

**ANNUAL REPORT  
YEAR ENDING MARCH 31, 2021**

**Table of Contents**

<b>Message from the Chair and Chief Executive Officer</b>	3
<b>Overview</b>	4
Organization	4
Mandate and Lines of Business	5
Vision	5
Key Statistics	6
Financial Information	6
<b>Highlights and Partnerships</b>	7
Public Utility Regulation	7
Automobile Insurance Regulation	9
Petroleum Products Pricing Regulation	11
Motor Carrier Regulation	13
<b>Report on Planned Activities</b>	14
<b>Opportunities and Challenges Ahead</b>	18
<b>Appendix I</b> Financial Statements Year End March 31, 2021	19

## Message from the Chair and Chief Executive Officer

I am pleased to present the annual performance report of the Board of Commissioners of Public Utilities (the “Board”) for the fiscal year ending March 31, 2021. This report was prepared under my direction and in accordance with the **Transparency and Accountability Act**. As Chair and Chief Executive Officer I am accountable for the results as outlined in the report.

The Board operates as an independent, quasi-judicial tribunal constituted under the **Public Utilities Act**. The regulatory mandate of the Board includes regulation and oversight of electric utilities, regulation of automobile insurance rates, setting maximum prices for petroleum products in the province, as well as limited responsibilities in the areas of motor carrier operations and expropriations.

The Board is classified as a Category 3 Entity and is required to submit annual performance reports to the House of Assembly on its success in achieving the objectives and indicators outlined in its multi-year performance-based activity plan. This year is the first reporting year of a new planning cycle with the Board’s strategic priorities for 2020-23 focused on improving the efficiency of its regulatory tools and streamlining its regulatory framework while ensuring appropriate resources are available to effectively deliver its mandated responsibilities.

A significant drop in world oil prices coupled with the emergence of the global COVID-19 pandemic in late winter 2020 significantly impacted the Board’s activities during the reporting period. In accordance with Public Health directives Board staff and Commissioners worked mostly from home for seven months during the year. The Board’s Business Continuity Plan ensured that the Board was able to respond to these challenges and continue to fulfill its regulatory mandate without interruption. I extend my sincere thanks to Board staff and Commissioners for their continued commitment and valuable contributions to the work of the Board during this unprecedented and difficult year.



---

Darlene Whalen, P.Eng., FEC  
Chair and Chief Executive Officer

Overview

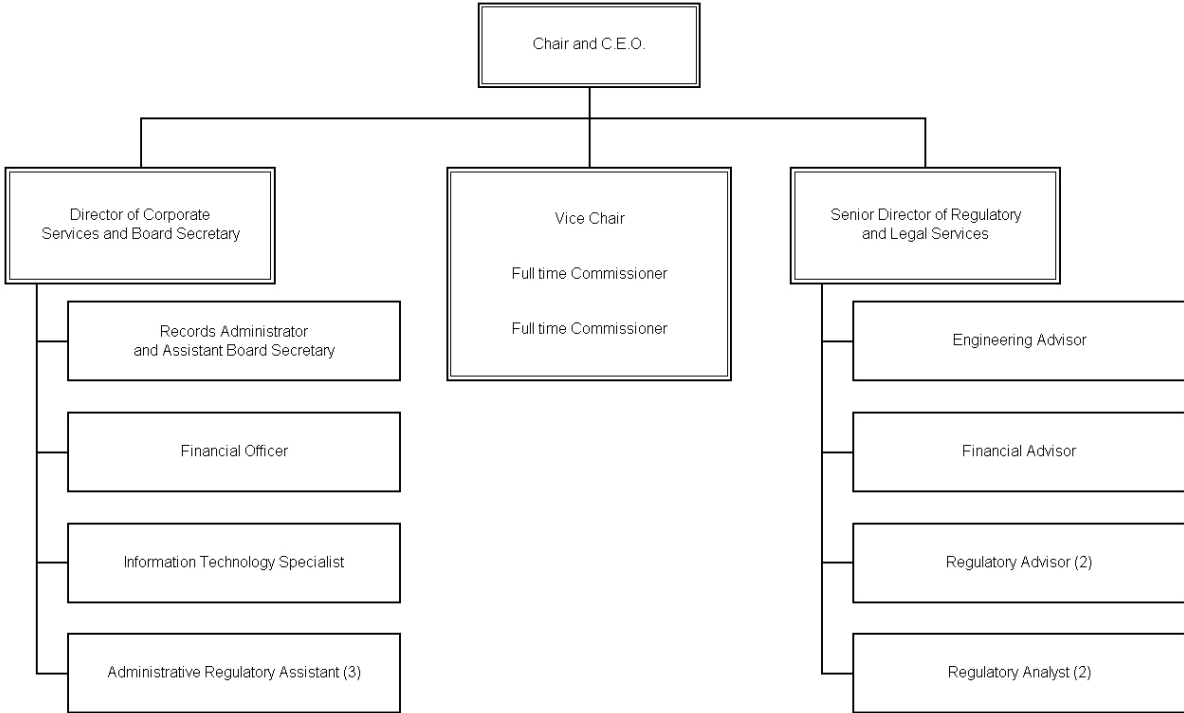
Organization

Created by statute in 1949 the Board is comprised of four full-time commissioners, appointed by the Lieutenant-Governor in Council, including the Chair and Chief Executive Officer and the Vice Chair. The **Public Utilities Act** gives the Chair and Chief Executive Officer the full authority for the overall operation, management and financial administration of the Board.

The Board has 14 permanent full-time staff located in St. John's.

The Board's functional organizational structure, shown in the Organizational Chart below, consists of Regulatory and Legal Services and Corporate Services. Regulatory and Legal Services oversees the Board's regulatory mandate with responsibility for coordination and management of applications, research, investigations, compliance monitoring, financial/technical reviews and customer complaints. Corporate Services is responsible for management of the administrative functions of the Board, including finance, communications, information technology and human resource services.

