



PRINCE EDWARD ISLAND

Regulatory & Appeals Commission

Commission de réglementation et d'appels

ÎLE-DU-PRINCE-ÉDOUARD

2021-2022

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 2021-2022 Annual Report for the Prince Edward Island Regulatory and Appeals Commission. The report presents an overview of the Commission's activities and the audited financial statements for the fiscal year ending March 31, 2022.

Respectfully submitted,



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

COMMENTS FROM THE CHAIR

I am pleased to present the Annual Report of the Prince Edward Island Regulatory and Appeals Commission for the period April 1, 2021 to March 31, 2022.

While the Covid-19 pandemic kept the Commission office closed to public for most of the fiscal year, the office operated with staff working remotely. The Commission issued a record number of decisions, orders, approvals, and recommendations for lands protection applications, applications by municipalities to expand, electricity regulation, petroleum pricing, planning appeals, rental appeals, and in other areas regulated by the Commission.

In 2021-2022, the Commission issued 18 Orders in response to filings from Maritime Electric including finalizing the 2021 Capital Budget, the 2022 Capital Budget, the 2020 Capital Budget Variance Report, Energy Cost Adjustment Mechanism Updates, approval of Fixed Mortgage Bonds, and approval for the company to file its General Rate Application.

The Commission also engaged experts, Synapse Energy, to review the Rate Design Application submitted by Maritime Electric in June 2021. This review is ongoing.

Planning staff continue to focus their efforts on resolving planning appeals. During 2021-22, eight planning appeals were successfully mediated and withdrawn avoiding the need of a formal hearing.



The Commission is striving to ensure that all information related to its function is easy to access, read, and understand. Part of this ongoing effort has included the development of a new website, which was launched in June 2021. Users are now able to more easily find information related to the Commission's appellate, regulatory and administrative responsibilities, all orders, decisions, and notices, information for tenants and landlords, weekly petroleum pricing updates, and a section with Frequently Asked Questions.

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.

I would like to thank Commission staff for their dedicated service and for the professionalism they demonstrate in their day-to-day work and in their dealings with the public. I would also like to recognize the expertise and commitment of our full and part-time commissioners, Vice-Chair Doug Clow, Commissioner Erin Mitchell, and our part-time Commissioners Terry McKenna, Cynthia McCardle and Murray MacPherson.



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

COMMENTARIES DU PRÉSIDENT

J'ai le plaisir de présenter le rapport annuel de la Commission de réglementation et d'appels de l'Île pour la période du 1er avril 2021 au 31 mars 2022.

Bien que la pandémie de COVID-19 ait fait en sorte que les bureaux de la Commission demeurent fermés durant la majeure partie de l'exercice, la Commission a continué de fonctionner avec le personnel en télétravail. La Commission a livré un nombre record de décisions, d'ordonnances, d'approbations et de recommandations relatives à la protection des terres, à l'agrandissement de municipalités, à la réglementation de l'électricité, aux prix du pétrole, aux appels ayant trait à l'aménagement du territoire, aux appels en matière de location et à d'autres dossiers qu'elle régit.

En 2021-2022, la Commission a rendu 18 ordonnances en réponse à des documents déposés par Maritime Electric, notamment la finalisation du budget d'immobilisations de 2021, le budget d'immobilisations de 2022, le rapport sur les écarts du budget d'immobilisations de 2020, les mises à jour du mécanisme d'ajustement du coût de l'énergie, l'approbation des obligations hypothécaires à taux fixe, et l'approbation pour la société de déposer sa demande générale d'approbation concernant les tarifs.

La Commission a aussi engagé des experts, Synapse Energy, pour examiner la demande de conception tarifaire soumise par Maritime Electric en juin 2021. L'examen est en cours.

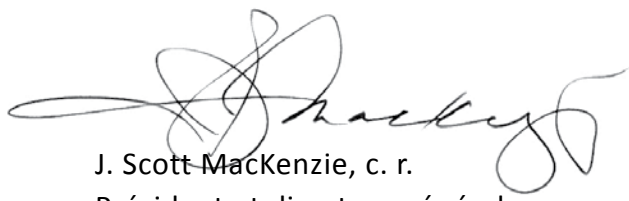


Le personnel responsable du dossier de l'aménagement du territoire continue de concentrer ses efforts sur la résolution des appels dans ce dossier. En 2021-2022, huit appels ayant trait à l'aménagement du territoire ont fait l'objet d'une médiation réussie et ont été retirés, évitant ainsi la nécessité d'une audience formelle.

