



Quarterly Financial Report For the quarter ended September 30, 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](#). This quarterly report 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 National Energy Board (NEB)/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 NEB/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 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

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 \$98.51 million, as compared to \$79.07 million as at March 31, 2019. The increase of \$19.44 million is primarily due to:

- an increase of \$3.67 million related to Budget 2019 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 \$2.78 million related to compensation adjustments made to terms and conditions of service or employment of the federal public administration;
- an increase of \$1.57 million related to operational budget carryforward;
- an increase of \$0.22 million related to trans mountain expansion project reconsiderations; and
- a decrease of \$0.30 million mainly related to employee benefit plan.

Actual expenditures analysis

As reflected in the [Departmental Budgetary Expenditures by Standard Object](#), the department's total authority used in the year to September 30, 2019 are \$46.92 million, as compared to \$42.05 million for the same period last year. The increase of \$4.87 million in budgetary authority used is due to

- an increase of \$5.76 million in personnel costs mainly due to the timing of processing transactions, increased employee benefit plan as well as retroactive accrual as a result of the collective agreement renewal;
- an increase of 0.10 million in information mainly related to Budget 2018 transition to new impact assessment and regulatory processes;
- a decrease of \$0.27 million in transportation and communications mainly due to travel costs related to relocation, Trans Mountain Expansion and Manitoba Hydro MB-MN Transmission project;



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- a decrease of \$0.42 million in professional and special services mainly related to increased spending for Budget 2018 transition to new impact assessment and regulatory processes and offset by decreased spending for developing functional process maps, data vitalization, assets data acquisition project as well as information technology business architect; and
- a net decrease of \$0.30 million in transfer payment for payments decreased related to Manitoba Hydro MB-MN Transmission project and payments increased related to 2021 Nova Gas Transmission Limited (NGTL) 2021 NGTL System Expansion Project.

Risks and Uncertainties

The NEB/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 NEB/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.

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



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- 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

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 Acting 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.

As a result of this transition, all assets, liabilities and unexpended appropriations of the NEB are transferred to the CER. Revenues and expenses attributed to the Department of National Energy Board from the effective date have been included in the current's figures on this Quarterly Financial Report. 2018-19 comparative figures remain the same and have not been restated. Under the legislation, the NEB's assets and liabilities are transferred to the CER and will continue to be utilized or settled in the normal course of operations.



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Pursuant to Bill C-69 effective August 28, 2019, \$3.81 million for employee benefit plans is deemed to have been appropriated to the Department of National Energy Board (Statuary authority), which results in an addition in the Canada Energy Regulator respectively. To date \$33.37 million expenditures have been incurred on behalf of the Department of National Energy Board (Vote 1).

Approval by Senior Officials

The original version was signed by,

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

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

Calgary, Canada
25 November 2019



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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 September 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 September 30, 2018	Year to date used at quarter-end
Vote 1- Net Operating expenditures	85,688	22,880	42,341	71,308	19,330	38,168
Vote 5- Canadian Energy Regulator Transition Costs	3,670	-	-	-	-	-
Statutory Authority	9,148	2,287	4,574	7,766	1,941	3,883
Total Budgetary authorities	98,506	25,167	46,915	79,074	21,271	42,051
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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 2019-2020			Fiscal year 2018-2019		
	Total available for use for the year ending March 31, 2020*	Used during the quarter ended September 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 September 30, 2018	Year to date used at quarter-end
Expenditures:						
Personnel	71,954	20,710	39,577	58,855	17,008	33,820
Transportation and communications	3,711	633	1,169	3,073	705	1,440
Information	420	154	242	196	8	138
Professional and special services	16,346	2,812	4,625	12,190	2,710	5,048
Rentals	594	80	123	474	103	235
Repair and maintenance	1,217	392	642	1,187	183	610
Utilities, materials and supplies	554	62	106	372	39	87
Acquisition of land, buildings and works	143	-	-	-	-	-
Acquisition of machinery and equipment	1,203	47	51	1,363	34	84
Transfer payments	2,364	242	293	1,364	456	563
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	-	35	87	-	25	26
Total gross budgetary expenditures	98,506	25,167	46,915	79,074	21,271	42,051
Less						
Total Revenues netted against expenditures	-	-	-	-	-	-
Total net budgetary expenditures	98,506	25,167	46,915	79,074	21,271	42,051

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