



Quarterly Financial Report
For the quarter ended June 30, 2019

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 2019-20 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, 2020 is \$95.36 million, as compared to \$77.49 million as at March 31, 2019. The increase of \$17.87 million is primarily due to:

- an increase of \$3.67 million related to Budget 2018 Canadian Energy Regulator Transition Costs;
- an increase of \$11.50 million related to Budget 2018 transition to new impact assessment and regulatory processes;
- an increase of \$2.56 million related to compensation adjustments made to terms and conditions of service or employment of the federal public administration; and
- an net increase of \$0.14 million mainly related to Trans Mountain Expansion Project.

Actual expenditures analysis

As reflected in the [*Departmental Budgetary Expenditures by Standard Object*](#), the department's total authority used in the year to June 30, 2019 are \$21.75 million, as compared to \$20.78 million for the same period last year. The increase of \$0.97 million in budgetary authority used is due to

- an increase of \$2.06 million in personnel costs mainly due to funding related to Budget 2018 transition to new impact assessment and regulatory processes as well as to the timing of processing transactions;
- a decrease of \$0.20 million in transportation and communications mainly due to travel costs related to relocation, Trans Mountain Expansion and Manitoba Hydro MB-MN Transmission project,
- a decrease of \$0.53 million mainly in professional services mainly related to developing functional process maps, assets data acquisition project as well as information technology business architect;
- a decrease of \$0.18 million in repair and maintenance mainly related to Microsoft licensing for server; and
- a decrease of \$0.18 million mainly due to transfer payment, acquisition of machinery and equipment, rental.



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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

On June 21, 2019, Bill C-69 received Royal Assent. This is an Act to enact the Impact Assessment Act and the Canadian Energy Regulator Act (CER Act), to amend the Navigation Protection Act and to make consequential amendments to other Acts. The bill includes repealing the National Energy Board Act and replacing it with the new the Canadian Energy Regulator Act (CER Act). The CER Act will bring about a number of changes including a more modern governance structure with a Board of Directors, Commission and CEO.

As a result of this bill, it is expected that all assets, liabilities and unexpended appropriations of the NEB would be transferred to the Canadian Energy Regulator on the date the Canadian Energy Regulator Act comes into force. The going concern basis of accounting has been deemed appropriate for the preparation of the current financial statements as, under the proposed legislation, the NEB's assets and liabilities will be transferred to a related party and will continue to be utilized or settled in the normal course of operations.

Budget 2019 announced funding that related to the costs transit to Canadian Energy Regulator (CER) to support the NEB's transition to its new role as the CER. Expenditures related to the funding are expected to begin in this fall.

Approval by Senior Officials

The original version was approved by,

C. Peter Watson, P.Eng. FCAE

Chair and CEO

*(Calgary, Canada)
(August 12 2019)*

Mark Power, CPA, CGA, CIA, MBA

Chief Financial Officer



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STATEMENT OF AUTHORITIES
(unaudited)

(in thousands of dollars)

	Fiscal year 2019-2020			Fiscal year 2018-2019		
	Total available for use for the year ending March 31, 2020*	Used during the quarter ended June 30, 2019	Year to date used at quarter-end	Total available for use for the year ending March 31, 2019*	Used during the quarter ended June 30, 2018	Year to date used at quarter-end
Vote 1- Net Operating expenditures	82,537	19,461	19,461	69,727	18,838	18,838
Vote 5- Canadian Energy Regulator Transition Costs	3,670	-	-	-	-	-
Statutory Authority	9,148	2,287	2,287	7,766	1,942	1,942
Total Budgetary authorities	95,355	21,748	21,748	77,493	20,780	20,780
Total authorities	95,355	21,748	21,748	77,493	20,780	20,780

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)

	Fiscal year 2019-2020			Fiscal year 2018-2019		
	Total available for use for the year ending March 31, 2020*	Used during the quarter ended June 30, 2019	Year to date used at quarter-end	Total available for use for the year ending March 31, 2019*	Used during the quarter ended June 30, 2018	Year to date used at quarter-end
<i>(in thousands of dollars)</i>						
Expenditures:						
Personnel	68,941	18,867	18,867	58,855	16,812	16,812
Transportation and communications	3,711	536	536	3,073	735	735
Information	420	88	88	196	130	130
Professional and special services	12,538	1,813	1,813	10,609	2,338	2,338
Rentals	594	43	43	474	132	132
Repair and maintenance	1,217	250	250	1,187	427	427
Utilities, materials and supplies	554	44	44	372	48	48
Acquisition of land, buildings and works	143	-	-	-	-	-
Acquisition of machinery and equipment	1,203	4	4	1,363	50	50
Transfer payments	2,364	51	51	1,364	107	107
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	3,670	52	52	-	1	1
Total gross budgetary expenditures	95,355	21,748	21,748	77,493	20,780	20,780
Less						
Total Revenues netted against expenditures	-	-	-	-	-	-
Total net budgetary expenditures	95,355	21,748	21,748	77,493	20,780	20,780