

2015-16

Prince Edward Island Regulatory And Appeals Commission

ANNUAL REPORT



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LETTER OF TRANSMITTAL

The Honourable Jordan Brown
Minister of Education, Early Learning and Culture
Province of Prince Edward Island

Honourable Mr. Brown:

The Island Regulatory and Appeals Commission has the honour to present its Annual Report for the year ending March 31, 2016.

Respectfully submitted.

A handwritten signature in blue ink, appearing to read 'J. MacKenzie', with a stylized flourish at the end.

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



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

COMMENTS FROM THE CHAIR

I am pleased to present the Annual Report for the Prince Edward Island Regulatory and Appeals Commission for the year ending March 31, 2016. During this past year the Commission again assumed the role as the economic regulator of electricity in the province as a result of the expiry of the Energy Accord Agreement between the government of Prince Edward Island and the Maritime Electric Company, Limited. In addition to the normal work carried on by the Commission, the Commission's electric panel met a total of 22 times, conducting hearings and setting electric power rates for a period of three years.

This year as part of a review of the operations of the Commission, a comprehensive human resources audit was undertaken. The report of the external consultants provided recommendations with respect to Commission staff and the organizational structure for the Commission. As of the time of this annual report this work is still ongoing.

During this fiscal year the revenue of the Commission dropped from \$3.03M to \$2.52M. This drop in revenue was primarily a result of a reduction of \$536K in revenue received from fees paid under the *Lands Protection Act*. During the previous fiscal year, the Commission had received land fees of \$831K, which was an unusually high as a result of a small number of high value commercial land transfers. These fluctuations in revenue from year to year cannot be accurately predicted and are very much dependent on real estate market activity.

As the information in this report shows, the amount of work processed by the dedicated staff of the Commission in the other areas that are under its

jurisdiction was in keeping with past years. The Rental Division continues to deal with a significant number of inquiries from lessors and lessees and received 570 rental applications for adjudication. The Commission processed the normal number of applications for petroleum pricing and licensing, water and sewer utility rates, and automobile insurance rates.

This past fiscal year saw an increase in the number of appeals filed under the *Planning Act*. The Commission now employs a more in-depth review at the time of the filing of an appeal to deal with questions of jurisdiction and to determine whether the dispute is one that can be settled without the need of a hearing. As a result, there was a higher number of appeals withdrawn prior to hearing.

I will take this opportunity again to note that the Commission's work in all areas involves dealing with people who are in conflict or otherwise the subject of regulation. I want to thank our staff for their dedicated service to the public.

I would also like to recognize the contribution of our full-time and part-time Commissioners, Vice-chair, Doug Clow, Commissioner, John Broderick and our part-time Commissioners, Mike Campbell, Leonard Gallant, Ferne MacPhail, Peter McCloskey and Jean Tingley.

The year ahead will require further work on the organizational structure and staffing of the Commission, upgrades and modernization to the computer system and a review of the policies and procedures.

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

COMMENTAIRES DU PRÉSIDENT

Je suis heureux de présenter le rapport annuel de la Commission de réglementation et d'appels de l'Île-du-Prince-Édouard pour l'exercice se terminant le 31 mars 2016. Au cours de la dernière année, la Commission s'est à nouveau occupée de la réglementation de l'électricité sur le plan économique dans la province en raison de l'expiration de l'accord entre le gouvernement de l'Île-du-Prince-Édouard et Maritime Electric Company, Limited. En plus des travaux habituels de la Commission, son comité sur l'électricité s'est réuni 22 fois pour tenir des auditions et établir les tarifs en électricité pour une période de trois ans.

Cette année, dans le cadre d'un examen des activités de la Commission, un audit approfondi des ressources humaines a été réalisé. Le rapport des experts externes a fourni des recommandations concernant le personnel de la Commission et sa structure organisationnelle. Au moment de la rédaction du présent rapport, les travaux y étant liés étaient encore en cours.

Pendant la période du rapport, les revenus de la Commission sont passés de 3,03 à 2,52 millions de dollars. Cette baisse des revenus découle principalement d'une diminution de 536 000 dollars dans les revenus venant des droits imposés par la Lands Protection Act (loi sur la protection des terres). Pendant l'exercice précédent, la Commission avait reçu 831 000 dollars en droits fonciers, une somme anormalement élevée résultant de quelques transferts fonciers commerciaux de grande valeur. Ces variations dans les revenus d'année en année ne peuvent être anticipées avec précision et dépendent grandement de l'activité du marché immobilier.

Comme le présent rapport le démontre, les travaux réalisés par le personnel dévoué de la Commission dans les autres domaines de sa compétence étaient de la même envergure que par le passé. La Division des locations continue de traiter un nombre important de questions de bailleurs et de preneurs et a reçu 570 demandes de location pour décision. La Commission a traité un nombre normal de demandes liées au prix de pétrole et aux permis de ce domaine, aux tarifs des services d'eau et d'égouts et aux tarifs des assureurs automobiles.

Au cours de l'exercice, le nombre d'appels faits en vertu de la Planning Act (loi sur la planification) a augmenté. La Commission fait maintenant un examen plus approfondi lors du dépôt d'un appel afin de traiter les questions de compétence et de déterminer si le différend peut être réglé sans audience. Par conséquent, plus d'appels ont été retirés avant la tenue d'une audience.

Je désire profiter de la publication du présent rapport pour souligner que tous les travaux de la Commission exigent une intervention auprès de personnes en situation de conflit ou assujetties à une réglementation. Je désire donc remercier le personnel pour son travail dévoué auprès du public.

J'aimerais aussi reconnaître la grande contribution de notre vice-président, Doug Clow, du commissaire John Broderick, et des commissaires à temps partiel Mike Campbell, Leonard Gallant, Ferne MacPhail, Peter McCloskey et Jean Tingley.

Au cours de l'exercice que nous entamons, la Commission devra poursuivre son travail sur sa structure organisationnelle et son personnel, mettre à jour son système informatique et réviser ses politiques et procédures.



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

EXECUTIVE SUMMARY

The Island Regulatory and Appeals Commission, or “IRAC” as it is commonly known in Prince Edward Island, 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 operates at arms-length from the Provincial Government. It has three full-time and up to five part-time Commissioners and a staff complement of 20.

MANDATE

The Commission is an independent quasi-judicial tribunal with appellate, regulatory and administrative responsibilities derived from the *Island Regulatory and Appeals Commission Act* and the provisions of a number of Province of Prince Edward Island Statutes.

VISION

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

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.

LEGISLATIVE ROLES AND RESPONSIBILITIES

The principal Acts under the administration of the Commission are:

- *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’s responsibilities include appellate responsibilities under the following Acts:

- *Planning Act*
- *Unsuitable Property Act*
- *Revenue Administration Act* (appeals on taxation under the *Gasoline Tax Act*, the *Health Tax Act*, the *Revenue Tax Act*, and the *Environment Tax Act*)
- *Real Property Assessment Act*
- *Real Property Tax Act*
- *Roads Act*
- *Heritage Places Protection Act*

The Commission has responsibility under the *Municipalities Act* for conducting public hearings and making recommendations to the Minister on municipal boundary extension applications.

The Commission regulates automobile insurance rates under the *Insurance Act*, and changes to the Island Waste Management Corporation rates under the *Environmental Protection Act*.

WHO WE ARE

The *Island Regulatory and Appeals Commission Act* provides for the appointment of a full-time Chair who shall be the Chief Executive Officer of the Commission, a full-time Vice-Chair, who shall assume primary responsibilities for matters related to land, one other Commissioner, and not more than five part-time Commissioners.

Full-Time Commissioners:

Chair and Chief Executive Officer
Vice-Chair
Commissioner

J. Scott MacKenzie, Q.C.
Douglas Clow, CPA, CA
John Broderick

Part-Time Commissioners:

Michael Campbell
Leonard Gallant
Ferne MacPhail
Peter McCloskey
Jean Tingley

Staff Positions:

Corporate Services and Appeals

Director
Appeals Administrator
Finance/Human Resources
Senior Systems Specialist
Executive Assistant to the CEO
Technical Coordinator
Administrative Assistant
Receptionists

Mark Lanigan, CPA, CA
Philip Rafuse
Susan Jefferson
Daniel Arsenault
Collette Vessey
Donna Chandler
Dawn Murphy
Glynne Squires
Mary-Lou Austin

Regulatory Services

Director
Senior Regulatory Administrator
Regulatory Analyst
Regulatory Analyst
Regulatory Analyst
Regulatory Analyst

Allison MacEwen
Danielle Gillan
Heather Walker
Faye Weeks
Janice MacKinnon
Cassie MacKenzie

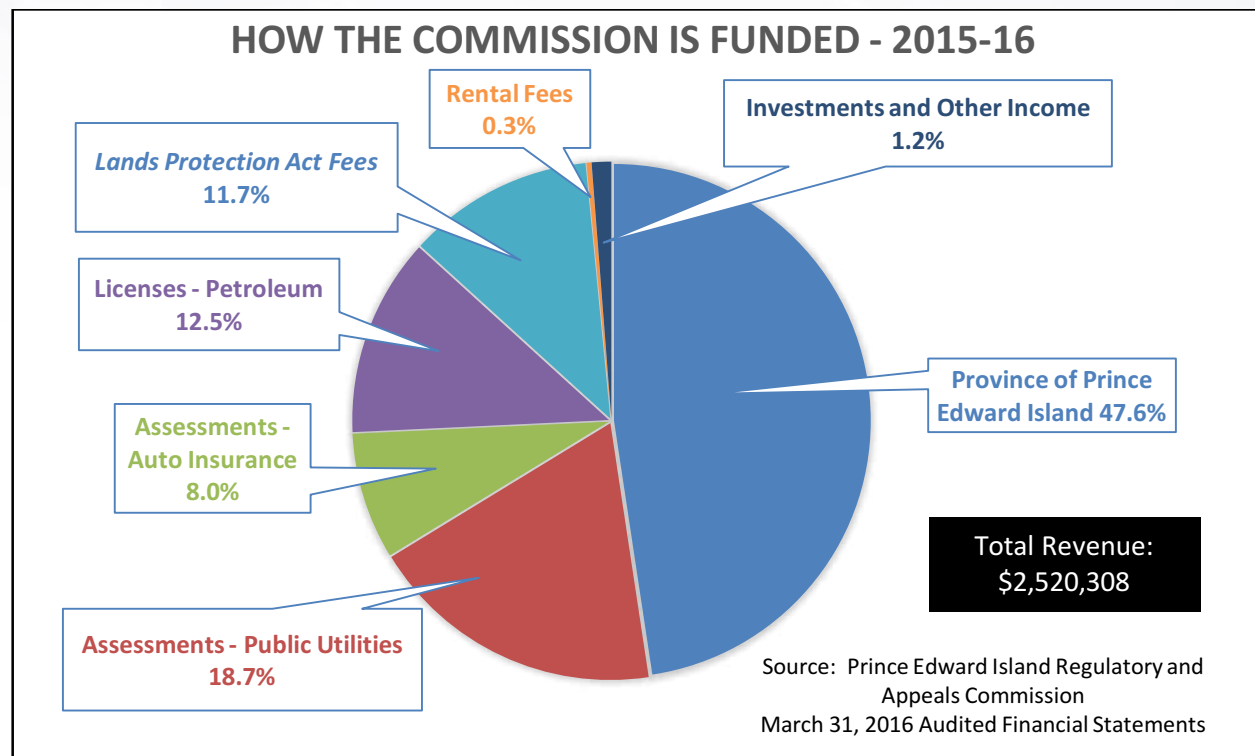
Office of the Director of Residential Rental Property

