

Prince Edward Island Regulatory & Appeals Commission ANNUAL REPORT

THE ISLAND REGULATORY AND APPEALS COMMISSION Prince Edward Island fle-du-Prince-Édouard CANADA

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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 of presenting its Annual Report for the year ended March 31, 2018.

Respectfully submitted.

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, 2018. This past year saw significant change at the Commission. Two directors and two long-term regulatory staff members retired after years of dedicated service. We wish them all the best in their retirement.

Continuing our work with restructuring, governance and organizational review, the Commission made a number of staff changes. For the first time, a general legal counsel was hired. Jonah Clements will provide legal advice to the Commission and also becomes the director of land, supervising all matters under the Lands Protection Act. We hired a new senior financial officer, Cheryl Mosher, whose primary responsibility is regulating electric matters under the Electrical Power Act, including financial and regulatory oversight of Maritime Electric Company, Limited. Jennifer Perry assumed the role of Acting Director of Residential Rental Property, with two new rental adjudication officers, both with law degrees.

The Commission dealt with a significant increase in its work as a regulator of Maritime Electric Company, Limited. In addition to reviewing the company's monthly financial statements, the Commission received an application and issued an order approving an open access transmission tariff for transmission of electricity within the province. This matter required substantial staff resources, along with outside experts in electrical tariffs, to provide independent advice to the Commission. A large number of appeals under the *Planning Act* were also received. With the Commission's focus on alternative dispute resolution, almost half of the appeals were resolved outside of the formal hearing process.

Next year will see the final phase of reorganization. Changes are planned to ensure the Commission has the proper staff in place dedicated to its areas of responsibility, to cut red tape and increase efficiency, to modernize our computer system, and to improve our communications with the public and the industries we regulate.

I would like to thank all of our staff at the Commission for their dedicated service to the public and recognize the contribution of our full and part-time commissioners, Vice-Chair Doug Clow, Commissioner John Broderick and our part time Commissioners, Jean Tingley and Terry McKenna for their service.

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 2018. La Commission a connu des changements importants au cours de la dernière année; deux directeurs et deux employés de longue date se sont retirés après de nombreuses années de service. Nous leur présentons nos meilleurs vœux pour une retraite bien méritée.

L'examen continu de la restructuration, de la gouvernance et de l'organisation de la Commission a donné lieu à plusieurs changements au sein des effectifs, notamment l'embauche d'un premier conseiller juridique général. Jonah Clements fournira des conseils juridiques à la Commission tout en assumant les fonctions de directeur des terres, supervisant ainsi toutes les guestions liées à la Lands Protection Act (loi sur la protection des terres). La Commission a également embauché une nouvelle agente financière supérieure, Cheryl Mosher, qui s'occupera principalement de la réglementation en matière d'électricité en vertu de l'Electrical Power Act (loi sur l'énergie électrique), y compris la surveillance réglementaire et financière de la Maritime Electric Company, Limited. En outre, Jennifer Perry a assumé le rôle de directrice intérimaire de la location des propriétés résidentielles avec l'appui de deux nouveaux agents responsables des décisions en matière de location, tous deux titulaires d'un diplôme en droit.

En tant que réglementateur de la Maritime Electric Company, Limited, la Commission a connu une augmentation considérable dans sa charge de travail. En plus de réviser les états financiers mensuels de l'entreprise, la Commission a reçu une demande à l'égard d'un tarif donnant libre accès au réseau de transport d'électricité dans la province. La demande a été approuvée par ordonnance, mais le dossier

a exigé d'importantes ressources humaines, sans compter les experts en matière de tarifs électriques qui ont fourni des conseils indépendants. La Commission a aussi reçu un nombre élevé d'appels en vertu de la *Planning Act* (loi sur l'aménagement du territoire). En mettant l'accent sur différents modes de résolution de conflits, la Commission a réussi à régler près de la moitié des appels en dehors du processus d'audience officiel.

L'étape finale de réorganisation aura lieu au cours de la prochaine année. La Commission prévoit quelques changements supplémentaires qui lui permettront d'affecter son personnel aux bons champs de responsabilité, de réduire les formalités administratives, d'améliorer l'efficacité, de moderniser son système informatique et d'améliorer les communications avec le public et les industries qu'elle réglemente.

J'en profite pour remercier tous les employés de la Commission pour leur service au public. Je tiens aussi à souligner la contribution de notre viceprésident Doug Clow, de notre commissaire John Broderick et de nos commissaires à temps partiel, Jean Tingley et Terry McKenna.

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

EXECUTIVE SUMMARY

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 operates at arm's length from the Provincial Government. It has three full-time and up to five part-time Commissioners and a staff complement of 17.

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 has appellate responsibilities under the following *Acts*:

- Planning Act
- Unsightly 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 amalgamations and 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 and Chief Executive Officer of the Commission, a full-time Vice-Chair (who assumes primary responsibilities for land matters), one other Commissioner, and not more than five part-time Commissioners. In 2017-18, the Commission had three full-time and two 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:

Jean Tingley Terry McKenna



From left, Full-Time Commissioner John Broderick, Chair and CEO Scott MacKenzie, Vice-Chair Douglas Clow, and Part-Time Commissioner Jean Tingley. (Missing from photo: Part-Time Commissioner Terry McKenna)

Staff Positions:

Corporate Services

Senior Financial Advisor Finance/Human Resources Senior Systems Specialist Executive Assistant to the CEO

