



# Schedule 4.2 – 2021 Budget

March 3, 2023

**Liberty (Gas New Brunswick)****Budget Balance Sheet for Regulatory Purposes****As at December 31, 2021**

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

2 (in thousands of dollars)

3	<b>Assets</b>	<b>2021</b>
4	<b>Regulated Assets</b>	
5	Property, Plant and Equipment (Note 2)	
6	Gas Distributor Plant in Service - Net (includes AFUDC capitalized during 2020 of \$62K)	\$ 187,983
7	Construction Work In Progress - Gas Distributor Plant	1,428
8	Total Property, Plant & Equipment	189,411
9	Deferred Charges	
10	Deferred Development Costs - Net (Note 3)	3,538
11	Development O&M Capitalized Costs - Net (Note 4)	74,866
12	Total Deferred Charges	78,404
13	Short Term Investments	3,007
14	Total Regulated Rate Base Assets	270,822
15	Other Regulated Assets (Note 5)	38,153
16	Total Regulated Assets	308,975
17	Regulatory Deferral (Note 1)	128,360
18	Rate Payer Variance	
19	Total Variance/Deferral	-
18	Total Assets	\$ 437,335
19	<b>Liabilities and Partner's Equity</b>	
20	Partner's Equity	145,171
21	Long-term Advances from Associates and Affiliates (Note 6)	155,000
22	Other Regulated Liabilities (Note 7)	8,804
23		\$ 308,975
24	Partner's Equity (Regulatory Deferral)	128,360
25	Total Liabilities and Equity	\$ 437,335

**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 Budgeted Income for Regulatory Purposes  
As at December 31, 2021**1 **Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board**

2 (in thousands of dollars)

3		<b>2021</b>
4	<b>Revenue</b>	
5	<b>Operating Revenue (Note 8)</b>	
6	Gas distribution	\$ 45,254
7	Miscellaneous	1,120
8	<b>Allowance for Funds Used During Construction</b>	97
9		46,471
10	<b>Service and Inspections</b>	
11	Revenue	631
12	Cost of goods sold	(336)
13		295
14	<b>Total Revenue</b>	<b>46,766</b>
15	<b>Expenses</b>	
16	<b>Operating Expenses</b>	
17	Operating and maintenance (Note 9)	11,633
18	Transportation (net)	1,916
19	<b>Total Operating and maintenance expenses</b>	<b>13,549</b>
20	Other Expenses	-
21	Bad debt expense	173
22	<b>Amortization of Property, Plant and Equipment</b>	<b>7,236</b>
23	<b>Municipal and Other Taxes</b>	<b>1,297</b>
24	<b>Interest on Amounts Due to Associates &amp; Affiliates and Other Interest</b>	<b>4,921</b>
25	<b>Amortization of Deferred Development Costs</b>	<b>2,982</b>
26	<b>Amortization of Regulatory Deferral Account</b>	<b>3,846</b>
27	<b>Total Expenses</b>	<b>34,004</b>
28	<b>Income before Extraordinary Items, Regulatory Deferral and Return on R;</b>	<b>12,762</b>
29	<b>Income Tax</b>	<b>588</b>
30	<b>Income After tax</b>	<b>12,174</b>
31	<b>Excess returned to customers</b>	<b>1,065</b>
32	<b>Income before Tax</b>	<b>\$ 13,239</b>
32	<b>Regulated Return on Equity (Note 11)</b>	<b>\$ 13,239</b>

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

Excess returned to customers – earned in 2019; allowed earnings are line 31 but earnings included in rate setting are line 28, the lower amount, in order to return the excess from 2019 to rate payers



**Liberty (Gas New Brunswick)**

Notes to 2021 Budgeted Regulatory Financial Results  
For the year ended December 31, 2021

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**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  
4 stipulated in approved ratemaking decisions that are subject to examination and approval by the EUB and  
5 are similar to those being used by other enterprises in the gas distribution industry in Canada. Accordingly,  
6 the timing and recognition of certain revenues and expenses may differ from that otherwise expected  
7 under generally accepted accounting principles (GAAP) applicable to non-regulated operations. The  
8 ultimate recoverability of 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.  
11 Financial Accounting Standards Board (FASB) ASC Topic 980, Regulated Operations (ASC 980) due to  
12 uncertainty around the collectability in rates of certain costs. Based on an analysis performed on  
13 acquisition, Liberty Utilities (Gas New Brunswick) LP the Partnership concluded that the regulatory  
14 environment had evolved to a point where the criteria for regulatory accounting would be met going forward  
15 as of October 1, 2019. As a result, the regulatory deferral asset, development O&M asset, regulatory  
16 liability related to overearnings refunded to customers and disallowances to PPE, were reflected in the  
17 GAAP financial statements.