Director
Rental Officer
Rental Officer
Intake Officer
Intake Officer

Catherine Flanagan
Shayne Hogan
Jennifer Perry
Hillis Jones
Kelly Charlesworth

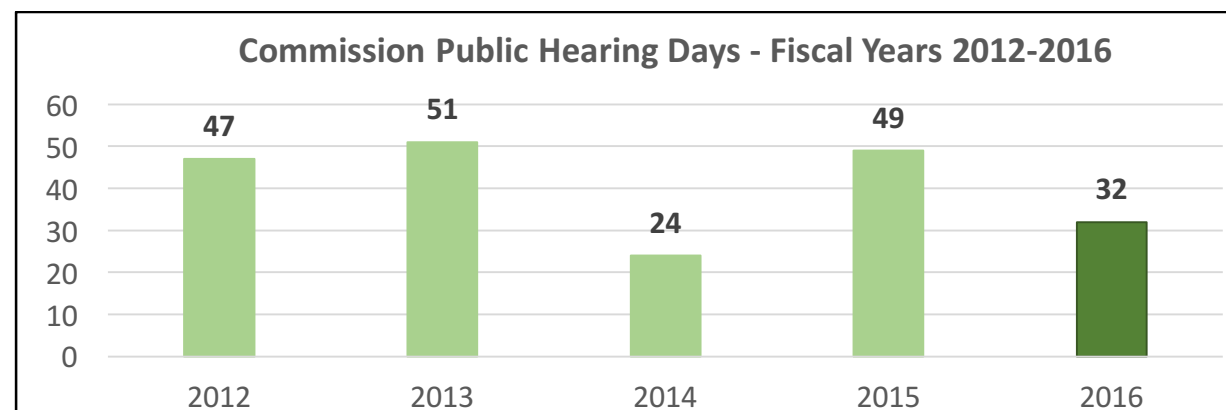
WHO FUNDS THE COMMISSION

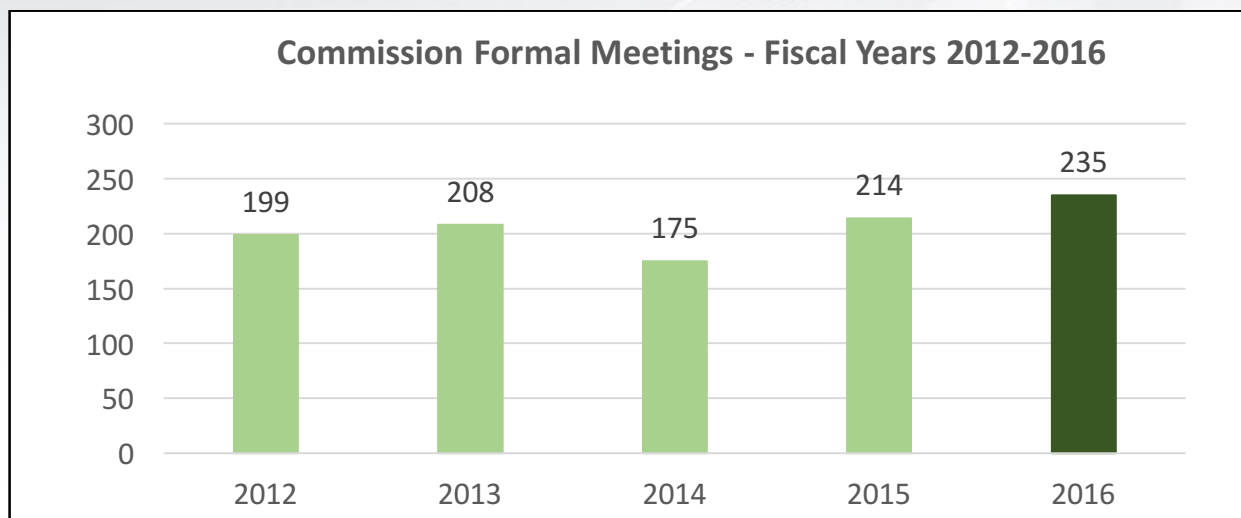
The Commission is funded by the Province of Prince Edward Island, as well as various stakeholders by way of annual assessments and application fees. In fiscal 2015-16, revenue amounted to \$2,520,308.



ACTIVITIES

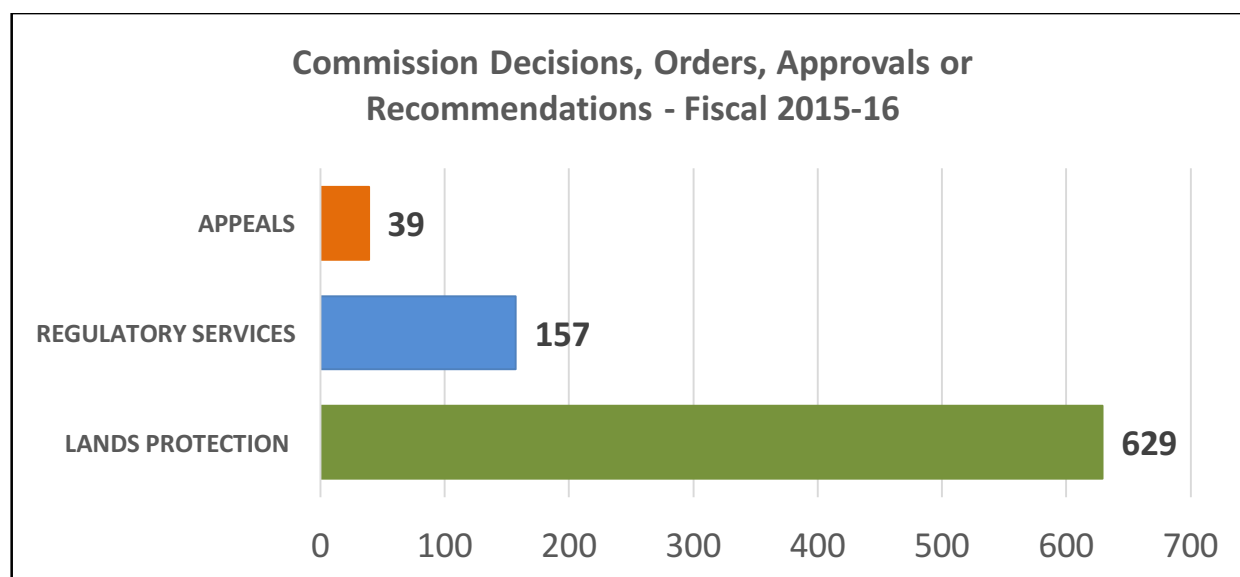
During fiscal 2015-16, the Commission conducted more than 32 public hearing days and conducted 235 formal meetings, where 789 Agenda items were decided.





DECISIONS, ORDERS, APPROVALS OR RECOMMENDATIONS

During fiscal 2015-16, the Commission issued a total of 825 Decisions, Orders, Approvals or Recommendations. The following is a breakdown by area.





CORPORATE SERVICES AND APPEALS DIVISION

WHO WE ARE

The Corporate Services and Appeals Division is comprised of a Director and eight staff members.

OUR ROLE AND RESPONSIBILITIES

The Corporate Services and Appeals Division is responsible for the following functions of the Commission:

- Finance
- Appellate
- Human Resources
- Technology
- Facility management

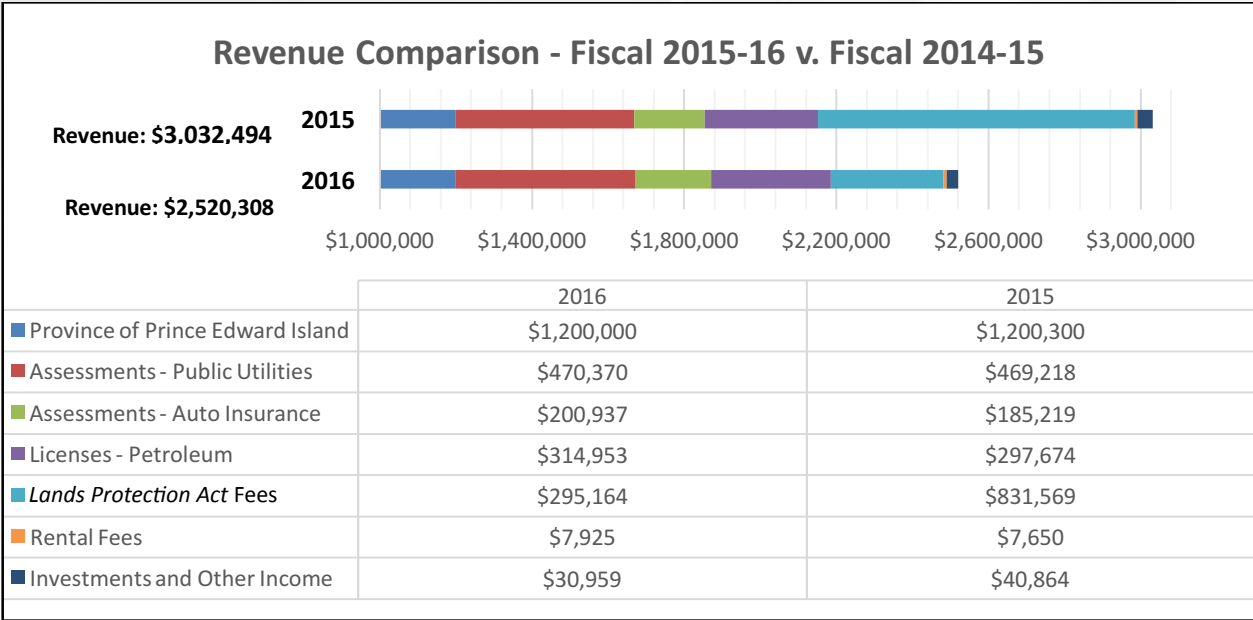
During fiscal 2015-16, staff met with the Executive Committee a total of 20 times to discuss 22 Corporate Services agenda items.

YEAR IN REVIEW - FINANCIAL

The Commission follows the requirements of the *Financial Administration Act*, as a Schedule D organization. For fiscal 2015-16, the Commission's annual financial results were audited by the independent public accounting firm, Fitzpatrick & Company.

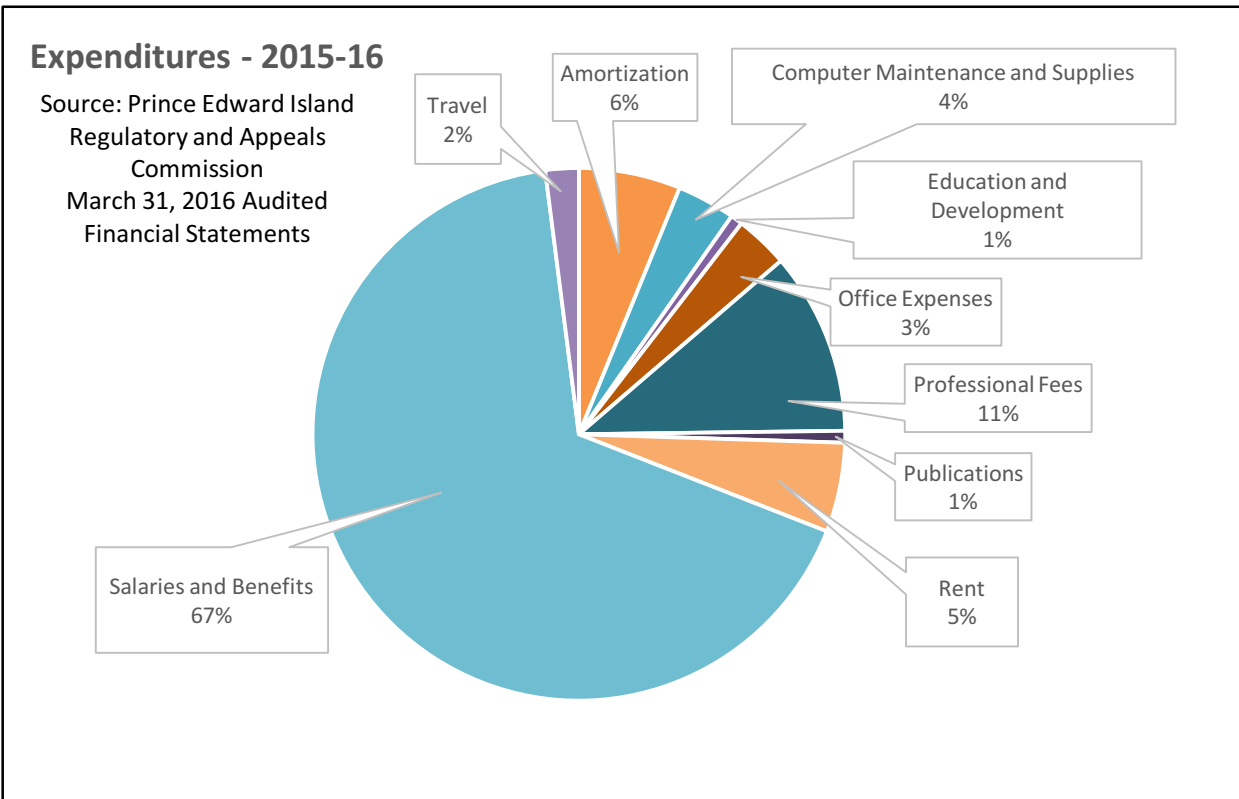
REVENUES

Revenues for fiscal 2015-16 amounted to \$2,520,308, which is a decrease of \$512,186 from fiscal 2014-15's revenues of \$3,032,494. The variance can be primarily attributed to a decrease of \$536,405 in fees generated under the *Lands Protection Act*.



