

**BOARD OF COMMISSIONERS
OF PUBLIC UTILITIES**

**FINANCIAL STATEMENTS
MARCH 31, 2022**

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Index to Financial Statements Year Ended March 31, 2022

CONTENTS

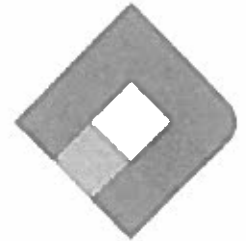
	<u>Page</u>
Management's Report.....	1
Independent Auditors' Report	2 - 3
Statement of Financial Position.....	4
Statement of Operations	5
Statement of Change in Net Financial Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 14

NOSEWORTHY CHAPMAN

chartered professional accountants

A: Suite 201, 516 Topsail Rd / St. John's NL / A1E 2C5

T: 709.364 5600 F: 709.368 2146 W: noseworthychapman.ca



MANAGEMENT'S REPORT

Management's Responsibility for Board of Commissioners of Public Utilities Financial Statements

The accompanying financial statements are the responsibility of the management of Board of Commissioners of Public Utilities (the Board) and have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Association of Chartered Professional Accountants of Canada. Management is responsible for the integrity and objectivity of these statements, all the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and liabilities are recognized.

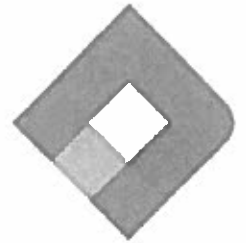
Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Chair and CEO are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The internal financial statements are reviewed by management on a quarterly basis and external audited financial statements on an annual basis.

Noseworthy Chapman, as Board of Commissioners of Public Utilities appointed external auditors, have audited the financial statements. The auditors' report is addressed to the Chair and CEO and appears on the following page. Their opinion is based upon examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and the results of the Board of Commissioners of Public Utilities in accordance with Canadian public sector accounting standards.

On behalf of the Board of Commissioners of Public Utilities.

Chair and Chief Executive Officer



INDEPENDENT AUDITOR'S REPORT

To the Chair and the CEO of the Board of Commissioners of Public Utilities

Opinion

We have audited the financial statements of Board of Commissioners of Public Utilities (the Board), which comprise the statement of financial position as at March 31, 2022, and the statement of operations, statement of changes in net financial assets, statement of cash flow for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2022, and the results of its operations and cash flow 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 Board in accordance with 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 the 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

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

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:

(continues)



Independent Auditor's Report to the Members of Board of Commissioners of Public Utilities *(continued)*

- 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 Board'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 Board'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 Board 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.

Nosworthy Chapman

Chartered Professional Accountants
St. John's, NL
June 1, 2022

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Financial Position Year Ended March 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash	\$ 1,820,781	\$ 1,667,490
Receivables (Note 4)	956,212	148,892
HST receivable (Note 5)	-	15,855
Recoverable costs (Note 6)	360,042	816,468
	\$ 3,137,035	\$ 2,648,705
LIABILITIES		
Payables and accruals	87,218	180,051
Government remittances payable	1,359	6,699
HST payable (Note 5)	104,745	-
Payroll accruals	725,248	860,785
	918,570	1,047,535
NET FINANCIAL ASSETS	\$ 2,218,465	\$ 1,601,170
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	\$ 57,649	\$ 66,991
Prepaid expenses	1,781	6,785
	59,430	73,776
ACCUMULATED SURPLUS	\$ 2,277,895	\$ 1,674,946
Accumulated surplus comprised of:		
Invested in capital assets (Note 8)	\$ 57,649	\$ 66,991
Internally restricted (Note 10)	1,728,872	1,653,841
Unrestricted	491,374	(45,886)
	\$ 2,277,895	\$ 1,674,946

Commitments (Note 13)

On Behalf of the Board:


 _____ Chairperson and CEO

 _____ Director of Corporate Services

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Operations Year Ended March 31, 2022

