

**BOARD OF COMMISSIONERS
OF PUBLIC UTILITIES**

**FINANCIAL STATEMENTS
MARCH 31, 2024**

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Index to Financial Statements Year Ended March 31, 2024

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 - 15

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, or in the absence of Chair, the Vice-Chair is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The internal financial statements are reviewed by management on a quarterly basis and external audited financial statements on an annual basis.

Noseworthy Chapman, as Board of Commissioners of Public Utilities appointed external auditors, have audited the financial statements. The auditors' report is addressed to the Chair and 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



INDEPENDENT AUDITOR'S REPORT

To the Chair of the Board of Commissioners of Public Utilities

Opinion

We have audited the financial statements of Board of Commissioners of Public Utilities (the Board), which comprise the statement of financial position as at March 31, 2024, and the statements of operations, changes in net financial assets and 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, 2024, and the results of its operations and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Board in accordance with 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:

(continues)



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

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

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

Nosworthy Chapman

Chartered Professional Accountants
St. John's, NL
May 16, 2024

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES


Statement of Financial Position

Year Ended March 31, 2024

	2024	2023
FINANCIAL ASSETS		
Cash	\$ 2,388,928	\$ 2,550,883
Receivables (Note 4)	9,623	10,025
HST receivable (Note 5)	31,510	16,032
Recoverable costs (Note 6)	428,440	511,000
	\$ 2,858,501	\$ 3,087,940
LIABILITIES		
Payables and accruals	337,998	100,868
Government remittances payable	1,785	1,565
Payroll accruals	500,420	695,983
	840,203	798,416
NET FINANCIAL ASSETS	\$ 2,018,298	\$ 2,289,524
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	\$ 174,388	\$ 42,644
Prepaid expenses	1,644	28,084
	176,032	70,728
ACCUMULATED SURPLUS	\$ 2,194,330	\$ 2,360,252
Accumulated surplus comprised of:		
Invested in capital assets (Note 8)	\$ 174,388	\$ 42,644
Internally restricted (Note 10)	1,703,362	1,670,735
Unrestricted	316,580	646,873
	\$ 2,194,330	\$ 2,360,252

Commitments (Note 13)

On Behalf of the Board:



Chair

Executive Director

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Operations Year Ended March 31, 2024

	Budget 2024 (Note 14) (Unaudited)	2024	2023
REVENUES			
Regulatory assessments	\$ 3,211,396	\$ 3,211,366	\$ 3,066,733
Interest and other income	15,000	105,093	79,621
	3,226,396	3,316,459	3,146,354
EXPENDITURES			
Amortization	\$ -	\$ 51,253	\$ 26,898
Consulting fees	415,000	593,951	294,632
Office equipment, supplies, and services	104,901	149,301	87,028
Rent and insurance	347,914	329,949	321,070
Salaries and associated costs (Note 12)	2,242,689	2,273,633	2,257,949
Telecommunications	46,380	43,541	42,191
Training and membership	49,840	24,936	27,711
Travel	19,672	15,817	6,518
	3,226,396	3,482,381	3,063,997
Excess (deficiency) of revenues over expenditures	\$ -	\$ (165,922)	\$ 82,357

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Change in Net Financial Assets Year Ended March 31, 2024

	Budget 2024 (Note 14) (Unaudited)	2024	2023
Annual (deficit) surplus	\$ -	\$ (165,922)	\$ 82,357
Changes in tangible capital assets			
Acquisition of tangible capital assets		(182,997)	(11,893)
Amortization of tangible capital assets		51,253	26,898
	-	(131,744)	15,005
Change in other non-financial assets			
Net decrease (increase) of prepaid expenses		26,440	(26,303)
	-	26,440	(26,303)
Increase (decrease) in net assets	-	(271,226)	71,059
Net financial assets, beginning of year	2,289,524	2,289,524	2,218,465
Net financial assets, end of year	\$ 2,289,524	\$ 2,018,298	\$ 2,289,524

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Statement of Cash Flows Year Ended March 31, 2024

	2024	2023
Operating transactions		
Cash receipts from assessments and other revenues	\$ 3,301,383	\$ 4,076,509
Cash paid to suppliers and employees	(3,362,901)	(3,183,556)
Cash (used in) from operating transactions	(61,518)	892,953
Hearing and review transactions		
Decrease (increase) in recoverable costs	82,560	(150,958)
Cash from (used in) in hearing and review transactions	82,560	(150,958)
Capital transactions		
Purchase of tangible capital assets	(182,997)	(11,893)
Cash used in capital transactions	(182,997)	(11,893)
Increase (decrease) in cash during year	(161,955)	730,102
Cash position, beginning of year	2,550,883	1,820,781
Cash position, end of year	\$ 2,388,928	\$ 2,550,883

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2024

1. GENERAL

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Financial instruments

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

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

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

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

Cash

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

Recoverable costs

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

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2024

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.

