



Schedule 3.3 – 2023 Forecast to Budget Explanations – REDACTED

April 15, 2024

2023 Forecast to Budget Explanations

Overview

The 2023 Forecast is based on actual results as of October 31, 2023, with forecasts to the end of the year.

For comparative purposes, variance explanations compare the 2023 Forecast to the 2023 Budget.

Revenue

The table below summarizes Liberty's 2023 forecasted gas distribution revenue, miscellaneous operating revenue, allowance for funds used during construction ("AFUDC") and services and inspection margin with comparisons to the 2023 Budget.

Line No.	(in thousands of dollars)	(1) 2023 Forecast	(2) 2023 Budget	(3)=(1)-(2) Variance to 2023 Budget
1	Operating Revenue			
2	Gas Distribution	\$ 44,358	\$ 47,161	\$ (2,803)
3	Miscellaneous	4,254	2,346	1,908
4	Allowance for Funds Used During Construction	11	12	(1)
5		48,623	49,519	(896)
6				
7	Services & Inspection			
8	Revenue	-	1,559	(1,559)
9	Cost of Goods Sold	-	(1,404)	1,404
10		-	155	(155)
11				
12	Total Revenue	\$ 48,623	\$ 49,674	\$ (1,051)

Operating Revenue

Gas Distribution Revenues was \$2,803K lower than budget due to warmer weather (\$1,028K) and lower forecast and attachment variance (\$1,775K) resulting from lower throughput across all residential and commercial customers.

Miscellaneous Revenue is \$1,908K over budget due to higher SEUF Fees [REDACTED], higher revenues earned from Large Industrial Contract Service customer [REDACTED], higher transactional service fees [REDACTED], higher late payment penalty revenues [REDACTED] and higher ABC revenues [REDACTED], offset by lower interest income [REDACTED] and lower red lock & NSF fees [REDACTED].

AFUDC is \$1K under budget, primarily due to higher than budgeted monthly balances in the Construction Work in Progress account, on which AFUDC is calculated on.



1 Service and Inspection margin was zeroed out in 2023 resulting from the transition, as the work is now
2 being carried out by the unregulated business.

3 Expenses

4 Below is a summary of Liberty's 2023 forecasted operating and maintenance expenses, bad debt expense,
5 amortization of property, plant and equipment, municipal and other taxes, interest on amounts due to
6 associates and affiliates and other interest and amortization of deferred development costs with
7 comparisons to the 2023 Budget.

Table 2
Operating Expenses

Line No. (in thousands of dollars)	(1) 2023 Forecast	(2) 2023 Budget	(3)=(1)-(2) Variance to 2023 Budget
1 Operating Expenses			
2 Operating and Maintenance Expenses	\$ 13,652	\$ 12,570	1,082
3 Other Expenses	110	17	93
4 Bad Debt Expense	374	205	169
5 Amortization of Property, Plant and Equipment	7,160	7,391	(231)
6 Municipal and Other Taxes	1,229	1,268	(39)
7 Interest on Amounts Due to Associates and Affiliates and Other Interest	5,090	5,126	(36)
8 Amortization of Deferred Development Costs	2,792	2,793	(1)
9 Amortization of Intangible Software	532	607	(75)
10 Amortization of Regulatory Deferral Account	3,846	3,846	-
11 Amortization of Variance Accounts	1,416	1,416	-
12 Income Tax Expense	3,169	2,036	1,133
13 Total Expenses	\$ 39,370	\$ 37,275	\$ 2,095

8

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

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



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

3

Table 3
Operating and Maintenance Expenses

Line No.	(in thousands of dollars)	(1) 2023 Forecast	(2) 2023 Budget	(3)=(1)-(2) Variance to 2023 Budget
1	Labour and Benefits	\$ 8,767	\$ 9,101	\$ (334)
2	Admin/Office Expense	149	226	(77)
3	Computer and Telecom Services	171	128	43
4	Professional Consulting	1,309	2,004	(695)
5	Travel and Training	453	605	(152)
6	Advertising and Promotions	320	510	(190)
7	Tools and Safety	448	160	288
8	Fleet	407	501	(94)
9	Facilities	678	732	(54)
10	Insurance	1,490	456	1,034
11	NBEUB Assessments	397	500	(103)
12	Corporate Allocations	4,805	3,270	1,535
13	Total O&M Prior to Capitalization	19,394	18,193	1,201
14	Capitalized to:			
15	Property, plant & equipment	5,742	5,623	119
16	Total Capitalized	5,742	5,623	119
17	Total O&M Expenses	\$ 13,652	\$ 12,570	\$ 1,082

4



1 Liberty's 2023 O&M expenses are forecast to end the year \$1.2M, or 6.6% over budget, with the drivers for
2 this variance being:

