

National Energy  
Board



Office national  
de l'énergie

Office of the Chair and CEO

Bureau du président et premier dirigeant

**APR 13 2017**

Hélène Lauzon and Gary Merasty  
Co-Chairs, Expert Panel  
NEB Modernization Review  
[christopher.piercey@canada.ca](mailto:christopher.piercey@canada.ca)

Dear Ms. Lauzon and Mr. Merasty:

Thank you for your letter of 6 April, 2017 on behalf of the Expert Panel conducting the review of the role, structure and mandate of the National Energy Board (NEB) under the *National Energy Board Act* (NEB Act). We are pleased to provide you with a response to the two questions posed, in the attached Annex 1.

I wish you well in this next stage in the Expert Panel process and look forward to reading the results of your work in your recommendation report.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "C. Peter Watson".

C. Peter Watson, P. Eng., FCAE  
Chair and CEO

Enclosure

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***Annex 1 – Responses to Modernization Expert Panel Questions Received 6 April 2017***

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***Question 1: Could you please provide an overview of the NEB's funding model? In particular, a) What are the sources of NEB funding? b) What percentage of the NEB's budget is derived from industry? How is this funding used?***

The NEB is funded through appropriations from Parliament. The NEB provides Parliament with detailed appropriations information through the supply and estimates process. The NEB's 2017-2018 Departmental Plan provides a detailed breakdown of how the NEB's total budget is allocated along core responsibility areas.<sup>1</sup>

The NEB's core responsibilities, together with prescribed outcomes and performance measurements are also more clearly described in the NEB's Departmental Results Framework (DRF).<sup>2</sup> Funds are allocated against these core responsibilities. Through the DRF, the NEB can transparently measure and report on its performance within these core responsibilities, throughout the full lifecycle of the energy infrastructure it regulates. This commits the organization to delivering meaningful and measurable results for Canadians in these core areas.

Approximately 97 per cent of the NEB's Parliamentary appropriations are subsequently cost recovered from the regulated industry. Cost recovered funds are deposited directly into the Consolidated Revenue Fund.

Under the NEB Act the Board can recover costs attributable to its responsibilities under the NEB Act or any other Act of Parliament from the companies it regulates, through regulations enacted for that purpose. Specifics on how cost recovery is undertaken, including the manner in which charges are calculated, are set out in the *National Energy Board Cost Recovery Regulations*.

Generally, cost recovery is carried out on a calendar year cycle and is based on commodity charging. Specifically, costs are allocated to the principle commodities regulated by the NEB before being allocated to specific companies within those commodity groups. The main commodity groupings are:

- Oil (oil pipelines);
- Gas (gas pipelines);
- IPL (international & designated interprovincial powerlines); and
- Commodity (pipelines used for commodities other than oil or gas).

NEB regulated companies are further classified into three main categories:

- Large Companies – Pipeline companies with annual cost of service of \$10M or more or an IPL which annually transmits 50,000 megawatt hours or more of electricity.
- Intermediate Companies – Pipeline companies with annual cost of service of \$1M or more but less than \$10M.

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<sup>1</sup> The Departmental Plan is accessible online at: <https://www.neb.one.gc.ca/bts/pblctn/plnprtr/2017-2018/dprtmntlpln-eng.pdf>

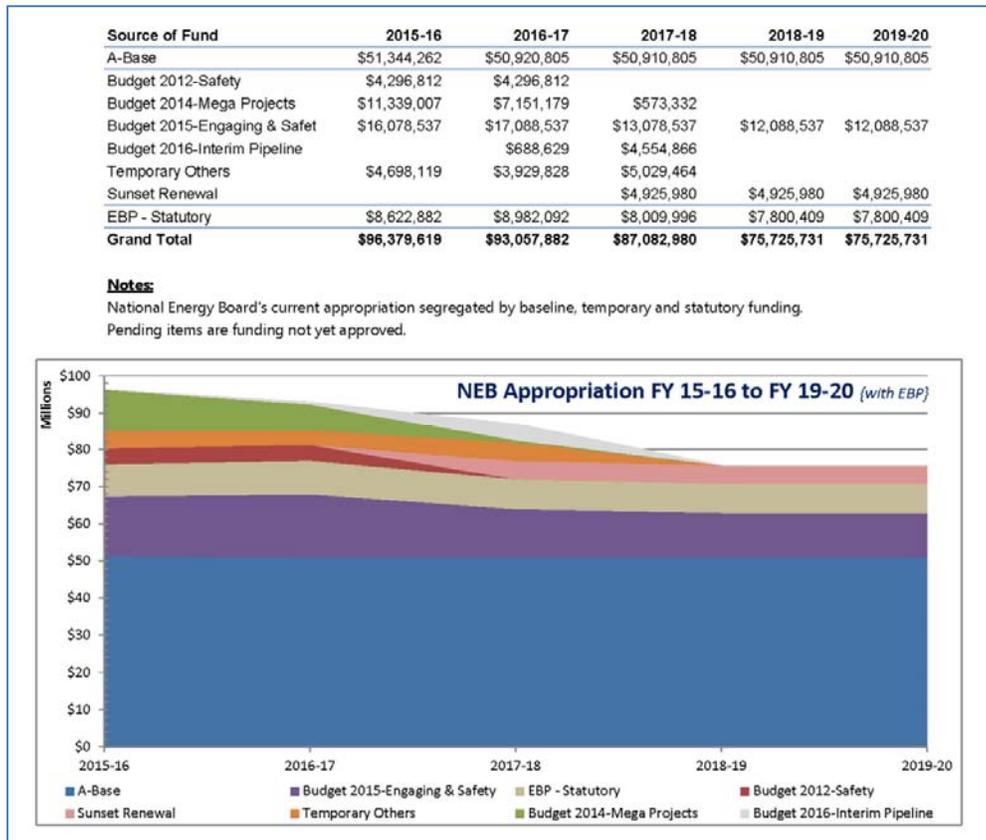
<sup>2</sup> See the NEB Departmental Results Framework homepage at: <https://www.neb-one.gc.ca/bts/whwr/gvrnnc/dprtmntlrsltfmwrk/index-eng.html>

