJ)

19

20 **b. Miscellaneous Revenues**

21

22

23 Single End-User Franchise Fee

24 Large Industrial Contract Service (LICS) Revenue

25 Agent Billing and Collection

26 Interest Income

27 Late Payment Penalties

28 Red Lock & NSF Fee Revenue

29 Transactional Services

30

31 Total Miscellaneous Revenues

32

33 Details of Agent Billing and Collection Revenue

34 (in dollars)

35

36

37 Small General Service (SGS)

38 Mid-General Service (MGS)

39 Large General Service (LGS)

40 Contract General Service (CGS)

41 Industrial Contract General Service (ICGS)

42 Off-peak Service (OPS)

43

44 Total Agent Billing and Collection Revenue

	2022		
	Revenue	Customers	Throughput TJs
9 Small General Service (SGS)	8,349	8,413	596
10 Mid-General Service (MGS)	14,976	3,547	1,270
11 Large General Service (LGS)	13,416	428	1,702
12 Contract General Service (CGS)	3,957	52	626
13 Industrial Contract General Service (ICGS)	5,616	10	1,687
14 Off-peak Service (OPS)	117	13	19
16 Total	<u>46,431</u>	<u>12,463</u>	<u>5,902</u>

2022

23 Single End-User Franchise Fee	\$	
24 Large Industrial Contract Service (LICS) Revenue		
25 Agent Billing and Collection		
26 Interest Income		
27 Late Payment Penalties		
28 Red Lock & NSF Fee Revenue		
29 Transactional Services		
31 Total Miscellaneous Revenues	<u>\$</u>	<u></u>

2022

37 Small General Service (SGS)	\$	
38 Mid-General Service (MGS)		
39 Large General Service (LGS)		
40 Contract General Service (CGS)		
41 Industrial Contract General Service (ICGS)		
42 Off-peak Service (OPS)		
44 Total Agent Billing and Collection Revenue	<u>\$</u>	<u></u>



Liberty Utilities (Gas New Brunswick)
Notes to 2022 Forecasted Regulatory Financial Results
For the year ended December 31, 2022

1 (In thousands of dollars)	
2	
3 Note 9 Operating and Maintenance Expenses	
4	<u>2022</u>
5	
6 Corporate Management	\$ 1,310
7 Financial Reporting	1,790
8 Information technology	162
9 Regulatory & Upstream	961
10 Sales & Marketing	1,714
11 Distribution & Maintenance	7,290
12 Customer Care	948
13 Human Resources	(296)
14 Corporate Allocations	3,053
15	
16 Total Prior to Capitalization	<u>16,931</u>
17	
18 Total Capitalized	4,867
19	
20 Total Expense	<u><u>\$ 12,064</u></u>



Liberty Utilities (Gas New Brunswick)
Notes to 2022 Forecasted Regulatory Financial Results
For the year ended December 31, 2022

1 (In thousands of dollars)	
2	
3 Note 10 Interest on Amounts Due to Associates and Affiliates and Other Interest	
4	<u>2022</u>
5	
6 Interest on Long-term Debt	\$ 4,971
7 AIDC - Allowance for Funds Used During Construction (Debt Component)	2
8	
9 Total Interest on Amounts Due to Associates and Affiliates and Other Interest	<u>\$ 4,973</u>
10	
11 Note 11 Regulated Return on Equity	
12	<u>2022</u>
13	
14 Regulated Return on Equity	\$ 13,259
15 Excess Returned to Customers	-
16 Mechanism to Adjust Regulatory Deferral as per Legislation	-
17 AEDC - Allowance for Funds Used During Construction (Equity Component)	6
18	
19 Total Regulated Return on Equity	<u>\$ 13,265</u>



Liberty Utilities (Gas New Brunswick)
Notes to 2022 Forecasted Regulatory Financial Results
For the year ended December 31, 2022

1	(In thousands of dollars)	
2		
3	Note 12 Rate Base for Regulatory Purposes	
4		<u>2022</u>
5	Property, Plant & Equipment	
6	Cost	\$ 279,924
7	Accumulated Amortization	(85,587)
8	Property, Plant & Equipment, Net	<u>194,337</u>
9		
10	Intangible Software	
11	Cost	3,617
12	Accumulated Amortization	(771)
13	Intangible Software, Net	<u>2,846</u>
14		
15	Development O&M Capitalized Costs	
16	Cost	114,952
17	Accumulated Amortization	(42,881)
18	Development O&M Capitalized Costs, Net	<u>72,071</u>
19		
20	Term Deposit	-
21		
22	Working Capital Allowance	3,454
23		
24	Total Rate Base	<u>\$ 272,709</u>
25		
26	Average Rate Base	<u>\$ 272,623</u>



Liberty Utilities (Gas New Brunswick)
Notes to 2022 Forecasted Regulatory Financial Results
For the year ended December 31, 2022

1 (In thousands of dollars)

2

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

4

5 **Capital Structure**

	<u>2022</u>
6 Long-term Debt	\$ 155,000
7 Equity	144,875
8 Total	<u>\$ 299,875</u>

9

10 **Capital Structure Percentage**

11 Long-term Debt	51.69%
12 Equity	48.31%
13 Total	<u>100.00%</u>

14

15 **Capital Structure Average Percentage for Regulatory Purposes**

16 Long-term Debt	55.00%
17 Equity	45.00%
18 Total	<u>100.00%</u>

19

20 **Weighted Cost of Capital for Regulatory Purposes**

21 Long-term Debt	1.82%
22 Equity	4.41%
23 Total	<u>6.23%</u>



