



Schedule 4.3 – 2022 Actuals to Budget Explanations – REDACTED

April 15, 2024

2022 Actual to Budget Explanations

Overview

For comparative purposes, variance explanations compare 2022 Actuals to the 2022 Budget.

Revenue

The table below summarizes Liberty's 2022 gas distribution revenue, miscellaneous operating revenue, allowance for funds used during construction ("AFUDC") and services and inspection margin with comparisons to the 2022 Budget.

Table 1
Revenue

Line No.	(in thousands of dollars)	(1) 2022 Actual	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1	Operating Revenue			
2	Gas Distribution	\$ 43,811	\$ 47,561	\$ (3,750)
3	Miscellaneous	2,246	2,522	(276)
4	Allowance for Funds Used During Construction	3	9	(6)
5		46,060	50,092	(4,032)
6				
7	Services & Inspection			
8	Revenue	1,436	1,750	(314)
9	Cost of Goods Sold	(1,350)	(1,471)	121
10		86	279	(193)
11				
12	Total Revenue	\$ 46,146	\$ 50,371	\$ (4,225)

Operating Revenue

Gas Distribution Revenue is \$3,750K under budget primarily due to rate variance (\$1,719K), warmer weather (\$1,647K) and forecast and attachment variance (\$384K) resulting from lower throughput of commercial customers.

Miscellaneous Revenue is \$276K under budget due to lower SEUF Fees ██████, red lock & NSF Fee Penalties ██████, ABC fees ██████ as well as lower interest income ██████, offset by revenues earned from Large Industrial Contract Service customer ██████ and late payment penalties ██████.

AFUDC is \$6K under budget, primarily due to higher than budgeted monthly balances in the Construction Work in Progress account, which AFUDC is calculated on.

Service and Inspection margin is \$193K under budget due to reduced service and inspection calls. Revenues from the rental business was offset by its corresponding expenses in 2022.



1 Expenses

2 Below is a summary of Liberty's 2022 operating and maintenance expenses, bad debt expense,
3 amortization of property, plant and equipment, municipal and other taxes, interest on amounts due to
4 associates and affiliates and other interest, amortization of deferred development costs, amortization of
5 intangible software, amortization of regulatory deferral account, amortization of variance accounts and
6 income tax expense with comparisons to the 2022 Budget.

Table 2
Operating Expenses

Line No. (in thousands of dollars)	(1) 2022 Actual	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1 Operating Expenses			
2 Operating and Maintenance Expenses	\$ 12,905	\$ 11,546	1,359
3 Other Expenses	28	100	(72)
4 Bad Debt Expense	93	177	(84)
5 Amortization of Property, Plant and Equipment	6,909	7,348	(439)
6 Municipal and Other Taxes	1,242	1,314	(72)
7 Interest on Amounts Due to Associates and Affiliates and Other Interest	4,939	4,959	(20)
8 Amortization of Deferred Development Costs	2,792	2,792	-
9 Amortization of Intangible Software	155	145	10
10 Amortization of Regulatory Deferral Account	3,846	3,846	-
11 Amortization of Variance Accounts	-	378	(378)
12 Income Tax Expense	2,060	4,537	(2,477)
13 Total Expenses	\$ 34,969	\$ 37,142	\$ (2,173)

7

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

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

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



1

Table 3
Operating and Maintenance Expenses

Line No.	TRUE	(1) 2022 Actual	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1	Labour and Benefits	\$ 8,974	\$ 8,661	\$ 313
2	Admin/Office Expense	271	235	36
3	Computer and Telecom Services	407	200	207
4	Professional Consulting	2,918	1,769	1,149
5	Travel and Training	248	537	(289)
6	Advertising and Promotions	484	370	114
7	Tools and Safety	40	162	(122)
8	Fleet	498	452	46
9	Facilities	666	729	(63)
10	Insurance	326	401	(75)
11	NBEUB Assessments	843	325	518
12	Corporate Allocations	3,111	2,772	339
13	Gas Transportation and Related Activities	-	-	-
14	Total O&M Prior to Capitalization	18,786	16,613	2,173
15	Capitalized to:			
16	Property, plant & equipment	5,882	5,067	815
17	Total Capitalized	5,882	5,067	815
18	Total O&M Expenses	\$ 12,904	\$ 11,546	\$ 1,358