EXPENDITURES

Expenses of \$3,055,182 were incurred in fiscal 2015-16, allocated as shown below.



YEAR IN REVIEW - TECHNOLOGY

During fiscal 2015-16, the Commission implemented a virtual desktop infrastructure (VDI) modernization system. Individual computers were replaced with remote computing terminals connected to processing servers, which are less costly and result in greater efficiency of software management updates, and extends the hardware refresh cycle from three years to five years.

The VDI environment uses a mirrored network technology that allows for faster and more efficient computing uptime and reduces the opportunity for data loss in the event of a hardware failure.

The Commission's hearing room was modernized with the installation of Commissioner and Client monitors and screens to improve viewing of documents by all parties participating in a hearing.

YEAR IN REVIEW - APPELLATE

In fiscal 2015-16, Commission Appeal Panels met a total of 95 times to discuss 107 appellate agenda items:

- 19 meetings to discuss 20 *Planning Act* appeal agenda items
- 76 meetings to discuss 87 Rental of *Residential Property Act* appeal agenda items

ACTIVITIES

In 2015-16, the following activities were undertaken in relation to the following *Acts*:

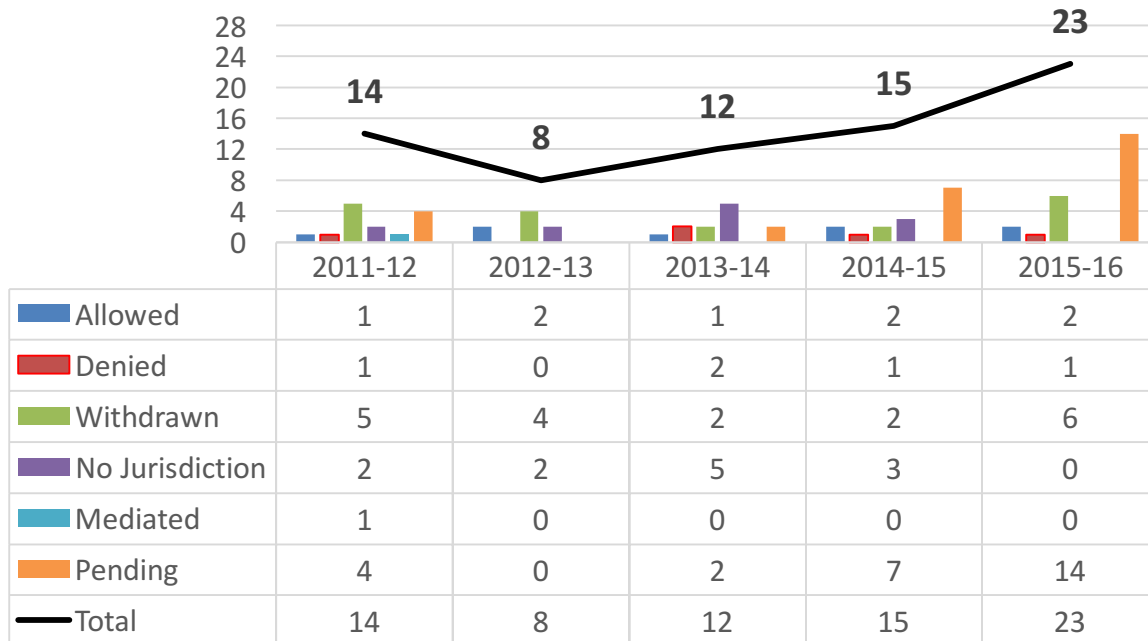
PLANNING ACT

Under the *Planning Act*, the Commission is responsible for hearing and deciding appeals relating to land use.

As an appellate body, the Commission hears appeals from persons who are dissatisfied with decisions made by the Minister of Finance, Energy and Municipal Affairs or made by a municipal council pursuant to subsections 28(1) and 28(1.1) of the *Act*.

The chart on Page 14 represents statistical data regarding *Planning Act* appeals from 2011 to 2016.

Planning Act Appeals - 2011 to 2016



REAL PROPERTY ASSESSMENT ACT

The Commission hears appeals on property tax assessments under the *Real Property Assessment Act*. In fiscal 2015-16, five (5) appeals were filed, but all were settled and withdrawn.

RENTAL APPEALS

Under the *Rental of Residential Property Act*, the Commission hears appeals from decisions of the office of the Director of Residential Rental Property. Of the 462 decisions issued on rental matters during fiscal 2015-16, the Commission received 40 appeals and cross appeals, as compared to 52 appeals and cross appeals filed in fiscal 2014-15.

During the reporting period, the Commission issued 36 decisions.

Rental of Residential Rental Property Act Appeals – 2015-16

Appeals Filed and then Withdrawn by Appellant	8
Appeal Denied "Statute barred" (Decision issued)	6
Appeals Heard by Commission	26
(includes a Cross Appeal and One Hearing/Two Appeals)	
<i>Total</i>	<i>40</i>
Decisions Issued:	
Commission Appeal Decisions Issued for Fiscal 2014-15	7
Commission Orders Issued Fiscal 2015-16	29
(includes a Cross Appeal and One Hearing/Two Appeals)	
<i>Total</i>	<i>36</i>
Outstanding Decisions Carried Forward to Fiscal 2016-17	2

MUNICIPAL BOUNDARY EXTENSIONS

Upon the direction of the Minister, the Commission is responsible for holding a public hearing on a municipal boundary extension sought by a municipality.

Under section 13 of the *Municipalities Act*, after having received an application for a boundary extension from a municipality, the Minister shall direct the Commission to hold a public hearing. After the hearing has been completed, the Commission shall prepare a written report for the Minister. This report provides the Commission's recommendation on the municipal boundary extension application.

During fiscal 2015-16, two boundary extension applications were referred by the Minister to the Commission:

1. An application by the Town of Kensington was heard with the report and recommendation pending at the end of the reporting period.
2. An application by the Town of O'Leary has not yet been heard in this reporting period.



REGULATORY SERVICES AND LAND DIVISION

WHO WE ARE

The Regulatory Services Division is comprised of a Director and five staff members. The Division is also assisted by the Director of Corporate Services and Appeals, who is primarily responsible for the administration of the *Electric Power Act*.

OUR ROLE AND RESPONSIBILITIES

The Regulatory Services Division is responsible for all matters relating to petroleum, public utilities, insurance and land.

During fiscal 2015-16, Division staff met with various Commission Panels a total of 120 times to discuss 660 agenda items.

WHAT WE REGULATE

The Division is responsible for the administration of the following Acts:

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

The Division deals with a wide-ranging scope of responsibilities, including retail and wholesale petroleum product licensing, the setting of minimum and maximum petroleum product prices, the approval of electricity, water and sewer and Waste Watch rates, the oversight of non-resident and corporate land transactions, and the monitoring of large land holdings in the Province.

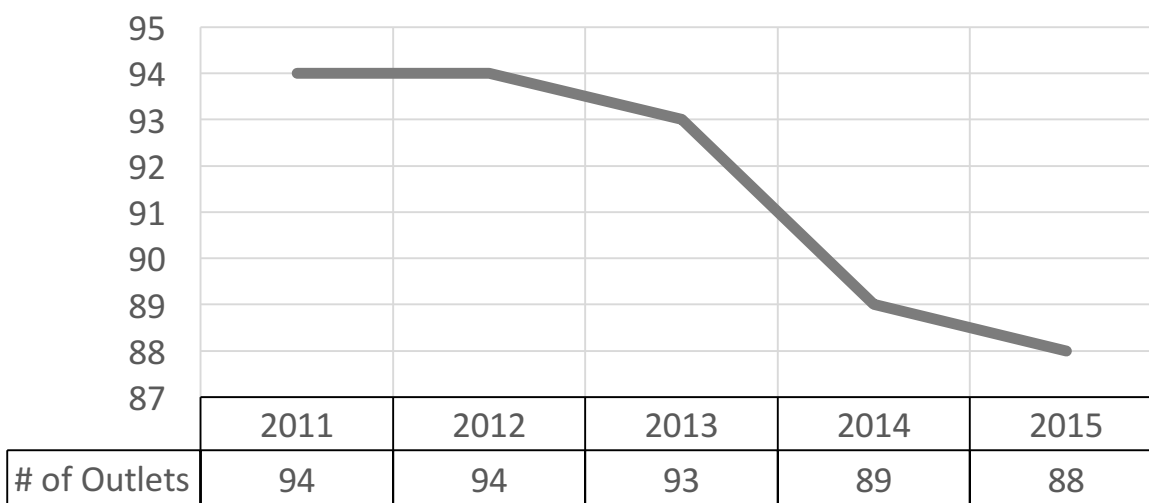
YEAR IN REVIEW - PETROLEUM

The Commission administers the *Petroleum Products Act*. During fiscal 2015-16, the Commission Panel met a total of 33 times to discuss 87 petroleum-related agenda items.

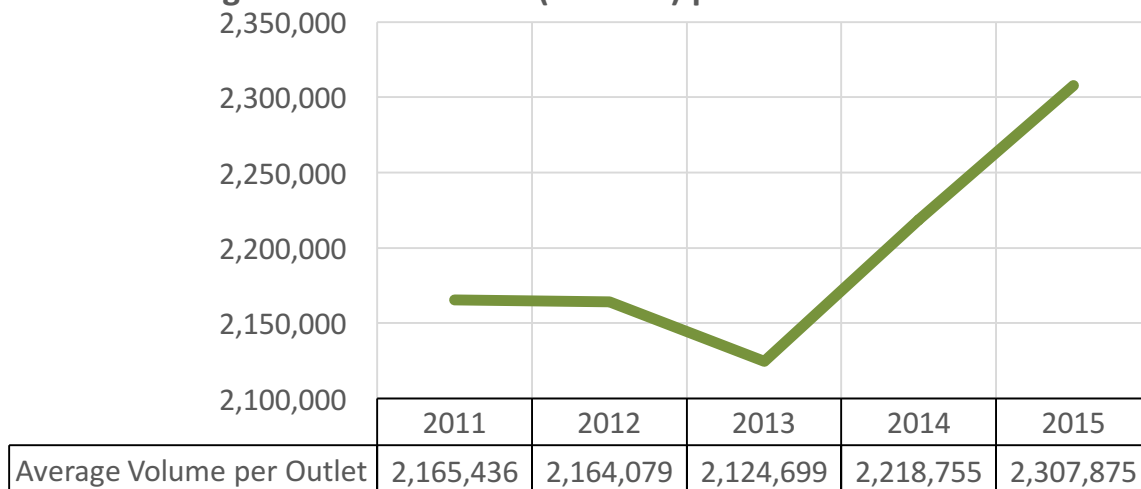
PETROLEUM LICENSING

The *Act* sets forth the requirements for the licensing of petroleum outlets in Prince Edward Island and the determination of just and reasonable wholesale and retail prices.

