



PRINCE EDWARD ISLAND

Regulatory & Appeals Commission

Commission de réglementation et d'appels

ÎLE-DU-PRINCE-ÉDOUARD

2020-2021 ANNUAL REPORT



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

Dear Minister Jameson:

I am pleased to submit the 2020-2021 Annual Report for the Prince Edward Island Regulatory and Appeals Commission. The report presents an overview of the Commission's activities for the fiscal year 2020-2021 and the audited financial statements for the fiscal year ending March 31, 2021.

Respectfully submitted,

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

COMMENTS FROM THE CHAIR



I am pleased to present the 2020-2021 Annual Report of the Prince Edward Island Regulatory and Appeals Commission for the period April 1, 2020 to March 31, 2021.

Like everyone else, responding to Covid-19 was the overarching theme of the Commission's work for 2020-21. Covid-19 brought significant changes to our day-to-day operations. We began the fiscal year with the office closed to the public and staff working remotely. We adapted quickly to public health measures and switched to telephone hearings for rental disputes and appeals, and we restricted attendance for *Planning Act* appeals.

Despite the challenges of Covid-19, the Commission was able to continue its work and issued 727 decisions, orders, approvals, and recommendations for rental appeals, *Planning Act* appeals, land matters, electricity, petroleum pricing, and in other areas regulated by the Commission.

In December 2020, the Commission issued an Order on Maritime Electric's General Rate Application and approved new electric rates for January 1, 2021.

In February 2021, the Commission made a presentation to the Standing Committee on Natural Resources and Environmental Sustainability on the general procedure for investigations carried out under the *Lands Protection Act*.

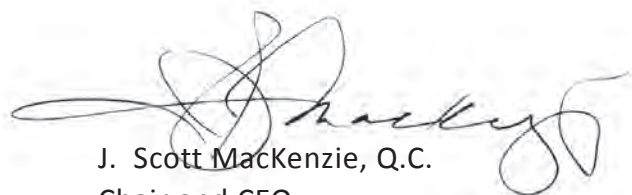
In 2021, we began work on a new user-friendly website, irac.pe.ca, which at the time of reporting, is fully operational.

In December 2020, we were pleased to welcome a new part-time Commissioner, Murray MacPherson, appointed by Executive Council. I would like to thank all our Commissioners for the expertise and dedication they bring to their role dealing with the matters regulated by the Commission.

As an independent quasi-judicial tribunal, the Commission operates at arm's length from government and is free of influence from any source. Upholding the Commission's independence is fundamental to maintaining public confidence in its impartiality in decision making.

This year for the first time, the Director of the Office of Residential Rental Property will add her own comments in the report of the year's rental activities. While the Rental Office is housed within the Commission, with the Commission acting in a supervisory role, the day-to-day operations are managed by the Director.

As we look back on the year, I would like to recognize and thank staff for the resilience and professionalism they demonstrated as we shifted to new ways of working during the Covid-19 pandemic. Their commitment to serving the public enabled the Commission to successfully navigate the challenges of Covid-19.

A handwritten signature in black ink, appearing to read 'J. Scott MacKenzie', is positioned above the printed name and title.

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

COMMENTARIES DU PRÉSIDENT

Je suis heureux de présenter le rapport annuel 2020-2021 de la Commission de réglementation et d'appels de l'Île pour la période du 1er avril 2020 au 31 mars 2021.

Comme partout ailleurs, les travaux de la Commission en 2020-2021 avaient pour grand thème la réponse à la pandémie de COVID-19. La pandémie a entraîné des changements considérables dans nos activités quotidiennes. Notre exercice a commencé dans un environnement de fermeture des bureaux au public et de travail à distance pour les employés. Nous nous sommes rapidement adaptés aux mesures de santé publique en passant aux audiences téléphoniques pour les différends et appels en matière de loyer, et en limitant l'assistance à l'audience des appels liés à la *Planning Act* (loi sur l'aménagement du territoire).

Malgré les défis posés par la pandémie de COVID-19, la Commission a été en mesure de poursuivre ses travaux; elle a prononcé ou formulé 727 décisions, ordonnances, approbations et recommandations dans le cadre d'appels en matière de loyer ou liés à la *Planning Act*, ainsi que sur des questions foncières et relatives à l'électricité, au prix du pétrole et à d'autres affaires régies par la Commission.

En décembre 2020, la Commission a prononcé une ordonnance sur la requête de hausse tarifaire générale de Maritime Electric et approuvé une nouvelle tarification, entrée en vigueur le 1er janvier 2021.

En février 2021, la Commission a comparu devant le Comité permanent des ressources naturelles et de la durabilité de l'environnement à propos de la procédure générale pour les enquêtes menées en application de la *Lands Protection Act* (loi sur la protection des terres).

En 2021, elle a commencé à travailler sur un nouveau site Web convivial, irac.pe.ca, qui, à la publication du présent rapport, est entièrement fonctionnel.

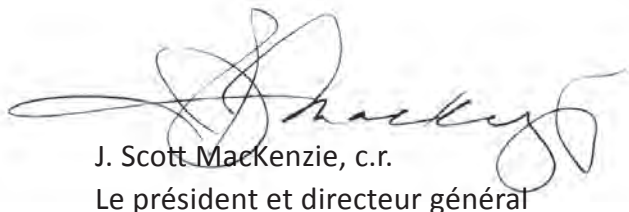


En décembre 2020, nous avons eu le plaisir d'accueillir un nouveau commissaire à temps partiel, Murray MacPherson, à la suite d'une nomination du Conseil exécutif. J'aimerais remercier tous nos commissaires pour le savoir-faire et le dévouement dont ils font preuve dans leur traitement des affaires régies par la Commission.

