



# THE ISLAND REGULATORY AND APPEALS COMMISSION

2018-19  
ANNUAL REPORT



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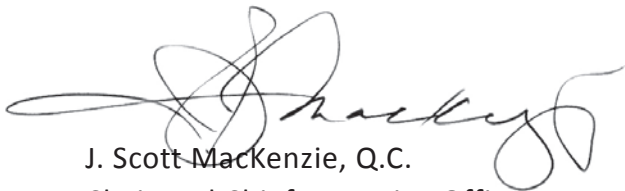


Hon. Brad Trivers  
Minister of Education and Lifelong Learning  
P.O. Box 2000  
Charlottetown, PE C1A 7N8

Dear Minister Trivers:

I am pleased to submit the Island Regulatory and Appeals Commission's 2018-2019 Annual Report. The report presents an overview of the Commission's activities for the fiscal year 2018-2019 as well as the audited financial statements for the fiscal year ending March 31, 2019.

Respectfully submitted,



J. Scott MacKenzie, Q.C.  
Chair and Chief Executive Officer

# COMMENTS FROM THE CHAIR

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The past year has been busy for the Commission. We issued 796 decisions, orders, approvals and recommendations in the areas of petroleum, lands protection, rental hearings, land-use hearings, public utilities, automobile insurance, and more.



The Office of the Director of Residential Rental Property experienced its busiest year in recent memory. With a very low vacancy rate in the long-term residential rental market, the Office responded to approximately 850 inquiries a month from tenants and landlords and received 612 applications to resolve rental disputes. The Commission dealt with 64 appeals of the Director's rental orders, almost double from the previous year.

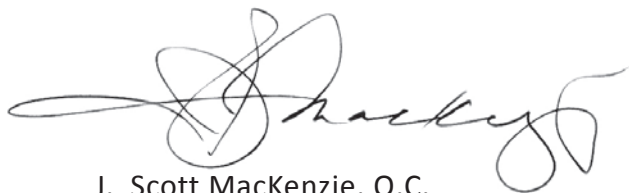
The number of appeals of municipal and provincial planning decisions also increased. The Commission has placed a stronger emphasis on alternative dispute resolution and we are pleased to report that a growing number of appeals of planning decisions are resolved without having to go through a full formal hearing process.

On November 2, 2018, Maritime Electric filed its General Rate Application, seeking among other things, a three-year electricity rate increase. The Commission hired three experts to assess different aspects of the application. These experts, along with Commission staff, sent numerous formal written questions to Maritime Electric seeking clarification and further information to support its application for increased rates. The Commission had not received a response by the end of the reporting period for this annual report and, as a result, the hearing on electricity rates was rescheduled.

We have made great efforts over the past few years to improve our communications to the public and the industries we regulate. We hired our first Senior Communications Officer in January and began work to develop an approach to communicate clearly and to increase the public's understanding of the roles and responsibilities of the Commission.

As we look ahead, we anticipate another busy year with work to be done on Maritime Electric's General Rate Application, work on a new website, and we are working with government on proposed revisions and improvements to some of the Acts we operate under.

With every matter that comes before us, we strive to deliver unbiased, clear, and well-reasoned decisions. Our success as a Commission reflects the hard work and dedication of our staff and our Commissioners. I would like to recognize and thank them for their professionalism and commitment to doing their best serving the people of Prince Edward Island.



J. Scott MacKenzie, Q.C.  
Chair and CEO



# COMMENTARIES DU PRÉSIDENT

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L'année qui vient de s'écouler a été particulièrement occupée à la Commission. Nous avons rendu 796 décisions, ordres, approbations et recommandations dans les domaines suivants, entre autres : produits du pétrole, protection des terres, audiences en matière de location, audiences en matière d'utilisation des terres, services publics et assurance automobile.

Le Bureau du directeur des propriétés résidentielles à louer a connu son année la plus chargée depuis longtemps. Le taux d'inoccupation sur le marché de location résidentielle à long terme étant faible, le Bureau a répondu à environ 850 demandes d'information par mois provenant de locataires et de propriétaires et a reçu 612 demandes de règlement de conflit concernant la location au cours de l'année. La Commission a traité 64 appels d'ordres de location du directeur, soit le double de l'année précédente.

Le nombre d'appels de décisions concernant la planification municipale et provinciale a aussi augmenté. La Commission accorde plus d'importance à différents modes de résolution de conflits et nous sommes heureux de pouvoir dire qu'un nombre croissant d'appels de décisions en matière de planification sont résolus sans devoir passer par le processus complet d'audience formelle.

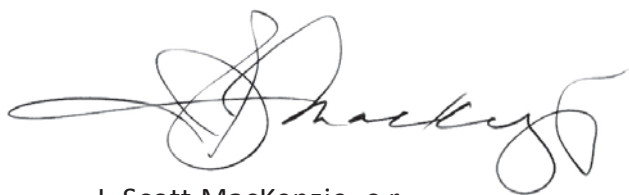
Le 2 novembre 2018, Maritime Electric a soumis une demande générale d'approbation concernant les tarifs, demandant, entre autres, une augmentation des tarifs d'électricité sur trois ans. La Commission a retenu les services de trois experts pour évaluer différents aspects de la demande. Ces experts, ainsi que des membres du personnel de la Commission, ont fait parvenir de nombreuses questions écrites formelles à Maritime Electric pour obtenir des éclaircissements et plus de renseignements concernant sa demande d'augmentation des tarifs. La Commission n'avait pas encore reçu de réponse à la fin de la période couverte par ce rapport annuel, alors l'audience sur les tarifs d'électricité a été reportée.



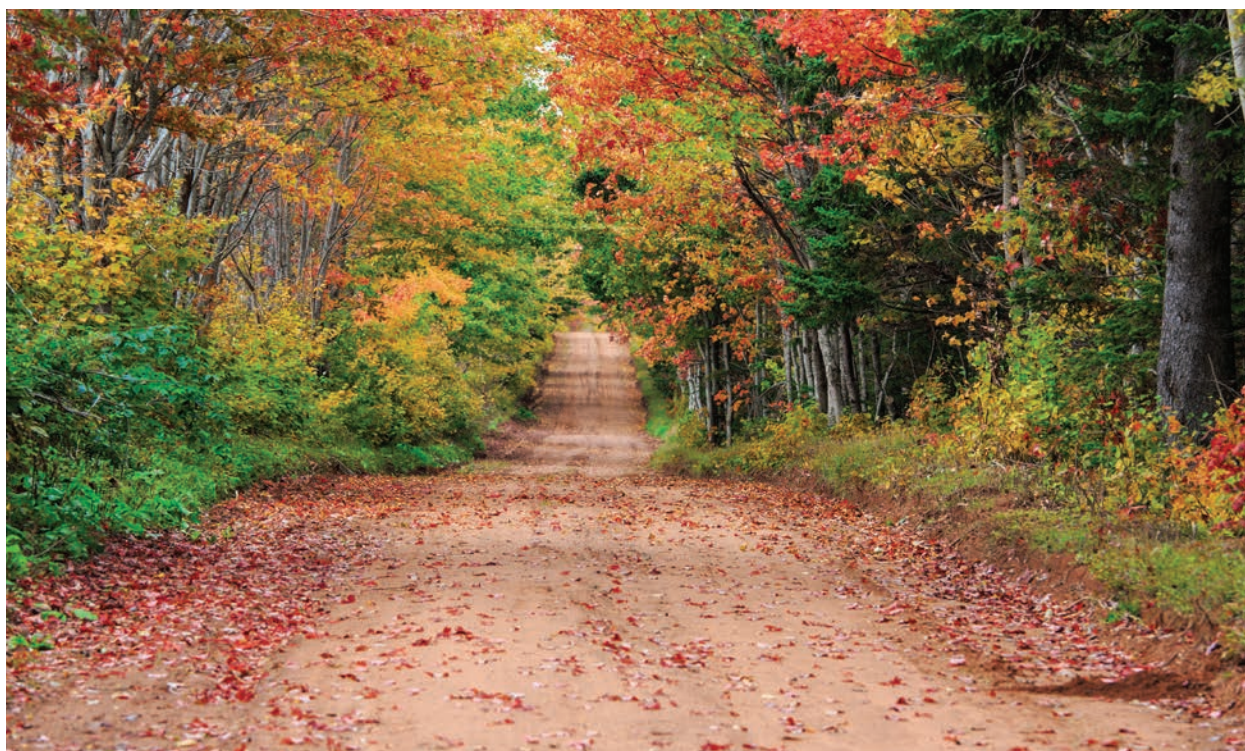
Nous avons fait d'importants efforts au cours des dernières années pour améliorer nos communications avec le public et avec les industries que nous réglementons. Nous avons embauché notre première agente principale des communications en janvier et nous avons commencé à élaborer une approche pour communiquer clairement et augmenter la compréhension du public à l'égard des rôles et des responsabilités de la Commission.