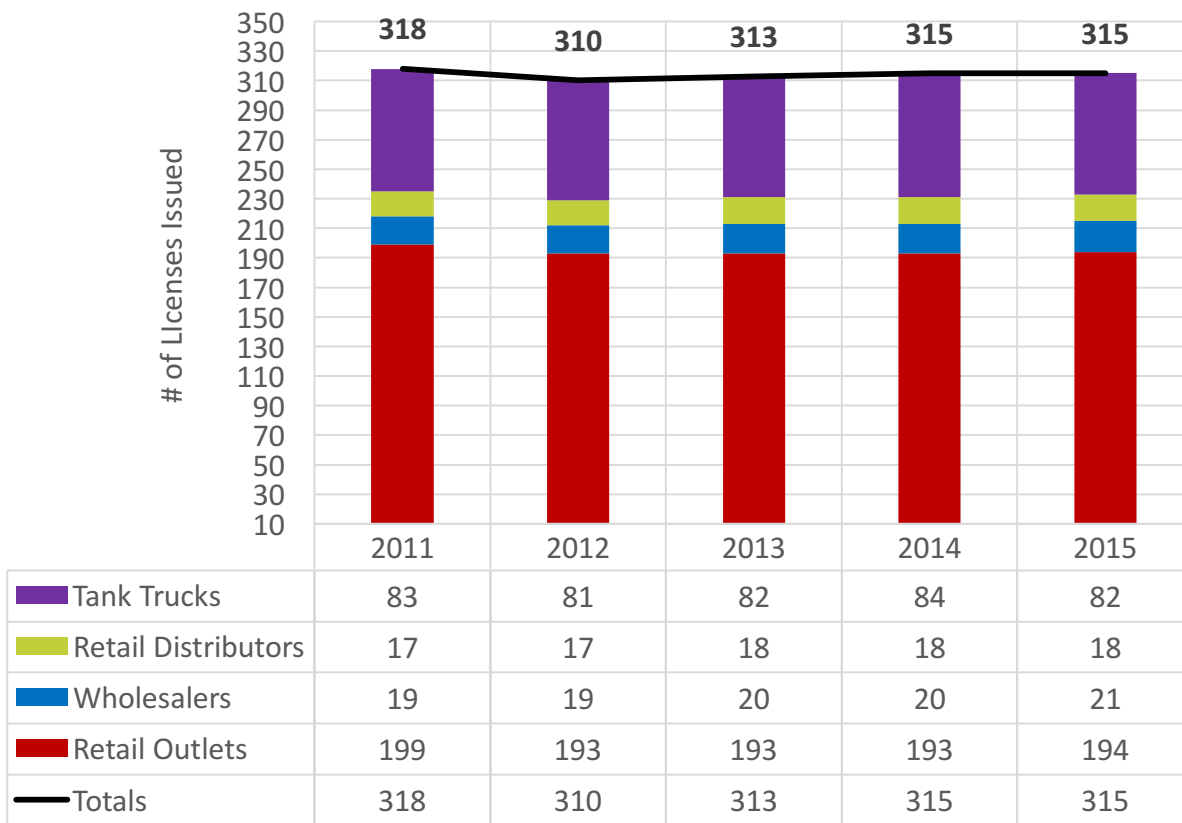
Number of Retail Motor Fuel Outlets - 2011-15



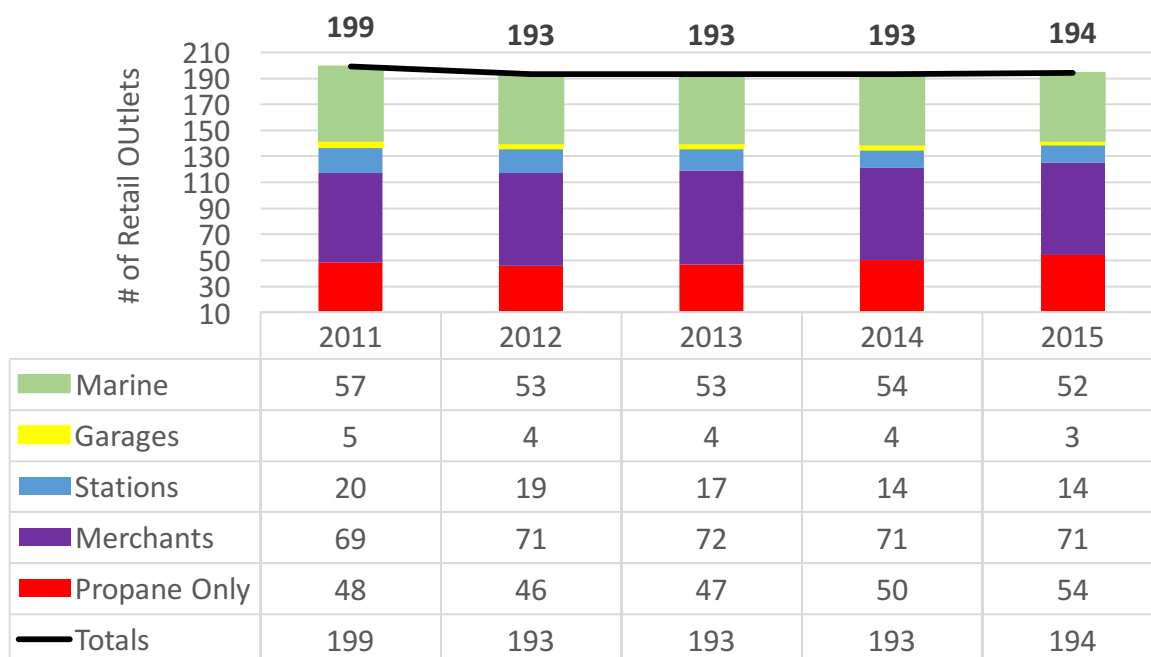
Average Gasoline Volume (in Litres) per Outlet - 2011-15



Petroleum Licenses Issued - 2011 to 2015

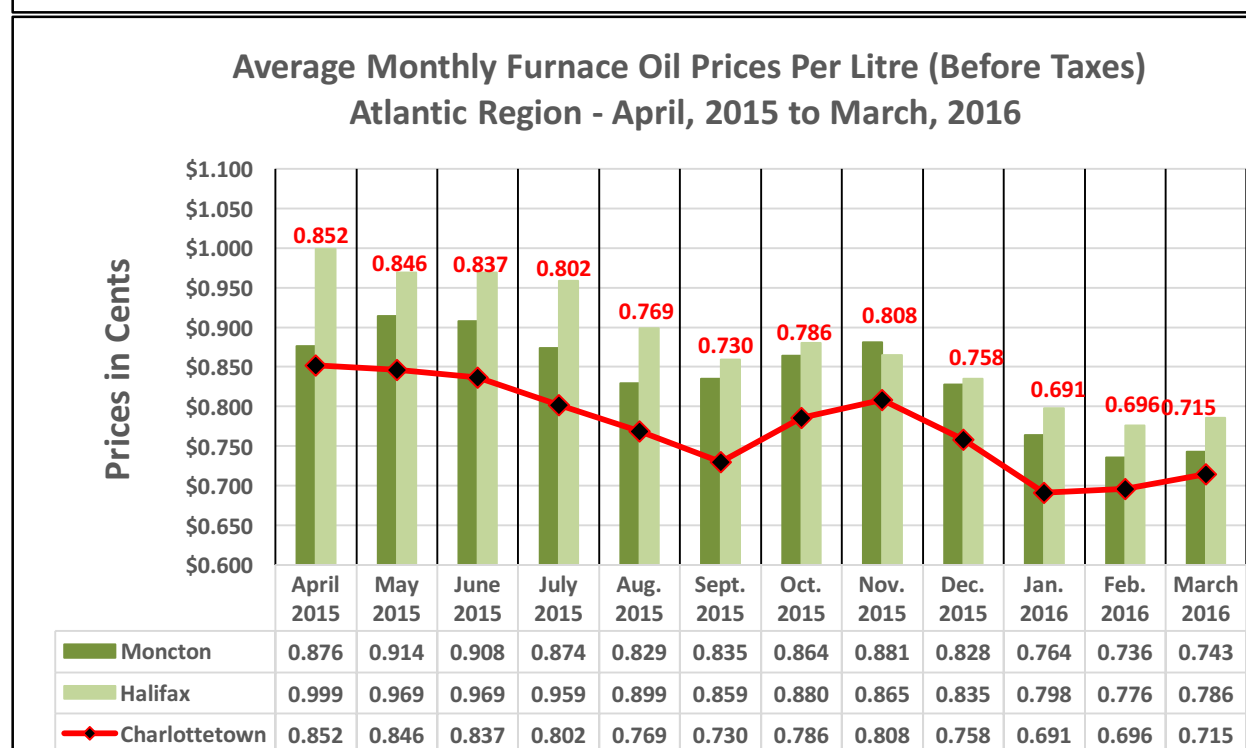
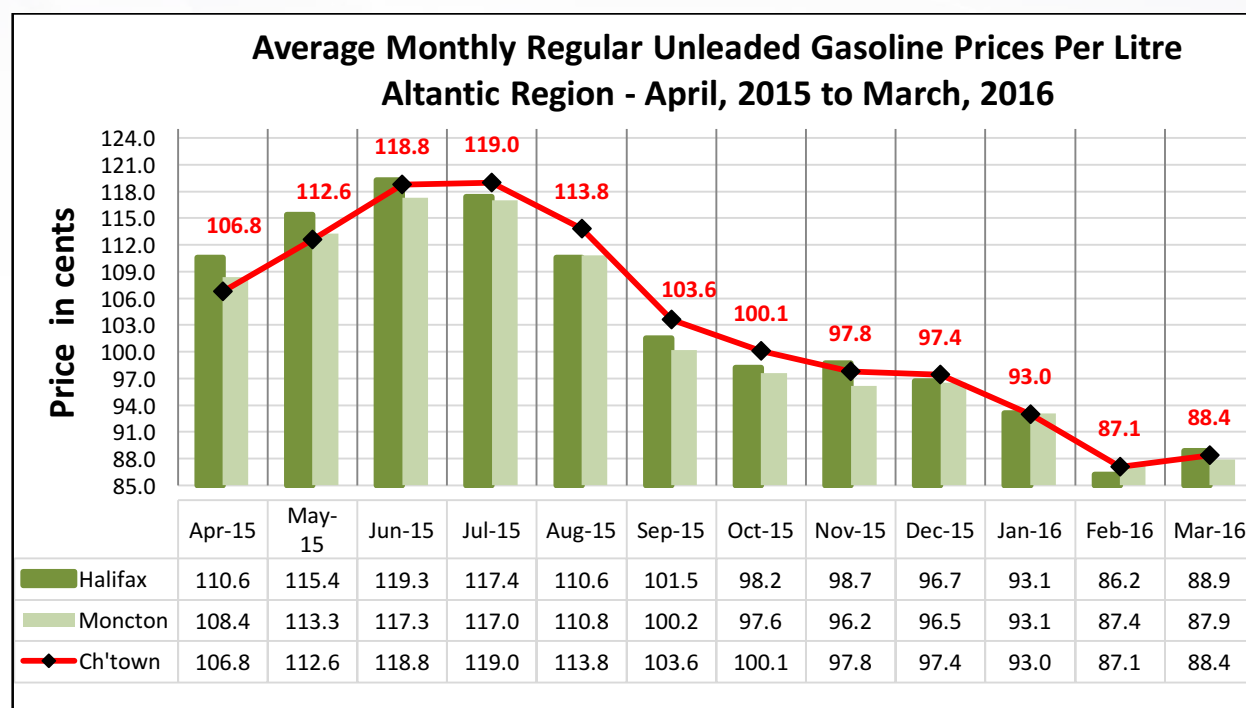


Petroleum Retail Outlets by Classification - 2011 to 2015



PETROLEUM PRICING

In the area of petroleum pricing, the Commission's legislative mandate requires that it ensures a just and reasonable price for heating and motor fuels to consumers and licensees within the Province. In the determination and calculation of price changes to wholesaler, dealer, and posted consumer prices, the Commission considers pricing information available from local, national and international sources.

