



Northern Pipeline
Agency

Administration du pipe-line
du Nord

Northern Pipeline Agency

Financial Statements (unaudited) for the
Period Ending March 31, 2024

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2026

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Northern Pipeline Agency

Unaudited Financial Statements for the Period Ending March 31, 2024

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2024, and all information contained in these statements rests with the management of the Northern Pipeline Agency (Agency). These financial statements have been prepared by management using the Government’s accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management’s best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Agency’s financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the Agency’s Departmental Results Report, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded, and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities, and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Agency; and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments. A risk-based assessment of the system of ICFR for the year ended March 31, 2024 was completed in accordance with the Treasury Board Policy on Financial Management and the results and action plans are summarized in the annex.

The financial statements of the Agency have not been audited.

Michael Vandergrift
Commissioner

September 10, 2024
Date signed
Ottawa, Canada

Wayne Marshall
Director of Operations

September 4, 2024
Date signed
Calgary, Canada

Northern Pipeline Agency
Statement of Financial Position (unaudited)
As at March 31
(in dollars)

| | 2024 | 2023 |
|--|------------------|------------------|
| Liabilities | | |
| Accounts payable and accrued liabilities (note 4) | 241,556 | 4,154 |
| Total liabilities | 241,556 | 4,154 |
| Financial assets | | |
| Due from (to) Consolidated Revenue Fund | 214,182 | (21,786) |
| Accounts receivable (note 6) | 363,367 | 325,038 |
| Total gross financial assets | 577,549 | 303,252 |
| Financial assets held on behalf of Government | | |
| Accounts receivable (note 6) | (335,993) | (299,098) |
| Total financial assets held on behalf of Government | (335,993) | (299,098) |
| Total net financial assets | 241,556 | 4,154 |
| Departmental net debt | - | - |
| Non-financial assets | | |
| Tangible capital assets (note 7) | - | - |
| Total non-financial assets | - | - |
| Departmental net financial position | - | - |

Contractual obligations (note 9)

The accompanying notes form an integral part of these financial statements.

Michael Vandergrift
Commissioner

September 10, 2024

Date signed
Ottawa, Canada

Wayne Marshall
Director of Operations

September 4, 2024

Date signed
Calgary, Canada

Northern Pipeline Agency
Statement of Operations and Departmental Net Financial Position (unaudited)
For the year ended March 31
(in dollars)

| | <u>2024</u> | <u>2024</u> | <u>2023</u> |
|---|----------------------------|------------------------|------------------------|
| | Planned Results | | |
| Expenses | | | |
| Professional and special services | 279,949 | 290,140 | 235,716 |
| Salaries and employee benefits | 247,680 | 40,234 | 52,584 |
| Rentals | 12,000 | 5,325 | 10,382 |
| Transportation and communications | 25,000 | 294 | 202 |
| Utilities, materials, and supplies | 1,000 | - | - |
| Acquisition of non-capital assets | 5,000 | - | - |
| Information | 1,000 | - | - |
| Repair and maintenance | 1,000 | - | 214 |
| Total recoverable expenses | <u>572,629</u> | <u>335,993</u> | <u>299,098</u> |
| Services provided without charge by other government departments (note 8) | 2,095 | 2,514 | 2,803 |
| Total expenses | 574,724 | 338,507 | 301,901 |
| Revenues (note 5) | | | |
| Regulatory revenue | 572,629 | 335,993 | 299,098 |
| Revenue earned on behalf of Government | <u>(572,629)</u> | <u>(335,993)</u> | <u>(299,098)</u> |
| Total net revenues | - | - | - |
| Net cost of operations before government funding and transfers | <u>574,724</u> | <u>338,507</u> | <u>301,901</u> |
| Government funding and transfers | | | |
| Net cash provided by Government of Canada | | 100,025 | 296,672 |
| Change in due from Consolidated Revenue Fund | | 235,968 | 2,426 |
| Services provided without charge by other government departments (note 8) | | <u>2,514</u> | <u>2,803</u> |
| Net cost of operations after government funding and transfers | | - | - |
| Departmental net financial position - Beginning of year | | - | - |
| Departmental net financial position – End of year | | <u><u>-</u></u> | <u><u>-</u></u> |

The accompanying notes form an integral part of these financial statements.