Receptionists

Regulatory Services

Director

Regulatory Analyst

Land and Appeals

Director and General Counsel

Regulatory Analyst Regulatory Analyst

Regulatory Analyst

Regulatory Analyst

Regulatory Analyst

Office of the Director of Residential Rental Property

Acting Director

Rental Officer

Rental Officer

Intake Officer

Intake Officer

Cheryl Mosher, CA, CPA

Susan Jefferson

Daniel Arsenault

Collette Vessey

Glynne Squires

Mary-Lou Austin

Allison MacEwen Heather Walker

Jonah R.K. Clements

Janice MacKinnon

Donna Chandler

Cassie MacKenzie (on leave)

Lynn Trainor Loretta Cameron

Jennifer Perry

Amanda Blakeney

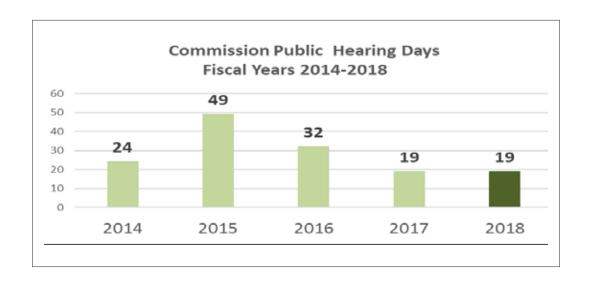
Stephen Flanagan

Kelly Charlesworth (on leave)

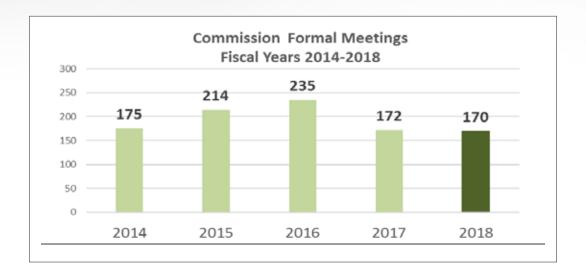
Dawn Murphy

COMMISSION ACTIVITIES

In 2017-18, the Commission presided over 19 public hearing days. The number of public hearing days has been reduced through the Commission using alternative dispute mechanisms, including mediation, of *Planning Act* appeals.



The Commission conducted 170 formal meetings where 744 agenda items were decided:



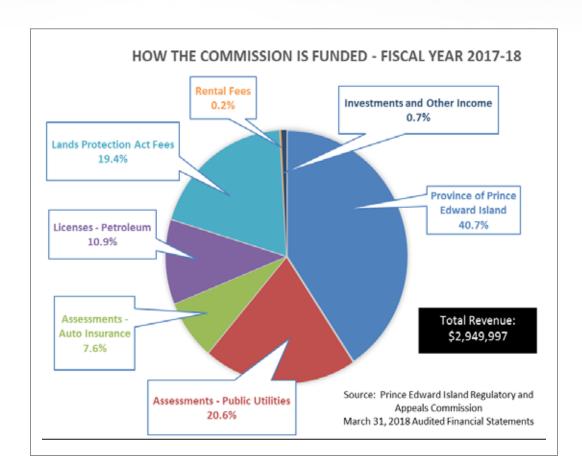
DECISIONS, ORDERS, APPROVALS OR RECOMMENDATIONS

In 2017-18, the Commission issued a total of 759 decisions, orders, approvals and recommendations. The following is a breakdown by area:



WHO FUNDS THE COMMISSION

The Commission is funded by way of annual assessments, including the Province of Prince Edward Island, and application fees. In 2017-18, total Commission revenue amounted to \$2,949,997:



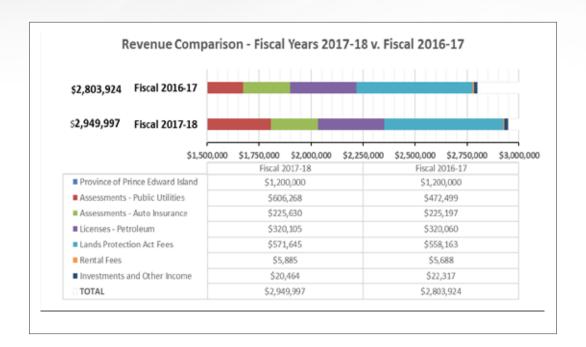
YEAR IN REVIEW: FINANCIAL

The Commission follows the requirements of the *Financial Administration Act* and has engaged Fitzpatrick & Company, an independent company, to audit its annual financial statements.

REVENUES

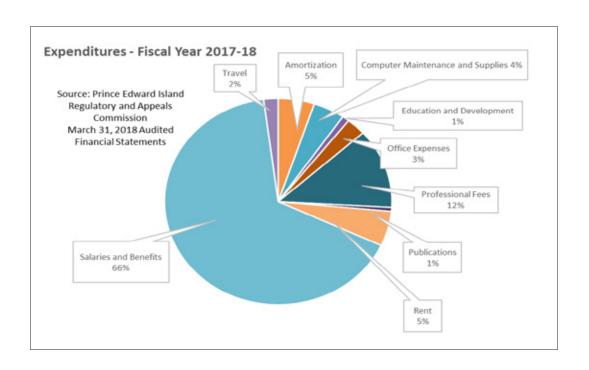
Commission revenues for 2017-18 amounted to \$2,949,997. This represents an increase of \$146,073 from the previous year's revenues of \$2,803,924. The increase in revenues is primarily due to an increase in non-resident fees of approximately \$13,482 under the *Lands Protection Act* and an increase in public utilities assessments of \$133,769.

