Alberta Energy Regulator
Financial Statements
For the Year Ended March 31, 2018

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Alberta Energy Regulator and all other information relating to the AER contained in this annual report have been prepared and presented by management, who is responsible for the integrity and fair presentation of the information.

These financial statements are prepared in accordance with Canadian public sector accounting standards. The financial statements necessarily include some amounts that are based on informed judgments and best estimates of management. The financial information contained elsewhere in this annual report is consistent with that in the financial statements.

Management is responsible for maintaining an effective system of internal controls designed to provide reasonable assurance that financial information is reliable, transactions are properly authorized, assets are safeguarded and liabilities are recognized.

The Auditor General of Alberta, the AER’s external auditor appointed under the Auditor General Act, performed an independent external audit of these financial statements in accordance with Canadian generally accepted auditing standards, and has expressed his opinion in the accompanying Independent Auditor’s Report.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors exercises this responsibility through the Audit and Finance Committee, composed of Directors who are not employees of the regulator. The Audit and Finance Committee meets with the internal auditors and the external auditors-both in the presence and in the absence of management to discuss their audit, including any findings as to the integrity of financial reporting processes and the adequacy of our systems of internal controls. The internal and external auditors have full and unrestricted access to the Audit and Finance Committee.

[Original signed by Jim Ellis]

President and Chief Executive Officer

[Original signed Tom Heywood]

Vice President, Finance and Chief Financial Officer

Date: May 10, 2018

Auditor General OF ALBERTA

Independent Auditor's Report

To the Board of Directors of the Alberta Energy Regulator

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Energy Regulator, which comprise the statement of financial position as at March 31, 2018, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Energy Regulator as at March 31, 2018, and the results of its operations, its remeasurement gains and losses, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]

W. Doug Wylie FCPA, FCMA, ICD.D
Auditor General

May 10, 2018
Edmonton, Alberta

ALBERTA ENERGY REGULATOR
STATEMENT OF OPERATIONS
Year Ended March 31, 2018
(in thousands)

	2018		2017
	Budget (Note 3, Schedule 3)	Actual	Actual
Revenues			
Industry levies and assessments	$ 274,847	$ 260,021	$ 269,222
Information, services and fees	3,542	7,901	5,132
Government transfer - provincial grant	-	-	3,338
Investment income	867	1,747	1,062
	279,256	269,669	278,754
Expenses (Schedule 1)			
Energy regulation	244,619	249,752	245,959
Orphan well abandonment (Note 4)	30,500	15,796	31,028
Climate leadership plan	6,637	3,501	2,925
	281,756	269,049	279,912
Annual operating surplus (deficit)	(2,500)	620	(1,158)
Accumulated surplus at beginning of year	60,953	60,953	62,111
Accumulated surplus at end of year	$ 58,453	$ 61,573	$ 60,953

The accompanying notes and schedules are part of these financial statements.

ALBERTA ENERGY REGULATOR
STATEMENT OF FINANCIAL POSITION
As at March 31, 2018
(in thousands)

	2018	2017
Financial assets		
Cash and cash equivalents (Note 5)	$ 15,644	$ 32,975
Accounts receivable (Note 6)	7,548	7,982
Pension assets (Note 12)	738	510
	23,930	41,467
Liabilities		
Accounts payable and accrued liabilities (Note 7)	17,023	19,299
Payable to Orphan Well Association	806	14,115
Deferred lease incentives (Note 10)	19,032	20,648
	36,861	54,062
Net debt	(12,931)	(12,595)
Non-financial assets		
Tangible capital assets (Note 13)	62,718	62,426
Prepaid expenses and other assets	11,786	11,122
	74,504	73,548
Net assets		
Accumulated surplus (Note 14)	$ 61,573	$ 60,953

Contingent liabilities and contractual obligations (Note 15 and Note 16)

The accompanying notes and schedules are part of these financial statements.