Northern Pipeline Agency
Statement of Change in Departmental Net Debt (*unaudited*)
For the year ended March 31
(in dollars)

| | <u>2024</u> | <u>2023</u> |
|--|-----------------|-----------------|
| Net cost of operations after government funding and transfers | - | - |
| Change due to tangible capital assets | | |
| Net decrease in departmental net debt | <u>-</u> | <u>-</u> |
| Departmental net debt - Beginning of year | - | - |
| Departmental net debt - End of year | <u><u>-</u></u> | <u><u>-</u></u> |
| - | | |

The accompanying notes form an integral part of these financial statements.

Northern Pipeline Agency
Statement of Cash Flows (unaudited)
For the year ended March 31
(in dollars)

| | <u>2024</u> | <u>2023</u> |
|---|----------------|----------------|
| Operating activities | | |
| Net cost of operations before government funding and transfers | 338,507 | 301,901 |
| Non-cash items: | | |
| Services provided without charge by other government departments (note 8) | (2,514) | (2,803) |
| Variations in Statement of Financial Position: | | |
| Increase in net accounts receivable | 1,434 | 1,728 |
| Decrease in accounts payable and accrued liabilities | (237,402) | (4,154) |
| Cash used in operating activities | 100,025 | 296,672 |
| Net cash provided by Government of Canada | 100,025 | 296,672 |

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements (unaudited) For the Year Ended March 31

1. Authority and objectives

In 1978, Parliament enacted the *Northern Pipeline Act* to:

- give effect to an *Agreement on Principles applicable to a Northern Natural Gas Pipeline* (the Agreement) between the Governments of Canada and the United States of America; and
- establish the Northern Pipeline Agency (the Agency) to oversee the planning and construction of the Canadian portion of the project.

The Agency is designated as a department and named under Schedule I.1 of the *Financial Administration Act*, reporting to Parliament through the Minister of Energy and Natural Resources.

The Agency has a single core responsibility. The object of the core responsibility is to oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

In accordance with Section 29 of the *Northern Pipeline Act* (the Act), the Agency is required to recover all of its annual operating costs from the companies holding certificates of public convenience and necessity. Currently, Foothills Pipe Lines Ltd. (Foothills), a wholly owned subsidiary of TC Energy (formerly TransCanada PipeLines Limited), is the sole holder of such certificates.

The Agency is reimbursed all recoverable expenses by Foothills and the funds are deposited in the Consolidated Revenue Fund (CRF) of the Government of Canada. The Government of Canada, in turn, provides funds for working capital through an annual Parliamentary appropriation, which is paid from the CRF.

Foothills has put the Alaska Highway Gas Pipeline Project on hold pending further advancement of an alternative project that would exclude Canada. Since 2013-14, and to align with the continued reduced project activities, the Agency remained ramped down in its operations while continuing to fulfil Canada's obligations as set out in the Agreement and the Act.

2. Summary of significant accounting policies

These financial statements are prepared using the Agency's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Parliamentary authorities:

The Agency is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Agency do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the

Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2023-24 Departmental Plan. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2023-24 Departmental Plan.

(b) Net cash provided by Government of Canada:

The Agency operates within the CRF which is administered by the Receiver General for Canada. All cash received by the Agency is deposited to the CRF and all cash disbursements made by the Agency are paid from the CRF. The net cash provided by the Government is the difference between all cash receipts and all cash disbursements including transactions between the Agency and departments of the federal government.

(c) Amount due from or to the CRF:

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Agency is entitled to draw from CRF without further authorities to discharge liabilities.

(d) Revenues:

Revenues are comprised of revenues earned from non-tax sources. They include exchange transactions where a performance obligation exists to provide a regulatory service to Foothills. These transactions are recurring in nature. Recurring transactions are viewed as ongoing, routine activities that form part of the normal course of operations and can be used to indicate if they can be reasonably expected to be earned again in future years.

Revenues that are non-respendable are not available to discharge the Agency's liabilities. While the Commissioner is expected to maintain accounting control, he has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the Agency's gross revenues.

(e) Expenses:

Expenses are recorded on an accrual basis.

Transfer payments are recorded as an expense in the year the transfer is authorized, and all eligibility criteria have been met by the recipient.

Services provided without charge by Natural Resources Canada for Management Services are recorded as expenses at their estimated cost.

(f) Employee future benefits:

All employees of the Agency are seconded from other government departments. Future benefits for seconded employees, including pension benefits, providing services to the Agency are funded by the employee's home-base department. Estimated costs charged by Treasury Board Secretariat are included in the employee benefits charged to the Agency.

(g) Financial instruments

A contract establishing a financial instrument creates, at its inception, rights, and obligations to receive or deliver economic benefits. The financial assets and financial liabilities portray these rights and obligations in the financial statements. The Agency recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of accounts receivable and accounts payable.