Board of Commissioners of Public Utilities  
Organizational Chart  
At March 31, 2021



### **Mandate and Lines of Business**

The Board is an independent, quasi-judicial regulatory body appointed by the Lieutenant Governor in Council and operates primarily under the authority of the **Public Utilities Act**. The Board was established in 1949.

The Board is responsible for the regulation of the electric utilities in the province to ensure that the rates charged are just and reasonable and that the service provided is safe and reliable. In 2004 the Board assumed responsibility for regulation of maximum prices for petroleum products in the province in accordance with the **Petroleum Products Act**. The Board is also responsible for the supervision of rates charged by automobile insurers for the various automobile insurance coverages, limited regulation of the motor carrier industry in relation to certain passenger and ambulance operations as well as conducting hearings and other required activities under the **Expropriation Act**.

The Board's jurisdiction is defined by the following legislation which it administers:

- i) **The Public Utilities Act, R.S.N. 1990**
- ii) **The Electrical Power Control Act**
- iii) **Petroleum Products Act**
- iv) **The Automobile Insurance Act**
- v) **The Motor Carrier Act**
- vi) **The Expropriation Act**
- vii) **The Act to Amend the Electrical Power Control Act**
- viii) **The Motor Vehicle Transport Act**
- ix) **The Public Utilities Acquisition of Lands Act**

These Acts fall under the responsibility of various departments of Government, including the Department of Justice and Public Safety (**Public Utilities Act**), Digital Government and Service NL (**Automobile Insurance Act, Insurance Companies Act, and Petroleum Products Act**) and Industry, Trade and Technology (**Electrical Power Control Act**).

To deliver its regulatory mandate the Board conducts public hearings, technical conferences, stakeholder meetings, compliance monitoring, audits, detailed technical/financial reviews and investigations. Hearings held by the Board in the discharge of its mandate are quasi-judicial in nature and are conducted in accordance with the provisions of the **Public Inquiries Act** and the Board's regulations - **Newfoundland Regulations 39196**. Orders issued by the Board have the force of law and can only be appealed to the Supreme Court of Newfoundland, Court of Appeal.

### **Vision**

The vision of the Board of Commissioners of Public Utilities is excellence in regulation which engenders the trust and confidence of the people of the province.

**Key Statistics**

The work of the Board is diverse and has broad implications for most residents of Newfoundland and Labrador. The Board:

- is responsible for the regulation and general oversight of Newfoundland and Labrador Hydro (Hydro) and Newfoundland Power, with a combined customer base of approximately 310,000 residential and general service customers, five industrial customers and two Labrador Transmission customers;
- regulates automobile insurance rates and underwriting guidelines for insurance companies operating in the province, with total premiums of \$466 million for approximately 320,263 private passenger and 23,965 commercial vehicles;
- sets maximum prices for regulated petroleum products sold in the province; and
- has 64 active ambulance certificates and 56 active bus service certificates.

**Financial Information**

The Board’s operating expenses for 2020-21 were \$3,090,117. The comparative expenditures for the previous five-year period are shown below:

<b>Board of Commissioners of Public Utilities</b>					
<b>Expenditures</b>					
<b>Year End-March 31</b>					
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Operating Total	\$2,356,425	\$2,525,431	\$3,046,568	\$2,453,206	\$3,090,117
Hearings - Board	\$1,109,651	\$468,204	\$2,159,879	\$5,373,499	\$1,157,858
Hearings - Consumer Advocate	\$968,982	\$1,291,763	\$440,715	\$525,615	\$261,893
<b>Hearings - Total</b>	<b>\$2,078,633</b>	<b>\$1,759,967</b>	<b>\$2,600,594</b>	<b>\$5,899,114</b>	<b>\$1,419,751</b>
<b>Total Expenditures</b>	<b>\$4,435,058</b>	<b>\$4,285,398</b>	<b>\$5,647,162</b>	<b>\$8,352,320</b>	<b>\$4,506,868</b>

The Board is funded through assessments charged to regulated industries/companies or on a cost recovery basis from applicants and/or parties involved in specific proceedings and/or investigations. In accordance with sections 13 and 14 of the **Public Utilities Act**, the Board levies an annual assessment to regulated entities to cover its estimated general operating expenses for that year. Assessments to each regulated industry/company vary depending on the actual allocation of work performed by the Board in the year. For 2020-21 the Board assessed 70.6 per cent (\$2,065,771) of its annual operating budget to electrical utilities, 20.1 per cent (\$588,636) to automobile insurance companies and 9.3 per cent (\$272,645) to the petroleum products industry.

Public hearings and investigations are funded outside of normal budgeted activities on a cost recovery basis in accordance with applicable legislation. Section 90 of the **Public Utilities Act** details the costs which may be recovered incidental to a matter. During 2020-21 the Board’s accumulated hearing costs totaled \$1,419,751. Further details regarding the Board’s recoverable costs can be found in Note 6 to the Board’s Financial Statements (Appendix I).

## **Highlights and Partnerships**

The Board's primary focus is to ensure that it can effectively and efficiently respond to matters which arise in the context of its regulatory mandate. In addition to responding to applications from regulated entities, compliance monitoring and general regulatory oversight constitute a significant portion of the Board's ongoing regulatory activities, especially in the areas of public utility and automobile insurance rate regulation.

During 2020-21 the Board issued 42 orders under the **Public Utilities Act**, 138 orders under the **Automobile Insurance Act**, 64 orders under the **Petroleum Products Act** and one order under the **Motor Carrier Act**. A complete list of these orders can be found on the Board's website ([www.pub.nl.ca](http://www.pub.nl.ca)).

Highlights for 2020-21 are as follows:

### **Public Utility Regulation**

Forty-two orders were issued during 2020-21 under the Board's public utilities regulatory mandate. A summary of the major public utility decisions and on-going matters is outlined below.

