



Future-oriented Financial Statements

Statement of Management Responsibility

National Energy Board management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at December 31, 2012 and reflect the plans described in the *2013-14 Report on Plans and Priorities*.

The actual results achieved for the fiscal years covered in the accompanying financial information will vary from the information presented, and the variations may be material.

The future-oriented financial statements for the National Energy Board have not been audited.

Gaétan Caron, Chair and CEO

(Calgary, Canada)
(March 15, 2013)

Ed Jansen, CA, Chief Financial Officer

National Energy Board

Future-oriented Statement of Financial Position

As at March 31

(in thousands of dollars)

	Forecast 2014	Estimated Results 2013
Liabilities		
Accounts payable and accrued liabilities (Note 6)	5,750	8,800
Vacation pay and compensatory leave	2,622	2,558
Employee future benefits (Note 7)	7,450	7,241
Total net liabilities	15,822	18,599
Financial Assets		
Due from Consolidated Revenue Fund	5,485	8,560
Accounts receivable and advances (Note 8)	27,828	30,015
Total gross financial assets	33,313	38,575
Financial assets held on behalf of Government		
Accounts receivable and advances (Note 8)	(27,563)	(29,775)
Total financial assets held on behalf of Government	(27,563)	(29,775)
Total net financial assets	5,750	8,800
Departmental net debt	10,072	9,799
Non-financial assets		
Prepaid expenses	187	249
Tangible capital assets (Note 9)	5,919	5,717
Total non-financial assets	6,106	5,966
Departmental net financial position	(3,966)	(3,833)


Gaétan Caron, Chair and CEO
(Calgary, Canada)
(March 15, 2013)


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Information for the year ended March 31, 2013 includes actual amounts from April 1, 2012 to December 31, 2012.

Contingent liabilities (Note 10)
Contractual obligations (Note 11)

The accompanying notes form an integral part of these financial statements.

National Energy Board

Future-oriented Statement of Operations and Departmental Net Financial Position

For the Year Ended March 31

(in thousands of dollars)

	Forecast 2014	Estimated Results 2013
Expenses		
Energy Regulation	44,789	41,868
Energy Information	8,954	9,899
Internal Services	22,333	25,422
Total Expenses	76,076	77,189
Revenues		
Regulatory Revenue	69,793	67,765
Miscellaneous Revenue	20	20
Revenues earned on behalf of Government	(69,813)	(67,785)
Total Revenues	-	-
Net cost of operations before government funding and transfers	76,076	77,189
Government funding and transfers		
Net cash provided by (to) Government	69,931	82,552
Change in due from the Consolidated Revenue Fund	(3,075)	1,527
Services received without charge from other government departments (Note 12)	9,087	8,423
Net cost of operations after government funding and transfers	133	(15,313)
Departmental net financial position - Beginning of year	(3,833)	(19,146)
Departmental net financial position – End of year	(3,966)	(3,833)

Information for the year ended March 31, 2013 includes actual amounts from April 1, 2012 to December 31, 2012.

Segmented information (Note 13)

The accompanying notes form an integral part of these financial statements.

National Energy Board

Future-oriented Statement of Change in Departmental Net Debt For the Year Ended March 31

(in thousands of dollars)

	Forecast 2014	Estimated Results 2013
Net cost of operations after government funding and transfers	133	(15,313)
Change due to tangible capital assets		
Acquisition of tangible capital assets	2,331	1,798
Amortization of tangible capital assets	(2,129)	(2,735)
Total change due to tangible capital assets	202	(937)
Change due to prepaid expenses	(62)	66
Net increase (decrease) in departmental net debt	273	(16,184)
Departmental net debt - Beginning of year	9,799	25,983
Departmental net debt - End of year	10,072	9,799

Information for the year ended March 31, 2013 includes actual amounts from April 1, 2012 to December 31, 2012.

The accompanying notes form an integral part of these financial statements.

