



17 March 2000

### Management's Responsibility for Financial Reporting

Management of the Board is responsible for the preparation, integrity and objectivity of the statement of expenditures and receipts and related information presented in the notes. The statement has been prepared on a modified cash basis and reflects cash spent and received during the year while certain expenditures supplied by government central agencies have been based on estimates. Management has determined such amounts on a reasonable basis in order to ensure that the financial information is presented fairly in all material respects. The Board maintains a weekly time reporting system that records the efforts of all staff among the three regulated commodities. In accordance with the *National Energy Board Cost Recovery Regulations*, the Board's costs are allocated to the commodities on the basis of the preceding fiscal year's accumulated time.

The Board maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial management information is available on a timely basis, and that assets are acquired economically, used to further the Board's aims, and protected from loss or unauthorized use. The Board's management recognizes its responsibility for conducting the Board's affairs in accordance with the requirements of applicable laws of Canada using sound business principles, and for maintaining standards of conduct that are appropriate to the public interest.

Management of the Board believes that the system of internal controls and approved policies, practices and procedures are designed to provide reasonable assurance that the operations are in compliance with applicable laws and conform to a high standard of business conduct.

The Auditor General of Canada annually provides an independent objective audit for the purpose of expressing his opinion on the statement of expenditures and receipts in accordance with the significant provisions of the *National Energy Board Cost Recovery Regulations* related to allocations between commodities. The Board is responsible for the accuracy of billings to companies within the commodities.

A handwritten signature in black ink, appearing to read 'Gaëtan Caron', written over a horizontal line.

Gaëtan Caron  
Chief Operating Officer

A handwritten signature in black ink, appearing to read 'Valerie Katarey', written over a horizontal line.

Valerie Katarey  
Business Leader, Corporate Services and  
Senior Financial Officer



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

## AUDITOR'S REPORT

To the Chairman of the  
National Energy Board

I have audited the statement of expenditures and receipts of the National Energy Board for the year ended December 31, 1999. The expenditures and receipts are calculated as described in Note 2 to the statement. This financial information is the responsibility of the Board's management. My responsibility is to express an opinion on this financial information based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial information presentation.

In my opinion, this financial information presents fairly, in all material respects, the expenditures and receipts of the Board for the year ended December 31, 1999 in accordance with the significant provisions of the Regulations and accounting policies set out in Note 2 to the statement.

*Sheila Fraser*

Sheila Fraser, FCA  
Deputy Auditor General  
for the Auditor General for Canada

Ottawa, Canada  
March 17, 2000

NATIONAL ENERGY BOARD  
**Statement of Expenditures and Receipts**  
**for the year ended 31 December 1999**  
(thousands of dollars)

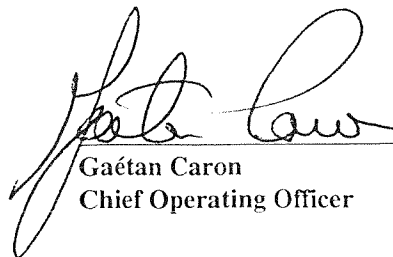
	<u>1999</u>	<u>1998</u>
<b>Expenditures</b>		
Salaries and wages	\$ 17,900	\$ 16,672
Employee benefit plans	4,182	3,825
Cost of other government services		
Office rental	3,612	2,577
Employee insurance premiums and other costs	1,033	1,055
Professional service	45	63
Data processing service	16	30
Professional and special services	3,577	3,129
Transportation and communication	2,050	1,792
Machinery and equipment	2,014	2,114
Materials and supplies	809	800
Repairs and upkeep	532	321
Equipment rentals	492	333
Information	290	98
Other costs	49	8
Cost-shared arrangements refund	(18)	(189)
Refund of relocation costs (Note 3)		
Refunds disbursed	-	22,331
Government of Canada Funding	-	<u>(22,199)</u>
<b>Program costs</b>	<b><u>36,583</u></b>	<b><u>32,760</u></b>
Non-recoverable costs		
Frontier Lands expenditures	( 3,057)	( 2,561)
Interest on relocation cost refunds (Note 3)	-	(132)
Other Receipts	<u>(47)</u>	<u>( 33)</u>
<b>Net recoverable expenditures</b>	<b><u>\$ 33,479</u></b>	<b><u>\$ 30,034</u></b>
 <b>Allocation of net recoverable expenditures</b>		
Gas	\$21,574	\$19,492
Oil	10,459	9,431
Electricity	<u>1,446</u>	<u>1,111</u>
	<b><u>\$ 33,479</u></b>	<b><u>\$ 30,034</u></b>
 <b>Receipts</b>		
Provisional billing	\$ 29,678	\$ 28,670
Less: Adjustment from two years prior	<u>( 2,070)</u>	<u>( 3,142)</u>
Billing for current year	27,608	25,528
Receipts of prior year receivables	6,358	6,108
Less: outstanding receivables	<u>( 6,915)</u>	<u>( 6,380)</u>
<b>Total receipts</b>	<b><u>\$ 27,051</u></b>	<b><u>\$ 25,256</u></b>

The accompanying notes form an integral part of this statement.