A comparison of Commission revenues between fiscal years 2016-17 and 2017-18 follows:



EXPENDITURES

The Commission incurred expenses of \$3,032,579 in fiscal year 2017-18, allocated as shown below:



YEAR IN REVIEW - APPELLATE

In 2017-18, Commission Appeal Panel met a total of 51 times to discuss 69 appellate agenda items:

- Sixteen meetings to discuss 19 Planning Act appeal agenda items
- Thirty-five meetings to discuss 50 Rental of Residential Property Act appeal agenda items

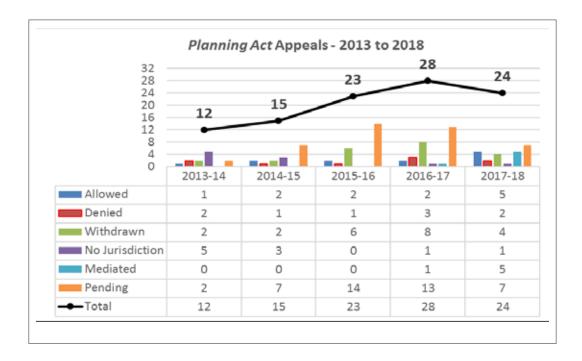
ACTIVITIES

PLANNING ACT

Under the *Planning Act*, the Commission is responsible for hearing and deciding upon appeals relating to land use. As an appellate body, the Commission hears appeals from persons who are dissatisfied with decisions made by the Minister or municipal councils, pursuant to subsections 28(1) and 28(1.1) of the *Act*.

In 2017-18, the Commission had 24 planning appeals in process. It allowed five appeals, denied two, and four appeals were withdrawn. The remaining 13 appeals were in various stages of process, including mediation, and awaiting input from the parities at the end of the fiscal year.

The following chart represents statistical data regarding *Planning Act* appeals from fiscal years 2013 to 2018:



REAL PROPERTY ASSESSMENT ACT

The Commission hears appeals on property tax assessments under the *Real Property Assessment Act*. In 2017-18, one appeal was carried over from 2016-17, five appeals were filed with the Commission. One was denied and five were settled and withdrawn.

RENTAL OF RESIDENTIAL PROPERTY 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 323 decisions issued on rental matters during 2017-18, the Commission received 28 appeals, compared with 23 in 2016-17.

In 2017-18, the Commission issued 22 decisions. Below is a summary of rental appeals:

Rental of Residential Property Act Appeals 2017-18

Fiscal 2017-18

Total Unread Appeals Carried Over from Fiscal 2016-17 Totals Appeals filled in Fiscal 2017-18		1 28
	Total	29
Disposition:		
Withdrawn by Appellant		2
Appeal Denied "Statute barred" (Decision issued)		7
Appeals Heard by Commission		17
Unheard Appeals Carried Over to Fiscal 2018-18		3
	Total	29
Decisions Issued:		
Commission Orders Issued for Fiscal Year 2016-17		1
Commission Orders Issued for Fiscal 2017-18 Appeals		
(includes one Order covering Three Appeals)		21
Outstanding Decisions Carried Forward to Fiscal 2018-19		3

MUNICIPAL BOUNDARY EXTENSIONS

Upon the direction of the Minister, the Commission is responsible for holding a public hearing on an application for a municipal boundary extension sought by a municipality. No applications were received.

REGULATORY SERVICES AND LAND

WHO WE ARE

The Regulatory Services and Land Division is comprised of a director and one staff member. The division is also assisted by the Senior Financial Advisor, who is primarily responsible for administering the *Electric Power Act*.

OUR ROLE AND RESPONSIBILITIES

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

Division staff met with various Commission Panels 32 times to discuss 185 division agenda items.

WHAT WE REGULATE

The division is responsible for administering the following Acts:

- Petroleum Products Act
- Water and Sewerage Act
- Environmental Protection Act

- Insurance Act
- Lands Protection Act

The division has a wide ranging scope of responsibilities including: retail and wholesale petroleum product licensing; setting of minimum and maximum petroleum product prices; approval of rates for electricity, water and sewer, and Waste Watch; oversight of non-resident and corporate land transactions; and monitoring of large land holdings in the province.



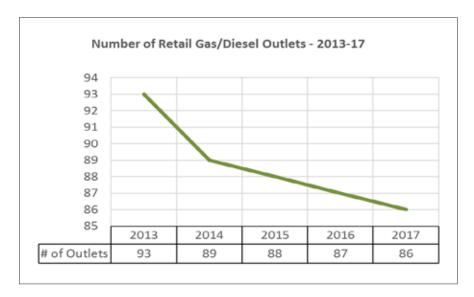
YEAR IN REVIEW - PETROLEUM

The Commission administers the *Petroleum Products Act* (the "PPA"). In 2017-18, the Commission Panel met 40 times to discuss 75 petroleum-related agenda items.

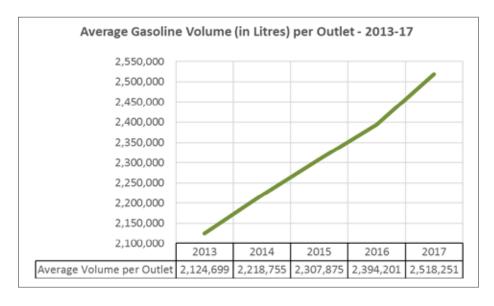
PETROLEUM LICENSING

The PPA 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.

