



Schedule 3.3 – 2022 Forecast to Budget Explanations – REDACTED

March 3, 2023

1 2022 Forecast to Budget Explanations

2 Overview

3 The 2022 Forecast is based on actual results as of September 30, 2022, with forecasts to the end of the
4 year.

5 For comparative purposes, variance explanations compare the 2022 Forecast to the 2022 Budget.

6 Revenue

7 The table below summarizes Liberty's 2022 forecasted gas distribution revenue, miscellaneous operating
8 revenue, allowance for funds used during construction ("AFUDC") and services and inspection margin with
9 comparisons to the 2022 Budget.

Table 1
Revenue

Line No.	(in thousands of dollars)	(1) 2022 Forecast	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1	Operating Revenue			
2	Gas Distribution	\$ 46,431	\$ 47,561	\$ (1,130)
3	Miscellaneous	2,077	2,522	(445)
4	Allowance for Funds Used During Construction	8	9	(1)
5		48,516	50,092	(1,576)
6				
7	Services & Inspection			
8	Revenue	1,679	1,750	(71)
9	Cost of Goods Sold	(1,478)	(1,471)	(7)
10		201	279	(78)
11				
10	12 Total Revenue	\$ 48,717	\$ 50,371	\$ (1,654)

11 Operating Revenue

12 Gas Distribution Revenue is \$1,130K lower than budget due to 2022 revenue forecasted at 2021 rates (\$920K),
13 warmer January-April (\$113K), smaller customer base (\$76K) and lower contract demand (\$21K).



- 1 Miscellaneous Operating Revenue is \$445K under budget due to lower SEUF Fees [REDACTED], lower ABC
 2 revenues [REDACTED], lower interest income [REDACTED], offset by [REDACTED] higher Late Payment
 3 Penalties [REDACTED], higher Red Lock & NSF Fee [REDACTED] and higher Transactional Services [REDACTED].
- 4 Allowance for Funds Used During Construction is \$1K lower than budget due to lower monthly balance of
 5 Construction Work in Progress account, which is the basis to calculate AFUDC.
- 6 Service and Inspection margin is \$78K under budget due to reduced service and inspection calls.

7 Expenses

- 8 Below is a summary of Liberty's 2022 forecasted operating and maintenance expenses, bad debt expense,
 9 amortization of property, plant and equipment, municipal and other taxes, interest on amounts due to
 10 associates and affiliates and other interest and amortization of deferred development costs with
 11 comparisons to the 2022 Budget.

Table 2
Operating Expenses

Line No. (in thousands of dollars)	(1) 2022 Forecast	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1 Operating Expenses			
2 Operating and Maintenance Expenses	\$ 12,064	\$ 11,546	518
3 Other Expenses	840	100	740
4 Bad Debt Expense	165	177	(12)
5 Amortization of Property, Plant and Equipment	6,962	7,348	(386)
6 Municipal and Other Taxes	1,238	1,314	(76)
7 Interest on Amounts Due to Associates and Affiliates and Other Interest	4,973	4,959	14
8 Amortization of Deferred Development Costs	2,793	2,792	1
9 Amortization of Intangible Software	169	145	24
10 Amortization of Regulatory Deferral Account	3,846	3,846	-
11 Amortization of Variance Accounts	378	378	-
12 Total Expenses	\$ 33,429	\$ 32,605	\$ 823

12



1 Operating and Maintenance ("O&M") Expenses

2 Liberty manages its O&M expenses at an aggregate level where Liberty will try to offset increased costs in
3 certain areas with cost reductions or savings in other areas of the organization.

4 Liberty has grouped its O&M expenses based on major cost categories rather than departments, as seen
5 in the regulatory financial statement format filed with the Board.

Table 3
Operating and Maintenance Expenses

Line No.	(in thousands of dollars)	(1) 2022 Forecast	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1	Labour and Benefits	\$ 8,789	\$ 8,661	\$ 128
2	Admin/Office Expenses	223	235	(12)
3	Computer and Telecom Services	115	200	(85)
4	Professional Consulting	1,621	1,769	(148)
5	Travel and Training	439	537	(98)
6	Advertising and Promotions	423	370	53
7	Tools and Safety	155	162	(7)
8	Fleet	458	452	6
9	Facilities	729	729	-
10	Insurance	439	401	38
11	NBEUB Assessments	487	325	162
12	Corporate Allocations	3,053	2,772	281
13	Total O&M Prior to Capitalization	16,931	16,613	318
14	Capitalized to:			
15	Property, plant & equipment	4,867	5,067	(200)
16	Total Capitalized	4,867	5,067	(200)
17	Total O&M Expenses	\$ 12,064	\$ 11,546	\$ 518