Nous anticipons une autre année mouvementée alors que nous travaillerons sur le dossier de la demande générale d'approbation de Maritime Electric, sur le nouveau site Web et, avec le gouvernement, sur les révisions et les améliorations proposées aux lois qui nous gouvernent.

Dans tous les dossiers dont nous sommes saisis, nous essayons de prendre des décisions impartiales, claires et bien raisonnées. Notre succès en tant que Commission est le résultat du travail acharné et du dévouement de notre personnel et de nos commissaires. Je tiens à les reconnaître et à les remercier de leur professionnalisme et de leur engagement à servir les gens de l'Île-du-Prince-Édouard.



J. Scott MacKenzie, c.r.  
Président et directeur général



# OVERVIEW

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The Island Regulatory and Appeals Commission (the “Commission”) was established in 1991 following the amalgamation of the former Public Utilities Commission, Land Use Commission, and the Office of the Director of Residential Rental Property.

The Commission was created as an independent quasi-judicial tribunal with appellate, regulatory, and administrative responsibilities defined in the *Island Regulatory and Appeals Commission Act* and in a number of provincial statutes.





The Commission operates at arm's length from government, free of influence from any source. Upholding the Commission's independence is fundamental to ensuring public confidence in its objectivity, expertise, and impartiality in decision making.

The Commission reports to the Legislative Assembly of Prince Edward Island through the Minister of Education and Lifelong Learning.

## Commissioners and Staff

During the fiscal year 2018-19, the Commission had three full-time Commissioners: Chair and Chief Executive Officer, Scott MacKenzie Q.C.; Vice-Chair, Doug Clow, CPA, CA; Commissioner John Broderick, and two part-time Commissioners, Jean Tingley and Terry McKenna (missing from photo).

The Commission has a staff of 21.

### Mission

To ensure the public of Prince Edward Island is provided with unbiased, well-reasoned, clear, and timely decisions in all matters brought before the Commission for its consideration.

### Vision

To be respected for independence, professionalism, competence, and leadership in the matters the Commission regulates, adjudicates, and administers.

## Legislative Roles and Responsibilities

The Commission operates as an independent quasi-judicial tribunal under the authority of the *Island Regulatory and Appeals Commission Act*.

The Commission's appellate responsibilities are defined in these Acts:

- *Rental of Residential Property Act*
- *Planning Act*
- *Real Property Assessment Act*
- *Roads Act*
- *Unsightly Premises Act*
- *Heritage Places Protection Act*
- *Environmental Protection Act*

As an economic regulator, the Commission's responsibilities fall under these Acts:

- *Island Regulatory and Appeals Commission Act*
- *Lands Protection Act*
- *Rental of Residential Property Act*
- *Petroleum Products Act*
- *Electric Power Act*
- *Water and Sewerage Act*

The Commission has administrative responsibilities under these Acts:

- *Lands Protection Act*
- *Municipal Government Act*
- *Insurance Act*
- *Environmental Protection Act*

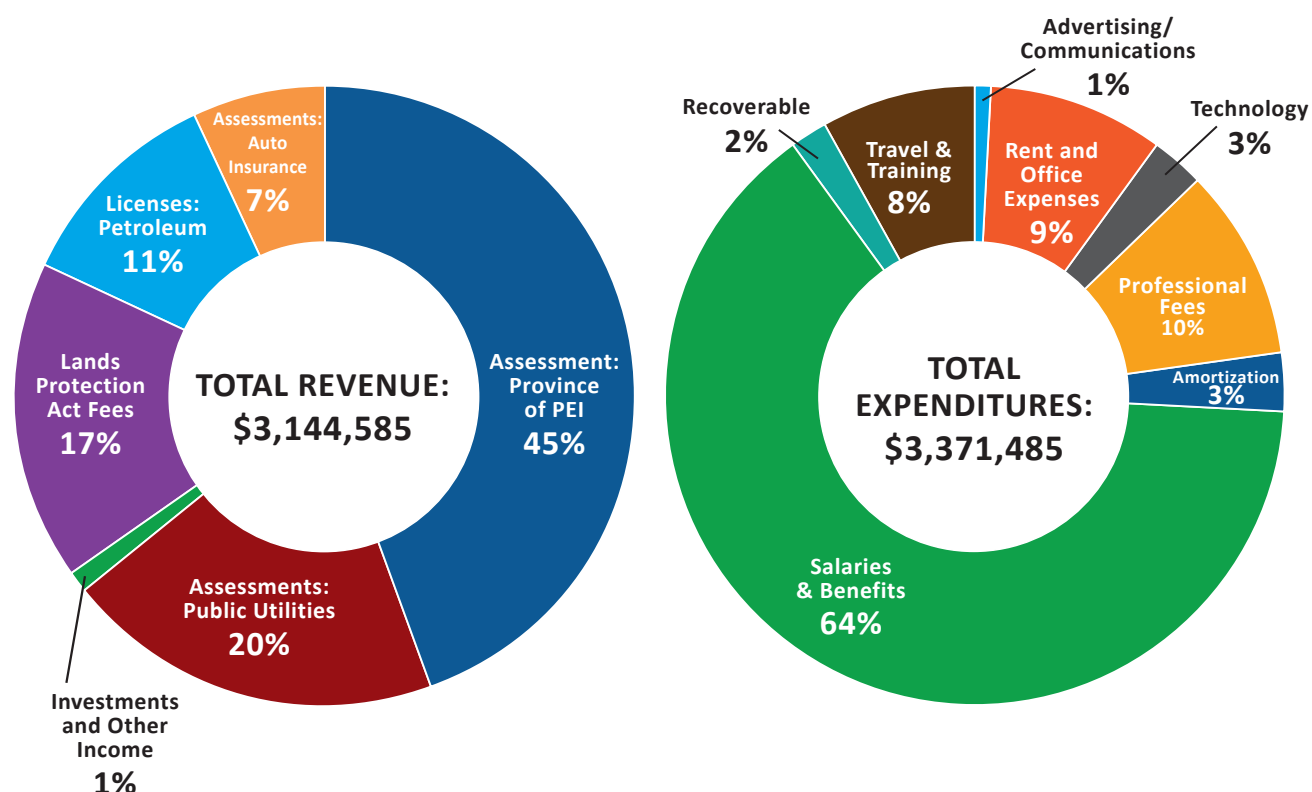


## Financial Highlights Fiscal Year 2018-19

The Commission is funded through annual assessments, levies, application and license fees on the bodies and matters it regulates, including the Province of Prince Edward Island.

In 2018-19, total revenue amounted to \$3,144,585, an increase of \$194,588 from the previous year's revenues. The increase is primarily due to an increase in the assessments received from the province.

The Commission incurred expenses of \$3,371,485 during 2018-19, allocated as shown below:



Source: Prince Edward Island Regulatory and Appeals Commission  
March 31, 2019 Audited Financial Statements.

