



BC Energy Regulator Financial Statements

March 31, 2023



Statement of Management Responsibility

The financial statements of the British Columbia Energy Regulator (BCER) for the year ended March 31, 2023 have been prepared by management, in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for the notes to the financial statements and ensuring 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 reliable financial information is produced.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements annually.

The external auditors, the Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to the Audit Committee and management of the BCER and meet when required.

The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the British Columbia Energy Regulator



Michelle Carr
Commissioner & Chief Executive Officer



Dean Skinner, CPA, CMA
Chief Financial & Strategy Officer

June 8, 2023



Independent Auditor's Report

*To the Board of Directors of the British Columbia Energy Regulator, and
To the Minister of Energy, Mines and Low Carbon Innovation, Province of British Columbia*

Opinion

I have audited the accompanying financial statements of the British Columbia Energy Regulator ("the entity") which comprise the statement of financial position as at March 31, 2023, and the statements of operations and accumulated deficit, change in net financial debt and cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2023, and the results of its operations, change in its net debt, cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the entity's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS), and for such internal control as management determines is necessary to enable the preparation of the 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 entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the entity will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the entity's 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 my 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 aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 entity'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 entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity 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.

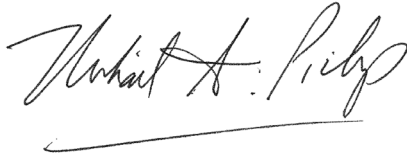
I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all

Independent Auditor's Report

British Columbia Energy Regulator

relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

A handwritten signature in black ink, reading "Michael A. Pickup". The signature is fluid and cursive, with a long horizontal stroke underneath it.

Michael A. Pickup, FCPA, FCA
Auditor General

Victoria, British Columbia, Canada
June 7, 2023



BRITISH COLUMBIA ENERGY REGULATOR

Statement of Financial Position

(Amounts in thousands of dollars)

As at March 31, 2023

	Note	2023	2022
Financial assets			
Cash		\$ 28,207	\$ 15,814
Investments	3 & 4	52,758	45,174
Accounts receivable	5	14,996	14,789
Due from government	6	6,025	4,286
		<u>101,986</u>	<u>80,063</u>
Liabilities			
Accounts payable & accrued liabilities	7	22,636	7,062
Employee future benefits	8	1,026	1,002
Due to government	9	719	818
Deferred revenue	10	5,268	5,349
Deferred lease inducements		198	305
Liability for orphan sites	11 & 15	57,114	65,251
Security deposits	4	30,297	27,820
		<u>117,258</u>	<u>107,607</u>
Net financial debt		<u>(15,272)</u>	<u>(27,544)</u>
Non-financial assets			
Tangible capital assets	12	21,097	22,042
Prepaid expenses		1,731	1,346
		<u>22,828</u>	<u>23,388</u>
Accumulated surplus/(deficit)		<u>\$ 7,556</u>	<u>\$ (4,156)</u>
Contractual obligations	13		
Contingent liabilities	14		
Measurement uncertainty	15		

The accompanying notes are an integral part of these statements.

Approved on behalf of the Board


 Chris Hayman, CPA, CA
 Board Chair


 Kevin Brewster
 Audit Committee Chair

Statement of Operations and Accumulated Surplus

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

	<i>Note</i>	Budget <i>(Note 19)</i>	2023	2022
Revenues				
Production levies		\$ 44,630	\$ 47,788	\$ 43,590
Government transfers	17	9,300	25,065	1,786
Application fees		12,545	17,362	8,073
Orphan site restoration levy		15,000	15,000	15,000
Infrastructure levies		6,250	5,897	5,894
Interest		1,240	2,466	542
Other		80	242	356
Security		-	-	2,107
		89,045	113,820	77,348
Expenses				
Operations	18	59,005	60,832	56,483
Orphan site reclamation fund	18	29,390	41,276	20,601
		88,395	102,108	77,084
Annual surplus		650	11,712	264
Accumulated deficit, beginning of year		(4,156)	(4,156)	(4,420)
Accumulated surplus (deficit), end of year		\$ (3,506)	\$ 7,556	\$ (4,156)

The accompanying notes are an integral part of these statements.



