

The background of the cover is a photograph of a coastal landscape. In the foreground, there are numerous purple flowers, likely coastal peas, growing among green foliage and dry, golden-brown grass. In the upper left, a green stem with several unopened flower buds is visible. The background shows a blurred view of the ocean and a clear blue sky. A teal-colored rectangular box is positioned in the top right corner, containing the title and subtitle in white text.

THE ISLAND REGULATORY AND APPEALS COMMISSION

2019-2020
ANNUAL REPORT

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ISBN Number: 978-1-988666-07-5

ISBN Number (digital): 978-1-988666-08-2

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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 Prince Edward Island Regulatory and Appeals Commission's Annual Report for 2019-2020. The report presents an overview of the Commission's activities for the fiscal year 2019-2020 and the audited financial statements for the fiscal year ending March 31, 2020.

Respectfully submitted,



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

COMMENTS FROM THE CHAIR



I am pleased to present the Annual Report of the Prince Edward Island Regulatory and Appeals Commission for the period April 1, 2019 to March 31, 2020.

During the 2019-2020 fiscal year, the Commission issued 797 decisions, orders, approvals, and recommendations in the areas of petroleum, lands protection, rental, land-use, public utilities, automobile insurance, and more. Given the wide scope of our legislated mandates, our decisions affect the lives of many Islanders. We endeavor to deliver unbiased well-reasoned decisions, while serving the public interest.

Upholding the Commission's independence from government, industry, and special interest groups is crucial to maintaining impartiality, objectivity, and expertise in all our decision-making. Public understanding and the need to protect our independence is a matter of great importance for the Commission.

In the past fiscal year, the Commission had the opportunity to appear before two Legislative Committees. In October 2019, we met with the Natural Resources and Environmental Sustainability Committee to discuss our role in administering the *Lands Protection Act*. In March 2020, we met with the Public Accounts Committee to discuss petroleum pricing.

The Commission made a significant change to petroleum pricing in August 2019, moving from biweekly to weekly pricing. The change was in response to extreme volatility in the price of petroleum products. Weekly pricing has shown to provide consumers and retailers with a more accurate market price, avoiding unscheduled price interruptions.

During 2019-2020, Prince Edward Island experienced one of the lowest vacancy rates in the country, creating a housing crisis that caused hardships for many people. As a result, the Rental Office adjudicated a high volume of disputes between tenants and landlords

and issued a record 531 Orders. People seeking assistance from the Rental Office are often in conflict and upset. I would like to recognize the staff of the Rental Office for the professional manner in which they carry out their work, helping people navigate difficult situations.

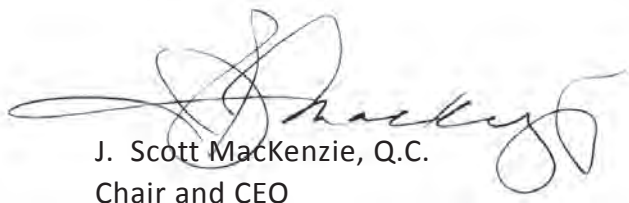
In August 2019, the Commission held a four-day hearing into Maritime Electric's General Rate Application to increase electricity rates. Working with experts to assess the application, the Commission issued several requests for additional information on the company's documents and financial projections. The Commission was still working with Maritime Electric and gathering additional information at the time of reporting.

In December 2019, full-time Commissioner John Broderick retired after 12 years of service, making him the longest-serving Commissioner. John's dedication and commitment to serving the public interest was a hallmark of his tenure. We wish John well in his retirement. We were pleased to welcome new Commissioners, appointed by Executive Council, former Deputy Minister of Justice and Deputy Attorney General Erin Mitchell, appointed as full-time Commissioner and community volunteer Cynthia McCardle, appointed as part-time Commissioner.

I would like to thank all our Commissioners for their expertise and commitment to serving the public interest.

I would also like to recognize and thank each and every member of the Commission's staff for their dedication to fulfilling their responsibilities in a manner that ensures the smooth and efficient operation of the Commission.

Finally, COVID-19 struck at the end of the fiscal year and overnight it changed how we work and interact with the public. Although our office was closed to the public, we continued to operate with staff working from home. Following the direction of the Supreme Court of P.E.I., hearings and appeals were temporarily suspended and then resumed with restrictions. Seeking innovative ways to protect the health and safety of staff and the public while we carry out our work will be a concern as we adapt and move forward.



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

COMMENTARIES DU PRÉSIDENT



Je suis heureux de présenter le rapport annuel de la Commission de réglementation et d'appels de l'Île pour la période du 1^{er} avril 2019 au 31 mars 2020.

En 2019-2020, la Commission a remis 797 décisions, ordonnances, approbation et recommandations dans le domaine du pétrole, de la protection des terres, de la location, de l'utilisation des terres, des services publics, de l'assurance automobile et dans d'autres domaines. Étant donné la grande portée de notre mandat selon la loi, nos décisions influent sur la vie de nombreux Insulaires. Nous nous efforçons de rendre des décisions bien raisonnées, tout en servant l'intérêt du public.

Maintenir l'indépendance de la Commission par rapport au gouvernement, aux industries et aux groupes d'intérêts spéciaux est crucial pour qu'elle conserve son impartialité, son objectivité et son expertise en tout temps dans sa prise de décisions. La compréhension du public et le besoin de protéger son indépendance sont très importants pour la Commission.

