

SCHEDULE 4.1

2019 Actuals

Liberty (Gas New Brunswick)
 Balance Sheet for Regulatory Purposes
 For the year ended December 31, 2019

1 **Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board**

2 (in thousands of dollars)

3	Assets	<u>2019</u>	<u>2018</u>
4	Regulated Assets		
5	Property, Plant and Equipment (Note 2)		
6	Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2019 of \$23.5K)	\$178,496	\$176,038
7	Construction Work In Progress - Gas Distributor Plant	<u>3,660</u>	<u>651</u>
8	Total Property, Plant & Equipment	182,156	176,689
9	Deferred Charges		
10	Deferred Development Costs - Net (Note 3)	1,965	1,702
11	Development O&M Capitalized Costs - Net (Note 4)	<u>80,449</u>	<u>83,241</u>
12	Total Deferred Charges	82,414	84,943
13	Short Term Investments	<u>2,998</u>	<u>2,959</u>
14	Total Regulated Rate Base Assets	267,568	264,591
15	Other Regulated Assets (Note 5)	<u>33,317</u>	<u>35,395</u>
16	Total Regulated Assets	<u>300,885</u>	<u>299,986</u>
17	Regulatory Deferral (Note 1)	<u>136,052</u>	<u>139,516</u>
18	Total Assets	<u>\$436,937</u>	<u>\$439,502</u>
19	Liabilities and Partner's Equity		
20	Partner's Equity (Ratebase) (Note 1)	\$283,528	135,290
21	Long-term Advances from Associates and Affiliates (Note 6)	-	149,500
22	Other Regulated Liabilities (Note 7)	<u>17,357</u>	<u>15,196</u>
23		<u>\$300,885</u>	<u>\$299,986</u>
24	Partner's Equity (Regulatory Deferral)	<u>136,052</u>	<u>139,516</u>
25	Total Liabilities and Equity	<u>\$436,937</u>	<u>\$439,502</u>

Financial Statement Effects of Rate Regulation and Legislative Changes – Note 1
Rate Base for Regulatory Purposes – Note 12
Capital Structure for Regulatory Purposes – Note 13

Liberty (Gas New Brunswick)
 Statement of Income for Regulatory Purposes
 For the year ended December 31, 2019

1 **Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board**

2 (in thousands of dollars)

	2019	2018
3		
4 Revenue		
5 Operating Revenue (Note 8)		
6 Gas distribution	\$ 47,173	\$ 46,938
7 Miscellaneous	1,781	1,628
8 Allowance for Funds Used During Construction	24	7
9	48,978	48,573
10 Service and Inspections		
11 Revenue	639	614
12 Cost of goods sold	(355)	(332)
13	284	282
14 Total Revenue	49,262	48,855
15 Expenses		
16 Operating Expenses		
17 Operating and maintenance (Note 9)	11,917	11,214
18 Transportation (net)	2,004	1,718
19 Total Operating and maintenance expenses	13,921	12,932
20 Other Expenses	120	59
21 Bad debt expense	285	132
22 Amortization of Property, Plant and Equipment	6,173	6,102
23 Municipal and Other Taxes	1,265	1,259
24 Interest on Amounts Due to Associates & Affiliates and Other Interest (Note 10)	6,948	6,875
25 Amortization of Deferred Development Costs	2,929	2,929
26 Total Expenses	31,641	30,288
27 Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base	17,621	18,567
28 Regulatory Deferral	(3,464)	(4,007)
29 Rate Payer Variance	(1,065)	(1,569)
30 Total Variance/Deferral	(4,529)	(5,576)
29 Income before Tax	\$ 13,092	\$ 12,991
30 Regulated Return on Equity (Note 11)	\$ 13,092	\$ 12,991

Financial Statement Effects of Rate Regulation and Legislative Changes – Note 1
Details of Affiliate Transactions – Note 14

Liberty (Gas New Brunswick)