Source: Prince Edward Island Regulatory and Appeals Commission  
March 31, 2019 Audited Financial Statements.

The Commission's audited financial statements for the fiscal year ending March 31, 2019 can be found in the last section of this report.

## Commission Activities

### Decisions, Orders, Approvals and Recommendations

#### Fiscal Year 2018-19

The Commission issued a total of 796 decisions, orders, approvals and recommendations. The following is a breakdown by area:

**796**  
TOTAL

**566**  
TOTAL

#### LANDS PROTECTION

Non-Resident Applications	113
Corporate Applications	325
Global Lease Applications	15
Amendment Applications	23
Annual Disclosure Statements	90

**53**  
TOTAL

#### PETROLEUM

Regular Petroleum Price Settings	24
Unscheduled Price Settings	8
Applications for New Licenses	2
Regulatory Administrative Approvals	19

**8**  
TOTAL

#### ELECTRICITY

Rate-Related Applications	5
Capital Budget and Regulatory Approvals	3

**10**  
TOTAL

#### WATER – SEWER

Utility Rate Applications	1
Construction Permits	9

**61**  
TOTAL

#### AUTO INSURANCE

Rate Applications	61
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## Appeals

Fiscal Year 2018-19

**29**  
TOTAL

### PLANNING ACT

Appeals Filed	29
Appeals Heard and Decisions Issued	2
Mediated – No Formal Hearing	12
Withdrawn by Appellant	3
Ongoing	12 <sup>1</sup>

**2**  
TOTAL

### REAL PROPERTY ASSESSMENT ACT

Appeals Filed	2
Withdrawn by Appellant	1
Ongoing	1 <sup>1</sup>

**67**  
TOTAL

### RENTAL OF RESIDENTIAL PROPERTY ACT

Appeals Filed	64
Appeals Carried over from 2017-18	3 <sup>2</sup>
Appeals Heard and Decisions Issued	41
Withdrawn by Appellant	15
Denied – No Jurisdiction	6
Carried over to 2019-20	5

1) These are in various states of progress including ongoing formal mediation, on hold at the request of the parties, or awaiting information or submissions from the parties.

2) Rental appeals must be heard within 30 days of filing. Appeals carried over from one fiscal year to the next were filed less than 30 days prior to year end.

# APPELLATE ACTIVITIES

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## Year in Review

While most of the appeals to the Commission arise out of decisions under the *Planning Act* and the *Rental of Residential Property Act*, the Commission has appellate responsibilities under several Acts:

- *Planning Act*
- *Rental of Residential Property Act*
- *Environmental Protection Act*
- *Real Property Assessment*
- *Unsightly Premises Act*
- *Real Property Tax Act*
- *Roads Act*
- *Heritage Places Protection Act*





## Planning Act

Under the *Planning Act*, the Commission hears appeals from persons who are dissatisfied with decisions made by municipal councils or by the Minister responsible for the *Planning Act*.

In 2018-19, the Commission had 29 planning appeals in process. Twelve appeals were successfully mediated without a formal hearing. The Commission heard and issued decisions on two appeals. Three appeals were withdrawn by the appellant, and the remaining 12 appeals are in various stages of process including ongoing mediation, on hold at the request of the parties, or awaiting information from the parties.

The following chart provides a summary of the appeals filed with the Commission from 2016 to 2019:

	2016-17	2017-18	2018-19
<b>Total Appeals Filed</b>	<b>28</b>	<b>24</b>	<b>29</b>
Allowed	2	5	0
Denied	3	2	2
Withdrawn	8	4	3
No Jurisdiction	1	1	0
Mediated	1	5	12
Ongoing	13	7	12

## Rental of Residential Property Appeals

Under the *Rental of Residential Property Act*, parties dissatisfied with decisions from the Office of the Director of Residential Rental Property are able to appeal to the Commission. Of the 391 decisions issued on rental matters during 2018-19, the Commission received 64 appeals, compared with 33 in 2017-18.

Below is a summary of appeals filed under the *Rental of Residential Property Act* for 2018-19:

	2018-19
<b>Total</b>	<b>67</b>
Appeals Carried over from 2017-18	3 <sup>3</sup>
Appeals Filed during 2018-19	64
<b>Total</b>	<b>67</b>
Appeals Heard & Decisions Issued	41
Withdrawn by Appellant	15
Appeals Denied – No Jurisdiction	6
Appeals Carried over to 2019-20	5 <sup>4</sup>

## Real Property Assessment Act

The Commission hears appeals on property tax assessments under the *Real Property Assessment Act*. In 2018-19, two appeals were filed with the Commission. One was withdrawn by the appellant and the other is on hold at the request of the parties.

3) Ibid., p15.

4) Ibid., p15.

# REGULATORY ACTIVITIES

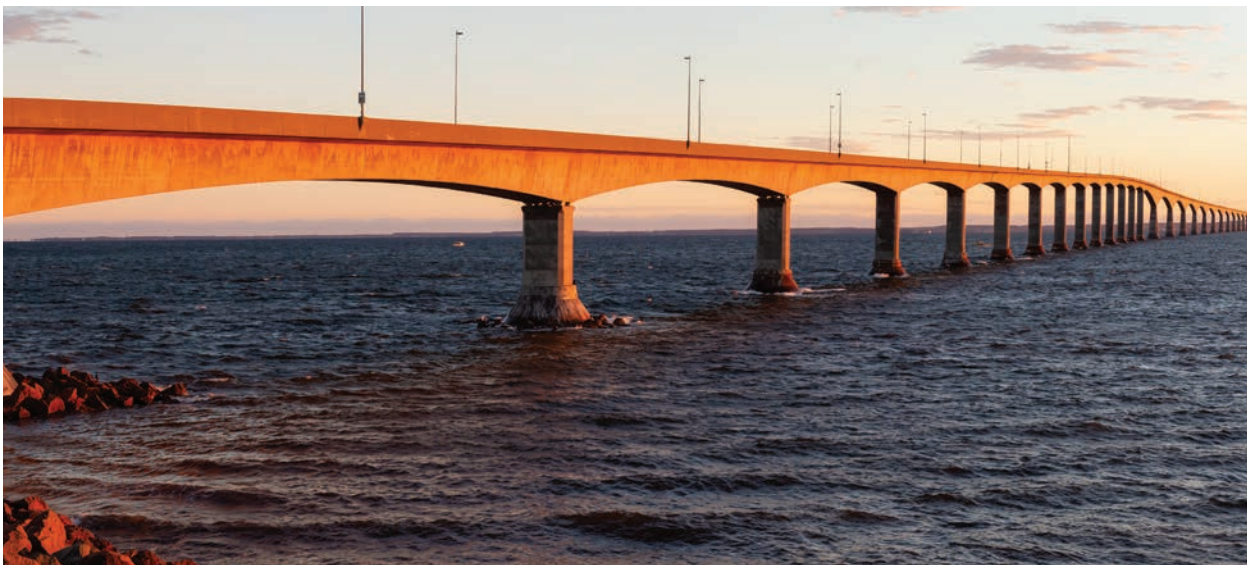
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The Commission is responsible for administering these Acts:

- *Petroleum Products Act*
- *Electric Power Act*
- *Water and Sewerage Act*
- *Environmental Protection Act*
- *Insurance Act*

Under the Acts listed above, the Commission regulates the distribution and sale of petroleum products; it has regulatory authority over Maritime Electric; it regulates municipal and private water and sewer utilities, excluding the larger municipalities of Charlottetown, Summerside, Stratford and Cornwall; it has regulatory authority over rate changes for the Island Waste Management Corporation, and it is responsible for an annual review of automobile insurance rates offered on Prince Edward Island.

The Regulatory staff includes a director and two staff members. The Commission's Senior Financial Advisor is responsible for administering the *Electric Power Act*.