Au cours du dernier exercice, la Commission a eu l'opportunité de se présenter devant deux comités législatifs. En octobre 2019, nous avons rencontré le Comité des ressources naturelles et de la durabilité de l'environnement afin de discuter de notre rôle dans l'administration de la *Lands Protection Act* (loi sur la protection des terres). En mars 2020, nous avons rencontré le Comité des comptes publics pour discuter des prix du pétrole.

La Commission a fait un changement important en matière de tarification du pétrole en août 2019 : elle est passée de la tarification chaque deux semaines à une tarification hebdomadaire. Le changement a été adopté en raison de la très grande volatilité des prix des produits du pétrole. La tarification hebdomadaire a permis d'offrir aux consommateurs et aux détaillants un prix courant plus juste, et d'éviter les interruptions non prévues dans le prix.

Durant l'exercice 2019-2020, l'Île-du-Prince-Édouard a connu l'un des taux d'inoccupation les plus bas dans le pays, ce qui a créé une crise du logement ayant été éprouvante pour de nombreuses personnes. Le Bureau du directeur des propriétés résidentielles s'est prononcé sur un grand nombre de litiges entre locataires et propriétaires et a rendu 531 ordonnances, un

nombre sans précédent. Les personnes qui veulent l'aide du Bureau sont souvent en situation de conflit et contrariées. J'aimerais par conséquent reconnaître les membres de l'équipe du Bureau pour le professionnalisme dont ils font preuve dans leur travail lorsqu'ils aident les gens à faire face à des situations difficiles.

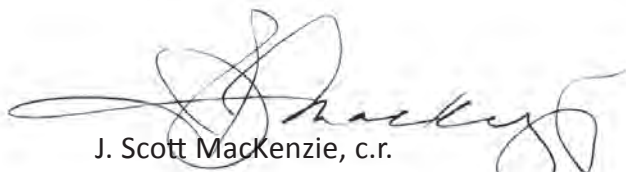
En août 2019, la Commission a tenu une audience de quatre jours pour la demande générale d'approbation de Maritime Electric concernant l'augmentation de ses tarifs. Après avoir travaillé avec des experts pour examiner la demande, la Commission a fait plusieurs demandes pour obtenir de l'information supplémentaire concernant les documents et les projections financières de l'entreprise. La Commission était toujours en train de travailler avec Maritime Electric et de rassembler des renseignements additionnels au moment de la rédaction du rapport.

En décembre 2019, John Broderick, commissaire à temps plein, a pris sa retraite après 12 ans de service, ce qui a fait de lui le commissaire ayant fait partie de Commission le plus longtemps. Le dévouement de John dans son travail pour servir l'intérêt public est le point saillant de son mandat. Nous souhaitons une bonne retraite à John. Par ailleurs, nous sommes heureux d'accueillir de nouveaux commissaires, nommés par le Conseil exécutif : Erin Mitchell, ancienne sous-ministre de la Justice et sous-procureure générale, comme commissaire à temps plein, et Cynthia McCardle, bénévole communautaire, comme commissaire à temps partiel.

J'aimerais remercier tous les commissaires pour leur expertise et leur dévouement envers l'intérêt public.

J'aimerais reconnaître et remercier chacun des membres du personnel de la Commission pour les efforts qu'ils font afin de faire leur travail de façon à assurer le fonctionnement optimal de la Commission.

Pour terminer, la pandémie de COVID-19 est survenue à la fin de l'exercice et, du jour au lendemain, a changé la façon dont nous travaillons et interagissons avec le public. Bien que nos bureaux étaient fermés au public, toute notre équipe a continué de travailler à partir de la maison. À la suite des directives de la Cour suprême de l'Î.-P.-É., les audiences et les appels ont été temporairement suspendus, puis ont repris avec certaines restrictions. Trouver des façons novatrices de protéger la santé et la sécurité du personnel et du public tout en continuant notre travail sera l'un de nos objectifs à mesure que nous nous adaptons et allons de l'avant.



J. Scott MacKenzie, c.r.
Le président et directeur général

OVERVIEW

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

The Commission Chair and Chief Executive Officer is J. Scott MacKenzie, Q.C.; Vice-Chair is Doug Clow, CPA, CA; and part-time Commissioners include Jean Tingley and Terry McKenna.

In December 2019, Executive Council appointed former Deputy Minister of Justice and Deputy Attorney General Erin Mitchell as full-time Commissioner and community volunteer Cynthia McCardle as part-time Commissioner. This followed the retirement of John Broderick who served 12 years as full-time Commissioner, making him the longest-serving full-time Commissioner.

In 2019-20, the Commission employed a staff of 22.

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:	<ul style="list-style-type: none">• <i>Rental of Residential Property Act</i>• <i>Planning Act</i>• <i>Real Property Assessment Act</i>• <i>Roads Act</i>• <i>Unsightly Premises Act</i>• <i>Heritage Places Protection Act</i>• <i>Environmental Protection Act</i>
As an economic regulator, the Commission’s responsibilities fall under these Acts:	<ul style="list-style-type: none">• <i>Insurance Act</i>• <i>Petroleum Products Act</i>• <i>Electric Power Act</i>• <i>Water and Sewerage Act</i>• <i>Environmental Protectional Act</i>
The Commission has administrative responsibilities under these Acts:	<ul style="list-style-type: none">• <i>Lands Protection Act</i>• <i>Municipal Government Act</i>

