



Schedule 3.9 – Variance  
Accounts for SEUF Fees, LICS Rate  
Class, RR True-up & RDM –  
REDACTED

March 3, 2023

## Variance Accounts

### 2023 Budget

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

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

With this amendment, the concept of regulatory variance accounts was included in Liberty's regulatory framework.

The common use of variance accounts in regulatory rate making are primarily used to minimize impacts to revenue requirement and smoothen the changes to rates. The following proposed variance accounts will be used for those reasons and minimize impacts to ratepayers from year to year.

### Variance Account for Large Industrial Contract Service (LICS) Rate Class

In its decision on July 26, 2022, in Matter No. 494, the Board approved Liberty's request for the creation of a variance account for revenue earned from the LICS Rate Class. The total revenue earned from this rate class for 2022 was [REDACTED]. The total cost to serve the LICS Rate Class during the same period was [REDACTED]. In this application, Liberty has included the total net revenue earned from the LICS Rate Class in 2022, in the amount of [REDACTED], to be applied against the 2023 revenue requirement.

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

In its decision on July 26, 2022, in Matter No. 494, the Board approved Liberty's request for the creation of a variance account for payments it receives from the Natural Gas Distribution Fund ("SEUF Fees").

The full amount received in 2021 was [REDACTED]<sup>1</sup>, with [REDACTED] being paid to Liberty for Q3, and [REDACTED] being paid for Q4. Liberty estimated a total forecast of \$1,880,000 for 2021. The difference between the forecasted and actual payments received was [REDACTED], which will be applied against the 2023 revenue requirement.

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<sup>1</sup> The 2021 Year End Regulatory Statements reported a total of \$2,086K in SEUF Fees for 2021. This amount reflected an estimation of the Q4 SEUF Fees payment. The Q4 SEUF Fees payment was received by Liberty in June 2022.



1 In 2022, Liberty received payments for SEUF Fees in the amount of [REDACTED] for Q1 and [REDACTED] for Q2. Liberty  
 2 used an estimate of [REDACTED] for each of Q3 and Q4, for a total forecast of [REDACTED] for 2022, which will be  
 3 reflected as miscellaneous revenue offsetting the 2023 revenue requirement. The difference between the  
 4 2022 actuals and budget will be applied to the 2024 revenue requirement.

## 5 Revenue Requirement True-Up Variance Account

6 In its decision on December 21, 2022, in Matters No. 530 and 540, the Board approved Liberty's request for  
 7 the creation of a Revenue Requirement True-Up Variance Account, for all rate classes and allowed all  
 8 amounts in the True-Up Variance Account, as of December 31, 2022, to be recovered or credited, as  
 9 applicable, for all of Liberty's customers.

10 Liberty has included a proposal in Table 1 for how amounts in the Revenue Requirement True-Up Variance  
 11 Account as of December 31, 2022 should be applied to the 2023 revenue requirement.

Table 1

### Revenue Requirement True-Up Variance Account

SGS	MGS	LGS	CGS	ICGS	OPS	Total
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

12

13 In addition, until the effective date for the 2023 rates, Liberty proposes to continue charging Board  
 14 approved 2022 rates until the 2023 rates are approved. The difference between the revenue received from  
 15 the 2022 current rates until the effective date of the 2023 rates and the revenue that would have been  
 16 received under the new 2023 rates had they been approved on January 1, 2023 will be applied to the 2024  
 17 revenue requirement, prorated by class.

## 18 Revenue Decoupling Mechanism Variance Account

19 Liberty is requesting a variance account to support the proposed Revenue Decoupling Mechanism ("RDM").  
 20 During the stakeholder sessions held with Board Staff and the Public Intervener, Liberty was made aware  
 21 of the new New Brunswick Regulation 2022-17 in the *Electricity Act* pertaining to variance accounts. Liberty  
 22 has attempted to align the proposed RDM Variance Account with this Act.

23 Liberty is proposing an RDM Variance Account with the following characteristics:

- 24 • Applicable to distribution volumetric rate revenue;
- 25 • Decoupling applicable to average revenue per customer;



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- 1 • Variance in actual vs authorized Revenue per Customer calculated and recorded on a class basis
  - 2 for the applicable RDM classes;
  - 3 • Rate rider calculated for each class (volumetric) and adjusted annually;
  - 4 • Limited impact of rate rider on annual distribution revenue (+/-5%), with amounts over/under this
  - 5 threshold retained in account balances;
  - 6 • No incentive threshold required for revenue decoupling mechanism;
  - 7 • Includes an interest rate equivalent to Liberty's average short-term interest rate for the month,
  - 8 plus 0.65%, and shall utilize the actual number of days in the month and the applicable fiscal year;
  - 9 • Interest shall be calculated and applied to both positive and negative balances in the accounts;
  - 10 • Reporting as needed to reconcile accounts.