La Commission s'efforce de faire en sorte que toutes les informations liées à sa fonction soient faciles à consulter, à lire et à comprendre. Une partie de cet effort continu a consisté à créer un nouveau site web, qui a été lancé en juin 2021. Les utilisateurs peuvent désormais trouver plus facilement les informations relatives aux responsabilités de la Commission en matière d'appel, de réglementation et d'administration; tous les ordonnances, décisions et avis; les informations destinées aux locataires et aux propriétaires; les mises à jour hebdomadaires des prix du pétrole; ainsi qu'une section consacrée aux questions fréquemment posées.

En tant que tribunal quasi-judiciaire indépendant, la Commission fonctionne de manière autonome par rapport au gouvernement et est libre de toute influence. Le maintien de l'indépendance de la Commission est fondamental pour préserver la confiance du public dans l'impartialité de son processus décisionnel.

Je tiens à remercier le personnel de la Commission pour son service dévoué et pour le professionnalisme dont il fait preuve dans son travail quotidien et dans ses relations avec le public. Je tiens également à souligner l'expertise et l'engagement de nos commissaires à temps plein et à temps partiel, du vice-président Doug Clow, de la commissaire Erin Mitchell et de nos commissaires à temps partiel Terry McKenna, Cynthia McCardle et Murray MacPherson.

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

J. Scott MacKenzie, c. r.
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.

In 2021-22, the Commission employed 26 people.

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 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*
- *Environmental Protection 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 has administrative responsibilities under the following Acts:

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

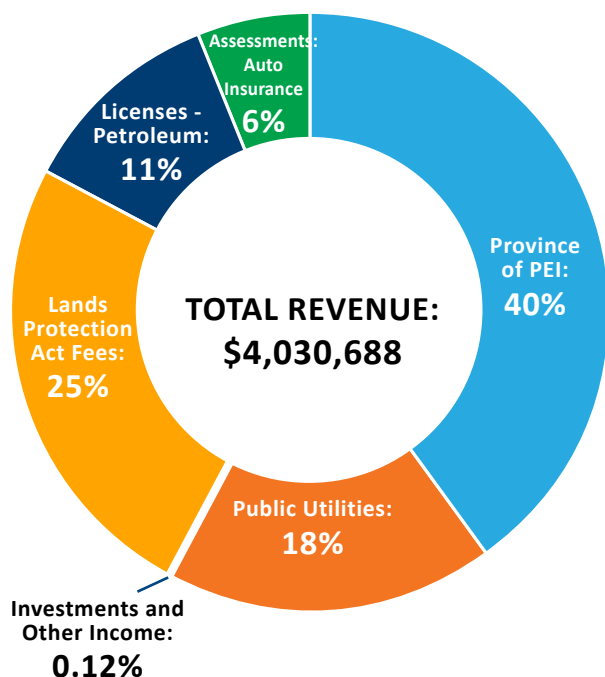
Financial Highlights Fiscal Year 2021-22

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.

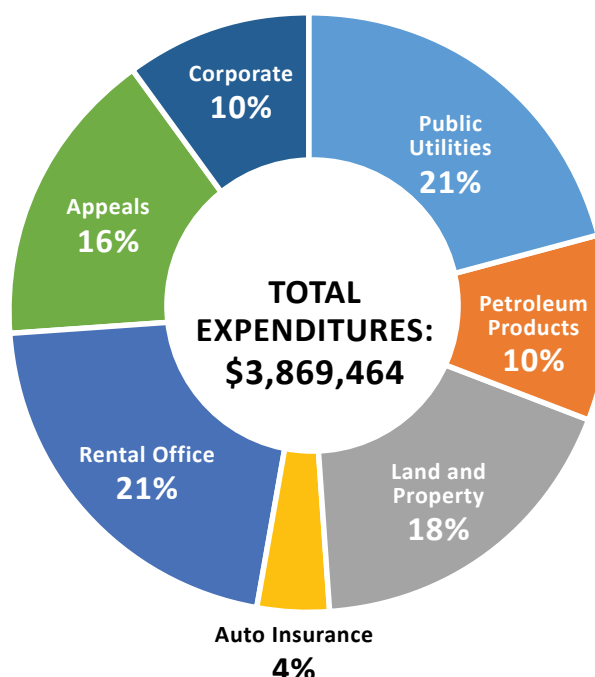
The Commission's revenue sources include non-resident fees collected through the *Lands Protection Act*; license fees for retail and wholesale petroleum outlets; assessment fees on automobile insurance rates; assessments on Maritime Electric Company Ltd., and assessments on the province of Prince Edward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

In 2021-22, total revenue amounted to \$4,030,688, an increase of \$325,182 from the previous year's revenues. The increase is primarily due to a rise in non-resident fees received under the *Lands Protection Act*.

The Commission incurred expenses of \$3,869,464 during 2021-22, allocated as shown below:



Source: Prince Edward Island Regulatory and Appeals Commission
March 31, 2022 Audited Financial Statements.



