



23 February 2001

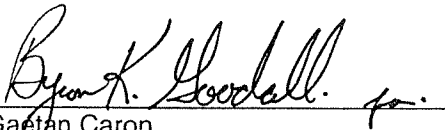
### Management's Responsibility for Financial Reporting

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.

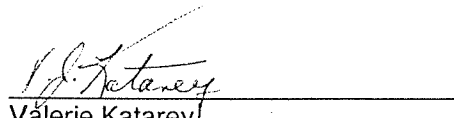
The Board maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial management information is available on a timely basis, and that assets are acquired economically, used to further the Board's aims, 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.



Acting  
Gaetan Caron  
Chief Operating Officer

  
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, 2000. 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 Canadian 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 presentation of the financial information.

In my opinion, this statement presents fairly, in all material respects, the expenditures and receipts of the Board for the year ended December 31, 2000 in accordance with the significant provisions of the *National Energy Board Cost Recovery Regulations* and accounting policies set out in Note 2 to the statement.

A handwritten signature in cursive script, appearing to read "Ron Thompson".

Ronald C. Thompson, CA  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
February 23, 2001

**NATIONAL ENERGY BOARD**  
**Statement of Expenditures and Receipts**  
**for the year ended 31 December 2000**  
**(thousands of dollars)**

	<u>2000</u>	<u>1999</u>
<b>Expenditures</b>		
Salaries and wages	\$19,713	\$17,900
Employee benefit plans	4,502	4,182
Cost of other government services		
Office rental (Note 4)	3,665	3,612
Employee insurance premiums and other costs	1,111	1,033
Professional service	45	45
Data processing service	16	16
Professional and special services	2,313	3,577
Transportation and communication	1,885	2,050
Machinery and equipment	851	2,014
Repairs and upkeep	451	532
Equipment rentals	396	492
Materials and supplies	374	809
Information	144	290
Other costs	82	49
Cost-shared arrangements refund	<u>(16)</u>	<u>(18)</u>
<b>Program costs</b>	<b>35,532</b>	<b>36,583</b>
Non-recoverable costs		
Frontier Lands expenditures	(3,208)	(3,057)
Other Receipts	<u>(45)</u>	<u>(47)</u>
<b>Net recoverable expenditures</b>	<b><u>\$32,279</u></b>	<b><u>\$33,479</u></b>
<b>Allocation of net recoverable expenditures (Note 3)</b>		
Gas	\$19,829	\$21,574
Oil	10,507	10,459
Electricity	<u>1,943</u>	<u>1,446</u>
	<b><u>\$32,279</u></b>	<b><u>\$33,479</u></b>
<b>Receipts</b>		
Estimated expenditures	\$29,212	\$29,678
Billing adjustments (Note 5)	<u>1,364</u>	<u>(2,070)</u>
Billing for current year	30,576	27,608
Add: Receivables from prior years	6,915	6,358
Less: Outstanding receivables	<u>(7,633)</u>	<u>(6,915)</u>
<b>Total receipts</b>	<b><u>\$29,858</u></b>	<b><u>\$27,051</u></b>

The accompanying notes form an integral part of this statement.

Approved by:



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



**Gaetan Caron**  
**Chief Operating Officer**

**NATIONAL ENERGY BOARD**  
**Statement of Expenditures and Receipts**  
**for the year ended 31 December 2000**  
**(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:

*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.

*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.

*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.

*Capital assets*

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

*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 2000**  
**(thousands of dollars)**

**3. Subsequent event**

The National Energy Board has proposed changes to the Cost Recovery Regulations (CRR) to address fairness in allocating recoverable operating costs of the Board between pipelines which carry oil and gas, and those which carry another commodity. The amendments entail:

- a) the integration of commodity pipelines into the NEB cost recovery methodology;
- b) the establishment of a levy equal to two tenths of one percent of the estimated cost of the approved facilities, as determined by the Board;
- c) the establishment of a cap on the liability of pipeline companies to pay cost recovery charges not to exceed two percent of the cost of service of any pipeline company.

Amendments pertinent to Items (a) and (b) may come into force on January 1, 2002. Those provisions relating to Item (c) may be in effect for the 2001 billing.

**4. Commitments**

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 2000 is \$3,665.

Future commitments including leases are as follows:

	<i>(millions of dollars)</i>
2001	\$4.6
2002	3.7
2003	3.7
2004	3.7
2005 and thereafter	13.4

**5. Billing Adjustment**

	<b>2000</b>	<b>1999</b>
Net recoverable expenditures	\$ 32,279	\$ 33,479
Less: Provisional billing	(29,212)	(29,678)
Billing adjustment	\$ 3,067	\$ 3,801

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 adjustments of \$3,067 for the current year and \$3,801 for the prior year will be applied to the provisional billings of 2002 and 2001 respectively.