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

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

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

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

**Liberty (Gas New Brunswick)**

Notes to 2021 Budgeted Regulatory Financial Results  
For the year ended December 31, 2021

**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  
3 Act, 1999. The General Franchise Agreement was extended for an additional 25 years with an additional  
4 25 year option. The new legislation modifies the current approach to setting rates from a combination of  
5 cost of service and market based rates to a cost of service approach only. The regulatory deferral account  
6 was reduced to \$144.5 million with \$100 million to be included in revenue requirement over 26 years  
7 commencing on January 1, 2020 and ending on December 31, 2045. The remaining regulatory deferral  
8 account balance is to be recovered as authorized by the EUB.

9

		2021			Rates of Amortization
		Cost	Accumulated Amortization	Net Book Value	
4	Regulatory Deferral Account, Allowed by Legislation	\$ 100,000	\$ (7,692)	\$ 92,308	3.85%
5	Regulatory Deferral Account	36,052	-	36,052	0.00%
6	Regulatory Deferral Account, net	<u>\$ 136,052</u>	<u>\$ (7,692)</u>	<u>\$ 128,360</u>	

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**Liberty (Gas New Brunswick)****Notes to 2021 Budget Regulatory Financial Results  
For the year ended December 31, 2021**

(in thousands of dollars)

**Note 2 Property, Plant & Equipment**

			2021	
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
<b>4 Property, plant &amp; equipment</b>				
5 General plant				
6 Computer hardware	\$ 1,220	\$ (200)	\$ 1,020	8.87%
7 Tools and work equipment	2,116	(2,120)	(4)	14.53%
8 Office furniture and equipment	577	(405)	172	6.41%
9 Transportation	2,157	(816)	1,341	6.32%
10 Incentives	1,282	(474)	808	20.00%
11 Leasehold improvements	270	(151)	119	100.00%
12 Subtotal	7,622	(4,166)	3,456	
13 Distribution plant				
14 Land	425	-	425	-
15 Rights of way and easements	189	-	189	-
16 Distribution mains	140,485	(41,081)	99,404	1.64%
17 Street services	77,375	(22,067)	55,308	1.74%
18 Meters and regulators	26,425	(6,191)	20,234	7.63%
19 Stations	17,752	(8,785)	8,967	2.82%
20 Subtotal	262,651	(78,124)	184,527	
21 Total plant in service	270,273	(82,290)	187,983	
22 Construction work in progress	1,428	-	1,428	
23 Total property, plant & equipment	\$ 271,701	\$ (82,290)	\$ 189,411	
24 1 - Amortized over the term of the related leases.				



**Liberty (Gas New Brunswick)**

Notes to 2021 Budget Regulatory Financial Results  
For the year ended December 31, 2021

(in thousands of dollars)

**Note 3 Deferred Development Costs - Net**

				2021	
				Net Book Value	Rates of Amortization
	Cost	Accumulated Amortization			
1					
2					
3					
4	Franchise fee	\$ 1,500	\$ (1,500)	\$ -	5.00%
5	Intangible software	4,228	(690)	3,538	4.96%
6	Pension variance account	-	-	-	20.00%
7	Total deferred development costs, net	<u>\$ 5,728</u>	<u>\$ (2,190)</u>	<u>\$ 3,538</u>	

**Note 4 Development O&M Capitalized Costs – Net**

				2021	
				Net Book Value	Rates of Amortization
	Cost	Accumulated Amortization			
8					
9					
10					
11	Development O&M capitalized costs	\$ 114,953	\$ (40,087)	\$ 74,866	2.43%
12	Total development O&M capitalized costs,	<u>\$ 114,953</u>	<u>\$ (40,087)</u>	<u>\$ 74,866</u>	



**Liberty (Gas New Brunswick)**

Notes to 2021 Budget Regulatory Financial Results  
For the year ended December 31, 2021

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(in thousands of dollars)