	Budget 2022 (Note 14) (Unaudited)	2022	2021
REVENUES			
Regulatory assessments	\$ 3,100,172	\$ 3,145,797	\$ 2,927,052
Interest and other income	8,500	6,842	8,097
	3,108,672	3,152,639	2,935,149
EXPENDITURES			
Amortization		\$ 33,482	\$ 31,097
Consulting fees	414,600	202,095	428,636
Office equipment, supplies, and services	109,043	86,552	74,208
Rent and insurance	321,265	320,249	345,230
Salaries and associated costs (Note 12)	2,117,258	1,841,087	2,131,412
Telecommunications	46,380	41,686	42,828
Training and membership	71,925	24,539	36,906
Travel	19,164	-	-
	3,099,635	2,549,690	3,090,117
Excess of revenues over expenditures (expenditures over revenues)	\$ 9,037	\$ 602,949	\$ (154,968)

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Change in Net Financial Assets Year Ended March 31, 2022

	Budget 2022 (Note 14) (Unaudited)	2022	2021
Annual surplus (deficit)	\$ 9,037	\$ 602,949	\$ (154,968)
Changes in tangible capital assets			
Acquisition of tangible capital assets		(24,140)	(21,947)
Amortization of tangible capital assets		33,482	31,097
		-	9,150
Change in other non-financial assets			
Assessment increase (reduction)		-	(376,380)
Net acquisition of prepaid expenses		5,004	6,282
		-	(370,098)
Increase (decrease) in net assets	9,037	617,295	(515,916)
Net financial assets, beginning of year	1,601,170	1,601,170	2,117,086
Net financial assets, end of year	\$ 1,610,207	\$ 2,218,465	\$ 1,601,170

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Cash Flows Year Ended March 31, 2022

	2022	2021
Operating transactions		
Cash receipts from assessments and other revenues	\$ 2,361,174	\$ 4,210,010
Cash paid to suppliers and employees	(2,640,169)	(3,147,306)
Cash from (used in) operating transactions	(278,995)	1,062,704
Hearing and review transactions		
Decrease (increase) in recoverable costs	456,426	(192,733)
Cash used in hearing and review transactions	456,426	(192,733)
Capital transactions		
Purchase of tangible capital assets	(24,140)	(21,947)
Cash used in capital transactions	(24,140)	(21,947)
Increase (decrease) in cash during year	153,291	848,024
Cash position, beginning of year	1,667,490	819,466
Cash position, end of year	\$ 1,820,781	\$ 1,667,490

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2022

1. GENERAL

The Board of Commissioners of Public Utilities (the "Board") is an independent, quasi-judicial regulatory tribunal constituted in 1949 by the Lieutenant-Governor in Council pursuant to the *Public Utilities Act*. The Board regulates the electric utilities in the Province of Newfoundland and Labrador and is responsible for ensuring that the rates charged are just and reasonable and that the service provided is safe and reliable. Other responsibilities include: (a) the regulation of automobile insurance rates; (b) the regulation of maximum fuel prices pursuant to the *Petroleum Products Act*; (c) limited regulation of the motor carrier industry as it relates to certain passenger and ambulance operations; and (d) establishing compensation for matters referred to the Board pursuant to the *Expropriation Act*. The Board was incorporated on May 12, 2000 pursuant to an amendment to the *Public Utilities Act* and as a Crown entity of the Province is not subject to provincial or federal income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Board is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB). The Board does not prepare a statement of re-measurement gains and losses as the Board does not enter into relevant transactions or circumstances that are addressed by that statement.

Financial instruments

The Board's financial instruments recognized in the statement of financial position consist of cash, receivables, HST receivable/payable, recoverable costs, payables and accruals, government remittances payable and payroll accruals. The Board generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Board subsequently measures all its financial assets and financial liabilities at cost or amortized cost. Transaction costs and any gains or losses arising from changes in fair value are recognized immediately in the statement of revenues and expenditures. Receivables are classified as loans and accounts payable are classified as other financial liabilities. Both are measured at amortized cost.

The Board's carrying value of cash, receivables, HST receivable/payable, recoverable costs, payables and accruals, government remittances payable and payroll accruals approximates its fair value due to the immediate or short term maturity of these instruments.