ALBERTA ENERGY REGULATOR
STATEMENT OF CHANGE IN NET DEBT
Year Ended March 31, 2018
(in thousands)

	2018		2017
	Budget (Note 3)	Actual	Actual
Annual operating surplus (deficit)	$ (2,500)	$ 620	$ (1,158)
Acquisition of tangible capital assets (Note 13)	(9,000)	(14,268)	(12,109)
Amortization of tangible capital assets (Note 13)	11,500	13,848	14,037
Loss on disposal and write-down of tangible capital assets		128	76
Increase in prepaid expenses and other assets		(664)	(145)
(Increase) decrease in net debt	-	(336)	701
Net debt at beginning of year	(12,595)	(12,595)	(13,296)
Net debt at end of year	$ (12,595)	$ (12,931)	$ (12,595)

The accompanying notes and schedules are part of these financial statements.

ALBERTA ENERGY REGULATOR
STATEMENT OF CASH FLOWS
Year Ended March 31, 2018
(in thousands)

	2018	2017
Operating transactions		
Annual operating surplus (deficit)	$ 620	$ (1,158)
Non-cash items		
Amortization of tangible capital assets (Note 13)	13,848	14,037
Loss on disposal and write-down of tangible capital assets	128	76
Change in pension obligations	(228)	(1,202)
Amortization of deferred lease incentives (Note 10)	(1,616)	(1,616)
	12,752	10,137
Decrease in accounts receivable	434	10,167
(Increase) in prepaid expenses and other assets	(664)	(145)
(Decrease) increase in accounts payable and accrued liabilities	(2,276)	1,052
(Decrease) in grant payable to Orphan Well Association	(13,309)	(978)
Cash (applied to) provided by operating transactions	(3,063)	20,233
Capital transactions		
Acquisition of tangible capital assets (Note 13)	(14,268)	(12,109)
Cash applied to capital transactions	(14,268)	(12,109)
Financing transactions		
Proceeds from line of credit	-	16,138
Debt repayment	-	(16,138)
Cash applied to financing transactions	-	-
(Decrease) increase in cash and cash equivalents	(17,331)	8,124
Cash and cash equivalents at beginning of year	32,975	24,851
Cash and cash equivalents at end of year	$ 15,644	$ 32,975

The accompanying notes and schedules are part of these financial statements.

ALBERTA ENERGY REGULATOR
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2018
(in thousands)

Note 1 Authority and purpose

The Alberta Energy Regulator (AER) is an independent and quasi-judicial organization of the Government of Alberta. The AER operates under the *Responsible Energy Development Act.* The AER's mandate provides for the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle. This includes allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefits for all Albertans.

Note 2 Summary of significant accounting policies and reporting practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

(a) Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which services have not been provided by year end is recognized as unearned revenue.

Government transfers

Transfers from the Government of Alberta, without stipulations for the use of the transfer, are recognized as revenue when the transfer is authorized and the AER is eligible to receive the funds.

(b) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

(c) Employee future benefits

The AER maintains its own defined benefit Senior Employees Pension Plan (SEPP) and two supplementary pension plans to compensate senior staff who do not participate in the government management pension plans. Retirement benefits are based on each employee's years of service and remuneration.

Pension assets represent the sum of the accumulated cash contributions less the sum of the current and prior years' pension expense.

Accrued benefit obligations are actuarially determined using the projected benefit method prorated on length of service and management's best estimate of expected plan investment performance, projected employees' compensation levels and retirement age of employees.

Accrued benefit obligations and pension benefit cost for the year are calculated using the expected rate of return on plan assets as its discount rate. The expected return on plan assets is determined using market values of plan assets.

Actuarial gains and losses are amortized over the average remaining service period of the active employees, which is 10.9 (2017 - 10.5) years.

Past service cost arising from plan amendments is accounted for in the period of the plan amendments.

Note 2 Summary of significant accounting policies and reporting practices (continued)

(c) Employee future benefits (continued)

The AER participates in the Government of Alberta's multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. Defined contribution plan accounting is applied to these plans as the AER has insufficient information to apply defined benefit plan accounting. Accordingly, pension expense is comprised of employer contributions to the plans that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plans' future benefits.

