



Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2025, and all information contained in these financial statements rests with the management of the Canada Energy Regulator (CER). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian Public Sector Accounting Standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the CER's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada and included in the CER's *Departmental Results Report* is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the CER and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments. A risk-based assessment of the system of ICFR for the year ended March 31, 2025 was completed in accordance with the Treasury Board Policy on Financial Management and the results and action plans are summarized in the Annex.

The Auditor General of Canada, the independent auditor for the Government of Canada, has expressed an opinion on the fair presentation of the financial statements of the CER which does not include an audit opinion on the annual assessment of the effectiveness of the CER's internal controls over financial reporting.

The original version was signed by

The original version was signed by

Tracy Sletto
Chief Executive Officer

Jason Reid
Chief Financial Officer

Calgary, Canada
25 July, 2025



INDEPENDENT AUDITOR'S REPORT

To the Chairperson of the Board of Directors of the Canadian Energy Regulator

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Canadian Energy Regulator (the CER), which comprise the statement of financial position as at 31 March 2025, and the statement of operations and net financial position, statement of change in net debt and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CER as at 31 March 2025, and the results of its operations, changes in its net debt, and its cash flows 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 CER 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 these 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 CER's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the CER or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the CER's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CER'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 CER'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 CER 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.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Canadian Energy Regulator coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Section 87 of the *Canadian Energy Regulator Act*, the *National Energy Board Cost Recovery Regulations*, and the *Transitional Regulations for the Purpose of the National Energy Board Cost Recovery Regulations*.

In our opinion, the transactions of the Canadian Energy Regulator that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Canadian Energy Regulator's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Canadian Energy Regulator to comply with the specified authorities.

Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

The original version was signed by

Lana Dar, CPA, CA
Principal
for the Auditor General of Canada

Vancouver, Canada
25 July 2025

Canada Energy Regulator
Statement of Financial Position
As at March 31
(in thousands of dollars)

	<u>2025</u>	<u>2024</u>
Liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 19,422	\$ 20,347
Due to the Consolidated Revenue Fund (Note 7)	464	316
Vacation pay and compensatory leave	6,835	5,767
Deferred revenue	565	565
Employee future benefits (Note 6)	6,694	6,480
Total liabilities	33,980	33,475
Financial assets		
Due from the Consolidated Revenue Fund	19,987	20,912
Accounts receivable and advances (Note 7)	84,060	82,065
Total financial assets	104,047	102,977
Financial assets held on behalf of Government (Note 7)	(83,596)	(81,749)
Total net financial assets	20,451	21,228
Net debt	13,529	12,247
Non-financial assets		
Prepaid expenses	1,957	1,350
Tangible capital assets (Note 8)	9,400	7,562
Total non-financial assets	11,357	8,912
Net financial position	\$ (2,172)	\$ (3,335)

Contractual obligations and contingent liabilities (Note 9)

The accompanying notes and Schedule A form an integral part of these financial statements.

The original version was signed by

George Vegh
Chair, Board of Directors

Canada Energy Regulator
Statement of Operations and Net Financial Position
For the year ended March 31
(in thousands of dollars)

	2025 Planned Results (Note 2a)	2025 Actual	2024 Actual
Expenses			
Energy Adjudication	\$ 33,421	\$ 31,363	\$ 29,453
Safety and Environment Oversight	26,712	35,400	32,292
Energy Information	7,888	9,667	8,952
Engagement	10,687	10,760	11,488
Internal Services	49,376	50,553	51,606
Total expenses	128,084	137,743	133,791
Revenues			
Regulatory revenues	127,960	136,823	133,176
Miscellaneous revenues	-	88	63
Revenues earned on behalf of Government	(127,960)	(136,911)	(133,239)
Total revenues	-	-	-
Net cost of operations before government funding and transfers	128,084	137,743	133,791
Government funding and transfers			
Net cash provided by Government	103,407	125,503	112,693
Change in due to/from the Consolidated Revenue Fund	6,983	(1,073)	6,678
Services provided without charge from other government departments (Note 10)	15,285	14,476	14,473
Net cost of operations after government funding and transfers	2,409	(1,163)	(53)
Net financial position - Beginning of year	(6,635)	(3,335)	(3,388)
Net financial position - End of year	\$ (9,044)	\$ (2,172)	\$ (3,335)

Segmented information (Note 11)

The accompanying notes and Schedule A form an integral part of these financial statements.