## Year in Review Petroleum

### Petroleum Licensing

Under the *Petroleum Products Act*, the Commission has responsibility for all matters related to petroleum including:

- Setting minimum and maximum prices for petroleum products;
- Determining the minimum and maximum markups for retailers; and
- Issuing annual retail and wholesale petroleum product licenses.

The jurisdiction of the Commission extends to all types of outlets involved in the distribution and sale of petroleum products. The Commission regulates licensees and the operation of their outlets. This includes wholesalers, retailers, and wholesaler-retailer operated outlets such as retail gasoline stations, tank trucks, retail propane outlets, and furnace oil delivery.

In 2018, there were 86 retail gas stations in Prince Edward Island, no change from 2017.



The average gasoline volume per outlet increased slightly to 2,540,875 liters. This represents an increase of approximately 22,624 liters from 2017:



The Commission issued 304 petroleum licenses in 2018-19, a decrease of six from 2017-18:

	2016-17	2017-18	2018-19
<b>Total Licenses</b>	<b>313</b>	<b>310</b>	<b>304</b>
Retail Distributors	17	18	18
Wholesalers	23	23	21
Tank Trucks	82	86	78
Retail Outlets	191	183	187

The number of petroleum retail outlets in the province increased from 183 in 2017-18 to 187 in 2018-19:

	2016-17	2017-18	2018-19
<b>Total Licenses</b>	<b>191</b>	<b>183</b>	<b>187</b>
Garages	3	3	4
Stations	13	13	12
Propane Only	52	49	51
Marine	52	49	48
Merchants	71	69	72

## Petroleum Pricing

The authority for price regulation is contained in the *Petroleum Products Act*. Under the legislation, the Commission's role is to "ensure at all times a just and reasonable price for heating fuel and motor fuel to consumers and licensees within the province."

In 2018-19, the Petroleum Panel met for 24 regularly scheduled price adjustments and 8 unscheduled price adjustments, for a total of 30 price adjustments. The methodology used for petroleum pricing can be found on the Commission's website at:

<http://www.irac.pe.ca/Methodology/>.

As shown in the following two tables, the average monthly price per litre of unleaded gasoline in Prince Edward Island was consistent with prices in Nova Scotia and New Brunswick, while the price of furnace oil was below the monthly averages in those provinces. (Note: Nova Scotia does not regulate furnace oil.)

### AVERAGE MONTHLY REGULAR UNLEADED GASOLINE PRICES PER LITRE – MARITIME REGION: APRIL 2018 TO MARCH 2019

Price in \$	Halifax	Moncton	Charlottetown
April '18	1.242	1.219	1.235
May '18	1.305	1.287	1.313
June '18	1.255	1.262	1.300
July '18	1.261	1.268	1.288
Aug '18	1.241	1.269	1.269
Sept '18	1.235	1.270	1.264
Oct '18	1.229	1.263	1.246
Nov '18	1.081	1.138	1.116
Dec '18	0.999	1.052	1.033
Jan '19	0.989	1.016	0.982
Feb '19	1.034	1.041	0.998
March '19	1.167	1.145	1.115



## AVERAGE MONTHLY FURNACE OIL PRICES PER LITRE (BEFORE TAXES) – MARITIME REGION: APRIL 2018 TO MARCH 2019

Price in \$	Halifax	Moncton	Charlottetown
April '18	1.022	0.976	0.922
May '18	1.026	1.024	0.963
June '18	1.029	1.028	0.969
July '18	1.029	1.029	0.950
Aug '18	1.029	1.018	0.943
Sept '18	1.034	1.055	0.953
Oct '18	1.066	1.098	1.026
Nov '18	1.078	1.065	1.004
Dec '18	1.030	0.979	0.894
Jan '19	1.040	0.977	0.892
Feb '19	1.048	1.000	0.932
March '19	1.069	1.014	0.946

The Commission is also responsible for determining the minimum and maximum markup for retailers. In 2018-19, the authorized markup ranged from 5.5 to 6.5 cents per litre at self-serve pumps and from 7.5 to 10.5 cents per litre at full-serve pumps, similar to the margins in Nova Scotia and New Brunswick. The markup selected by a retailer for each method of dispensing must be consistently applied to each grade of gasoline sold at the outlet.

Current and archived pricing information on all products is available on the Commission's website at [www.irac.pe.ca/petrol](http://www.irac.pe.ca/petrol).

The following tables show the volume of each petroleum product sold and the amount of gasoline sold by grade:

### PRODUCTS SOLD (IN LITRES)

Product	2016	2017	2018
Propane	25,702,930	25,843,038	29,859,530
Diesel	82,226,738	81,031,088	84,825,638
Fuel Oils	129,672,898	119,947,638	132,971,083
Gasoline	215,723,481	220,341,669	233,316,295

### SALE OF GASOLINE BY GRADE (IN MILLIONS OF LITRES)

Product	2016	2017	2018
<b>Total</b>	<b>215.7</b>	<b>220.4</b>	<b>233.3</b>
Premium	13.5	12.9	13.3
Mid-Grade Unleaded	1.6	1.8	2.0
Regular Unleaded	200.6	205.7	218.0



## Year in Review Electricity

The *Electric Power Act* gives the Commission regulatory authority over Maritime Electric including, among other things, the approval of customer rates, capital expenditures, capital budget variances, changes to the operation of transmission lines and energy efficiency programs. The Commission's regulatory authority over the City of Summerside's electric utility is limited to ensuring rate fairness for customers residing outside of the city's boundaries.

The Commission issued 10 orders with respect to the activities of Maritime Electric during the fiscal year 2018-19. The orders related to a number of requests filed by Maritime Electric, included filing its 2018 Rate Design Study subsequent to filing its Cost Allocation Study, and the sale and transfer of land as part of the Interconnection Lease Agreement with the province.

On July 26, 2018, the Commission issued an order approving Maritime Electric's Open Access Transmission Tariff application after a three-day hearing in March 2018. This order set the tariff for utility and windfarm operators that use Maritime Electric's heavy transmission lines.

On November 26, 2018, the Commission approved Maritime Electric's 2019 Capital Budget and the variances to the 2017 Capital Budget. The Commission also issued orders approving the issuance of new First Mortgage Bonds in the amount of \$40 million dollars to replace long term debt that was up for renewal.

With respect to Maritime Electric's General Rate Application for new electricity rates filed on November 30, 2018, the Commission issued a procedural order outlining the rules to be followed if Maritime Electric intended to seek a negotiated settlement. Maritime Electric did not pursue a negotiated settlement process for its application seeking new electricity rates. The utility issued a consolidation order incorporating a number of previously filed applications seeking approval of the findings of a number of studies into the General Rate Application proceeding.

Following its review of Maritime Electric's application, the Commission engaged three experts to assist in assessing the application. Synapse Energy Economics Inc. of Boston, Mass. was engaged to review the application for the decommissioning and demolition of the Charlottetown generation plant. Multeese Consulting Incorporated of Nova Scotia was engaged to advise of the method of allocating costs amongst different classes of

*The Commission  
issued 10 orders  
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electricity consumers and the rates and rate structures, used and proposed, by Maritime Electric. Dr. Laurence Booth of the Rotman School of Management at the University of Toronto was engaged to provide advice on an appropriate return on common equity for Maritime Electric. These experts and Commission staff issued a record number of formal interrogatories (written questions requiring a formal response and explanation) to Maritime Electric seeking answers to issues raised on the review of the documents and financial projections filed by Maritime Electric. As of the end of the reporting period for this annual report, the Commission had not received a response to the interrogatories from Maritime Electric and as a result, the hearing on the General Rate Application was rescheduled.



## Water and Sewer

The Commission regulates municipal and private water and sewer utilities in Prince Edward Island, with the exception of municipal utilities in Charlottetown, Summerside, Stratford, and Cornwall. For more information, visit <http://www.irac.pe.ca/utilities>.

