



Schedule 4.3 – 2021 Actuals to Budget Explanations

March 3, 2023

1 2021 Actual to Budget Explanations

2 Overview

3 For comparative purposes, variance explanations compare 2021 Actuals to the 2021 Budget.

4 Revenue

5 The table below summarizes Liberty's 2021 gas distribution revenue, miscellaneous operating revenue,
6 allowance for funds used during construction ("AFUDC") and services and inspection margin with
7 comparisons to the 2021 Budget.

		<u>Table 1</u> Revenue		
		(1)	(2)	(3)=(1)-(2)
Line No.	(in thousands of dollars)	2021 Actual	2021 Budget	Variance to 2021 Budget
1	Operating Revenue			
2	Gas Distribution	\$ 41,504	\$ 45,254	\$ (3,750)
3	Miscellaneous	2,601	1,120	1,481
4	<u>Allowance for Funds Used During Construction</u>	<u>106</u>	<u>97</u>	<u>9</u>
5		44,211	46,471	(2,260)
6				
7	Services & Inspection			
8	Revenue	1,504	631	873
9	<u>Cost of Goods Sold</u>	<u>(1,355)</u>	<u>(336)</u>	<u>(1,019)</u>
10		149	295	(146)
11				
12	<u>Total Revenue</u>	<u>\$ 44,360</u>	<u>\$ 46,766</u>	<u>\$ (2,406)</u>

8

9 Operating Revenue

10 Gas Distribution Revenue is \$3,750K under budget primarily due to warmer weather (\$1,848K) and lower
11 attachment (\$1,156K) and forecast variance (\$746K) resulting from delay in turn-on of a major customer
12 and reduced throughput across all rate classes.



1 Miscellaneous Revenue is \$1,481K under budget due to higher budgeted SEUF Fees due to on additional
 2 SEUF (\$1,650K), red lock & non-sufficient funds (\$16K), transactional services (\$2K) and ABC revenue (\$1K),
 3 offset by lower interest income (\$178K) and late payment penalties (\$10K).

4 AFUDC is \$9K over budget, primarily due to higher than budgeted monthly balances in the Construction
 5 Work in Progress account, on which AFUDC is calculated on.

6 Service and Inspection margin is \$146K under budget due to reduced service and inspection calls.
 7 Revenues from the rental business was offset by its corresponding expenses in 2021.

8 Expenses

9 Below is a summary of Liberty's 2021 operating and maintenance expenses, bad debt expense,
 10 amortization of property, plant and equipment, municipal and other taxes, interest on amounts due to
 11 associates and affiliates and other interest and amortization of deferred development costs with
 12 comparisons to the 2021 Budget.

Table 2
Operating Expenses

Line No. (in thousands of dollars)	(1) 2021 Actual	(2) 2021 Budget	(3)=(1)-(2) Variance to 2021 Budget
1 Operating Expenses			
2 Operating and Maintenance Expenses	\$ 14,068	\$ 13,549	519
3 Other Expenses	117	-	117
4 Bad Debt Expense	73	173	(100)
5 Amortization of Property, Plant and Equipment	6,719	7,236	(517)
6 Municipal and Other Taxes	1,290	1,297	(7)
7 Interest on Amounts Due to Associates and Affiliates and Other Interest	4,880	4,921	(41)
8 Amortization of Deferred Development Costs	2,792	2,792	-
9 Amortization of Intangible Software	130	190	(60)
10 Amortization of Regulatory Deferral Account	3,846	3,846	-
11			
12 Total Expenses	\$ 33,915	\$ 34,004	(89)

13



1 Operating and Maintenance ("O&M") Expenses

2 Liberty manages its O&M expenses at an aggregate level where Liberty will try to offset increased costs in
3 certain areas with cost reductions or savings in other areas of the organization.

4 Liberty has grouped its O&M expenses based on major cost categories rather than departments, as seen
5 in the regulatory financial statement format filed with the Board.

Table 3
Operating and Maintenance Expenses

Line No.	(1)	(2)	(3)=(1)-(2)
Line No.	2021 Actual	2021 Budget	Variance to 2021 Budget
1	\$ 7,693	\$ 8,367	\$ (674)
2	296	237	59
3	136	474	(338)
4	1,941	1,857	84
5	214	558	(344)
6	350	377	(27)
7	217	146	71
8	483	430	53
9	695	692	3
10	758	563	195
11	499	336	163
12	3,482	2,455	1,027
13	1,852	1,916	(64)
14	18,616	18,408	208
15	Capitalized to:		
16	4,548	4,859	(311)
17	4,548	4,859	(311)
18	\$ 14,068	\$ 13,549	\$ 519