**Canada Energy Regulator
Statement of Change in Net Debt
For the year ended March 31
(in thousands of dollars)**

	2025 Planned Results (Note 2a)	2025 Actual	2024 Actual
Net cost of operations after government funding and transfers	\$ 2,409	\$ (1,163)	\$ (53)
Change due to tangible capital assets			
Acquisitions of tangible capital assets (Note 8)	491	4,576	2,275
Amortization of tangible capital assets (Note 8)	(2,900)	(2,738)	(3,731)
Loss on disposal of tangible capital assets	-	-	(12)
Total change due to tangible capital assets	(2,409)	1,838	(1,468)
Change in prepaid expenses	-	607	692
Net increase (decrease) in net debt	-	1,282	(829)
Net debt – Beginning of year	13,076	12,247	13,076
Net debt – End of year	\$ 13,076	\$ 13,529	\$ 12,247

The accompanying notes and Schedule A form an integral part of these financial statements.

Canada Energy Regulator
Statement of Cash Flow
For the year ended March 31
(in thousands of dollars)

	<u>2025</u>	<u>2024</u>
Operating activities		
Net cost of operations before government funding and transfers	\$ 137,743	\$ 133,791
Items not affecting cash:		
Amortization of tangible capital assets (Note 8)	(2,738)	(3,731)
(Loss) on disposal of tangible capital assets	-	(12)
Services provided without charge by other government departments (Note 10)	(14,476)	(14,473)
Variations in Statement of Financial Position:		
Change in due to Consolidated Revenue Fund	148	47
Change in prepaid expenses	607	692
Change in accounts payable and accrued liabilities	3,147	(5,310)
Change in deferred revenue	-	(18)
Change in vacation pay and compensatory leave	(1,068)	474
Change in employee future benefits	(214)	355
Cash used in operating activities	<u>123,149</u>	<u>111,815</u>
Capital investing activities		
Acquisitions of tangible capital assets	2,354	878
Cash used in capital investing activities	<u>2,354</u>	<u>878</u>
Net cash provided by Government	<u>\$ 125,503</u>	<u>\$ 112,693</u>

The accompanying notes and Schedule A form an integral part of these financial statements.

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

1. Authority and objectives

The Canadian Energy Regulator (CER or the Regulator), operating as the Canada Energy Regulator, was established by Government of Canada (the “Government”) under the *Canadian Energy Regulator Act* (CER Act) on August 28, 2019.

The CER is named in Schedule II of the *Financial Administration Act* and is accountable to Parliament through the Minister of Energy and Natural Resources. The CER regulates energy infrastructure in a way that prevents harm and ensures the safe, reliable, competitive, and environmentally sustainable delivery of energy to Canada and the world. The Regulator’s mandate includes:

- making transparent decisions, orders and recommendations with respect to pipelines, powerlines, offshore renewable energy projects and abandoned pipelines;
- overseeing the construction, operation and abandonment of pipelines, interprovincial powerlines and international powerlines and overseeing work and activities authorized under Part 5 of the CER Act as well as abandoned facilities;
- making orders with respect to traffic, tolls and tariffs and overseeing matters relating to traffic, tolls and tariffs;
- making decisions and orders and giving directions under Part 8 of the CER Act with respect to oil and gas interests, production and conservation;
- advising and reporting on energy matters;
- providing alternative dispute resolution processes;
- exercising powers and performing duties and functions that are conferred on the Regulator under any other Act of Parliament;
- exercising its powers and performing its duties and functions in a manner that respects the Government’s commitments with respect to the inherent and constitutionally protected rights of First Nations, Inuit and Métis; and
- providing energy information and analysis that informs and supports Canada’s transition towards a net zero future.

The CER’s mandate should also be understood in the context of the CER’s Departmental Results Framework, including its core responsibilities of Energy Adjudication, Safety and Environment Oversight, Energy Information and Engagement. Internal Services support all other core responsibilities within the CER.

Core Responsibility 1: Energy Adjudication

Making decisions or recommendations to the Governor in Council on applications, which include impact assessments, using processes that are fair, transparent, timely and accessible. These applications pertain to pipelines and related facilities, international powerlines, offshore renewable energy, tolls and tariffs, compensation disputes resolution, energy exports and imports, and oil and gas exploration and drilling in certain northern and offshore areas of Canada.

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

1. Authority and objectives – continued

Core Responsibility 2: Safety and Environment Oversight

Setting and enforcing regulatory expectations for regulated companies over the full lifecycle - construction, operation and abandonment - of energy-related activities. These activities pertain to pipelines and related facilities, international powerlines, offshore renewable energy, tolls and tariffs, energy exports and imports, and oil and gas exploration and drilling in certain northern and offshore areas of Canada.

Core Responsibility 3: Engagement

Engaging nationally and regionally with Indigenous Peoples and other stakeholders through open dialogue, asking questions, sharing perspectives, and collaboration. These activities pertain to all decisions and actions related to the Canada Energy Regulator's legislated mandate.