Notes to 2019 Regulatory Financial Results
For the year ended December 31, 2019

1 Note 1 **Financial Statement Effects of Rate Regulation and Legislative Changes**

2 The Public Utility's primary business activities are subject to regulation by the New Brunswick Energy and
3 Utilities Board (EUB). The Public Utility follows accounting practices prescribed by its regulator or stipulated in
4 approved ratemaking decisions that are subject to examination and approval by the EUB and are similar to
5 those being used by other enterprises in the gas distribution industry in Canada. Accordingly, the timing and
6 recognition of certain revenues and expenses may differ from that otherwise expected under generally
7 accepted accounting principles (GAAP) applicable to non-regulated operations. The ultimate recoverability of
8 costs incurred is dependent upon the approval of the EUB.

9 In years prior to its acquisition by Liberty Utilities (Canada) LP, Enbridge Gas New Brunswick Limited
10 Partnership had discontinued the application of regulatory accounting under the principles of U.S. Financial
11 Accounting Standards Board (FASB) ASC Topic 980, Regulated Operations (ASC 980) due to uncertainty
12 around the collectability in rates of certain costs. Based on an analysis performed on acquisition, Liberty
13 Utilities (Gas New Brunswick) LP concluded that the regulatory environment had evolved to a point where the
14 criteria for regulatory accounting would be met going forward as of October 1, 2019. As a result, the regulatory
15 deferral asset, development O&M asset, regulatory liability related to overearnings refunded to customers and
16 disallowances to PPE, were reflected in the GAAP financial statements.

17 Rate regulation creates differences between the manner in which the Public Utility accounts for transactions
18 or events and how they would be accounted for if the Public Utility was not subject to rate regulation. The
19 differences in accounting treatment include:

20 The EUB permits an "allowance for funds used during construction" (AFUDC) to be included in the rate base.
21 In addition, AFUDC is included in the cost of property, plant and equipment and is depreciated over future
22 periods as part of the total cost of the related asset, based on the expectation that depreciation expense,
23 including the AFUDC component, will be approved for inclusion in future rates. AFUDC for rate-regulated
24 entities includes both an interest component and a cost of equity component. In the absence of rate regulation,
25 GAAP would permit the capitalization of only the interest component. Therefore, the initial set up of the equity
26 component as a capitalized asset and the corresponding revenue recognized during the construction phase
27 would not be recognized nor would the subsequent depreciation of the asset.

28 As prescribed by the EUB, the Public Utility does not recognize gains and losses on the sale of Liberty Utility
29 Gas (LUG) in the statement of income and uses a purchase gas variance account to defer the gain or loss on
30 sale. Non-regulated enterprises would normally account for the gain or loss in the statement of income or
31 comprehensive income.

32 Algonquin Power & Utilities Corp., on behalf of the Public Utility, maintains a pension plan which provides
33 defined benefit pension benefits to employees. As prescribed by the EUB, contributions made to the plan are
34 expensed as paid, consistent with the recovery of such costs in rates. Under GAAP, pension costs and
35 obligations for defined benefit pension plans are determined using the projected benefit method and are
36 charged to income as services are rendered.

Liberty (Gas New Brunswick)

Notes to 2019 Regulatory Financial Results
For the year ended December 31, 2019

1 Note 1 **Financial Statement Effects of Rate Regulation and Legislative Changes (continued)**

2 On December 16, 2016, the Government of New Brunswick enacted amendments to the Gas Distribution Act,
3 1999. The General Franchise Agreement was extended for an additional 25 years with an additional 25 year
4 option. The legislation modified the approach to setting rates from a combination of cost of service and market
5 based rates to a cost of service approach only. The amendments allowed for an annual increase of 3% for
6 Small General Service customers to current EUB approved rates in each of 2018 and 2019 and a rate freeze
7 for non-SGS customers at current EUB approved rates for 2018 and 2019, after which the EUB will set the
8 rates based on the cost of service methodology. The regulatory deferral account was reduced to \$144.5
9 million with \$100 million to be included in revenue requirement over 26 years commencing January 1, 2020.
10 The remaining regulatory deferral account balance of \$44.5 million is to be recovered in accordance with the
11 amendments and as authorized by the EUB.