In 2018-19, the Commission issued one rate order approving an increase in water charges for the privately-owned utility in North Granville, operating as Granville on the Water Utility Inc.

Nine permits were issued for utility construction projects including sewer line extensions in Murray Harbour, Wellington, Tyne Valley, and Alberton; sewer and water line extensions in North Rustico, and sewer line replacements in Tignish and Mount Stewart.

In 2017, the provincial government introduced legislation that changed the financial reporting period for municipalities from the calendar year to a fiscal year beginning April 1, 2019. For consistency, the Commission adopted the same reporting cycle for municipal utilities. The Commission will continue to monitor annual financial information from utilities to determine the necessity of amending rates.

## Automobile Insurance

Under the *Insurance Act*, the Commission has regulatory authority to review the rates of insurers providing automobile insurance in Prince Edward Island. Insurers are required to file their rates annually with the Commission.

In 2018-19, the Commission reviewed automobile insurance rates for 118,202 vehicles, with total premiums of \$94,124,000.

Insurance premiums for private passenger vehicles on Prince Edward Island average approximately \$816 per year, the lowest rates in Canada, with the exception of Quebec which operates a provincial program.

AVERAGE ANNUAL PREMIUMS 2018 PRIVATE PASSENGER VEHICLES	
Prince Edward Island	\$816
New Brunswick	\$867
Nova Scotia	\$891
Newfoundland and Labrador	\$1,168
Quebec	\$717
Ontario	\$1,505
Manitoba*	\$1,080
Saskatchewan	\$1,235
Alberta	\$1,316
British Columbia	\$1,832

\* Source: IBC August 13, 2019 Media Release.



# ADMINISTRATIVE ACTIVITIES

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## Lands Protection Act

The Commission is responsible for the administration of the *Lands Protection Act* (the “LPA”). The Commission does not make decisions on land applications. It is a recommending body for Executive Council which holds the authority to approve or deny applications for land purchases or leases. The Commission’s Lands Protection Panel meets bi-weekly to review land applications.

The Commission is also responsible for monitoring the land holdings of large land owners and carrying out investigations to enforce the LPA. To learn more about the LPA, visit our website at [www.irac.pe.ca/land](http://www.irac.pe.ca/land).

## Applications

In 2018-19, the Commission processed 476 applications under the LPA. Of these, 453 applications were for the acquisition of land involving 31,980 acres.

The following charts summarize the LPA applications reviewed by the Commission over the past three years:

*In 2018-19, the Commission processed 476 applications under the LPA. Of these, 453 applications were for the acquisition of land involving 31,980 acres.*

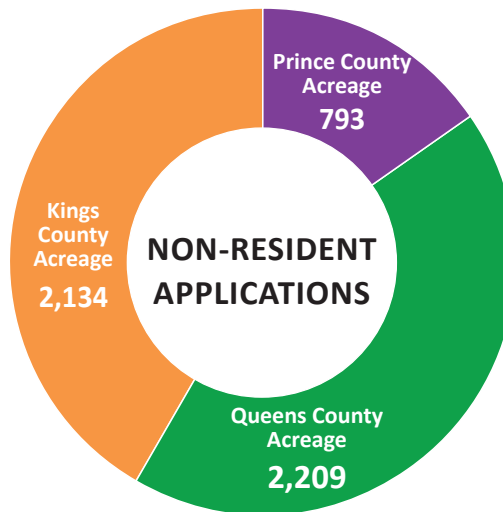


## LANDS PROTECTION ACT APPLICATIONS PROCESSED

	2016-17	2017-18	2018-19
<b>Totals</b>	<b>523</b>	<b>470</b>	<b>476</b>
Amendments	18	17	23
Corporate Non-Resident	81	64	54
Non-Resident	142	123	113
Corporate	261	245	271
Global Lease	21	21	15

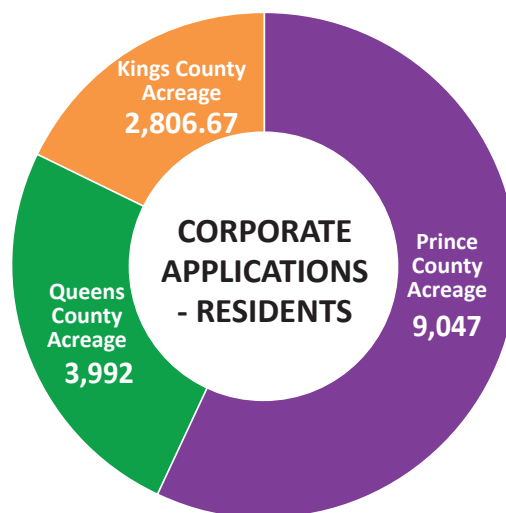
### Non-Resident Applications

The Commission considered 113 applications from non-residents totaling approximately 5,137 acres. Forty-nine applications with shore frontage, totaling approximately 34,351 feet, were included in the non-resident applications.



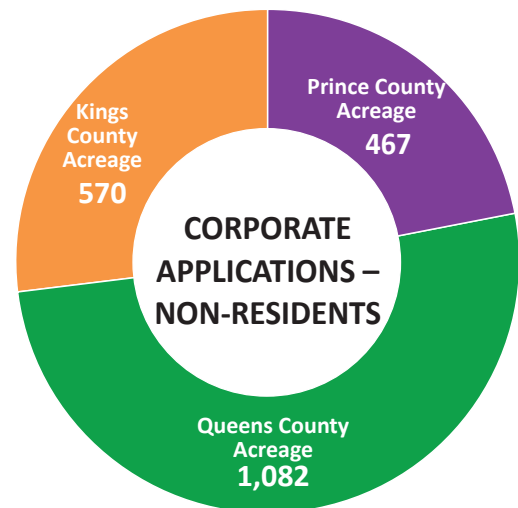
### Corporate Applications – Resident

The Commission considered 271 applications totaling approximately 15,487 acres of land from resident corporations. Fifty-eight applications with shore frontage, totaling approximately 73,170 feet, were included in the resident corporate applications.



### Corporate Applications – Non-Resident

The Commission considered 54 applications totaling approximately 2,120 acres of land from non-resident corporations. Three applications with shore frontage, totaling approximately 1,049 feet, were included in the non-resident corporate applications.



### Global Leasing Applications

#### – Non-Resident and Corporate

A Global Lease Permit enables a corporation or non-resident person to apply for permission to acquire land by way of lease and to continue to hold a permitted number of acres of land as part of their aggregate land holdings. This permit is especially useful for farm corporations that use different parcels of land each year in their crop rotations. Fifteen applications, totaling 8,876 acres of land, were considered under section 5.3 of the LPA.

### Applications to Cancel, Suspend or Amend Conditions

The Commission is responsible for receiving applications to cancel, suspend, or amend any condition, including the condition that the land be identified for non-development use. The Commission does not make recommendations on these applications. Its role is to review the applications to ensure they are complete before being submitted to the Minister of Agriculture and Land for consideration. Upon receipt, the Minister makes recommendations on the applications to Executive Council.

In January 2015, an amendment to the LPA provided an automatic 10-year expiry date on land identification agreements. For this reason, there is significantly less land in the province subject to land identification agreements and this change is reflected in the Commission's statistics. In 2018-19, 23 applications, totaling 301 acres, were processed by the Commission.

## Annual Declaration Statement

Under the LPA, a person having an aggregate land holding in excess of 750 acres, or a corporation having an aggregate land holding in excess of 2,250 acres, must file an annual land holding declaration statement with the Commission.

For the year ending December 31, 2018, the Commission received and processed 90 land holding declaration statements. Of these, 68 were filed by persons, and 22 were filed by corporations.