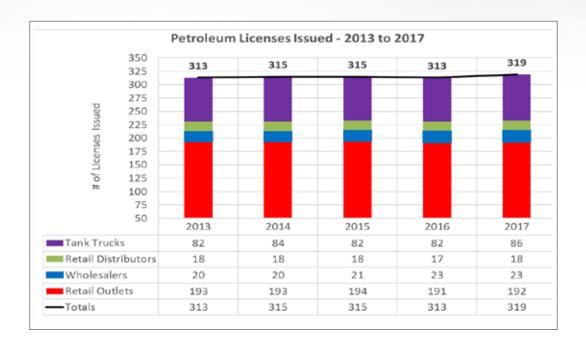
In 2017, there were 86 retail gas/diesel outlets in Prince Edward Island, down from 87 in 2016:



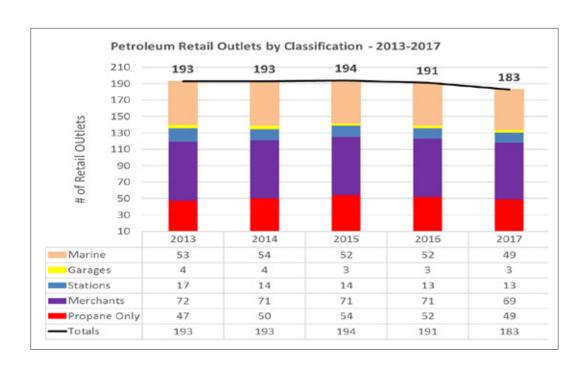
The average gasoline volume per outlet increased slightly to 2,518,251 liters. This represents an increase of approximately 393,552 liters per outlet from 2013:



The Commission issued 319 petroleum licenses in 2017, an increase of six licenses from 2016:



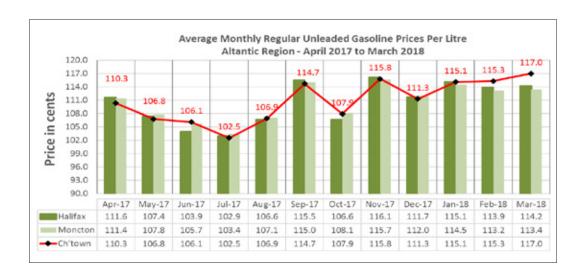
The number of petroleum retail outlets in the province decreased from 191 outlets in 2016 to 183 outlets in 2017:

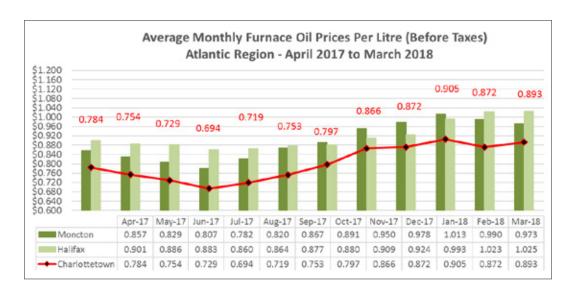


PETROLEUM PRICING

In the area of petroleum pricing, the Commission's legislative mandate requires it to ensure a just and reasonable price for heating and motor fuels for consumers and licensees within the province. In the determination and calculation of price changes to wholesalers, retailers, and consumers, the Commission considers pricing information from local, national, and international sources.

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



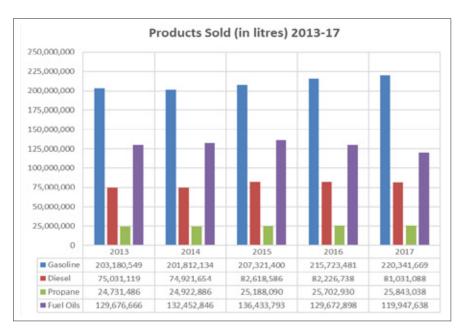


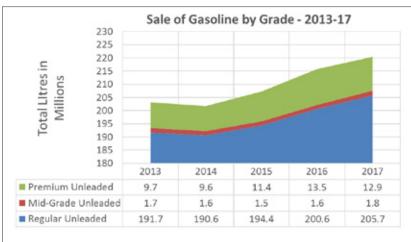
The Commission also has the responsibility for determining the minimum and maximum markups for retailers. In 2017-18, the authorized markups ranged from 5.5 to 6.5 cents per litre at self-serve pumps, and from 7.5 to 10.5 cents per litre at full-serve pumps, essentially the same margins as in Nova Scotia and New Brunswick. In addition, the markup selected by a retailer 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.

In 2017-18, the Commission issued 64 pricing orders relating to petroleum regulation.

The following graphs illustrate additional statistical data for the calendar years 2013 to 2017:





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"). The City of Summerside Utility is largely exempt from the jurisdiction of the Commission.

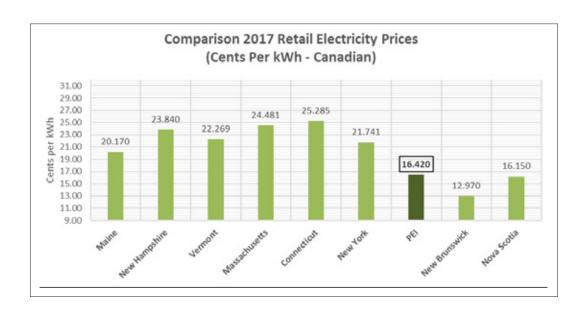
In 2017-18, the Commission's Electric Panel met five times to discuss seven electricity related agenda items, including monthly review of Maritime Electric Financial reports, review of customer inquiries related to service, and review of applications seeking Commission approval.