2



1 Liberty's 2022 O&M expenses ended the year \$1.36M, or 11.8% over budget, with the drivers for this variance
2 being:

- 3 • Labour and Benefits are \$313K over budget due to misclassification of some costs i.e., direct labor
4 allocations and insurance costs.
- 5 • Admin/Office Expenses are over budget by \$36K due to higher materials and supplies costs (\$74K),
6 increased postage costs (\$1K), increased awards (\$14K), increased licenses (\$2K) offset by a
7 decrease in overhead (\$55K).
- 8 • Computer and Telecom Services ended 2022 over budget by \$207K due to increased computer
9 supplies/repairs (\$221K) and increased software & internet costs (\$5K), offset by decreased
10 telecom services expenses (\$19K).
- 11 • Professional Consulting expenses are over budget by \$1,149K as a result of CNG costs related to
12 Graymont (\$796K) and an increase in regulatory legal consulting/other consulting services
13 (\$353K).
- 14 • Travel and Training is under budget by \$289K mainly due to decreased travel related expenses
15 (\$142K), training and development costs (\$134K) and meals and entertainment (\$19K), offset by an
16 increase in dues and memberships (\$6K).
- 17 • Advertising and Promotions ended 2022 over budget by \$114K primarily due to increased
18 advertising and public awareness (\$117K) and an increase in recruitment (\$12K), offset by lower
19 sponsorship and incentive costs (\$15K).
- 20 • Tools and Safety are under budget by \$122K due to a decrease in safety related supplies (\$97K),
21 tools (\$10K) and utilities (\$15K).
- 22 • Fleet ended 2022 over budget by \$46K mainly due to higher fuel and maintenance costs.
- 23 • Facilities are under budget by \$63K mainly due to decreased rent and repairs and other office
24 related expenses (\$35K), lower utility expenses (\$17K) as well as lower rental expenses and lease
25 payments (\$11K).
- 26 • Insurance ended 2022 under budget by \$75K due to some insurance expenses not being recorded
27 in 2022.
- 28 • NBEUB Assessments ended the year over budget by \$518K due to over accrual of expenses.
- 29 • Corporate Allocations are over budget by \$339K due to a general increase in system conversion
30 costs being pushed down to Liberty, mainly in the form of increased IT allocations.

31 Amounts capitalized to Property, Plant and Equipment are \$815K over budget due to aggregate O&M
32 spending in cost centers differing from budgeted spend and the associated different capitalization rates
33 for each cost center.



1 Other Operating Expenses

2 Other Expenses is \$72K under budget due to higher bank charges (\$24K) and other interest expenses (\$4K),
3 offset by lower retention expense (\$100K).

4 Bad Debt Expense is \$84K under budget due to lower-than-expected bad debt write-offs.

5 Amortization of Property, Plant and Equipment is \$439K under budget primarily due to life to date early
6 asset retirement (\$227K), current year asset retirements (\$115K), timing of opening asset balances (\$85K)
7 and budgeted half year rule versus next-month rule applied to actual (\$12K).

8 Interest on Amounts Due to Associates and Affiliates and Other Interest is \$20K under budget due to lower
9 average rate base.

10 Amortization of Intangible Software is \$10K over budget due to system software being amortized at 2.6%
11 while budget amortized all software at 5% (\$18K), timing of opening asset balances (\$5K) and budgeted
12 half year rule versus next-month rule applied to actual (\$5K), offset by lower than budgeted asset addition
13 (\$18K).

14 Amortization of Variance Accounts is \$378K under budget due to amortization of COVID-19 variance
15 accounts being fully amortized in the year.

16 Income Tax Expense is \$2,477K under budget due to lower book income (\$1,201K), unforeseen exclusion of
17 regulatory accounts for tax purposes (\$1,319K) and lower loss carries forward (\$106K), offset by higher other
18 book-to-tax adjustments (\$149K).



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) 2022 Actual	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1 Property, plant and equipment	\$ 192,921	\$ 196,396	\$ (3,475)
2 Development O&M capitalized costs	72,073	72,073	-
3 Intangible software	2,866	3,101	(235)
4 Term deposit	-	-	-
5 Working capital allowance	2,613	1,946	667
6 Rate Base	<u>\$ 270,473</u>	<u>\$ 273,516</u>	<u>\$ (3,043)</u>

5

6 Property, Plant and Equipment is \$3.5M under budget primarily due to timing of opening balance of
7 Property Plant and Equipment (\$3.2M) and lower 2022 net capital additions (\$300K).

