

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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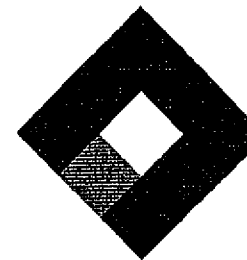
## Index to Financial Statements Year Ended March 31, 2018

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Commissioners of Public Utilities

We have audited the accompanying financial statements of the Board of Commissioners of Public Utilities, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board of Commissioners of Public Utilities as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

  
Chartered Professional Accountants  
St. John's, Newfoundland & Labrador  
June 28, 2018

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Financial Position Year Ended March 31, 2018

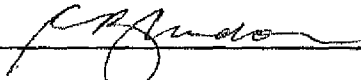
	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash	\$ 1,116,271	\$ 118,768
Receivables (Note 4)	28,367	827,895
HST receivable (Note 5)	170,843	92,726
Recoverable costs (Note 6)	1,918,812	2,237,077
	<b>3,234,293</b>	<b>3,276,466</b>
<b>LIABILITIES</b>		
Payables and accruals	201,630	222,610
Government remittances payable	18,528	644
Payroll accruals	922,317	901,650
	<b>1,142,475</b>	<b>1,124,904</b>
<b>NET FINANCIAL ASSETS</b>	<b>\$ 2,091,818</b>	<b>\$ 2,151,562</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	\$ 58,271	\$ 50,976
Prepaid expenses	12,055	9,721
	<b>70,326</b>	<b>60,697</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 2,162,144</b>	<b>\$ 2,212,259</b>
<b>Accumulated surplus comprised of:</b>		
Invested in capital assets (Note 8)	\$ 58,271	\$ 50,976
Internally restricted (Note 10)	1,477,815	1,525,449
Unrestricted	626,058	635,834
	<b>\$ 2,162,144</b>	<b>\$ 2,212,259</b>

Commitments (Note 13)

On Behalf of the Board:

  
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Chairperson and CEO

  
\_\_\_\_\_

Director of Corporate Services

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Operations Year Ended March 31, 2018

	Budget 2018 (Note 15) (Unaudited)	2018	2017
<b>REVENUES</b>			
Regulatory assessments	\$ 2,766,287	\$ 2,467,177	\$ 2,784,960
Interest and other income	10,000	8,139	9,550
	2,776,287	2,475,316	2,794,510
<b>EXPENDITURES</b>			
Amortization	\$ -	\$ 21,795	\$ 18,555
Consulting fees	272,250	270,869	136,300
Office equipment, supplies, and services	95,107	86,775	78,482
Rent and insurance	225,100	225,096	225,091
Salaries and associated costs (Note 12)	2,048,166	1,837,580	1,810,377
Telecommunications	30,900	32,259	34,809
Training and membership	71,975	22,149	22,720
Travel	32,789	28,908	30,091
	2,776,287	2,525,431	2,356,425
<b>Excess of revenues over expenditures</b>	\$ -	\$ (50,115)	\$ 438,085

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Change in Net Financial Assets Year Ended March 31, 2018

	Budget 2018 (Note 15) (Unaudited)	2018	2017	
Annual (deficit) surplus	\$ -	\$ (50,115)	\$ 438,085	
<b>Changes in tangible capital assets</b>				
Acquisition of tangible capital assets		(29,090)	(15,711)	
Amortization of tangible capital assets		21,795	18,555	
		-	(7,295)	2,844
<b>Change in other non-financial assets</b>				
Net acquisition of prepaid expenses		(2,334)	(1,747)	
		-	(2,334)	(1,747)
<b>Increase in net assets</b>		(59,744)	439,182	
<b>Net financial assets, beginning of year</b>	2,151,562	2,151,562	1,712,380	
<b>Net financial assets, end of year</b>	\$ -	\$ 2,091,818	\$ 2,151,562	

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Cash Flows Year Ended March 31, 2018

	2018	2017
<b>Operating transactions</b>		
Cash receipts from assessments and other revenues	\$ 3,196,728	\$ 3,778,323
Cash paid to suppliers and employees	(2,488,400)	(2,729,123)
Cash from operating transactions	708,328	1,049,200
<b>Hearing and review transaction</b>		
Decrease (increase) in recoverable costs	318,265	(974,893)
Cash from (used in) hearing and review transactions	318,265	(974,893)
<b>Capital transaction</b>		
Purchase of capital assets	(29,090)	(15,711)
Cash used in capital transactions	(29,090)	(15,711)
<b>Increase in cash during year</b>	997,503	58,596
<b>Cash position, beginning of year</b>	118,768	60,172
<b>Cash position, end of year</b>	\$ 1,116,271	\$ 118,768

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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## Notes to Financial Statements

Year Ended March 31, 2018

### 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 reasonable and that the service provided is safe and reliable. Other responsibilities include: (a) the regulation of automobile insurance rates; (b) the regulation of, from June 8, 2004, 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, 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, recoverable costs, payables and accruals, government remittance payable, HST payable and payroll accruals approximates its fair value due to the immediate or short term maturity of these instruments.

#### Cash

Cash includes cash in bank.

