



Schedule 3.4 – 2023 Budget Assumptions

March 3, 2023

2023 Budget Assumptions

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The following assumptions were used by Liberty in the development of its 2023 Budget:

Budget Item	Assumption
Major Assumptions	
Cost of Capital	ROE of 9.8% as approved by the Board in Cost of Capital proceeding (NBEUB Matter 491). 55/45 debt/equity ratio. Cost of debt of 3.315% based on 30 year promissory note.
Inflation	Cost of living increase of 3.5% applied to salaries and 2.0% applied to non-salary items.
Property, Plant & Equipment	
Computer Hardware	Detailed review of requirements, scheduled replacements and upgrades.
Computer Software	Detailed review of requirements and upgrades. (Includes the addition of the Customer First (SAP) project)
Tools and Work Equipment	Detailed review of requirements, scheduled replacements and improvements.
Office Furniture and Equipment	Detailed review of requirements and scheduled equipment replacements.
Transportation Equipment	Detailed review of requirements and scheduled replacements.
Communications Equipment	Detailed review of requirements and scheduled replacements.
Leasehold Improvements	Detailed review of requirements, scheduled replacements and improvements.
Land	No additional land acquisition
Distribution Mains	Based on anticipated new mains to support attachments not on main in the communities currently served at forecast costs, with allowance for main relocations and sewer conflict resolution. In-house construction model with Liberty crews and local contractors.
Street Services	Based on anticipated attachments at forecast unit rates.
Meters and Regulators	Based on anticipated attachments at forecast unit rates.
Stations	Based on historic station costs and anticipated station(s).
Accumulated Amortization	Based on Board approved amortization rates.
Net Book Value	Cost less Accumulated Amortization.
Construction Work in Progress	No significant difference in CWIP balance



	Budget Item	Assumption
2	Deferred Charges	
3	Intangible Software	Intangible software has been reclassified from Property, Plant and Equipment to Deferred Charges.
4	Development O&M Capitalized Costs – Net	Deferred Development Costs less amortization at Board approved rate. There are no new forecast additions to Development O&M in 2023.
5		Net change to Development O&M resulting from amortization at Board approved rate.
6	Regulatory Deferral	Regulatory Deferral account in 2023 has been set at \$120.7 million as per the Gas Distribution Act amendments dated December 16, 2016.
7		(2016 balance of \$144.5 million less adjusting entries and the legislated amortization amount of \$3.8M/year of the \$100M balance).
8		The Regulatory Deferral Account has been excluded from rate base for purposes of calculating return.
9	Short Term Investments	Maritimes & Northeast Pipeline Firm Service Agreement security deposit no longer exists.
10	Non-Rate base Assets	
11	Cash, & Short Term Investments	Estimated cash requirements based on an assessment of cash flow items.
12	Accounts Receivable	30 days to receive cash for Distribution Revenue, Gas Sales, ABC, and service and inspection; monthly forecast data relied upon.
13	Inventory	No significant changes in level of inventory forecasted.
14	Partners Equity	Assumed equity levels are forecasted to average approximately 45% for the year.
15	Long-term Advances from Affiliates	30 year promissory note obtained in 2020.
16	Non-Rate base Liabilities	
17	Short Term Indebtedness	No estimated short term borrowing required to manage cash flow.
18	Accounts Payable	30 days for payment on obligations related to:
19		- 78% of O&M expenses excluding salary and benefits
20		- property tax
21		- natural gas costs
22		- service and inspection cost
23		- 100% of salary and benefits
24		60 days for payment on obligations related to:
25		- 22% of O&M expenses excluding salaries and benefits
26		- services, meters and stations
27		- work in progress from property, plant and equipment
28		- general plant
29	Due to/from Affiliates	No significant changes in level of due to/from affiliates forecasted.
30	Pension Liabilities	No significant changes in level of pension liabilities forecasted.
31	HST Payable	30 days to pay HST related to sales transactions; monthly forecast data relied upon.
32	Average Rate Base	Forecast timing of additions for 2023 and the exclusion of the Regulatory Deferral Account as part of the regulated assets.
33	Capital Structure	Managing of debt/equity ratio to Board approved 55/45 structure during 2023 as per Cost of Capital Decision.