Interest attributable to financial instruments is reported on the statement of operations.

Cash

Cash includes cash in bank and balances with financial institutions, net of overdrafts.

Recoverable costs

Recoverable costs relating to regulatory hearings and specific enquiries held by the Board are not accrued until the Board orders payment. The costs and subsequent recoveries for these enquiries are not included in the operating revenues and expenditures of the Board.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible capital assets

Capital assets are recorded on the Statement of Financial Position at cost net of accumulated amortization and are amortized as follows:

Furniture and equipment	20%	declining balance method
Computer hardware	35%	declining balance method
Computer software	50%	declining balance method
Leasehold improvements		the lesser of five year straight-line or remaining term of the lease

Capital assets are written down when conditions indicate that they no longer contribute to the Board's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets are less than their net book value. The net write-downs are accounted for as expenditures in the statement of operations.

Prepaid expenses

Prepaid expenses include amounts paid in advance for services, insurance, and workers compensation and are charged to expense over the periods expected to benefit from them.

Funds and reserves

Certain amounts, as approved by the Board, are set aside in accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

Employee future benefits

(i) Severance pay

On May 31, 2018, the Province of Newfoundland and Labrador enacted legislation affecting severance pay for employees. As a result of the legislation, employees with at least one year of service were entitled to one week of salary for each complete year of service, up to a maximum of 20 weeks. No additional severance is to be accrued beyond May 31, 2018. Employees impacted by this change could elect to either receive all of their entitlement by March 31, 2019 or defer receiving their entitlement to a later date. The severance liability as of March 31, 2022 represents severance owing to employees who deferred receiving their severance entitlement.

(ii) Pension fund

Employees and Commissioners of the Board are subject to the *Public Service Pension Act 1991*. Employee contributions are matched by the Board and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. Contributions of the Board to the plan are recorded as expenses in the year the contributions are made.

Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures

Expenditures are reported on an accrual basis. The costs of all goods consumed and services received during the year are expensed.

Inter-entity transactions

Inter-entity transactions are transactions between commonly controlled entities.

Inter-entity transactions are recorded at the exchange amount when they are undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length.

Cost allocations to/from commonly controlled entities are recorded on a gross basis.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the expected future life of tangible capital assets and estimated employee future benefits.

Estimates are based on the best information available at the time of preparation of the financial statement and are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The Board is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2022:

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Board is exposed to credit risk with respect to regulatory assessments. An allowance for doubtful accounts may be established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Board manages exposure through its normal operating and financing activities. The Board is exposed to interest rate risk primarily through its floating interest rate bank credit agreement.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2022

4. RECEIVABLES

	2022	2021
Revenues receivable	\$ 956,212	\$ 148,892

5. HST PAYABLE (RECEIVABLE)

	2022	2021
HST receivable from federal government	\$ (16,002)	\$ (15,855)
HST payable to federal government	120,747	-
	\$ 104,745	\$ (15,855)

6. RECOVERABLE COSTS

	2022	2021
Recoverable costs, beginning of year	\$ 816,468	\$ 623,735
Add - specific enquiry costs incurred during the year:		
Consumer Advocate	679,000	261,893
Consulting fees	548,371	1,078,238
Legal	113,514	68,262
Advertising and notice	9,029	3,824
Transcription and printing	973	7,270
Other	109,258	264
	1,460,145	1,419,751
	2,276,613	2,043,486
Less - costs recovered during the year	(1,916,571)	(1,157,807)
Less - costs deemed non recoverable	-	(69,211)
Recoverable costs, end of year	\$ 360,042	\$ 816,468

See also Note 11.

7. BANK CREDIT AGREEMENT

The Board has established a \$1,000,000 line of credit subject to a general security agreement over all accounts and book debts, equipment, tangible capital assets and certain other assets. Any outstanding balance bears interest at the bank prime rate plus 0.5%. As at March 31, 2022, the balance outstanding was \$Nil (2021- \$Nil).