- On May 1, 2020, in Order No. P.U. 13(2020), the Board approved, among other things, Hydro's request for recovery of (i) the 2019 Isolated System Supply Deferral Account credit balance of \$346,657, (ii) the 2019 Revised Energy Supply Cost Variance Deferral Account debit balance of \$21,738,429, and (iii) the 2019 Holyrood Conversion Rate Deferral Account credit balance of \$1,588,894.
- On May 11, 2020, in Order No. P.U. 14(2020), the Board approved Hydro's application for capital expenditures in the amount of \$7,638,200 for capital projects necessary for the continued operation of the Holyrood Thermal Generation Station. The application noted that the period of readiness to operate the Holyrood Thermal Generation Station was extended from March 31, 2021 to March 31, 2022 to ensure reliable service for customers while the Muskrat Falls Generation Facility and the Labrador-Island Link are commissioned and proven reliable.
- Pursuant to Order in Council OC2020-081, the Board issued Order Nos. P.U. 16(2020), P.U. 17(2020) and P.U. 18(2020) approving a one-time bill credit to utility customers on bills issued in July 2020. This credit was primarily based on a forecast reduction in fuel costs at Hydro's Holyrood Thermal Generating Station which would normally have been reflected in customer rates through a July 1, 2020 rate reduction. OC2020-081 effectively directed that the full benefit of this forecast cost reduction be passed on to customers as early as practicable in response to the COVID-19 pandemic.
- On June 26, 2020 Hydro filed an application for an order that the provision of electric vehicle charging services is not subject to the legislative authority of the province and does not require an approved rate, toll or charge. On September 14,

2020, in Order No. P.U. 27(2020), the Board did not make a finding as to whether electric vehicle charging services are subject to the legislative authority of the province but did find that the Board's approval of a rate, toll or charge for electric vehicle charging services at that time was not required.

- On December 15, 2020, in Order No. P.U. 37(2020), the Board approved i) Newfoundland Power's 2021 Capital Budget<sup>1</sup> of \$94,601,000 and ii) fixed and determined the average rate base for the year ended December 31, 2019 at \$1,153,556,000. On March 26, 2021, subsequent to additional information being filed by Newfoundland Power, the Board issued Order No. P.U. 10(2021) approving capital expenditures associated with the new St. John's North-Portugal Cove substation, in the amount of \$6,794,000.
- On December 16, 2020 Newfoundland Power filed its 2021 Electrification, Conservation and Demand Management application. The application was filed following the development of a new plan by Newfoundland Power and Hydro to guide the delivery of customer programs over the period 2021 to 2025. The plan continues with longstanding Conservation and Demand Management programs and introduces customer electrification programs for the first time. The review of this application is ongoing.
- On December 17, 2020, in Order No. P.U. 38(2020), the Board approved Hydro's application for an Amended and Restated Pilot Agreement for the Optimization of Hydraulic Resources which extended the term of the original Pilot Agreement between Hydro and Nalcor Energy Marketing to facilitate ponding and spill energy activities so as to avail of potential opportunities associated with energy markets external to Newfoundland and Labrador.
- On December 17, 2020 Hydro, acting in its capacity as the Newfoundland and Labrador System Operator filed an application with the Board requesting approval of amendments to the pro-forma Transmission Service Agreements, the Transmission Policies and Procedures, and the Transmission Rates and Rates Methodology and the currently approved interim rates. On January 25, 2021 the Board issued Order No. P.U. 3(2021) approving Hydro's application on an interim basis.
- On January 15, 2021, in Order No. P.U. 2(2021), the Board approved i) Hydro's 2021 Capital Budget of \$103,986,400 and ii) fixed and determined the average rate base for the years ending December 31, 2017 at \$2,068,754,000, December 31, 2018 at \$2,265,683,000, and December 31, 2019 at \$2,306,047,000. On March 29, 2021, subsequent to additional information being filed by Hydro, the Board issued Order No. P.U. 11(2021) approving capital expenditures for the

---

<sup>1</sup> On October 9, 2020 the Board advised the parties that a technical conference would be held with respect to the proposed expenditures related to the Customer Service System replacement and that, to ensure the timely consideration of Newfoundland Power's 2021 Capital Budget Application, these expenditures would be addressed in a separate order of the Board. A technical conference was convened in relation to this project on November 10, 2020 and a review process initiated. This matter is ongoing.



Replace Hydro Personal Computers 2021 project, in the amount of \$905,400, and the Diesel Genset Replacements 2021-2022 project, in the amount of \$2,560,600 in 2021 and \$525,000 in 2022.

- On March 17, 2021, in Order No. P.U. 7(2021), the Board accepted the recommendations in a Settlement Agreement, including a proposed Network Additions Policy for the Labrador Interconnected system, arising from the review of Hydro's Labrador Interconnected System Network Additions Policy filed on December 14, 2018. This review was undertaken concurrent with the review of the Labrador Interconnected System Transmission Expansion Study filed by Hydro on October 31, 2018.

The Board also has a number of ongoing reviews that were started in 2018 and 2019 and will carry over into the next reporting period. The Board's review of Hydro's Reliability and Resource Adequacy Study filed on November 16, 2018 has continued with a number of technical reports filed by Hydro in 2020-21. The Board has also continued to receive regular monitoring reports from Hydro on the status of integration of the Muskrat Falls Project with the Island Interconnected system, including the status of the Labrador-Island Link as well as near-term generation adequacy before and after the integration of the Muskrat Falls Project.

As well, the Board's review of its current Capital Budget Application Guidelines used in the approval process of utility capital expenditures, which began in late 2019, is continuing. The report of the Board's expert consultant was filed on August 24, 2020 and provided recommended changes to help improve the overall efficiency and effectiveness of the annual Capital Budget Application processes required under legislation. The Board is facilitating the ongoing review of the recommended changes with stakeholders.

The Board also issued a number of orders arising from supplementary applications for 2020-21 capital spending, contributions in aid of construction, and various other financial and accounting matters for both Hydro and Newfoundland Power.

### **Automobile Insurance Regulation**

In 2019-2020, following the completion of a review of the automobile insurance product in the province, Government made amendments to the **Automobile Insurance Act**, the **Insurance Companies Act** and the Regulations thereunder. The key legislative changes, as well as the impact on the Board's review of rates and rate setting processes, were outlined in the Board's 2019-2020 annual report. The Board has continued its regulation of the automobile industry in accordance with these legislative and process changes through the 2020-21 fiscal year.