- Small Companies – Pipeline companies with annual cost of service of less than \$1M or an IPL which annually transmits less than 50,000 megawatt hours of electricity.

All companies pay their share of the recoverable costs as follows:

- Large Companies – Proportional amount of the cost recovery charge, according to annual throughput per commodity group (for pipelines) or electricity transmissions (for IPLs).
- Small, Intermediate & Commodity Companies – Fixed annual levies (\$500, \$10,000, \$50,000 etc.).
- New Companies – Section 5.2 & 5.3 levies.<sup>3</sup>

The NEB’s Parliamentary appropriations are provided through a mixture of ongoing “A-Base” funding and special sunseting funding programs approved by Parliament to deliver specific results. This requires active and prudent financial management by the NEB, in particular around staffing. A helpful graphic depicting this information was included in the 29 November, 2017 NEB technical briefing to the Modernization Panel, part of which is included below.



<sup>3</sup> Under section 5.2 and 5.3, a company that obtains a permit or certificate from the NEB to construct a new pipeline or IPL pays to the NEB a one-time levy equal to 0.2 per cent of the estimated cost of construction of the line. Any company who pays a section 5.2 or 5.3 levy for the first year is not required to pay the regular cost recovery charge for that year.

**Question 2: Could you please provide an overview of the number of NEB staff working on each of the Board's core functions, such as environmental assessment, market monitoring, etc.?**

Details on the NEB's current Parliamentary appropriations, including the number of NEB staff working on each of the areas within the Board's core responsibilities (Energy Adjudication, Safety and Environmental Oversight, Energy Information and Engagement) are accessible, as mentioned above, in the 2017-2018 Departmental Plan and the DRF.

In terms of the NEB's specific staff complement, it is difficult to accurately divide the organization into discreet function areas as many of the work functions are interrelated. Through the NEB's integrated and adaptive approach to environmental assessment and project review, staff may work on assignments from the project assessment phase through to the NEB's lifecycle facilities oversight, abandonment and in sustained engagement. For example, an Environment Specialist based in the Energy Adjudication Business Unit may work primarily on environmental assessments, but also within Safety and Environmental Oversight as well as Engagement activities. This continuity provides for a more adaptive system, stronger relationships with stakeholders, and a broader-based skill set for staff. For each specific project, the NEB uses a matrix structure to pull together expertise from across the organization to form multi-disciplinary project teams, using the appropriate expertise as required.

The 2017-2018 Departmental Plan identifies planned full-time equivalents (FTEs) for the 2017-2018 Fiscal Year as follows:<sup>4</sup>

<b>Core Responsibilities and Internal Services</b>	<b>2017-2018 Planned FTE</b>
Energy Adjudication	121.2
Safety and Environmental Oversight	141.2
Energy Information	41.42
Engagement	15.45
<b>Subtotal</b>	<b>319.27</b>
Internal Services	133.58
<b>Total</b>	<b>452.85</b>

Our biggest job families at the NEB include our Environment, Socio-Economic, Lands, & Engagement Specialists (85 FTEs), Engineering and Safety (69 FTEs), Market Analysts (23 FTEs), and Legal Counsel (23 FTEs). Our staff are leaders in their respective fields and many of them have advanced degrees including fourteen with a PhD.

<sup>4</sup> See page 39 of the Departmental Plan at: <https://www.neb-one.gc.ca/bts/pblctn/plnprrt/2017-2018/dprtmntlpln-eng.pdf>