In March 2018, the Commission held a three-day public hearing to review the Open Access Transmission Tariff application and the Commission issued an order in the subsequent fiscal year.

The Commission approved Maritime Electric's amendments to the General Rules and Regulations. The Commission approved Maritime Electric's 2018 Capital Budget and the 2016 Capital Budget variances in the fall of 2017. The Commission approved amendments to the interim rates for rented LED street and area lights in the winter of 2018.

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

The chart below sets out the retail residential 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, with the exception of municipal utilities in Charlottetown, Summerside, Stratford, and Cornwall. For more information, please visit www.irac.pe.ca/utilities.

In 2017-18, the Commission's Water and Sewer Panel met eight times to discuss 20 water and sewer-related agenda items.

Ten permits were issued approving utility construction projects for various municipalities and four rate setting orders were issued. Projects included: lagoon upgrades in Tignish; sewer main replacements in Crapaud, Souris and Kinkora; sewage treatment plant improvements in O'Leary and Georgetown; water main replacement work in Souris; and the extension of new water and sewer services in Kensington.

Funding through various federal-provincial development initiatives was available for infrastructure upgrades, which helps reduce a project's impact on utility rates.

The Commission issued one water rate-related Order, two Orders involving sewer rates and one Order related to both water and sewer rate increases. Approval was given to MacMillan Point Water Utility Inc. to increase water rates in West Covehead for the privately-run utility; Abram's Village and Kinkora were granted authority to increase sewer rates; and Victoria received approval to increase both water and sewer rates.

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 the annual financial information of utilities to identify when rates should be reviewed.



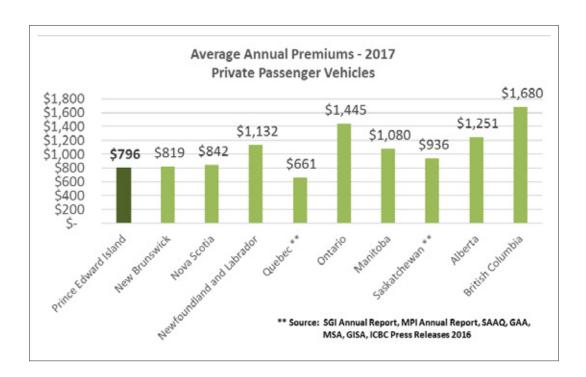
YEAR IN REVIEW - AUTOMOBILE INSURANCE

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.

In 2017-18, the Commission's Insurance Panel met 14 times to discuss 83 rate and rate-related automobile insurance filings.

The Commission administered insurance rates for a total of 118,375 vehicles, with associated total premiums of \$102,714,000.

Insurance premiums for private passenger vehicles on Prince Edward Island remain the lowest in Atlantic Canada, averaging approximately \$796/year:



YEAR IN REVIEW - LANDS PROTECTION ACT

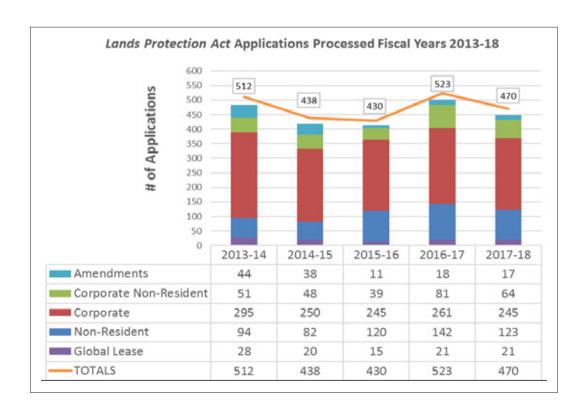
The Commission is responsible for the administration of the *Lands Protection Act* (the "*LPA*"). It does not make decisions on land applications. It is a recommending body for Executive Council which has the authority to approve or deny applications for land purchases or leases. The Commission monitors the land holdings of large land owners and carries out investigations for enforcing the *LPA*. To learn more about the *LPA*, visit our website at www.irac.pe.ca/land.

The Commission's Lands Protection Panel meets bi-weekly to review land applications. In 2017-18, it met 34 times to consider 477 land-related agenda items.

APPLICATIONS

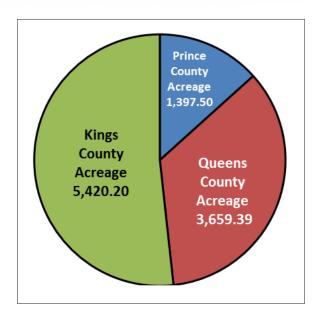
The Commission processed 470 applications under the *LPA*. Of these, 453 applications were for acquisition of land, involving 56,401 acres. The Commission also processed 17 land identification amendment applications.

The following graph is a summary of the applications considered by the Commission over the past five years under the *LPA*:



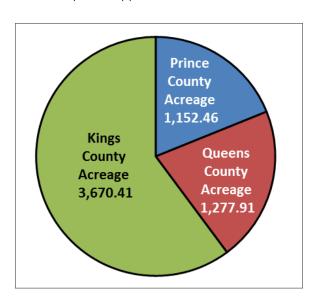
Non-Resident Applications

The Commission considered 123 applications from non-residents totaling 10,477 acres. Forty-four applications with shore frontage, totaling approximately 49,664 feet, were included in the non-resident applications.