On February 1, 2021 the Board implemented two subsequent changes to its rate review process: i) introduction of Supplemental Filing Guidelines; and ii) revisions to the Expedited Approval Filing Guidelines. The Supplemental Filing Guidelines allow insurers to propose various rating program changes between mandatory full filings. Permitted

changes under the Supplemental filing category include: minor risk classification changes; introduction, elimination or changes to discounts, surcharges or endorsements; rating and underwriting rule changes; rating algorithm changes; rate group table updates; and/or rate capping changes. The Supplemental filing category cannot be used by insurers to propose base rate changes. The revisions to the Expedited Approval guidelines clarified that insurers are only permitted to propose base rate changes under this filing category. Changes to risk classification systems, the introduction of, elimination of or changes to discounts, surcharges and endorsements, and vehicle rate group updates, all of which were previously permitted to be filed under this category, are generally no longer allowed.

During the year the Board issued information bulletins to all insurers in connection with COVID-19 consumer relief measures, updated loss trend factors for private passenger automobiles and commercial vehicles, IAO<sup>2</sup> rate filings, IAO advisory rates, updated CLEAR<sup>3</sup> rate group tables, and revised filing guidelines. On April 16, 2020 the Board issued Information Bulletin A.I. 2020-04 to notify industry that the Board was supportive of efforts to provide relief to consumers in response to the COVID-19 pandemic. The Board established a simplified filing process for insurers to file temporary relief measures to be approved in an expeditious manner, typically within one business day. The Board received 36 requests from insurers for temporary consumer relief measures throughout 2020-21. The type of relief varied by company and included measures such as capping premium increases, discounts for changes in vehicle usage, changes to endorsements and premium refunds/rebates. The Board will continue to allow industry to file temporary relief measures for the duration of the pandemic.

The Board received a total of 142 rate filings and issued 138 orders for automobile insurance in 2020-21. Many of these filings were submitted on a mandatory basis to bring insurers in compliance with the new three-year filing schedule implemented on January 1, 2020.

The Board has established a compliance audit program whereby the rates and rating practices of the regulated insurance companies are reviewed. The compliance audit program is designed to ensure that insurers writing business in the province are only charging rates that have been approved by the Board in accordance with the **Automobile Insurance Act** and the **Insurance Companies Act**. The audit program also ensures that agents and brokers of the insurer are interpreting the underwriting guidelines of the insurer correctly and that insureds of similar risk characteristics are being rated correctly. The Board did not complete any compliance audits during 2020-21 due to the COVID-19 pandemic and the restriction on staff from visiting the offices of insurers. The information required to complete compliance audits is protected as personal and private under the **Access to Information and Protection of Privacy Act** and can only be obtained with in-person reviews of the individual insurance files. It is anticipated that the compliance audit program will reconvene once the restriction on office visitation is lifted.

---

<sup>2</sup> IAO refers to Insurers' Advisory Organization

<sup>3</sup> CLEAR refers to Canadian Loss Experience Automobile Rating

There were no significant changes in the composition of the automobile insurance market in Newfoundland and Labrador. A review of the available market information found that 41 automobile insurers reported positive direct premiums written of \$467,604,000 in the province, compared to \$448,754,000 in 2018. The market continues to show a high level of concentration, with 15 insurers writing approximately 97 per cent of all automobile insurance business. When common ownership among companies is considered, four companies write approximately 83 per cent of the automobile insurance business in the province.

## **Petroleum Products Pricing Regulation**

### **Price Adjustment Information**

For the period April 1, 2020 to March 31, 2021 there were 53 maximum price adjustments<sup>4</sup> to regulated gasoline and diesel motor fuels and 52 price adjustments for regulated heating fuels. A summary of these price adjustments is provided in the table below:

<b>Summary of Maximum Price Adjustments<sup>5</sup></b>		
<b>Fuel Product</b>	<b>Change in Maximum Price</b>	<b>Maximum Price Range (Cents Per Litre)</b>
Gasoline Motor Fuel	38 Increases, 14 Decreases, 1 No Change	81.3 – 148.2
Diesel Motor Fuel	30 Increases, 17 Decreases, 6 No Change	82.7 – 142.2
Furnace Oil Heating Fuel	33 Increases, 19 Decreases	47.79 – 87.92
Stove Oil Heating Fuel	33 Increases, 19 Decreases	52.80 – 96.75
Propane Heating Fuel	28 Increases, 21 Decreases, 3 No Change	71.0 – 90.9

### **Adjustments to Total Allowed Mark-ups**

In 2019 the Board commenced a review pursuant to Section 8 of the **Petroleum Products Act** of the allowed wholesale and total allowed mark-ups for gasoline and diesel motor fuels in the province. The Board’s financial consultants, Grant Thornton LLP, were retained to update the percentage cost-based model presented in its report prepared as part of the Board’s 2012 margin review with more recent 2019 data. On September 29, 2020 the Board approved the following adjustments to the allowed wholesale and the total allowed mark-ups for regulated motor fuels effective October 1, 2020:

<sup>4</sup> An additional price adjustment outside of the regular weekly adjustment periods was required due to changes in taxation effective November 7, 2020.

<sup>5</sup> Directional changes and ranges of maximum prices noted in the table are for the base zone for each regulated petroleum product (i.e., Zone 1 for gasoline and diesel motor fuels, Zone 1ANE for furnace oil and stove oil heating fuels, and Zone 2 for propane heating fuel). Information may vary for other pricing zones.

<b>Adjustments to Allowed Mark-Ups – Motor Fuels (cents per litre)</b>	
<b>Gasoline and Diesel</b>	<b>Adjustment</b>
Wholesale	+0.91
Retail	+1.55
Total Allowed	+2.46

Following the transition of the North Atlantic Refinery into standby mode in March 2020 the Board received a number of requests and applications from wholesalers for increases to maximum prices in 2020-21 to reflect higher supply costs for petroleum products to be sourced from outside the province. Various interim adjustments to the Board’s maximum prices for all regulated petroleum products were made to reflect updated costs under alternative methods of supply.<sup>6</sup>

The Board’s review of the existing mark-ups and maximum prices for all regulated petroleum products will continue in the next reporting period.