Core Responsibility 4: Energy Information

Collecting, monitoring, analyzing and publishing information on energy markets and supply, sources of energy, and the safety and security of pipelines and international powerlines.

Internal Services: Internal Services are the services that are provided within a department so that it can meet its corporate obligations and deliver its programs including management and oversight services, communications services, legal services, human resources management services, financial management services, information management services, information technology services, real property management services, material management services and acquisition management services.

The CER regulates pipelines, powerlines, energy development and energy trade. The CER contributes to the safety of Canadians, the protection of the environment and efficient energy infrastructure and markets, while respecting the rights and interests of those affected by the CER's decisions and recommendations. It is guided by the principles of natural justice and procedural fairness.

The CER is a court of record and has certain powers of a superior court with respect to the attendance, swearing and examination of witnesses; the production and inspection of documents; the enforcement of its orders; the entry on and inspection of property; and other matters necessary or proper for the due exercise of its jurisdiction. Aside from rare exceptions, the CER's regulatory decisions and the accompanying Reasons for Decision are issued as public documents.

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

1. Authority and objectives – continued

In accordance with Section 87(1) of the CER Act, the Regulator may, for the purposes of recovering all or a portion of such costs as the CER determines to be attributable to its responsibilities under this or any other Act of Parliament, make regulations to impose fees, levies or charges. The Transitional Regulations for the Purpose of the National Energy Board Cost Recovery Regulations (Transitional Regulations) specify that the Regulator is to apply the National Energy Board Cost Recovery Regulations (Cost Recovery Regulations) as if it was the National Energy Board. The Transitional Regulations provide for the calculation and allocation of recoverable costs. Cost recovery calculations performed on a calendar year basis are included in Schedule A of these financial statements.

The CER is funded through parliamentary appropriations. The Government recovers substantially all of the costs from the regulated industry. The revenues are deposited directly into the Consolidated Revenue Fund. This process is regulated by the Cost Recovery Regulations.

2. Summary of significant accounting policies

These financial statements have been prepared using the accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

A summary of significant accounting policies is as follows:

a) Parliamentary authorities

The CER is funded by the Government through parliamentary authorities. Financial reporting of authorities provided to the CER do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Net Financial Position and the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament.

Note 4 provides a high-level reconciliation between the bases of reporting. The planned results amounts in the “Expenses” and “Revenues” sections of the Statement of Operations and Net Financial Position are the amounts reported in the 2024-25 *Departmental Plan*. The planned results amounts in the “Government funding and transfers” section of the Statement of Operations and Net Financial Position and in the Statement of Change in Net Debt were prepared for internal management purposes and have not been previously published.

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

2. Summary of significant accounting policies– continued

b) Net cash provided by Government

The CER operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the CER is deposited to the CRF and all cash disbursements made by the CER are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.

c) Amounts due to or from the CRF

Amounts due to or from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the CER is entitled to draw from the CRF without further authorities to discharge its liabilities.

d) Revenues and deferred revenues

- Pursuant to the *Interpretation Act*, the National Energy Board Cost Recovery Regulations remain in effect for the CER until new cost recovery regulations are made under the *Canadian Energy Regulator Act*. The CER has the authority to charge those companies it regulates for the costs attributable to the CER's operations in carrying out its responsibilities. Revenues from regulatory levies are recognized in the accounts when they are invoiced and, in accordance with the Regulations, are based on the estimated cost of operations for the calendar year, with a billing adjustment to actual costs once the costs are known. Revenues are recognized both when estimated invoices are billed and when adjustments for true costs are calculated. Actual costs are defined as the sum of one- quarter of year 1 audited fiscal costs (January to March) and three-quarters of year 2 audited fiscal costs (April to December). The recoverable costs for a given calendar year are allocated to the oil, gas and electricity commodities proportionately on the basis of the actual time spent by the Commissioners (adjudicators) and employees during the preceding fiscal year (April 1 to March 31).
- Revenues from regulatory fees are recognized as a non-exchange transaction when CER has the authority to claim the inflow (as described above) and the past transaction has occurred. This occurs when the services are provided in the year. Other revenues are recognized in the period the event giving rise to the revenues occurred.
- Revenues that are non-respendable are not available to discharge the CER's liabilities. The Chief Executive Officer is expected to maintain accounting control and has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are earned on behalf of the Government of Canada and are therefore presented as a reduction of the CER's gross revenues.

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

2. Summary of significant accounting policies– continued

d) Revenues and deferred revenues – continued

- Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. Revenues are then recognized in the period in which the related performance obligations are satisfied at a point in time when the expenses are incurred. Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned.

e) Expenses

Expenses are recorded on an accrual basis.