12 On December 3, 2018, Enbridge Energy Distribution Inc. and Enbridge Atlantic (Holdings) Inc. entered into a
13 Securities Purchase Agreement whereby Liberty Utilities (Canada) LP agreed to acquire all of the issued and
14 outstanding shares of Enbridge Gas New Brunswick Inc. and all of the issued and outstanding units of
15 Enbridge Gas New Brunswick Limited Partnership. The purchase transaction was successfully closed on
16 October 1, 2019, whereby the utility became Liberty Utilities (Gas New Brunswick) LP. All long-term debt
17 (LTD), issued by Enbridge Inc. was recalled on June 30, 2019. As of December 31, 2019, no new LTD has
18 been issued and put in place under the new ownership.

Liberty (Gas New Brunswick)
 Notes to 2019 Regulatory Financial Results
 For the year ended December 31, 2019

(in thousands of dollars)

Note 2 Property, Plant & Equipment

			2019	2018	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization
4 Property, plant & equipment					
5 General plant					
6 Computer hardware	\$ 715	\$ (231)	\$ 484	\$ 560	8.87%
7 Tools and work equipment	2,039	(1,965)	74	318	14.53%
8 Office furniture and equipment	464	(342)	122	151	6.41%
9 Transportation	1,862	(861)	1,001	959	6.32%
10 Incentives	613	(161)	452	270	20.00%
11 Leasehold improvements (1)	376	(54)	322	57	
12 Subtotal	<u>6,069</u>	<u>(3,614)</u>	<u>2,455</u>	<u>2,315</u>	
13 Distribution plant					
14 Land	375	-	375	375	-
15 Rights of way and easements	189	-	189	189	-
16 Distribution mains	131,665	(36,090)	95,575	96,274	1.64%
17 Street services	70,947	(19,917)	51,030	49,023	1.74%
18 Meters and regulators	24,881	(4,994)	19,887	18,540	7.63%
19 Stations	16,780	(7,795)	8,985	9,323	2.82%
20 Subtotal	<u>244,837</u>	<u>(68,796)</u>	<u>176,041</u>	<u>173,724</u>	
21 Total plant in service	250,906	(72,410)	178,496	176,039	
22 Construction work in progress	<u>3,660</u>	<u>-</u>	<u>3,660</u>	<u>651</u>	
23 Total property, plant & equipment	<u>\$ 254,566</u>	<u>\$ (72,410)</u>	<u>\$ 182,156</u>	<u>\$ 176,690</u>	

24 (1) Amortized over the term of the related leases.

Liberty (Gas New Brunswick)
 Notes to 2019 Regulatory Financial Results
 For the year ended December 31, 2019

(in thousands of dollars)

Note 3 Deferred Development Costs - Net

			2019	2018		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization	
4	Franchise fee	\$ 1,500	\$ (1,500)	\$ -	\$ 50	5.00%
5	Intangible Software	2,198	(371)	1,827	1,383	4.96%
6	Intangible Software - Construction work in progress	138	-	138	269	
7	Total deferred development costs, net	\$ 3,836	\$ (1,871)	\$ 1,965	\$ 1,702	

Note 4 Development O&M Capitalized Costs – Net

			2019	2018		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates of Amortization	
11	Development O&M capitalized costs	\$ 114,953	\$ (34,504)	\$ 80,449	\$ 83,241	2.43%
12	Total development O&M capitalized costs, net	\$ 114,953	\$ (34,504)	\$ 80,449	\$ 83,241	

Liberty (Gas New Brunswick)
 Notes to 2019 Regulatory Financial Results
 For the year ended December 31, 2019

(in thousands of dollars)

