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## Quarterly Financial Report

For the quarter ended December 31, 2019

Pursuant to the Royal Assent of Bill C-69 received on June 21st, 2019, and effective August 28th, 2019, National Energy Board became Canada Energy Regulator.

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

#### **Introduction**

This quarterly financial report 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 in accordance with the special purpose financial reporting framework described in the [Directive on Accounting Standards, GC 4400 Departmental Quarterly Financial Reports](#). It should be read in conjunction with the [Main Estimates](#) and [Supplementary Estimates](#). This quarterly report has not been subject to an external audit or review.

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

The Canada Energy Regulator (CER) receives its funding through annual Parliamentary authorities. The majority of expenditures are subsequently recovered from the companies regulated by the CER 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 department's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates (as applicable) 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 department uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental results 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

This section highlights the significant items that contributed to the net increase or decrease in resources available for the year and actual expenditures for the quarter ended December 31, 2019. As the CER Act came into force on Aug 28, 2019, there are no comparative figures given that this is the first quarter of its operations.

#### A. Significant Change to Authorities

On June 21, 2019, Parliament passed Bill C-69, which replaces the National Energy Board (NEB) Act with the Canadian Energy Regulator (CER) Act. On August 28, the CER Act came into force and all revenue, expenses, assets and liabilities of the NEB are transferred to the CER. Any unspent appropriations by the NEB as of August 27, 2019 are deemed to have been appropriated to the CER. As reflected in the Statement of Authorities in the quarter two Quarterly Financial Report, \$37.18 million was used by the NEB, which included \$3.81 million for the employee benefit plans (Statutory authority) and \$33.37 million net operating expenditures (Vote 1) during the period of April 1, 2019 to August 27, 2019, The remaining \$61.33 million of appropriations is deemed to be appropriated for the Canada Energy Regulator.

As reflected in the Statement of Authorities, the CER total authority of \$68.93 million increased by \$7.60 million compared to the authorities deemed (\$61.33 million) to the CER last quarter. This increase comes from Central Votes for Supplementary Estimates (A), 2019-20 as a result of as a result of adjustments made to terms and conditions of service or employment of the federal public administration.

#### B. Significant Changes to Expenditures

As a result of authorities received, the CER has spent a total of \$31.0 million in the budgetary expenditures for the quarter ending December 31, 2019 from August 28, 2019, 45% over four months.

### Risks and Uncertainties

The CER'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 our ability to carry out responsibilities that represent the ever-changing interests and concerns of Canadians. Due to the nature of its mandate, the CER's expenditures are influenced by planned and unplanned events (internal and external) that create uncertainty in expenditure and resource pressures. In addition, the uncertainty of funding levels may lead to insufficient resources to deliver current and future work and have an impact on ensuring the right level of workforce and workforce skills are available to execute our expanded mandate.



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### Significant Changes in Relation to Operations, Personnel and Programs

On August 28, 2019, the Canada Energy Regulator replaced the National Energy Board following coming into force of Bill C-69, 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. Budget 2018 provided \$55.5 million over five years, starting in 2018-19, to support implementation of extensive changes to the organization set out through Bill C-69. In particular, the CER Act includes updates to, and an expansion of the NEB's role, mandate and legislative framework. Changes include restructuring the organization through governance changes, creating more inclusive engagement and adjudication processes, ensuring appropriate time limits for all hearings, strengthening safety and environmental protection, and expanding the mandate of the organization in a number of key areas. This work contributes to the Government of Canada's commitment to review the federal environmental assessment and regulatory system, put in place better rules to protect the environment, and build public trust in how decisions about resource development are made. Additional non-recurring (one year only) funding was provided by Budget 2019 to further support the transition to a new governance model.

During the period, the governance model of the organization underwent a significant transition with the coming-into-force of the *Canadian Energy Regulator Act* (CER Act) on August 28, 2019. The CER Act introduces a modern governance structure with clear separation between key functions. This structure is comprised of:

- An independent Commission, headed by a Lead Commissioner, to adjudicate projects (i.e. hearings)
- A Board of Directors, led by a Chair, to provide strategic oversight
- A Chief Executive Officer, accountable for leading the organization and delivering results

In line with these changes, there were a number of significant personnel changes.

Peter Watson remains in the role of Chief Executive Officer (CEO) of the Canada Energy Regulator (CER) until Summer 2020. He was asked by the Governor-in-Council (GIC) to stay on in an interim capacity through the transition.

GIC appointed six individuals to the new Commission of the CER. They began their roles following with coming-into-force on August 28, 2019.

- Damien Côté, Lead Commissioner
- Kathy Penney, Deputy Lead Commissioner
- Mark Watton, Commissioner
- Stephania Luciuk, Commissioner
- Trena Grimoldby, Commissioner
- Wilma Jacknife, Commissioner



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GIC also appointed five individuals to the new Board of Directors of the CER. They began their roles with coming-into-force on August 28, 2019

- Cassie Doyle, Chairperson
- George Vegh, Vice-Chairperson
- Alain Jolicoeur, Director
- Ellen Barry, Director
- Melanie Debassige, Director

Louise George became Secretary of the Commission on August 26, 2019.

Katherine Murphy, Associate General Counsel, currently serves as a Chief of Staff to support the new Board of Directors and CEO.

This is a new governance structure that is one of several key changes associated with the new CER, a change that is designed to improve our effectiveness and ensure a clear separation between our organization's adjudicative and management functions. With this new structure the Commission members will adjudicate projects and the Board of Directors, led by Chairperson Catherine J. Doyle, will provide strategic oversight.

### Approval by Senior Officials

The original version was signed by,

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C. Peter Watson, P.Eng. FCAE  
Chief Executive Officer

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Mark Power, CPA, CGA, CIA, MBA  
Chief Financial Officer

*Calgary, Canada  
14 February 2020*



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### STATEMENT OF AUTHORITIES (unaudited)

(in thousands of dollars)

	Fiscal year 2019-20		
	Planned expenditures for the period Aug 28, 2019 to March 31, 2020*	Expended during the quarter ended December 31, 2019	Year to date (Aug 28, 2019 to Dec 31, 2019) used at quarter-end
Vote 1 - Net Operating Expenditures	63,593	18,980	27,950
Statutory Authority	5,337	2,287	3,049
<b>Total Budgetary authorities</b>	<b>68,930</b>	<b>21,267</b>	<b>30,999</b>
<b>Non-budgetary authorities</b>			
<b>Total authorities</b>	<b>68,930</b>	<b>21,267</b>	<b>30,999</b>

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)**

	<b>Fiscal year 2019-20</b>		
	Planned expenditures for the period Aug 28, 2019 to March 31, 2020*	Expended during the quarter ended December 31, 2019	Year to date (Aug 28, 2019 to Dec 31, 2019) used at quarter-end
<i>(in thousands of dollars)</i>			
<b>Expenditures:</b>			
Personnel	49,607	16,503	26,127
Transportation and communications	3,661	983	996
Information	184	48	48
Professional and special services	10,609	2,478	2,478
Rentals	470	200	200
Repair and maintenance	671	19	114
Utilities, materials and supplies	449	89	89
Acquisition of land, buildings and works	144	-	-
Acquisition of machinery and equipment	1,153	455	455
Transfer payments	2,072	437	437
Public debt charges	-	-	-
Other subsidies and payments	(90)	55	55
<b>Total gross budgetary expenditures</b>	<b>68,930</b>	<b>21,267</b>	<b>30,999</b>
<b>Less</b>			
<b>Total Revenues netted against expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net budgetary expenditures</b>	<b>68,930</b>	<b>21,267</b>	<b>30,999</b>

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