



Quarterly Financial Report For the quarter ended 31 December 2013

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 the Main Estimates;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

The Board's top priorities are the continual improvement of safety and environmental outcomes, a robust regulatory framework for the North, and a flexible and efficient organization able to meet new and ongoing priorities.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates*.

The NEB receives most of its funding through annual Parliamentary authorities. The majority of these 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

This quarterly 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 2013-14 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.



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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 Fiscal Quarter and Fiscal Year to Date Results

Actual Expenditures

Year to date personnel spending at the end of the second quarter is \$2.5M greater than the same period in the previous year as a result of additional staffing outlined in Budget 2012. Additional information can be found in the Budget 2012 Implementation section of this document.

Transportation and communication and information spending decreased a total of \$1.0M in 2013-14 from the previous year. Expenditures in these areas were greater in 2012-13 due to activity related to the Northern Gateway hearing. Professional and special services expenditures are \$2.7M greater as compared to the same period in 2012-13. The majority of this increase is related to charges for the NEB office relocation that will take place in fiscal year 2014-15.

Planned Expenditures

Additional funding of \$18.9M was received in Q3 and allocated as follows:

- \$5.6M allocated to personnel expenditures related to eligible payroll reimbursements and funding to cover 2013-14 salary allowances.
- Additional funding of \$12.3M for the NEB office relocation that will take place in fiscal year 2014-15. This funding was allocated to professional and special services (\$0.4M), rentals (\$3.3M), acquisitions of land, buildings and works (\$7.8M) and acquisition of machinery and equipment (\$0.8M).
- The 2012-13 operating budgets carry forward of \$1.0M was also received in Q3 and the majority of this was allocated for IT related projects.

The allocation of this additional funding in Q3 resulted in significant variances in the areas of rentals and acquisition of land, buildings and works related to the office move. The other significant variance in 2013-14 planned spending is the reduction in transfer payments of \$2.2M. The NEB's Participant Funding Program received an additional \$3.0M in special purpose funding in the previous year. Subsequently the projects associated with this one time funding were postponed and the \$3.0 has been reprofiled; \$0.75M was allocated to 2013-14 and \$2.25M has been allocated to 2014-15.



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Risks and Uncertainties

The NEB operates within an evolving economic, environmental and social landscape and 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 expenditures and resource pressures. Parliamentarians and the public continue to show increased interest in the energy industry and concern regarding the safety and environmental impacts of energy pipeline incidents. The NEB has responded to this concern by increasing their work in the area of safety and environment compliance and enforcement. There has also been an increase in public hearings and requests under *the Access to Information Act*. As well, the NEB acquired new responsibilities as a result of changes to the *NEB Act* by the passing of the *Jobs, Growth and Long-term Prosperity Act*.

The skills and experience needed by the NEB to fulfill its mandate are in high demand throughout the oil and gas industry. The NEB has experienced increasing attrition rates and non-productive staffing processes, highlighting the very competitive recruitment environment for skilled staff within the energy sector. To mitigate this risk, the NEB has initiated a strong and strategic focus on recruitment and retention to ensure it has the right people, at the right time, for the right jobs.

Significant Changes in Relation to Operations, Personnel and Programs

The approval of additional personnel to enhance priority processes for the National Energy Board has resulted in an increase to NEB authorities.

Approval has been received to relocate the NEB offices in 2014-15. The cost of this move will result in additional one-time authorities of \$12.3M in 2013-14 (received in Q3 through Supplementary Estimate (B)) and \$8.4M in 2014-15.

Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that will be implemented in order to refocus government and programs; make it easier for Canadians and business to deal with their government; and, modernize and reduce the back office.

The NEB was unaffected by the savings measure announced in Budget 2012. Conversely the department received additional funding to strengthen pipeline safety. Inspections increased from 100 to 150 per year and the number of annual comprehensive audits doubled from 3 to 6.

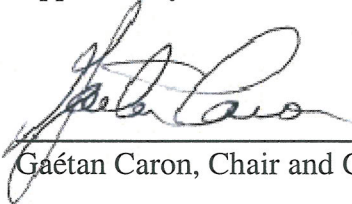


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Approval by Senior Officials

Approved by,



Gaétan Caron, Chair and CEO

*(Calgary, Canada)
(21 February 2014)*



Ed Jansen, Chief Financial Officer



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For the quarter ended *December 31, 2013*

STATEMENT OF AUTHORITIES (unaudited)

	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended December 31, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended December 31, 2012	Year to date used at quarter-end
Operating expenditures	74,026	15,160	46,189	66,459	15,175	42,589
Contributions to employee benefit plans	7,195	1,799	5,396	6,520	1,624	4,871
Total Budgetary authorities	81,221	16,959	51,585	72,979	16,799	47,460
Non-budgetary authorities						
Total authorities	81,221	16,959	51,585	72,979	16,799	47,460

More information is available in the attached table.



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For the quarter ended *December 31, 2013***DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)**

(in thousands of dollars)

	Fiscal year 2013-2014			Fiscal year 2012-2013		
	Planned expenditures for the year ending March 31, 2014	Expended during the quarter ended December 31, 2013	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended December 31, 2012	Year to date used at quarter-end
Expenditures:						
Personnel	53,917	13,727	41,060	53,137	12,989	38,588
Transportation and communications	3,524	851	2,168	3,898	1,233	2,845
Information	574	65	207	700	389	563
Professional and special services	6,575	2,004	6,674	6,897	1,683	3,959
Rentals	3,931	78	412	415	156	380
Repair and maintenance	471	35	533	1,041	37	332
Utilities, materials and supplies	471	86	229	699	161	307
Acquisition of land, buildings and works	7,822	-	-	-	-	-
Acquisition of machinery and equipment	1,750	39	187	1,397	122	248
Transfer payments	2,114	91	102	4,340	-	123
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	72	(17)	13	455	29	115
Total gross budgetary expenditures	81,221	16,959	51,585	72,979	16,799	47,460