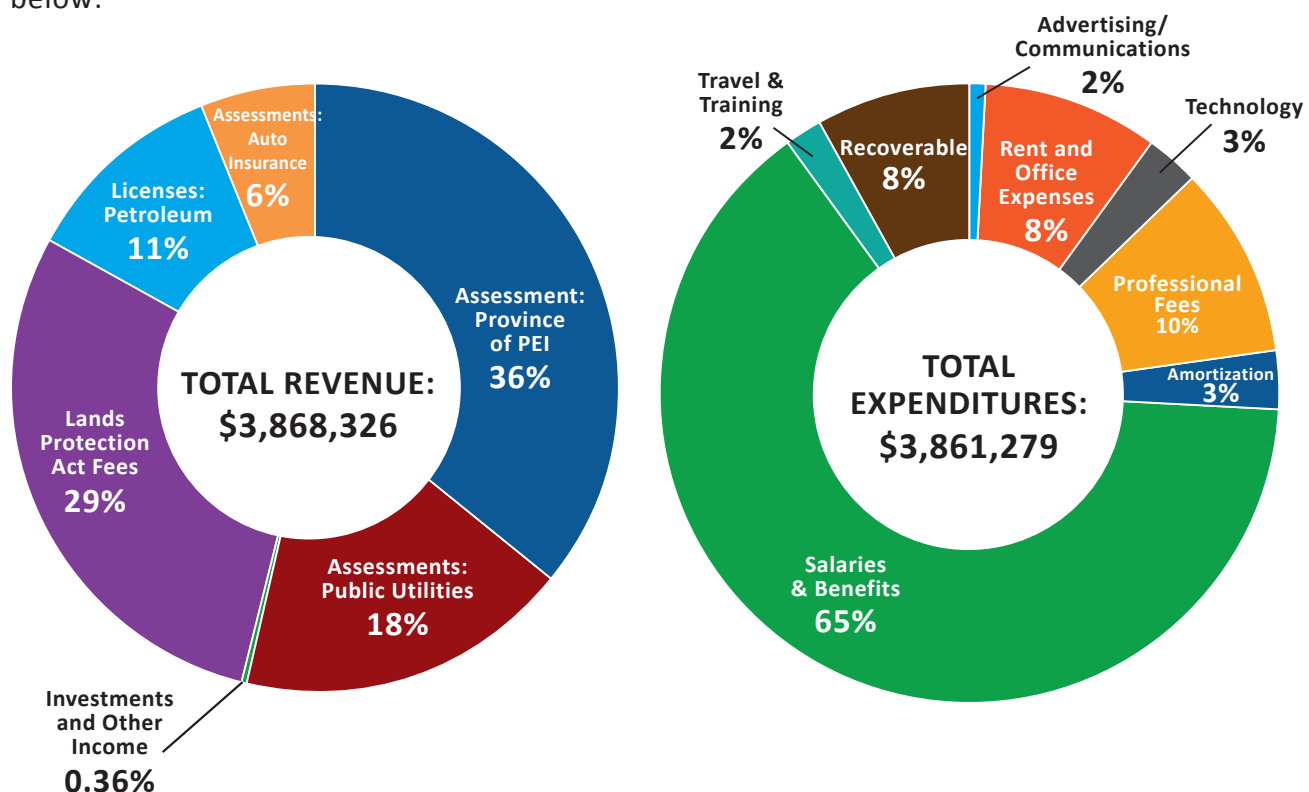
Financial Highlights Fiscal Year 2019-20

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, to cover the costs of its operations.

The Commission's revenue sources include non-resident fees for applications under the *Lands Protection Act*; license fees for retail and wholesale petroleum outlets; assessments on automobile insurers, Maritime Electric Company, Limited ("Maritime Electric"), Summerside Electric, and water and sewer utilities. In addition, the province of Prince Edward Island is assessed for the costs of operation for the Office of the Director of Residential Rental Property and for appeal hearings.

In 2019-20, total revenue amounted to \$3,868,326, an increase of \$723,742 from the previous year's revenues. The increase is primarily due to an extraordinary increase in non-resident fees received under the *Lands Protection Act*.

The Commission incurred expenses of \$3,861,279 during 2019-20, allocated as shown below:



Source: Prince Edward Island Regulatory and Appeals Commission
March 31, 2020 Audited Financial Statements.

Source: Prince Edward Island Regulatory and Appeals Commission
March 31, 2020 Audited Financial Statements.

The Commission's audited financial statements for the fiscal year ending March 31, 2020 can be found in the last section of this report.

Commission Activities

Decisions, Orders, Approvals and Recommendations

Fiscal Year 2019-20

The Commission issued a total of 797 decisions, orders, approvals and recommendations. The following is a breakdown by area:

797
TOTAL

520
TOTAL

LANDS PROTECTION

Non-Resident applications	79
Corporate applications	321
Global lease applications	19
Amendment applications	14
Annual disclosure statements	87

80
TOTAL

PETROLEUM

Regular petroleum price settings	44
Unscheduled price settings	5
Applications for new licenses	10
Regulatory administrative approvals	21

9
TOTAL

ELECTRICITY

Rate-Related applications	5
Capital budget and regulatory approvals	4

9
TOTAL

WATER – SEWER

Utility rate applications	0
Construction permits	9

70
TOTAL

AUTO INSURANCE

Rate applications	70
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Appeals

Fiscal Year 2019-20

28
TOTAL

PLANNING ACT

Appeals in process	28
Final decisions issued	1
Mediated – no formal hearing	10
Withdrawn by appellant	4
Ongoing	13 ¹

5
TOTAL

REAL PROPERTY ASSESSMENT ACT

Appeals filed	5
Withdrawn by appellant	2
Ongoing	3 ¹

76
TOTAL

RENTAL OF RESIDENTIAL PROPERTY ACT

Appeals filed	71
Appeals carried over from 2018-19	5 ²
Appeals heard	54
Withdrawn by appellant	19
Denied – no jurisdiction	3
Orders issued	43 ³
Orders to be issued - carried over to 2020-21	1
Appeals to be heard – carried over to 2020-21	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.