## Municipal Government Act

Under the *Municipal Government Act*, the Commission advises the Minister of Fisheries and Communities on proposals to establish or restructure municipalities. In 2018-19, the Commission issued four recommendations to the then Minister of Communities, Land and Environment, including a proposal to establish the new municipalities of Three Rivers, North Shore, and Central Prince, as well as a proposal to restructure the Town of Kensington.





# OFFICE OF THE DIRECTOR OF RESIDENTIAL RENTAL PROPERTY

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The Office of the Director of Residential Rental Property (the “Rental Office”) is responsible for the administration of the *Rental of Residential Property Act* (the “Act”). The Act creates a forum, outside of the traditional court system, for the adjudication of disputes between tenants and landlords. It also establishes the rights and responsibilities of tenants and landlords and defines the procedures to deal with violations and the enforcement of obligations related to rental agreements.

Under the *Rental of Residential Property Act*, the Director is responsible for:

- Providing information to the public to promote understanding of rights and responsibilities under the Act;
- Advising landlords and tenants with respect to matters relating to rental agreements;
- Receiving and investigating allegations of violations of rental agreements, the *Rental of Residential Property Act* and its Regulations;
- Holding hearings, making decisions, and issuing orders on matters relating to the rights of tenants and landlords; and
- Entering and inspecting residential premises, after serving an inspection order, for the purpose of carrying out the powers or duties under the *Rental of Residential Property Act* and its Regulations.

The statutory conditions defined in the *Rental of Residential Property Act* governing the rental of residential premises include:

- Condition of Premises
- Services
- Good Behaviour
- Obligation of the Lessee (tenant)
- Subletting Premises
- Entry of Premises
- Entry Doors
- Late Payment Penalty
- Quiet Enjoyment
- Delivery of Possession

Additional statutory conditions related to mobile homes are defined in the Act. The Act also creates other rights and obligations for tenants and landlords. These include:

- Security Deposits
- Termination of Rental Agreement
- Rent Increases

The Rental Office is comprised of a director, two rental officers, and three intake officers. Rental officers hear disputes and issue decisions. Intake officers handle inquiries from the public and receive applications for hearings. More information is available at [www.irac.pe.ca/rental](http://www.irac.pe.ca/rental).

## Year in Review

### Inquiries

In 2018-19, the Rental Office received 10,168 inquiries, a significant increase from 6,856 inquiries the previous year. The Rental Office's intake officers responded to 800 to 900 inquiries a month, in person, by email, letter, fax, or telephone, and provided information and advice.

### Applications Filed

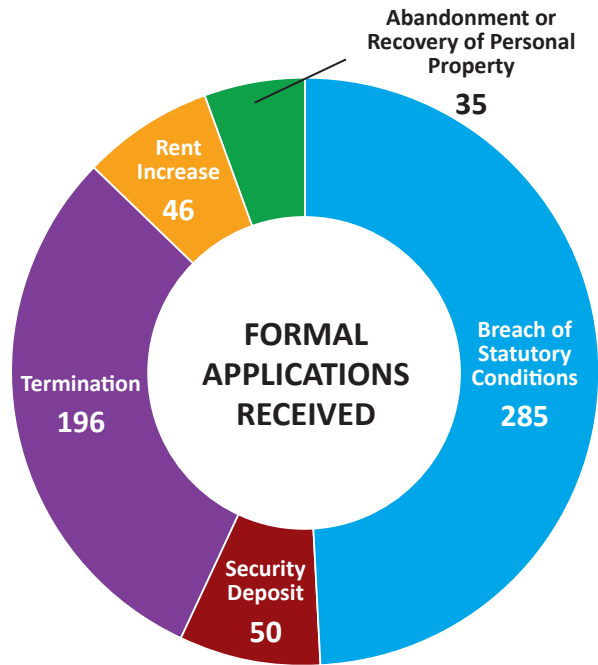
In 2018-19, the Rental Office received 612 applications for adjudication of rental disputes. Of those, 104 were withdrawn by the applicant prior to any action being taken by staff and 97 were resolved by the parties, with the assistance of staff, prior to a hearing. The number of applications resolved outside of the formal hearing process continues to grow as a result of the Commission's focus on alternative dispute resolution.

## Nature of Applications

This graph provides a breakdown of the applications received by the Rental Office during fiscal year 2018-19.

### Enforcement of Statutory or Other Conditions of Rental Agreement

In 2018-19, the Rental Office received 285 applications related to breach of statutory conditions, compared with 280 applications the previous year. Sixty applications were withdrawn and 47 were resolved without a formal hearing.



### Security Deposits

The *Rental of Residential Property Act* sets out the requirements for security deposits taken as a condition of the rental agreement. In 2018-19, the Rental Office received 50 applications for a determination of entitlement to the security deposit, compared with 44 applications the previous year. Three applications were withdrawn and 4 were resolved without a formal hearing.

### Termination of Rental Agreement

Under the *Rental of Residential Property Act*, termination of the rental agreement requires proper notice and is allowed only for the reasons defined in the Act. A tenant may challenge a notice of termination and a landlord may apply to terminate a rental agreement. In either case, when an application regarding termination is received, the Rental Office holds a hearing and issues a decision. In 2018-19, the Rental Office received 196 applications for termination, compared with 119 applications the previous year. Thirty applications were withdrawn and 38 were resolved without a formal hearing.

*In 2018-19, the Rental Office received 196 applications for termination, compared with 119 applications the previous year.*

**196**  
2018-19

**119**  
2017-18

## Rent Increases

Each year, the Director invites written comments from tenants, landlords, and the general public to assist the Commission in determining the annual allowable rent increase. For 2019, the Commission set the allowable rent increase at 2.0% for heated premises, 1.5% for electric heated premises, 1.5% for unheated premises, and 1.5% for mobile home sites.

Landlords seeking rent increases greater than the allowable amount must apply to the Office of the Director of Residential Rental Property for approval. In 2018-19, the Rental Office received 46 applications for a rent increase greater than the allowable amount, compared with 9 the previous year. Eleven applications were withdrawn and eight were resolved without a formal hearing.

## Personal Property

The *Rental of Residential Property Act* provides a process for landlords to deal with the abandonment or recovery of personal property. In 2018-19, the Rental Office received 35 applications regarding personal property compared with 27 the previous year.

## Rental Orders Issued

The Rental Office is committed to delivering well-reasoned decisions in a timely manner. The amount of orders issued is dependent upon the number and complexity of the applications that the Rental Office receives.

In 2018-19, the Rental Office issued 391 orders, including applications carried over from 2017-18. This compares to 323 orders issued in 2017-18.

The following table provides statistical data for the last three years:

	2016-17	2017-18	2018-19
<b>Total</b>	<b>384</b>	<b>323</b>	<b>391</b>
Security Deposits	34	29	49
Termination	65	87	128
Breach of Statutory Conditions	273	201	193
Rent Increase	12	6	21



## Public Relations

An ongoing priority of the Rental Office is to raise awareness of the rights and responsibilities of tenants and landlords. In 2018-19, several steps were taken to increase awareness: a radio ad campaign was launched; public information sessions were offered across the province, and the Director gave several media interviews on the topic.

The Director was also involved in the development of the provincial Housing Action Plan and made presentations on the *Rental of Residential Property Act* to the Housing Council and the Housing Hub. Staff worked with the Community Legal Information Association and the PEI Council of People with Disabilities to help increase their understanding of the legislation governing tenants and landlords to enable them to better assist their clients.

In November 2018, the Commission was asked by the then Minister of Education, Early Learning and Culture to provide input to the province on the current experiences and challenges faced in administering the *Rental of Residential Property Act*, and to make recommendations for legislative amendments that would assist the Commission in executing its mandate under the Act. The Commission is continuing this work to provide input to government.

# FINANCIAL STATEMENTS – FISCAL YEAR 2018-19

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Section 17 of the *Island Regulatory and Appeals Commission Act* states:

“The Executive Committee shall appoint an auditor to audit the accounts and financial transactions of the Commission.”