Approved by:



**Kenneth W. Vollman**  
Chairman & Chief Executive Officer



**Gaétan Caron**  
Chief Operating Officer

NATIONAL ENERGY BOARD  
Statement of Expenditures and Receipts  
for the year ended 31 December 1999  
(thousands of dollars)

1. Authority, objectives and operations

The Board was established in 1959 by the *National Energy Board Act*. The objectives of the Board are to regulate in the public interest, those areas of the oil, gas and electricity industries relating to the construction and operation of pipelines and international power lines, traffic, tolls and tariffs of pipelines, and exports of gas, oil and electricity and imports of gas and oil. The Board, also, has responsibilities in the regulation of exploration for and development of oil and gas in the Frontier Lands. In addition, the Board advises the government on the development and use of energy resources.

The Board operates in a manner similar to a civil court. For major applications and inquiries, the Board holds public hearings at which applicants and interested parties have full rights of participation.

The Board has authority to charge those companies it regulates in accordance with sub-section 24.1(1) of the *National Energy Board Act* the total costs attributable to the Board's operations in carrying out its related responsibilities.

Under the *National Energy Board Cost Recovery Regulations*, which were approved by the Treasury Board, the National Energy Board can recover from the companies it regulates the cost of its operations effective 1 January 1991. The National Energy Board has the delegated authority to determine what costs will be excluded from program expenditures for cost recovery purposes.

2. Significant provisions of the Regulations and accounting policies

The significant provisions of the Regulations and accounting policies are as follows:

(a) Recoverable and non-recoverable costs

The Board approved the exclusion of costs related to the regulation of exploration for and development of oil and gas in the Frontier Lands, and therefore, these costs are non-recoverable.

(b) Cost allocation

In accordance with Sections 12 and 13 of the Regulations, the recoverable costs for a given calendar year are allocated to the gas, oil and electricity commodities on the basis of the actual time spent by Board members and employees during the preceding fiscal year (April 1 to March 31) on each specific commodity.

(c) Basis of accounting

Expenditures and receipts are recorded on a cash basis except for goods and services provided by other government departments and agencies, which are estimates of expenditures paid by other government organizations and are included on the Statement of Expenditures and Receipts for cost recovery purposes.

(d) Capital assets

Acquisitions of capital assets are charged to expenditures in the year of purchase.

(e) Cost-shared arrangements

Amounts received as reimbursement pursuant to any cost-sharing arrangement are recognized as credits to expenditures in the year of receipt.

NATIONAL ENERGY BOARD  
**Statement of Expenditures and Receipts**  
**for the year ended 31 December 1999**  
**(thousands of dollars)**

3. Refund of relocation costs

The Board collected from regulated companies a total of \$15.5 million between 1991 and 1997 for the cost of relocating from Ottawa to Calgary. Following a 1997 Federal Court of Appeal decision requiring the Board to refund relocation costs plus interest to one regulated company, the Government of Canada approved the Board's submission, which requested that all relocation costs, plus interest, be refunded to those regulated companies from which relocation costs were recovered.

The principal relocation costs of \$15.5 million, plus \$6.8 million in interest (total of \$22.3 million) was repaid in 1998. Each company was required to sign an agreement releasing the Board of any further liability with regard to relocation costs, and to discharge any actions against the Board related to relocation costs, if any.

The Government of Canada provided the Board \$22.2 million in funding to cover all principal, plus interest charges up to 31 August 1998. Interest charges from 1 September to 8 October 1998, the settlement date, were funded by the Board and excluded from the recoverable costs.

4. Effective 23 April 1998 the *National Energy Board Cost Recovery Regulations* were significantly amended. The major changes included:

- (a) repeal of schedules I, II, III, and the creation of generic definitions for regulated companies categorized as large, intermediate and small;
- (b) smaller pipeline companies are required to file with the Board information showing their cost of service;
- (c) new "small electricity exporters" and "border accommodation exporters" categories were created and subjected to a \$500 annual fee and a one time fee of \$500 respectively; while large electricity exporters now pay a minimum charge of \$500 per annum; and
- (d) the aggregate estimated costs of the Board billed to companies are lowered from 100% to 95% to reflect that certain activities of the Board are not subject to cost recovery.

The change in (d) above is to bill estimated program costs. The actual costs are recovered 100%. These changes were implemented on 1 January 1999.

5. The Board has a ten year occupancy lease with Public Works and Government Services Canada for office building space in Calgary, Alberta. The lease agreement provides an annual rent of \$3.6 million effective 1 September 1998. The actual rent for 1999 is \$3,612,114.

Future commitments including leases are as follows:

2000	4.6 million
2001	3.6 million
2002	3.6 million
2003	3.7 million
2004 and thereafter	16.9 million

6. Billing Adjustment	<u>1999</u>	<u>1998</u>
Net recoverable expenditures	\$ 33,479	\$ 30,034
Less: Provisional billing	<u>(29,678)</u>	<u>(28,670)</u>
Billing adjustment	<u>\$ 3,801</u>	<u>\$ 1,364</u>

The billing adjustment represents the difference between the forecasted provisional billing and the actual net recoverable expenditures. In accordance with Section 19 of the *National Energy Board Cost Recovery Regulations*, the billing adjustment for the current year will be applied to the provisional billing in two years.