Note 5 Other Regulated Assets

Other Regulated Assets		<u>2019</u>	<u>2018</u>
1			
2	Cash & Short Term Investments	\$ 12,450	\$ 4,804
3	Accounts Receivable	18,854	28,263
4	Long term receivable	903	1,118
5	Inventory	1,110	1,210
6		<u>\$ 33,317</u>	<u>\$35,395</u>

Liberty (Gas New Brunswick)

Notes to 2019 Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 6 Long-term Advances from Associates and Affiliates

	Issue Date	Maturity Date	Amount	2019 Cost of Debt			Amount	2018 Cost of Debt			
				Enbridge Inc.	EGNB	Regulated		Enbridge Inc.	EGNB	Regulated	
4	Promissory Note	12-Dec-12	10-Jul-19	\$ -	4.63%	5.63%	5.63%	\$ 15,000	4.63%	5.63%	5.63%
5	Promissory Note	12-Dec-12	10-Jul-19	-	3.50%	4.50%	4.50%	14,000	3.50%	4.50%	4.50%
6	Promissory Note	8-Jan-13	10-Jul-19	-	3.67%	4.67%	4.67%	7,500	3.67%	4.67%	4.67%
7	Promissory Note	30-Mar-15	29-Mar-19	-	3.45%	4.45%	4.45%	6,000	3.45%	4.45%	4.45%
8	Promissory Note	15-Sep-15	10-Jul-19	-	3.84%	4.84%	4.84%	18,000	3.84%	4.84%	4.84%
9	Promissory Note	15-Sep-15	10-Jul-19	-	4.23%	5.23%	5.23%	18,000	4.23%	5.23%	5.23%
10	Promissory Note	8-Aug-16	10-Jul-19	-	3.55%	4.55%	4.55%	20,000	3.55%	4.55%	4.55%
11	Promissory Note	15-Mar-17	10-Jul-19	-	3.02%	4.02%	4.02%	5,000	3.02%	4.02%	4.02%
12	Promissory Note	15-Mar-17	10-Jul-19	-	3.02%	4.02%	4.02%	21,000	3.02%	4.02%	4.02%
13	Promissory Note	15-Mar-17	10-Jul-19	-	3.60%	4.60%	4.60%	25,000	3.60%	4.60%	4.60%
14	Total long-term advances										
15	from associates and affiliates			\$ -	3.69%	4.69%	4.69%	\$ 149,500	3.69%	4.69%	4.69%

16 The cost of debt of the Utility is limited to the actual borrowing rate of Enbridge Inc. plus 1%.

17 Due to the acquisition of the Utility, Enbridge Inc. recalled all the long term debt on June 30th, 2019. No new debt has been reissued by Algonquin Power and Utilities, as of the end of 2019.

Liberty (Gas New Brunswick)
 Notes to 2019 Regulatory Financial Results
 For the year ended December 31, 2019

(in thousands of dollars)

Note 7 Other Regulated Liabilities

	<u>2019</u>	<u>2018</u>
1 Short Term Indebtedness		
2 Rates variance	\$ 2,634	\$ 1,569
3 Accounts Payable	10,775	10,647
4 Long Term Payable	2,147	521
5 Long Term Deferred Post Employment Liabilities	1,801	2,459
6	<u>\$ 17,357</u>	<u>\$15,196</u>

Liberty (Gas New Brunswick)

Notes to 2019 Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 8 Operating Revenue

a. Gas Distribution

1	2019			2018		
	Revenue	Customers	Throughput TJs	Revenue	Customers	Throughput TJs
2						
3						
4 Small General Service (SGS)	\$ 7,905	8,367	610	\$ 7,752	8,315	614
5 Mid-General Service (MGS)	14,317	3,120	1,157	14,374	3,077	1,174
6 Large General Service (LGS)	12,877	367	1,590	12,902	380	1,602
7 Contract General Service (CGS)	5,706	93	865	5,193	78	772
8 Industrial Contract General Service (ICGS)	6,170	9	1,620	6,487	9	1,675
9 Off-Peak Service (OPS)	198	12	28	230	13	34
10 Total	<u>\$ 47,173</u>	<u>11,968</u>	<u>5,870</u>	<u>\$46,938</u>	<u>11,872</u>	<u>5,871</u>