À titre de tribunal quasi judiciaire indépendant du gouvernement, la Commission ne subit aucune influence de quelque source que ce soit. Le respect de l'indépendance de la Commission est fondamental au maintien de la confiance du public dans l'impartialité de son processus décisionnel.

Cette année, pour la première fois, la directrice des propriétés résidentielles à louer commente le volet sur les activités locatives du rapport annuel. Bien que le Bureau du directeur des propriétés résidentielles à louer soit régi par la Commission, qui en assure la supervision, ses activités quotidiennes sont gérées par la directrice.

J'aimerais remercier les employés et souligner leur résilience et leur professionnalisme au fil des changements apportés à notre façon de travailler pendant la pandémie de COVID-19. Leur engagement à servir la population a permis à la Commission de relever les défis posés par la pandémie.



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

OVERVIEW

The Prince Edward Island Regulatory and Appeals Commission was established in 1991 with the amalgamation of the former Public Utilities Commission, Land Use Commission, and the Office of the Director of Residential Rental Property.

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



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

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

Commissioners and Staff

The Commission Chair and Chief Executive Officer is J. Scott MacKenzie, Q.C., Vice-Chair is Doug Clow, CPA, CA, and Erin Mitchell is full-time Commissioner. Part-time Commissioners include Terry McKenna, Cynthia McCardle, and Murray MacPherson, who was appointed by Executive Council in December 2020.

In 2020-21, the Commission employed a staff of 23.

Mission

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

Vision

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

Legislative Roles and Responsibilities

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

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

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

The Commission's regulatory responsibilities fall under the following Acts:

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

The Commission has administrative responsibilities under the following Acts:

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

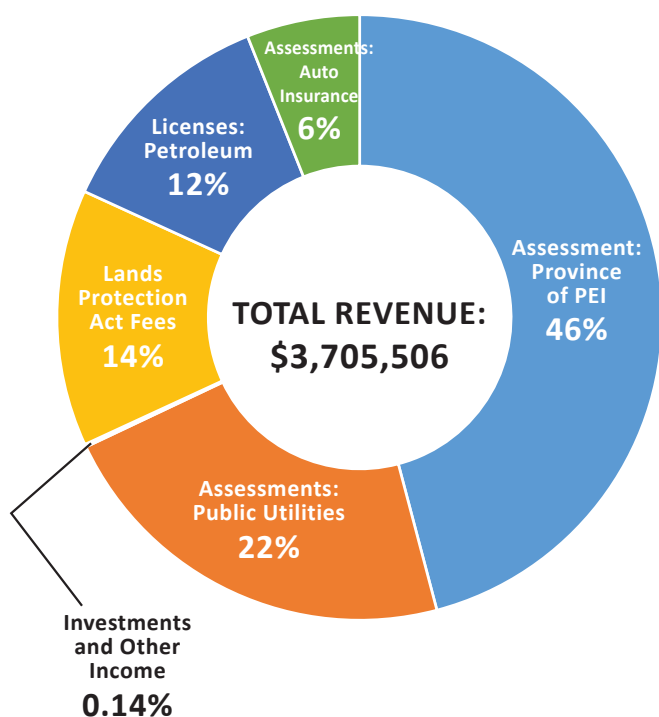
Financial Highlights Fiscal Year 2020-21

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

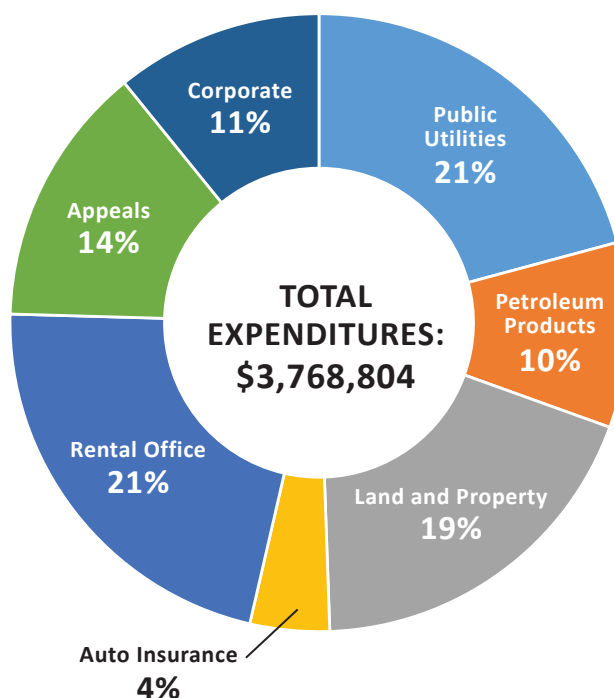
The Commission's revenue sources include non-resident fees collected through the *Lands Protection Act*, license fees for retail and wholesale petroleum outlets, assessment fees on automobile insurance rates, assessments on Maritime Electric Company Limited, assessments on water and sewerage utilities and assessments on the province of Prince Edward Island for the operation of the Office of the Director of Residential Rental Property.

In 2020-21, total revenue amounted to \$3,705,506, a decrease of \$162,680 from the previous year's revenues. The decrease is primarily due to a drop in non-resident fees received under the *Lands Protection Act*.

The Commission incurred expenses of \$3,768,804 during 2020-21, allocated as shown below:



Source: Prince Edward Island Regulatory and Appeals Commission
March 31, 2021 Audited Financial Statements.



Source: Prince Edward Island Regulatory and Appeals Commission
March 31, 2021 Audited Financial Statements.

The Commission's audited financial statements for the fiscal year ending March 31, 2021 can be found in the last section of this report.