### **2020 Labrador Petroleum Products Review**

In the Spring of 2020 maximum prices of petroleum products in the province fell dramatically over the course of several weeks as a result of the global pandemic and the crash in the world price of oil. From late February through mid-March 2020 the benchmark price used in the calculation of maximum gasoline prices dropped by over 25 cents per litre and the benchmark price for other regulated motor and heating fuels also experienced significant decreases over the period.

These downward pressures on prices had negative implications for wholesalers and retailers in the province, particularly those located in certain Labrador pricing zones where higher priced product had been supplied the previous fall but was subject to weekly maximum price adjustments. Based on information provided in requests and applications from wholesalers and retailers in these zones the Board implemented a number of changes to the Board’s maximum prices in the region from March through May of 2020 to ensure security of supply over the period until resupply could be established.<sup>7</sup>

Following significant input from stakeholders as a result of the unprecedented circumstances the Board determined that a review of the regulation of petroleum products prices in Labrador should be undertaken. In May 2020 the Board initiated the review process requesting stakeholders provide feedback and information related to the issues and the options which should be considered as part of the review. Suppliers were also contacted seeking information relating to their experience and issues with supplying petroleum products in Labrador. The Board continued to receive detailed and comprehensive information from suppliers relating to the method of supply and associated costs throughout the summer and fall of 2020.

---

<sup>6</sup> See Order Nos. P.P. 38(2020), P.P. 42(2020), P.P. 48(2020), P.P. 52(2020) and P.P. 1(2021).

<sup>7</sup> See Order Nos. P.P. 11(2020), P.P. 14(2020), P.P. 17(2020), P.P. 18(2020), and P.P. 24(2020).

On October 16, 2020 the Board released a consultation paper which set out the issues to be addressed, the viewpoints and information received and the options which may be considered by the Board. On November 25, 2020 the Board issued Order No. P.P. 58(2020) approving interim changes to maximum prices in Labrador pricing zones 10, 11, 11b and 12, including changes to the zone differentials and the benchmark used to calculate stove oil maximum prices, as well as the implementation of a suspension of maximum price adjustments in the zones until further order of the Board.

The Board’s review of the maximum prices of regulated petroleum products in Labrador is ongoing.

**Changes to Taxation Applicable to Regulated Petroleum Products**

Effective November 7, 2020 the Department of Finance introduced new carbon taxes for regulated motor fuels and reduced the Provincial Fuel Tax for gasoline<sup>8</sup>. The table below summarizes the changes to taxation applicable to the Board’s maximum pricing:

<b>Summary of Changes to Taxation Applicable to Regulated Petroleum Products (cents per litre)</b>		
<b>Carbon Tax</b>		
<b>Product</b>	<b>Rates Effective January 1, 2019 to November 6, 2020</b>	<b>Rates Effective November 7, 2020</b>
Gasoline	4.42	6.63
Diesel	5.37	8.05
<b>Provincial Fuel Tax</b>		
<b>Product</b>	<b>Rate in Effect until November 6, 2020</b>	<b>Rate as of November 7, 2020</b>
Gasoline	16.5	14.5

**Motor Carrier Regulation**

One order was issued under the Board’s motor carrier mandate related to ambulance services. The order approved a new motor carrier certificate for ambulance services in the province.

**Expropriation**

The Board has one expropriation matter before it arising from an application from the Minister of Transportation and Works. A hearing was held in the fall of 2020 and a decision is pending.

---

<sup>8</sup> Department of Finance Bulletin No. RAA-CARBON-002 provides additional information in relation to the tax changes implemented.

## **Report on Planned Activities**

This is the first reporting year of the 2020-23 planning cycle for the Board. In preparing this activity report the Board continues to build upon previously identified priority action areas to further strengthen the efficiencies realized and ensure continued support of an effective and responsive regulatory environment.

The Board's work is responsive in nature. Work and activity plans are prepared around the Board's annual regulatory calendar of routine filings and applications filed in compliance with previous Board orders and legislative requirements. While the Board has full control over its regulatory processes, circumstances beyond the Board's control can significantly impact the Board's regulatory calendar and work. The beginning of the fiscal year 2020-21 was unique and unprecedented as Board employees were working from home in accordance with public health directives due to the global COVID-19 pandemic. The Board's Business Continuity Plan ensured that the Board could continue to fulfill its regulatory mandate with minimal interruption. There were, however, a number of unanticipated events that affected ongoing work, including a drop in global oil prices as well as the response of regulated industries to the COVID-19 pandemic.

- The significant drop in world oil prices in early 2020 resulted in a substantial decrease in benchmark prices for regulated petroleum products and lower retail prices. While consumers benefited there were major implications for wholesalers and retailers in certain pricing zones in Labrador where product for the winter had been purchased and supplied at higher prices in the fall of 2019. To ensure continued supply of product in these regions the Board approved increases in maximum prices and suspended maximum price adjustments until spring resupply. The Board also initiated a review of its pricing for petroleum products in Labrador in May 2020, which will continue in the next reporting period.
- Changes to the automobile insurance legislation which came into effect on January 1, 2020 significantly changed the Board's review processes for the automobile insurance filings and resulted in a significant increase in the number of Automobile Insurance rate filings in 2020-21. In response to the COVID-19 pandemic the Board also received 36 requests from automobile insurers for temporary consumer relief measures which required the issuing of additional Information bulletins pertaining to COVID-19 consumer relief measures.
- An Order-in-Council directed the Board to issue a one-time bill credit to utility customers in July 2020. The credit was based on the savings expected from lower forecast fuel costs at the Holyrood Generating Station.

A significant portion of the work for these activities along with the ongoing work associated with the Board's regulatory mandate was undertaken during the summer of 2020 while Board staff and Commissioners were working from home.