1	Budget Item	Assumption
2	Operating Revenue	
3	Cumulative Customers	Forecast consists of total forecast customers at the end of 2022 (based on April 2022 actual results and additions/losses forecast for
4		balance of 2022) plus additions forecast minus lost customers forecast for 2023, as shown below, based on a review of historic attachment
5		rates and assessment of current market potential.
6		
7		2023 Forecast Customer Additions (net)
8	Customer Additions (net)	Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2023 Total
9	Small General	(2) (1) (2) (1) (1) (3) (2) (1) (1) 3 (1) (2) (14)
10	Mid General	10 10 15 7 5 4 5 10 18 14 12 13 123
11	Large General	1 - - - - 1 1 3 1 2 - 1 10
12	Contract General	- - - - - - - - - - - - -
13	Industrial Contract General	- - - - - - - - - - - - -
14	OPS	- - - - - - - - - - - - -
15	Total	9 9 13 6 4 2 4 12 18 19 11 12 119
16		
17	New Customers	Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2023 Total
18	Small General	1 2 2 3 3 2 3 4 4 8 4 3 39
19	Mid General	11 10 15 7 8 6 6 11 18 15 13 14 134
20	Large General	1 1 1 1 - 1 1 3 1 2 - 1 13
21	Contract General	- - - - - - - - - - - - -
22	Industrial Contract General	- - - - - - - - - - - - -
23	OPS	- - - - - - - - - - - - -
24	Total	13 13 18 11 11 9 10 18 23 25 17 18 186
25		
26	Lost & Recovered Customers	Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2023 Total
27	Small General	(3) (3) (4) (4) (4) (5) (5) (5) (5) (5) (5) (5) (53)
28	Mid General	(1) - - - (3) (2) (1) (1) - (1) (1) (1) (11)
29	Large General	- (1) (1) (1) - - - - - - - - (3)
30	Contract General	- - - - - - - - - - - - -
31	Industrial Contract General	- - - - - - - - - - - - -
32	OPS	- - - - - - - - - - - - -
33	Total	(4) (4) (5) (5) (7) (7) (6) (6) (5) (6) (6) (6) (67)



1	Budget Item	Assumption	
2	Cumulative Customers (Continued)	Methodology and Underlying Assumptions of the Net Lost Customer Process	
3		"Lost Customer": A customer that is no longer consuming gas and has received a final bill.	
4		"Recovered Customer": A "Lost Customer" that has been recovered and is now consuming gas.	
5		"Maintained Customer": A customer with no change to their status within the specified period.	
6			
7		Customer counts by class are reviewed on a monthly basis and are categorized as 1) New Attachment,	
8		2) Maintained Customers, and 3) Lost Customers net of Recovered Customers.	
9			
10		Liberty accounts for "Net Lost Customers" in budgets and forecasts, by adding together the Lost Customer	
11		forecast and Recovered Customer forecast.	
12			
13		Both the Lost Customer forecast and the Recovered Customer forecast are determined using historical data	
14		averages by rate class.	
15			
16		Throughput	Existing Customers: The throughput forecast for existing customers is developed based on historic
17	consumption for each customer, adjusted for normal weather.		
18			
19	New Customers: The throughput for new customers is developed based on expected consumption for each		
20	customer that is forecasted to be attached based on either signed GJs or a standard profile and the time of		
21	year that they are forecast to be attached. The standard profile is based on the average customer.		
22	For new industrial customers (CGS, ICGS, OPS), throughput forecast is based on specific customer information provided at		
23	time of customer signing.		
24			
25	For 2023:		
26	Regulated Rate Class		Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Annual Volume
27			
28	Small General	9 13 11 6 6 2 1 1 1 2 4 7 64	
29	Mid General	54 60 57 22 23 10 8 8 8 13 26 46 334	
30	Large General	505 508 529 281 290 179 152 149 164 238 319 463 3,777	
31			
32	Rates	Distribution rates are set to recover Liberty's full revenue requirement.	
33		The 2023 Cost of Service (COS) study has been used to set rates for all rate classes.	



1	Budget Item	Assumption
2	Operating Revenue (Continued)	
3	Distribution Revenue	Assumed throughput times assumed rates.
4	SEUF Fees	SEUF Fees is budgeted based on prorated actual amount received for first and second quarter of 2022.
5	LICS Revenue	LICS Revenue is budgeted at minimum requirement in service contract.
6	ABC Revenue	Number of ABC and AB customers plus new additions based on historic data times existing rates with inflationary increase 2.0%.
7	Other Miscellaneous Revenue	Interest Income is budgeted at 5-year historical average (2017-2021) as per Decision Matter 478.
8		Late Payment Penalties is budgeted at 5-year historical average (2017-2021) as per Decision Matter 478.
9		Transactional Services is budgeted at 2-year historical average (2020-2021).
10		Red Lock Fees is budgeted at 2-year historical average (2020-2021).
11	Allowance for Funds Used During Construction	Based on 15% of CWIP eligible for allowance for funds used during construction ("AFUDC") times the
12		weighted average cost of capital ("WACC")
13	Service and Inspection	
14	Revenue	Based on anticipated service work to be performed by Liberty.
15	Cost of Goods Sold	Service cost of goods sold ("COGS") based on the percentage of revenue from historic experience.