Commission Activities

Decisions, Orders, Approvals and Recommendations

Fiscal Year 2020-21

The Commission issued a total of 727 decisions, orders, approvals, and recommendations. The following is a breakdown by area:

727
TOTAL

485
TOTAL

LANDS PROTECTION

Non-resident applications	95
Corporate applications	269
Global lease applications	18
Amendment applications	18
Annual disclosure statements	85

66
TOTAL

PETROLEUM

Regular petroleum price settings	52
Unscheduled price settings	1
Applications for new licenses	7
Regulatory administrative approvals	6

6
TOTAL

ELECTRICITY

Rate-related applications	2
Capital budget and regulatory approvals	4

12
TOTAL

WATER – SEWER

Utility rate applications	5
Construction permits	7

73
TOTAL

AUTO INSURANCE

Rate applications	73
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Appeals

Fiscal Year 2020-21

28
TOTAL

PLANNING ACT

Appeals	28
Final decisions issued	6
Resolved by mediation	3
Withdrawn by appellant	9
Ongoing	10

8
TOTAL

REAL PROPERTY ASSESSMENT ACT

Appeals	8
Withdrawn by appellant	6
Ongoing	1
No jurisdiction	1

49
TOTAL

RENTAL OF RESIDENTIAL PROPERTY ACT

Appeals	49
Withdrawn by appellant	8
Denied – no jurisdiction	1
Orders issued	38
Orders to be issued - carried over to 2021-22	2

APPELLATE ACTIVITIES

Year in Review

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

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



Planning Act

Under the *Planning Act*, parties dissatisfied with decisions made by municipal councils or by the minister responsible for the *Planning Act* may appeal to the Commission.

In 2020-21, the Commission had 28 planning appeals in process. Three appeals were successfully mediated and withdrawn without a formal hearing. The Commission issued a final decision on six appeals. Nine appeals were withdrawn by the appellant and the remaining 10 appeals are in various stages of process including ongoing mediation, on hold at the request of the parties, or awaiting information from the parties.

Below is a summary of the appeals filed with the Commission for the past three fiscal years:

	2018-19	2019-20	2020-21
Total appeals	29	28	28
Allowed	0	0	4
Denied	2	1	2
Withdrawn	3	4	9
No jurisdiction	0	0	0
Mediated	12	10	3
Ongoing	12	13	10

Rental of Residential Property Appeals

Under the *Rental of Residential Property Act*, parties dissatisfied with decisions from the Office of the Director of Residential Rental Property may appeal to the Commission. Of the 399 Orders issued on rental matters during 2020-21, the Commission received 43 appeals, compared with 76 appeals the previous year. Six appeals were carried over due to Covid-19.

Below is a summary of appeals filed under the *Rental of Residential Property Act* for 2020-21:

	2020-21
Total	49
Appeals	49
Appeals withdrawn by appellant	8
Appeals denied – no jurisdiction	1
Orders issued	38
Orders to be issued - carried over to 2021-22	2

Real Property Assessment Act

The Commission hears appeals on property tax assessments under the *Real Property Assessment Act*. In 2020-21, eight appeals were on file with the Commission. Six were withdrawn by the appellant, the Commission had no jurisdiction to hear one, and the remaining appeal is ongoing.

REGULATORY ACTIVITIES

The Commission is responsible for administering these Acts:

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

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



Year in Review

Petroleum

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

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

Petroleum Pricing

Under the Act, the Commission's role is to "ensure at all times a just and reasonable price for heating fuel and motor fuel to consumers and licensees within the province."

In 2020-2021, the Petroleum Panel met for 52 regularly scheduled price adjustments and one unscheduled price adjustment, for a total of 53 price adjustments. The methodology used for petroleum pricing can be found on the Commission's website at irac.pe.ca/petrol/methodology.

The Commission determines the minimum and maximum markup for retailers. The current minimum retail margin for self-serve gasoline and diesel fuel is 6.0 cpl, and the maximum retail margin for self-serve gasoline and diesel fuel 7.0 cpl. Retail outlets may price anywhere within the minimum and maximum prices.

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

The following page shows the volume of each petroleum product sold.

PRODUCTS SOLD (IN LITRES)

Product	2018	2019	2020
Propane	29,859,530	35,076,071	33,172,321
Diesel	84,825,638	89,215,263	85,459,253
Fuel Oils	132,971,083	136,928,725	128,789,258
Gasoline	233,316,295	237,898,992	214,171,916

Petroleum Licensing

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

In 2020-21, the Commission issued 314 petroleum licenses, the same number as the previous year.

	2018-19	2019-20	2020-21
Total Licenses	304	314	314
Retail Distributors	18	18	18
Wholesalers	21	22	22
Tank Trucks	78	88	90
Retail Outlets	187	186	184

The number of petroleum retail outlets in the province decreased by two in 2020-21:

	2018-19	2019-20	2020-21
Total Licenses	187	186	184
Garages	4	4	4
Stations	12	12	11
Propane Only	51	51	49
Marine	48	47	47
Merchants	72	72	73

The average gasoline volume sold per outlet decreased to 2,375,426 litres. This is a decrease of approximately 225,461 litres from the previous year.

Year in Review

Electricity

Regulation of Electric Utilities

The *Electric Power Act* gives the Commission the authority to regulate public utilities, including Maritime Electric Company, Limited. The Commission's role with Maritime Electric is to ensure that its customers receive safe and reliable service, and that the rates for electric service are reasonable, publicly justifiable and non-discriminatory.

In setting electric rates, the Commission must balance the interests of Maritime Electric and the interests of its customers. This means that the rates for electric service must be fair to customers on the one hand, and also allow Maritime Electric the opportunity to earn a fair return on its investment.