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2022

8. TANGIBLE CAPITAL ASSETS

	2022			
	Furniture and Equipment	Computer Hardware and Software	Leasehold Improvements	Total
Cost				
Opening balance	\$ 292,291	\$ 315,911	\$ 239,488	\$ 847,690
Additions	-	24,140	-	24,140
Disposals	7,300	-	-	7,300
Closing balance	284,991	340,051	239,488	864,530
Accumulated amortization				
Opening balance	264,855	291,823	224,021	780,699
Amortization	5,487	19,507	8,488	33,482
Disposals	7,300	-	-	7,300
Closing balance	263,042	311,330	232,509	806,881
Net book value	\$ 21,949	\$ 28,721	\$ 6,979	\$ 57,649
				2021
	Furniture and Equipment	Computer Hardware and Software	Leasehold Improvements	Total
Cost				
Opening balance	\$ 292,291	\$ 293,964	\$ 239,488	\$ 825,743
Additions	-	21,947	-	21,947
Disposals	-	-	-	-
Closing balance	292,291	315,911	239,488	847,690
Accumulated amortization				
Opening balance	257,998	276,073	215,533	749,602
Amortization	6,859	15,750	8,488	31,097
Disposals	-	-	-	-
Closing balance	264,855	291,823	224,021	780,699
Net book value	\$ 27,436	\$ 24,088	\$ 15,467	\$ 66,991

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2022

9. NON-VESTED SICK LEAVE PAYOUTS

Prior to a change in government policy, several employees were permitted to accumulate unused sick day credits. As of March 31, 2022, there is one employee who has an accumulated sick-leave payout balance. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick days for sick-leave compensation ceases on termination of employment. The benefit costs and liabilities related to the plan are included in the financial statements.

10. INTERNALLY RESTRICTED SURPLUS

The Board has adopted a formal policy to accumulate and restrict estimated amounts required to meet expected future obligations. The amounts restricted as at March 31, 2022 are as follows:

	2022	2021
Redundancy pay contingency	\$ 1,216,242	\$ 1,135,729
Working capital	512,630	518,112
	<u>\$ 1,728,872</u>	<u>\$ 1,653,841</u>

11. INTER-ENTITY TRANSACTIONS

The Board incurs costs in relation to hearings held to deliver on its mandate which are recoverable from industry participants at cost. A portion of these costs are recoverable from Newfoundland and Labrador Hydro, an entity under common control.

	2022	2021
Beginning balance	\$381,865	\$238,820
Costs incurred	472,116	952,143
Costs recovered	(576,950)	(809,098)
Ending balance	<u>\$277,031</u>	<u>\$381,865</u>

The Board has also charged Newfoundland and Labrador Hydro assessment fees in the amount of \$916,414 (2021: \$933,941).

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2022

12. DESIGNATED PENSION FUNDS AND PENSION ASSET (OBLIGATIONS)

Employees and Commissioners of the Board are subject to the *Public Service Pension Act 1991*. Pension contributions deducted from Commissioners' and employees' salaries are matched by the Board and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to Commissioners and employees when they retire. The Board's share of pension expense for the year in the amount of \$180,132 (2021 - \$175,385) is included in salaries and associated costs.

The Board was also obligated to make pension payments to a former Commissioner in the amount of \$2,043 per month (\$24,516 per annum). These payments are paid directly by the Board out of operating expenditures. An estimated liability in the amount of \$Nil (2021 - \$208,617), has been included in the financial statements, and reflects the present value of the pension obligation based on an average life expectancy of 87 years and a discount rate of 2.14% in the prior year. During the year, the former Commissioner passed away and as such the pension liability ceased as of the date of death. This resulted in a reversal of estimated pension liability in the amount of \$202,487 and a credit to salaries and associated costs.

13. COMMITMENTS

The Board has a premises lease agreement in the amount of \$26,254 plus HST per month (\$315,045 plus HST per annum), concluding May 31, 2023. Future minimum lease payments as at year end are as follows:

2023	\$52,508
------	----------

14. BUDGET FIGURES

Budget figures have been provided for comparison purposes and have been derived from the estimates approved by the Board.