(d) Valuation of financial assets and liabilities

The AER's financial assets and liabilities are generally measured as follows:

Financial Statement Component	Measurement
Cash and cash equivalents	Cost
Accounts receivable	Lower of cost or net recoverable value
Accounts payable and accrued liabilities	Cost
Payable to the Orphan Well Association	Cost
Deferred lease incentive	Amortized cost

The AER has not designated any financial assets or liabilities in the fair value category, has no significant foreign currency transactions and does not hold any derivative contracts. The AER has no significant remeasurement gains or losses and consequently has not presented a statement of remeasurement gains and losses.

(e) Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are AER's financial claims on external organizations and individuals at the year end.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits.

Accounts receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

(f) Liabilities

Liabilities are present obligations of the AER to external organizations and individuals arising from transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

Liabilities include all financial claims payable by the AER at fiscal year end.

Deferred lease incentives

Deferred lease incentives, consisting of leasehold improvement costs, reduced rent benefits and rent-free periods, are amortized on a straight-line basis over the term of the lease.

Note 2 Summary of significant accounting policies and reporting practices (continued)

Liability for contaminated sites

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recognized net of any expected recoveries. A liability for remediation of contaminated sites normally results from an operation that is no longer in productive use and is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the AER is directly responsible or accepts responsibility;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

(g) Non-financial assets

Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- are normally employed to deliver AER services;
- may be consumed in the normal course of operations; and
- are not for sale in the normal course of operations.

Non-financial assets of the AER are limited to tangible capital assets and prepaid expenses and other assets.

Tangible capital assets

Tangible capital assets are recognized at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets and are amortized over their estimated useful lives using the following methods:

Leasehold improvements	Straight line	Term of the lease
Furniture and equipment	Straight line	5 - 12 years
Computer hardware	Straight line	4 years
Computer software - purchased	Straight line	4 years
Computer software - developed	Declining balance	5 years

Amortization is only expensed when the tangible capital asset is put into service.

Work-in-progress, which includes developed computer software and leasehold improvements, is not amortized until a project is complete and the asset is put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the AER's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The net write-downs are accounted for as an expense in the Statement of Operations.

Prepaid expense

Prepaid expense is recognized at cost and amortized based on the terms of the agreements.

Note 2 Summary of significant accounting policies and reporting practices (continued)

(h) Measurement uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. The amounts recognized for amortization of tangible capital assets are based on estimates of the useful life of the related assets. Accrued defined benefit obligations are subject to measurement uncertainty due to the use of actuarial assumptions. The resulting estimates are within reasonable limits of materiality and are in accordance with the AER's significant accounting policies.

(i) Change in accounting policy

The AER has prospectively adopted the following standards from April 1, 2017: PS 2200 Related Party Disclosure, PS 3420 Inter-Entity Transactions, PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights.

The adoption of these new standards did not have a material impact on the financial statements.

(j) Future accounting changes

The Public Sector Accounting Board has issued the following accounting standards:

<u>PS 3430 Restructuring Transactions (effective April 1, 2018)</u>
This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities.

<u>PS 3280 Asset Retirement Obligations (effective April 1, 2021)</u>
This standard provides guidance on how to account for and report a liability for retirement of a tangible capital asset.

Management is currently assessing the impact of these standards on the financial statements.

Note 3 Budget

The budget is based on the AER Business Plan for the year ended March 31, 2018. The budget and budget adjustments have been approved by the Government of Alberta.

Note 4 Orphan well abandonment

The Government of Alberta has delegated the authority to manage the abandonment and reclamation of wells, facilities and pipelines that are licensed to defunct licensees to the Alberta Oil and Gas Orphan Abandonment and Reclamation Association (Orphan Well Association). The AER transfers all of its orphan well revenues (levy and application fees) to the Orphan Well Association. During the year ended March 31, 2018, the AER collected $15,106 (2017 - $30,448) in levies and $690 (2017 - $580) in application fees.