- Vacation pay and compensatory leave expenses are accrued as the benefits are earned by the employees under their respective terms of employment. The liability for vacation pay and compensatory leave is calculated at the salary levels in effect at the end of the year for all unused vacation pay and compensatory leave benefits accruing to employees.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, legal services and audit services are recorded as operating expenses at their carrying value. Services received without charge are recoverable costs under the Cost Recovery Regulations.
- Transfer payments are recorded as expenses in the year the transfer is authorized, and all eligibility criteria have been met by the recipient.
- Expenditures of the CER that are not listed in the Cost Recovery Regulations as being recoverable are those expenditures related to the regulation of, exploration for, and the development of oil and gas on frontier lands and offshore areas and are disclosed in Schedule A.

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

2. Summary of significant accounting policies– continued

f) Liabilities

Liabilities are financial obligations of the CER to outside organizations and individuals as a result of events and transactions that occurred on or before year-end. They are the result of contracts, agreements and legislation in force at year-end that require the CER to repay borrowings or to pay for goods and services acquired or provided prior to year-end.

Accounts payable and accrued liabilities are measured at cost, the majority of which are due within six months of year-end.

g) Employee future benefits

- Pension benefits: Eligible employees participate in the Public Service Pension Plan (the “Plan”), a multiemployer pension plan administered by the Government. The CER’s contributions to the Plan are charged to expenses in the period incurred and represent the CER’s total obligation to the Plan. The CER’s responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government, as the Plan’s sponsor.
- Health and dental benefits: The Government sponsors employee health and dental benefit plans in which the CER participates. Eligible employees are entitled to health and dental benefits, as provided for under labour contracts and conditions of employment. The CER’s contributions to the plans, which are provided without charge by the Treasury Board Secretariat, are recorded at carrying value of the providing entity. They represent the CER’s total obligation to the plans. Current legislation does not require the CER to make contributions for any future unfunded liabilities of the plans.
- Severance benefits: The accumulation of severance benefits for employees ceased in the 2012–13 fiscal year. The remaining obligation for employees who did not withdraw benefits is calculated using employees’ salaries at year-end and the number of weeks earned.
- Sick leave benefits: Employees are eligible to accumulate sick leave benefits until the termination of employment, according to their labour contracts and conditions of employment. Sick leave benefits are earned based on employee services rendered and are paid upon an illness or injury related absence. These are accumulating non-vesting benefits that can be carried forward to future years but are not eligible for payment on retirement or termination, nor can these be used for any other purpose. A liability is recorded for unused sick leave credits expected to be used in future years in excess of future allotments, based on an actuarial valuation using an accrued benefit method.

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

2. Summary of significant accounting policies– continued

h) Accounts receivable and advances

Accounts receivable and advances are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for receivables where recovery is considered uncertain. In addition, a distinction is made between financial assets that are available to discharge the CER's liabilities versus the ones that are not. Accounts receivable that pertains to non-respendable revenues earned on behalf of the Government are considered to be held Financial assets held on behalf of the Government and are therefore presented in the Statement of Financial Position as a reduction of the CER's gross financial assets.

i) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, a provision is accrued, and an expense recorded to other expenses. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

j) Tangible capital assets

The costs of acquiring land, buildings, equipment, and other capital property are capitalized as tangible capital assets and are amortized to expense over the estimated useful lives of the assets, as described in Note 8. Tangible capital assets under development are recorded as assets under development and amortized when they become available for use. Amortization of tangible capital assets is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

2. Summary of significant accounting policies– continued

j) Tangible capital assets - continued

Asset class	Amortization period
Informatics hardware	
PCs and accessories	3-5 years
Computer servers and accessories	3-7 years
Informatics software	
Commercial software	2-5 years
In-house developed software	2-5 years
Machinery and equipment	3-10 years
Furniture	5-10 years
Vehicles	5 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

2. Summary of significant accounting policies– continued

k) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements and accompanying notes at March 31, 2025. At the time of preparation of these financial statements, management believes the estimates and assumptions to be reasonable. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the period they become known.

The most significant items where estimates are used are recoverable operating costs, useful life of tangible capital assets, and sick leave benefit obligations.

The liability for sick leave benefits is actuarially determined and actual experiences could differ from the assumptions and methodologies used in the calculations. The significant actuarial assumptions used in measuring the sick leave benefit obligation are disclosed in Note 6d.

l) Related party transactions

Related parties include key management personnel having authority and responsibility for planning, directing and controlling the activities of the CER as well as their close family members. Related party transactions, other than inter-entity transactions, are recorded at the exchange amount. Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount. Certain services received without charge are recorded in these financial statements at the carrying amount.