BRITISH COLUMBIA ENERGY REGULATOR

Statement of Changes in Net Financial Debt

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

	Budget <i>(Note 19)</i>	2023	2022
Annual surplus	\$ 650	\$ 11,712	\$ 264
Acquisition of tangible capital assets	(5,000)	(4,927)	(4,743)
Disposals of tangible capital assets	-	119	178
Impairment of tangible capital assets	-	-	286
Amortization of tangible capital assets	5,000	5,753	4,924
	-	945	645
Acquisition of prepaid expense	-	(385)	462
Increase in net financial assets	650	12,272	1,371
Net financial debt, beginning of year	(27,544)	(27,544)	(28,915)
Net financial debt, end of year	\$ (26,894)	\$ (15,272)	\$ (27,544)

The accompanying notes are an integral part of these statements.



BRITISH COLUMBIA ENERGY REGULATOR

Statement of Cash Flows

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

	2023	2022
Operating transactions		
Cash generated from:		
Production levies	\$ 61,813	\$ 58,693
Infrastructure levies	5,889	5,941
Application fees	16,616	11,337
Interest	2,466	542
Government transfers	25,065	1,786
Other	(56)	3,374
Security deposits received	4,209	6,710
	116,002	88,383
Cash used for:		
Salaries and benefits	(32,725)	(33,686)
Payments to Indigenous communities	(6,861)	(6,440)
Operating expenses	(18,078)	(12,809)
Orphan site reclamation	(31,702)	(30,777)
Security deposits refunded	(1,732)	(2,475)
Security deposits transferred to revenue	-	(2,107)
	(91,098)	(88,294)
Cash from operating activities	24,904	89
Capital transactions		
Cash used to acquire tangible capital assets	(4,927)	(4,743)
Investing transactions		
Cash (used for) from investments	(7,584)	15,049
Increase in cash	12,393	10,395
Cash, beginning of year	15,814	5,419
Cash, end of year	\$ 28,207	\$ 15,814

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

1. The British Columbia Energy Regulator

The British Columbia Energy Regulator (the “BCER”), formerly the Oil and Gas Commission, is a Crown corporation of the Province of British Columbia (the “Province”), established under the *Oil and Gas Commission Act* on July 30, 1998 and continued in the *Oil and Gas Activities Act* which came into force Oct. 4, 2010.

The BCER is responsible for regulating the life cycle of energy resource activities in British Columbia from site planning to restoration, ensuring activities are undertaken in a manner that: protects public safety and the environment; supports reconciliation with Indigenous Peoples; supports transition to low-carbon energy; conserves energy resources; and fosters a sound economy and social well-being.

In November 2022, the Province passed the *Energy Statutes Amendment Act*, which, when fully in force, expands the BCER’s mandate to include a wider range of energy resource activities in British Columbia including oil, natural gas, geothermal, carbon capture, underground storage, hydrogen, methanol and ammonia.

The BCER is funded from fees charged in respect of permit applications, transfers, & amendments and through industry levies against permit holders on:

- Oil and gas production;
- Infrastructure, such as pipelines & Class C LNG facilities; and
- Total liability.

The BCER is exempt from federal and provincial income taxes.

2. Significant accounting policies

Basis of accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards.

Revenue recognition

Revenues are recognized in the period in which the transaction or events occurred that give rise to the revenues. All revenues are recorded on an accrual basis. Revenue related to fees or services received in advance of the fee being earned or the service being performed, is deferred and recognized when the fee is earned or service performed.

Production levies

All production levy revenue authorized and collected under the *Oil and Gas Activities Act* is first paid to the Minister of Finance. The Province is required to transfer this amount of revenue to the BCER in full. This revenue source is calculated based on production of oil and gas, and is also recognized as revenue at point of production.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

2. Significant accounting policies (continued)

Infrastructure levies

Infrastructure levies are billed to permit holders of pipelines and Class C LNG Facilities owned, as at March 31 of the applicable fiscal year.

Orphan site restoration levies

Orphan site restoration levies are billed and recognized based on a permit holder’s deemed liability for permitted wells and facilities, as at April 1 of the applicable fiscal year.