11 1 Terajoule (TJ) = 1,000 Gigajoules (GJ)

Liberty (Gas New Brunswick)
Notes to 2019 Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 8 Operating Revenue (continued)

b. Miscellaneous

1	<u>2019</u>	<u>2018</u>
2 Agent billing and collection	\$ 211	\$ 204
3 Other miscellaneous revenue	<u>1,570</u>	<u>1,424</u>
4 Total miscellaneous	<u>\$ 1,781</u>	<u>\$ 1,628</u>

5 Details of Agent Billing and Collection Revenue

6 (in dollars)

7	<u>2019</u>	<u>2018</u>
8 Small General Service (SGS)	\$ 136,501	\$ 132,816
9 Mid-General Service (MGS)	56,932	54,155
10 Large General Service (LGS)	14,002	13,685
11 Contract General Service (CGS)	2,330	2,062
12 Industrial Contract General Service (ICGS)	399	392
13 Off-Peak Service (OPS)	<u>683</u>	<u>672</u>
14 Total agent billing and collection revenue	<u>\$ 210,847</u>	<u>\$ 203,782</u>

Liberty (Gas New Brunswick)Notes to 2019 Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 9 Operating and Maintenance Expenses

1	<u>2019</u>	<u>2018</u>
2 Corporate management	\$ 1,063	\$ 762
3 Corporate administration	310	177
4 Financial reporting	1,289	1,182
5 Information technology	1,447	1,245
6 Regulatory & upstream	1,153	880
7 Sales & marketing	1,700	1,255
8 Distribution & maintenance	5,117	5,359
9 Customer care	1,334	1,304
10 Human resources	2,495	2,370
11 Gas transportation and related activities	<u>2,004</u>	<u>1,718</u>
12 Total prior to capitalization	<u>17,912</u>	<u>16,252</u>
13 Property, plant & equipment	<u>3,991</u>	<u>3,321</u>
14 Total capitalized	<u>3,991</u>	<u>3,321</u>
15 Total expense	<u>\$ 13,921</u>	<u>\$12,932</u>

Liberty (Gas New Brunswick)
 Notes to 2019 Regulatory Financial Results
 For the year ended December 31, 2019

(in thousands of dollars)

Note 10 Interest on Amounts Due to Associates & Affiliates and Other Interest

1	<u>2019</u>	<u>2018</u>
2 Interest on long-term debt	\$ 6,875	\$ 6,851
3 Other interest expense	64	21
4 AIDC - allowance for funds used during construction (debt component)	9	3
5 Total interest on amounts due to associates & affiliates and other interest	<u>\$ 6,948</u>	<u>\$ 6,875</u>

Note 11 Regulated Return on Equity

6	<u>2019</u>	<u>2018</u>
7 Regulated return on equity	\$ 17,607	\$18,561
8 Disallowed return as per previous Matters		(46)
9 Excess returned to customers	(1,065)	(1,569)
10 Mechanism to adjust Regulatory Deferral as per legislation	(3,464)	(3,960)
11 AEDC - allowance for funds used during construction (equity component)	14	5
12 Total regulated return on equity	<u>\$ 13,092</u>	<u>\$12,991</u>

Liberty (Gas New Brunswick)Notes to 2019 Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 12 Rate Base for Regulatory Purposes