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

3. Financial risk management

Consistent with Section 32 of the *Financial Administration Act*, the CER's policy to manage liquidity risk is that no contract or other arrangement providing for a payment shall be entered into with respect to any program for which there is an appropriation by Parliament, or an item included in estimates then before the House of Commons to which the payment will be charged unless there is a sufficient unencumbered balance available out of the appropriation or item to discharge any debt that, under the contract or other arrangement, will be incurred during the fiscal year in which the contract or other arrangement is entered into.

During the year, the CER's risk exposure consisted of liquidity risk and credit risk. Liquidity risk is the risk that the CER will encounter difficulty in meeting its obligations associated with financial liabilities. The CER's objective for managing liquidity risk is to manage operations and cash expenditures within the appropriation authorized by Parliament or allotment limits and approved by the Treasury Board. Management believes that this risk is low.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The CER provides services to other government departments and agencies and to external parties in the normal course of business. Accounts receivable are due on demand. The CER is not exposed to significant credit risk and has incurred very minimal credit losses in the past. The maximum exposure the CER has to credit risk is equal to the carrying value of its accounts receivable.

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

4. Parliamentary authorities

The CER receives most of its funding through annual parliamentary authorities. The majority of expenditures are subsequently recovered from the companies regulated by the CER and the funds are deposited in the Consolidated Revenue Fund of the Government. Items recognized in the Statement of Operations and Net Financial Position and the Statement of Financial Position in the year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the CER has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

a) Authorities provided and Current year authorities used

	2025	2024
	(in thousands of dollars)	
Authorities provided:		
Vote 1 – Program expenditures	\$ 122,286	\$ 108,249
Statutory amounts:		
Contributions to employee benefit plans	13,652	11,850
Other statutory	10	10
Less:		
Available for use in subsequent years	(10)	-
Appropriations lapsed	(4,975)	(6,441)
Current year authorities used	\$ 130,963	\$ 113,668

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

4. Parliamentary authorities - continued

a) Reconciliation of net cost of operations before government funding and transfers to current year authorities used

	2025	2024
	(in thousands of dollars)	
Net cost of operations before government funding and transfers	\$ 137,743	\$ 133,791
Adjustments for items affecting net cost of operations but not affecting authorities:		
Services provided without charge by other government departments (Note 10)	(14,476)	(14,473)
Amortization of tangible capital assets	(2,738)	(3,731)
Bad debt	(4)	(4)
Refund of prior years' expenditures	137	515
Reallocation of capital assets expenses	2,570	806
Change in vacation pay and compensatory leave	(651)	200
Change in employee future benefits	(214)	354
Other-accrual for collective agreement	5,953	(5,953)
Relocation expense	-	(10)
Total items affecting net cost of operations but not affecting authorities	(9,423)	(22,986)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Salary overpayments	31	14
Refund Revenue	-	10
Acquisitions of tangible capital assets	2,006	1,469
Loss on disposal of tangible capital assets	-	(12)
Accountable advance	(1)	1
Change in prepaid expenses	607	691
Total items not affecting net cost of operations but affecting authorities	2,643	2,173
Current year authorities used	\$ 130,963	\$ 113,668

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

5. Accounts payable and accrued liabilities

The following table presents details of the CER's accounts payable and accrued liabilities balances:

	2025	2024
	(in thousands of dollars)	
Accounts payable to other government departments and agencies (Note 10b)	\$ 3,637	\$ 613
Accounts payable to external parties	7,010	5,341
Accrued salaries and wages	8,775	14,393
Total accounts payable and accrued liabilities	\$ 19,422	\$ 20,347

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

6. Employee future benefits

a) Pension benefits

All CER employees participate in the Public Service Pension Plan (the “Plan”), which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits, and they are indexed to inflation.

Both the employees and the CER contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups. Group 1 relates to existing plan members as of December 31, 2012, and Group 2 relates to members joining the Plan as of January 1, 2013.

Each group has a distinct contribution rate. The employer’s expense amount for the year ended March 31, 2025 is \$8,756,401 (2024 - \$7,016,616). For Group 1 members, the expense represents approximately 1.02 times the employee contributions and, for Group 2 members, approximately 1.00 times the employee contributions.

The CER’s responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated Financial Statements of the Government of Canada, as the Plan’s sponsor.

b) Health and dental benefits

The CER contributes for all eligible employees to the Public Service Health Care Plan and Public Service Dental Care Plan which are sponsored by the Government. The CER’s responsibility with regard to these plans is limited to its contributions (Note 10a).

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

6. Employee future benefits– continued

c) Severance benefits

Severance benefits provided to the CER’s employees were previously based on an employee’s eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2015, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

	2025	2024
	(in thousands of dollars)	
Severance benefit, beginning	\$ 970	\$ 1,133
Expense	39	113
Benefits paid	(162)	(276)
Severance benefit, ending	\$ 847	\$ 970

d) Sick leave benefits

Employees are credited, based on service, a maximum of 15 days annually for use as paid absences due to illness or injury. The sick leave benefit obligation is unfunded, carried forward, and will be paid from future parliamentary authorities.