Non-financial assets

Non-financial assets are not available for discharge to existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sales in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenditures, provides the change in net financial assets for the year.

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.

Operating leases

An operating lease is a lease whereby substantially all of the benefits and risks incidental to ownership of the property are not transferred to the Board.

Employee future benefits

(i) Severance pay

On May 31, 2018, the Province of Newfoundland and Labrador enacted legislation affecting severance pay for employees. As a result of the legislation, employees with at least one year of service were entitled to one week of salary for each complete year of service, up to a maximum of 20 weeks. No additional severance is to be accrued beyond May 31, 2018. Employees impacted by this change could elect to either receive all of their entitlement by March 31, 2019 or defer receiving their entitlement to a later date. As of January 31, 2024 there are not any employees remaining who are eligible for severance pay. The final remaining employee retired January 31, 2024.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee future benefits (continued)

(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.

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.

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2024

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, 2024:

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.

4. RECEIVABLES

	2024	2023
Revenues receivable	\$ 9,623	\$ 10,025

5. HST RECEIVABLE

	2024	2023
HST receivable from federal government	\$ 31,510	\$ 16,032

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2024

6. RECOVERABLE COSTS

	2024	2023
Recoverable costs, beginning of year	\$ 511,000	\$ 360,042
Add - specific enquiry costs incurred during the year:		
Consumer Advocate	459,777	254,158
Consulting fees	504,303	449,510
Legal	140,170	56,973
Advertising and notice	3,805	2,870
Other	533	159
	1,108,588	763,670
	1,619,588	1,123,712
Less - costs recovered during the year	(1,191,148)	(612,712)
Less - costs deemed non recoverable	-	-
Recoverable costs, end of year	\$ 428,440	\$ 511,000

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, 2024, the balance outstanding was \$Nil (2023 - \$Nil).

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements Year Ended March 31, 2024

8. TANGIBLE CAPITAL ASSETS

	2024			
	Furniture and Equipment	Computer Hardware and Software	Leasehold Improvements	Total
Cost				
Opening balance	\$ 284,991	\$ 351,944	\$ 239,488	\$ 876,423
Additions	6,236	11,366	165,395	182,997
Disposals	8,649	-	-	8,649
Closing balance	282,578	363,310	404,883	1,050,771
Accumulated amortization				
Opening balance	267,432	326,859	239,488	833,779
Amortization	4,759	13,415	33,079	51,253
Disposals	8,649	-	-	8,649
Closing balance	263,542	340,274	272,567	876,383
Net book value	\$ 19,036	\$ 23,036	\$ 132,316	\$ 174,388
	2023			
	Furniture and Equipment	Computer Hardware and Software	Leasehold Improvements	Total
Cost				
Opening balance	\$ 284,991	\$ 340,051	\$ 239,488	\$ 864,530
Additions	-	11,893	-	11,893
Disposals	-	-	-	-
Closing balance	284,991	351,944	239,488	876,423
Accumulated amortization				
Opening balance	263,042	311,330	232,509	806,881
Amortization	4,390	15,529	6,979	26,898
Disposals	-	-	-	-
Closing balance	267,432	326,859	239,488	833,779
Net book value	\$ 17,559	\$ 25,085	\$ -	\$ 42,644

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements

Year Ended March 31, 2024

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, 2024, there are no employees who can accumulate sick-leave payout balances. The final employee permitted to accumulate retired January 31, 2024. 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, 2024 are as follows:

	2024	2023
Redundancy pay contingency	\$ 1,074,838	\$ 1,139,786
Working capital	628,524	530,949
	<u>\$ 1,703,362</u>	<u>\$ 1,670,735</u>

11. INTER-ENTITY TRANSACTIONS

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

	2024	2023
Beginning balance	\$ 236,273	\$ 277,031
Costs incurred	552,772	472,187
Costs recovered	(714,148)	(512,945)
Ending balance	<u>\$ 74,897</u>	<u>\$ 236,273</u>

The Board has also charged Newfoundland and Labrador Hydro assessment fees in the amount of \$917,798 (2023: \$891,693).

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

Notes to Financial Statements

Year Ended March 31, 2024

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 \$178,007 (2023 - \$183,481) is included in salaries and associated costs.

13. COMMITMENTS

The Board leases premises under a long-term lease that expires on May 31, 2028. Under the lease, the Board is required to pay a base rent of \$25,718 plus HST per month for the period June 2023 to May 2025, \$26,790 plus HST per month for the period June 2025 to May 2027, and \$27,961 plus HST per month for the period June 2027 to May 2028. In addition, the Board must pay for its proportionate share of real estate tax and water tax for the leased premises. Future minimum lease payments as at year end are as follows:

2025	\$327,905
2026	\$338,620
2027	\$340,764
2028	\$351,479
2029	\$58,937

14. BUDGET FIGURES

Budget figures have been provided for comparison purposes and have been derived from estimates approved by the Lieutenant-Governor in Council and the Board.