Note 5 Cash and cash equivalents

Cash and cash equivalents are held in an account with a Canadian chartered bank and earn interest calculated based on the average monthly cash balance. The funds are available to be withdrawn upon request. During the year ended March 31, 2018, the AER earned interest at the rate of 1.4% (2017 - 1.0%).

(in thousands)

Note 6 Accounts receivable

	2018			2017
	Gross amount	Allowance for doubtful accounts	Net realizable value	Net realizable value
Accounts receivable	$ 10,701	$ (3,153)	$ 7,548	$ 7,982

Note 7 Accounts payable and accrued liabilities

	2018	2017
Accounts payable	$ 4,992	$ 6,194
Accrued liabilities	10,191	11,108
Unearned revenue	1,840	1,997
	$ 17,023	$ 19,299

Note 8 Financial instruments

The AER has the following financial instruments: accounts receivable, accounts payable and accrued liabilities, and payable to the Orphan Well Association.

The AER has exposure to the following risks from its use of financial instruments:

(a) Liquidity risk

Liquidity risk is the risk that the AER will encounter difficulty in meeting obligations associated with financial liabilities. The AER does not consider this to be a significant risk as the AER collects funding at the beginning of the year to meet all obligations that arise during the year. In addition, the available credit facility provides financial flexibility to allow the AER to meet its obligations if funding cannot be collected on a timely basis.

(b) Credit risk

The AER is exposed to credit risk from potential non-payment of accounts receivable. Accounts receivable include balances due from operators in the oil and gas industry and are subject to normal industry credit risk. The AER regularly monitors the financial status of operators and assesses the collectability of accounts receivable. The AER's maximum exposure to credit risk is limited to the carrying amount of accounts receivable at the reporting date and presented in the Statement of Financial Position. The AER established a valuation allowance that corresponds to the specific credit risk of operators, historical trends and economic circumstances.

Note 9 Revolving line of credit

During 2018, the AER had an unsecured $50,000 revolving line of credit. Amounts borrowed can only be applied to general corporate purposes and exclude the funding of operating deficits and/or capital expenditures. Bank advances on the line of credit are payable on demand and bear interest at prime less 0.5%. As at March 31, 2018, the outstanding balance for the revolving line of credit was $nil (2017 -$nil).

For the year ended March 31, 2018, interest expense on the revolving line of credit was $nil (2017 - $13).

(in thousands)

Note 10 Deferred lease incentives

The AER has entered into various lease agreements which provide for lease incentives comprised of reduced rent benefits, rent-free periods and leasehold improvement costs. These amounts are included in deferred lease incentives and are amortized on a straight line basis over the term of the lease.

	2018			2017
	Leasehold improvement costs	Reduced rent benefits and rent-free periods	Total	Total
Balance at beginning of year	$ 16,647	$ 4,001	$ 20,648	$ 22,264
Additions during the year	-	-	-	-
Amortization	(1,252)	(364)	(1,616)	(1,616)
Balance at end of year	$ 15,395	$ 3,637	$ 19,032	$ 20,648

Note 11 Liability for contaminated sites

As at March 31, 2018, the AER is not responsible, nor has it accepted responsibility, for performing remediation work at contaminated sites. As at March 31, 2018, the AER's liability for contaminated sites was $nil (2017 - $nil).

Note 12 Employee future benefits

The AER participates in the Government of Alberta's multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. For the year ended March 31, 2018, the expense for these pension plans is equal to the contribution of $17,540 (2017 - $17,766). The AER is not responsible for future funding of the plan deficit other than through contribution increases.

In addition, the AER maintains its own defined benefit Senior Employees Pension Plan (SEPP) and two supplementary pension plans to compensate senior staff who do not participate in the government management pension plans. Retirement benefits are based on each employee's years of service and remuneration.

All the information presented in the note below is related to the AER's defined benefit pension plans.