- 3 • Labour and Benefits are \$334K under budget due to lower pension service costs (\$374K) and lower
4 misclassified odorant costs (\$15K), offset by general labour and benefits costs (\$55K).
- 5 • Admin/Office Expenses are under budget by \$77K due to lower postage (\$70K) and other office
6 related expenses/stationary (\$13K), offset by higher licenses and fees (\$6K).
- 7 • Computer and Telecom Services forecast is over budget by \$43K due to increased computer
8 repair expenses (\$31K) and software expenses (\$13K), offset by lower telecom expenses (\$1K).
- 9 • Professional Consulting expenses are under budget by \$695K mainly due to lower outside labour
10 services and external audit fees (\$399K), legal expenses (\$61K), call center/survey costs (\$80K)
11 and outside services (\$155K).
- 12 • Travel and Training is under budget by \$152K mainly due to decreased travel/meals related
13 expense (\$76K) and lower employee training and development (\$76K).
- 14 • Advertising and Promotions forecast is under budget by \$190K primarily due to decreased
15 advertising and public awareness (\$185K) and lower donations and sponsorship costs (\$5K).
- 16 • Tools and Safety are over budget by \$288K due to higher tool expenses (\$236K) and safety
17 expenses (\$52K).
- 18 • Fleet forecast is under budget by \$94K mainly due to lower fuel and maintenance costs.
- 19 • Facilities are under budget \$54K mainly due to lower facilities maintenance and security costs
20 (\$49K), lower utilities and overhead (\$8K), and higher rent/repair expenses (\$3K).
- 21 • Insurance is over budget by \$1,034K due to higher premiums due to hard market conditions driven
22 by COVID-19 and impacts on the utility sector in general (\$199K), double booked insurance costs
23 (\$557K), as well as 2022 insurance amount recorded in 2023 (\$278K).
- 24 • NBEUB Assessments are forecast to end the year under budget by \$103K due to higher EUB Fees
25 (\$516K), offset by a correction of 2022 NBEUB Assessments that was only recorded in 2023 (\$619K).
- 26 • Corporate Allocations are over budget by \$1.535M primarily due to departmental costs not
27 captured in the 2023 budget (\$338K) and the reallocation of costs related to the reduction in utility
28 base (\$761K), resulting in a larger allocation factor for Liberty GNB. The remaining \$436K is due to
29 increased gas control costs (\$232K), increased energy procurement costs (\$100K) and increased
30 IT costs (\$317K), offset by decreased East Region costs in Business Development (\$44K), Business
31 and Community Development (\$47K), EH&S (\$58K), and Rates & Regulatory (\$64K).

32 Amounts capitalized to Property, Plant and Equipment are \$119K over budget due to aggregate O&M
33 spending in cost centers differing from budgeted spend and the associated different capitalization rates
34 for each cost center.



1 Other Operating Expenses

- 2 Other Expenses is \$93K over budget due to higher other interest expense (\$14K) and higher bank charges
3 (\$79K).
- 4 Bad Debt Expense is \$169K over budget due to higher-than-expected bad debt write-offs.
- 5 Amortization of Property, Plant and Equipment is \$231K under budget primarily due to lower than budgeted
6 additions (\$119K), timing of opening asset balances (\$75K) and retirements (\$37K).
- 7 Municipal and Other Taxes is \$39K under budget due to lower cumulative length of pipeline.
- 8 Interest on Amounts Due to Associates and Affiliates and Other Interest is \$36K under budget due to lower
9 average rate base.
- 10 Amortization of Intangible Software is \$75K under budget due to retirement of legacy assets (\$66K) and
11 lower amortization rate for system software (\$17K), offset by higher-than-expected asset addition (\$8K).
- 12 Income Tax Expense is \$1,133K higher than budget due to unforeseen exclusion of regulatory activities for
13 tax purpose (\$1,421K) and higher book-to-tax adjustments (\$296K), offset by lower net book income
14 (\$584K).



1 Rate Base

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

Table 4
Rate Base

Line No.	(in thousands of dollars)	(1) 2023 Forecast	(2) 2023 Budget	(3)=(1)-(2) Variance to 2023 Budget
1	Property, plant and equipment	\$ 197,065	\$ 199,463	\$ (2,398)
2	Development O&M capitalized costs	69,280	69,278	2
3	Intangible Software	11,888	11,646	242
4	Term deposit	-	-	-
5	Working capital allowance	2,934	2,144	790
6	Rate Base	\$ 281,166	\$ 282,530	\$ (1,364)

5
6 Property, Plant and Equipment is \$2.4M under budget primarily due to timing of opening balance of
7 Property, Plant and Equipment (\$1.7M), and lower forecast net capital additions (\$724K).

8 Intangible Software is \$242K over budget primarily due to higher net capital additions (\$222K) and timing
9 of opening balances (\$20K).

10 Working Capital Allowance is \$790K over budget due to higher inventory due to timing of construction
11 (\$388K) and higher prepaid asset driven by higher EUB Fees in October 2023 (\$411K), offset by revaluation
12 of line pack gas (\$9K).