Application fees

General application fees are billed upon submission while amendment application fees are billable upon completion of the review process. Fees for major projects are billable in installments. All application fee revenue is recognized in the period it is earned.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year, is expensed. Grants are recorded as expenses when the payment is authorized and eligibility criteria have been met by the recipient. Reclamation costs are estimated and accrued when determinable.

Financial instruments

The BCER reports its financial instruments at cost or amortized cost.

Tangible capital assets

Capital assets are recorded at cost. The costs, less estimated residual value, of the tangible assets, are amortized on a straight-line basis over the estimated useful life of the assets at the following annual rates:

Capital assets	Rate
Tenant improvement	over the lease term
Furniture	10%
Computer hardware	33%
Operating equipment	10 - 20%
Vehicles	20%
Business systems development	10 - 33%
Computer software	20 - 33%

Computer software includes satellite imagery which is being amortized on a straight-line basis at an annual rate of 20 per cent.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

2. Significant accounting policies (continued)

Prepaid expenses

Prepaid expenses include, subscriptions, insurance, property taxes and other general expenses and are charged to expense when used, or over the periods expected to benefit from the expenditures.

Employee future benefits – employee benefit plan

The BCER and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pension Plans Act*. Defined contribution plan accounting is applied because sufficient information is not available to apply defined benefit accounting. Contributions are expensed as they become payable.

Employee future benefits – future retirement allowance liability

The BCER accrues for future retirement allowances, as provided under the collective agreements and terms of employment. The accrual as at March 31, 2023 is determined based on service and best estimates of retirement ages, expected future salary and wage increases, long term inflation rates and discount rates. The estimates are also based on assumptions about future events.

Liability for orphan sites

Orphan sites may be designated by the BCER where the permit holder is bankrupt or cannot be located. To account for contamination by a chemical, organic or radioactive material, or live organism that exceeds an environmental standard, being introduced into air, soil, water or sediment, a liability for restoration of orphan sites is recognized when the BCER accepts responsibility for the restoration of an orphan site, contamination at the orphan site exceeds the environmental standard and a reasonable estimate of the amount can be made. Uncertainty of a potential liability for orphan sites may exist when there are ongoing insolvency or court proceedings. The BCER may recognize a contingent liability prior to formal designation of an orphan site, where the outcome of proceedings is assessed to likely result in sites becoming orphaned.

3. Investments

Investments consist of term deposits which are liquid short term investments with maturity dates of two years or less from the date of acquisition and are carried on the Statement of Financial Position at cost.

Investment funds are pooled from the following sources:

	2023	2022
Operations	\$ 22,296	\$ 13,715
Orphan site reclamation fund (Note 11)	165	3,639
Security deposits (Note 4)	30,297	27,820
	\$ 52,758	\$ 45,174

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

4. Security deposits

The purpose of BCER's Permittee Capability Assessment (PCA) program is to mitigate risk and focus on reducing liability while companies are financially viable. It assists the BCER in determining security deposits required of permit holders to protect against those who may not be capable of meeting closure obligations. Currently, the BCER holds \$195,044 (2022: \$182,561) in security deposits, of which \$30,297 (2022: \$27,820) is held in cash and investments and \$164,747 (2022: \$154,741) in the form of irrevocable letters of credit which are not recorded in these financial statements. Security deposits are restricted for use in settling potential permit holder restoration obligations. In fiscal 2023, the BCER recovered nil (2022: \$2,107) from security deposits to help satisfy restoration obligations of permit holders.

5. Accounts receivable

	2023	2022
Production levies	\$ 7,975	\$ 7,409
Infrastructure levies	5,897	5,889
Application fees	832	167
Other	292	1,324
	\$ 14,996	\$ 14,789

Production levies are collected and processed by the Province. At any point in time, a portion of levies receivable by the BCER is payable by industry, and a portion is payable by the Province (Note 6).

6. Due from Government

	2023	2022
Levies collected	\$ 4,228	\$ 3,819
Recoveries and other	1,797	467
	\$ 6,025	\$ 4,286

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

7. Accounts payable and accrued liabilities

	2023	2022
Operating expenses	\$ 3,504	\$ 1,133
Orphan site reclamation	16,352	2,730
Salaries and benefits	2,780	3,199
	\$ 22,636	\$ 7,062

Employee leave entitlements

As of March 31, 2023, the value of employee entitlements to vacation, other leave and compensatory time off, plus related benefits, in accordance with collective agreements and terms of employment was \$1,272 (2022: \$1,184). This amount is included in salaries and benefits payable.