3) The difference in the number of appeals heard versus the number of Orders issued is due to the fact that:

(a) two cross appeals (where both the Lessor and Lessee disagree with the decision of the Order) with the result being one hearing and one Order issued;
(b) two appeals filed by the same Lessor against the same Lessee, with only one hearing and one Order issued; and
(c) one appeal being dismissed after the hearing, but before the Commission could issue its Order.

APPELLATE ACTIVITIES

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 people dissatisfied with decisions made by municipal councils or by the minister responsible for the *Planning Act*.

In 2019-20, the Commission had 28 planning appeals in process. Ten appeals were successfully mediated by Commission staff and withdrawn without a formal hearing. The Commission issued a final decision on one appeal. Four appeals were withdrawn by the appellant and the remaining 13 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 2017 to 2020:

	2017-18	2018-19	2019-20
Total appeals in process	24	29	28
Allowed	5	0	0
Denied	2	2	1
Withdrawn	4	3	4
No jurisdiction	1	0	0
Mediated	5	12	10
Ongoing	7	12	13

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 531 decisions issued on rental matters during 2019-20, the Commission received 71 appeals, compared with 64 appeals in 2018-19.

Below is a summary of appeals filed under the *Rental of Residential Property Act* for 2019-20:

	2019-20
Total	76
Appeals filed	71
Appeals carried over from 2018-19	5 ³
Total	76
Appeals heard	54
Appeals withdrawn by appellant	19
Appeals denied – no jurisdiction	3
Orders issued	43 ⁴
Appeals to be heard - carried over to 2020-21	5
Orders to be issued - carried over 2020-21	1

Real Property Assessment Act

The Commission hears appeals on property tax assessments under the *Real Property Assessment Act*. In 2019-20, five appeals were on file with the Commission. Two were withdrawn by the appellant and the remaining three are on hold at the request of the parties.

3) Ibid., p15.

4) The difference in the number of appeals heard versus the number of Orders issued is due to the fact that:

(a) two cross appeals (where both the Lessor and Lessee disagree with the decision of the Order) with the result being one hearing and one Order issued;
 (b) two appeals filed by the same Lessor against the same Lessee, with only one hearing and one Order issued; and
 (c) one appeal being dismissed after the hearing, but before the Commission could issue its Order.

REGULATORY ACTIVITIES

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 has regulatory responsibilities in the following areas: the distribution and sale of petroleum products; regulatory authority over Maritime Electric; regulatory authority over municipal and private water and sewer utilities, excluding the larger municipalities of Charlottetown, Summerside, Stratford and Cornwall; regulatory authority over rate changes for the Island Waste Management Corporation and automobile insurance rates offered on Prince Edward Island.

The Commission's Senior Financial Advisor is responsible for matters under the *Electric Power Act*. A director and an analyst are responsible for the administration of other regulatory matters.



Year in Review

Petroleum

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 retail and wholesale petroleum product licenses.

Petroleum Pricing

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 August 2019, the Commission moved from biweekly to weekly petroleum pricing. The change was made in response to extreme volatility in the price of petroleum products. Weekly pricing provides consumers and retailers with a more accurate market price and avoids unscheduled price interruptions. This change aligns Prince Edward Island with the other Atlantic Provinces which set petroleum prices on a weekly basis.

In 2019-20, the Petroleum Panel met for 44 regularly scheduled price adjustments and 5 unscheduled price adjustments, for a total of 49 price adjustments. The methodology used for petroleum pricing can be found on the Commission's website at:

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

The Commission determines the minimum and maximum markup for retailers. In 2019-20, the Commission set new retail margins for gasoline and diesel fuel. As of January 1, 2020, the minimum retail margin for self-serve gasoline and diesel fuel increased by 0.5 cents per litre (cpl) to 6.0 cpl, and the maximum retail margin for self-serve gasoline and diesel fuel increased by 0.5 cpl to 7.0 cpl. Retail outlets may price anywhere within the minimum and maximum prices.

Current and archived pricing information on all products is available on the Commission's website at www.irac.pe.ca/petrol.

The following table shows the volume of each petroleum product sold:

PRODUCTS SOLD (IN LITRES)

Product	2017	2018	2019
Propane	25,843,038	29,859,530	35,076,071
Diesel	81,031,088	84,825,638	89,215,263
Fuel Oils	119,947,638	132,971,083	136,928,725
Gasoline	220,341,669	233,316,295	237,898,992

Petroleum Licensing

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.

The Commission issued 314 petroleum licenses in 2019-20, an increase of 10 from the previous year:

	2017-18	2018-19	2019-20
Total Licenses	310	304	314
Retail Distributors	18	18	18
Wholesalers	23	21	22
Tank Trucks	86	78	88
Retail Outlets	183	187	186

The number of petroleum retail outlets in the province decreased by one in 2019-20:

	2017-18	2018-19	2019-20
Total Licenses	183	187	186
Garages	3	4	4
Stations	13	12	12
Propane Only	49	51	51
Marine	49	48	47
Merchants	69	72	72

The average gasoline volume per outlet increased to 2,600,887 liters. This is an increase of approximately 60,012 liters from 2018.

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 operating 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.

In 2019-20, the Commission issued 9 Orders in response to filings by Maritime Electric, including its Supplemental Capital Budget, 2020 Annual Capital Budget, and Dorian Storm Restoration Costs Report.

