



Schedule 3.9 – Variance Accounts – REDACTED

April 15, 2024

1 Variance Accounts

2 On December 16, 2016, the Province of New Brunswick enacted amendments to the Gas Distribution Act,
3 1999 ("GDA") including the following provision:

4 *52(2.1) The Board may, in accordance with generally accepted public utility practice, make an*
5 *order permitting the general franchise holder to create or establish a regulatory variance account*
6 *in respect of the occurrence of an event for the purpose of minimizing the rate impact of the*
7 *costs arising from the event.*

8 With this amendment, the concept of regulatory variance accounts was included in Liberty's regulatory
9 framework. Variance accounts in regulatory rate making are primarily used to minimize impacts to the
10 revenue requirement and to smooth the changes to rates.

11 Variance Account for Single End Use Franchise (SEUF) Fees

12 In the same decision, in Matter No. 494, the Board also approved Liberty's request for the creation of a
13 variance account for payments it receives from the Natural Gas Distribution Fund ("SEUF Fees"). The Single
14 End-user Franchise (SEUF) Variance Account reflects the revenue variance resulting from SEUF fees
15 collection. The balance is calculated as actual SEUF fees received less budgeted SEUF fees received.

16 The amount of SEUF Fees received in 2023 is to be applied to Liberty's 2024 Revenue Requirement. The SEUF
17 Fees are paid to Liberty on a quarterly basis. Liberty has received payments in 2023 of █████ for Q1 and █████
18 for Q2. Using these quarterly amounts, Liberty estimates a total forecast of █████ for 2023, which will be
19 reflected as miscellaneous revenue offsetting the 2024 revenue requirement. As demonstrated in Matter
20 No. 533, there are uncertainties surrounding SEUF revenues due to the volatility in consumption with these
21 entities. Consequently, the difference between the 2023 actuals and budget will be applied to the 2025
22 revenue requirement.

23 Revenue Requirement True-Up Variance Account

24 In its Oral Decision in Matter No. 533, the Board approved Liberty's proposal to use the Revenue Requirement
25 True-Up Variance Account to capture the difference between the revenue received from the rates in effect
26 as of January 1, 2023, until the effective date of the new 2023 rates and the revenue that would have been
27 received had the new rates been in effect on January 1, 2023. This same Decision approved new rates
28 effective October 1, 2023.

29 Liberty has included a proposal in Table 1 for how amounts in the Revenue Requirement True-Up Variance
30 Account as of September 30, 2023, should be applied to the 2024 revenue requirement. The amounts in
31 Table 1 reflect the difference in revenue due to the delay in implementing 2023 rates. The balance was
32 calculated as the 2022 approved rates at 2023 budgeted volume less 2023 approved rates at 2023 actual
33 volume.



Table 1

Revenue Requirement True-Up Variance Account

SGS	MGS	LGS	CGS	ICGS	OPS	Total
[REDACTED]						

1

2 The delay in Liberty's application for 2024 rates has created a similar situation where 2023 rates will remain
 3 in effect until 2024 rates are approved in this Matter. Liberty proposes to continue the use of the Revenue
 4 Requirement True-Up Variance Account in 2024. The difference between the revenue received from the
 5 2023 current rates until the effective date of the new 2024 rates and the revenue that would have been
 6 received under the new 2024 rates had they been approved on January 1, 2024, will be applied to the 2025
 7 revenue requirement, prorated by class.