#### 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, 2018

### 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 expenses 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

Certain employees of the Board are entitled to severance pay. Severance pay is accounted for on the accrual basis and is based upon years of service and current salary levels. Under new legislation which received Royal Assent on May 31, 2018, employees with at least one (1) year service to a maximum of twenty (20) years of continuous service are entitled to severance pay. The severance entitlement is calculated based on service years and rate of pay as of March 31, 2018 accrued in the financial statements. The total amount is expected to be paid by March 2019.

##### (ii) Pension fund

The employees 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.



# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

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## Notes to Financial Statements

Year Ended March 31, 2018

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### 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. Such estimates 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, 2018:

#### 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, 2018

### 4. RECEIVABLES

	2018	2017
Revenues receivable	\$ 23,230	\$ 822,399
Accrued interest receivable	-	210
Other receivables	5,137	5,286
	\$ 28,367	\$ 827,895

### 5. HST RECEIVABLE (PAYABLE)

	2018	2017
HST rebate receivable from federal government	\$ 193,682	\$ 111,952
HST payable to federal government	(22,839)	(19,226)
	\$ 170,843	\$ 92,726

### 6. RECOVERABLE COSTS

	2018	2017
Recoverable costs, beginning of year	\$ 2,237,077	\$ 1,262,184
Add - specific enquiry costs incurred during the year:		
Consumer Advocate	1,291,763	968,982
Consulting fees	305,067	848,423
Legal	144,922	199,392
Advertising and notice	18,215	36,413
Transcription and printing	-	16,229
Other	-	9,194
	1,759,967	2,078,633
	3,997,044	3,340,817
Less - costs recovered during the year	(1,929,047)	(1,103,740)
Less - costs deemed non recoverable	(149,185)	-
Recoverable costs, end of year	\$ 1,918,812	\$ 2,237,077

# **BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

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## **Notes to Financial Statements Year Ended March 31, 2018**

### **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, 2018, the balance outstanding was \$Nil (2017- \$Nil).

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Notes to Financial Statements

Year Ended March 31, 2018

### 8. TANGIBLE CAPITAL ASSETS

	2018			
	Furniture and Equipment	Computer Hardware and Software	Leasehold Improvements	Total
<b>Cost</b>				
Opening balance	\$ 266,009	\$ 260,310	\$ 197,046	\$ 723,365
Additions	4,595	16,935	7,560	29,090
Disposals	-	-	-	-
Closing balance	270,604	277,245	204,606	752,455
<b>Accumulated amortization</b>				
Opening balance	235,596	243,666	193,127	672,389
Amortization	7,002	11,975	2,818	21,795
Disposals	-	-	-	-
Closing balance	242,598	255,641	195,945	694,184
Net book value	\$ 28,006	\$ 21,604	\$ 8,661	\$ 58,271
	2017			
	Furniture and Equipment	Computer Hardware and Software	Leasehold Improvements	Total
<b>Cost</b>				
Opening balance	\$ 255,044	\$ 255,564	\$ 197,046	\$ 707,654
Additions	10,985	4,746	-	15,711
Disposals	-	-	-	-
Closing balance	266,009	260,310	197,046	723,365
<b>Accumulated amortization</b>				
Opening balance	227,993	234,020	191,821	653,834
Amortization	7,603	9,646	1,306	18,555
Disposals	-	-	-	-
Closing balance	235,596	243,666	193,127	672,389
Net book value	\$ 30,413	\$ 16,644	\$ 3,919	\$ 50,976

### 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, 2018, 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

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Notes to Financial Statements

Year Ended March 31, 2018

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, 2018 are as follows:

	2018	2017
Lease commitments	\$ 283,681	\$ 223,300
Payroll contingency	61,425	71,757
Redundancy pay contingency	686,110	767,677
Working capital	446,599	462,715
	<b>\$ 1,477,815</b>	<b>\$ 1,525,449</b>

### 11. RELATED PARTY 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.

	2018	2017
Beginning balance	\$ 2,129,494	\$ 1,060,264
Costs incurred	1,155,070	1,177,942
Costs recovered	1,733,556	108,712
Ending balance	<b>\$ 1,551,008</b>	<b>\$ 2,129,494</b>

The Board has also charged Newfoundland and Labrador Hydro assessment fees in the amount of \$854,297 (2017: \$865,556).

# **BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

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## **Notes to Financial Statements Year Ended March 31, 2018**

### **12. DESIGNATED PENSION FUNDS AND PENSION ASSET (OBLIGATIONS)**

Commissioners and employees are members of The Public Service Pension Fund 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 \$125,511 (2017 - \$135,545) is included in salaries and associated costs.

The Board is also committed 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 \$241,119, has been included in the financial statements, and reflects the present value of the pension obligation based on an average life expectancy of 86 years and a discount rate of 2.36%.

### **13. COMMITMENTS**

The Board has a premises lease agreement in the amount of \$18,608 plus HST per month (\$223,296 plus HST per annum), concluding May 31, 2018.

Subsequent to year end, the Board entered into a five year extension of their premises lease in the amount of \$24,646 plus HST per month (\$295,752 plus HST per annum), concluding May 31, 2023.

### **14. BUDGET FIGURES**

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