Source: Prince Edward Island Regulatory and Appeals Commission
March 31, 2022 Audited Financial Statements.

The Commission's audited financial statements for the fiscal year ending March 31, 2022 can be found in the last section of this report.

Commission Activities

Matters, Decisions, Orders and Recommendations Fiscal Year 2021-22

The following is a breakdown by area:

958
TOTAL

658
TOTAL

LANDS PROTECTION

Non-resident applications	107
Corporate applications	389
Global lease applications	21
Amendment applications	23
Annual disclosure statements	118

68
TOTAL

PETROLEUM

Regular petroleum price settings	52
Unscheduled price settings	7
Applications for new licenses	3
Regulatory administrative approvals	6

18
TOTAL

ELECTRICITY

Rate-related applications	6
Capital budget and regulatory approvals	12

10
TOTAL

WATER – SEWER

Utility rate applications	3
Construction permits	7

78
TOTAL

AUTO INSURANCE

Rate applications	78
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1
TOTAL

WASTE MANAGEMENT

Rate increase application	1
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3
TOTAL

MUNICIPAL GOVERNMENT ACT

Proposals to restructure or dissolve	3
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Appeals

Fiscal Year 2021-22

30

TOTAL

PLANNING ACT

Orders issued	5
Resolved by mediation	8
Withdrawn by appellant	5
Ongoing	12
Total number of appeals	30

14

TOTAL

REAL PROPERTY ASSESSMENT ACT

Orders issued	9
Withdrawn by appellant	4
Ongoing	1
Total number of appeals	14

78

TOTAL

RENTAL OF RESIDENTIAL PROPERTY ACT

Orders issued	64
Withdrawn by appellant	5
Ongoing	9
Total number of appeals	78

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 2021-22, the Commission had 30 planning appeals in process. Eight appeals were successfully mediated and withdrawn without a formal hearing. The Commission issued a final decision on five appeals. Five appeals were withdrawn by the appellant and the remaining 12 appeals are in various stages, including ongoing mediation, on hold at the request of the parties, awaiting information from the parties or scheduled for an upcoming hearing.

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

	2019-20	2020-21	2021-22
Appeal heard - allowed	0	4	1
Appeal heard - denied	1	2	4
Withdrawn by appellant	4	9	5
Resolved by mediation	10	3	8
Ongoing	13	10	12
Total appeals	28	28	30

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 487 Orders issued on rental matters during 2021-22, the Commission received 78 appeals, compared with 49 appeals the previous year.

Below is a summary of appeals filed under the *Rental of Residential Property Act*:

	2020-21	2021-22
Orders issued	39	64
Appeals withdrawn by appellant	8	5
Ongoing	2	9
Total	49	78

Real Property Assessment Act

In 2021-22, 14 appeals were filed with the Commission. Four were withdrawn by the appellant, nine Orders were issued dismissing the appeal 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 wholesalers and 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 2021-2022, the Petroleum Panel met for 52 regularly scheduled price adjustments and seven unscheduled price adjustments, for a total of 59 price adjustments. The methodology used for petroleum pricing can be found on the Commission's website at: irac.pe.ca/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.

PRODUCTS SOLD (IN LITRES)

Product	2019	2020	2021
Propane	35,076,071	33,172,321	33,857,795
Diesel	89,215,263	85,459,253	90,668,815
Furnace Oils	136,928,725	128,789,258	117,935,629
Gasoline	237,898,992	214,171,916	229,315,877

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 2021-22, the Commission issued 318 petroleum licenses.

	2019-20	2020-21	2021-22
Total Licenses	314	314	318
Retail Distributors	18	18	17
Wholesalers	22	22	22
Tank Trucks	88	90	91
Retail Outlets	186	184	188

The number of petroleum retail outlets in the province increased by four in 2021-22:

	2019-20	2020-21	2021-22
Total Licenses	186	184	188
Garages	4	4	4
Stations	12	11	11
Propane Only	51	49	55
Marine	47	47	46
Merchants	72	73	72

The average gasoline volume sold per outlet increased to 2,510,521 litres. This is an increase of approximately 135,095 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.

Public utility regulation in Canada originated in 1938 in Alberta. Boards were established based on an independent commission administrative model established in Texas and Oklahoma where decisions are made by a *"respected arms-length regulator free from undo political interference"*.

The foundation of the economic regulation of electrical and other public utilities was confirmed by the Supreme Court of Canada in 2006:

"Regulated utilities are given the exclusive rights to sell their services within a specific area at rates that will provide companies with the opportunity to earn a fair return for their investors. In return for this right of exclusivity, utilities assume a duty to adequately and reliably serve all customers in their determined territories, and are required to have their rates and certain operations regulated."