National Energy Board

Future-oriented Statement of Cash Flows

For the Year Ended March 31

(in thousands of dollars)

	Forecast 2014	Estimated Results 2013
Operating activities		
Net cost of operations before government funding and transfers	76,076	77,189
Non-cash items:		
Amortization of tangible capital assets	(2,129)	(2,735)
Services provided without charge by other government departments (Note 12)	(9,087)	(8,423)
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivables and advances	25	8
Increase (decrease) in prepaid expenses	(62)	66
Decrease (increase) in accounts payables and accrued liabilities	3,050	(1,535)
Decrease (increase) in other payables	-	15,700
Decrease (increase) in vacation pay and compensatory leave	(64)	(121)
Decrease (increase) in future employee benefits	(209)	605
Cash used in (provided by) operating activities	67,600	80,754
Capital investing activities		
Acquisitions of tangible capital assets	2,331	1,798
Cash used in (provided by) investing activities	2,331	1,798
Net cash provided by (to) Gov't of Canada	69,931	82,552

Information for the year ended March 31, 2013 includes actual amounts from April 1, 2012 to December 31, 2012.

The accompanying notes form an integral part of these financial statements.

1. Authority and objectives

The National Energy Board (NEB or Board) is an independent regulatory agency, established in 1959 under the *National Energy Board Act* and is designated as a department and named under Schedule I.1 of the *Financial Administration Act*, reporting to Parliament through the Minister of Natural Resources.

The NEB regulates the following specific aspects of the energy industry:

- a) the construction and operation of international and interprovincial pipelines;
- b) the construction and operation of international and designated interprovincial power lines;
- c) traffic, tolls and tariffs of international and interprovincial pipelines;
- d) exports of oil, gas and electricity and imports of gas; and
- e) oil and gas activities on frontier lands not subject to a federal/provincial accord.

Other responsibilities of the NEB include providing advice to the Minister of Natural Resources Canada on the development and use of energy resources. The NEB operates as a quasi-judicial tribunal. The Board may hold public hearings at which applicants and interested parties have full rights of participation.

NEB's corporate purpose is to promote safety, environmental protection and economic efficiency in the Canadian public interest within the mandate set by Parliament in the regulation of pipelines, energy development and trade. This principle guides the NEB in carrying out and interpreting its regulatory responsibilities. The companies that are regulated by the Board create wealth for Canadians through the transport of oil, natural gas and natural gas liquids, and through the export of hydrocarbons and electricity. As a regulatory agency, the Board's role is to help create a framework which allows these economic activities to occur when they are in the public interest.

The NEB's framework of program activities is comprised of:

- Energy Regulation – this is grouped into two sub-programs, the first part being the development of regulation and compliance tools, guidance and processes and the second part being regulation implementation which is the processing of applications and regulatory oversight through monitoring and enforcement;
- Energy Information – provides energy industry information, market outlook and surveillance to the Board, industry and the Canadian public;
- Internal Services – the activities that provide management and support services to the Board such as Human Resources, Financial and Information Management.

2. Methodology and significant policies

The future-oriented financial statements have been prepared on the basis of the government priorities and the plans of the department as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- The department's activities will remain substantially the same as for the previous year.

- Expenses and revenues, including the determination of amounts internal and external to the government are based on historical experience. The general historical pattern is expected to continue.
- Estimated year end information for 2012-13 is used as the opening position for the 2013-14 planned results.

These assumptions are adopted as at December 31, 2012.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2012-13 and for 2013-14, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these future-oriented financial statements the National Energy Board has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

- (a) Implementation of new collective agreements.
- (b) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.
- (c) Volume and complexity of regulatory applications and hearings.

Once the *Report on Plans and Priorities* is presented, the National Energy Board will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the *Departmental Performance Report*.

4. Summary of Significant Accounting Policies

The future-oriented financial statements have been prepared in accordance with Treasury Board accounting policies in effect for the 2011-2012 fiscal year. These accounting policies, stated below, are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

- a) Parliamentary authorities – the NEB is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the NEB do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Future-oriented Statement of Operations and the Future-oriented Statement of Financial

Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a high-level reconciliation between the bases of reporting.