1	<u>2019</u>	<u>2018</u>
2 Property, plant & equipment		
3 Cost	\$ 250,906	\$ 244,087
4 Accumulated amortization	<u>(72,410)</u>	<u>(68,049)</u>
5 Net	178,496	176,038
6 Deferred charges		
7 Franchise fee, at cost	1,500	1,500
8 Accumulated amortization	<u>(1,500)</u>	<u>(1,450)</u>
9 Net	-	50
10 Development O&M capitalized costs	114,953	114,952
11 Accumulated amortization	<u>(34,504)</u>	<u>(31,711)</u>
12 Net	80,449	83,241
13 Intangible Software	2,336	1,666
14 Accumulated amortization	<u>(371)</u>	<u>(283)</u>
15 Net	1,965	1,383
16 Deferral account	-	-
17 Total deferred charges	82,414	84,674
18 Term deposit	2,998	2,959
19 Working capital allowance	<u>1,750</u>	<u>1,415</u>
20 Total rate base	<u>\$ 265,658</u>	<u>\$ 265,086</u>
21 Average rate base	<u>\$ 266,630</u>	<u>\$ 265,706</u>
22 * Deferral account excluded for rate making purposes		
23 Effective January 1, 2012		

Liberty (Gas New Brunswick)Notes to 2019 Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 13 Capital Structure for Regulatory Purposes

1	<u>2019</u>	<u>2018</u>
2 Capital structure		
3 Long-term debt	\$ -	\$ 149,500
4 Equity	<u>283,528</u>	<u>135,290</u>
5 Total	<u>\$ 283,528</u>	<u>\$ 284,790</u>
6 Capital structure percentage		
7 Long-term debt	0.00%	52.49%
8 Equity	<u>100.00%</u>	<u>47.51%</u>
9 Total	<u>100.00%</u>	<u>100.00%</u>
10 Capital structure average percentage for regulatory purposes		
11 Long-term debt	55.00%	55.00%
12 Equity	<u>45.00%</u>	<u>45.00%</u>
13 Total	<u>100.00%</u>	<u>100.00%</u>
14 Weighted cost of capital for regulatory purposes		
15 Long-term debt	2.58%	2.58%
16 Equity	<u>4.91%</u>	<u>4.91%</u>
17 Total	<u>7.49%</u>	<u>7.49%</u>

Liberty (Gas New Brunswick)
Notes to 2019 Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 14 Details of Affiliate Transactions

	Enbridge Inc.	Enbridge Employee Services Inc.	Enbridge Gas Distribution Inc.	Gazifère Inc.	Maritimes and Northeast Pipeline	Saint Lawrence Gas	Total Affiliate Consulting and Services	Total Consulting and Services	Affiliate Expenditure as Percent of Total Consulting and Services
1 Consulting and Services									
2 For the period ending December 31, 2019									
3 Corporate management	\$ -	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ 4	\$ 29	14%
4 Sales & marketing	-	-	-	-	-	-	-	241	0%
5 Human resources	572	-	-	-	-	-	572	596	96%
6 Distribution & maintenance	-	-	50	-	-	-	50	507	10%
7 Budget & regulatory	-	-	-	-	-	-	-	984	0%
8 Financial reporting	86	-	-	-	-	-	86	220	39%
9 Customer care	-	-	-	692	-	-	692	1,037	67%
10 Corporate administration	291	-	-	-	-	-	291	291	100%
11 Gas transportation & related	-	-	105	-	-	-	105	150	70%
12 Information technology	553	-	8	-	-	-	561	855	66%
13 Gas Purchases and Sales	-	-	-	-	865	-	865	865	100%
14 Recoveries	-	-	-	(55)	-	(65)	(120)	(120)	100%
15 Total	\$ 1,502	\$ -	\$ 167	\$ 637	\$ 865	\$ (65)	\$ 3,106	\$ 5,655	55%

Note: From October to December 2019 Liberty Utilities (Gas New Brunswick) paid a total of \$1,548CAD and \$280USD to other Liberty Utilities companies