Typically, Maritime Electric determines when a change in electric rates is necessary. Maritime Electric then files a General Rate Application with the Commission, requesting a change in the electric rates and explaining why the change in rates is required.

In recent years, Maritime Electric has filed General Rate Applications seeking approval for rates for more than one year. This is called multi-year rate setting. In multi-year rate setting, electric rates are set for a period of two or three years. This benefits customers by ensuring that electric rates remain stable and predictable.

The Commission considers many factors in setting electric rates. As part of its General Rate Application, Maritime Electric files its forecast annual revenue requirement. The annual revenue requirement is the amount required for Maritime Electric to recover its forecast annual costs of providing electric service, and to earn a fair rate of return.



The annual revenue requirement is determined by looking at a number of forecasts, including Maritime Electric's forecast energy sales for the year, the forecast cost of generating or purchasing the energy, and the forecast cost of delivering that energy to customers.

The Commission analyzes each element of the revenue requirement to determine whether Maritime Electric's forecasts are reasonable. This is called cost of service regulation as the electric rates are intended to allow Maritime Electric to recover its cost of providing service to customers, plus a reasonable rate of return. The Commission will often engage the services of expert consultants to assist with its analysis.

Each year, Maritime Electric is required to submit its annual capital budget to the Commission for review and approval. The capital budget includes any proposed expenditures for capital improvements or additions that are anticipated for the next year. On a monthly basis, the Commission reviews Maritime Electric's monthly financial statements.

The Commission invites public input throughout the rate setting process. The public has the opportunity to submit questions to Maritime Electric, make comments to the Commission, and participate in the public hearing as an intervener.

Fiscal Year 2020-21

In 2020-2021, the Commission issued six Orders in response to filings by Maritime Electric, including its Supplemental Capital Budget Application, 2021 Annual Capital Budget, and 2020 General Rate Update.

In April 2020, Maritime Electric requested that the Commission consider deferring any potential rate increase because of the financial impact of the Covid-19 pandemic on customers. The Commission granted the company's request.

On June 5, 2020, the Commission approved Maritime Electric's Customer Support Program which offered a payment deferral plan for residential and general service customers who were financially impacted by the Covid-19 pandemic.

The Commission engaged Grant Thornton in 2019 to review financial information submitted by Maritime Electric for new electric rates and to provide regulatory advisory services to the Commission regarding the March 1, 2020 and March 1, 2021 rates. On October 14, 2020, Grant Thornton issued a comprehensive report based on its review of Maritime Electric's updated financial information and proposed electric rates. On December 21, 2020, the Commission approved new electric rates effective January 1, 2021.

The Commission approved Maritime Electric's Capital Budget during the year, as well as two Supplemental Capital Budget Applications; one for costs associated with electric vehicle charging stations and another for costs related to the PEI Broadband Project.

Water and Sewer

Under the *Water and Sewerage Act*, the Commission regulates all water and wastewater utilities in Prince Edward Island, excluding municipal utilities operating in Charlottetown, Summerside, Stratford, and Cornwall.

For more information, visit irac.pe.ca/utilities/water-sewer.

In 2020-21, the Commission's Water and Sewer Panel issued seven permits for utility construction projects in several municipalities. The projects included a sewer line extension in Wellington; wellfield upgrades in Kensington and Tignish; wastewater treatment plant upgrades in Kensington, Morell, and Montague; and upgrades to Souris central sewer and water services.

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

There were five rate-related applications reviewed by the Commission's Water and Sewer Panel in 2020-21, resulting in the approval of sewer rate increases in O'Leary, Georgetown, Montague and Miscouche, and water and sewer rate increases in Kensington.

The Commission will continue to review annual financial information from utilities to determine the necessity of amending rates.



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 annually for approval by the Commission.

In 2020-21, the Commission reviewed automobile insurance rates for 125,647 vehicles with total premiums of \$140,267,000.

Insurance premiums for private passenger vehicles on Prince Edward Island average approximately \$872.25 per year and remain the lowest in Canada, with the exception of Quebec which operates a public program.

2020 AVERAGE ANNUAL PREMIUMS FOR PRIVATE PASSENGER VEHICLES	
Prince Edward Island	\$872.25
New Brunswick	\$974.17
Nova Scotia	\$1,024.93
Newfoundland and Labrador	\$1,240.51
Ontario	\$1,636.05
Alberta	\$1,455.37
Premium information on public insurance provinces (BC, SK, MB, QC) is not provided by the General Insurance Statistical Agency.	

ADMINISTRATIVE ACTIVITIES

Lands Protection Act

The Commission is responsible for the administration of the *Lands Protection Act*. The Commission does not make decisions on land applications; it is a recommending body for Executive Council which holds the authority to approve or deny applications for land purchases or leases. The Commission's Lands Protection Panel meets biweekly to review land applications.

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

Applications

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

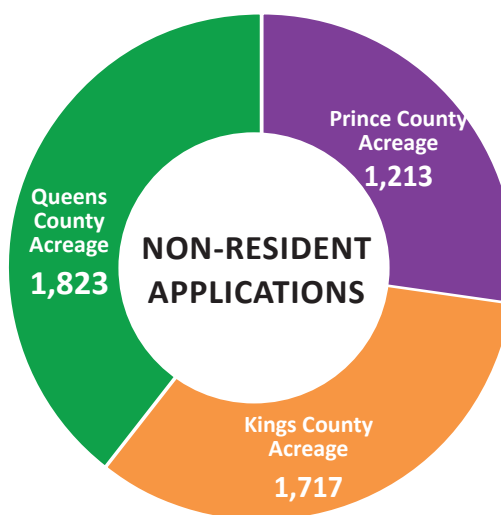
In 2020-21, the Commission processed 400 applications under the LPA. Of these, 382 applications were for the acquisition of land involving 32,857 acres.