8. Employee future benefits

Employee benefit plan

The BCER and its employees contribute to the Public Service Pension Plan, a jointly trusted pension plan. The Public Service Pension Plan Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration benefits. Basic pension benefits are based on a formula. The plan has approximately 68,387 active plan members, 53,694 retired plan members, and 22,466 inactive members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2020, indicated a funding surplus of \$2.7 billion for basic pension benefits. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, and therefore, there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The total amount paid into this pension plan by the BCER for the year ended March 31, 2023 for employer contributions was \$2,422 (2022: \$2,548).

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

8. Employee future benefits (continued)

Future retirement allowance liability

The liability as reported on the statement of financial position is as follows:

	2023	2022
Accrued retirement obligation		
Balance, beginning of year	\$ 1,002	\$ 875
Current benefit cost	67	65
Interest	35	33
Amortization of actuarial loss	13	29
Benefits paid	(91)	-
Balance, end of year	\$ 1,026	\$ 1,002
Actuarial retirement obligation		
Accrued benefit obligation	\$ 1,026	\$ 1,002
Unamortized actuarial loss	277	18
Balance, end of year	\$ 1,303	\$ 1,020

The significant actuarial assumptions adopted in measuring the BCER's accrued retirement obligations are as follows:

	2023	2022
Discount rate	4.90%	3.50%
Wages and salary escalation	2.00%	2.00%

Over time, changes in assumptions and actual experience compared to expected results will cause actuarial gains and losses in future valuations. The unamortized actuarial loss on future payments is amortized over the estimated average remaining years of service of the employee group which has been determined to be approximately 13 years at March 31, 2023 (2022: 14 years).

9. Due to government

Due to government includes management's best estimate of expected liability to a number of Indigenous governments. The BCER works closely with Indigenous governments and negotiates consultation agreements and Memoranda of Understanding to establish formal consultation processes for oil and gas activities. These agreements provide resources for Indigenous governments' capacity to participate in the consultation processes as well as set out responsibilities of the parties

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

involved.

10. Deferred revenue

Deferred revenue consists of government transfers, unearned application fees, major projects application fees and other revenues. The change in the deferred revenue balance is as follows:

	Balance, beginning of year	Receipts during year	Transferred to revenue	Balance, end of year
Application fees and other	\$ 5,349	41,960	(42,041)	\$ 5,268

11. Liability for orphan sites

The BCER administers the Orphan Site Reclamation Fund (OSRF) as a means for industry to pay for restoration of orphaned oil and gas sites and for related costs. Revenue for the OSRF is derived from government transfers, orphan site restoration levies, interest, and security.

The OSRF has assets of \$13,295 (2022: \$3,652 (Restated)) to pay for costs associated with orphan sites. There were no new orphan sites designated in 2023. The number of designated orphan sites is 819.

Of the designated sites, 189 (2022: 147) have been reclaimed, with the remainder to undergo restoration as resources permit. The BCER continues to monitor other potential orphan sites.

The BCER determined the liability for orphan sites based on the BCER's obligation to ensure public and environmental safety. The liability reflects the costs required to bring the sites up to a standard where the environment and the public are protected. The liability for known orphan sites is estimated using expected abandonment and restoration costs for these specific sites, under expected conditions based on known characteristics of each site. Changes in the liability estimate are recognized when a site specific assessment of restoration costs is available. Additional potential liability for orphan sites could result from contingencies for delays due to weather, problematic plugging activities, or unforeseen sources of contamination. These factors are estimated based on site characteristics and are disclosed in the measurement uncertainly note.

The estimation of the liability does not include discretionary reclamation costs. Full reclamation costs for orphan sites is estimated to be in the range of \$112,000 to \$176,000.

Net present value has not been used, since the estimated costs are not expected to occur over an extended long term period.