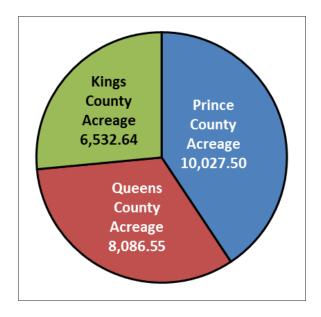
Corporate Applications – Non-Resident

The Commission considered 64 applications totaling 6,101 acres of land from non-resident corporations. Eleven applications with shore frontage, totaling approximately 5,165 feet, were included in the non-resident corporate applications.



Corporate Applications – Resident

The Commission considered 245 applications totaling 24,647 acres of land from resident corporations. Fifty-nine applications with shore frontage, totaling approximately 75,630 feet, were included in the 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 rotations. Twenty-one applications, totaling 15,176 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 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 for consideration. The Minister then makes a recommendation to Executive 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 in the province subject to land identification agreements and this change is reflected in the Commission's statistics. In 2017-18, 17 applications, totaling 192 acres, were processed by the Commission.

ANNUAL DECLARATION STATEMENT

Under Section 10 of 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, 2017, the Commission received and processed 69 annual land holding declaration statements. Of these, 52 were filed by persons, and 17 were filed by corporations.



OFFICE 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. Rental officers hear applications and render decisions. Intake officers handle inquiries from the public and process documents. Further information on the Office is available at www.irac.pe.ca/rental.

ROLE AND RESPONSIBILITIES

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

The Rental Act creates a forum, outside of the traditional court system, for the adjudication of disputes between residential landlords and tenants.

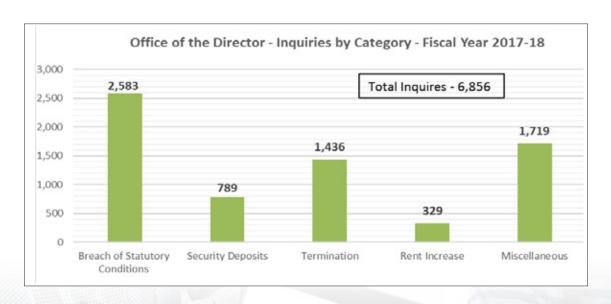
Under section 4 of the Rental Act, the Director of the Office is responsible for:

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

YEAR IN REVIEW - INQUIRIES

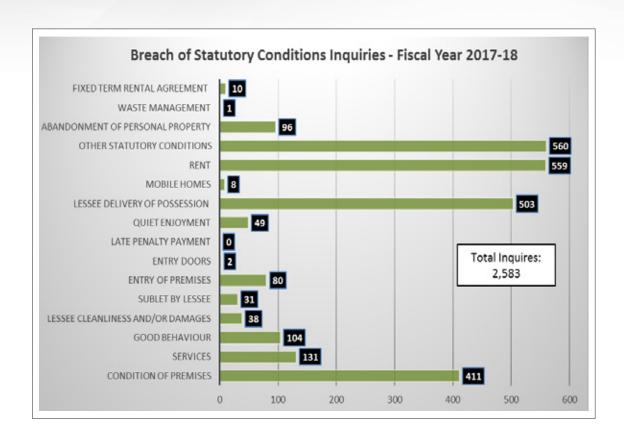
All inquiries, whether in person or by letter, fax, email or telephone, are handled by intake officers. In 2017-18, the number of inquiries received by the Commission totaled 6,856, which is a decrease from the previous year. The Office receives between 500 and 600 inquires per month.

The following graph provides a breakdown of the inquiries received by the Commission:





The following graph provides the number of inquiries made during fiscal year 2017-18 regarding Statutory Conditions:

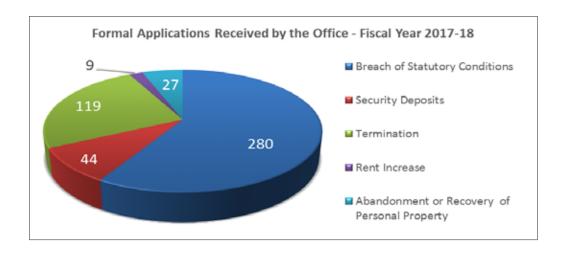


YEAR IN REVIEW - APPLICATIONS

The Office continues to receive a large volume of applications for adjudication of disputes from both landlords and tenants.

NATURE OF APPLICATIONS

The following graph provides a breakdown of the formal applications which were received by the Office during fiscal year 2017-18:



STATUS OF APPLICATIONS

In 2017-18, the Office received 479 new applications for adjudication of rental disputes. Of those 479 applications, 39 were withdrawn by the applicant prior to any action being taken by the Director and 48 were resolved by the parties, with the assistance of the Director or staff, prior to a hearing.

Enforcement of Statutory or Other Conditions of Rental Agreement

Statutory conditions are the responsibilities of either the landlord or the tenant as set out in the Rental Act and the standard form of rental agreement. The Rental Act also provides a process for dealing with personal property abandoned by tenants. In 2017-18, the Office received 280 applications involving statutory or other conditions.

Security Deposits

The Rental Act sets out the handling and processing requirements for security deposits taken as a condition of the rental agreement. In 2017-18, the Office received 44 applications for a determination of entitlement to the security deposit, compared with 36 applications the previous year.

Termination of Rental Agreement

The Rental Act provides for limited security of tenure for the tenant, whereby the tenant 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 tenant wishes to challenge a notice of termination, the tenant must apply to the Office. The landlord may also, in some circumstances, apply for earlier termination of the rental agreement. In either case, when an application regarding termination is received, the Office holds a hearing and renders a decision. In 2017-18, the Office received 119 applications for termination, compared with 86 applications the previous year.

