



Schedule 3.2 – 2022 Budget – REDACTED

March 3, 2023

Liberty Utilities Gas New Brunswick
 Budgeted Balance Sheet for Regulatory Purposes
 As at December 31, 2022

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

2 (in thousands of dollars)

3	Assets	2022
4 Regulated Assets		
5	Property, Plant and Equipment (Note 2)	
6	Gas Distributor Plant in Service - Net	\$ 196,396
7	Construction Work In Progress - Gas Distributor Plant	874
8	Total Property, Plant & Equipment	197,270
9	Deferred Charges	
10	COVID Variance Account - Net (Note 3)	-
11	Intangible Software - Net (Note 3)	3,101
12	Development O&M Capitalized Costs - Net (Note 4)	72,073
13	Total Deferred Charges	75,174
14	Short Term Investments	-
16	Total Regulated Rate Base Assets	272,444
16	Other Regulated Assets (Note 5)	43,464
17	Total Regulated Assets	315,908
18	Regulatory Deferral (Note 1)	124,514
19	Total Assets	\$ 440,422
20 Liabilities and Partner's Equity		
21	Partner's Equity	145,178
22	Long-term Advances from Associates and Affiliates (Note 6)	155,000
23	Other Regulated Liabilities (Note 7)	15,730
24		\$ 315,908
25	Partner's Equity (Regulatory Deferral)	124,514
26	Total Liabilities and Equity	\$ 440,422



Liberty Utilities Gas New Brunswick

Statement of Budgeted Income for Regulatory Purposes

As at December 31, 2022

1 Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board	
2 (in thousands of dollars)	
3	2022
4 Revenue	
5 Operating Revenue (Note 8)	
6 Gas distribution	\$ 47,561
7 Single end-user franchise fees	1,880
8 Miscellaneous	642
9 Allowance for Funds Used During Construction	9
10	<u>50,092</u>
11 Service and Inspections	
12 Revenue	1,750
13 Cost of goods sold	<u>(1,471)</u>
14	279
15 Total Revenue	<u>50,371</u>
16 Expenses	
17 Operating Expenses	
18 Operating and maintenance (Note 9)	11,546
19 Transportation (net)	-
20 Total Operating and maintenance expenses	<u>11,546</u>
21 Other Expenses	100
22 Bad debt expense	177
23 Amortization of Property, Plant and Equipment	7,348
24 Municipal and Other Taxes	1,314
25 Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	4,959
26 Amortization of Deferred Development Costs	3,315
27 Amortization of Regulatory Deferral Account	<u>3,846</u>
28 Total Expenses	<u>32,605</u>
29 Income before Tax	<u>17,766</u>
30 Income Tax	4,537
31 Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	<u>\$ 13,229</u>
32 Excess returned to customers	
33 Regulated Return on Equity (Note 11)	<u>\$ 13,229</u>



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

1 Note 1 Financial Statement Effect of Rate Regulation and Legislative Changes

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

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

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

20 The EUB permits an "allowance for funds used during construction" (AFUDC) to be included in the rate base. In
21 addition, AFUDC is included in the cost of property, plant and equipment and is depreciated over future periods as
22 part of the total cost of the related asset, based on the expectation that depreciation expense, including the AFUDC
23 component, will be approved for inclusion in future rates. AFUDC for rate-regulated entities includes both an interest
24 component and a cost of equity component. In the absence of rate regulation, GAAP would permit the capitalization
25 of only the interest component. Therefore, the initial set up of the equity component as a capitalized asset and the
26 corresponding revenue recognized during the construction phase would not be recognized nor would the
27 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 Gas
29 (LUG) in the statement of income and uses a purchase gas variance account to defer the gain or loss on sale. Non-
30 regulated enterprises would normally account for the gain or loss in the statement of income or comprehensive
31 income.