1 Other Regulated Assets & Liabilities

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

3

Table 5
Other Regulated Assets & Liabilities

Line No.	(in thousands of dollars)	(1) 2023 Forecast	(2) 2023 Budget	(3)=(1)-(2) Variance to 2023 Budget
1	Other Regulated Assets			
2	Cash and Short Term Investments	\$ 176	\$ 22,906	\$ (22,730)
3	Accounts Receivable	41,918	19,912	22,006
4	Prepaid	1,023	611	412
5	Inventory	1,898	1,510	388
6	Right-of-use Asset	1,465	1,469	(4)
7	Other Long-term Assets	142	635	(493)
8	HST Receivable	12,152	-	12,152
9	Ratepayer Variance Assets	484	-	484
10				
12	Total Other Regulated Assets	\$ 59,258	\$ 47,044	\$ 12,215
13				
14	Other Regulated Liabilities			
15	Bank Indebtedness	\$ -	\$ -	\$ -
16	Accounts Payable	25,525	10,089	15,436
17	Lease Liability	1,465	1,469	(4)
18	HST Payable	-	953	(953)
19	Pension Liability	-	55	(55)
20	Ratepayer Variance Liabilities	1,019	-	1,019
21				
23	Total Other Regulated Liabilities	\$ 28,009	\$ 12,566	\$ 15,443

4
5 Other Regulated Assets & Liabilities are a function of the annual operations of Liberty and fluctuate with
6 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.	(in thousands of dollars)	(1) 2023 Forecast	(2) 2023 Budget	(3)=(1)-(2) Variance to 2023 Budget
1	Principal			
2	Debt	\$ 155,000	\$ 155,000	\$ -
3	Equity	155,825	161,074	(5,249)
4	Return (\$)			
5	Debt	5,090	5,126	(36)
6	Equity	12,311	12,399	(88)
7	Approved rates			
8	Debt	3.32%	3.32%	0.00%
9	Equity	9.80%	9.80%	0.00%

3

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

5 Equity is \$5,249K lower than budget due to lower net income (\$3,146K) and lower opening balance (\$2,103K).

6 Return on Debt is \$36K under budget due to lower average rate base.

7 Return on Equity is \$88K under budget due to lower average rate base.



1 Capital Additions Summary

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

Table 7
Capital Additions

Line No.	(1) 2023 Forecast	(2) 2023 Budget	(3)=(1)-(2) Variance to 2023 Budget
1 General plant			
2 Computer hardware	\$ 165	\$ 95	\$ 70
3 Tools and work equipment	135	135	-
4 Office furniture and equipment	7	-	7
5 Transportation	612	462	150
6 Incentives	865	1,150	(285)
7 Leasehold improvements	192	348	(156)
8 Subtotal	<u>1,976</u>	<u>2,190</u>	<u>(214)</u>
9			
10 Distribution plant			
11 Land	-	-	-
12 Rights of way and easements	-	-	-
13 Distribution mains	353	1,497	(1,144)
14 Street services	2,898	2,066	832
15 Meters and regulators	488	922	(434)
16 Stations	(101)	54	(155)
17 Subtotal	<u>3,638</u>	<u>4,539</u>	<u>(901)</u>
18			
19 AFUDC			
20 Distribution mains	11	12	(1)
21			
22 Inventory			
23 Distribution mains	34	153	(119)
24			
25 Accrued uninvoiced costs			
26 Distribution mains	(104)	-	(104)
27 Street services	70	-	70
28 Meters and regulators	62	-	62
29 Subtotal	<u>28</u>	<u>-</u>	<u>28</u>
30			
31 Total plant in service	<u>\$ 5,687</u>	<u>\$ 6,894</u>	<u>\$ (1,207)</u>

3

4 General plant is \$214K under budget:

- 5
- Computer hardware is \$70K over budget due to additional laptop purchases.
- 6
- Office furniture and equipment is \$7K over budget due to unplanned purchase of office chairs.



- 1 • Transportation is \$150K over budget due to additional vehicles purchased due to delays during
2 COVID-19.
- 3 • Incentives are \$285K under budget due to lower commercial incentives and the timing of actuals.
- 4 • Leasehold improvement is \$156K under budget due to a delay in purchasing security camera
5 systems.
- 6 Distribution plant is \$901K under budget:
- 7 • Distribution mains is \$1,144K under budget due to a less than expected length of Mains being
8 installed than anticipated, and movement of AWL budget to services category in forecast.
- 9 • Street services is \$832K over budget due to AWL budgeted as a strategic main project, but moved
10 to be part of the services spend in the forecast.
- 11 • Meters and regulators are \$434K under budget due to delay in receiving meters affecting
12 government inspection program.
- 13 • Stations is \$155K under budget due to correction of asset classification.
- 14 AFUDC is \$1K under budget, primarily due to higher than budgeted monthly balances in the Construction
15 Work in Progress account, on which AFUDC is calculated on.
- 16 Inventory capitalized to distribution mains is \$119K under budget due to timing of construction.
- 17 Accrued uninvoiced costs are \$28K over budget due to late contractor invoices.