16 For the period ending December 31, 2018									
17 Corporate management	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ -	\$ 2	\$ 29	7%
18 Sales & marketing	-	-	-	-	-	-	-	162	0%
19 Human resources	152	-	-	-	-	-	152	179	85%
20 Distribution & maintenance	-	-	519	-	15	-	534	1,247	43%
21 Budget & regulatory	-	-	-	-	-	-	-	733	0%
22 Financial reporting	52	(10)	-	-	-	-	41	147	28%
23 Customer care	-	-	-	915	-	-	915	1,036	88%
24 Corporate administration	110	-	7	-	-	-	117	117	100%
25 Gas transportation & related	-	-	137	-	-	-	137	137	100%
26 Information technology	672	-	20	-	-	-	692	786	88%
27 Gas Purchases and Sales	-	-	-	-	1,051	-	1,051	1,051	100%
28 Recoveries	-	-	-	(285)	-	(178)	(463)	(463)	100%
29 Total	\$ 986	\$ (10)	\$ 685	\$ 630	\$ 1,066	\$ (178)	\$ 3,178	\$ 5,161	62%

Liberty (Gas New Brunswick)Notes to 2019 Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 15 Service & Inspection Profitability Margin

1	<u>2019</u>	<u>2018</u>
2 Revenues as per regulatory financial statements	\$ 639	\$ 614
3	\$ 639	\$ 614
4 Less: Cost of goods sold		
5 COGS as per regulatory financial statements	\$ 355	\$ 332
6	\$ 355	\$ 332
7 Adjusted net margin	\$ 284	\$ 282
8 Less: Allocated expenses		
9 O&M expenses	\$ 293	\$ 258
10 Cost of capital	8	8
11 Depreciation	18	17
12 Billing services (Customer Care)	2	2
13 Bad debt expense	4	1
	<u>\$ 325</u>	<u>\$ 286</u>
14 Net revenue (loss)	<u>\$ (41)</u>	<u>\$ (4)</u>

Liberty (Gas New Brunswick)
Notes to 2019 Regulatory Financial Results
For the year ended December 31, 2019

(in thousands of dollars)

Note 16 System Expansion Portfolio Test (Three year test as approved in Matter 398)

		<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019 Avg 2017-2019</u>
1					
2	Item Capital				
3					
4	1 Main	\$ 866	\$ 1,016	\$ 1,566	\$ 1,149
6	2 Service Line	1,705	1,183	1,490	1,459
7	3 Sales Incentive	863	168	74	368
8	4 Meter & Regulators	486	523	333	447
9	5 O&M Capitalized to Main	487	710	1,117	771
10	6 O&M Capitalized to Service Line	1,322	1,373	1,133	1,276
11	7 O&M Capitalized to Meter & Regulators	512	560	305	459
12					
13	8 Total Capital	6,241	5,533	6,018	5,931
14	9 Cost of Capital	7.51%	7.51%	7.51%	7.51%
15	Depreciation Rates				
16	10 Main	1.64%	1.64%	1.64%	1.64%
17	11 Service Line	1.74%	1.74%	1.74%	1.74%
18	12 Meter & Regulators	7.63%	7.63%	7.63%	7.63%
19	13 Sales Incentives	20.00%	20.00%	20.00%	20.00%
20	Net Annual Impact on Revenue Requirement				
21	Energy (GJs)	71,017	133,833	46,590	83,813
22	Revenue	\$ 742	\$ 1,151	\$ 487	\$ 793
23	Less:				
24	Depreciation: Mains (item 1 + item 5) * item 10	22	28	44	31
25	Depreciation: Service Line (item 2 + item 6) * item 11	53	44	46	48
26	Depreciation: Sales Incentive (item 3 * item 13)	173	34	15	74
27	Depreciation: Meter & Regulator (item 4 + item 7) * item 12	76	83	49	69
28	Cost of Capital (item 8 * item 9)	469	416	452	445
29	Annual Impact	(51)	\$ 546	\$ (119)	\$ 126
30					
31	Revenue/Cost Ratio	94%	190%	80%	119%