BRITISH COLUMBIA ENERGY REGULATOR

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

12. Tangible capital assets

March 31, 2023	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Vehicles	Other Business Systems	Application Management System	Computer Software	Total
Cost									
Opening balance	\$ 6,513	\$ 4,157	\$ 4,574	\$ 2,136	\$ 1,803	\$ 13,733	\$ 19,227	\$ 823	\$ 52,966
Additions	30	24	619	20	19	3,819	106	290	4,927
Disposals	-	-	-	-	(80)	(55)	-	-	(135)
Closing balance	\$ 6,543	\$ 4,181	\$ 5,193	\$ 2,156	\$ 1,742	\$ 17,497	\$ 19,333	\$ 1,113	\$ 57,758
Accumulated amortization									
Opening balance	\$ 4,909	\$ 3,082	\$ 3,753	\$ 1,349	\$ 617	\$ 5,888	\$ 10,503	\$ 823	\$ 30,924
Amortization	421	325	403	248	75	2,220	2,044	17	5,753
Disposals	-	-	-	-	(16)	-	-	-	(16)
Closing balance	\$ 5,330	\$ 3,407	\$ 4,156	\$ 1,597	\$ 676	\$ 8,108	\$ 12,547	\$ 840	\$ 36,661
Net book value	\$ 1,213	\$ 774	\$ 1,037	\$ 559	\$ 1,066	\$ 9,389	\$ 6,786	\$ 273	\$ 21,097
March 31, 2022									
March 31, 2022	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Vehicles	Other Business Systems	Application Management System	Computer Software	Total
Cost									
Opening balance	\$ 6,503	\$ 4,075	\$ 3,995	\$ 1,844	\$ 2,022	\$ 10,385	\$ 19,190	\$ 823	\$ 48,837
Additions	10	82	579	292	109	3,634	37	-	4,743
Impairments	-	-	-	-	-	(286)	-	-	(286)
Disposals	-	-	-	-	(328)	-	-	-	(328)
Closing balance	\$ 6,513	\$ 4,157	\$ 4,574	\$ 2,136	\$ 1,803	\$ 13,733	\$ 19,227	\$ 823	\$ 52,966
Accumulated amortization									
Opening balance	\$ 4,522	\$ 2,744	\$ 3,336	\$ 1,105	\$ 649	\$ 4,498	\$ 8,476	\$ 820	\$ 26,150
Amortization	387	338	417	244	118	1,390	2,027	3	4,924
Disposals	-	-	-	-	(150)	-	-	-	(150)
Closing balance	\$ 4,909	\$ 3,082	\$ 3,753	\$ 1,349	\$ 617	\$ 5,888	\$ 10,503	\$ 823	\$ 30,924
Net book value	\$ 1,604	\$ 1,075	\$ 821	\$ 787	\$ 1,186	\$ 7,845	\$ 8,724	\$ -	\$ 22,042

Included in the net book value of other systems development are assets not being amortized of \$595 (2022: \$798) as they have not yet been completed and put into use.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

13. Contractual obligations

The BCER has entered into a number of multiple-year contracts for the delivery of services, the construction of assets, and operating leases. These contractual obligations will become liabilities in the future when the terms of the contract are met. Disclosure relates to the unperformed portion of the contracts.

2024	2025	2025	2026	2027	Thereafter
\$ 4,492	\$ 4,064	\$ 2,409	\$ 2,340	\$ 2,347	\$ 5,704

The BCER is also committed to make certain payments under Indigenous capacity agreements.

14. Contingent liabilities

The BCER may become contingently liable with respect to pending litigation and claims in the normal course of operations. In the opinion of management, any liability that may arise from pending litigation would not have a material effect on the BCER's financial position or results of operations.

See Note 11 regarding potential reclamation costs related to the Orphan Site Reclamation Fund.

15. Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to levy production volumes, revenue deferrals, rates for amortization, estimated orphan restoration and estimated employee future benefits. Actual results could differ from these estimates.

