



# Schedule 4.2 – 2022 Budget – REDACTED

April 15, 2024



**Liberty Utilities Gas New Brunswick**  
**Statement of Budgeted Income for Regulatory Purposes**  
**As at December 31, 2022**

1 <b>Notice to Reader: Subject to review by the New Brunswick Energy and Utilities Board</b>	
2 (in thousands of dollars)	
3	<u>2022</u>
4 <b>Revenue</b>	
5 <b>Operating Revenue (Note 8)</b>	
6         Gas distribution	\$ 47,561
7         Single end-user franchise fees	1,880
8         Miscellaneous	642
9 <b>Allowance for Funds Used During Construction</b>	<u>9</u>
10	50,092
11 <b>Service and Inspections</b>	
12         Revenue	1,750
13         Cost of goods sold	<u>(1,471)</u>
14	279
15 <b>Total Revenue</b>	<u>50,371</u>
16 <b>Expenses</b>	
17 <b>Operating Expenses</b>	
18         Operating and maintenance (Note 9)	11,546
19         Transportation (net)	-
20 <b>Total Operating and maintenance expenses</b>	<u>11,546</u>
21     Other Expenses	100
22     Bad debt expense	177
23 <b>Amortization of Property, Plant and Equipment</b>	7,348
24 <b>Municipal and Other Taxes</b>	1,314
25 <b>Interest on Amounts Due to Associates &amp; Affiliates and Other Interest (Note 10)</b>	4,959
26 <b>Amortization of Deferred Development Costs</b>	3,315
27 <b>Amortization of Regulatory Deferral Account</b>	<u>3,846</u>
28 <b>Total Expenses</b>	<u>32,605</u>
29 <b>Income before Tax</b>	<u>17,766</u>
30 <b>Income Tax</b>	4,537
31 <b>Income before Extraordinary Items, Regulatory Deferral and Return on Rate Base</b>	<u>\$ 13,229</u>
32 <b>Excess returned to customers</b>	
33 <b>Regulated Return on Equity (Note 11)</b>	<u>\$ 13,229</u>



**Liberty Utilities Gas New Brunswick**  
Notes to 2022 Budgeted Regulatory Financial Results  
For the year ended December 31, 2022

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

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

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

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

20 The EUB permits an "allowance for funds used during construction" (AFUDC) to be included in the rate base. In  
21 addition, AFUDC is included in the cost of property, plant and equipment and is depreciated over future periods as  
22 part of the total cost of the related asset, based on the expectation that depreciation expense, including the AFUDC  
23 component, will be approved for inclusion in future rates. AFUDC for rate-regulated entities includes both an interest  
24 component and a cost of equity component. In the absence of rate regulation, GAAP would permit the capitalization  
25 of only the interest component. Therefore, the initial set up of the equity component as a capitalized asset and the  
26 corresponding revenue recognized during the construction phase would not be recognized nor would the  
27 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 Gas  
29 (LUG) in the statement of income and uses a purchase gas variance account to defer the gain or loss on sale. Non-  
30 regulated enterprises would normally account for the gain or loss in the statement of income or comprehensive  
31 income.

32 On December 16, 2016, the Government of New Brunswick enacted amendments to the Gas Distribution Act, 1999.  
33 The General Franchise Agreement was extended for an additional 25 years with an additional 25 year option. The  
34 new legislation modifies the current approach to setting rates from a combination of cost of service and market  
35 based rates to a cost of service approach only. The regulatory deferral account was reduced to \$144.5 million with  
36 \$100 million to be included in revenue requirement over 26 years commencing on January 1, 2020 and ending on  
37 December 31, 2045. The remaining regulatory deferral account balance is to be recovered as authorized by the  
38 EUB.