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 2022-22

In 2021-2022, the Commission issued 18 Orders in response to filings by Maritime Electric and the Prince Edward Island Energy Corporation (PEIEC). Maritime Electric applications included finalizing the 2021 Capital Budget, 2022 Capital Budget, 2020 Capital Budget Variance Report, Energy Cost Adjustment Mechanism Updates, Approval of Fixed Mortgage Bonds, and Approval to file its General Rate Application. PEIEC requested various extensions during the year to complete its Demand Side Management application.

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 program lasted for one year and

in October 2021, the Commission approved the transfer of the remaining uncollected funds to the accounts receivable account to continue with the normal collection process.

In August 2021, Maritime Electric applied for an Open Access Transmission Tariff Schedule Update. Two intervenors have been approved on this file which is still in progress.

The Commission engaged Synapse Energy to review the 2020 Integrated System Plan submitted by Maritime Electric in the fall of 2021. The 2020 Integrated System Plan provides a long-term plan for the growth of the electric system on PEI. Synapse reviewed the plan for reasonableness and possible alternatives. The final report was received after year-end.

The Commission also engaged Synapse Energy to review the Rate Design application submitted by Maritime Electric in June 2021. The rate design application is ongoing. The Commission approved Maritime Electric's 2021 Capital Budget and the 2022 Capital Budget during the year.

PEIEC requested a number of extensions during the year on filing its Demand Side Management (DSM) Application, as well as an extension of the current approved DSM plan due to the delay in completing a new plan. These requests were approved by the Commission.

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.

In 2021-22, the Commission's Water and Sewer Panel issued seven permits for utility construction projects in several municipalities. The projects included water and sewer line extensions in Souris and Kensington; sewer main replacement in Tignish and Alberton; wastewater treatment plant upgrades in Kinkora and Kensington; and a water tower panel replacement in Borden-Carleton.

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

There were three rate-related applications reviewed by the Commission's Water and Sewer Panel in 2021-22, resulting in the approval of sewer rate increases in Cavendish, and Miscouche and water and sewer rate increases in Souris.

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 with the Commission.

Insurance premiums for private passenger vehicles on Prince Edward Island average approximately \$952.92 per year and remain the lowest in Canada, with the exception of Quebec which operates a public program.

2021 AVERAGE ANNUAL PREMIUMS FOR PRIVATE PASSENGER VEHICLES	
Prince Edward Island	\$952.92
New Brunswick	\$1,134.04
Nova Scotia	\$1,206.65
Newfoundland and Labrador	\$1,312.95
Ontario	\$1,682.07
Alberta	\$1,602.81
Premium information on public insurance provinces (BC, SK, MB, QC) is not provided by the General Insurance Statistical Agency.	

Island Waste Management

The *Environmental Protection Act* gives the Commission the authority to regulate fees associated with waste management and collection by the Island Waste Management Corporation (IWMC). In December 2021, IWMC filed an application with the Commission seeking to increase the annual waste management fee for households, seasonal, and extended seasonal residences, and to increase the commercial disposal fee and the Waste Watch Drop-Off Centre fee per tonne. In February 2022, the Commission issued an Order approving the rates proposed in the Application. The Government of PEI subsequently provided a one-time grant to IWMC to offset the increase in fees for customers.

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 bi-weekly to review land applications.

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

Applications

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

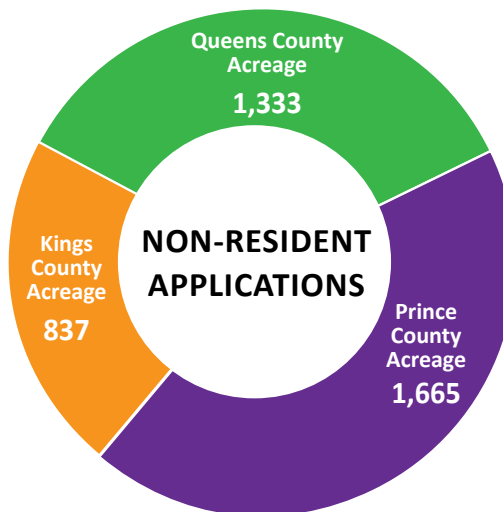
In 2021-22, the Commission processed 540 applications under the LPA. Of these, 517 applications were for the acquisition of land involving 33,199 acres.