	Reported	Low	High
Liability for orphan sites	\$57,114	\$42,000	\$82,000

Liability for orphan sites is estimated using expected abandonment and restoration costs for these specific sites, under expected conditions based on known characteristics of each site. Changes in the liability estimate are recognized when a site specific assessment of restoration costs is available. The estimation of the liability does not include contingencies for delays due to weather, problematic plugging activities, or unforeseen sources of contamination. Additional potential liability for the designated sites resulting from these contingencies is also estimated based on site characteristics. Changes in this estimate would also affect orphan reclamation expenses and annual and accumulated surpluses.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

15. Measurement uncertainty (continued)

	Reported	Low	High
Deferred revenue	\$ 5,268	\$ 4,900	\$ 5,900

Deferred revenue is estimated using the remaining technical reviews and First Nations consultation involved in the application review process and the average time to complete individual review tasks. Changes in this estimate would also affect application fee revenue, annual surplus, and accumulated surplus.

16. Related party transactions

The BCER is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity.

The financial statements include the following transactions with related parties of the Province:

	2023	2022
Revenues		
Government transfers	\$ 25,081	\$ 1,786
Interest	1,018	129
	\$ 26,099	\$ 1,915
Expenses		
Salaries and benefits	\$ 1,282	\$ 1,693
Professional services and training	385	225
Building occupancy	154	161
Telecommunications and information systems	76	112
Travel and vehicle costs	72	50
Office supplies and equipment	34	31
	\$ 2,003	\$ 2,272
Tangible capital assets		
Additions	\$ -	\$ 186
Accounts Payable	\$ 5	\$ -

In addition, the BCER is related to the BC Oil and Gas Research and Innovation Society (BC OGRIS) with a member of the BCER's senior management serving on the board of directors of BC OGRIS. During the year, grants of \$2,185 (2022: \$1,508) were provided to BC OGRIS.

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

17. Government transfers

Government transfers includes funding received from the Ministry of Energy, Mines and Low Carbon Innovation originating from the Government of Canada to clean up orphan and inactive oil and gas wells across the province under the Orphan Sites Supplemental Reclamation Program (the “Program”). Additional funding was received and clean-up work completed under the Program during fiscal 2023.

18. Expense by Object

	Orphan Site			
	Operations	Reclamation	2023	2022
	Fund			
Salaries and benefits	\$ 31,592	\$ 738	\$ 32,330	\$ 33,820
Indigenous funding	6,890	-	6,890	6,558
Amortization and impairments	5,753	-	5,753	5,210
Building occupancy	4,522	-	4,522	4,526
Professional services and training	3,561	14	3,575	1,959
Information systems and telecom	3,482	70	3,552	2,493
Grants and contributions	2,276	-	2,276	1,833
Travel and vehicle costs	1,795	15	1,810	673
Supplies and equipment	902	-	902	579
Bad debts	59	51	110	13
Discretionary reclamation	-	37,188	37,188	12,640
Obligatory orphan site estimates	-	3,200	3,200	6,780
	\$ 60,832	\$ 41,276	\$ 102,108	\$ 77,084

19. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the final operating budget approved by the Board of Directors on June 9, 2022 and capital budget approved on Aug. 24, 2022. Amounts may differ from the preliminary budget, for the purposes of the Annual Service Plan.

20. Comparative figures

Certain comparative figures have been restated to conform to the current year’s presentation.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

21. Financial risk management

It is management's opinion that the BCER is not exposed to significant credit, liquidity or interest rate risks arising from its financial instruments.

Credit Risk - Credit risk is the risk of financial loss to the BCER if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The BCER's exposure to credit risk related to the value of accounts receivable in its normal course of business is managed by minimizing the amount of transactions which require recovery. The BCER continually monitors and manages the collection of receivables.

The BCER's cash and investments are held at Canadian chartered banks and credit unions and irrevocable letters of credit are held with Schedule I, II or III banks; Canadian credit unions; and government owned financial institutions. The BCER is not exposed to significant credit risk.

Liquidity Risk - Liquidity risk is the risk the BCER will have difficulty in meeting its financial obligations when they come due. The BCER manages liquidity risk by continually monitoring cash flows.

Interest rate risk - Interest rate risk is the risk the BCER's investments will change in fair value due to future fluctuations in market interest rates. The BCER's investments are measured at cost. Income they generate varies as market interest rates vary. All other financial instruments are non-interest bearing. The BCER mitigates this risk by monitoring interest rates.