



Quarterly Financial Report
For the quarter ended December 31, 2018

Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with Main Estimates;
- has been prepared by management as required by [Section 65.1 of the Financial Administration Act \(FAA\)](#) and in the form and manner prescribed by the Treasury Board (TB); and
- has not been subject to an external audit or review.

A summary description of the NEB's core responsibilities can be found in [Part II of the Main Estimates](#).

The NEB receives its funding through annual Parliamentary authorities. 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.

Basis of Presentation

The quarterly financial report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2018-19 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purpose of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the Government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.



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The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of the Fiscal Quarter and the Fiscal Year to Date Results

Planned expenditures analysis

As reflected in the [Statement of Authorities](#), the department's total authority available for use in the fiscal year as at March 31, 2019 is \$106.09 million, as compared to \$90.91 million as at March 31, 2018. The increase of \$15.18 M is primarily due to:

- a decrease of \$3.29 million related to Budget 2014 Energy East Program funding sunseting;
- a decrease of \$0.70 million related to Budget 2014 Imperial Oil program funding sunseting;
- a decrease of \$4.67 million related to Budget 2016 Interim Strategy on Pipelines Program funding sunseting;
- a decrease of \$1.00 million related to Budget 2015 Energy Transportation Infrastructure;
- a decrease of \$ 0.51 million primarily related to the rate reduction for Employee Benefit Plan;
- a decrease of \$2.22 million related to Operating Budget Carry forward;
- an increase of \$0.56 million related to Budget 2017 Indigenous Advisory and Monitoring Committee;
- an increase of \$8.00 million related to Budget 2018 transition to new impact assessment and regulatory processes;
- an increase of \$4.30 million related to compensation adjustments made to terms and conditions of service or employment of the federal public administration; and
- an increase of \$14.71 million related to a remittance to Northern Gateway Pipelines Limited Partnership, pursuant to subsection 23(2.1) of the *Financial Administration Act*.

Actual expenditures analysis

As reflected in the [Departmental Budgetary Expenditures by Standard Object](#), the department's total authority used in the year to December 31, 2018 are \$78.86 million, as compared to \$60.79 million for the same period last year. The increase of \$18.07 million in budgetary authority used is due to



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- an increase of \$2.23 million in personnel costs mainly due to compensation adjustment as a result of collective agreement renewal;
- an increase of \$0.55 million in transportation and communications mainly due to switching phone service provider, increased relocation and inspection related travel;
- an increase of \$0.65 million mainly in professional services mainly due to information technology application services, services related to Trans Mountain Expansion Project Reconsideration as well as business data related to modernization of the NEB;
- an increase of \$14.71 million related to a remittance to Northern Gateway Pipelines Limited Partnership, pursuant to subsection 23(2.1) of the *Financial Administration Act*.
- an increase of \$0.57 million in transfer payments mainly due to the Manitoba Hydro MB-MN Transmission project; and
- a net decrease of \$0.64 million in acquisition of machinery and equipment mainly due to purchasing a server in 2017-18.

Risks and Uncertainties

Due to the nature of its mandate, the NEB's expenditures are influenced by planned and unplanned events (internal and external) that create uncertainty in expenditure and resource pressures. The NEB's responsibilities are not only shaped by emerging energy trends, but also by the proactive consideration of safety, environmental, societal and economic trends that may influence the NEB's ability to carry out its responsibilities in the Canadian public interest.

Significant Changes in Relation to Operations, Personnel and Programs

The NEB was an early adopter of the Departmental Results Framework under the TB Policy on Results in 2017-18, which changed the way we assess our performance. The NEB has developed more clearly defined programs, activities and initiatives to establish a baseline for performance measurement.

During the first quarter of 2018-19, National Energy Board's Chief Operating Officer (COO) retired from the Public Services effective June 26, 2018 and was not replaced.

A new business unit was established called Data & Information Management in quarter one 2018-19.



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The Senate has just given second reading to Bill C-69, An Act to enact the *Impact Assessment Act* and the *Canadian Energy Regulator Act*, to amend the *Navigation Protection Act* and to make consequential amendments to other Acts.

The Bill proposes repealing the *National Energy Board Act*, resulting in the NEB's dissolution and enacting the *Canadian Energy Regulator Act*. All assets, liabilities and unexpended appropriations of the NEB will be transferred to the Canadian Energy Regulator on the date the *Canadian Energy Regulator Act* comes into force.

Approval by Senior Officials

Approved by,

The original version was signed by

The original version was signed by

C. Peter Watson, P.Eng. FCAE

Mark Power, CPA, CGA, CIA, MBA

Chair and CEO

Chief Financial Officer

(Calgary, Canada)
(February 25 2019)



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STATEMENT OF AUTHORITIES
(unaudited)

(in thousands of dollars)

	Fiscal year 2018-2019			Fiscal year 2017-2018		
	Total available for use for the year ending March 31, 2019*	Used during the quarter ended December 31, 2018	Year to date used at quarter-end	Total available for use for the year ending March 31, 2018*	Used during the quarter ended December 31, 2017	Year to date used at quarter-end
Operating expenditures	82,676	20,158	58,326	82,492	15,732	55,274
Contributions to employee benefit plans	8,700	1,941	5,824	8,420	1,840	5,520
Payment pursuant to section 23(2.1) of Financial Administration Act	14,710	14,710	14,710	-	-	-
Total Budgetary authorities	106,086	36,809	78,860	90,912	17,572	60,794
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More information is available in the attached table.

* Includes only Authorities available for use and granted by Parliament at quarter-end.



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DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

<i>(in thousands of dollars)</i>	Fiscal year 2018-2019			Fiscal year 2017-2018		
	Total available for use for the year ending March 31, 2019*	Used during the quarter ended December 31, 2018	Year to date used at quarter-end	Total available for use for the year ending March 31, 2018*	Used during the quarter ended December 31, 2017	Year to date used at quarter-end
Expenditures:						
Personnel	68,763	17,246	51,067	60,597	12,943	48,833
Transportation and communications	3,197	1,199	2,639	5,071	899	2,087
Information	234	56	194	506	40	121
Professional and special services	12,875	2,168	7,216	16,036	2,319	6,621
Rentals	474	104	339	809	234	339
Repair and maintenance	1,187	73	683	607	108	646
Utilities, materials and supplies	569	59	145	506	91	236
Acquisition of land, buildings and works	-	4	4	-	27	77
Acquisition of machinery and equipment	1,963	34	118	1,416	71	756
Transfer payments	2,114	1,074	1,637	5,364	841	1,068
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	14,710	14,792	14,818	-	(1)	10
Total gross budgetary expenditures	106,086	36,809	78,860	90,912	17,572	60,794
Less						
Total Revenues netted against expenditures	-	-	-	-	-	-
Total net budgetary expenditures	106,086	36,809	78,860	90,912	17,572	60,794