The CER obtains annually an actuarial valuation of the accrued employee sick leave benefit obligation for accounting purposes. The most recent actuarial valuation was completed as of March 31, 2025.

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

6. Employee future benefits– continued

d) Sick leave benefits – continued

Actuarial assumptions are used to determine the sick leave accrued benefit obligation. The assumptions are reviewed at the financial reporting date and are management’s best estimate based on an analysis of the historical data up to the reporting date. The key assumptions used are: a discount rate of 2.93 percent, which is based on an average yield of government borrowings over the expected average remaining service life of employees of 13.60 years; and a long term general rate of salary increase of 2.30 percent. (In the period ended March 31, 2024 a discount rate of 3.47 percent was used, which was based on an average yield of government borrowings over the expected average remaining service life of employees of 13.78 years; and a long term general rate of salary increase of 3.5 percent.)

Information about sick leave benefits is presented in the following table:

	2025	2024
	(in thousands of dollars)	
Sick leave benefit, beginning	\$ 5,193	\$ 5,059
Service cost	664	745
Interest cost	150	120
Benefit payments	(678)	(652)
Amortization of actuarial (gains) losses	(61)	(79)
Sick leave benefit, ending	\$ 5,268	\$ 5,193

Summary information

The table below summarizes the employee future benefits liability:

	2025	2024
	(in thousands of dollars)	
Severance benefits	\$ 847	\$ 970
Sick benefits	5,268	5,193
Maternity benefits	579	317
Employee future benefits	\$ 6,694	\$ 6,480

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

7. Due to the Consolidated Revenue Fund and Accounts receivable and advances

The following table presents details of the CER's accounts receivable and advances balances:

	2025	2024
	(in thousands of dollars)	
Receivables – External parties		
Outstanding current provisional billings	\$ 36,068	\$ 30,663
Accrued billing adjustments	47,550	51,099
Receivables – other government departments and agencies	315	203
Employee advances	131	101
Subtotal	84,064	82,066
Allowance for doubtful accounts	(4)	(1)
Accounts receivable and advances	84,060	82,065
Financial assets held on behalf of Government	(83,596)	(81,749)
Due to the Consolidated Revenue Fund	\$ 464	\$ 316

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

8. Tangible capital assets

(in thousands of dollars)

Capital asset class	Cost				Closing balance
	Opening balance	Acquisitions	Adjustments and transfers	Disposals	
Informatics hardware	\$ 4,850	839	-	(68)	\$ 5,621
Informatics software	15,401	1,943	209	(404)	17,149
Machinery and equipment	2,818	1,232	-	(141)	3,909
Furniture	3,167	126	-	-	3,293
Vehicles	25	-	-	(25)	-
Leasehold improvements	16,717	-	-	-	16,717
Assets under development	560	436	(209)	-	787
Total	\$ 43,538	4,576	-	(638)	\$ 47,476

Capital asset class	Accumulated amortization			Net book value		
	Opening balance	Amortization	Disposals	Closing balance	2025	2024
Informatics hardware	\$ 2,671	666	(68)	\$ 3,269	\$ 2,352	\$ 2,179
Informatics software	12,393	1,234	(404)	13,223	3,926	3,008
Machinery and equipment	2,280	239	(141)	2,378	1,531	538
Furniture	2,734	193	-	2,927	366	433
Vehicles	25	-	(25)	-	-	-
Leasehold improvements	15,873	406	-	16,279	438	844
Assets under development	-	-	-	-	787	560
Total	\$ 35,976	2,738	(638)	\$ 38,076	\$ 9,400	\$ 7,562

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

9. Contractual obligations and contingent liabilities

a) Contractual obligations

The nature of the CER's activities can result in some large multi-year contracts and obligations whereby the CER will be obligated to make future payments in order to carry out its transfer payment program or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>thereafter</u>	<u>Total</u>
Goods and Services contracts	\$ 3,326	258	54	7	\$ 3,645

b) Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into two categories as follows:

i. Claims and litigation

Claims have been made against the CER in the normal course of operations. These claims include items with pleading amounts and other items for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The CER records claims and litigations where it is likely that there will be a future payment, and a reasonable estimate of the loss can be made.

The CER is a defendant in certain cases of pending and threatened litigation which arose in the normal course of business. The outcome of all litigation has been identified as undeterminable or unlikely to be lost. As at March 31, 2025, the CER estimated the total claimed amount for which the outcome is not determinable to be approximately \$10,000 (2024 - \$10,000). As at March 31, 2025, no provision for such claims has been made in these financial statements (2024 - nil).

ii. Other contingencies

Upon the completion of its office lease term, should the Public Services and Procurement Canada (PSPC) assess that the CER has made significant leasehold improvements, the cost of which could be significant, PSPC at its sole discretion could recover, from the CER, the costs of such removals, repairs or restoration.