Rent Increases

Each year the Director invites written representation from landlords and tenants to assist the Commission in establishing the annual prescribed percentage rent increase. For 2018, the Commission ordered that the rates could increase by 1.75% for heated premises, 1.5% for unheated premises, and 1.5% for mobile home sites.

Any application for a greater than allowable rent increase requires approval by the director before being charged and collected. In 2017-18, the Office received nine applications for rent increases greater than the allowable amount.

Personal Property

The Rental Act provides for the process by which landlords can deal with the abandonment or recovery of personal property. In 2017-18, the Office received 27 applications regarding abandonment or recovery of personal property, compared with 35 applications the previous year.

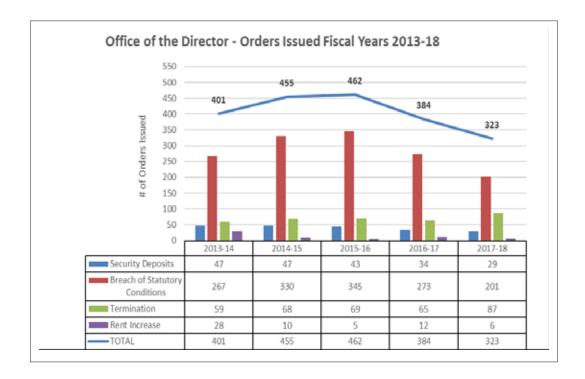
YEAR IN REVIEW - RENTAL ORDERS ISSUED

The Office strives to reduce the average time required to process matters from the time the application is filed to when a decision is rendered. The volume of orders issued by the Office is dependent upon the number and complexity of the applications that it receives.

In 2017-18, the Office issued 323 orders, including applications carried over from 2016-17. This compares to 384 orders issued in 2016-17.

As in previous years, most of the orders related to applications for breach of statutory conditions. The number of orders related to rent increases, security deposits, or terminations, varied from previous years.

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 323 orders issued by the Director on rental matters in 2017-18, the Commission received 28 appeals, compared with 23 appeals the previous year.

FINANCIAL STATEMENTS FISCAL 2017-18

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, 2018.

Prince Edward Island Regulatory and Appeals Commission

Financial Statements

For the Year Ended March 31, 2018



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, 2018 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 is 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 circumstance, 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, 2018 and its financial performance for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Chartered Professional Accountants

Charlottetown, PE June 14, 2018

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Prince Edward Island Regulatory and Appeals Commission

Statement of Financial Position

As at March 31, 2018, with comparative figures for 2017

		2018	2017	
Financial Assets	,			
Cash (note 2)	\$	173,822 \$	311,153	
Accounts receivable (note 3)		240,316	131,193	
Investments (note 4)		875,420	906,682	
		1,289,558	1,349,028	
Liabilities			•	
Accounts payable and accrued liabilities (note 5)		1,306,886	1,296,266	
Employee future benefits (note 6)		215,782	266,012	
Leasehold improvements and inducements		64,000	80,000	
		1,586,668	1,642,278	
Net financial assets		(297,110)	(293,250)	
Non-Financial Assets				
Prepaid expenses		887	2,136	
Tangible capital assets (note 7)		121,316	198,790	
		122,203	200,926	
Commitments (note 8)			•	
Pension costs and obligations (note 9)				
Accumulated deficit (note 11)	\$	(174,907) \$	(92,324)	
Approved on Behalf of the Commission;				
, Commissioner		, Commissioner		

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

Statement of Operations

For the Year Ended March 31, 2018, with comparative figures for 2017

	Budget (note 13)	2018	2017
Revenue:			
Assessment - Province of PEI	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000
Assessments on public utilities (note 10)	472,000	606,268	472,499
Licenses - petroleum products	320,000	320,105	320,060
Permits - land and property division	530,000	571,645	558,163
Assessments on auto insurance	225,000	225,630	225,197
Investment and other income (note 14)	27,700	26,349	28,005
	2,774,700	2,949,997	2,803,924
Operating expenses:			
Advertising	43,000	16,273	17,209
Amortization	155,000	156,445	191,288
Cleaning	8,160	8,311	8,096
Computer maintenance and supplies	131,700	135,709	112,300
Education and development	40,000	28,726	16,339
Insurance	13,300	10,712	12,675
Office expenses	43,100	41,854	37,659
Part-time commissioners	29,500	12,411	19,317
Postage	4,800	3,191	3,607
Professional fees	361,500	244,944	260,651
Publications	21,500	18,993	22,251
Recoverable hearing expenses (note 10)	-	133,962	_
Rent	166,000	165,854	165,854
Repairs and maintenance	2,500	2,599	872
Salaries and employee benefits	2,106,818	1,978,296	1,937,963
Telephone	20,000	11,860	13,147
Travel	80,020	62,439	48,021
	3,226,898	3,032,579	2,867,249
Annual deficit	(452,198)	(82,582)	(63,325
Accumulated deficit, beginning of year	-	(92,325)	(29,000
Accumulated deficit, end of year	\$ -	\$ (174,907)	\$ (92,325

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

Statement of Change in Net Financial Assets

As at March 31, 2018, with comparative figures for 2017

	Budg	et (note 13)	. 2018	2017
Annual deficit	. \$	(452,198) \$	(82,582) \$	(63,325)
Acquisition of tangible capital assets		(110,000)	(78,970)	(146,156)
Amortization of tangible capital assets		155,000	156,445	191,288
Increase (use) of prepaid expenses			1,247	(355)
		(407,198)	(3,860)	(18,548)
Net financial assets, beginning of year		(293,250)	(293,250)	(274,702)
Net financial assets, end of year	\$	(700,448) \$	(297,110) \$	(293,250)