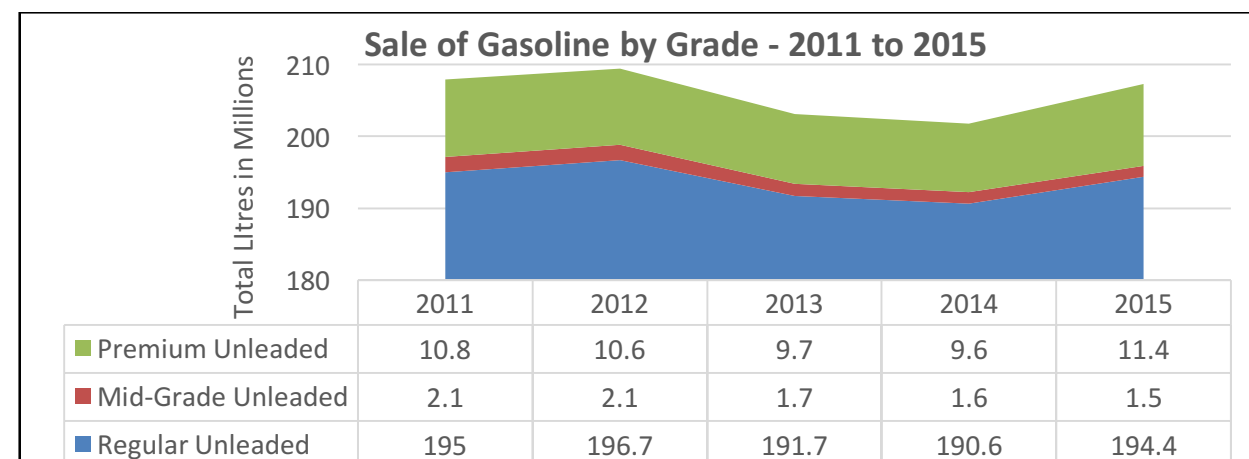
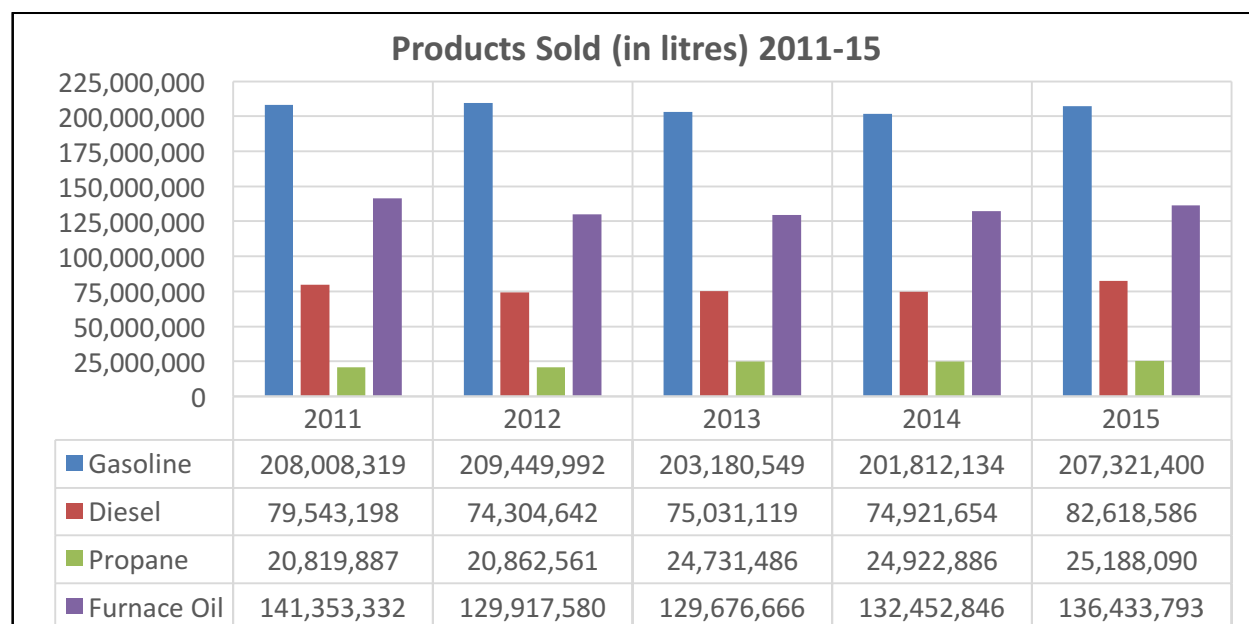


The Commission also has responsibility for determining retailers' minimum and maximum markups. During the period covered by this report, the authorized markups ranged from 5.5 to 6.5 cents per litre at self-serve pumps, and from 7.5 to 10.5 cents per litre at full-serve pumps. In addition, the markup selected by a dealer for each method of dispensing must be consistently applied to each grade of gasoline sold or offered for sale at the outlet. At split-serve outlets, diesel fuel and each grade of gasoline sold at self-serve pumps must be priced at least 2.0 cents lower than the prices at which full-serve diesel fuel and each grade of gasoline are being offered for sale.

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

During the period covered by this report, the Commission issued 63 Pricing Orders relating to petroleum regulation.

The following graphs illustrate additional statistical data for the calendar years 2011 to 2015:



YEAR IN REVIEW - ELECTRICITY

The Commission's regulatory powers are derived from the *Electric Power Act*. The legislation provides for the regulation of electric power rates and charges of Maritime Electric Company, Limited ("Maritime Electric") and of the City of Summerside Electric Utility, insofar as that utility provides services beyond its corporate limits. However, by virtue of the *Electric Power Act - City of Summerside Electric Utility Exemption Regulations*, the Summerside Utility is largely exempt from the jurisdiction of the Commission.

During fiscal 2015-16, the Commission's Electric Panel met a total of 22 times to discuss 30 electricity-related agenda items, including monthly review of Maritime Electric financial reports; review of customer inquiries related to service; and review of applications seeking Commission approval.

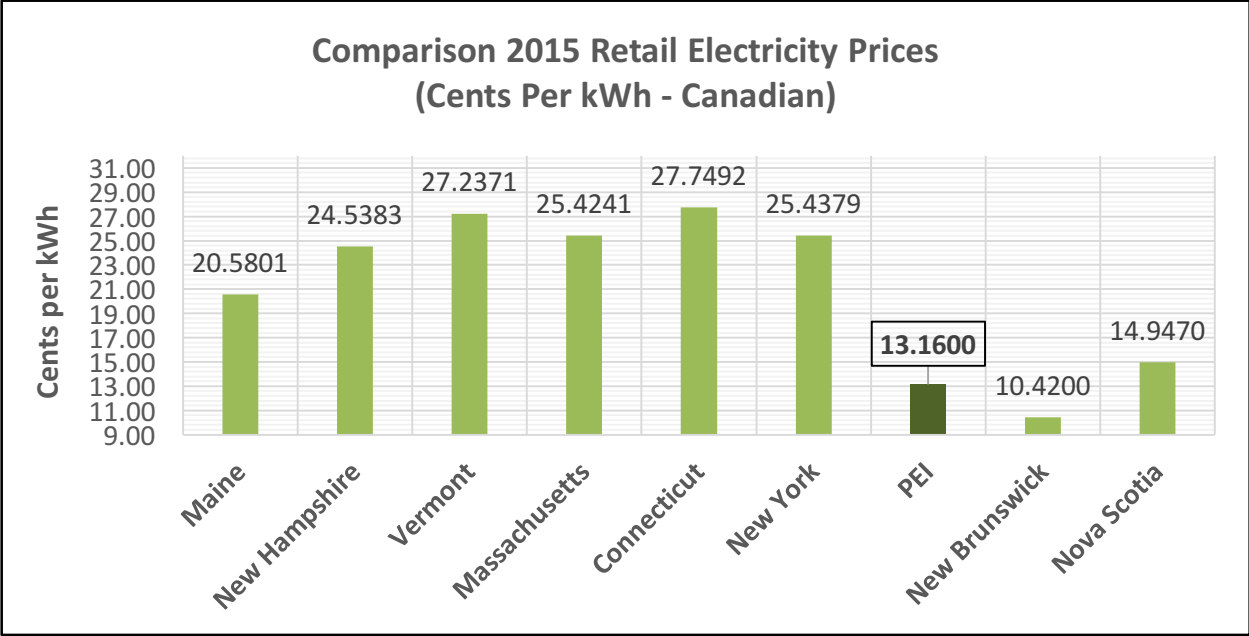
The Commission approved the decommission of transmission line T-7, which was an aged facility that had become redundant for its original service area. The Commission approved Maritime Electric 2016 capital budget and the 2014 Capital Budget variances in the fall of 2015. Commission Order UE15-01 detailed the specifics of the capital spending plan and is available on our website.

In February 2016, the Commission held a public hearing to review the General Rate Application ("GRA") filed by Maritime Electric and the Commission issued Order UE16-04, which included the following highlights:

- a three-year rate schedule covering the period March 1, 2016, to February 28, 2019, with an average increase of 2.3% annually;
- approval of a 9.35% return on average common equity
- establishment of various deferral accounts to return any extra earnings to customers;
- requirement for Maritime Electric to file monthly reports to the Commission to monitor operating financial results; and
- direction to refile depreciation and cost allocation studies and a rate design study to consider changes to the multi-block residential energy pricing structure and related changes to Maritime Electric's other rate categories.

To learn more, visit our website at www.irc.pe.ca/electric.

The chart on Page 22 sets out the retail electricity rates in Prince Edward Island as compared to the Maritime Provinces and New England States.



YEAR IN REVIEW – WATER AND SEWER

The Commission regulates all water and wastewater utilities in Prince Edward Island, excluding municipal utilities in Charlottetown, Summerside, Stratford and Cornwall. Visit www.irac.pe.ca/utilities.

During fiscal 2015-16, the Commission's Water and Sewer Panel met a total of 12 times to discuss 19 water and sewer-related agenda items. Additionally, numerous utility-related inquiries were addressed during this period.

Over the period, the Commission issued 10 permits approving utility construction projects for various municipalities and four rate-related Orders.

Construction projects approved by the Commission included sewer main replacements in Souris, Alberton, O'Leary and Mount Stewart; the installation of a duplex lift station in Kensington; the upgrade of lagoon cells in Cavendish; the extension of sewer services in Abram's Village and water and sewer extensions in Montague; the drilling of a new well in MacMillan Point; and water system upgrades in Crapaud. Funding through various federal-provincial development initiatives continued to be available for infrastructure upgrades. Such funding helps reduce a project's ultimate impact on utility rates.

The Commission issued four water/wastewater Orders, including approved sewer rate increases for Montague and Cavendish, and increased water and sewer rates for Victoria and Kensington.

The Commission's uniform system of accounts for water and wastewater utilities provides consistency and comparability of utility financial data. The Commission will continue to monitor utilities' annual financial information to identify when rates should be reviewed.



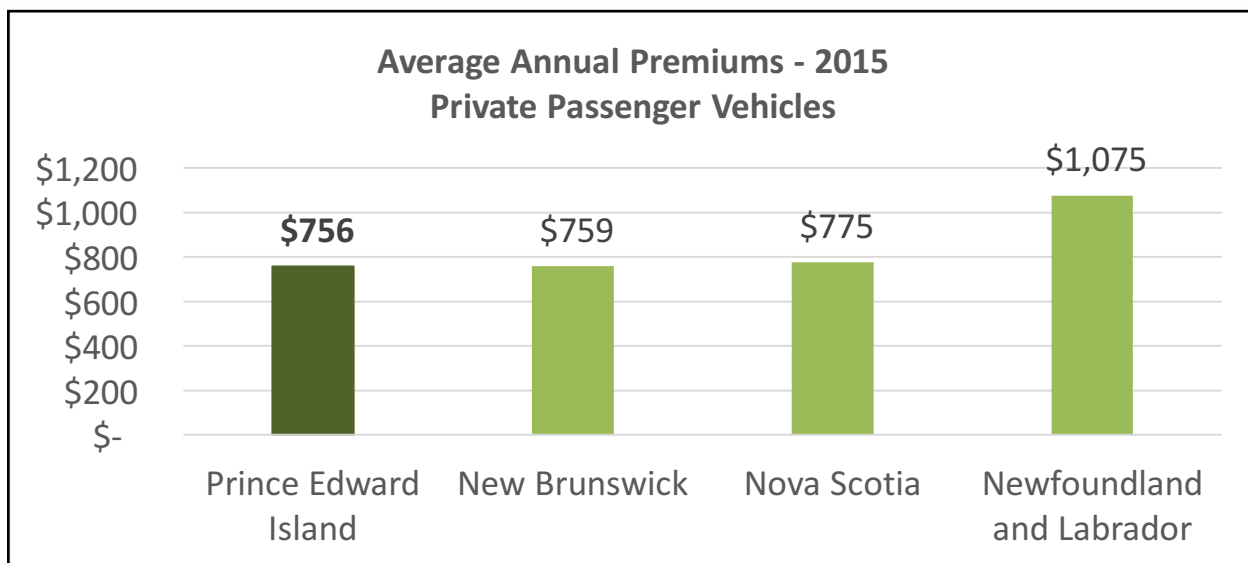
YEAR IN REVIEW – AUTOMOBILE INSURANCE

The *Insurance Act* provides for the supervision of automobile insurance rates by the Commission. All insurers providing automobile insurance in Prince Edward Island must file their rates with the Commission on an annual basis.