8 Intangible software is \$235K under budget primarily due to lower-than-expected net capital additions
9 (\$318K), offset by timing of opening balance of Property Plant and Equipment (\$83K).

10 Working Capital Allowance is \$667K over budget due to higher inventory due to timing of construction
11 (\$990K), offset by lower prepaid balance due to timing of prepayment (\$322K).



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) 2022 Actual	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1	Other Regulated Assets			
2	Cash and Short Term Investments	\$ -	\$ 18,779	\$ (18,779)
3	Accounts Receivable	4,712	21,734	19,978
4	Prepaid	854	1,160	(306)
5	Inventory	1,759	728	1,031
6	Right-of-use Asset	1,891	1,063	828
7	Other Long-term Asset	129	-	129
8	HST Receivable	1,832	-	1,832
9	Ratepayer Variance Assets	1,719	-	1,719
10				
12	Total Other Regulated Assets	\$ 49,896	\$ 43,464	\$ 6,432
13				
14	Other Regulated Liabilities			
15	Bank Indebtedness	\$ 794	\$ -	\$ 794
16	Accounts Payable	14,932	14,570	362
17	Lease liability	1,891	1,063	828
18	HST Payable	-	186	(186)
19	Pension Liability	-	(89)	89
20	Ratepayer Variance Liabilities	303	-	303
21				
23	Total Other Regulated Liabilities	\$ 17,920	\$ 15,730	\$ 2,190

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) 2022 Actual	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1	Principal		
2	\$ 155,000	\$ 155,000	\$ -
3	145,413	145,178	235
4	Return (\$)		
5	4,939	4,959	(20)
6	13,175	13,229	(54)
7	Approved rates		
8	3.315%	3.315%	0.00%
9	10.81%	10.81%	0.00%

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

5 Equity is \$235K higher than budget due to higher opening balance (\$2,287K), offset by lower net income
6 (\$2,052K).

7 Return on Debt is \$20K under budget due to lower rate base.

8 Return on Equity is \$54K under budget due to lower rate base.



1 Capital Additions Summary

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

Table 7
Capital Additions

Line No.	(1) 2022 Actual	(2) 2022 Budget	(3)=(1)-(2) Variance to 2022 Budget
1	General plant		
2	\$ 80	\$ 28	\$ 52
3	115	123	(8)
4	12	5	7
5	467	305	162
6	384	750	(366)
7	15	105	(90)
8	1,073	1,316	(243)
9			
10	Distribution plant		
11	-	-	-
12	-	-	-
13	1,408	3,855	(2,447)
14	1,981	3,035	(1,054)
15	721	782	(61)
16	196	75	121
17	4,306	7,747	(3,441)
18			
19	AFUDC		
20	3	9	(6)
21			
22	Inventory		
23	-	619	(619)
24			
25	Accrued uninvoiced costs		
26	(14)	-	(14)
27	38	-	38
28	(14)	-	(14)
29	10	-	10
30			
31	\$ 5,392	\$ 9,691	\$ (4,299)

3

4 General plant is \$243K under budget:

- 5
- Computer hardware is \$52K over budget due to Laptop replacements which were not budgeted.
- 6
- Tools and work equipment is \$8K under budget due to timing of tools purchase.



- 1 • Office furniture and equipment is \$7K over budget due to higher-than-expected cost of furniture
2 replacement.
- 3 • Transportation is \$162K over budget due to two additional trucks for employees.
- 4 • Incentives is \$366K under budget due to lower than expected incentives awarded.
- 5 • Leasehold improvement is \$90K under budget due to lower-than-expected improvement costs
6 for Moncton and Saint John offices.
- 7 Distribution plant is \$3,441K under budget:
- 8 • Distribution mains is \$2,447K under budget primarily due to lower-than-expected customer on
9 main attachment.
- 10 • Street service is \$1,054K under budget primarily due to fewer actual attachments.
- 11 • Meters and regulators are \$61K under budget due to fewer actual attachments.
- 12 • Stations is \$121K over budget primarily due to Havelock Gate Station late cost from previous year.
- 13 AFUDC is \$6K under budget, primarily due to higher than budgeted monthly balances in the Construction
14 Work in Progress account, which AFUDC is calculated on.
- 15 Inventory capitalized to distribution mains is \$619K under budget due to timing of construction.
- 16 Accrued uninvoiced costs is \$10K over budget due to timing of late contractor invoices.