**Liberty Utilities Gas New Brunswick**  
 Notes to 2022 Budgeted Regulatory Financial Results  
 For the year ended December 31, 2022

1 Note 1 Financial Statement Effect of Rate Regulation and Legislative Changes (Continued)					
				2022	
		Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
5	Regulatory Deferral Account, Defined in Legislation	\$ 100,000	\$ (11,538)	\$ 88,462	3.85%
6	Regulatory Deferral Account	36,052	-	36,052	0.00%
7	<b>Regulatory Deferral Account, net</b>	<b>\$ 136,052</b>	<b>\$ (11,538)</b>	<b>\$ 124,514</b>	



**Liberty Utilities Gas New Brunswick**  
Notes to 2022 Budgeted Regulatory Financial Results  
For the year ended December 31, 2022

(in thousands of dollars)

**Note 2 Property, Plant & Equipment**

			2022	
	Cost	Accumulated Amortization	Net Book Value	Rates of Amortization
<b>Property, plant &amp; equipment</b>				
General plant				
Computer hardware	\$ 1,094	\$ (349)	\$ 745	8.87%
Tools and work equipment	607	(254)	353	14.53%
Office furniture and equipment	562	(419)	143	6.41%
Transportation	2,510	(854)	1,656	6.32%
Incentives	1,697	(691)	1,006	20.00%
Leasehold improvements <sup>1</sup>	745	(248)	497	100.00%
Subtotal	<u>7,215</u>	<u>(2,815)</u>	<u>4,400</u>	
Distribution plant				
Land	276	-	276	-
Rights of way and easements	375	-	375	-
Distribution mains	147,560	(42,807)	104,753	1.64%
Street services	82,068	(23,364)	58,704	1.74%
Meters and regulators	24,543	(7,007)	17,536	7.63%
Stations	19,690	(9,338)	10,352	2.82%
Subtotal	<u>274,512</u>	<u>(82,516)</u>	<u>191,996</u>	
Total plant in service	281,727	(85,331)	196,396	
Construction work in progress	874	-	874	
<b>Total property, plant &amp; equipment</b>	<u>\$ 282,601</u>	<u>\$ (85,331)</u>	<u>\$ 197,270</u>	

1 - Amortized over the term of the related leases.



**Liberty Utilities Gas New Brunswick**  
Notes to 2022 Budgeted Regulatory Financial Results  
For the year ended December 31, 2022

(in thousands of dollars)

**Note 3 Intangible Software - Net**

			<b>2022</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Rates of Amortization</b>
1				
2				
3				
4	378	(378)	-	33.33%
5	3,841	(740)	3,101	4.96%
6				
7	<b>\$ 3,841</b>	<b>\$ (740)</b>	<b>\$ 3,101</b>	
8				
9				

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

			<b>2022</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Rates of Amortization</b>
10				
11				
12				
13				
14	\$ 114,952	\$ (42,879)	\$ 72,073	2.43%
15				
16	<b>\$ 114,952</b>	<b>\$ (42,879)</b>	<b>\$ 72,073</b>	



**Liberty Utilities Gas New Brunswick**  
Notes to 2022 Budgeted Regulatory Financial Results  
For the year ended December 31, 2022

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(in thousands of dollars)

**Note 5 Other Regulated Assets**

		<b>2022</b>
1		
2	Cash & Short Term Investments	\$ 18,779
3	Accounts Receivable	21,734
4	Prepaid	1,160
5	Inventory	728
6	Lease Asset	1,063
7		
8		<u>\$ 43,464</u>





**Liberty Utilities Gas New Brunswick**  
Notes to 2022 Budgeted Regulatory Financial Results  
For the year ended December 31, 2022

(in thousands of dollars)

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

	Issue Date	Maturity Date	Amount	2022 Cost of Debt			
				LUC	LUGNB	Regulated	
1							
2							
3							
4							
5	Promissory Note	April 01, 2020	February 14, 2050	\$ 155,000	3.315%	3.315%	3.315%
6							
7	Total long-term advances						
8	from associates and affiliates			\$ 155,000	3.315%	3.315%	3.315%