During fiscal 2015-16, the Commission's Insurance Panel met a total of 19 times to discuss 50 rate and/or rate-related automobile insurance filings.

During the period, the Commission administered the insurance rates for a total of 111,160 vehicles, with associated total premiums of \$90,841,000.

Insurance premiums on Prince Edward Island remain the lowest in Atlantic Canada.



YEAR IN REVIEW – LANDS PROTECTION ACT

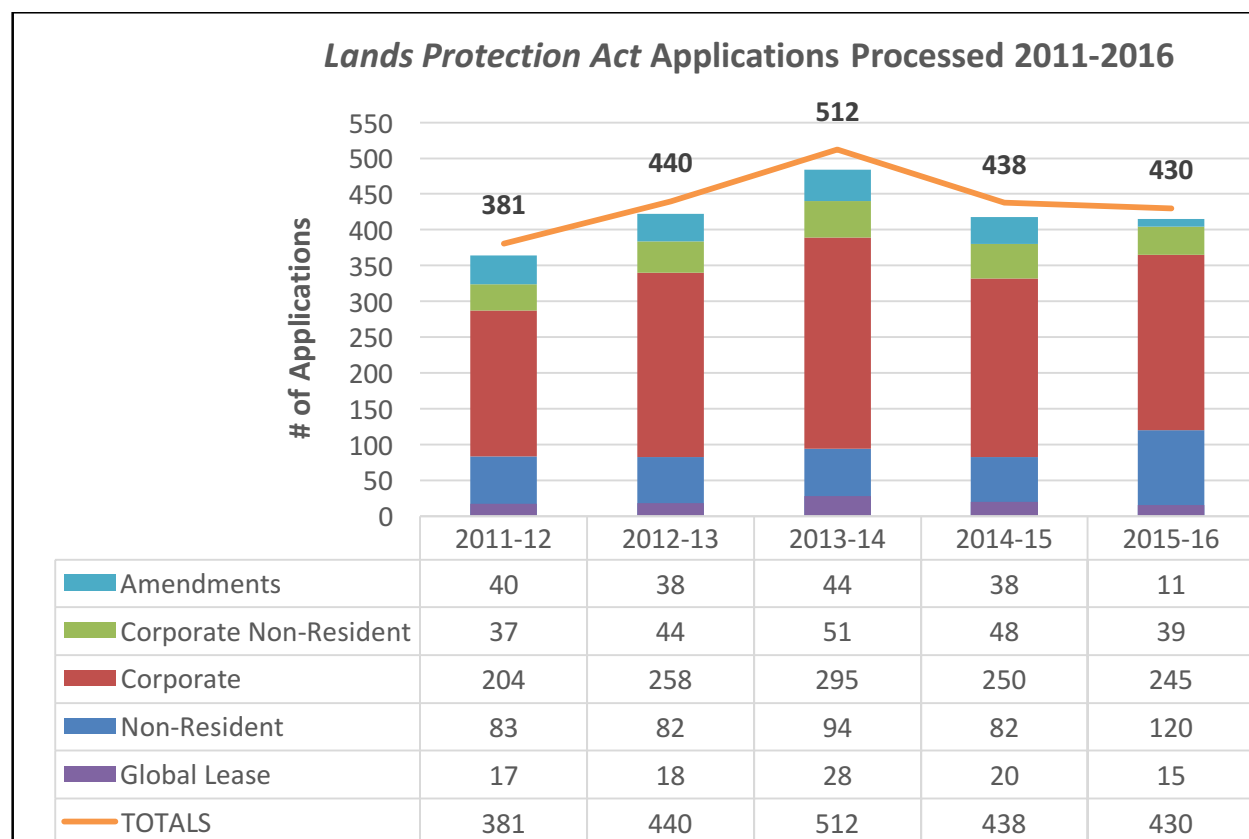
The Commission is responsible for the administration of the *Lands Protection Act*, including making recommendations to Executive Council on applications for land purchases governed by the *Act*, monitoring the land holdings of large land owners, and enforcing the *Act*. To learn more about the *Lands Protection Act*, visit our website at www.irac.pe.ca/land.

The Commission's Lands Protection Panel meets bi-weekly to review land-related agenda items and provide recommendations to Executive Council. During fiscal 2015-16, the Lands Protection Panel met a total of 34 times to consider 474 land-related agenda items.

APPLICATIONS

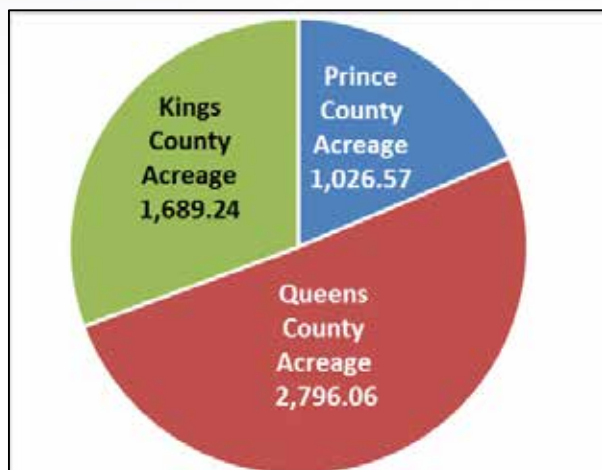
During fiscal 2015-16, the Commission processed a total of 430 applications under the *Lands Protection Act*. There were 419 applications involving 38,026.36 acres under Sections 4, 5 and 5.3 and 11. Land identification amendment applications, involving 39.66 acres, were processed under subsections 9(1) and 21(1).

The following graph is a summary of the applications considered over the past five years under the *Lands Protection Act*:



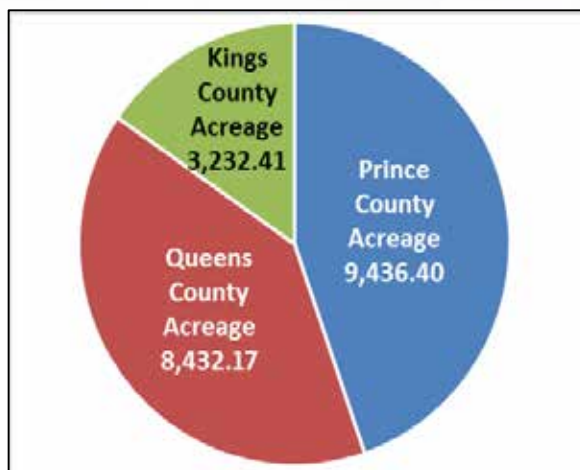
Non-Resident Applications

The Commission considered 120 applications from non-residents, totaling 5,511.87 acres. Forty-six (46) applications with shore frontage, totaling approximately 36,892 feet, were included in the non-resident applications.



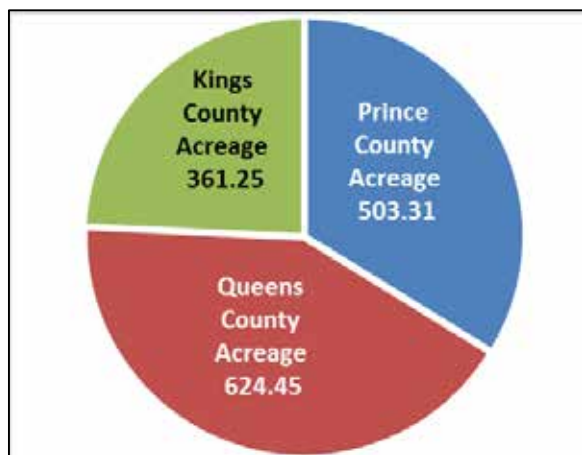
Corporate Applications – Resident

The Commission considered 245 applications, totaling 21,100.98 acres of land, from resident corporations. Fifty (50) applications with shore frontage, totaling approximately 98,694 feet were included in the resident corporate applications.



Corporate Applications – Non-Resident

The Commission considered 39 applications, totaling 1,489.01 acres of land, from non-resident corporations. Twelve (12) applications with shore frontage, totaling approximately 8,490 feet, were included in the non-resident corporate applications.



Global Leasing Applications – Non-Resident and Corporate

A Global Lease Permit enables a non-resident person or corporation 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 rotation. Fifteen (15) applications, totaling 9,924.50 acres of land, were considered under section 5.3 of the *Lands Protection Act*.

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, imposed under subsection 9(1) or 21(1) of the *Act*. The Commission submits a report respecting the disposition of each application to the Minister of Communities, Land and Environment who makes a recommendation on the disposition of the application to the Lieutenant Governor in Council.

In January, 2015, an amendment to the *Lands Protection Act* provided an automatic 10-year expiry date on land identification agreements. For this reason, there is significantly less land base in the Province subject to land identification agreements and this change is reflected in the statistics. During the reporting period, 11 applications, totaling 39.66 acres, were processed.

ANNUAL DECLARATION STATEMENT

Under Section 10 of the *Lands Protection Act*, 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 is required to file an annual land holding declaration statement with the Commission.

For the year ending December 31, 2015, the Commission received a total of 191 land holding declaration statements, 153 of which were filed by individuals and 38 were filed by corporations.





OFFICE OF THE DIRECTOR OF RESIDENTIAL RENTAL PROPERTY

WHO WE ARE

The Office of the Director of Residential Rental Property (“the Office”) is comprised of a Director, two Rental Officers and two Intake Officers. The Rental Officers hear applications and render decisions. The Intake Officers handle inquiries from the public, and process documents.

To view our website, go to www.irac.pe.ca/rental.

ROLE AND RESPONSIBILITIES

The *Rental of Residential Property Act* (the “Act”) establishes the obligations and responsibilities of the parties to rental agreements for residential premises. The *Act* outlines, among other things, procedures for the enforcement of statutory conditions; the handling of security deposits; the termination of rental agreements; rent owing; disposition of abandoned personal property; and properly increasing rent.

The *Act* creates a forum outside of the traditional court system where residential landlords and tenants can have their disputes adjudicated.

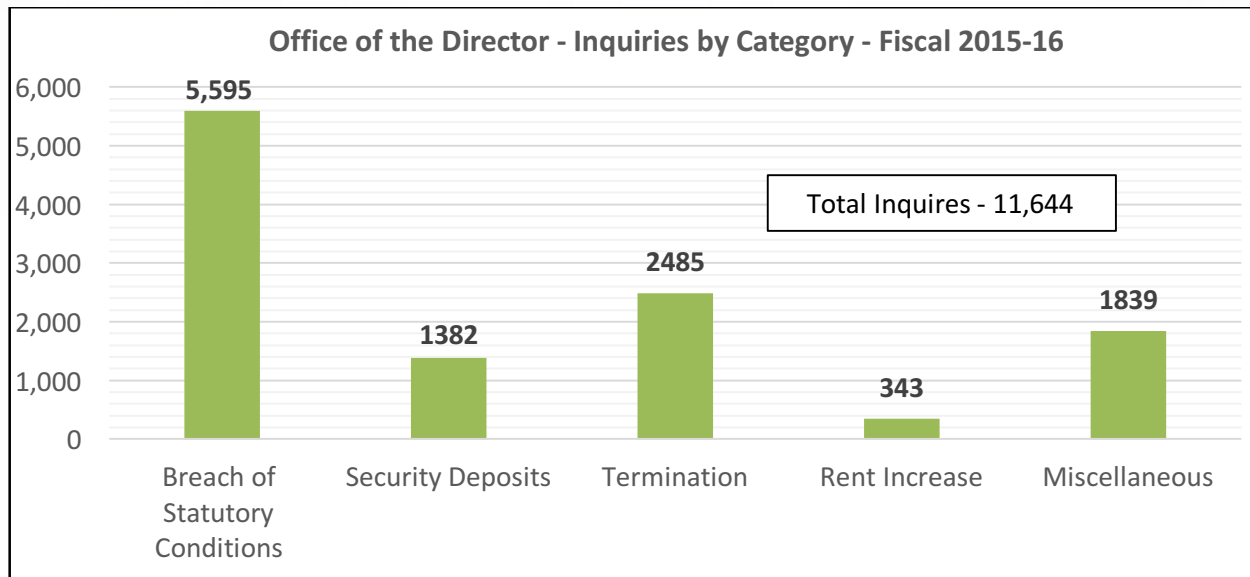
Section 4. (2) of the *Act* states that the Director of the Office is responsible for:

- Providing information to the public to promote understanding of rights and responsibilities under this *Act*;
- Advising lessors and lessees with respect to matters relating to rental agreements;
- Receiving and investigating allegations of violations of rental agreements, of the *Act* and the Regulations;
- Holding hearings upon proper notice to the parties, determining matters of procedure at hearings and making decisions or orders with respect to matters relating to the rights of lessors or lessees pursuant to this *Act*; and
- Entering and inspecting residential premises, after serving an inspection order, for the purpose of carrying out the powers or duties under this *Act* or the Regulations.