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



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

1 Note 1 Financial Statement Effect of Rate Regulation and Legislative Changes (Continued)		2022			Rates of Amortization
	Cost	Accumulated Amortization	Net Book Value		
5	Regulatory Deferral Account, Defined in Legislation	\$ 100,000	\$ (11,538)	\$ 88,462	3.85%
6	Regulatory Deferral Account	36,052	-	36,052	0.00%
7	Regulatory Deferral Account, net	<u>\$ 136,052</u>	<u>\$ (11,538)</u>	<u>\$ 124,514</u>	



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

(in thousands of dollars)

Note 2 Property, Plant & Equipment

			2022		
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization	
1					
2					
3					
4					
5	Property, plant & equipment				
6					
7	General plant				
8	Computer hardware	\$ 1,094	\$ (349)	\$ 745	8.87%
9	Tools and work equipment	607	(254)	353	14.53%
10	Office furniture and equipment	562	(419)	143	6.41%
11	Transportation	2,510	(854)	1,656	6.32%
12	Incentives	1,697	(691)	1,006	20.00%
13	Leasehold improvements ¹	745	(248)	497	100.00%
14	Subtotal	<u>7,215</u>	<u>(2,815)</u>	<u>4,400</u>	
15					
16	Distribution plant				
17	Land	276	-	276	-
18	Rights of way and easements	375	-	375	-
19	Distribution mains	147,560	(42,807)	104,753	1.64%
20	Street services	82,068	(23,364)	58,704	1.74%
21	Meters and regulators	24,543	(7,007)	17,536	7.63%
22	Stations	19,690	(9,338)	10,352	2.82%
23	Subtotal	<u>274,512</u>	<u>(82,516)</u>	<u>191,996</u>	
24					
25	Total plant in service	281,727	(85,331)	196,396	
26					
27	Construction work in progress	874	-	874	
28					
29	Total property, plant & equipment	<u>\$ 282,601</u>	<u>\$ (85,331)</u>	<u>\$ 197,270</u>	
30					
31	1 - Amortized over the term of the related leases.				



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

(in thousands of dollars)

Note 3 Intangible Software - Net

			2022		
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization	
1					
2					
3					
4	COVID Variance Account	378	(378)	-	33.33%
5	Intangible Software	3,841	(740)	3,101	4.96%
6					
7	Total Intangible Software - Net	\$ 3,841	\$ (740)	\$ 3,101	
8					
9					

Note 4 Development O&M Capitalized Costs - Net

			2022		
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization	
10					
11					
12					
13					
14	Development O&M capitalized costs	\$ 114,952	\$ (42,879)	\$ 72,073	2.43%
15					
16	Total development O&M capitalized costs,	\$ 114,952	\$ (42,879)	\$ 72,073	



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

(in thousands of dollars)

Note 5 Other Regulated Assets

		2022
1		
2	Cash & Short Term Investments	\$ 18,779
3	Accounts Receivable	21,734
4	Prepaid	1,160
5	Inventory	728
6	Lease Asset	1,063
7		
8		<u>\$ 43,464</u>



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

(in thousands of dollars)

Note 6 Long-term Advances from Associates and Affiliates

	Issue Date	Maturity Date	Amount	2022 Cost of Debt			
				LUC	LUGNB	Regulated	
1							
2							
3							
4							
5	Promissory Note	April 01, 2020	February 14, 2050	\$ 155,000	3.315%	3.315%	3.315%
6							
7	Total long-term advances						
8	from associates and affiliates			\$ 155,000	3.315%	3.315%	3.315%



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

(in thousands of dollars)

Note 7 Other Regulated Liabilities

	2022
1	
2 Ratepayer Variance	\$ -
3 Accounts Payable	14,570
4 Long-term Deferred Post Employment Liabilities	(89)
5 Lease Liability	1,063
6 HST payable	186
7	<u>\$ 15,730</u>



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

(in thousands of dollars)

Note 8 Operating Revenue

1 a. Gas Distribution

	2022		
	Revenue	Customers	Throughput TJs
2			
3			
4			
5			
6			
7	\$ 8,258	8,459	584
8	15,120	3,551	1,253
9	14,733	436	1,863
10	3,591	56	541
11	5,777	10	1,594
12	82	10	13
13			
14			
15	\$ 47,561	12,522	5,848
16			

17
 18 1 Terajoule (TJ) = 1,000 Gigajoules (GJ)



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

(in thousands of dollars)

Note 8 Operating Revenue (continued)

1	b. Other Revenue	
2		<u>2022</u>
3		
4	Single end-user franchise fees	\$ [REDACTED]
5	Agent billing and collection	[REDACTED]
6	Other miscellaneous revenue	[REDACTED]
7		
8	Total miscellaneous	<u>\$ [REDACTED]</u>
9		
10	Details of Agent Billing and Collection Revenue	
11		
12		<u>2022</u>
13		
14	Small General Service (SGS)	\$ [REDACTED]
15	Mid-General Service (MGS)	[REDACTED]
16	Large General Service (LGS)	[REDACTED]
17	Contract General Service (CGS)	[REDACTED]
18	Industrial Contract General Service (ICGS)	[REDACTED]
19	Off-Peak Service (OPS)	[REDACTED]
20		
21	Total Agent Billing and Collection Revenue	<u>\$ [REDACTED]</u>