The Board also upgraded its information management software which allows the Board to manage, support and restore (in the event of a disaster) records according to industry best practices. The upgrade also provides the Board with a web-based component, more robust searching capabilities and further software functionality, allowing Commissioners

and staff to manage and search for records from more than one Board-issued device, search for records using more criteria and manage work processes, all increasing the efficiency of day-to-day operations.

Continued education and training is vital to ensure the Board has the expertise to deliver effective and efficient regulation and meet emerging regulatory issues while fulfilling its legislated mandate and responsibilities. While planned in-person training and education opportunities were cancelled this year Board staff and Commissioners were encouraged to take advantage of the many on-line training and education offerings that were available. While a number of these offerings were familiar programs that were transitioned to on-line platforms there were also new opportunities that staff and Commissioners were able to avail of, especially later in the year as more courses and programs became available. As a result staff and Commissioners were able to continue to meet the expectation for continued professional and personal development, even while working from home for a significant part of the year.

Consistent with Government’s strategic direction of a “More Efficient Public Sector”, the Board’s primary focus is continued regulatory responsiveness. The Board’s objective of maintaining an organization that is responsive to change and capable of meeting new challenges continues to be a primary focus for the Board. The year 2020-21 has proven the Board’s ability to quickly adapt and implement required changes as deemed necessary.

The Board has provided regulatory leadership by being responsive, proactive and innovative in the successful completion of many of its regulatory initiatives. The Board will continue to report on the objective and indicators detailed in the 2020-23 Activity Plan by continuing to streamline its regulatory framework and reduce regulatory costs, build on the efficiencies already achieved and continue to make improvements where required.

The Board’s progress in meeting its planned objective for 2020-21 is set out below.

**Issue: Continued Regulatory Responsiveness**

The Board has provided regulatory leadership by being responsive, proactive and innovative in the successful completion of many of its regulatory initiatives. The Board will continue to streamline its regulatory framework and reduce regulatory costs, build on the efficiencies already achieved and continue to make improvements where required.

<b>ISSUE:</b>	<b>Continued Regulatory Responsiveness</b>
<b>Objective</b>	<b>By March 31, 2021 the Board will have enhanced effective and efficient regulation.</b>
<b>Measure:</b>	<b>Effective and efficient regulation enhanced</b>
<b>Indicator</b>	Enhanced regulatory response

Regulatory response was enhanced. During the year Board schedules and timelines were met as planned ensuring continued regulatory responsiveness.

During the reporting period the Board received 44 applications and 94 compliance filings related to its public utility regulatory mandate. Orders for 32 or 73 per cent of applications were issued within 60 days or less following completion of the record. The remaining ten applications involved information exchange processes with outside parties which include the provision of timelines beyond the 60-day threshold. Of 94 compliance filings filed with the Board, 100 per cent were reviewed within 60 days of receipt by the Board.

The changes to the automobile insurance legislation which came into effect on January 1, 2020 significantly changed the Board’s review process for the automobile insurance filings with strict legislative deadlines for expedited approvals. The number of filing and orders issued increased from 39 in 2019-2020 to 142 rate filings and 138 orders in 2020-21, with 100 per cent of orders issued within the required legislative timelines.

The number of public utility applications and compliance filings received during the year were consistent with previous years; however, the number of applications requiring a broader and in-depth review process beyond 60 days increased from three in 2019-2020 to 10 in the current year. The number of insurance filings increased by almost 400% from the previous year. The Board also initiated the Labrador Petroleum Products Review which dealt with complex pricing policies and held an Expropriation hearing, a first since 2005. The Board views these outcomes as extremely positive given the increase in the number and complexity of applications and filings combined with the added challenges of working from home during part of the year due to COVID-19 restrictions. The Board has been able to meet and exceed regulatory response expectations while maintaining its full staffing complement which can be primarily attributed to the Board’s continued internal capacity enhancements to ensure regulatory responsiveness.

<b>Indicator</b>	Strengthened information management capacity
------------------	--

The Board’s information management capacity was strengthened with the upgrading of the Board’s information management software.

The upgrade required that the Board’s Microsoft Office suite and TRIM server also be upgraded to newer versions due to compatibility issues with older technology and allows the Board to manage, support and restore (in the event of a disaster) records in accordance with industry best practices. The upgrade also provides the Board with a web-based component, more robust searching capabilities and further software functionality, allowing Commissioners and staff to manage and search for records from more than one Board-issued device, search for records using more criteria and manage work processes within the system, all increasing the efficiency of day-to-day operations.



**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

---

<b>Indicator</b>	Enhanced website
<p>During the reporting period the Board continued to make enhancements to its website.</p> <p>The links to major applications webpages have been re-designed along the same format as the most recent reviews. The website has been re-designed but a full launch was deferred due to the decision to upgrade the records management software, for which implementation was delayed due to COVID-19 restrictions. The website enhancement project is expected to be completed during the next reporting period.</p>	
<b>Indicator</b>	Enhanced internal capacity to meet regulatory challenges
<p>Internal capacity was enhanced during the reporting period. During the reporting period Commissioners and staff continued to enhance their education and training to enhance their regulatory skills to meet ongoing regulatory challenges.</p> <p>In addition to participating in on-going training and educational sessions offered by CAMPUT (Canadian Association of Members of Public Utility Tribunal) and CARR (Canadian Automobile Insurance Rate Regulators Association), staff and Commissioners were able to avail of additional on-line training programs offered due to the limitations of travel due to COVID-19 restrictions. Training and courses completed by staff and Commissioners included training towards a Certificate in Tribunal Administrative Justice offered by the Foundations of Administrative Justice which assists tribunals and participants to evaluate and support competencies in administrative justice roles; the EUCI 2020 Canadian Rate Design Conference which offered courses in Electricity Rate design; Memorial University's Human Resource certificate program, and the Newfoundland and Labrador Insurance Institute Chartered Insurance Professional program.</p>	

## **Opportunities and Challenges Ahead**

The Board expects another busy year in 2021-22. The Board is continuing to monitor the integration of the Muskrat Falls Project into the province's electrical system with an ongoing review of the reliability and resource adequacy of power supply in the province expected to move to the hearing stage. Both Newfoundland Power and Hydro are also scheduled to file general rate applications in 2021. These applications are expected to receive significant public interest, especially as the commissioning of the Muskrat Falls Project becomes imminent and the costs are brought into customer rates.