**Liberty Utilities Gas New Brunswick**  
**Notes to 2022 Budgeted Regulatory Financial Results**  
**For the year ended December 31, 2022**

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(in thousands of dollars)

**Note 7 Other Regulated Liabilities**

	<b>2022</b>
1	
2 Ratepayer Variance	\$ -
3 Accounts Payable	14,570
4 Long-term Deferred Post Employment Liabilities	(89)
5 Lease Liability	1,063
6 HST payable	186
7	<u>\$ 15,730</u>



**Liberty Utilities Gas New Brunswick**  
Notes to 2022 Budgeted Regulatory Financial Results  
For the year ended December 31, 2022

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(in thousands of dollars)

**Note 8 Operating Revenue**

**1 a. Gas Distribution**

	<b>2022</b>		
	<b>Revenue</b>	<b>Customers</b>	<b>Throughput TJs</b>
2			
3			
4			
5			
6			
7	\$ 8,258	8,459	584
8	15,120	3,551	1,253
9	14,733	436	1,863
10	3,591	56	541
11	5,777	10	1,594
12	82	10	13
13			
14			
15	<b>\$ 47,561</b>	<b>12,522</b>	<b>5,848</b>
16			
17			

18 1 Terajoule (TJ) = 1,000 Gigajoules (GJ)



**Liberty Utilities Gas New Brunswick**  
 Notes to 2022 Budgeted Regulatory Financial Results  
 For the year ended December 31, 2022

(in thousands of dollars)

**Note 8 Operating Revenue (continued)**

<b>1</b>	<b>b. Other Revenue</b>		
<b>2</b>			<u><b>2022</b></u>
<b>3</b>			
<b>4</b>	Single end-user franchise fees		
<b>5</b>	Agent billing and collection		
<b>6</b>	Other miscellaneous revenue		
<b>7</b>			
<b>8</b>	<b>Total miscellaneous</b>		<u><u>\$ 2,522</u></u>
<b>9</b>			
<b>10</b>	<b>Details of Agent Billing and Collection Revenue</b>		
<b>11</b>			
<b>12</b>			<u><b>2022</b></u>
<b>13</b>			
<b>14</b>	Small General Service (SGS)		
<b>15</b>	Mid-General Service (MGS)		
<b>16</b>	Large General Service (LGS)		
<b>17</b>	Contract General Service (CGS)		
<b>18</b>	Industrial Contract General Service (ICGS)		
<b>19</b>	Off-Peak Service (OPS)		
<b>20</b>			
<b>21</b>	<b>Total Agent Billing and Collection Revenue</b>		



**Liberty Utilities Gas New Brunswick**  
Notes to 2022 Budgeted Regulatory Financial Results  
For the year ended December 31, 2022

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(in thousands of dollars)

**Note 9 Operating and Maintenance Expenses**

	<u>2022</u>
1	
2	
3	\$ 939
4	2,772
5	3,120
6	280
7	588
8	1,629
9	5,640
10	1,033
11	612
12	-
13	
14	<u>16,613</u>
15	
16	<u>5,067</u>
17	
18	<u>5,067</u>
19	
20	<u>\$ 11,546</u>



**Liberty Utilities Gas New Brunswick**  
Notes to 2022 Budgeted Regulatory Financial Results  
For the year ended December 31, 2022

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(in thousands of dollars)

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

	<u>2022</u>
1	
2	
3 Interest on long-term debt	\$ 4,956
4 AIDC - allowance for funds used during construction (debt component)	3
5	
6 <b>Total interest on amounts due to associates &amp; affiliates and other interest</b>	<u>\$ 4,959</u>

**Note 11 Regulated Return on Equity**

	<u>2022</u>
7	
8	
9 Regulated return on equity - Calculated	\$ 13,222
10 Excess returned to customers	-
11 Budgeted amount that exceeds 8.50%	-
12 AEDC - allowance for funds used during construction (equity component)	7
13	
14 <b>Total regulated return on equity</b>	<u>\$ 13,229</u>