LANDS PROTECTION ACT APPLICATIONS PROCESSED

	2019-20	2020-21	2021-22
Corporate Non-Resident	62	42	49
Non-Resident	79	95	107
Corporate	259	227	340
Global Lease	19	18	21
Amendments	14	18	23
Totals	433	400	540

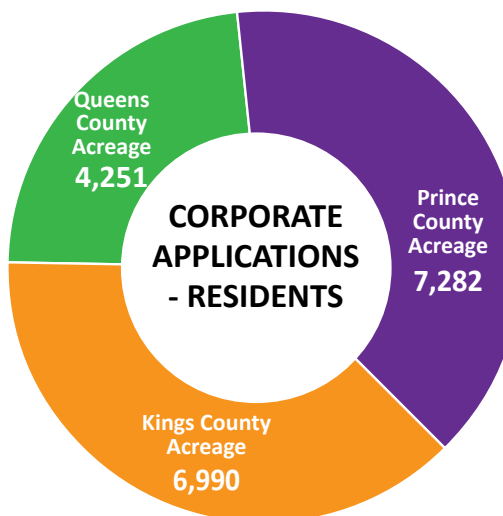
Non-Resident Applications

The Commission considered 107 applications from non-residents totaling approximately 3,835 acres. Fifty-three applications with shore frontage, totaling approximately 37,720 feet, were included in the non-resident applications.



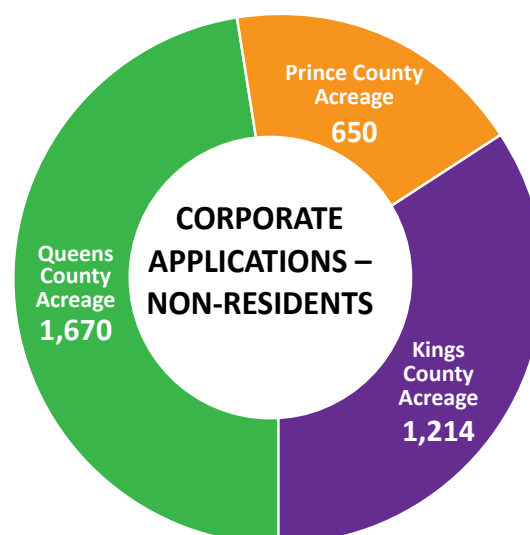
Corporate Applications – Resident

The Commission considered 340 applications totaling approximately 18,523 acres of land from resident corporations. Seventy-six applications with shore frontage, totaling approximately 104,903 feet, were included in the resident corporate applications.



Corporate Applications – Non-Resident

The Commission considered 49 applications totaling approximately 3,534 acres of land from non-resident corporations. Seven applications with shore frontage, totaling approximately 11,326 feet, were included in the non-resident corporate applications.



Global Leasing Applications – Non-Resident and Corporate

A Global Lease Permit enables a corporation or non-resident person to apply for permission to acquire land by way of lease and to continue to hold a permitted number of acres of land as part of their aggregate land holdings. This permit is especially useful for farm corporations that use different parcels of land each year in their crop rotations. Twenty-one applications, totaling 7,307 acres of land, were considered under section 5.3 of the LPA.

Applications to Cancel, Suspend or Amend Conditions

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

In January 2015, an amendment to the LPA provided an automatic 10-year expiry date on land identification agreements. For this reason, there is significantly less land in the province subject to land identification agreements and this change is reflected in the Commission's statistics. In 2021-22, 23 applications, totaling 198 acres, were processed by the Commission.

Annual Declaration Statement

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

For the year ending December 31, 2021, the Commission received and processed 118 land holding declaration statements. Of these, 95 were filed by persons, and 23 were filed by corporations.

Municipal Government Act

Under the *Municipal Government Act*, the Commission receives applications and provides a report and recommendations to the Minister of Fisheries and Communities on proposals to establish, restructure or dissolve municipalities. In 2021-22, the Commission issued three reports and recommendations to the Minister: one to restructure the community of Kensington, one to dissolve the community of St. Louis, and a proposal from the City of Charlottetown to annex a portion of the community of Marshfield.



OFFICE OF THE DIRECTOR OF RESIDENTIAL RENTAL PROPERTY

I am pleased to present the 2021-2022 Annual Report from the PEI Rental Office.

While the Rental Office began the fiscal year with the office closed to the public because of the Covid-19 pandemic, we were fully operational with staff working mainly in the office. However, we continue to hold telephone hearings which we started at the beginning of the pandemic as it provides a level of safety for both hearing participants and staff. On February 28, 2022 we were finally able to safely open our doors to the public. This is another step forward as we move toward our new normal.

Inquiries to the Rental Office remained high during 2021-22 with 12,140 inquiries over the fiscal year from tenants, landlords and the public. Three full time intake officers responded to approximately 1,000 inquiries per month. Applications from both tenants and landlords were at a record high with 711 applications filed, 487 Orders issued, including 87 Orders issued for rent increases beyond the allowable amount.

I am grateful for the dedication and hard work of the staff at the Rental Office. None of this could be achieved without them and I thank each of them for their service to tenants, landlords and the public of Prince Edward Island.



A handwritten signature in black ink, appearing to read 'Jennifer L. Perry'.