6
7 Liberty's 2022 O&M expenses are forecasted to be over budget by \$518K, or 4.5%, with the drivers for this
8 variance being:



- 1 • Labour and Benefits are projected to be \$128K over budget due to higher than anticipated Salaries
2 and Other Commissions (\$180K) mainly related to lower than anticipated recoveries, and slightly
3 higher pension costs (\$19K), offset by lower than anticipated benefit costs (\$71K).
- 4 • Admin/Office Expenses are projected to be under budget by \$12K due to lower printing and other
5 administrative costs (\$20K), offset by higher postage and courier costs (\$7K), and higher materials
6 and office supplies (\$1K).
- 7 • Computer and Telecom Services are projected to be under budget by \$85K due to decreased
8 telecom services cost, as most now flow through corporate allocations (\$87K), offset by increased
9 computer equipment supplies (\$2K).
- 10 • Professional Consulting expenses are projected to be under budget by \$148K due to lower outside
11 services (\$325K). There was \$100K budgeted in Marketing outside services in 2022 that should have
12 been budgeted under Advertising and Public Awareness which has been corrected in the 2023
13 budget. External audit fees are also projected to be lower than anticipated (\$29K). These savings
14 are offset by higher legal fees (\$206K) related to increased regulatory activities.
- 15 • Travel and Training is projected to be under budget by \$98K mainly due to lower accommodation
16 and meal costs (\$45K), lower conference, training, and membership costs (\$26K), lower airfare
17 costs (\$21K), and lower ground transportation costs (\$6K). These decreases are all related to the
18 COVID restrictions in place at the beginning of 2022.
- 19 • Advertising and Promotions are projected to be over budget by \$53K primarily due to increased
20 advertising and public awareness (\$71K), offset by lower sponsorship costs (\$18K).
- 21 • Tools and Safety are projected to be under budget by \$7K due to lower tool expenses (\$12K), offset
22 by higher safety related costs (\$5K).
- 23 • Fleet is projected to be slightly over budget by \$6K mainly due to the rising cost of fuel in 2022.
- 24 • Insurance is projected to be over budget by \$38K due to higher premiums due to hard market
25 conditions driven by COVID-19 and impacts on the utility sector in general.
- 26 • NBEUB Assessments are projected to be over budget by \$162K due to increased regulatory matters.
- 27 • Corporate Allocations are over budget by \$281K in 2022. This overage takes into consideration the
28 \$1,239K disallowed amount for the 2022 budget in Matter 494. Since the disallowance was provided
29 by the Board as a lump sum amount and did not provide specific detail as to which Corporate
30 Allocations (in Schedule 8.4) were disallowed, we are not able to provide more specific variance
31 analysis.
- 32 • Amounts capitalized to Property, Plant and Equipment are \$200K under budget due to aggregate
33 O&M spending in cost centers differing from budgeted spending; and the associated different
34 capitalization rates for each cost center.



Other Operating Expenses

Other Expenses is \$740K over budget due to temporary compressed natural gas provided to Havelock project before turning on (\$723K) and higher bank charges (\$17K).

Bad Debt Expense is \$12K under budget due to lower than budget distribution revenue and service & inspection revenue, which are the bases to forecast Bad Debt Expenses.

Amortization of Property, Plant and Equipment is \$386K under budget due to early asset retirement not captured in 2022 budget (\$346K) and lower beginning asset balance (\$66K), offset by application of next-month depreciation to 2022, which aligns forecast with actual accounting policy (\$26K).

Interest on Amounts Due to Associates and Affiliates and Other Interest is \$14K higher than budget due to higher average rate base.

Amortization of Intangible Software is \$24K over budget due to timing of opening asset balances (\$8K), lower amortization rate for system software (\$9K), and lower than budgeted asset addition (\$6K).

Rate Base

Information with respect to Liberty's year-end Rate Base and the levels of Property, Plant and Equipment, Development O&M capitalized costs, Working Capital Allowance and other elements within rate base are provided below.

Table 4
Rate Base

Line No.	(in thousands of dollars)	(1) 2022 Forecast	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1	Property, plant and equipment	\$ 194,337	\$ 196,396	\$ (2,059)
2	Development O&M capitalized costs	72,071	72,073	(2)
3	Intangible Software	2,846	3,101	(255)
4	Term deposit	-	-	-
5	Working capital allowance	3,454	1,946	1,508
6	Rate Base	\$ 272,709	\$ 273,516	\$ (808)

Property, Plant and Equipment is \$2.1M under budget primarily due to timing of opening balances (\$3.1M), offset by higher 2022 net capital additions (\$1.0M).



