



BC Energy Regulator Financial Statements

March 31, 2024



Statement of Management Responsibility

The financial statements of the British Columbia Energy Regulator (BCER) for the year ended March 31, 2024 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



Sara Gregory on behalf of
Michelle Carr, Commissioner &
Chief Executive Officer



Dean Skinner, CPA, CMA
Chief Financial & Strategy Officer

August 7, 2024



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 at March 31, 2024, and the statements of operations and accumulated surplus, changes 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, 2024, and the results of its operations, change in its net financial debt and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

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 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.

Other Accompanying Information

Management is responsible for the other information accompanying the financial statements. The other information comprises the information included in the Annual Service Plan Report and the Financial Information Act Report, other than the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained during the audit or otherwise appears to be materially misstated.

Independent Auditor's Report

British Columbia Energy Regulator

Prior to the date of my auditor's report, I obtained the Annual Service Plan Report. If, based on the work I have performed on this other information, I conclude that there is a material misstatement therein, I am required to report that fact in this auditor's report. I have nothing to report in this regard.

The Financial Information Act Report is expected to be made available to me after the date of my auditor's report. When I read this other information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

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, 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.

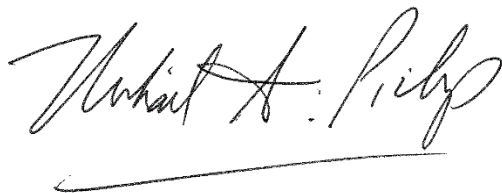
Independent Auditor's Report

British Columbia Energy Regulator

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



Michael A. Pickup, FCPA, FCA
Auditor General

Victoria, British Columbia, Canada
August 9, 2024



BRITISH COLUMBIA ENERGY REGULATOR

Statement of Financial Position

(Amounts in thousands of dollars)

As at March 31, 2024

	Note	2024	2023
Financial assets			
Cash		\$ 7,170	\$ 28,207
Investments	4 & 5	55,206	52,758
Accounts receivable	6	12,998	7,021
Due from government	7	14,132	14,000
		<u>89,506</u>	<u>101,986</u>
Liabilities			
Accounts payable & accrued liabilities	8	9,508	22,636
Employee future benefits	9	1,151	1,026
Due to government	10	941	719
Deferred revenue	11 & 16	4,820	5,268
Deferred lease inducements		91	198
Liability for orphan sites	12 & 16	54,277	57,114
Security deposits	5	30,037	30,297
		<u>100,825</u>	<u>117,258</u>
Net financial debt		<u>(11,319)</u>	<u>(15,272)</u>
Non-financial assets			
Tangible capital assets	13	20,042	21,097
Prepaid expenses		1,913	1,731
		<u>21,955</u>	<u>22,828</u>
Accumulated surplus			
		<u>\$ 10,636</u>	<u>\$ 7,556</u>
Contractual obligations	14		
Contingent liabilities	15		
Measurement uncertainty	16		

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, 2024

	<i>Note</i>	Budget <i>(Note 21)</i>	2024	2023
Revenues				
Production levies		\$ 51,600	\$ 50,370	\$ 47,788
Orphan site restoration levy		15,000	15,000	15,000
Application fees		8,200	12,811	17,362
Infrastructure levies		6,750	6,153	5,897
Interest		1,700	3,887	2,466
Other		-	328	242
Remediation recoveries		-	6,867	-
Government transfers	18	-	-	25,065
		83,250	95,416	113,820
Expenses				
Operations	20	67,950	73,307	60,832
Orphan site reclamation fund	20	15,300	19,029	41,276
		83,250	92,336	102,108
Annual surplus		-	3,080	11,712
Accumulated surplus/(deficit), beginning of year		7,556	7,556	(4,156)
Accumulated surplus, end of year		\$ 7,556	\$ 10,636	\$ 7,556

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, 2024

	Budget <i>(Note 21)</i>	2024	2023
Annual surplus	\$ -	\$ 3,080	\$ 11,712
Acquisition of tangible capital assets	(6,406)	(5,633)	(4,927)
Disposals of tangible capital assets	-	90	119
Amortization of tangible capital assets	5,750	6,598	5,753
	<u>(656)</u>	<u>1,055</u>	<u>945</u>
Acquisition of prepaid expense	-	(182)	(385)
Increase in net financial assets	(656)	3,953	12,272
Net financial debt, beginning of year	(15,272)	(15,272)	(27,544)
Net financial debt, end of year	\$ (15,928)	\$ (11,319)	\$ (15,272)

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, 2024

	2024	2023
Operating transactions		
Cash generated from:		
Production levies	\$ 49,397	\$ 46,864
Orphan site restoration levy	14,960	14,949
Infrastructure levies	5,917	5,889
Application fees	12,010	16,616
Interest	3,887	2,466
Government transfers	-	25,065
Other	579	(56)
Remediation recoveries	284	-
Security deposits received	1,413	4,209
	88,447	116,002
Cash used for:		
Salaries and benefits	(38,604)	(32,725)
Payments to Indigenous communities	(6,328)	(6,861)
Operating expenses	(31,953)	(18,078)
Orphan site reclamation	(22,840)	(31,702)
Security deposits refunded	(1,678)	(1,732)
	(101,403)	(91,098)
Cash from operating activities	(12,956)	24,904
Capital transactions		
Cash used to acquire tangible capital assets	(5,633)	(4,927)
Investing transactions		
Cash (used for) investments	(2,448)	(7,584)
(Decrease) / Increase in cash	(21,037)	12,393
Cash, beginning of year	28,207	15,814
Cash, end of year	\$ 7,170	\$ 28,207

The accompanying notes are an integral part of these statements.