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

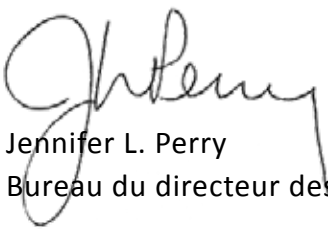
BUREAU DU DIRECTEUR DES PROPRIÉTÉS RÉSIDENTIELLES À LOUER

J'ai le plaisir de vous présenter le Rapport annuel 2021-2022 du Bureau des locations de l'Î.-P.-É.

Bien que le Bureau des locations ait commencé l'exercice dans un contexte de fermeture des bureaux au public en raison de la pandémie de COVID-19, nous étions pleinement opérationnels et le personnel travaillait principalement dans les bureaux. Toutefois, nous continuons à tenir des audiences téléphoniques, pratique que nous avons commencée au début de la pandémie, parce que cela fournit un niveau de sécurité à la fois aux participants à l'audience et au personnel. Le 28 février 2022, nous avons finalement pu ouvrir nos portes au public. Voilà une autre étape accomplie alors que nous progressons vers notre nouvelle normalité.

Les demandes d'information au Bureau des locations sont demeurées élevées en 2021-2022 : il y a eu 12 140 demandes d'information au cours de l'exercice de la part des locataires, des propriétaires et du public. Trois agents à temps plein ont répondu à environ 1 000 demandes d'information par mois. Les demandes des locataires et des propriétaires ont atteint un niveau record (711 demandes), 487 ordonnances ont été émises, y compris 87 ordonnances pour des augmentations de loyer au-delà du montant autorisé.

J'exprime toute ma reconnaissance au personnel du Bureau des locations pour son dévouement et son travail acharné. Sans le personnel, rien de tout cela n'aurait pu être accompli. Je remercie chacun des membres du personnel pour son service aux locataires, aux propriétaires et au public de l'Île-du-Prince-Édouard.



Jennifer L. Perry

Bureau du directeur des propriétés résidentielles à louer

OVERVIEW

The Office of the Director of Residential Rental Property is responsible for the administration of the *Rental of Residential Property Act*.

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

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

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

In 2021-22, the Rental Office issued 487 Orders and received 711 applications for dispute resolution from tenants and landlords.

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 Agreements
- Rent Increases

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



Year in Review

Inquiries

In 2021-22, the Rental Office responded to 12,140 inquiries, a decrease from 14,503 inquiries the previous year. The intake officers responded to approximately 1,000 inquiries a month and provided information and advice mainly by telephone, email, letter, and fax.

Applications Filed

In 2021-22, the Rental Office received 711 applications for adjudication of rental disputes, an increase of 181 applications from the previous year. Of those, 89 were withdrawn by the applicant prior to any action being taken by staff and 63 were resolved by the parties, with the assistance of staff prior to a hearing.

Nature of Applications

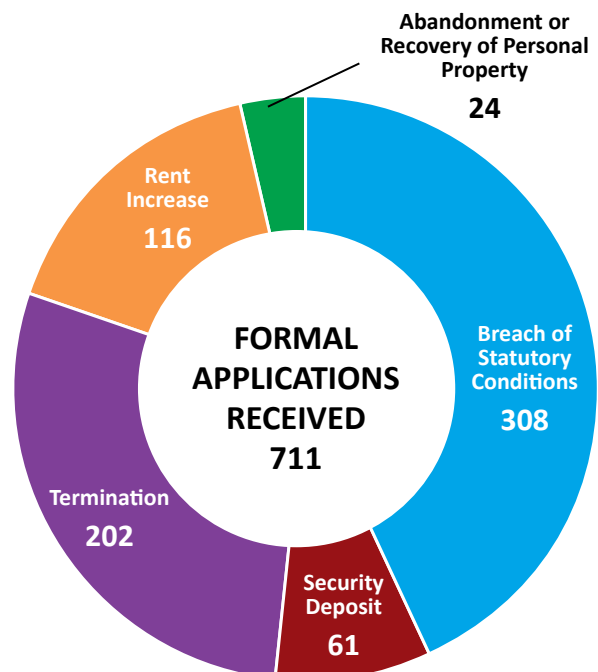
This graph provides a breakdown of the applications received by the Rental Office during 2021-22.

Enforcement of Statutory or Other Conditions of Rental Agreement

In 2021-22, the Rental Office received 308 applications related to breach of statutory conditions, compared with 261 applications the previous year. Thirty-nine applications were withdrawn and 42 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 2021-22, the Rental Office received 61 applications for a determination of entitlement to the security deposit, compared with 64 applications the previous year. Three applications were withdrawn and four 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 2021-22, the Rental Office received 202 applications for termination, compared with 146 applications the previous year. Thirty-four applications were withdrawn and 15 were resolved without a formal hearing.