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

10. Related party transactions

The CER is related as a result of common ownership to all government departments, agencies, and Crown Corporations. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual. The CER enters into transactions with these entities in the normal course of business and on normal trade terms.

During the year, the CER received services without charge from certain common services organizations, related to accommodation, legal and audit services, and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recognized in the CER's Statement of Operations and Net Financial Position as follows:

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

10. Related party transactions- continued

a. Common services provided without charge by other government departments

	2025	2024
	(in thousands of dollars)	
Accommodation	\$ 5,927	\$ 6,661
Employer's contribution to health and dental insurance plans	7,889	7,165
Audit services	494	460
Other professional and special services	166	187
Total	\$ 14,476	\$ 14,473

The Government has centralized some of its administrative activities for efficiency, cost- effectiveness purposes and economical delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge.

Based on an agreement between the CER and the PSPC, the PSPC incurred fit up costs for new office space related to an office move which took place in 2014–15 which were recognized as leasehold improvements and have been fully amortized. The lease expired on August 31, 2023 was subsequently renewed to August 31, 2028.

b. Other transactions with other government departments and agencies

	2025	2024
	(in thousands of dollars)	
Expenses – other government departments and agencies	\$ 15,166	\$ 14,214
Revenues – other government departments and agencies	10	1
Accounts payable (Note 5)	3,657	613
Accounts receivable (Note 7)	315	203

Expenses disclosed above exclude common services provided without charge, which are already disclosed in Note 10 (a) above. Expenses are mainly comprised of payments to Treasury Board for employee benefits, including superannuation.

Canada Energy Regulator
Notes to the financial statements
For the year ended March 31, 2025

11. Segmented information

Presentation by segment is based on the CER's core responsibilities. The presentation by segment is based on the same accounting policies as described in the Basis of preparation in Note 2. The following table presents the expenses incurred and revenues generated for each core responsibility, by major object of expense and by major type of revenues. Expenses are allocated to the core responsibilities based on the CER's Departmental Results Framework and revenues are allocated on the same proportion as expenses. The segment results for the year are as follows:

	2025							
	(in thousands of dollars)							
	Energy Adjudication	Safety and Environment Oversight	Energy Information	Engagement	Internal Services	2025 Total	2024 Total	
Transfer payments								
Individuals	\$ 5	15	-	-	-	\$ 20	\$ 31	
Indigenous	4,020	2,568	-	371	-	6,959	2,631	
Non-profit Organizations	-	-	-	-	-	-	30	
Total transfer payments	4,025	2,583	-	371	-	6,979	2,692	
Operating expense								
Salaries and employee benefits	24,061	28,484	7,992	8,523	38,699	107,759	102,736	
Accommodation	1,453	1,594	439	514	4,272	8,272	8,459	
Professional services	790	992	965	554	4,927	8,228	12,289	
Travel	286	941	47	523	494	2,291	2,011	
Amortization	613	724	202	217	981	2,737	3,731	
Communication	124	2	5	37	416	584	614	
Utilities and supplies	8	71	17	6	757	859	1,216	
Other	3	9	-	15	7	34	43	
Total Expenses	31,363	35,400	9,667	10,760	50,553	137,743	133,791	
Revenues								
Regulatory revenue	31,154	35,164	9,602	10,688	50,215	136,823	133,176	
Miscellaneous revenue	20	23	6	7	32	88	63	
Revenue earned on behalf of Government	(31,174)	(35,187)	(9,608)	(10,695)	(50,247)	(136,911)	(133,239)	
Total Revenues	-	-	-	-	-	-	-	
Net Cost of Operations before government funding and transfers	\$ 31,363	35,400	9,667	10,760	50,553	\$ 137,743	\$133,791	

Canada Energy Regulator
Schedule A
Allocation of Recoverable Operating Costs
For the year ended March 31, 2025

In accordance with the Cost Recovery Regulations, recoverable operating costs are based on the expenditures for the calendar year. A calendar year is the period from January 1 to December 31. The operating costs for calendar year 2024 are from Schedule A of the CER fiscal year 2023-24 and 2024-25 financial statements, which are used to convert fiscal year into calendar year for cost recovery purposes. The current year recoverable expenses are calculated using one quarter of expenses from the prior fiscal year and three quarters of expenses from the current fiscal year, adjusted for non-recoverable calendar expenditures. The methodology used by management to determine actual costs is reviewed on a periodic basis and adjusted for significant events.