The full impact of the changes to the Board's automobile insurance mandate and processes as a result of legislative amendments effective January 2020 will not be realized until this upcoming year. The Board's workload in this area has significantly increased with the number of orders issued in 2020-21 increasing to 138 from 31 in 2019-2020. The Board has realigned its regulatory staff to be able to respond to this increased work and is confident that it is able to effectively continue to meet its regulatory responsibilities in this area.

The province continues to face uncertainties as it responds to the ongoing COVID-19 pandemic. The Board's Business Continuity Plan, which was implemented twice during the year in response to COVID-19 public health orders, has allowed operations to continue with only minor interruptions to its schedules and ongoing work. The Board is confident that, based on the experience and learnings from the past year, it is well-prepared and able to respond as needed to continued uncertainty associated with the COVID-19 pandemic.

In light of these uncertainties and challenges Board's primary focus will be to maintain an organization that is responsive to change and is capable of meeting challenges while completing its ongoing regulatory work. Over the next two years the Board will focus on further strengthening the efficiencies realized and ensuring continual support of an effective and responsive regulatory environment.

**Appendix I**

**BOARD OF COMMISSIONERS  
OF PUBLIC UTILITIES**

**FINANCIAL STATEMENTS  
MARCH 31, 2021**

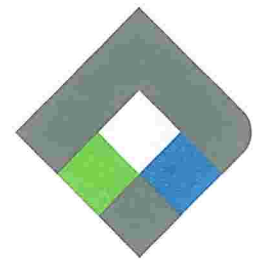
# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

---

## Index to Financial Statements Year Ended March 31, 2021

### 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



---

## 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.

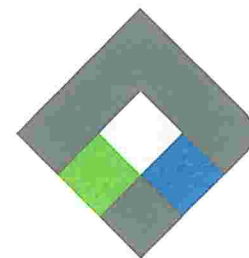
The Chair and CEO are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The internal financial statements are reviewed by management on a quarterly basis and external audited financial statements on an annual basis.

Noseworthy Chapman, as Board of Commissioners of Public Utilities appointed external auditors, have audited the financial statements. The auditor's 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 AUDITORS' REPORT

---

To the Chair and 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, 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, 2021, and the results of its operations and its 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 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 those 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 relating 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:

- 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.



Chartered Professional Accountants  
St. John's, Newfoundland & Labrador  
June 16, 2021

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Financial Position Year Ended March 31, 2021

	2021	2020
<b>FINANCIAL ASSETS</b>		
Cash	\$ 1,667,490	\$ 819,466
Receivables (Note 4)	148,892	1,815,988
HST receivable (Note 5)	15,855	-
Recoverable costs (Note 6)	816,468	623,735
	<b>\$ 2,648,705</b>	<b>\$ 3,259,189</b>
<b>LIABILITIES</b>		
Payables and accruals	180,051	166,644
Government remittances payable	6,699	-
HST payable (Note 5)	-	203,057
Payroll accruals	860,785	772,402
	<b>1,047,535</b>	<b>1,142,103</b>
<b>NET FINANCIAL ASSETS</b>	<b>\$ 1,601,170</b>	<b>\$ 2,117,086</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 8)	\$ 66,991	\$ 76,141
Prepaid expenses	6,785	13,067
	<b>73,776</b>	<b>89,208</b>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 1,674,946</b>	<b>\$ 2,206,294</b>
<b>Accumulated surplus comprised of:</b>		
Invested in capital assets (Note 8)	\$ 66,991	\$ 76,141
Internally restricted (Note 10)	1,653,841	1,441,874
Unrestricted	(45,886)	688,279
	<b>\$ 1,674,946</b>	<b>\$ 2,206,294</b>

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, 2021

	Budget 2021 (Note 14) (Unaudited)	2021	2020
<b>REVENUES</b>			
Regulatory assessments	\$ 2,803,377	\$ 2,927,052	\$ 2,673,738
Interest and other income	10,000	8,097	26,192
	2,813,377	2,935,149	2,699,930
<b>EXPENDITURES</b>			
Amortization		\$ 31,097	\$ 28,086
Consulting fees	173,800	428,636	146,433
Office equipment, supplies, and services	112,112	74,208	125,498
Rent and insurance	341,199	345,230	319,362
Salaries and associated costs (Note 12)	2,020,922	2,131,412	1,736,437
Telecommunications	46,360	42,628	40,137
Training and membership	118,984	36,906	31,326
Travel	46,294	-	25,927
	2,859,671	3,090,117	2,453,206
<b>Excess of (expenditures over revenues) revenues over expenditures</b>	\$ (46,294)	\$ (154,968)	\$ 246,724

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Change in Net Financial Assets Year Ended March 31, 2021

	Budget 2021 (Note 14) (Unaudited)	2021	2020
Annual (deficit) surplus	\$ (46,294)	\$ (154,968)	\$ 246,724
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets		(21,947)	(23,600)
Amortization of tangible capital assets		31,097	28,086
	-	9,150	4,486
<b>Change in other non-financial assets</b>			
Assessment reductions		(376,380)	(346,686)
Net acquisition of prepaid expenses		6,282	7,346
	-	(370,098)	(339,340)
<b>Decrease in net assets</b>		(515,916)	(88,130)
Net financial assets, beginning of year	2,117,086	2,117,086	2,205,216
Net financial assets, end of year	\$ -	\$ 1,601,170	\$ 2,117,086

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Statement of Cash Flows Year Ended March 31, 2021

	2021	2020
<b>Operating transactions</b>		
Cash receipts from assessments and other revenues	\$ 4,210,010	\$ 2,396,885
Cash paid to suppliers and employees	(3,147,306)	(2,613,280)
Cash from (used in) operating transactions	1,062,704	(216,395)
<b>Hearing and review transactions</b>		
Increase in recoverable costs	(192,733)	(939)
Cash used in hearing and review transactions	(192,733)	(939)
<b>Capital transactions</b>		
Purchase of tangible capital assets	(21,947)	(23,600)
Cash used in capital transactions	(21,947)	(23,600)
Increase (decrease) in cash during year	848,024	(240,934)
Cash position, beginning of year	819,466	1,060,400
Cash position, end of year	\$ 1,667,490	\$ 819,466

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

---

## Notes to Financial Statements Year Ended March 31, 2021

### 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, 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, recoverable costs, payables and accruals, government remittances payable, HST 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, 2021

### 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

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. Unpaid amounts have been accrued in the financial statements.