- b) Net Cash Provided by Government – The NEB operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the department is deposited to the CRF and all cash disbursements made by the department are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.
- c) Amounts due from/to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the NEB is entitled to draw from the CRF without further parliamentary expenditure authorities to discharge its liabilities.
- d) Revenues – are recorded on an accrual basis:
 - Revenues from regulatory levies are recognized in the accounts when they are invoiced and, in accordance with the *National Energy Board Cost Recovery Regulations*, are based on the estimated cost of operations for the calendar year, with a billing adjustment to actual costs once the costs are known.
 - Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
 - Revenues that have been invoiced but not yet earned are recorded as deferred revenues.
- e) Expenses – are recorded on an accrual basis:
 - Vacation pay and compensatory leave are accrued as the benefits are earned under their respective terms of employment.
 - Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, and legal services are recorded as operating expenses at their estimated cost.
 - Expenditures that are excluded from Cost Recovery Regulations are those expenditures related to the regulation of oil and gas exploration and development on frontier lands. These amounts are included as Expenses in the Statement of Operations.
- f) Employee future benefits
 - i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government. The NEB contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the Plan.
 - ii. Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

- g) Accounts receivables are stated at the lower of cost and net recoverable value; a valuation allowance is established for receivables where recovery is considered uncertain.
- h) Contingent liabilities – Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the future-oriented financial statements.
- i) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more or significant bulk purchases over \$10,000 where each item may be less than \$10,000, are recorded at their acquisition cost. The department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization period
Informatics hardware:	
PCs and accessories	3 years
Computer servers & accessories	5 years
Informatics software	
Commercial software	2 years
In-house developed software	5 years
Machinery and equipment	5 years
Furniture	10 years
Vehicles	5 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement

The cost of software not yet in service forms the basis of the Assets under development account. Assets under development are amortized once they are in service.

- (j) Measurement uncertainty —The preparation of these future-oriented financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the future-oriented financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. Actual results could significantly differ from those estimated.

5. Parliamentary Authorities

The NEB receives most of its funding through expenditure authorities provided by Parliament. The majority of expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government of Canada.

Items recognized in the Future-oriented Statements of Operations and Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the NEB has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to requested authorities:

	Forecast 2014	Estimated 2013
	(in thousands of dollars)	
Cost of operations before government funding and transfers	76,076	77,189
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge	(9,087)	(8,423)
Amortization of tangible capital assets	(2,129)	(2,735)
(Increase) Decrease in vacation pay and compensatory leave	(64)	(121)
(Increase) Decrease in employee future benefits	(209)	605
Total items affecting net cost of operations but not affecting authorities	(11,489)	(10,674)
Adjustments for items not affecting net cost of operations but affecting authorities		
Acquisitions of tangible capital assets	2,331	1,798
Increase (Decrease) in prepaid expenses	(62)	66
Total items not affecting net cost of operations but affecting authorities	2,269	1,864
Forecast authorities available	66,856	68,379

(b) Authorities requested

	Forecast 2014	Estimated 2013
	(in thousands of dollars)	
Vote 25 – Program expenditures	59,661	68,464
Statutory amounts	7,195	6,495
<i>Less:</i>		
Lapsed authorities: Operating		(6,600)
Forecast authorities available	66,856	68,379

6. Accounts payable and accrued liabilities

The following table presents details of the NEB's accounts payable and accrued liabilities:

	Forecast 2014	Estimated 2013
	(in thousands of dollars)	
Accounts payable to other government departments and agencies	200	1,000
Accounts payable to external parties	4,450	4,200
Total accounts payable	4,650	5,200
Accrued liabilities	1,100	3,600
Total accounts payable and accrued liabilities	5,750	8,800

7. Employee benefits**(a) Pension benefits:**

The NEB's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the NEB contribute to the cost of the Plan. The forecast expenses are \$5,137,239 in 2013-14 and \$5,437,080 in 2012-13, representing approximately 1.9 times the contributions by employees.

The NEB's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits:

The NEB provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As a result of changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the estimated and forecasted severance benefit obligation.