	2024	2023
	<i>(calendar 2024)</i>	<i>(calendar 2023)</i>
	<u>(in thousands of dollars)</u>	
January - March expenses - 1/4 from the previous fiscal	\$ 33,448	\$ 32,758
April – December expenses - 3/4 from the current fiscal	103,307	100,343
Total calculated expenses for cost recovery purposes	136,755	133,101
Less: Non-recoverable costs related to the regulation of Frontier Lands and review of Arctic safety and offshore drilling	<u>(424)</u>	<u>(665)</u>
Recoverable operating costs	<u>\$ 136,331</u>	<u>\$ 132,436</u>

Canada Energy Regulator
Schedule A
Allocation of Recoverable Operating Costs
For the year ended March 31, 2025

The allocation of recoverable operating costs to the commodities for 2024 is based on actual time spent by Commissioners (adjudicators) and employees during the 2022-23 fiscal year (2021-22 for 2023):

	Calendar 2024		Calendar 2023	
	(in thousands of dollars)			
Gas	42.44%	\$ 57,848	46.69%	\$ 61,827
Oil	52.80%	71,969	49.45%	65,482
Electricity	4.76%	6,488	3.86%	5,111
	100%	136,305	100%	132,421
Commodity		26		15
Recoverable operating costs		\$ 136,331		\$ 132,436

Billing Adjustment

	Calendar 2024	Calendar 2023	Calendar 2022
Recoverable operating costs	\$ 136,331	\$ 132,436	\$ 127,646
Deduct: provisional billing	(120,486)	(98,507)	(109,124)
Billing adjustment	\$ 15,845	\$ 33,929	\$ 18,522

The billing adjustment represents the difference between the provisional billing and the actual recoverable operating costs. In accordance with Section 19 of the Regulations, the billing adjustment of \$15,845,000 for the current calendar year and \$33,929,000 for the prior calendar year will be applied to the provisional billings of calendar 2026 and calendar 2025 respectively.

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Reporting for the Year Ended March 31, 2025

1. Introduction

In support of an effective system of internal control, Canada Energy Regulator (CER) conducted self-assessments of key control areas that were identified to be assessed in the 2024 to 2025 fiscal year. The scope of the self-assessments is for the 2023 to 24 fiscal year. A summary of the assessment results and action plans are provided in section 2.

CER will assess key control areas over a five-year period. The assessment plan is provided in section 3.

2. Assessment results for the 2024- to 2025 fiscal year

CER completed the assessment of key control areas as indicated in the following table (scope is 2023 to 24 fiscal year). A summary of the results, action plans, and additional details are also provided.

Key control areas	Remediation required	Summary results and action plan
Pay Administration	Yes	Some issues were identified, and corrective measures have been determined-see below.
Financial Management Governance	Yes	Some issues were identified, and corrective measures have been determined -see below.

With respect to the key control area of pay administration, for the most part, controls were functioning well and form an adequate basis for the CER's system of internal control. The following issues were identified:

- Annual performance reviews are not always completed and are not always based on pre-set objectives.
- Departure forms are not always signed by the employee and other relevant CER staff prior to the employee's departure.
- Casual employee's terms and conditions were not complete for employee remuneration and required updating.

With respect to the key control area of financial management governance, for the most part, controls were functioning well and form an adequate basis for the CER's system of internal control. The following issues were identified:

- No formal succession plans in place for key financial management positions.
- Governance structure for financial management should be strengthened to ensure clarity and consistency of senior management oversight role
- Risk assessment of internal controls over financial reporting needs to be expanded to include all key business processes.

Management action plans have been developed to address the issues identified and will be implemented in the 2025 to 2026 fiscal years.

In addition, following the review of its risks, CER assessed the performance of its financial controls (section 32, 33 and 34 of *Financial Administrative Act*) during the 2024 to 2025 fiscal year to ensure that:

- Financial arrangements or contracts are entered into only when sufficient funding is available;
- Payments for goods and services are made only when the goods or services are received or the conditions of contracts or other arrangements have been satisfied; and
- Payments have been properly authorized.

3. Assessment plan

CER will assess the performance of its system of internal control by focusing on key control areas over a cycle of years as shown in the following table.

Key control areas	2025 to 2026	2026 to 2027
Delegation	No	No
Transfer Payments	No	No
Contracting	No	No
Year-end Payables	No	No
Receivables	No	No
Pay Administration	No	No
Travel	No	Yes
Financial Management Governance	No	No
Hospitality	No	Yes
Accountable Advances	No	Yes
Acquisition cards	Yes	No
Leave	Yes	No
Special Financial Authorities	Yes	No

In addition, during the 2025 to 26 fiscal year, CER will continue to monitor the performance of its core controls related to financial transactions.