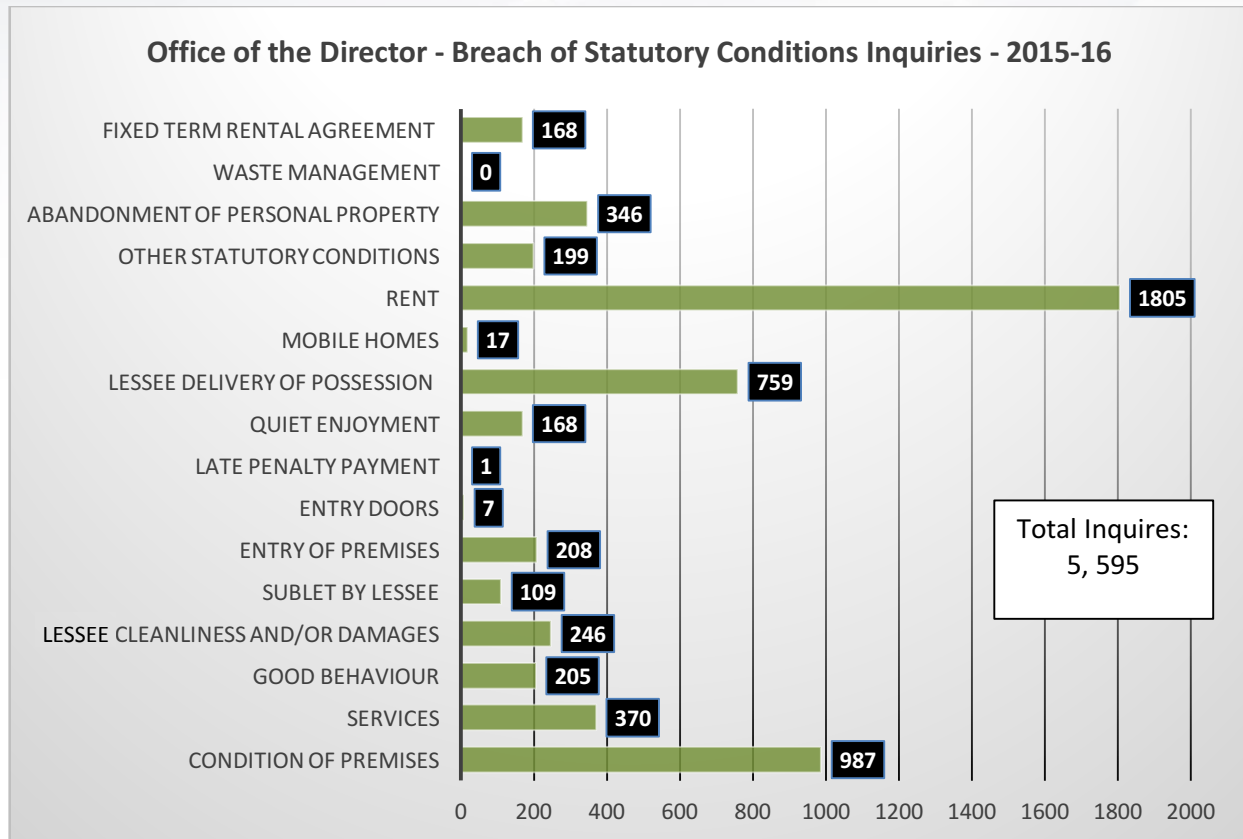
YEAR IN REVIEW – INQUIRIES

All inquiries, whether in person or by letter, fax, email or telephone, are handled by the Intake Officers. During fiscal 2015-16, the number of inquiries totaled 11,644, which is an increase from 10,746 inquiries in fiscal 2014-15. The Office continues to receive between 500 and 600 inquiries per month.

The following graph provides a breakdown of the inquiries received:



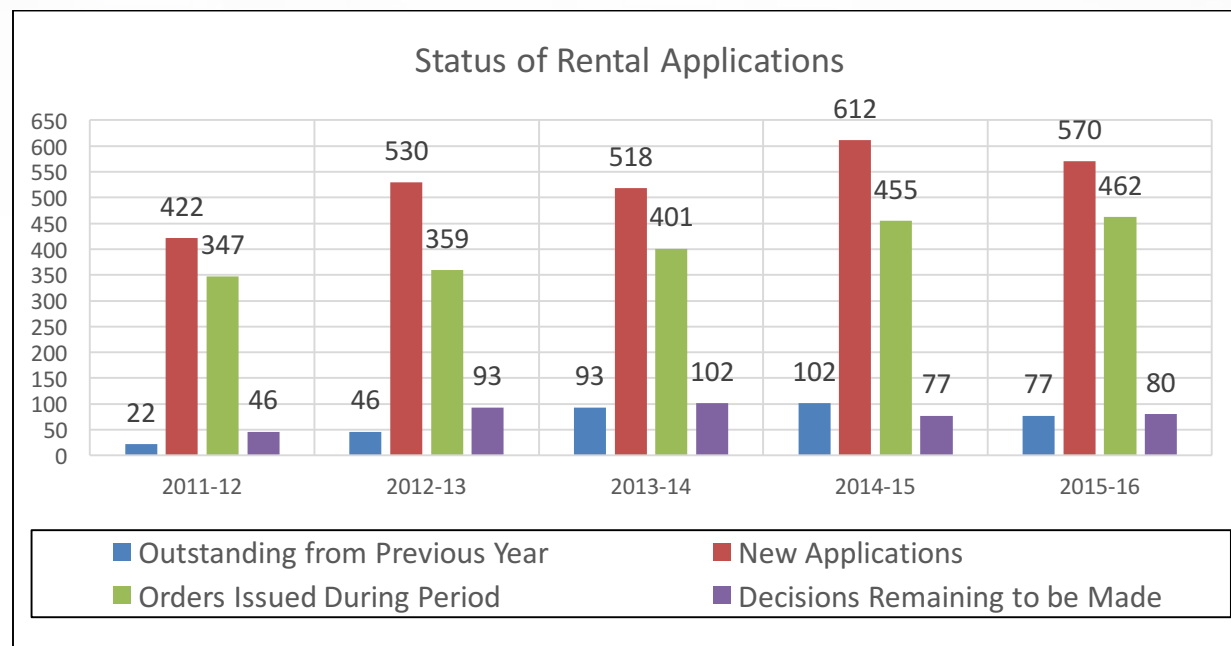
The following graph provides a breakdown of categories of statutory conditions and the number of inquiries made during fiscal 2015-16:



YEAR IN REVIEW – APPLICATIONS

STATUS OF APPLICATIONS

During fiscal 2015-16, the Office received 570 new formal applications for adjudication of rental disputes. The following chart provides statistical data for the last five years:



NATURE OF APPLICATIONS

Enforcement of Statutory or Other Conditions of Rental Agreement

The statutory conditions are those obligations of either the lessor or the lessee as set out in the *Act* and the standard form of rental agreement. The *Act* also provides a process for dealing with personal property abandoned by lessees. During fiscal 2015-16, the Office received 336 applications involving statutory or other conditions.

Security Deposits

The *Act* sets out the handling and processing requirements for security deposits taken as a condition of the rental agreement. During fiscal 2015-16, the Office received 87 applications for a determination as to whether the lessor or the lessee should receive the security deposit. This is an increase from the previous year's total of 83 applications.

Termination of Rental Agreement

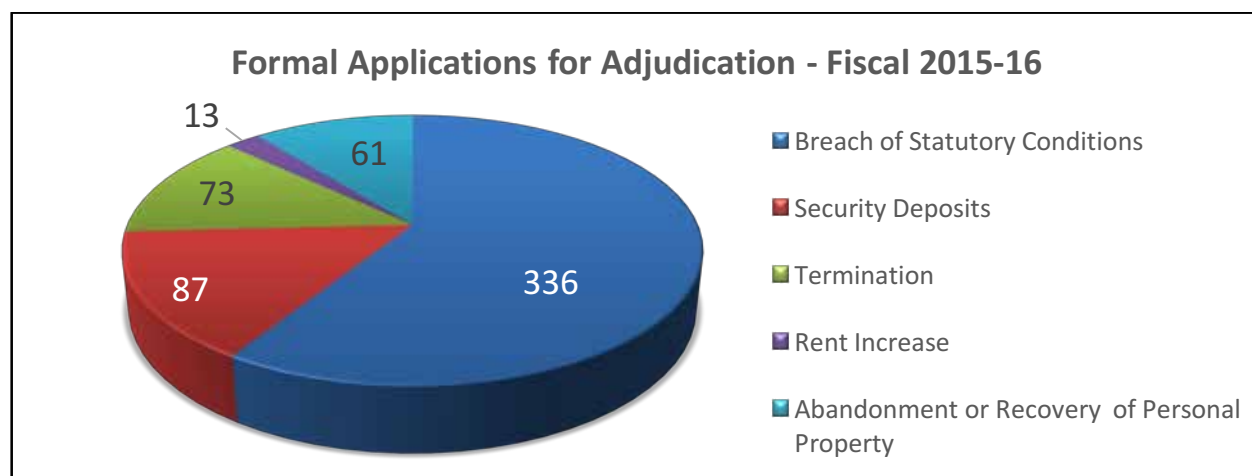
The *Act* provides for limited security of tenure for the lessee, whereby the lessee must be given, in writing, the proper notice and the reason for the termination of the rental agreement. Termination is allowed only for the reasons set out in Sections 13, 14 and 15 of the *Act*. If a lessee wishes to challenge a notice of termination, the lessee must apply to the Office. The lessor may also apply for earlier termination of the rental agreement where circumstances warrant. In either case, when an application regarding termination is received, a hearing is held and a decision rendered. During fiscal 2015-16, the Office received 73 applications for termination. This is a decrease from the previous year's total of 83 applications.

Rent Increases

Each year the Director invites written representation from lessors and lessees to assist the Commission in establishing the annual prescribed percentage rent increase. In 2015-16, the Commission ordered no increases in the rates for heated and unheated premises and mobile home sites for the year 2016. Any application for a greater than allowable rent increase requires approval by the Director before being charged and collected. During fiscal 2015-16, the Office received 13 applications regarding rent increases greater than the allowable.