LANDS PROTECTION ACT APPLICATIONS PROCESSED

	2018-19	2019-20	2020-21
Totals	476	433	400
Amendments	23	14	18
Corporate Non-Resident	54	62	42
Non-Resident	113	79	95
Corporate	271	259	227
Global Lease	15	19	18

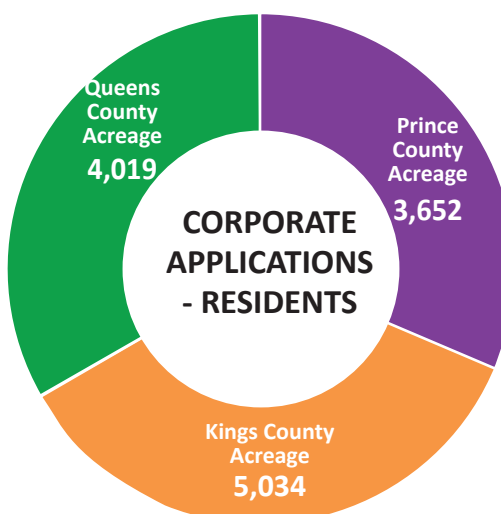
Non-Resident Applications

The Commission considered 95 applications from non-residents totaling approximately 4,753 acres. Fifty-seven applications with shore frontage, totaling approximately 62,190 feet, were included in the non-resident applications.



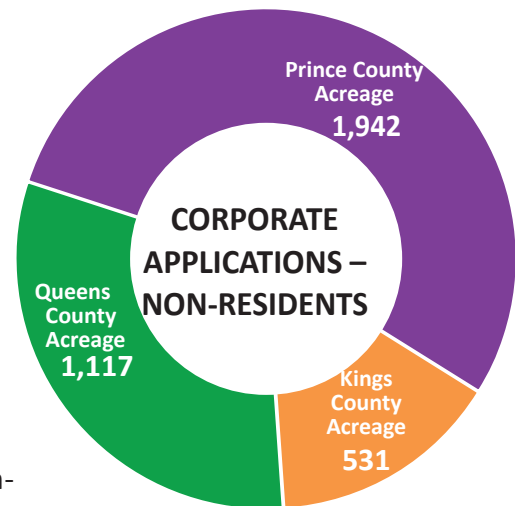
Corporate Applications – Resident

The Commission considered 227 applications totaling approximately 12,705 acres of land from resident corporations. Forty-eight applications with shore frontage, totaling approximately 60,441 feet, were included in the resident corporate applications.



Corporate Applications – Non-Resident

The Commission considered 42 applications totaling approximately 3,589 acres of land from non-resident corporations. Ten applications with shore frontage, totaling approximately 135,974 feet, were included in the non-resident corporate applications.¹



Global Leasing Applications

– Non-Resident and Corporate

A Global Lease Permit enables a corporation or non-resident person to apply for permission to acquire land by way of lease and to continue to hold a permitted number of acres of land as part of their aggregate land holdings. This permit is especially useful for farm corporations that use different parcels of land each year in their crop rotations. Eighteen applications, totaling 11,810 acres of land, were considered under section 5.3 of the LPA.

Applications to Cancel, Suspend or Amend Conditions

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

In January 2015, an amendment to the LPA provided an automatic 10-year expiry date on land identification agreements. For this reason, there is significantly less land in the province subject to land identification agreements and this change is reflected in the Commission's statistics. In 2020-21, 18 applications, totaling 161 acres, were processed by the Commission.

1. The Nature Conservancy of Canada applied for and received Executive Council approval to acquire, by way of a gift, 36 parcels of land totaling 2,058.28 acres with 122,411.25 feet of shore frontage, from the Nature Conservancy of Canada (PEI) Inc.

Annual Declaration Statement

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

For the year ending December 31, 2020, the Commission received and processed 85 land holding declaration statements. Of these, 67 were filed by persons, and 18 were filed by corporations.

Municipal Government Act

Under the *Municipal Government Act*, the Commission advises the Minister of Fisheries and Communities on proposals to establish, restructure or dissolve municipalities. In 2020-21, the Commission issued four recommendations to the Minister; three on restructuring for the communities of Kensington, Kinkora, and Stratford, and another to dissolve the community of Darlington.



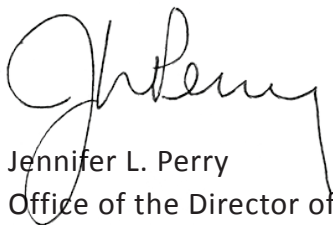
OFFICE OF THE DIRECTOR OF RESIDENTIAL RENTAL PROPERTY

I am pleased to present the 2020-21 Annual Report from the PEI Rental Office.

As a result of the Covid-19 pandemic, the Rental Office began the 2020-21 fiscal year with the office closed to the public and staff working remotely. All non-urgent hearings had been suspended since March 16, 2020 and on April 1, 2020, the Supreme Court of Prince Edward Island suspended the enforcement of evictions, except for urgent matters, until June 15, 2020. When rental hearings resumed, we switched from in-person to telephone hearings to ensure the safety of participants.

Covid-19 presented challenges for all of us, especially for those living in rental accommodations who lost their incomes as businesses shutdown. This caused uncertainty and financial stress for both tenants and landlords, many of whom contacted our office to gain a better understanding of their rights and responsibilities. As a result, inquiries to the Rental Office increased by 36% during 2020-21, with Rental staff handling 14,503 inquiries from tenants, landlords, and the public. The Rental Office issued 399 Orders during 2020-21, an average of 44 Orders a month, based on nine months of hearings.

