



National Energy Board
Future-Oriented Statement of Operations
For the Year Ending March 31

| | Estimated Results 2013-14 | Planned Results 2014-15 |
|---|--|--|
| | (in thousands of dollars) | |
| Expenses | | |
| Energy Regulation | \$ 56,944 | \$ 56,320 |
| Energy Information | 7,695 | 7,621 |
| Internal services | 22,136 | 23,215 |
| Total expenses | 86,775 | 87,156 |
| Revenues | | |
| Regulatory fees | 78,098 | 78,440 |
| Miscellaneous revenues | 16 | 20 |
| Revenues earned on behalf of government | (78,114) | (78,460) |
| Total revenues | - | - |
| Net cost of operations | \$ 86,775 | \$ 87,156 |

The accompanying notes form an integral part of these financial statements

Notes to the Future-Oriented Statements of Operations

1. Methodology and Significant Assumptions

The future-oriented statement of operations has been prepared on the basis of government priorities and departmental plans as described in the *Report on Plans and Priorities*.

The information in the estimated results for fiscal year 2013–14 is based on actual results as at December 31, 2013 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2014-15 (future year) fiscal year.

The main assumptions underlying the forecasts are as follows:

- The National Energy Board's (NEB or the Board) 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.

These assumptions are adopted as at December 31, 2013

2. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2013–14 and for 2014–15, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this future-oriented statement of operations the NEB 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 statement of operations and the historical statement of operations include:

- implementation of new collective agreements;
- further changes to the operating budget through additional new initiatives or technical adjustments later in the year;
- volume and complexity of regulatory applications and hearings

Once the *Report on Plans and Priorities* is presented, the NEB will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

3. Summary of Significant Accounting Policies

The future-oriented statement of operations has been prepared using Government's accounting policies that came into effect for the 2012–13 fiscal year which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

a) Expenses

- Expenses are recorded on an accrual basis. Expenses for the Department operations are recorded when goods are received or services are rendered.
- Services provided without charge by other government departments for accommodation, the employer's contributions to health and dental insurance plans and legal are recorded as expenses at their estimated cost.
- Vacation pay and compensatory leave as well as severance benefits are accrued and expenses are recorded as the benefits are earned by employees under their respective terms of employment.
- Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program.
- 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.
- Expenses also include amortization of tangible capital assets which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.
- Expenses also include provisions to reflect changes in the value of assets, including provisions for bad debt on accounts receivable.

b) Revenues

- 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 that gave rise to the revenue takes place.
- Revenues that have been invoiced but not yet earned are recorded as deferred revenues.
- Revenues that are non-respendable are not available to discharge the Department's liabilities. While the Deputy Head is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.

4. Parliamentary Authorities

The NEB receives most of its funding through annual 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. Items recognized in the Future-Oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, the NEB has different net cost 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

| | Estimated 2013-14 | Planned 2014-15 |
|---|------------------------------|----------------------------|
| | (in thousands of dollars) | |
| Net cost of operations | \$ 86,775 | \$ 87,156 |
| Adjustment for items affecting net cost of operations but not affecting authorities: | | |
| Amortization of tangible capitals assets | (1,852) | (2,657) |
| Services provided without charge by other government departments | (9,182) | (11,534) |
| Decrease (increase) in vacation pay and compensatory leave | (241) | (316) |
| Decrease (increase) in employee future benefits | (875) | 5,118 |
| Total items affecting net cost of operations but not affecting authorities | (12,150) | (9,389) |
| Adjustment for items not affecting net cost of operations but affecting appropriations: | | |
| Acquisition of tangible assets | 10,000 | 7,071 |
| Increase (decrease) in prepaid expenses | (425) | (175) |
| Total items not affecting net cost of operations but affecting authorities | 9,575 | 6,896 |
| Requested authorities | \$ 84,200 | \$ 84,663 |

b) Authorities requested

| | Estimated 2013-14 | Planned 2014-15 |
|--------------------------------|------------------------------|----------------------------|
| | (in thousands of dollars) | |
| Authorities requested: | | |
| Vote 25 – Program expenditures | \$ 76,967 | \$ 76,695 |
| Statutory amounts | 8,333 | 7,968 |
| <i>Less:</i> | | |
| Lapsed Authorities: Operating | (1,100) | |
| Requested authorities | \$ 84,200 | \$ 84,663 |