



Section 3.0 – 2023 Budget

March 3, 2023

1 **3.0 2023 Budget**

2 As Liberty is seeking approval of its 2023 rates, Liberty is submitting a budget for 2023.

3 Liberty's 2023 Budget has been prepared taking into consideration historic trends, current market
4 conditions, the current economic environment, deferral account repayments as per legislation and
5 Liberty's current operations.

6 Details related to the assumptions made in the 2023 Budget can be found in Schedule 3.4 – 2023 Budget
7 Assumptions.

8 **Customer Attachments**

9 The 2023 Budget is based on the attachment of 186 new customers. Liberty has estimated the loss of 67
10 customers (customers no longer on the distribution system as of December 31, 2023, due to permanent
11 removal of service, red locks due to non-payment, seasonal locks or other temporary locks) in 2023
12 resulting in a total of 119 net new customers in 2023.

13 **Cost of Capital**

14 Liberty's rate of return on equity was reduced from 10.9% to 9.8%, effective December 1, 2022, as per the
15 Board's decision in Matter 491 dated November 18, 2022. Liberty has also maintained the debt-to-equity
16 structure at 55% debt and 45% equity, and the cost of debt at 3.315% in accordance with the same decision.



1 Income Taxes

2 Liberty is including approximately \$1.955M in income taxes in the 2023 budgeted revenue requirement.

Table 1
Forecast Taxable Income

(in thousands of dollars)	Actual 2021	Forecasted 2022	Budgeted 2023
Book Income	\$ 10,445	\$ 15,288	\$ 14,428
Meals & entertainment (50%)	17	28	28
Book depreciation of PPE	6,719	6,962	7,418
Amortization of deferred charges	2,792	2,793	2,793
Amortization of regulatory deferral account	3,846	3,846	3,846
Tax depreciation	(8,443)	(8,088)	(15,307)
Capitalized admin overhead	(4,548)	(4,867)	(5,623)
Incentive payment capitalized	(46)	(638)	(1,450)
Taxable income before losses	10,912	15,493	6,740
LCF used	(10,912)	(4,403)	-
Taxable income	-	11,090	6,740
Tax Rate	29%	29%	29%
Regulated cash tax expense	-	3,216,123	1,954,709

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4 The following documents have been provided in support of the 2023 Budget:

- 5 • Schedule 3.4 – 2023 Budget Assumptions
- 6 • Schedule 3.5 – 2023 Budget
- 7 • Schedule 3.6 – 2023 Budget to 2022 Budget Explanations
- 8 • Schedule 3.7 – Corporate Allocations Report
- 9 • Appendix 3.7A – Algonquin Cost Allocation Manual, January 1, 2017
- 10 • Appendix 3.7B – Corporate Services Descriptions
- 11 • Appendix 3.7C – Liberty Utilities – Corporate Services Cost Allocation Review
- 12 • Schedule 3.8 – Retention and Incentive Programs Report



- 1 • Schedule 3.9 – Variance Accounts for SEUF Fees, LICs Rate Class, Revenue Requirement True-up
- 2 and Revenue Decoupling Mechanism
- 3 • Schedule 3.10 – Load Forecast Summary

4 **2022 Forecast**

5 The 2022 Forecast provides the bridge year for the development of the 2023 Budget. The following
6 documents have been provided in support of the 2022 Forecast:

- 7 • Schedule 3.1 – 2022 Forecast
- 8 • Schedule 3.2 – 2022 Budget
- 9 • Schedule 3.3 – 2022 Forecast to Budget Explanations