Rent Increases

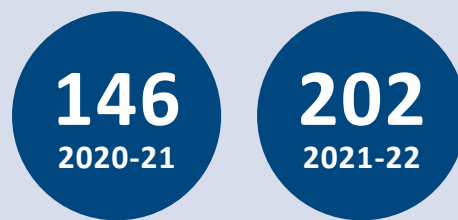
Each year, the Director invites written comments from tenants, landlords, and the general public to provide input to the Commission in determining the annual maximum allowable rent increase. A total of 46 submissions were received from 37 landlords and nine tenants. The Commission set the 2022 maximum 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 2021-22, the Rental Office received 116 applications for a rent increase greater than the allowable amount, a record number, compared with 39 the previous year. Nine 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 2021-22, the Rental Office received 24 applications regarding personal property compared with 20 the previous year.

In 2021-22, the Rental Office received 202 applications for termination, compared with 146 applications 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. Greater than allowable rent increases are the most complex applications to adjudicate. This fiscal year, 116 of these matters were processed and 87 Orders were issued.

In 2021-22, the Rental Office issued a total of 487 Orders, compared with 399 the previous year. The Office averaged 40 Orders a month, with the biggest increase in rent increase Orders from 27 in the last fiscal year to 87 this year.

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

	2019-20	2020-21	2021-22
Total	531	399	487
Security Deposits	82	57	46
Termination	123	103	152
Breach of Statutory Conditions	280	212	202
Rent Increase	46	27	87

FINANCIAL STATEMENTS – FISCAL YEAR 2021-22

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, 2022.



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

For the Year Ended March 31, 2022



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, 2022 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, 2022 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.

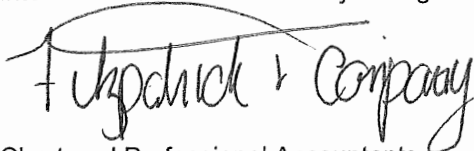
Those charged with governance are responsible for overseeing the Commission's financial reporting process.

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

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

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

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



Chartered Professional Accountants

Charlottetown, PE

June 24, 2022

Prince Edward Island Regulatory and Appeals Commission

Statement of Financial Position

As at March 31, 2022, with comparative figures for 2021

	2022	2021
Financial Assets		
Cash (note 2)	\$ 651,171	\$ 436,009
Accounts receivable (note 3)	207,958	318,551
Investments (note 4)	517,339	314,656
	<u>1,376,468</u>	<u>1,069,216</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	1,532,257	1,470,979
Employee future benefits (note 6)	292,848	250,826
Leasehold improvements and inducements	-	16,000
	<u>1,825,105</u>	<u>1,737,805</u>
Net debt	<u>(448,637)</u>	<u>(668,589)</u>
Non-Financial Assets		
Prepaid expenses	876	1,182
Tangible capital assets (note 7)	150,925	209,346
	<u>151,801</u>	<u>210,528</u>
Commitments (note 8)		
Pension costs and obligations (note 9)		
Accumulated deficit (note 10)	\$ (296,836)	\$ (458,061)

Approved on Behalf of the Commission;

Commissioner

Commissioner

Prince Edward Island Regulatory and Appeals Commission

Statement of Operations and Accumulated Deficit

For the Year Ended March 31, 2022, with comparative figures for 2021

	Budget (note 12)	2022	2021
Revenue:			
Assessment - Province of PEI	\$ 1,600,300	\$ 1,600,000	\$ 1,700,600
Assessments - Public utilities	672,000	724,537	817,969
Assessments - Petroleum products	454,900	451,265	449,328
Assessments - Land and property	360,000	1,024,618	508,458
Assessments - Auto Insurance	225,000	225,428	223,807
Investment and other income (note 13)	12,000	4,840	5,344
	3,324,200	4,030,688	3,705,506
Direct Expenses:			
Public utilities	634,150	736,224	814,169
Petroleum products	477,555	402,796	361,356
Land and property	774,918	699,566	706,957
Auto insurance	177,459	155,290	155,001
Rental	907,940	851,311	815,244
Appeals	537,210	624,054	511,279
	3,509,232	3,469,241	3,364,006
Net revenue before operating expenses	(185,032)	561,447	341,500
Operating Expenses:			
Wages	200,409	200,178	202,231
General and administrative	124,400	28,043	41,901
Amortization	162,900	172,002	160,666
	487,709	400,223	404,798
Annual surplus (deficit)	(672,741)	161,224	(63,298)
Accumulated deficit, beginning of year	(458,060)	(458,060)	(394,762)
Accumulated deficit, end of year	\$ (1,130,801)	\$ (296,836)	\$ (458,060)