1 Intangible Software is \$255K under budget primarily due to lower net capital additions (\$288K), offset by
2 timing of opening balances (\$33K).

3 Working Capital Allowance is \$1,508K over budget due to higher than budgeted inventory balances (\$90K),
4 and prepaid expense balance (\$607K) due to an oversight where there was no budgeted addition to
5 prepaid.

6 Other Regulated Assets & Liabilities

7 Information with respect to Liberty's Other Regulated Assets & Liabilities is provided below.

Table 5
Other Regulated Assets & Liabilities

Line No. (in thousands of dollars)	(1) 2022 Forecast	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1 Other Regulated Assets			
2 Cash and Short Term Investments	\$ 14,288	\$ 18,779	\$ (4,491)
3 Accounts Receivable	22,054	21,734	320
4 Prepaid	1,784	1,160	624
5 Inventory	1,649	728	921
6 Right-of-use Asset	1,879	1,063	816
7 Other Long-term Assets	129	-	129
8 Ratepayer Variance	1,416	-	1,416
9 Total Other Regulated Assets	\$ 43,198	\$ 43,464	\$ (265)
11 Other Regulated Liabilities			
13 Accounts Payable	\$ 10,885	\$ 14,570	\$ (3,685)
14 Long Term Deferred Post Employment Liabilities	27	(89)	116
15 Lease Liability	1,879	1,063	816
16 HST Payable	995	186	809
8 17 Total Other Regulated Liabilities	\$ 13,787	\$ 15,730	\$ (1,944)

9 Other Regulated Assets & Liabilities are a function of the annual operations of Liberty and fluctuate with
10 changes in operating revenues and expenses.



1 Cost of Capital Summary

2 Information with respect to Liberty's Cost of Capital is provided below.

Table 6
Cost of Capital

Line No.	(1) 2022 Forecast	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1	Principal		
2	\$ 155,000	\$ 155,000	\$ -
3	144,875	145,178	(303)
4	Return (\$)		
5	4,973	4,959	14
6	13,265	13,229	36
7	Approved rates		
8	3.32%	3.32%	0.00%
9	10.81%	10.81%	0.00%

4 Liberty finances its operations through a combination of equity and debt financing.

5 Equity is \$303K under budget primarily due to timing of opening balance and lower net income.

6 Regulated Return on Equity is \$36K higher than budget due to higher average rate base.

7



1 Capital Additions Summary

2 Information with respect to Liberty's capital additions is provided below.

Table 7
Capital Additions

Line No.	(1) 2022 Forecast	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1	General plant		
2	\$ 138	\$ 28	\$ 110
3	123	123	-
4	5	5	-
5	473	305	168
6	568	750	(182)
7	100	105	(5)
8	1,407	1,316	91
9			
10	Distribution plant		
11	-	-	-
12	-	-	-
13	2,137	3,855	(1,718)
14	3,073	3,035	38
15	677	782	(105)
16	639	75	564
17	6,526	7,747	(1,221)
18			
19	AFUDC		
20	7	9	(2)
21			
22	Inventory		
23	113	619	(506)
24			
25	Accrued uninvoiced costs		
26	(82)	-	(82)
27	128	-	128
28	76	-	76
29	122	-	122
30			
31	\$ 8,175	\$ 9,691	\$ (1,516)

3



- 1 General plant is \$91K over budget
- 2 • Computer hardware is \$110K over budget due to acquiring new office PCs and laptop.
- 3 • Transportation is \$168K over budget due to planning to acquire additional vehicles for two new
- 4 positions.
- 5 • Incentives is 182K under budget due to lower-than-expected incentives signed in January-April.
- 6 • Leasehold improvement is \$5K under budget due to lower-than-expected spending in January-
- 7 April.
- 8 Distribution plant is \$1,221K under budget
- 9 • Distribution mains is \$1,718K under budget due to lower than budget main cost of LICs (\$500K) and
- 10 lower than budget construction in January-April \$1,218K
- 11 • Street service is \$38K over budget due to higher than budget service cost of LICs (\$350K), offset
- 12 by lower than budget construction in January-April (\$388K).
- 13 • Meters and regulators are \$105K under budget due to lower than budget construction in January-
- 14 April.
- 15 • Stations is \$564K over budget due to higher than budget station cost of LICs (\$150K) and timing of
- 16 late cost from Havelock project (\$414K).
- 17 AFUDC is \$2K under budget due to lower than budgeted monthly balances in the Construction Work in
- 18 Progress account, on which AFUDC is calculated on.
- 19 Inventory capitalized to distribution mains is \$506K under budget due to lower than budget capitalization
- 20 rate of inventory.
- 21 Accrued un invoiced costs is \$122K over budget due to timing of contractor invoices.