Budget Item	Assumption																																																
Operating Expenses																																																	
Operating and Maintenance Expenses	Based on input by department managers for 2023.																																																
Operating and Maintenance Expenses capitalized to Property, Plant and Equipment	<p>O&M budget capitalized based on the following percentage assumptions:</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: right;">2023</th> </tr> </thead> <tbody> <tr> <td>Corporate management</td> <td style="text-align: right;">29.5 %</td> </tr> <tr> <td>Financial reporting</td> <td style="text-align: right;">31.9 %</td> </tr> <tr> <td>Information technology</td> <td style="text-align: right;">32.1 %</td> </tr> <tr> <td>Procurement</td> <td style="text-align: right;">26.9 %</td> </tr> <tr> <td>Regulatory</td> <td style="text-align: right;">0.0 %</td> </tr> <tr> <td>Business Development</td> <td style="text-align: right;">56.2 %</td> </tr> <tr> <td>Sales & Marketing</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Sales</td> <td style="text-align: right;">61.8 %</td> </tr> <tr> <td style="padding-left: 20px;">Marketing and Communications</td> <td style="text-align: right;">60.9 %</td> </tr> <tr> <td>Distribution & maintenance</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Construction & maintenance</td> <td style="text-align: right;">2.4 %</td> </tr> <tr> <td style="padding-left: 20px;">Metering and Regulation</td> <td style="text-align: right;">16.5 %</td> </tr> <tr> <td style="padding-left: 20px;">Planning and Operational Reliability</td> <td style="text-align: right;">50.4 %</td> </tr> <tr> <td style="padding-left: 20px;">Technical Training & QA</td> <td style="text-align: right;">31.9 %</td> </tr> <tr> <td style="padding-left: 20px;">Environmental Health & Safety</td> <td style="text-align: right;">25.2 %</td> </tr> <tr> <td style="padding-left: 20px;">Trade Ally</td> <td style="text-align: right;">100.0 %</td> </tr> <tr> <td style="padding-left: 20px;">Service</td> <td style="text-align: right;">34.5 %</td> </tr> <tr> <td>Customer Experience</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Customer Care</td> <td style="text-align: right;">16.7 %</td> </tr> <tr> <td style="padding-left: 20px;">Work Management Center</td> <td style="text-align: right;">35.7 %</td> </tr> <tr> <td>Human resources</td> <td style="text-align: right;">31.8 %</td> </tr> <tr> <td>Gas transportation and related activities</td> <td style="text-align: right;">0.0 %</td> </tr> <tr> <td>Corporate Allocations</td> <td style="text-align: right;">32.1 %</td> </tr> </tbody> </table>		2023	Corporate management	29.5 %	Financial reporting	31.9 %	Information technology	32.1 %	Procurement	26.9 %	Regulatory	0.0 %	Business Development	56.2 %	Sales & Marketing		Sales	61.8 %	Marketing and Communications	60.9 %	Distribution & maintenance		Construction & maintenance	2.4 %	Metering and Regulation	16.5 %	Planning and Operational Reliability	50.4 %	Technical Training & QA	31.9 %	Environmental Health & Safety	25.2 %	Trade Ally	100.0 %	Service	34.5 %	Customer Experience		Customer Care	16.7 %	Work Management Center	35.7 %	Human resources	31.8 %	Gas transportation and related activities	0.0 %	Corporate Allocations	32.1 %
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Bad Debt Expense	0.25% of yearly Distribution Revenue, Installation Revenue and Gas Sales Revenue.																																																
Municipal and Other Taxes	Existing tax rates applied to existing tax base plus additions.																																																
Amortization of Property, Plant and Equipment	Based on Board approved amortization rates.																																																
Amortization of Deferred Development Costs	Based on Board approved amortization rate.																																																
Corporate Allocations	Liberty corporate allocations methodology is based on the Algonquin Power & Utilities Corporate Allocation Manual.																																																
Corporate Tax	Liberty expects income tax at \$1.95M for 2023.																																																
SEUF Variance Account	Reflects actual to budget variance of SEUF Fees in 2021A . Reduce revenue requirement by \$84K.																																																
Revenue Requirement True-up Variance Account	Reflects rate variance in 2022. Increase revenue requirement by \$1,719K.																																																
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Regulated Return on Equity	Average rate base times return on equity times equity proportion of capital structure.																																																