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

Prince Edward Island Regulatory and Appeals Commission

Statement of Change in Net Debt

As at March 31, 2022, with comparative figures for 2021

	Budget (note 12)	2022	2021
Annual surplus (deficit)	\$ (672,741)	\$ 161,224	\$ (63,298)
Acquisition of tangible capital assets	(185,224)	(113,580)	(213,728)
Amortization of tangible capital assets	130,000	172,002	160,666
Increase of prepaid expenses	-	306	3,175
	(727,965)	219,952	(113,185)
Net debt, beginning of year	(668,589)	(668,589)	(555,404)
Net debt, end of year	\$ (1,396,554)	\$ (448,637)	\$ (668,589)

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, 2022, with comparative figures for 2021

	2022	2021
Cash flows from operating activities:		
Cash receipts from assessments	\$ 4,136,441	\$ 3,943,112
Cash paid to suppliers and employees	(3,609,854)	(3,650,001)
Interest received	4,840	5,344
	531,427	298,455
Cash flows from capital activities:		
Purchase of tangible capital assets	(113,582)	(213,728)
Cash flows from investing activities:		
(Increase) decrease in investments	(202,683)	307,101
Net increase in cash	215,162	391,828
Cash, beginning of year	436,009	44,181
Cash, end of year	\$ 651,171	\$ 436,009

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, 2022, with comparative figures for 2021

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, 2022, with comparative figures for 2021

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:

	2022	2021
Cash	\$ 642,352	\$ 419,744
Cash held in trust for deposit guarantees	8,819	16,265
	<u>\$ 651,171</u>	<u>\$ 436,009</u>

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2022, with comparative figures for 2021

3. Accounts receivable:

	2022	2021
Trade receivables	\$ 170,762	\$ 281,697
HST receivables	37,196	36,854
	\$ 207,958	\$ 318,551

4. Investments:

Investments consist of Guaranteed Investment Certificates invested at the Bank of Nova Scotia with interest rate ranging from 0.36% to 0.61% maturing between November 2022 and January 2023.

5. Accounts payable and accrued liabilities:

	2022	2021
Province of Prince Edward Island - accumulated surplus	1,072,630	1,072,630
Trade	154,801	112,004
Vacation pay	215,211	194,053
Accrued sick leave	80,796	76,027
Deposit guarantees - Director of Residential Rental Property (note 2)	8,819	16,265
	\$ 1,532,257	\$ 1,470,979

Accumulated surplus

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

6. Employee future benefits:

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

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2022, with comparative figures for 2021

6. Employee future benefits: (continued)

Retirement allowance	2022	2021
Balance, beginning of year	\$ 250,826	\$ 210,256
Current service cost	22,408	24,228
Accrued interest	9,302	6,380
Loss on valuation	10,312	9,962
	\$ 292,848	\$ 250,826

The 2022 retirement allowance balances are based on an independent actuarial valuation estimate dated April 1, 2022. 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, 2021, 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:

	2022	2021
Discount rate	3.55%	2.78%
Expected inflation rate	2.05%	2.05%
Expected average remaining service life	9 years	9 years

Employees that become ineligible for retiring benefits may become entitled to severance benefits calculated under similar methods. There were no changes to the obligations as no employees retired during the 2022 and 2021 fiscal periods.

7. Tangible capital assets:

	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book Value
Computer equipment	\$ 1,202,599	\$ 1,059,773	\$ 142,826	\$ 203,131
Furnishings and equipment	116,533	108,434	8,099	6,215
	\$ 1,319,132	\$ 1,168,207	\$ 150,925	\$ 209,346

8. Commitments:

The Commission has an operating lease for its premises at \$ 16,030 per month plus common area charges, under a lease expiring March 31, 2027.

The minimum annual lease payment to the expiry date is \$ 192,356.

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2022, with comparative figures for 2021

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 \$ 326,595 (2021 - \$ 300,795) 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:

	2022	2021
Capital fund	\$ 150,925	\$ 209,346
Operating fund	(647,761)	(867,407)
Reserve	200,000	200,000
	<u>\$ (296,836)</u>	<u>\$ (458,061)</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.

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.

Prince Edward Island Regulatory and Appeals Commission

Notes to the Financial Statements

For the Year Ended March 31, 2022, with comparative figures for 2021

12. Budget:

A reconciliation of the 2022 fiscal operating budget prepared by the Commission to the budget figures disclosed in the financial statements, is as follows:

	2022
Commission budgeted annual deficit	\$ 672,741
Add:	
Capital expenditures	185,224
	\$ 857,965

13. Investment and other income:

	2022	2021
Investment income	\$ 3,610	\$ 2,755
Other	1,230	2,589
	\$ 4,840	\$ 5,344

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

Office Address:

Suite 501, 134 Kent Street, Charlottetown, PE

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