Personal Property

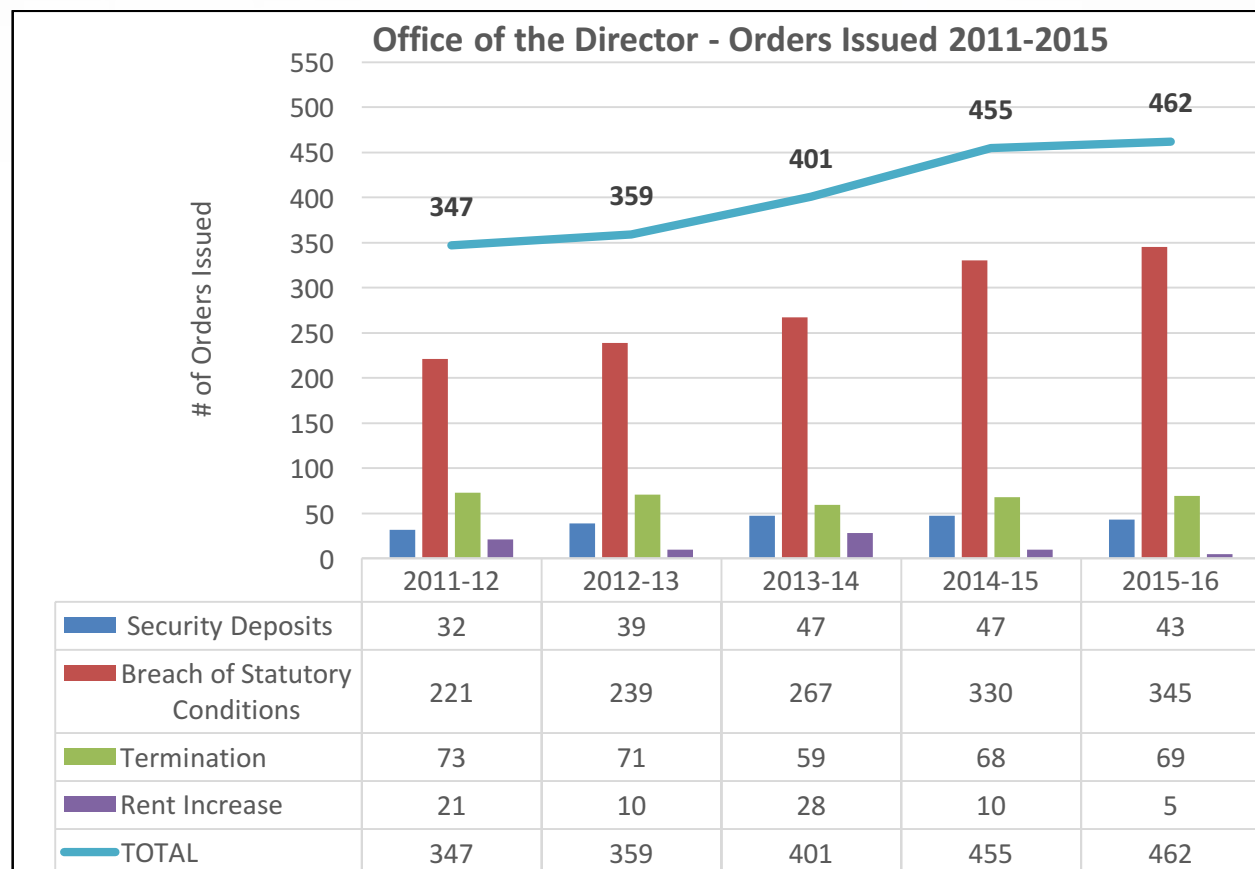
The *Act* provides for the process by which lessors can deal with the abandonment or recovery of personal property. During fiscal 2015-16, the Office received 61 applications regarding abandonment or recovery of personal property. This is a decrease from the previous year's total of 72 applications.



YEAR IN REVIEW – RENTAL ORDERS ISSUED

The Office of the Director constantly strives to reduce the average time required to process matters from the time the application is filed to when a decision is rendered. The increase in decisions rendered is a reflection of those efforts. During fiscal 2015-16, the Office issued 462 orders, compared to 455 in fiscal 2014-15.

The following chart provides statistical data for the last five years.



YEAR IN REVIEW – APPEALS TO THE COMMISSION

The Commission has the power to hear appeals of decisions of the Director. From the 462 Orders issued on rental matters during fiscal 2015-16, there were 40 appeals and cross-appeals heard by the Commission, compared to 52 in fiscal 2014-2015.



FINANCIAL STATEMENTS FISCAL 2015-16

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.”*

Fitzpatrick & Company has been appointed by the Commission to audit the financial statements for the Prince Edward Island Regulatory and Appeals Commission for the year ended March 31, 2016. These are reproduced on Pages 35-46.

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

For the Year Ended March 31, 2016



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 which comprise the statement of financial position as at March 31, 2016 and the statements of operations, net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

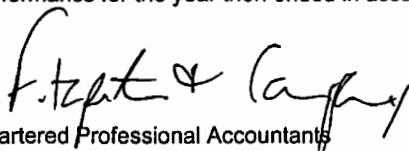
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prince Edward Island Regulatory and Appeals Commission as at March 31, 2016 and its financial performance for the year then ended in accordance with Canadian Public Sector Accounting Standards.


Chartered Professional Accountants

Charlottetown, PE
June 16, 2016

Prince Edward Island Regulatory and Appeals Commission

Statement of Financial Position

As at March 31, 2016, with comparative figures for 2015

	2016	2015
Financial Assets		
Cash (note 2)	\$ 97,614	\$ 48,342
Accounts receivable (note 3)	157,301	236,898
Investments (note 4)	1,140,627	1,768,272
	1,395,542	2,053,512
Liabilities		
Accounts payable and accrued liabilities (note 5)	1,330,393	1,373,155
Employee future benefits (note 6)	243,851	249,283
Leasehold improvements and inducements	96,000	112,000
	1,670,244	1,734,438
Net financial assets	(274,702)	319,074
Non-Financial Assets		
Prepaid expenses	1,781	484
Tangible capital assets (note 7)	243,921	186,316
	245,702	186,800
Commitments (note 8)		
Pension costs and obligations (note 9)		
Accumulated surplus (note 10)	\$ (29,000)	\$ 505,874

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, 2016, with comparative figures for 2015

	Budget (note 12)	2016	2015
Revenue:			
Assessment - Province of PEI	\$ 1,200,000	\$ 1,200,000	\$ 1,200,300
Assessments on public utilities	470,000	470,370	469,218
Licenses - petroleum products	321,500	314,953	297,674
Permits - land and property division	260,600	295,164	831,569
Assessments on auto insurance	200,000	200,937	185,219
Investment and other income (note 13)	18,400	38,884	48,514
	2,470,500	2,520,308	3,032,494
Operating expenses:			
Advertising	49,500	23,467	9,789
Amortization	135,000	188,800	137,960
Cleaning	10,200	8,221	8,096
Computer maintenance and supplies	125,000	108,302	80,355
Education and development	40,500	22,302	13,212
Insurance	15,000	11,256	12,344
Office expenses	63,800	44,004	32,424
Part-time commissioners	60,200	36,096	40,686
Postage	9,200	4,731	4,925
Professional fees	211,000	338,637	138,737
Publications	27,500	21,930	20,142
Rent	182,000	165,854	165,854
Repairs and maintenance	35,000	5,132	324
Salaries and employee benefits	1,813,256	2,000,736	1,760,125
Telephone	20,200	13,797	13,679
Travel	84,500	61,917	90,311
	2,881,856	3,055,182	2,528,963
Excess of (expenses over revenue) revenue over expenses before the undernoted	(411,356)	(534,874)	503,531
Transfer to payable to Province of Prince Edward Island (note 5)	-	-	(503,531)
Annual (deficit)	(411,356)	(534,874)	-
Accumulated surplus, beginning of year	-	505,874	505,874
Accumulated (deficit) surplus, end of year	\$ -	\$ (29,000)	\$ 505,874

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, 2016, with comparative figures for 2015

	Budget (note 12)	2016	2015
Annual (deficit)	\$ (411,356)	\$ (534,874)	\$ -
Acquisition of tangible capital assets	(245,000)	(246,405)	(87,732)
Amortization of tangible capital assets	135,000	188,800	137,960
Use of prepaid expenses	-	(1,297)	1,389
	(521,356)	(593,776)	51,617
Net financial assets, beginning of year	319,074	319,074	267,457
Net financial assets, end of year	\$ (202,282)	\$ (274,702)	\$ 319,074

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, 2016, with comparative figures for 2015

	2016	2015
Cash flows from operating activities:		
Cash receipts from government transfers and customers	\$ 2,577,640	\$ 2,817,809
Cash paid to suppliers and employees	(2,931,873)	(2,658,200)
Interest received	22,265	27,039
	(331,968)	186,648
Cash flows from capital activities:		
Purchase of tangible capital assets	(246,405)	(87,732)
Cash flows from investing activities:		
Decrease (Increase) in investments	627,645	(136,893)
Net increase (decrease) in cash	49,272	(37,977)
Cash, beginning of year	48,342	86,319
Cash, end of year	\$ 97,614	\$ 48,342

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, 2016, with comparative figures for 2015

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 Prince Edward Island Regulatory and Appeals 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 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, 2016, with comparative figures for 2015

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:

	2016	2015
Cash	\$ 86,624	\$ 30,933
Cash held in trust for deposit guarantees	10,990	17,409
	\$ 97,614	\$ 48,342

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2016, with comparative figures for 2015

3. Accounts receivable:

	2016	2015
Trade receivables	\$ 153,449	\$ 235,758
Other receivables	3,852	1,140
	\$ 157,301	\$ 236,898

4. Investments:

Investments consist of Guaranteed Investment Certificates invested at the Bank of Nova Scotia with interest rates ranging from 1.1% to 2.00% and maturity dates ranging from April 2016 to June 2017.

5. Accounts payable and accrued liabilities:

	2016	2015
Province of Prince Edward Island - accumulated surplus	\$ 1,072,630	\$ 1,072,630
Trade	87,754	176,899
Vacation pay	81,051	62,767
Accrued sick leave	77,968	43,450
Deposit guarantees - Director of Residential Rental Property	10,990	17,409
	\$ 1,330,393	\$ 1,373,155

Pending approval by Treasury Board the Province of Prince Edward Island will be required to increase Provincial Assessments by \$534,874 to reflect the actual costs of the services provided by the Commission (Note 10).

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	2016	2015
Balance, beginning of year	\$ 249,283	\$ 297,941
Current service cost	22,266	19,680
Accrued interest	7,807	5,937
Retirement pay	(36,123)	(75,578)
Loss on valuation	618	1,303
	\$ 243,851	\$ 249,283

The 2016 retirement allowance balances are based on an independent actuarial valuation dated April 1, 2014. 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, 2016, with comparative figures for 2015

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 are primarily the same with exception of discount rate as it was 3.08% for the projections. The remaining assumptions are below:

	2016	2015
Discount rate	3.80%	3.80%
Expected inflation rate	3.00%	3.00%
Expected average remaining service life	9 years	9 years

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

During the 2016 fiscal period, one employee retired, resulting in a decrease in the obligation of \$ 36,124.

7. Tangible capital assets:

	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Computer equipment	\$ 405,405	\$ 243,497	\$ 161,908	\$ 88,395
Furnishings and equipment	91,877	44,913	46,964	27,822
Leasehold improvements	175,247	140,198	35,049	70,099
	\$ 672,529	\$ 428,608	\$ 243,921	\$ 186,316

8. Commitments:

The Commission has an operating lease for its premises at \$ 14,981 per month plus common area charges, under a lease expiring March 31, 2022.

The minimum annual lease payment to the expiry date is \$ 179,772.

9. Pension costs and obligations:

The Commission participate 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 \$ 277,132 (2015 - \$ 245,780) 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, 2016, with comparative figures for 2015

10. Accumulated surplus:

The Commission segregates its accumulated surplus in the following categories:

	2016	2015
Capital fund	\$ 243,921	\$ 186,316
Operating fund	(472,921)	119,558
Reserve	200,000	200,000
	<u>\$ (29,000)</u>	<u>\$ 505,874</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. As there is an excess of expenditures over revenues in 2016, no amounts are payable to the province.

The agreement also allowed the Commission 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. The parties agreed that should the reserve become depleted during the term of this agreement, the remaining assessments from the Province of Prince Edward Island shall be increased to reflect the actual costs of the services provided by the Commission, provided Treasury Board Approval is granted. As of the March 31, 2016 the Commission has depleted its reserve however at the time of this report Treasury Board Approval has not been granted and therefore no amount has been reflected in the financial statements (Note 5).

On January 26, 2015 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. As the contract has expired between the commission and the province as of March 31, 2016, these discussions are ongoing at the time of this reports.

11. 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 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, 2016, with comparative figures for 2015

12. Budget:

A reconciliation of the 2016 fiscal operating budget prepared by the Commission to the budget figures disclosed in the financial statements is as follows:

	2016
Commission budgeted annual deficit	\$ 656,356
Less:	
Capital expenditures	245,000
	\$ 411,356

13. Investment and other income:

	2016	2015
Investment income	\$ 22,266	\$ 27,039
Police commission	8,400	8,400
Rental fees	7,925	7,650
Other	293	625
Lands Protection Act Penalties	-	4,800
	\$ 38,884	\$ 48,514

NOTES

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