##### (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, 2021

### 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, 2021:

#### **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, 2021

### 4. RECEIVABLES

	2021	2020
Revenues receivable	\$ 148,892	\$ 1,815,988
	\$ 148,892	\$ 1,815,988

### 5. HST PAYABLE (RECEIVABLE)

	2021	2020
HST receivable from federal government	\$ (15,855)	\$ (17,129)
HST payable to federal government	-	220,186
	\$ (15,855)	\$ 203,057

### 6. RECOVERABLE COSTS

	2021	2020
Recoverable costs, beginning of year	\$ 623,735	\$ 622,796
Add - specific enquiry costs incurred during the year:		
Consumer Advocate	261,893	525,615
Consulting fees	1,078,238	4,540,622
Legal	68,262	428,212
Advertising and notice	3,824	26,220
Transcription and printing	7,270	44,240
Other	264	334,205
	1,419,751	5,899,114
	2,043,486	6,521,910
Less - costs recovered during the year	(1,157,807)	(5,829,260)
Less - costs deemed non recoverable	(69,211)	(68,915)
Recoverable costs, end of year	\$ 816,468	\$ 623,735

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, 2021, the balance outstanding was \$Nil (2020- \$Nil).

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Notes to Financial Statements Year Ended March 31, 2021

### 8. TANGIBLE CAPITAL ASSETS

	2021			
	Furniture and Equipment	Computer Hardware and Software	Leasehold Improvements	Total
<b>Cost</b>				
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
<b>Accumulated amortization</b>				
Opening balance	257,996	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

	2020			
	Furniture and Equipment	Computer Hardware and Software	Leasehold Improvements	Total
<b>Cost</b>				
Opening balance	\$ 276,727	\$ 285,928	\$ 239,488	\$ 802,143
Additions	15,564	8,036	-	23,600
Disposals	-	-	-	-
Closing balance	292,291	293,964	239,488	825,743
<b>Accumulated amortization</b>				
Opening balance	249,424	266,353	205,739	721,516
Amortization	8,572	9,720	9,794	28,086
Disposals	-	-	-	-
Closing balance	257,996	276,073	215,533	749,602
Net book value	\$ 34,295	\$ 17,891	\$ 23,955	\$ 76,141



# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

## Notes to Financial Statements Year Ended March 31, 2021

### 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, 2021, 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, 2021 are as follows:

	2021	2020
Redundancy pay contingency	\$ 1,135,729	\$ 972,683
Working capital	518,112	469,191
	\$ 1,653,841	\$ 1,441,874

### 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.

	2021	2020
Beginning balance	\$ 238,835	\$ 217,025
Costs incurred	1,080,785	1,305,966
Costs recovered	(813,181)	(1,284,156)
Ending balance	\$ 506,439	\$ 238,835

The Board has also charged Newfoundland and Labrador Hydro assessment fees in the amount of \$933,941 (2020: \$888,750).

# BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

---

## Notes to Financial Statements Year Ended March 31, 2021

### 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 \$175,385 (2020 - \$165,549) is included in salaries and associated costs.

The Board is 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 \$208,617 (2020 - \$231,636), 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% (2020 - 1.14%).

### 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 and an equipment lease agreement in the amount of \$376 plus HST per month (\$4,512 plus HST per annum), concluding June 18, 2021. Future minimum lease payments as at year end are as follows:

2022	\$316,540
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.

### 15. SUBSEQUENT EVENT

Subsequent to year end, the former Commissioner passed away, as such the pension liability (as disclosed in Note 12) ceased as of the date of his death. The impact of this event in fiscal 2022 will result in the reversal of estimated liability in the amount of \$208,617 and increase in accumulated surplus, net of pension costs of \$6,130 incurred to date of death.

---

**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

**Commissioners and Staff  
Year End - March 31, 2021**

**Commissioners**

Chair and Chief Executive Officer..... Darlene Whalen  
Vice-Chair..... Dwanda Newman  
Full-time Commissioner..... John O'Brien  
Full-time Commissioner..... Christopher Pike

**Staff**

Director of Corporate Services and Board Secretary..... Cheryl Blundon  
Director of Regulatory and Legal Services ..... Jacqueline Glynn  
Financial Officer..... Calvin Green  
Senior Engineering Advisor ..... Mike Janes  
Senior Financial Advisor ..... Kim Simms  
Regulatory Advisor ..... Mike McNiven  
Regulatory Advisor ..... Ryan Oake  
Regulatory Analyst ..... Travis Fisher  
Regulatory Analyst ..... Matt Aylward  
Information Technology Specialist ..... Wesley Have  
Records Administrator ..... Sara Kean  
Administrative Assistant ..... Colleen Jones  
Administrative Assistant ..... Renee Reardon  
Administrative Assistant ..... Colleen Sutton

**Contact Information:**

Cheryl Blundon  
Director of Corporate Services and Board Secretary  
Prince Charles Building, 120 Torbay Road  
P. O. Box 21040, St. John's, Newfoundland and Labrador A1A 5B2

Phone: 709-726-8600  
Fax: 709-726-9604  
Toll Free: 866-782-0006  
Email: [ito@pub.nl.ca](mailto:ito@pub.nl.ca)  
Website: [www.pub.nl.ca](http://www.pub.nl.ca)