On August 30, 2019, the Commission approved Maritime Electric's 2019 Supplemental Capital Budget for line rebuilds, and on December 9, 2019, the Commission approved the company's 2020 Capital Budget and variances to its 2018 Capital Budget.

The Commission held a four-day hearing August 6 - August 9, 2019 on Maritime Electric's General Rate Application for new electricity rates filed on November 30, 2018. On September 27, 2019, the Commission issued an Order that Maritime Electric's rates, tolls and charges for electric service for the period March 1, 2018 to February 28, 2019 remain in effect until February 28, 2020, or until otherwise varied by the Commission.

The Commission also ordered that the rates, tolls and charges for electric service effective March 1, 2020 and March 1, 2021 shall be determined upon Maritime Electric filing with the Commission updated financial information as of December 31, 2019.

The Commission has engaged Grant Thornton to review the updated financial information and provide regulation advisory services to the Commission regarding the March 1, 2020 and March 1, 2021 rates.

In its September 27, 2019 Order, the Commission required Maritime Electric to complete a number of filings including a review of the Energy Cost Adjustment Mechanism account,

*The Commission
issued 9 orders
with respect to the
activities of
Maritime Electric
during the fiscal
year 2019-20.*

a comprehensive rate design study, proposed rate structure, and a long-term plan for energy system utilization at the CTGS site. As of the end of this reporting period, the Commission had not received Grant Thornton's report and is awaiting Maritime Electric's additional filings.

On May 17, 2019, the Commission issued an order approving an electricity efficiency and conservation plan that was submitted by the Prince Edward Island Energy Corporation. The plan provides for rebates and incentives to reduce electricity. It will be administered by efficiencyPEI. The Commission had the application reviewed by experts and also sought public input on the plan. The Commission approved a budget of \$13.3M providing for rebates and energy cost savings programs to be delivered from 2019 to 2021. As part of its order, the Commission required efficiencyPEI to provide annual reports to allow the Commission to assess the effectiveness of the energy savings programs implemented.



Water and Sewer

Under the *Water and Sewerage Act*, the Commission regulates all water and wastewater utilities in Prince Edward Island, excluding municipal utilities operating in Charlottetown, Summerside, Stratford, and Cornwall. For more information, visit <http://www.irac.pe.ca/utilities>.

In 2019-20, the Commission's Water and Sewer Panel issued nine permits for utility construction projects in several municipalities. The projects included sewer line replacements in Georgetown and Tignish; lift station upgrades in Wellington, Georgetown, Cavendish, and Souris; wastewater treatment plant upgrades in Alberton and St. Peter's Bay; and the de-sludging and de-watering of O'Leary's lagoon to address problematic algae in its system.

Funding through various federal-provincial development initiatives offset overall project costs, which substantially reduces the impact on utility rates.

No rate-related applications were received in 2019-20.

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

The *Insurance Act* provides for the regulation of automobile insurance rates by the Commission. All insurers providing automobile insurance in Prince Edward Island must file and get approval for their rates annually.

In 2019-20, the Commission reviewed automobile insurance rates for 120,828 vehicles with total premiums of \$101,635,000.

Insurance premiums for private passenger vehicles on Prince Edward Island average \$838 per year and remain the lowest in Canada, with the exception of Quebec which operates a public program.

AVERAGE ANNUAL PREMIUMS 2018 PRIVATE PASSENGER VEHICLES	
Prince Edward Island	\$838
New Brunswick	\$904
Nova Scotia	\$939
Newfoundland and Labrador	\$1,204
Quebec	\$717
Ontario	\$1,565
Manitoba*	\$1,080
Saskatchewan	\$1,235
Alberta	\$1,359
British Columbia	\$1,832

* Source: IBC August 13, 2019 Media Release.

ADMINISTRATIVE ACTIVITIES

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 approves or denies applications for land purchases or leases. The Commission’s Lands Protection Panel meets biweekly 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 the Commission’s website at www.irac.pe.ca/land.

Applications

In 2019-20, the Commission processed 433 applications under the LPA. Of these, 419 applications were for the acquisition of land involving 44,403 acres.

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

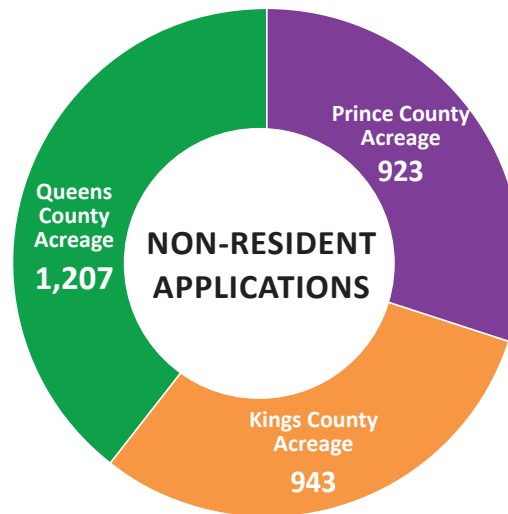
In 2019-20, the Commission processed 433 applications under the LPA. Of these, 419 applications were for the acquisition of land involving 44,403 acres.