**Note 5 Other Regulated Assets**

1		<u>2021</u>
2	Cash & Short Term Investments	\$ 15,567
3	Accounts Receivable	19,865
4	Long term receivable	312
5	Inventory	1,170
6	Lease Asset	<u>1,239</u>
7		<u>\$ 38,153</u>





**Liberty (Gas New Brunswick)**  
Notes to 2021 Budget Regulatory Financial Results  
For the year ended December 31, 2021

(in thousands of dollars)

**Note 6 Long-term Advances from Associates and Affiliates**

					2021		
					Cost of Debt		
		Issue Date	Maturity Date	Amount	LUC	LUGNB	Regulated
1							
2							
3							
4	Promissory Note	April 01, 2020	February 14, 2050	\$ 155,000	3.315%	3.315%	3.315%
17	Total long-term advances						
18	from associates and affiliates			\$ 155,000	3.315%	3.315%	3.315%



**Liberty (Gas New Brunswick)**

Notes to 2021 Budget Regulatory Financial Results  
For the year ended December 31, 2021

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(in thousands of dollars)

**Note 7 Other Regulated Liabilities**

	<b>2021</b>
1	
2 Rates variance	\$ -
3 Accounts Payable	7,063
4 Long Term Payable	-
5 Long Term Deferred Post Employment Liabilities	502
6 Lease Liability	1,239
7	<b>\$ 8,804</b>



**Liberty (Gas New Brunswick)**  
**Notes to 2021 Budget Regulatory Financial Results**  
**For the year ended December 31, 2021**

(in thousands of dollars)

**Note 8 Operating Revenue**

**a. Gas Distribution**

1	2021		
	Revenue	Customers	Throughput TJs
2			
3			
4 Small General Service (SGS)	\$ 8,218	8,394	597
5 Mid-General Service (MGS)	13,828	3,369	1,187
6 Large General Service (LGS)	11,763	403	1,482
7 Contract General Service (CGS)	5,737	82	952
8 Industrial Contract General Service (ICGS)	5,637	10	1,489
9 Off-Peak Service (OPS)	71	11	12
10 Total	<u>\$ 45,254</u>	<u>12,269</u>	<u>5,719</u>

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



**Liberty (Gas New Brunswick)**  
**Notes to 2021 Budget Regulatory Financial Results**  
**For the year ended December 31, 2021**

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(in thousands of dollars)

**Note 8 Operating Revenue (continued)**

**b. Miscellaneous**

<b>1</b>	<b><u>2021</u></b>
2 Agent billing and collection	\$ 227
3 Other miscellaneous revenue	<u>893</u>
<b>4 Total miscellaneous</b>	<b><u>\$ 1,120</u></b>

**5 Details of Agent Billing and Collection Revenue**

6 (in dollars)

<b>7</b>	<b><u>2021</u></b>
8 Small General Service (SGS)	\$ 143,426
9 Mid-General Service (MGS)	64,473
10 Large General Service (LGS)	15,507
11 Contract General Service (CGS)	2,357
12 Industrial Contract General Service (ICGS)	447
13 Off-Peak Service (OPS)	<u>653</u>
<b>14 Total agent billing and collection revenue</b>	<b><u>\$ 226,863</u></b>



**Liberty (Gas New Brunswick)****Notes to 2021 Budget Regulatory Financial Results  
For the year ended December 31, 2021**

(in thousands of dollars)

**Note 9 Operating and Maintenance Expenses**

<b>1</b>		<b><u>2021</u></b>
2	Corporate management	\$ 890
3	Corporate administration	-
4	Financial reporting	2,475
5	Information technology	1,206
6	Regulatory & upstream	670
7	Sales & marketing	1,504
8	Distribution & maintenance	6,147
9	Customer care	873
10	Human resources	2,727
11	Gas transportation and related activities	<u>1,916</u>
12	Total prior to capitalization	<u>18,408</u>
13	Property, plant & equipment	<u>4,859</u>
14	Total capitalized	<u>4,859</u>
15	Total expense	<u><b>\$13,549</b></u>



**Liberty (Gas New Brunswick)**

Notes to 2021 Budget Regulatory Financial Results  
For the year ended December 31, 2021

(in thousands of dollars)