6

7



1 Liberty's 2021 O&M expenses ended the year \$0.5M, or 3.8% over budget, with the drivers for this variance
2 being:

- 3 • Labour and Benefits are \$674K under budget due to lower benefit costs (\$980K) from an
4 adjustment made in 2021 for double counting Liberty's group benefits in 2019, 2020 and part of 2021.
5 The expenses double counted in these years were credited back in 2021. The salaries and other
6 compensation expenses was also under budget (\$106K) mainly due to decreased actual
7 STIP/Bonus payouts compared to what was originally budgeted. These saving were offset by
8 higher than anticipated pension costs (\$412K).
- 9 • Admin/Office Expenses are over budget by \$59K due to higher materials and office supplies
10 (\$82K), and higher printing and other administrative costs (\$2K), offset by lower postage and
11 courier costs (\$25K).
- 12 • Computer and Telecom Services ended 2021 under budget by \$338K due to decreased telecom
13 services cost, as most now flow through Corporate Allocations (\$176K), and decreased computer
14 equipment supplies (\$162K).
- 15 • Professional Consulting expenses are over budget by \$84K due to higher outside services (\$75K)
16 related to the provision of CNG at Graymont, starting in December, higher legal fees (\$6K) related
17 to regulatory activities, and higher external audit fees (\$3K).
- 18 • Travel and Training is under budget by \$344K mainly due to decreased conference, training, and
19 membership costs (\$162K), decreased accommodation and meal costs (\$113K), decreased airfare
20 costs (\$50K), and decreased ground transportation costs (\$19K). These decreases are all related
21 to the COVID restrictions in place during 2021.
- 22 • Advertising and Promotions ended 2021 under budget by \$27K primarily due to decreased
23 advertising and public awareness (\$74K), offset by higher sponsorship and incentive costs (\$47K).
- 24 • Tools and Safety are over budget by \$71K due to increased safety related costs, mainly related to
25 COVID-19 supplies and uniform rentals(\$53K), and increased tool expenses (\$18K).
- 26 • Fleet ended 2021 over budget by \$53K mainly due to higher fuel and maintenance costs.
- 27 • Facilities are over budget by \$3K mainly due to increased rent and repairs (\$4K), offset by slightly
28 lower utility costs (\$1K).
- 29 • Insurance ended 2021 over budget by \$195K due to higher premiums due to hard market
30 conditions driven by COVID-19 and impacts on the utility sector in general.
- 31 • NBEUB Assessments ended the year over budget by \$163K due to increased regulatory matters.
- 32 • Corporate Allocations are over budget by \$1027K due to the following: Increased LABS CAD costs
33 mainly for Finance and IT services (\$296K), indirect allocations from APUC (\$246K), East Region
34 costs mainly for Finance, Legal, Business Development and Talent Acquisition services (\$244K),



1 LUC/LUSC-Corp.US costs mainly for Energy Procurement, Gas Control, and Regulatory services
2 (\$222K), and Direct Labour costs from LABS US (\$19K).

- 3 • Gas Transportation and Related Activities are lower by \$64K due to the expiration of Firm Service
4 Agreement at the end of November 2021.

5 Amounts capitalized to Property, Plant and Equipment are \$311K under budget due to aggregate O&M
6 spending in cost centers differing from budgeted spend and the associated different capitalization rates
7 for each cost center.

8 Other Operating Expenses

9 Other Expenses is \$117K over budget due to temporary CNG cost for Havelock project (\$67K), bank charges
10 (\$21K) and business taxes (\$29K).

11 Bad Debt Expense is \$100K under budget due to lower than expected bad debt write-offs.

12 Amortization of Property, Plant and Equipment is \$517K under budget primarily due to timing of opening
13 asset balances (\$220K), general plant budgeted for half year rule while next-month rule applied to actual
14 (\$177K), early asset retirement (\$87K), and timing of actual retirements (\$32K).

15 Interest on Amounts Due to Associates and Affiliates and Other Interest is \$41K under budget due to lower
16 average rate base.

17 Amortization of Intangible Software is \$60K under budget due to timing of opening asset balances (\$34K),
18 lower amortization rate for system software (\$19K), and lower than budgeted asset addition (\$7K).



1 Rate Base

2 Information with respect to Liberty's year-end Rate Base and the levels of Property, Plant and Equipment,
3 Development O&M capitalized costs, Working Capital Allowance and other elements within rate base are
4 provided below.

Table 4
Rate Base

Line No.	(in thousands of dollars)	(1) 2021 Actual	(2) 2021 Budget	(3)=(1)-(2) Variance to 2021 Budget
1	Property, plant and equipment	\$ 188,237	\$ 187,983	\$ 254
2	Development O&M capitalized costs	74,865	74,866	(1)
3	Intangible software	2,626	3,538	(912)
4	Term deposit	3,000	3,007	(7)
5	Working capital allowance	2,450	1,609	841
6	Rate Base	\$ 271,178	\$ 271,003	\$ 175

5
6 Property, Plant and Equipment is \$254K over budget primarily due to higher 2021 net capital additions
7 (\$702K), offset by timing of opening balance of Property Plant and Equipment (\$448K).

8 Intangible Software is \$912K under budget primarily due to expected contingency for Liberty transition in
9 2020 which reflects on opening balances (\$828K), and lower 2021 net capital additions (\$85K).