**Liberty Utilities Gas New Brunswick**  
Notes to 2022 Budgeted Regulatory Financial Results  
For the year ended December 31, 2022

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(in thousands of dollars)

**Note 12 Rate Base for Regulatory Purposes**

1	<u>2022</u>
2	
3 <b>Property, plant &amp; equipment</b>	
4	
5 Cost	\$ 281,727
6 Accumulated amortization	<u>(85,331)</u>
7 Net	196,396
8	
9 <b>Deferred charges</b>	
10 Development O&M capitalized costs	114,952
11 Accumulated amortization	<u>(42,879)</u>
12 Net	72,073
13	
14 Intangible Software	3,841
15 Accumulated amortization	<u>(740)</u>
16 Net	3,101
17	
18 <b>Deferred Charges - Net</b>	<u>75,174</u>
19	
20 <b>Term deposit</b>	-
21	
22 <b>Working capital allowance</b>	<u>1,946</u>
23	
24 <b>Total Rate Base</b>	<u>\$ 273,516</u>
25	
26 <b>Average Rate Base</b>	<u>\$ 271,866</u>



**Liberty Utilities Gas New Brunswick**  
Notes to 2022 Budgeted Regulatory Financial Results  
For the year ended December 31, 2022

(in thousands of dollars)

**Note 13 Capital Structure for Regulatory Purposes**

	<b>2022</b>
1	
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<b>Capital structure</b>	
Long-term debt	\$ 155,000
Equity	145,178
Total	<u>\$ 300,178</u>

  

<b>Capital structure percentage</b>	
Long-term debt	51.64%
Equity	48.36%
Total	<u>100.00%</u>

  

<b>Capital structure average percentage for regulatory purposes</b>	
Long-term debt	55.00%
Equity	45.00%
Total	<u>100.00%</u>

  

<b>Weighted cost of capital for regulatory purposes</b>	
Long-term debt	1.82%
Equity	4.86%
Total	<u>6.68%</u>





**Liberty Utilities Gas New Brunswick**

Notes to 2022 Budgeted Regulatory Financial Results

For the year ended December 31, 2022

(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
<b>1 Consulting and Services</b>									
<b>2</b>									
<b>3 For the period ending December 31, 2022</b>									
<b>4</b>									
5 Corporate Management	\$ 402	\$ 116	\$ -	\$ 381	\$ -	\$ -	\$ 899	\$ 935	96%
6 Corporate Finance	-	313	-	181	-	-	494	672	74%
7 Information technology	-	456	659	231	-	-	1,346	1,411	95%
8 Sales	-	-	-	-	-	-	-	12	0%
9 Customer Care	-	-	153	97	-	-	250	433	58%
10 Business Development	53	57	-	81	-	-	191	243	79%
11 Human Resources	-	109	1	15	-	-	125	132	95%
12 Regulatory and Forecast	-	50	37	38	-	-	125	359	35%
13 Energy Procurement	-	-	14	140	-	-	154	154	100%
14 Gas Operations	-	-	49	50	-	-	99	349	28%
15 Other	-	92	47	191	-	-	330	1,096	30%
16 Recoveries	-	(151)	-	(109)	-	(27)	(287)	(287)	0%
<b>17 Total</b>	<b>\$ 455</b>	<b>\$ 1,042</b>	<b>\$ 960</b>	<b>\$ 1,296</b>	<b>\$ -</b>	<b>\$ (27)</b>	<b>\$ 3,726</b>	<b>\$ 5,509</b>	<b>68%</b>

18  
19 Note: In 2022, Liberty is no longer accounting for Corporate Allocations from APUC, LUC(LABS), LUC(LUC), and LUSC(US) in individual cost centers