BRITISH COLUMBIA ENERGY REGULATOR

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2024

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.

The *Energy Resource Activities Act*, which came into force September 1 2023, 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 deemed 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 arising from transactions with performance obligations are recognized as the performance obligation is satisfied by providing the relevant services. Revenue from transactions with no performance obligations are recognized when there is an authority to claim or retain an inflow of economic resources and there is a past transaction or event that gives rise to an asset.

Production levies

All production levy revenue authorized and collected under the *Energy Resource 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.



BRITISH COLUMBIA ENERGY REGULATOR

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2024

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

There are two approaches to recognizing revenue with performance obligations: at a point in time or over a period of time. This determination is made based on when a performance obligation is satisfied. General application fees are billed upon submission and recognized when associated review tasks are completed. Amendment application fees are billable and recognized upon completion of the review process. Fees for major projects are billable in installments and recognized over the estimated review period. 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, 2024

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, 2024 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.

Adoption of new accounting standards

Adoption of PS 3400 Revenue Standard

On April 1, 2023, the BCER adopted Canadian Public Sector Accounting Standard PS 3400, *Revenue* (“PS 3400”). The new accounting standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. There are two approaches to recognizing revenue with performance obligations: at a point in time or over a period of time. This determination is made based on when a performance obligation is satisfied. As at March 31, 2024, the BCER determined that the adoption of this new standard did not have an impact on the amounts presented in the financial statements.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2024

3. Correction of Prior Period Note Disclosure

During the year, management ascertained that its note disclosure in the prior period did not include amounts related to a trust under administration (Note 19). As a result, the comparative trust under administration disclosure for March 31, 2023 has been included and restated. This correction has no impact on the balances reported in the March 31, 2023 financial statements.

4. 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:

	2024	2023
Operations	\$ 18,964	\$ 22,296
Orphan site reclamation fund (Note 12)	6,205	165
Security deposits (Note 5)	30,037	30,297
	\$ 55,206	\$ 52,758

5. 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 \$183,566 (2023: \$195,044) in security deposits, of which \$30,037 (2023: \$30,297) is held in cash and investments and \$153,529 (2023: \$164,747) 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 2024, the BCER recovered nil (2023: nil) from security deposits to help satisfy restoration obligations of permit holders.

6. Accounts receivable

	2024	2023
Infrastructure levies	\$ 6,153	\$ 5,897
Application fees	1,120	832
Other	882	292
Remediation recoveries	4,843	-
	\$ 12,998	\$ 7,021

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2024

7. Due from Government

	2024	2023
Production levies	\$ 13,176	\$ 12,203
Recoveries and other	956	1,797
	\$ 14,132	\$ 14,000

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.

8. Accounts payable and accrued liabilities

	2024	2023
Operating expenses	\$ 1,822	\$ 3,504
Orphan site reclamation	5,170	16,352
Salaries and benefits	2,516	2,780
	\$ 9,508	\$ 22,636

Employee leave entitlements

As of March 31, 2024, 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 \$1,209 (2023: \$1,272). This amount is included in salaries and benefits payable.

9. Employee future benefits

Employee benefit plan

The BCER and its employees contribute to the Public Service Pension Plan, a jointly trustee 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 70,780 active plan members, 55,267 retired plan members, and 24,163 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, 2023, indicated a funding surplus of \$4.5 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, 2024 for employer contributions was \$2,961 (2023: \$2,422).



BRITISH COLUMBIA ENERGY REGULATOR

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2024

9. Employee future benefits (continued)

Future retirement allowance liability

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

	2024	2023
Accrued retirement obligation		
Balance, beginning of year	\$ 1,026	\$ 1,002
Current benefit cost	72	67
Interest	64	35
Amortization of actuarial loss	32	13
Benefits paid	(43)	(91)
Balance, end of year	\$ 1,151	\$ 1,026
Actuarial retirement obligation		
Accrued benefit obligation	\$ 1,397	\$ 1,026
Unamortized actuarial loss	(246)	277
Balance, end of year	\$ 1,151	\$ 1,303

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

	2024	2023
Discount rate	4.90%	4.90%
Wages and salary escalation	2.75%	2.75%

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, 2024 (2023: 13 years).

10. Due to government

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

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2024

11. 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	\$ 5,268	11,470	(11,918)	\$ 4,820

12. 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 \$10,070 (2023: \$13,295) to pay for costs associated with orphan sites. There were no new orphan sites designated in 2024. The number of designated orphan sites is 819.