Information about the severance benefits, estimated as at the date of these statements, is as follows:

	Forecast 2014	Estimated 2013
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	7,241	7,845
Expense for the year	459	246
Benefits paid during the year	(250)	(850)
Accrued benefit obligation, end of year	7,450	7,241

8. Accounts receivable and advances

The following table presents details of NEB's accounts receivable and advances balances:

	Forecast 2014	Estimated 2013
(in thousands of dollars)		
Receivables from other Federal Government departments and agencies	170	165
Receivables from external parties	27,563	29,775
Employee advances	95	75
Gross accounts receivable	27,828	30,015
Accounts receivable held on behalf of Government	27,563	29,775
Net accounts receivable	265	240

9. Tangible Capital Assets

(in thousands of dollars)

Capital asset class	Cost				
	Opening balance	Acquisitions	Transfers	Disposals & write-offs	Closing balance
Informatics hardware	3,364	1,285	-	-	4,649
Informatics software	8,558	457	-	-	9,015
Machinery and equipment	1,257	114	-	-	1,371
Furniture	1,405	-	-	-	1,405
Vehicles	37	40	-	-	77
Leasehold improvements	1,811	-	-	-	1,811
Assets under development	-	435	-	-	435
Total	16,432	2,331	0	0	18,763

Capital asset class	Accumulated amortization				Net book value	
	Opening balance	Amortization	Disposals & write-offs	Closing balance	2014	2013
Informatics hardware	2,389	590	-	2,979	1,670	975
Informatics software	5,116	1,085	-	6,201	2,814	3,442
Machinery and equipment	845	176	-	1,021	350	412
Furniture	652	143	-	795	610	753
Vehicles	17	20	-	37	40	20
Leasehold improvements	1,696	115	-	1,811	-	115
Assets under development	-	-	-	-	435	-
Total	10,715	2,129	-	12,844	5,919	5,717

10. Contingent liabilities

Claims and litigation

Claims have been made against the NEB in the normal course of operations. As of the date of the preparation of these future-oriented financial statements, legal proceedings for claims totalling approximately \$4,200,000 are pending.

11. Contractual obligations

The nature of the NEB's activities can result in some large multi-year contracts and obligations whereby the NEB will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2014	2015	2016	2017	2018 and thereafter	Total
	(in thousands of dollars)					
Vendor Contracts	2,370	178	25	25	-	2,598

12. Related party transactions

The NEB is related as a result of common ownership to all Government of Canada departments, agencies, and Crown Corporations. The NEB enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, the NEB received common services which were obtained without charge from other Government departments as discussed below.

(a) Common services provided without charge by other government departments

During the year the NEB received services without charge from certain common service organizations, related to accommodation, legal services and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recognized in the NEB's Future-Oriented Statement of Operations as follows:

	Forecast 2014	Estimated 2013
	(thousands of dollars)	
Accommodation	5,511	5,015
Employer's contribution to the health and dental insurance plans	3,432	3,290
Legal Services	144	118
Total	9,087	8,423

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General are not included in the NEB's Future Oriented Statement of Operations.

(b) Other transactions with related parties:

	Forecast 2014	Estimated 2013
	(thousands of dollars)	
Accounts receivable from other government departments and agencies	170	65
Accounts payable to other government departments and agencies	200	1,000
Expenses - Other Government departments and agencies	8,240	8,337
Revenues - Other Government departments and agencies	-	-

13. Segmented information

Presentation by segment is based on the NEB's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of Significant Accounting Policies in note 4. The following table presents the forecasted expenses incurred and forecasted revenues generated for the main program activities, by major object of expense and by major type of revenues. The segment results for the period are as follows:

	Energy Regulation	Energy Information	Internal Services	Total	Estimated 2013
Transfer Payments	2,114	–	–	2,114	250
Operating Expenses					
Salaries and employee benefits	30,823	6,468	16,130	53,421	56,718
Professional and special services	3,217	675	1,684	5,576	4,945
Accommodation	3,180	667	1,664	5,511	5,015
Travel	2,611	548	1,366	4,525	4,593
Amortization (Note 9)	1,228	258	643	2,129	2,735
Utilities, materials and supplies	494	104	258	856	597
Information	412	86	216	714	845
Rentals	369	77	193	639	570
Repair and maintenance	301	63	157	521	748
Other	40	8	22	70	173
Total expenses	44,789	8,954	22,333	76,076	77,189
Revenues					
Regulatory	40,269	8,450	21,074	69,793	67,765
Miscellaneous	12	2	6	20	20
Revenues earned on behalf of Government	(40,281)	(8,452)	(21,080)	(69,813)	(67,785)
Total Revenues	-	-	-	-	-
Net Cost from continuing operations	44,789	8,954	22,333	76,076	77,189