All financial assets and liabilities are recorded at cost. Any associated transaction costs are added to the carrying value upon initial recognition.

Accounts receivable are initially recorded at cost. When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts receivable to amounts that approximate their net recoverable value.

(h) Non-financial assets – Tangible Capital Assets:

The costs of acquiring machinery and equipment and other assets are capitalized as tangible capital assets and are amortized to expense over the estimated useful lives of the assets, as describe in Note 7. All tangible capital assets having an initial cost of \$1,000 or more are recorded at their acquisition cost. Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, works of art, museum collection, Crown land to which no acquisition cost is attributable, and intangible assets.

(i) Measurement uncertainty:

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Agency's best estimate of the related amount at the end of the reporting period. The most significant item where estimates are used is the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

(j) Related party transactions:

- i. Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.
- ii. Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:
 - Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
 - Certain services received on a without charge basis are recorded for departmental financial statement purposes at the carrying amount.

3. Parliamentary authorities

The Agency receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled as follows:

(a) Reconciliation of net cost of operations to current year authorities used:

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------|-----------------------|
| | <i>(in dollars)</i> | |
| Net cost of operations before government funding and transfers | 338,507 | 301,901 |
| Adjustments for items affecting net cost of operations but not affecting authorities | | |
| Services provided without charge by other government/departments | (2,514) | (2,803) |
| Total items affecting net cost of operations but not affecting authorities | (2,514) | (2,803) |
| Current year authorities used | <u>335,993</u> | <u>299,098</u> |

(b) Authorities provided and used:

| | <u>2024</u> | <u>2023</u> |
|--------------------------------------|-----------------------|-----------------------|
| | <i>(in dollars)</i> | |
| Authorities provided: | | |
| Vote 1 – Program expenditures | 539,949 | 540,000 |
| Statutory amounts | 5,306 | 6,310 |
| Less: | | |
| Lapsed – Program expenditures | (209,262) | (247,212) |
| Current year authorities used | <u>335,993</u> | <u>299,098</u> |

4. Accounts payable and accrued liabilities

The following table presents details of the Agency's accounts payable and accrued liabilities balances:

| | <u>2024</u> | <u>2023</u> |
|--|-----------------------|---------------------|
| | <i>(in dollars)</i> | |
| Accounts payable - Other government departments and agencies | 241,556 | 4,154 |
| Total Accounts payable and accrued liabilities | <u>241,556</u> | <u>4,154</u> |

5. Revenues

The Agency's revenues consist of regulatory fees recovered from Foothills. Regulatory fees are recorded as performance obligations are satisfied and are earned on behalf of the Government.

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|-----------------|
| | <i>(in dollars)</i> | |
| Regulatory fees (exchange) | 335,993 | 299,098 |
| Revenues earned on behalf of Government (exchange) | (335,993) | (299,098) |
| Total net revenues | <u><u>-</u></u> | <u><u>-</u></u> |

6. Accounts receivable

The following table presents details of the Agency's accounts receivable balances:

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| | <i>(in dollars)</i> | |
| Receivables - Other government departments and agencies | 27,374 | 25,940 |
| Receivables - External parties | 335,993 | 299,098 |
| Gross accounts receivable | <u>363,367</u> | <u>325,038</u> |
| Accounts receivable held on behalf of Government | (335,993) | (299,098) |
| Net accounts receivable | <u><u>27,374</u></u> | <u><u>25,940</u></u> |

The following table provides an aging analysis of accounts receivable from external parties and the associated valuation allowances used to reflect their net recoverable value:

| | <u>2024</u> | <u>2023</u> |
|--------------------------------|-----------------------|-----------------------|
| | <i>(in dollars)</i> | |
| Receivables - External parties | <u>335,993</u> | <u>299,098</u> |
| Not past due | 335,993 | 299,098 |
| Number of days past due | | |
| 1 to 30 | - | - |
| 31 to 60 | - | - |
| 61 to 90 | - | - |
| 91 to 365 | - | - |
| Over 365 | - | - |
| Sub-total | <u><u>335,993</u></u> | <u><u>299,098</u></u> |
| Less: Valuation allowance | - | - |
| Total | <u><u>335,993</u></u> | <u><u>299,098</u></u> |