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

(in thousands of dollars)

Note 9 Operating and Maintenance Expenses

	<u>2022</u>
1	
2	
3	\$ 939
4	2,772
5	3,120
6	280
7	588
8	1,629
9	5,640
10	1,033
11	612
12	-
13	
14	<u>16,613</u>
15	
16	<u>5,067</u>
17	
18	<u>5,067</u>
19	
20	<u>\$ 11,546</u>



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

(in thousands of dollars)

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

	<u>2022</u>
1	
2	
3 Interest on long-term debt	\$ 4,956
4 AIDC - allowance for funds used during construction (debt component)	3
5	
6 Total interest on amounts due to associates & affiliates and other interest	<u>\$ 4,959</u>

Note 11 Regulated Return on Equity

	<u>2022</u>
7	
8	
9 Regulated return on equity - Calculated	\$ 13,222
10 Excess returned to customers	-
11 Budgeted amount that exceeds 8.50%	-
12 AEDC - allowance for funds used during construction (equity component)	7
13	
14 Total regulated return on equity	<u>\$ 13,229</u>



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

(in thousands of dollars)

Note 12 Rate Base for Regulatory Purposes

1		2022
2		<hr/>
3	Property, plant & equipment	
4		
5	Cost	\$ 281,727
6	Accumulated amortization	(85,331)
7	Net	<hr/> 196,396
8		
9	Deferred charges	
10	Development O&M capitalized costs	114,952
11	Accumulated amortization	(42,879)
12	Net	<hr/> 72,073
13		
14	Intangible Software	3,841
15	Accumulated amortization	(740)
16	Net	<hr/> 3,101
17		
18	Deferred Charges - Net	<hr/> 75,174
19		
20	Term deposit	-
21		
22	Working capital allowance	<hr/> 1,946
23		
24	Total Rate Base	<hr/> <hr/> \$ 273,516
25		
26	Average Rate Base	<hr/> <hr/> \$ 271,866



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

(in thousands of dollars)

Note 13 Capital Structure for Regulatory Purposes

1		2022
2		
3	Capital structure	
4	Long-term debt	\$ 155,000
5	Equity	145,178
6	Total	<u>\$ 300,178</u>
7		
8		
9	Capital structure percentage	
10	Long-term debt	51.64%
11	Equity	48.36%
12	Total	<u>100.00%</u>
13		
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		
21	Weighted cost of capital for regulatory purposes	
22	Long-term debt	1.82%
23	Equity	4.86%
24	Total	<u>6.68%</u>



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

(in thousands of dollars)

Note 14 Details of Affiliate Transactions

1	Consulting and Services	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
2										
3	For the period ending December 31, 2022									
4										
5	Corporate Management	\$ 402	\$ 116	\$ -	\$ 381	\$ -	\$ -	\$ 899	\$ 935	96%
6	Corporate Finance	-	313	-	181	-	-	494	672	74%
7	Information technology	-	456	659	231	-	-	1,346	1,411	95%
8	Sales	-	-	-	-	-	-	-	12	0%
9	Customer Care	-	-	153	97	-	-	250	433	58%
10	Business Development	53	57	-	81	-	-	191	243	79%
11	Human Resources	-	109	1	15	-	-	125	132	95%
12	Regulatory and Forecast	-	50	37	38	-	-	125	359	35%
13	Energy Procurement	-	-	14	140	-	-	154	154	100%
14	Gas Operations	-	-	49	50	-	-	99	349	28%
15	Other	-	92	47	191	-	-	330	1,096	30%
16	Recoveries	-	(151)	-	(109)	-	(27)	(287)	(287)	0%
17	Total	\$ 455	\$ 1,042	\$ 960	\$ 1,296	\$ -	\$ (27)	\$ 3,726	\$ 5,509	68%

Note: In 2022, Liberty is no longer accounting for Corporate Allocations from APUC, LUC(LABS), LUC(LUC), and LUSC(US) in individual cost centers