Our accomplishments during the past fiscal year are due to the hard work, dedication, and commitment of the Rental Office staff and I want to thank each of them for their service to the tenants and landlords of PEI.



Jennifer L. Perry
Office of the Director of Residential Rental Property



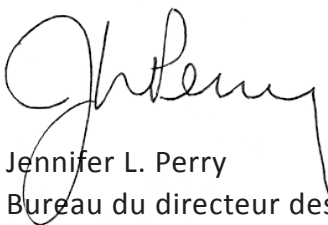
BUREAU DU DIRECTEUR DES PROPRIÉTÉS RÉSIDENTIELLES À LOUER

Je suis heureuse de vous présenter le Rapport annuel 2020-2021 du Bureau des locations de l'Î.-P.-É.

En raison de la pandémie de COVID-19, le Bureau des locations a commencé l'exercice 2020-2021 dans un contexte de fermeture des bureaux au public et de personnel en télétravail. Toutes les audiences non urgentes avaient été suspendues le 16 mars 2020 et le 1er avril 2020, la Cour suprême de l'Île-du-Prince-Édouard a suspendu les expulsions jusqu'au 15 juin 2020, sauf dans les cas urgents. Lorsque les audiences en matière de loyer ont repris, nous sommes passés d'audiences en personne à des audiences téléphoniques pour assurer la sécurité des participants.

La pandémie de COVID-19 a entraîné son lot de défis pour chacun de nous, et plus particulièrement pour les personnes vivant en logement locatif qui ont perdu leur revenu en raison des fermetures des entreprises. Cela a causé de l'incertitude et un stress financier tant chez les locataires que chez leurs propriétaires, dont bon nombre ont communiqué avec nos bureaux afin de mieux comprendre leurs droits et responsabilités. Les demandes d'information au Bureau des locations ont ainsi augmenté de 36 % en 2020-2021 : le personnel a traité 14 503 demandes d'information soumises par des locataires, des propriétaires et le grand public. Le Bureau des locations a publié 399 ordonnances en neuf mois d'audiences en 2020-2021, soit 44 ordonnances par mois en moyenne.

Nos réalisations au cours du dernier exercice sont le fruit du travail acharné, du dévouement et de l'engagement du personnel du Bureau des locations, et j'aimerais remercier chacun d'entre eux pour leur service auprès des locataires et propriétaires de l'Île.



Jennifer L. Perry
Bureau du directeur des propriétés résidentielles à louer

OVERVIEW

The Office of the Director of Residential Rental Property (the “Rental Office”) is responsible for the administration of the *Rental of Residential Property Act* (the “Act”).

The Act creates a forum, outside of the traditional court system, for the adjudication of disputes between tenants and landlords. It also establishes the rights and responsibilities of tenants and landlords and defines the procedures to deal with violations and the enforcement of obligations related to rental agreements.

Under the Act, the Director is responsible for:

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

In 2020-21, the Rental Office issued 399 Orders and received 530 applications for dispute resolution from tenants and landlords, a high number despite the three-month suspension of rental hearings due to Covid-19.

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

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

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

- Security Deposits
- Termination of Rental Agreement
- Rent Increases

The Rental Office is comprised of a director, three rental adjudicators, and two intake officers. Rental Officers hear disputes and issue decisions. Intake Officers handle inquiries from the public and receive applications for hearings. More information is available at peirentaloffice.ca.

Year in Review

Inquiries

In 2020-21, the Rental Office responded to 14,503 inquiries, a significant increase from 10,664 inquiries the previous year. The Intake Officers responded to approximately 1,200 inquiries a month and provided information mainly by telephone, email and letter.

Applications Filed

In 2020-21, the Rental Office received 530 applications for adjudication of rental disputes, a decrease of 136 applications from the previous year. Of those, 43 were withdrawn by the applicant prior to any action being taken by staff and 72 were resolved by the parties, with the assistance of staff prior to a hearing.

Nature of Applications

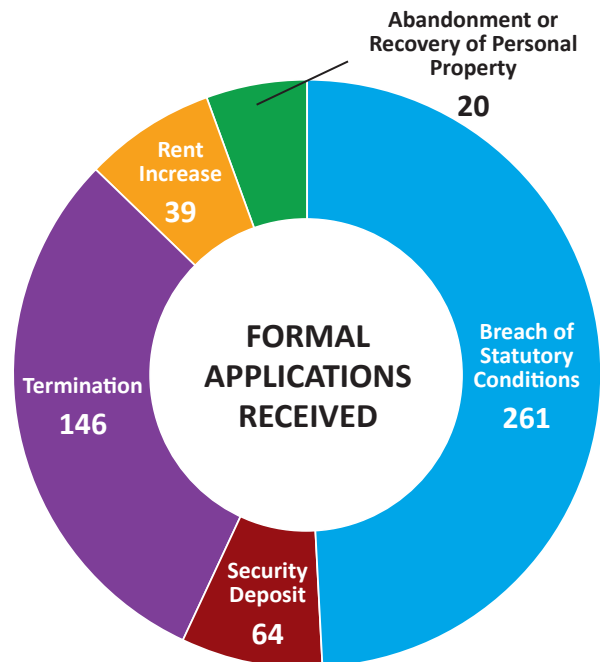
This graph provides a breakdown of the applications received by the Rental Office during 2020-21.

Enforcement of Statutory or Other Conditions of Rental Agreement

In 2020-21, the Rental Office received 261 applications related to breach of statutory conditions, compared with 325 applications the previous year. Twenty-two applications were withdrawn and 35 were resolved without a formal hearing.