7. Tangible capital assets

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the assets as follows:

| Asset Class | Amortization Period |
|--------------------------------|---------------------|
| Machinery and equipment | 10 years |
| Office furniture and equipment | 10 years |
| Informatics hardware | 4 years |

| <i>(in dollars)</i> | Cost | | | | Accumulated amortization | | | | Net Book Value | |
|--------------------------------|-----------------|--------------|---------------------------------------|-----------------|--------------------------|--------------|---------------------------------------|-----------------|----------------|----------|
| Capital asset class | Opening balance | Acquisitions | Disposals, write-offs and adjustments | Closing balance | Opening balance | Amortization | Disposals, write-offs and adjustments | Closing balance | 2024 | 2023 |
| Machinery and equipment | 24,829 | - | - | 24,829 | 24,829 | - | - | 24,829 | - | - |
| Office furniture and equipment | 8,038 | - | - | 8,038 | 8,038 | - | - | 8,038 | - | - |
| Informatics hardware | 2,760 | - | - | 2,760 | 2,760 | - | - | 2,760 | - | - |
| Total | 35,627 | - | - | 35,627 | 35,627 | - | - | 35,627 | - | - |

8. Related party transactions

The Agency is related as a result of common ownership to all government departments, agencies, and Crown corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

The Agency enters into transactions with these entities in the normal course of business and on normal trade terms. In addition, the Agency has the service letter of agreement with Natural Resources Canada related to the provision of internal services, including human resources management, financial management, information management, information technology, real property, material, and acquisitions.

(a) Services provided without charge by other government department:

During the year, the Agency received management services provided without charge from Natural Resources Canada for \$2,514 (\$2,803 in 2023).

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Services and Procurement Canada, are not included in the Agency's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with other government departments and agencies:

| | 2024 | 2023 |
|----------|---------------------|----------------|
| | <i>(in dollars)</i> | |
| Expenses | <u>325,993</u> | <u>288,325</u> |

Expenses disclosed in (b) exclude management and common services provided without charge which are already disclosed in (a).

9. Contractual obligations

The nature of the Agency's activities may result in multi-year contracts whereby the Agency will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

| | 2025 | 2026 | 2027 | Total |
|--|---------------------|------|------|--------|
| | <i>(in dollars)</i> | | | |
| Other obligations with related parties | 33,335 | - | - | 33,335 |

Annex to the Statement of Management Responsibility

**Including Internal Control over Financial Reporting
of the Northern Pipeline Agency for fiscal year 2023-24 (*unaudited*)**

**Summary of the assessment of effectiveness of the system of internal control
over financial reporting and the action plan**

1. Introduction

This document provides summary information on the measures taken by the Northern Pipeline Agency (Agency) to maintain an effective system of internal control over financial management (ICFM), including internal control over financial reporting (a subset of the system of ICFM), as well as information on internal control management, assessment results, and related action plans.

Detailed information on the Agency's authority, mandate and program can be found in the 2024-25 [Departmental Plan](#) and the 2023-24 [Departmental Results Report](#).

The Agency receives internal services from Natural Resources Canada (NRCan), including human resources management, financial management, information management, information technology, real property, material, and acquisitions, as defined in the Service letter of agreement effective April 1, 2017.

Accordingly, the Agency relies on the effectiveness of NRCan's risk-based system of ICFM and leverages the corresponding assessment results for key control areas subject to ongoing monitoring. To date, the risk is low as NRCan's resources, structures, controls, and processes are well established.

In 2023-24, NRCan also performed a core control self-assessment (CCSA) of the Agency's contracting and Payable-at-Year-End (PAYE) process based on control practices in place for 2022-23.

A summary of these key control areas assessed during 2023-24 is provided in section 2.

2. Assessment results for fiscal year 2023-24 and assessment plan for future years

As part of its ongoing monitoring plan for 2023-24, NRCan assessed the design and operating effectiveness of key controls for the following key control areas:

- Investment planning and project management
- Integrated business planning
- Asset retirement obligations

Information on the results of the assessments mentioned above and the action plan for next fiscal year and subsequent years are detailed in the NRCan 2023-24 Annex.

The results of the CCSA for the contracting process confirmed that a procurement management framework was established and included the key elements outlined in the Treasury Board *Directive on the Management of Procurement*.

However, key contracting controls to ensure that procurement transactions were carried out in accordance with the framework, applicable laws, regulations, and policies and to ensure the accuracy, completeness, and timely proactive disclosure of contract over \$10,000 were not tested because there were no such competitive or non-competitive contracts issued in 2022-23.

The CCSA of the PAYE process was also scoped out because there were no third-party payables at the end of 2022-23.