The Commission appointed Fitzpatrick & Company, an independent company, to audit its financial statements for the year ended March 31, 2019.



**Prince Edward Island  
Regulatory and Appeals  
Commission**

**Financial Statements**

**For the Year Ended March 31, 2019**



## **Independent Auditor's Report**

To the Commissioners of Prince Edward Island Regulatory and Appeals Commission

We have audited the accompanying financial statements of Prince Edward Island Regulatory and Appeals Commission ("the Commission") which comprise the statement of financial position as at March 31, 2019 and the statements of operations, net financial assets and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2019 and its financial performance for the year then ended in accordance with Canadian Public Sector Accounting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.



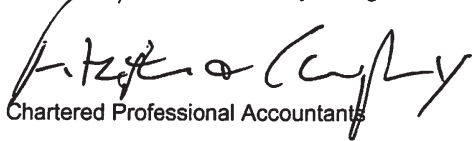
## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Commission or business activities within the Commission to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants

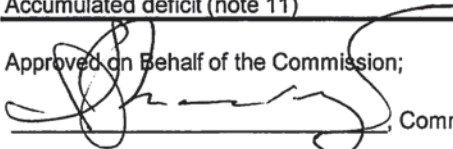
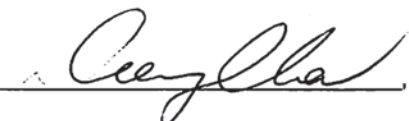
Charlottetown, PE

June 10, 2019

# Prince Edward Island Regulatory and Appeals Commission

## Statement of Financial Position

As at March 31, 2019, with comparative figures for 2018

	2019	2018
<b>Financial Assets</b>		
Cash (note 2)	\$ 83,952	\$ 173,822
Accounts receivable (note 3)	316,683	240,316
Investments (note 4)	730,652	875,420
	1,131,287	1,289,558
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 5)	1,378,235	1,306,886
Employee future benefits (note 6)	201,254	215,782
Leasehold improvements and inducements	48,000	64,000
	1,627,489	1,586,668
<b>Net financial assets</b>	<b>(496,202)</b>	<b>(297,110)</b>
<b>Non-Financial Assets</b>		
Prepaid expenses	372	887
Tangible capital assets (note 7)	94,021	121,316
	94,393	122,203
Commitments (note 8)		
Pension costs and obligations (note 9)		
Accumulated deficit (note 11)	\$ (401,809)	\$ (174,907)
Approved on Behalf of the Commission;		
 Commissioner		Commissioner

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

# Prince Edward Island Regulatory and Appeals Commission

## Statement of Operations

For the Year Ended March 31, 2019, with comparative figures for 2018

	Budget (note 13)	2019	2018
<b>Revenue:</b>			
Assessment - Province of PEI	\$ 1,400,300	\$ 1,400,300	\$ 1,200,000
Assessments on public utilities (note 10)	532,000	615,506	606,268
Licenses - petroleum products	338,200	331,896	320,105
Permits - land and property division (note 10)	530,100	542,497	571,645
Assessments on auto insurance	225,000	225,340	225,630
Investment and other income (note 14)	27,600	29,045	26,349
	3,053,200	3,144,584	2,949,997
<b>Operating expenses:</b>			
Advertising	63,000	32,180	16,273
Amortization	120,500	112,623	156,445
Cleaning	8,160	8,088	8,311
Computer maintenance and supplies	133,100	102,837	135,709
Education and development	30,000	25,230	28,726
Insurance	13,300	12,381	10,712
Office expenses	44,200	48,362	41,854
Part-time commissioners	20,000	20,857	12,411
Postage	4,800	3,940	3,191
Professional fees	323,000	346,030	244,944
Publications	23,000	20,567	18,993
Recoverable hearing expenses (note 10)	-	254,979	133,962
Rent	167,976	167,976	165,854
Repairs and maintenance	2,500	1,304	2,599
Salaries and employee benefits	2,194,323	2,127,142	1,978,296
Telephone	12,000	11,662	11,860
Travel	80,020	75,328	62,439
	3,239,879	3,371,486	3,032,579
Annual deficit	(186,679)	(226,902)	(82,582)
Accumulated deficit, beginning of year	-	(174,907)	(92,325)
Accumulated deficit, end of year	\$ -	\$ (401,809)	\$ (174,907)

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

## Prince Edward Island Regulatory and Appeals Commission

### Statement of Change in Net Financial Assets

As at March 31, 2019, with comparative figures for 2018

	Budget (note 13)	2019	2018
Annual deficit	\$ (186,679)	\$ (226,902)	\$ (82,582)
Acquisition of tangible capital assets	(95,624)	(85,328)	(78,970)
Amortization of tangible capital assets	120,500	112,623	156,445
Increase (use) of prepaid expenses	-	515	1,247
	(161,803)	(199,092)	(3,860)
Net financial assets, beginning of year	(297,110)	(297,110)	(293,250)
Net financial assets, end of year	\$ (458,913)	\$ (496,202)	\$ (297,110)

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



# Prince Edward Island Regulatory and Appeals Commission

## Statement of Cash Flows

For the Year Ended March 31, 2019, with comparative figures for 2018

	2019	2018
Cash flows from operating activities:		
Cash receipts from government transfers and customers	\$ 3,051,935	\$ 2,694,884
Cash paid to suppliers and employees	(3,217,527)	(2,796,535)
Interest received	16,282	12,028
	(149,310)	(89,623)
Cash flows from capital activities:		
Purchase of tangible capital assets	(85,328)	(78,970)
Cash flows from investing activities:		
Decrease in investments	144,768	31,262
Net decrease in cash	(89,870)	(137,331)
Cash, beginning of year	173,822	311,153
Cash, end of year	\$ 83,952	\$ 173,822

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

# Prince Edward Island Regulatory and Appeals Commission

## Notes to the Financial Statements

For the Year Ended March 31, 2019, with comparative figures for 2018

The Commission is incorporated under the Island Regulatory and Appeals Commission Act of Prince Edward Island. The Commission is primarily engaged in the general supervision of public utilities, petroleum distributors, land and property appeals, Office of the Director of Residential Rental Property, auto insurance rate regulation and the hearing of appeals for property and sales tax disputes. The Commission is also responsible for recommending decisions under the Lands Protection Act. The Commission is a non-taxable entity under the provisions of the Income Tax Act.

### 1. Significant accounting policies:

#### a) Basis of accounting:

The financial statements of the Commission are the representations of management prepared in accordance with Canadian Public Sector Accounting Principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

#### b) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts directly attributable to acquisition or construction of the tangible capital assets. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Asset	Rate
Computer equipment	3 years
Furnishings and equipment	5 years
Leasehold improvements	5 years

#### c) Vacation pay, retirement allowance, and sick time:

Vacation pay is recorded as a liability when earned.

The Commission records an annual expense based on the change in the actuarially determined obligation for retirement allowance benefits, net of payments during the year.

The Commission records an annual expense based on the change in the actuarially determined obligation for sick time, net of sick time taken in excess of sick time earned during the year.

#### d) Government transfers:

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates on the amounts can be determined.