Security Deposits

The Act sets out the requirements for security deposits taken as a condition of the rental agreement. In 2020-21, the Rental Office received 64 applications for a determination of entitlement to the security deposit, compared with 61 applications the previous year. One application was withdrawn and eight were resolved without a formal hearing.



Termination of Rental Agreement

Under the Act, termination of the rental agreement requires proper notice and is allowed only for the reasons defined in the Act. A tenant may challenge a notice of termination and a landlord may apply to terminate a rental agreement. In either case, when an application regarding termination is received, the Rental Office holds a hearing and issues a decision. In 2020-21, the Rental Office received 146 applications for termination, compared with 180 applications the previous year. Sixteen applications were withdrawn and 28 were resolved without a formal hearing.

In 2020-21, the Rental Office received 146 applications for termination, compared with 180 applications the previous year.



Rent Increases

Each year, the Director invites written comments from tenants, landlords, and the general public to provide input to the Commission in determining the annual maximum allowable rent increase. A total of 46 submissions were received from 37 landlords and nine tenants. The Commission set the 2021 maximum allowable rent increase at 1.0 % for all premises: heated, electric heated, unheated, and mobile home sites.

Landlords seeking a rent increase greater than the allowable amount must apply to the Rental Office for approval. In 2020-21, the Rental Office received 39 applications for a rent increase greater than the allowable amount, compared with 55 the previous year. Four applications were withdrawn and one was resolved without a formal hearing.

Personal Property

The Act provides a process for landlords to deal with the abandonment or recovery of personal property. In 2020-21, the Rental Office received 20 applications regarding personal property compared with 45 the previous year.

Rental Orders Issued

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

In 2020-21, the Rental Office issued 399 Orders, compared with 531 the previous year. The Office averaged 44 Orders a month, based on nine months of hearings, with hearings suspended for three months due to Covid-19.

The following table shows the number of Orders issued for the past three years:

	2018-19	2019-20	2020-21
Total	391	531	399
Security Deposits	49	82	57
Termination	128	123	103
Breach of Statutory Conditions	193	280	212
Rent Increase	21	46	27

FINANCIAL STATEMENTS – FISCAL YEAR 2020-21

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, 2021.



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

For the Year Ended March 31, 2021



Independent Auditor's Report

To the Commissioners of Prince Edward Island Regulatory and Appeals Commission

Opinion

We have audited the accompanying financial statements of Prince Edward Island Regulatory and Appeals Commission ("the Commission") which comprise the statement of financial position as at March 31, 2021 and the statements of operations, net debt and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2021 and its financial performance for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

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

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

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

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

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

FITZPATRICK & CO.

127 St. Peters Road, Suite 201, Charlottetown, PE C1A 5P3 | P 902.628.9000 | F 902.628.8808 | fitzandco.ca

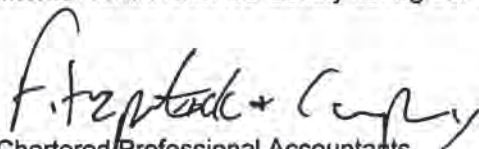
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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


Chartered Professional Accountants

Prince Edward Island Regulatory and Appeals Commission

Statement of Financial Position

As at March 31, 2021, with comparative figures for 2020

	2021	2020
Financial Assets		
Cash (note 2)	\$ 436,009	\$ 44,181
Accounts receivable (note 3)	318,551	561,501
Investments (note 4)	314,656	621,759
	1,069,216	1,227,441
Liabilities		
Accounts payable and accrued liabilities (note 5)	1,470,979	1,540,589
Employee future benefits (note 6)	250,826	210,256
Leasehold improvements and inducements	16,000	32,000
	1,737,805	1,782,845
Net debt	(668,589)	(555,404)
Non-Financial Assets		
Prepaid expenses	1,182	4,358
Tangible capital assets (note 7)	209,346	156,284
	210,528	160,642
Commitments (note 8)		
Pension costs and obligations (note 9)		
Accumulated deficit (note 10)	\$ (458,061)	\$ (394,762)

Approved on Behalf of the Commission;

_____, Commissioner _____, Commissioner

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

Prince Edward Island Regulatory and Appeals Commission

Statement of Operations and Accumulated Surplus

For the Year Ended March 31, 2021, with comparative figures for 2020

	Budget (note 12)	2021	2020
Revenue:			
Assessment - Province of PEI	\$ 1,950,000	\$ 1,700,600	\$ 1,400,300
Assessments - Public utilities	472,000	817,969	686,292
Assessments - Petroleum products	328,700	449,328	416,775
Assessments - Land and property	600,100	508,458	1,125,619
Assessments - Auto Insurance	225,000	223,807	225,425
Investment and other income (note 13)	12,000	5,344	13,915
	3,587,800	3,705,506	3,868,326
Direct Expenses:			
Public utilities	502,522	814,169	707,782
Petroleum products	362,311	361,356	415,502
Land and property	717,840	706,957	743,052
Auto insurance	167,406	155,001	175,755
Rental	864,848	815,244	1,142,494
Appeals	498,073	511,279	540,957
	3,113,000	3,364,006	3,725,542
Net revenue before operating expenses	474,800	341,500	142,784
Operating Expenses:			
Wages	233,770	202,231	-
General and administrative	128,441	41,901	13,915
Amortization	130,000	160,666	121,822
	492,211	404,798	135,737
Annual (deficit) surplus	(17,411)	(63,298)	7,047
Accumulated deficit, beginning of year	(394,762)	(394,762)	(401,809)
Accumulated deficit, end of year	\$ (412,173)	\$ (458,060)	\$ (394,762)