LANDS PROTECTION ACT APPLICATIONS PROCESSED

	2017-18	2018-19	2019-20
Totals	470	476	433
Amendments	17	23	14
Corporate Non-Resident	64	54	62
Non-Resident	123	113	79
Corporate	245	271	259
Global Lease	21	15	19

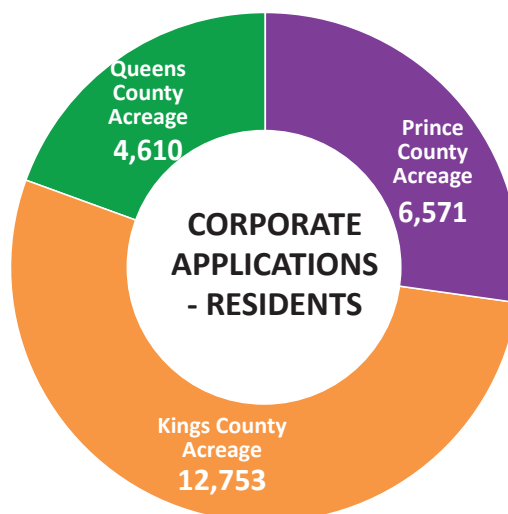
Non-Resident Applications

The Commission considered 79 applications from non-residents totaling approximately 3,073 acres. Thirty applications with shore frontage, totaling approximately 26,865 feet, were included in the non-resident applications.



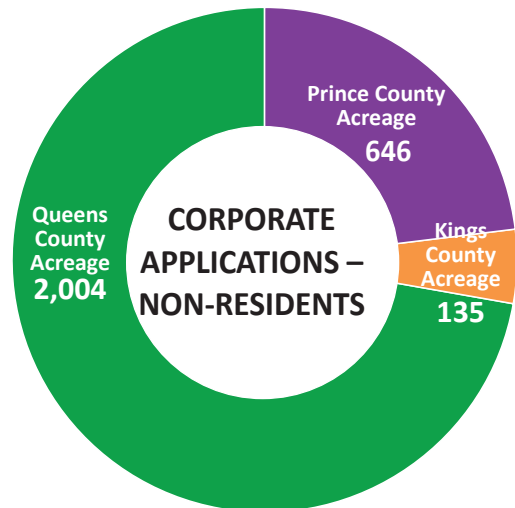
Corporate Applications – Resident

The Commission considered 259 applications totaling approximately 23,935 acres of land from resident corporations. Seventy applications with shore frontage, totaling approximately 118,782 feet, were included in the resident corporate applications.



Corporate Applications – Non-Resident

The Commission considered 62 applications totaling approximately 2,785 acres of land from non-resident corporations. Eleven applications with shore frontage, totaling approximately 14,091 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. Nineteen applications, totaling 14,610 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 2019-20, 14 applications, totaling 69 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, 2019, the Commission received and processed 87 land holding declaration statements. Of these, 69 were filed by persons, and 18 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 2019-20, the Commission issued one recommendation to the Minister of Fisheries and Communities to restructure the rural municipality of Wellington. The Commission also received and began processing two proposals to establish or restructure a municipality, including a proposal to establish the rural municipality of West River and a proposal to restructure the Town of Kensington.



OFFICE OF THE DIRECTOR OF RESIDENTIAL RENTAL PROPERTY

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 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;

In 2019-20, the Rental Office issued a record 531 Orders. With a vacancy rate among the lowest in Canada, the Rental Office adjudicated a high volume of disputes, receiving 666 applications for dispute resolution from tenants and landlords.

- Receiving and investigating allegations of violations of rental agreements, the 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 Act and its Regulations.

The statutory conditions defined in the Act governing the rental of residential premises include:

- | | |
|-------------------------------------|--------------------------|
| • Condition of Premises | • Entry of Premises |
| • Services | • Entry Doors |
| • Good Behaviour | • Late Payment Penalty |
| • Obligation of the Lessee (tenant) | • Quiet Enjoyment |
| • Subletting Premises | • 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 adjudicators, and three intake officers. Rental adjudicators 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.

Year in Review

Inquiries

In 2019-20, the Rental Office received 10,664 inquiries, a slight increase from 10,168 inquiries the previous year. The Rental Office's intake officers responded to approximately 800 to 900 inquiries a month, in person, by email, letter, fax, or telephone, and provided information and advice.

Applications Filed

In 2019-20, the Rental Office received 666 applications for adjudication of rental disputes, an increase of 54 applications from the previous year. Of those, 90 were withdrawn by the applicant prior to any action being taken by staff and 76 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 remains about the same as last year due to the Commission's focus on alternative dispute resolution.

Nature of Applications

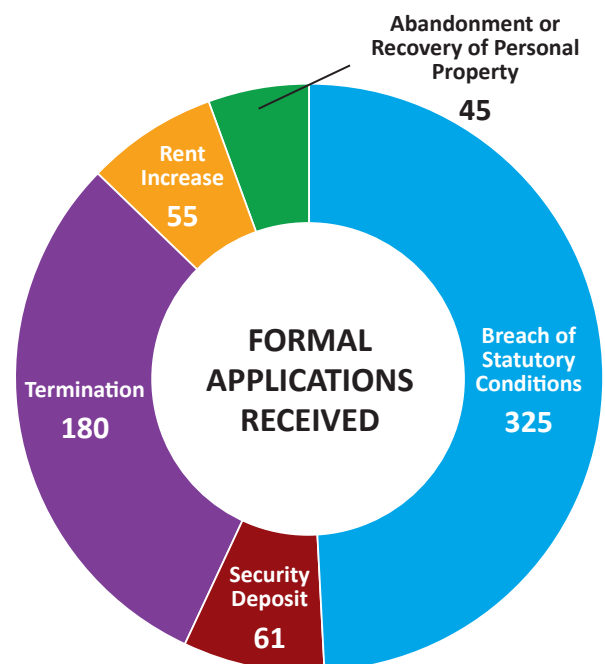
This graph provides a breakdown of the applications received by the Rental Office during fiscal year 2019-20.