Statement of Cash Flows

For the Year Ended March 31, 2018, with comparative figures for 2017

		2018	2017
Cash flows from operating activities:			
Cash receipts from government transfers and customers	\$	2,694,884 \$	2,816,201
Cash paid to suppliers and employees		(2,796,535)	(2,704,281)
Interest received		12,028	13,831
		(89,623)	125,751
Cash flows from capital activities:	•		
Purchase of tangible capital assets		(78,970)	(146,157)
Cash flows from investing activities:			
Decrease in investments		31,262	233,945
Net (decrease) increase in cash		(137,331)	213,539
Cash, beginning of year		311,153	97,614
Cash, end of year	\$	173,822 \$	311,153

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

Notes to the Financial Statements

For the Year Ended March 31, 2018, with comparative figures for 2017

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 Professional Accountants.

b) Tangible capital assets:

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

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

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

Vacation pay is recorded as a liability when earned.

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

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

d) Government transfers:

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

Notes to the Financial Statements

For the Year Ended March 31, 2018, with comparative figures for 2017

1. Significant accounting policies: (continued)

e) Pension costs:

Employees of the Commission belong to the Civil Service Superannuation Plan which is a multiemployer 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:

	2018	 2017
Cash Cash held in trust for deposit guarantees	\$ 156,669 17,153	\$ 301,043 10,110
	\$ 173,822	\$ 311,153

Notes to the Financial Statements

For the Year Ended March 31, 2018, with comparative figures for 2017

3. Accounts receivable:

	201	3	2017
Trade receivables	\$ 197,16	2 \$	93,896
HST receivables	42,34	7	35,535
Other receivables	80	7	1,762
	\$ 240,31	3 \$	131,193

4. Investments:

Investments consist of Guaranteed Investment Certificates invested at the Bank of Nova Scotia with interest rates ranging from 0.72% to 2.00% and maturity dates ranging from April 2018 to April 2019.

5. Accounts payable and accrued liabilities:

	2018	 2017
Province of Prince Edward Island - accumulated surplus	\$ 1,072,630	\$ 1,072,630
Trade	96,934	84,101
Vacation pay	89,858	74,868
Accrued sick leave	30,311	54,557
Deposit guarantees - Director of Residential Rental Property	17,153	10,110
	\$ 1,306,886	\$ 1,296,266

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	2018	3	2017
Balance, beginning of year	\$ 266,012	\$	243,851
Current service cost	18,888	}	27,085
Accrued interest	8,733	}	7,733
Retirement pay	(86,093	3)	(13,801)
Loss on valuation	8,242	?	1,144
	\$ 215,782	: \$	266,012

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.

Notes to the Financial Statements

For the Year Ended March 31, 2018, with comparative figures for 2017

6. Employee future benefits: (continued)

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

	2018	2017
Discount rate	3.26%	3.26%
Expected inflation rate	2.20%	3.00%
Expected average remaining service life	5 years	9 years

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

During the 2018 fiscal period, three employees retired, resulting in a decrease in the obligation of \$ 86,093 (2017 - \$ 13,801).

7. Tangible capital assets:

Part	Cost	 cumulated nortization	2018 Net Book Value	 2017 Net Book Value
Computer equipment Furnishings and equipment	\$ 625,175 97,235	\$ 526,771 74,323	\$ 98,404 22,912	\$ 165,914 32,876
	\$ 722,410	\$ 601,094	\$ 121,316	\$ 198,790

8. Commitments:

The Commission has an operating lease for its premises at \$ 15,154 per month plus common area charges, under a lease expiring March 31, 2022.

The minimum annual lease payment to the expiry date is \$ 181,848.

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 \$ 279,309 (2017 - \$ 288,523) to the defined benefit pension plan on behalf of employees. These amounts are included in salaries and employee benefits in the Statement of Operations.

Notes to the Financial Statements

For the Year Ended March 31, 2018, with comparative figures for 2017

10. Recoverable hearing expenses:

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

11. Accumulated surplus:

The Commission segregates its accumulated surplus in the following categories:

	2018	2017
Capital fund	\$ 121,316 \$	198.790
Operating fund	(496,223)	(491,114)
Reserve	200,000	200,000
	\$ (174,907) \$	(92,324)

Capital fund:

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

Reserve:

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

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

12. Financial instruments risk:

Credit risk:

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

Interest rate risk:

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

Notes to the Financial Statements

For the Year Ended March 31, 2018, with comparative figures for 2017

13. Budget:

A reconciliation of the 2018 fiscal operating budget prepared by the Commission to the budget figures disclosed in the financial statements is as follows:

	2018
Commission budgeted annual deficit	\$ 452,198
Less: Capital expenditures	110,000
	\$ 342,198

14. Investment and other income:

	2018	2017
Investment income	\$ 12,028	\$ 13,831
Police commission	8,400	8,400
Rental fees	5,885	5,688
Other	36	86
	\$ 26,349	\$ 28,005

15. Contingent liabilities:

Throughout the year, a third party has been paying for benefits for an employee of the commission. Due to changes in circumstances, it is highly likely that the commission will have to repay these amounts. While this event is probable, at the date of this report an estimate for the financial impact cannot be reasonably determined.

NOTES

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