Prince Edward Island Regulatory and Appeals Commission

Statement of Change in Net Debt

As at March 31, 2021, with comparative figures for 2020

	Budget (note 12)	2021	2020
Annual (deficit) surplus	\$ (17,411)	\$ (63,298)	\$ 7,047
Acquisition of tangible capital assets	(185,224)	(213,728)	(184,086)
Amortization of tangible capital assets	130,000	160,666	121,822
Increase (use) of prepaid expenses	-	3,175	(3,985)
	(72,635)	(113,185)	(59,202)
Net debt, beginning of year	(555,404)	(555,404)	(496,202)
Net debt, end of year	\$ (628,039)	\$ (668,589)	\$ (555,404)

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, 2021, with comparative figures for 2020

	2021	2020
Cash flows from operating activities:		
Cash receipts from assessments	3,943,112	3,609,656
Cash paid to suppliers and employees	(3,650,001)	(3,588,086)
Interest received	5,344	13,852
	298,455	35,422
Cash flows from capital activities:		
Purchase of tangible capital assets	(213,728)	(184,086)
Cash flows from investing activities:		
Decrease in investments	307,101	108,893
Net increase (decrease) in cash	391,828	(39,771)
Cash, beginning of year	44,181	83,952
Cash, end of year	436,009	44,181

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, 2021, with comparative figures for 2020

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

1. Significant accounting policies:

a) Basis of accounting:

The financial statements of the Commission are the representations of management prepared in accordance with Canadian public sector accounting standards

b) Tangible capital assets:

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

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

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

Vacation pay is recorded as a liability when earned.

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

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

d) Government transfers:

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

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2021, with comparative figures for 2020

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:

	2021	2020
Cash	419,744	38,134
Cash held in trust for deposit guarantees	16,265	6,047
	<u>\$ 436,009</u>	<u>\$ 44,181</u>

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2021, with comparative figures for 2020

3. Accounts receivable:

	2021	2020
Trade receivables	\$ 281,697	\$ 234,193
HST receivables	36,854	82,892
Accrued recoverable project costs	-	242,566
Other receivables	-	1,850
	\$ 318,551	\$ 561,501

4. Investments:

Investments consist of Guaranteed Investment Certificates invested at the Bank of Nova Scotia with interest rate of 0.55% maturing on November 2021.

5. Accounts payable and accrued liabilities:

	2021	2020
Province of Prince Edward Island - accumulated surplus	1,072,630	1,072,630
Trade	112,004	282,485
Vacation pay	194,053	114,927
Accrued sick leave	76,027	64,500
Deposit guarantees - Director of Residential Rental Property (note 2)	16,265	6,047
	\$ 1,470,979	\$ 1,540,589

Accumulated surplus

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

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2021, with comparative figures for 2020

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	2021	2020
Balance, beginning of year	210,256	201,254
Current service cost	24,228	22,503
Accrued interest	6,380	5,302
Retirement pay	-	(27,885)
Loss on valuation	9,962	9,082
	250,826	210,256

The 2021 retirement allowance balances are based on an independent actuarial valuation estimate dated April 1, 2020. The Commission projects the total liability in the years between the tri-annual actuarial valuations.

The economic assumptions used in determining the actuarial value of accrued retirement allowances were developed by reference to the expected long-term market conditions. Significant actuarial assumptions used in the valuations and projections on the actuarial report which was completed on April 1, 2020, 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:

	2021	2020
Discount rate	2.67%	2.67%
Expected inflation rate	2.05%	2.20%
Expected average remaining service life	8 years	5 years

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

During the 2021 fiscal period, no employees retired, resulting in a decrease in the obligation of \$ Nil (2020 - \$ 27,885).

7. Tangible capital assets:

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
Computer equipment	\$ 1,094,762	\$ 891,631	\$ 203,131	\$ 146,856
Furnishings and equipment	110,789	104,574	6,215	9,428
	\$ 1,205,551	\$ 996,205	\$ 209,346	\$ 156,284

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2021, with comparative figures for 2020

8. Commitments:

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

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

9. Pension costs and obligations:

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

During the year, the Commission contributed \$ 300,795 (2020 - \$ 293,232) to the defined benefit pension plan on behalf of employees. These amounts are included in salaries and employee benefits in the Statement of Operations.

10. Accumulated deficit:

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

	2021	2020
Capital fund	\$ 209,346	\$ 156,284
Operating fund	(867,407)	(751,046)
Reserve	200,000	200,000
	<u>\$ (458,061)</u>	<u>\$ (394,762)</u>

Capital fund:

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

Reserve:

Under the agreement signed April 1, 2013 with the Province of Prince Edward Island, the Commission was allowed to retain a one time \$ 200,000 reserve of its accumulated surplus to cover net costs exceeding the annual assessments agreed to under this agreement. Although a new agreement is not in place, the reserve fund will be unchanged.

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2021, with comparative figures for 2020

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 rate risk arising from its pension and sick leave liability.

12. Budget:

A reconciliation of the 2021 fiscal operating budget prepared by the Commission to the budget figures disclosed in the financial statements, is as follows:

	2021
Commission budgeted annual deficit	\$ 17,411
Add:	
Capital expenditures	185,224
	<u>\$ 202,635</u>

During the year, the Commission received an updated actuarial report which resulted in additional expenditures of \$43,365. These amounts were not known as of the time of the budget approval and therefore are not reflected in the budgeted figures disclosed in these financial statements.

13. Investment and other income:

	2021	2020
Investment income	2,755	9,526
Other	2,589	4,389
	<u>\$ 5,344</u>	<u>\$ 13,915</u>

14. Change in presentation:

Statement of Operations and Accumulated Surplus

During the year, the Commission has modified the presentation of the Statement of Operations and Accumulated Surplus to more accurately reflect the primary activities of the Commission and to present the results in a manner more consistent with other regulatory and appellate tribunals.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

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