Enforcement of Statutory or Other Conditions of Rental Agreement

In 2019-20, the Rental Office received 325 applications related to breach of statutory conditions, compared with 285 applications the previous year. Forty-eight applications were withdrawn and 48 were resolved without a formal hearing.

Security Deposits

The Act sets out the requirements for security deposits taken as a condition of the rental agreement. In 2019-20, the Rental Office received 61 applications for a determination of entitlement to the security deposit, compared with 50 applications the previous year. One application was withdrawn and five were resolved without a formal hearing.



Termination of Rental Agreement

Under the 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 2019-20, the Rental Office received 180 applications for termination, compared with 196 applications the previous year. Thirty-one applications were withdrawn and 19 were resolved without a formal hearing.

In 2019-20, the Rental Office received 180 applications for termination, compared with 196 applications the previous year.



Rent Increases

Each year, the Director invites written comments from tenants, landlords, and the general public to provide input to the Commission in determining the annual allowable rent increase. For 2020, the Commission set the allowable rent increase at 1.3% for all premises: heated, electric heated, unheated, and mobile home sites.

Landlords seeking a rent increase greater than the allowable amount must apply to the Rental Office for approval. In 2019-20, the Rental Office received 55 applications for a rent increase greater than the allowable amount, compared with 46 the previous year. One application was withdrawn and eight were resolved without a formal hearing.

Personal Property

The Act provides a process for landlords to deal with the abandonment or recovery of personal property. In 2019-20, the Rental Office received 45 applications regarding personal property compared with 35 the previous year.

Rental Orders Issued

The Rental Office strives to deliver well-reasoned decisions in a timely manner. The number of orders issued depends upon the number and complexity of the applications received by the Rental Office.

In 2019-20, the Rental Office issued 531 Orders, including applications carried over from 2018-19. This is a significant increase of 140 Orders from the previous year, with 391 Orders issued in 2018-19.

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

	2017-18	2018-19	2019-20
Total	323	391	531
Security Deposits	29	49	82
Termination	87	128	123
Breach of Statutory Conditions	201	193	280
Rent Increase	6	21	46

Community Engagement

The Rental Office works continuously to raise awareness of the rights and responsibilities of tenants and landlords. On a daily basis, staff assist people with rental matters, providing advice and guidance. In 2019-20, staff of the Rental Office had the opportunity to participate in public information sessions for tenants and landlords held across the province by Community Legal Information. The Rental Office also re-broadcast a radio ad campaign aimed at increasing understanding of rental agreements for tenants and landlords.

In February 2020, the provincial government introduced draft legislation to update and modernize the laws governing tenants and landlords. Public consultations on the draft *Residential Tenancy Act* were scheduled for March 2020 across the province. Public meetings were held in Alberton and Summerside with the Director participating; however, the sessions for Charlottetown and Montague were cancelled due to the COVID-19 pandemic.



FINANCIAL STATEMENTS – FISCAL YEAR 2019-20

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, 2020.



**Prince Edward Island
Regulatory and Appeals
Commission
Financial Statements**

For the Year Ended March 31, 2020



Independent Auditor's Report

To the Commissioners of Prince Edward Island Regulatory and Appeals Commission

Opinion

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, 2020 and the statements of operations, net debt 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2020 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.

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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.

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

July 16, 2020

Prince Edward Island Regulatory and Appeals Commission

Statement of Financial Position

As at March 31, 2020, with comparative figures for 2019

	2020	2019
Financial Assets		
Cash (note 2)	\$ 44,181	\$ 83,952
Accounts receivable (note 3)	561,501	316,683
Investments (note 4)	621,759	730,652
	1,227,441	1,131,287
Liabilities		
Accounts payable and accrued liabilities (note 5)	1,540,589	1,378,235
Employee future benefits (note 6)	210,256	201,254
Leasehold improvements and inducements	32,000	48,000
	1,782,845	1,627,489
Net debt	(555,404)	(496,202)
Non-Financial Assets		
Prepaid expenses	4,358	372
Tangible capital assets (note 7)	156,284	94,021
	160,642	94,393
Commitments (note 8)		
Pension costs and obligations (note 9)		
Accumulated deficit (note 11)	\$ (394,762)	\$ (401,809)

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 and Accumulated Surplus

For the Year Ended March 31, 2020, with comparative figures for 2019

	Budget (note 13)	2020	2019
Revenue:			
Assessment - Province of PEI	\$ 1,400,300	\$ 1,400,300	\$ 1,400,300
Assessments on public utilities (note 10)	472,000	686,292	615,506
Licenses - petroleum products	328,700	416,775	331,896
Permits - land and property division (note 10)	530,100	1,125,619	542,497
Assessments on auto insurance	225,000	225,425	225,340
Investment and other income (note 14)	13,000	13,915	29,045
	2,969,100	3,868,326	3,144,584
Expenses:			
Advertising	127,500	59,164	32,180
Amortization	130,000	121,822	112,623
Cleaning	8,160	8,155	8,088
Computer maintenance and supplies	183,100	116,741	102,837
Education and development	35,500	16,035	25,230
Insurance	13,300	11,118	12,381
Office expenses	46,200	60,637	48,362
Part-time commissioners	20,000	23,820	20,857
Postage	4,800	4,328	3,940
Professional fees	343,000	395,123	346,030
Publications	23,000	20,956	20,567
Recoverable hearing expenses (note 10)	-	312,907	254,979
Rent	167,900	169,037	167,976
Repairs and maintenance	-	2,601	1,304
Salaries and employee benefits	2,324,345	2,477,884	2,127,142
Telephone	12,000	14,799	11,662
Travel	81,520	46,152	75,328
	3,520,325	3,861,279	3,371,486
Annual surplus (deficit)	(551,225)	7,047	(226,902)
Accumulated deficit, beginning of year	-	(401,809)	(174,907)
Accumulated deficit, end of year	\$ -	\$ (394,762)	\$ (401,809)