10 Term Deposit is \$7K under budget due to lower than budgeted restricted cash balance.

11 Working Capital Allowance is \$841K over budget due to higher than budgeted prepaid expense balance
12 (\$519K) and inventory balances (\$322K) due to prepaid property taxes in March and preliminary Board
13 Fees in April were not captured in 2021 Budget.



1 Other Regulated Assets & Liabilities

2 Information with respect to Liberty's Other Regulated Assets & Liabilities is provided below.

Table 5
Other Regulated Assets & Liabilities

Line No.	(in thousands of dollars)	(1) 2021 Actual	(2) 2021 Budget	(3)=(1)-(2) Variance to 2021 Budget
1	Other Regulated Assets			
2	Cash and Short Term Investments	\$ 5,594	\$ 15,567	\$ (9,973)
3	Accounts Receivable	15,473	19,865	(4,392)
4	Long term Receivable	107	312	(205)
5	Inventory	1,515	1,170	345
6	Right-of-use Asset	2,289	1,239	1,050
7	Total Other Regulated Assets	\$ 24,978	\$ 38,153	\$ (13,175)
8	Other Regulated Liabilities			
10	Accounts Payable	9,978	7,063	2,915
12	Long Term Deferred Post Employment Liabilities	-	502	(502)
13	Lease Liability	2,289	1,239	1,050
3	14 Total Other Regulated Liabilities	\$ 12,267	\$ 8,804	\$ 3,463

4 Other Regulated Assets & Liabilities are a function of the annual operations of Liberty and fluctuate with
5 changes in operating revenues and expenses.



1 Cost of Capital Summary

2 Information with respect to Liberty's Cost of Capital is provided below.

Table 6
Cost of Capital

Line No.	(1) 2021 Actual	(2) 2021 Budget	(3)=(1)-(2) Variance to 2021 Budget
1	Principal		
2	\$ 155,000	\$ 155,000	\$ -
3	127,261	145,171	(17,910)
4	Return (\$)		
5	4,880	4,921	(41)
6	13,129	13,239	(110)
7	Approved rates		
8	3.315%	3.315%	0.00%
9	10.90%	10.90%	0.00%

3

4 Liberty finances its operations through a combination of equity and debt financing.

5 Equity is \$17.9M under budget primarily due to lower opening balance (\$12.9M), unrealized pension loss
6 (\$0.3M), lower net income (\$2.7M) and distribution paid (\$2.0M).

7



1 Capital Additions Summary

2 Information with respect to Liberty's capital additions is provided below.

Table 7
Capital Additions

Line No.	(1) 2021 Actual	(2) 2021 Budget	(3)=(1)-(2) Variance to 2021 Budget
1 General plant			
2 Computer hardware	\$ 124	\$ 187	\$ (63)
3 Tools and work equipment	60	63	(3)
4 Office furniture and equipment	-	5	(5)
5 Transportation	11	191	(180)
6 Incentives	45	150	(105)
7 Leasehold improvements	3	60	(57)
8 Subtotal	243	656	(413)
9			
10 Distribution plant			
11 Land	31	50	(19)
12 Rights of way and easements	-	-	-
13 Distribution mains	5,792	5,257	535
14 Street services	1,736	1,269	467
15 Meters and regulators	516	659	(143)
16 Stations	1,073	836	237
17 Subtotal	9,148	8,071	1,077
18			
19 AFUDC			
20 Distribution mains	106	97	9
21			
22 Inventory			
23 Distribution mains	-	19	(19)
24			
25 Accrued un invoiced costs			
26 Distribution mains	(91)	-	(91)
27 Street services	153	-	153
28 Meters and regulators	14	-	14
29 Subtotal	76	-	76
30			
31 Total plant in service	\$ 9,573	\$ 8,843	\$ 730

3



- 1 General plant is \$413K under budget
- 2 • Computer hardware is \$63K under budget due to employees working from home which reduces
3 the need of replacing computer hardware.
- 4 • Tools and work equipment is \$3K under budget due to reduced workload during COVID.
- 5 • Office furniture and equipment is \$5K under budget due to no new acquisition during COVID.
- 6 • Transportation is \$180K under budget due to unavailability of vehicles during COVID.
- 7 • Incentives is \$105K under budget due to COVID restrictions that limited contact with potential
8 customers.
- 9 • Leasehold improvement is \$57K under budget due to employees working from home which
10 reduces the need of leasehold improvements.
- 11 Distribution plant is \$1,077K over budget
- 12 • Land is \$19K under budget due to lower land cost of Havelock project.
- 13 • Distribution mains is \$535K over budget primarily due to late costs associated with Havelock
14 project.
- 15 • Street service is \$467K over budget primarily due to construction late costs.
- 16 • Meters and regulators are \$143K under budget due to timing of construction.
- 17 • Stations is \$237K over budget primarily due to Havelock Gate Station forecast to be completed in
18 2020.
- 19 AFUDC is \$9K over budget, primarily due to higher than budgeted monthly balances in the Construction
20 Work in Progress account, on which AFUDC is calculated on.
- 21 Inventory capitalized to distribution mains is \$19K under budget due to timing of construction.
- 22 Accrued uninvoiced costs is \$76K over budget due to timing of late contractor invoices.