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

1	<u>2021</u>
2 Interest on long-term debt	\$ 4,895
3 Other interest expenses	-
4 AIDC - allowance for funds used during construction (debt component)	26
5 Total interest on amounts due to associates & affiliates and other interest	<u>\$ 4,921</u>

**Note 11 Regulated Return on Equity**

6	<u>2021</u>
7 Regulated return on equity - Calculated	\$ 13,168
8 Budgeted amount that exceeds 10.9%	-
9 AEDC - allowance for funds used during construction (equity component)	71
10 Total regulated return on equity	<u>\$ 13,239</u>



**Liberty (Gas New Brunswick)**  
**Notes to 2021 Budget Regulatory Financial Results**  
**For the year ended December 31, 2021**

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(in thousands of dollars)

**Note 12 Rate Base for Regulatory Purposes**

1		<u><b>2021</b></u>
2	<b>Property, plant &amp; equipment</b>	
3	Cost	\$ 270,273
4	Accumulated amortization	<u>(82,290)</u>
5	Net	187,983
6	<b>Deferred charges</b>	
7	Franchise fee, at cost	1,500
8	Accumulated amortization	<u>(1,500)</u>
9	Net	-
10	Development O&M capitalized costs	114,953
11	Accumulated amortization	<u>(40,087)</u>
12	Net	74,866
13	Intangible Software	4,228
14	Accumulated amortization	<u>(690)</u>
15	Net	3,538
16	Deferral account	<u>-</u>
17	<b>Total deferred charges</b>	78,404
18	<b>Term deposit</b>	3,007
19	<b>Working capital allowance</b>	<u>1,609</u>
20	<b>Total rate base</b>	<u><b>\$ 271,003</b></u>
21	<b>Average rate base</b>	<u><b>\$ 268,464</b></u>



**Liberty (Gas New Brunswick)**

Notes to 2021 Budget Regulatory Financial Results  
For the year ended December 31, 2021

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(in thousands of dollars)

**Note 13 Capital Structure for Regulatory Purposes**

1	<u>2021</u>
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**2 Capital structure**

3 Long-term debt	\$ 155,000
4 Equity	<u>145,171</u>
5 Total	<u><u>\$ 300,171</u></u>

**6 Capital structure percentage**

7 Long-term debt	51.64%
8 Equity	<u>48.36%</u>
9 Total	<u><u>100.00%</u></u>

**10 Capital structure average percentage for regulatory purposes**

11 Long-term debt	55.00%
12 Equity	<u>45.00%</u>
13 Total	<u><u>100.00%</u></u>

**14 Weighted cost of capital for regulatory purposes**

15 Long-term debt	1.82%
16 Equity	<u>4.91%</u>
17 Total	<u><u>6.73%</u></u>





**Liberty (Gas New Brunswick)****Notes to 2021 Budget Regulatory Financial Results****For the year ended December 31, 2021**

(in thousands of dollars)

**Note 14 Details of Affiliate Transactions**

		APUC	LUC (LABS)	LUC (LUC)	LUSC (US)	Other Affiliates	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, 2021									
3	Senior Management	\$ -	\$ 1	\$ -	\$ 20	\$ -	\$ -	\$ 21	\$ 57	37%
4	Marketing & Communications	-	-	4	35	-	-	39	223	17%
5	Human resources	65	138	-	34	-	-	235	243	97%
6	Planning & Oper. Reliability	-	8	-	5	-	-	11	142	8%
8	Corp Finance	14	324	109	499	-	-	946	948	100%
9	Customer care	-	-	-	41	-	-	41	224	18%
10	Sales	-	-	-	131	-	-	131	370	35%
11	Upstream	-	-	5	151	-	-	156	156	100%
12	IT	-	617	51	542	-	-	1,210	1,210	100%
13	Constr & Main	-	-	-	28	-	-	28	478	6%
14	Procurement	-	-	-	220	-	-	220	220	100%
15	Regulatory & Forecast	-	-	-	-	-	-	-	452	0%
16	Distribution & Maintenance	-	-	-	-	-	-	-	84	0%
17	Metering & Regulation	-	-	-	-	-	-	-	63	0%
18	Service	-	-	-	-	-	-	-	55	0%
19	Recoveries	-	-	-	-	(768)	(28)	(796)	(796)	100%
20	Total	\$ 79	\$ 1,084	\$ 169	\$ 1,706	\$ (768)	\$ (28)	\$ 2,242	\$ 4,129	54%