# Prince Edward Island Regulatory and Appeals Commission

## Notes to the Financial Statements

For the Year Ended March 31, 2019, with comparative figures for 2018

### 1. Significant accounting policies: (continued)

e) Pension costs:

Employees of the Commission belong to the Civil Service Superannuation Plan which is a multi-employer contributory defined benefit pension plan and is accounted for as a defined contribution plan. Employees' contributions and matching employer's contributions are transferred to the Civil Service Superannuation Fund. These contributions are expensed as incurred. Future actuarial liabilities assumed by the Province of Prince Edward Island are not reflected in these financial statements.

f) Investments:

Investments consist of Guaranteed Investment Certificates and are recorded at cost plus accrued interest.

g) Leasehold improvements and inducements:

Costs incurred or paid by landlords to renovate the Commission's premises are recorded as leasehold improvements and amortized over the life of the lease.

h) Revenue recognition:

All revenues other than investment income are recorded in the period in which the transactions or events that give rise to the revenues occur. Amounts that have been received in advance of services being rendered are recorded as deferred revenue until the Commission discharges the obligations that led to the collection of funds. Investment income is recorded in the period in which the interest is earned.

i) Use of estimates:

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

### 2. Cash:

	2019	2018
Cash	\$ 66,015	\$ 156,669
Cash held in trust for deposit guarantees	17,937	17,153
	<u>\$ 83,952</u>	<u>\$ 173,822</u>

# Prince Edward Island Regulatory and Appeals Commission

## Notes to the Financial Statements

For the Year Ended March 31, 2019, with comparative figures for 2018

### 3. Accounts receivable:

	2019	2018
Trade receivables	\$ 267,986	\$ 197,162
HST receivables	44,359	42,347
Other receivables	4,338	807
	<b>\$ 316,683</b>	<b>\$ 240,316</b>

### 4. Investments:

Investments consist of Guaranteed Investment Certificates invested at the Bank of Nova Scotia with interest rates ranging from 0.72% to 2.30% and maturity dates ranging from April 2019 to January 2020.

### 5. Accounts payable and accrued liabilities:

	2019	2018
Province of Prince Edward Island - accumulated surplus	\$ 1,072,630	\$ 1,072,630
Trade	132,868	96,934
Vacation pay	90,632	89,858
Accrued sick leave	64,168	30,311
Deposit guarantees - Director of Residential Rental Property (note 2)	17,937	17,153
	<b>\$ 1,378,235</b>	<b>\$ 1,306,886</b>

### 6. Employee future benefits:

Certain employees are eligible for retiring pay as defined by the Collective Bargaining Agreement with the Government of Prince Edward Island. This plan provides retiring pay to employees who meet the eligibility requirements outlined in the Agreement. The retiring pay entitlement is equal to either one week or two weeks of pay for each year of service and the maximum will vary depending on the particular employee group. These benefits are unfunded. An analysis of the components of, and changes in, employee future benefits is as follows:

Retirement allowance	2019	2018
Balance, beginning of year	\$ 215,782	\$ 266,012
Current service cost	20,104	18,888
Accrued interest	6,021	8,733
Retirement pay	(48,895)	(86,093)
Loss on valuation	8,242	8,242
	<b>\$ 201,254</b>	<b>\$ 215,782</b>

The 2018 retirement allowance balances are based on an independent actuarial valuation estimate dated April 1, 2017. The Commission projects the total liability in the years between the tri-annual actuarial valuations.



# Prince Edward Island Regulatory and Appeals Commission

## Notes to the Financial Statements

For the Year Ended March 31, 2019, with comparative figures for 2018

### 6. Employee future benefits: (continued)

The economic assumptions used in determining the actuarial value of accrued retirement allowances were developed by reference to the expected long-term market conditions. Significant actuarial assumptions used in the valuations and projections on the actuarial report which was completed on April 1, 2017, are primarily the same with exception of the discount rate. The discount rate has been updated to reflect market rate changes which is consistent with the Province's cost of borrowing. The remaining assumptions are below:

	2019	2018
Discount rate	2.99%	3.26%
Expected inflation rate	2.20%	2.20%
Expected average remaining service life	5 years	5 years

Employees that become ineligible for retiring benefits may become entitled to severance benefits calculated under similar methods.

During the 2019 fiscal period, two employees retired, resulting in a decrease in the obligation of \$ 48,895 (2018 - \$ 86,093).

### 7. Tangible capital assets:

			2019	2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 698,173	\$ 624,380	\$ 73,793	\$ 98,404
Furnishings and equipment	109,564	89,336	20,228	22,912
	<b>\$ 807,737</b>	<b>\$ 713,716</b>	<b>\$ 94,021</b>	<b>\$ 121,316</b>

### 8. Commitments:

The Commission has an operating lease for its premises at \$ 15,420 per month plus common area charges, under a lease expiring March 31, 2022.

The minimum annual lease payment to the expiry date is \$ 185,040.

### 9. Pension costs and obligations:

The Commission participates in the multi-employer contributory defined benefit pension plan as defined by the Civil Service Superannuation Act. This plan provides a pension on retirement based on 2% of the average salary for the highest three years times the number of years of pensionable service for service to December 31, 2013, and 2% of the career average salary indexed with cost of living adjustments for service after 2013. Indexing is subject to the funded level of the plan after December 31, 2016. The plan is administered by the Province of Prince Edward Island and the responsibility for any unfunded liability is that

During the year, the Commission contributed \$ 283,576 (2018 - \$ 279,309) to the defined benefit pension plan on behalf of employees. These amounts are included in salaries and employee benefits in the Statement of Operations.

# Prince Edward Island Regulatory and Appeals Commission

## Notes to the Financial Statements

For the Year Ended March 31, 2019, with comparative figures for 2018

### 10. Recoverable hearing expenses:

During the current year, the Commission incurred costs of \$ 254,979 (2018 - \$ 133,962) for expert consulting and other expenses related to a public utility application and hearing. These costs and expenses were recovered by way of an increased assessment on the public utility.

### 11. Accumulated deficit:

The Commission segregates its accumulated surplus (deficit) in the following categories:

	2019	2018
Capital fund	\$ 94,021	\$ 121,316
Operating fund	(695,830)	(496,223)
Reserve	200,000	200,000
	<u>\$ (401,809)</u>	<u>\$ (174,907)</u>

Capital fund:

The capital fund represents amounts already spent and invested in tangible capital assets.

Reserve:

On April 1, 2013, an agreement was signed with the Province of Prince Edward Island effective until March 31, 2016. Under this agreement, the Commission has agreed to refund the accumulated surplus to the Province, at the discretion of the Province, for any fiscal year by March 31 of the year following the end of the fiscal year for which the accumulated surplus is calculated. On January 26, 2015, the Commission received a legal opinion from independent counsel which raises concerns about the obligations of the Commission to the Province of Prince Edward Island regarding the transfer of accumulated surplus as recognized in these financial statements. In addition, legal counsel provided an opinion that it is not necessary for the Commission to have a new agreement with the Province. As a result, it is unknown at the time of this report whether the accumulated surplus (note 5) will be payable to the Province.

Under the previous agreement, the Commission was allowed to retain a one time \$ 200,000 reserve of its accumulated surplus to cover net costs exceeding the annual assessments agreed to under this agreement. Although a new agreement is not in place, the reserve fund will be unchanged.

### 12. Financial instruments risk:

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission is exposed to credit risk arising from its accounts receivable.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission is exposed to interest rate risk arising from its pension and sick leave liability.

# Prince Edward Island Regulatory and Appeals Commission

## Notes to the Financial Statements

For the Year Ended March 31, 2019, with comparative figures for 2018

### 13. Budget:

A reconciliation of the 2019 fiscal operating budget prepared by the Commission to the budget figures disclosed in the financial statements, is as follows:

	2019
Commission budgeted annual deficit	\$ 186,679
Less:	
Capital expenditures	95,624
	<u>\$ 282,303</u>

### 14. Investment and other income:

	2019	2018
Investment income	\$ 16,282	\$ 12,028
Police commission	7,700	8,400
Rental fees	5,030	5,885
Other	33	36
	<u>\$ 29,045</u>	<u>\$ 26,349</u>





**Postal Address:**

Island Regulatory and Appeals Commission  
PO Box 577, Charlottetown, PE C1A 7L1

**Office Address:**

Suite 501, 134 Kent Street, Charlottetown, PE

**Telephone and Fax Numbers:**

Tel: (902) 892-3501 | Toll Free (for area code 902): 1-800-501-6268  
Fax: (902) 566-4076