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

Prince Edward Island Regulatory and Appeals Commission

Statement of Change in Net Debt

As at March 31, 2020, with comparative figures for 2019

	Budget (note 13)		2020		2019
Annual surplus (deficit)	\$	(551,225)	\$	7,047	\$ (226,902)
Acquisition of tangible capital assets		(210,224)		(184,086)	(85,328)
Amortization of tangible capital assets		130,000		121,822	112,623
Increase (use) of prepaid expenses		-		(3,985)	515
		(631,449)		(59,202)	(199,092)
Net debt, beginning of year		(496,202)		(496,202)	(297,110)
Net debt, end of year	\$	(1,127,651)	\$	(555,404)	\$ (496,202)

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, 2020, with comparative figures for 2019

	2020	2019
Cash flows from operating activities:		
Cash receipts from government transfers and customers	\$ 3,296,749	\$ 2,796,956
Cash paid to suppliers and employees	(3,275,179)	(2,962,548)
Interest received	13,852	16,282
	35,422	(149,310)
Cash flows from capital activities:		
Purchase of tangible capital assets	(184,086)	(85,328)
Cash flows from investing activities:		
Decrease in investments	108,893	144,768
Net decrease in cash	(39,771)	(89,870)
Cash, beginning of year	83,952	173,822
Cash, end of year	\$ 44,181	\$ 83,952

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, 2020, with comparative figures for 2019

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 standards

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 transfers of monetary assets or tangible capital assets from a government for which the government making the transfer does not receive any goods or services directly; in return expect to be repaid in the future; or expect a direct financial return. Government transfers are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue when stipulations are met.

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2020, with comparative figures for 2019

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:

	2020	2019
Cash	\$ 38,134	\$ 66,015
Cash held in trust for deposit guarantees	6,047	17,937
	<u>\$ 44,181</u>	<u>\$ 83,952</u>

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2020, with comparative figures for 2019

3. Accounts receivable:

	2020	2019
Accrued recoverable project costs	\$ 242,566	\$ -
Trade receivables	234,193	267,986
HST receivables	82,892	44,359
Other receivables	1,850	4,338
	\$ 561,501	\$ 316,683

4. Investments:

Investments consist of Guaranteed Investment Certificates invested at the Bank of Nova Scotia with interest rates ranging from 1.22% to 2.25% and maturity dates ranging from May 2020 to January 2021.

5. Accounts payable and accrued liabilities:

	2020	2019
Province of Prince Edward Island - accumulated surplus	\$ 1,072,630	\$ 1,072,630
Trade	282,485	132,868
Vacation pay	114,927	90,632
Accrued sick leave	64,500	64,168
Deposit guarantees - Director of Residential Rental Property (note 2)	6,047	17,937
	\$ 1,540,589	\$ 1,378,235

Accumulated surplus

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 will be paid to the Province.

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:

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2020, with comparative figures for 2019

6. Employee future benefits: (continued)

Retirement allowance	2020	2019
Balance, beginning of year	\$ 201,254	\$ 215,782
Current service cost	22,503	20,104
Accrued interest	5,302	6,021
Retirement pay	(27,885)	(48,895)
Loss on valuation	9,082	8,242
	\$ 210,256	\$ 201,254

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.

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:

	2020	2019
Discount rate	2.67%	2.99%
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 2020 fiscal period, two employees retired, resulting in a decrease in the obligation of \$ 27,885 (2019 - \$ 48,895).

7. Tangible capital assets:

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Computer equipment	\$ 881,959	\$ 735,102	\$ 146,857	\$ 73,792
Furnishings and equipment	109,864	100,437	9,427	20,229
	\$ 991,823	\$ 835,539	\$ 156,284	\$ 94,021

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2020, with comparative figures for 2019

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 of the Province.

During the year, the Commission contributed \$ 293,232 (2019 - \$ 283,576) to the defined benefit pension plan on behalf of employees. These amounts are included in salaries and employee benefits in the Statement of Operations.

10. Recoverable hearing expenses:

During the current year, the Commission incurred costs of \$ 312,907 (2019 - \$ 254,979) for expert consulting and other expenses related to a public utility application and hearing, updates to land legislation, and corporate non-resident land holdings investigation. These costs and expenses were recovered by way of an increased assessment on the Public Utility and Provincial Government.

11. Accumulated deficit:

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

	2020	2019
Capital fund	\$ 156,284	\$ 94,021
Operating fund	(751,046)	(695,830)
Reserve	200,000	200,000
	<u>\$ (394,762)</u>	<u>\$ (401,809)</u>

Capital fund:

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

Reserve:

Under the agreement signed April 1, 2013 with the Province of Prince Edward Island, 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.

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2020, with comparative figures for 2019

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.

13. Budget:

A reconciliation of the 2020 fiscal operating budget prepared by the Commission to the budget figures disclosed in the financial statements, is as follows:

	2020
Commission budgeted annual deficit	\$ 551,225
Add:	
Capital expenditures	210,224
	<u>\$ 761,449</u>

14. Investment and other income:

	2020	2019
Investment income	\$ 9,526	\$ 16,282
Other	4,389	33
Police commission	-	7,700
Rental fees	-	5,030
	<u>\$ 13,915</u>	<u>\$ 29,045</u>



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