Of the designated sites, 203 (2023: 189) 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 are estimated to be in the range of \$108,000 to \$169,000.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2024

13. Tangible capital assets

March 31, 2024	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Vehicles	Other Business Systems	Application Management System	Computer Software	Total
Cost									
Opening balance	\$ 6,543	\$ 4,181	\$ 5,193	\$ 2,156	\$ 1,742	\$ 17,497	\$ 19,333	\$ 1,113	\$ 57,758
Additions	26	14	751	105	313	4,274	150	-	5,633
Disposals	-	-	-	-	(211)	-	-	-	(211)
Closing balance	\$ 6,569	\$ 4,195	\$ 5,944	\$ 2,261	\$ 1,844	\$ 21,771	\$ 19,483	\$ 1,113	\$ 63,180
Accumulated amortization									
Opening balance	\$ 5,330	\$ 3,407	\$ 4,156	\$ 1,597	\$ 676	\$ 8,108	\$ 12,547	\$ 840	\$ 36,661
Amortization	402	243	661	183	146	2,821	2,045	97	6,598
Disposals	-	-	-	-	(121)	-	-	-	(121)
Closing balance	\$ 5,732	\$ 3,650	\$ 4,817	\$ 1,780	\$ 701	\$ 10,929	\$ 14,592	\$ 937	\$ 43,138
Net book value	\$ 837	\$ 545	\$ 1,127	\$ 481	\$ 1,143	\$ 10,842	\$ 4,891	\$ 176	\$ 20,042
March 31, 2023									
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	

Included in the net book value of other systems development are assets not being amortized of \$1,137 (2023: \$595) 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, 2024

14. 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.

	2025	2026	2027	2028	2029	Thereafter
	\$ 4,541	\$ 3,038	\$ 2,890	\$ 2,601	\$ 2,593	\$ 3,408

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

15. Contingent liabilities

Litigation and claims

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.

Liability for orphan sites

The BCER administers the Orphan Site Reclamation Fund (OSRF). The BCER may become exposed to a contingent liability when a permit holder is involved in an ongoing insolvency or court proceedings. The associated restoration costs could have a material effect on the BCER’s financial position and results of operations.

The BCER’s Liability Management program monitors permit holders through various aspects of their operations to mitigate risk to the OSRF. In managements’ view, no contingent liabilities are required at this time.

16. 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.



BRITISH COLUMBIA ENERGY REGULATOR

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2024

16. Measurement uncertainty (continued)

	<u>Reported</u>	<u>Low</u>	<u>High</u>
Liability for orphan sites	\$54,277	\$40,000	\$77,000

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.

	<u>Reported</u>	<u>Low</u>	<u>High</u>
Deferred revenue	\$ 4,820	\$ 4,300	\$ 5,300

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.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2024

17. 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:

	2024	2023
Revenues		
Interest	\$ 906	\$ 1,018
Other	26	16
Government transfers	-	25,065
	\$ 932	\$ 26,099
Expenses		
Salaries and benefits	\$ 1,069	\$ 1,282
Professional services and training	305	385
Building occupancy	171	154
Telecommunications and information systems	86	76
Travel and vehicle costs	67	72
Office supplies and equipment	32	34
	\$ 1,730	\$ 2,003
Tangible capital assets		
Disposal proceeds	\$ (90)	\$ -
	\$ -	\$ 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 \$nil (2023: \$2,185) 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.

18. 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.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2024

19. Trust under Administration

Under the terms of the Blueberry River First Nations Implementation Agreement, the Province agreed to implement a disturbance fee in respect to new oil and gas development applications submitted in high value areas. Applicant fees are to be paid to the Blueberry River First Nations Restoration Fund and/or Treaty 8 Restoration Fund once established. Prior to establishment of these entities, applicants paid required disturbance fees to a law firm holding the funds in trust for the BCER. As at March 31st, 2024, the balance of the trust funds under administration was \$2,555 (2023: \$3,413). These amounts are not included in the BCER's financial statements as the BCER has no equity in, or power of appropriation over, these trust funds. The BCER administers these trust funds according to the terms of the Implementation Agreement.

20. Expense by Object

	Operations	Orphan Site Reclamation Fund	2024	2023
Salaries and benefits	\$ 37,394	\$ 1,071	\$ 38,465	\$ 32,330
Indigenous funding	6,357	-	6,357	6,890
Amortization	6,598	-	6,598	5,753
Building occupancy	4,672	-	4,672	4,522
Professional services and training	3,458	9	3,467	3,575
Information systems and telecom	3,295	70	3,365	3,552
Grants and contributions	64	-	64	2,276
Travel and vehicle costs	1,870	32	1,902	1,810
Supplies and equipment	1,211	-	1,211	902
Bad debts	1,805	20	1,825	110
Remediation costs	6,583	-	6,583	-
Discretionary reclamation	-	8,821	8,821	37,188
Obligatory orphan site estimates	-	9,006	9,006	3,200
	\$ 73,307	\$ 19,029	\$ 92,336	\$ 102,108

21. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the final operating and capital budgets approved by the Board of Directors on March 22, 2023. Amounts may differ from the preliminary budget, for the purposes of the Annual Service Plan.

22. Comparative figures

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



BRITISH COLUMBIA ENERGY REGULATOR

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2024

23. 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.