The effective date of the most recent actuarial funding valuation for SEPP was December 31, 2016. The accrued benefit obligation as at March 31, 2018 is based on the extrapolation of the results of this valuation. The effective date of the next required funding valuation for SEPP is December 31, 2019.

Pension plan assets are valued at market values. During the year ended March 31, 2018 the weighted average actual return on plan assets was 4.8% (8.5% in 2017).

Significant weighted average actuarial and economic assumptions used to value accrued benefit obligations and pension benefit costs are as follows:

Accrued benefit obligations	2018	2017
Discount rate	5.0%	4.6%
Rate of compensation increase	0% until Sep 30, 2019, 3.5% thereafter	0% until Mar 31, 2018, 3.5% thereafter
Long-term inflation rate	2.0%	2.0%

(in thousands)

Note 12 Employee future benefits (continued)

Pension benefit costs for the year	2018	2017
Discount rate	4.6%	4.7%
Expected rate of return on plan assets	4.6%	4.7%
Rate of compensation increase	0% until Mar 31, 2018, 3.5% thereafter	0% until Mar 31, 2017, 3.5% thereafter

The funded status and amounts recognized in the Statement of Financial Position are as follows:

	2018	2017
Market value of plan assets	$ 61,932	$ 56,633
Accrued benefit obligations	58,919	58,200
Plan surplus (deficit)	3,013	(1,567)
Unamortized actuarial (gains)/losses	(2,275)	2,077
Pension assets	$ 738	$ 510

The pension benefit costs for the year include the following components:

	2018	2017
Current period benefit cost	$ 4,267	$ 4,302
Interest cost	2,824	2,690
Expected return on plan assets	(2,711)	(2,358)
Amortization of actuarial losses	560	861
	$ 4,940	$ 5,495

Additional information about the defined benefit pension plans is as follows:

	2018	2017
AER contribution	$ 5,169	$ 6,697
Employees' contribution	875	840
Benefits paid	3,544	3,001

The asset allocation of the defined benefit pension plans' investments is as follows:

	2018	2017
Equity securities	44.3%	48.8%
Debt securities	23.3%	36.0%
Alternatives	18.7%	0.0%
Other	13.7%	15.2%
	100.0%	100.0%

(in thousands)

Note 13 Tangible capital assets

	2018					2017
	Land	Leasehold improvements	Furniture and equipment	Computer hardware and software	Total	Total
Estimated useful life	Indefinite	Term of the lease	5-12 years	4-5 years		
Historical cost						
Beginning of year	$ 282	$ 39,642	$ 14,810	$ 124,146	$ 178,880	$ 181,106
Additions	-	195	639	13,434	14,268	12,109
Disposals, including write-downs	-	(2)	(1,219)	(5,093)	(6,314)	(14,335)
	282	39,835	14,230	132,487	186,834	178,880
Accumulated amortization						
Beginning of year	$ -	$ 12,413	$ 8,536	$ 95,505	$ 116,454	$ 116,676
Amortization expense	-	2,509	1,131	10,208	13,848	14,037
Effect of disposals, including write-downs	-	(2)	(1,177)	(5,007)	(6,186)	(14,259)
	-	14,920	8,490	100,706	124,116	116,454
Net book value at March 31, 2018	$ 282	$ 24,915	$ 5,740	$ 31,781	$ 62,718	
Net book value at March 31, 2017	$ 282	$ 27,229	$ 6,274	$ 28,641		$ 62,426

Historical cost includes work-in-progress at March 31, 2018 totaling $6,650 (March 31, 2017 - $4,659) comprised of: computer hardware and software $6,646 (March 31, 2017 - $4,617) and leasehold improvements $4 (March 31, 2017 - $42).

Note 14 Accumulated surplus

The accumulated surplus of the AER is calculated as the sum of the net debt of the AER and its non-financial assets. The accumulated surplus represents the net assets of the AER. Accumulated surplus is comprised of the following:

	2018			2017
	Investments in tangible capital assets [(a)]	Unrestricted net assets	Accumulated surplus	Accumulated surplus
Balance at beginning of year	$ 45,779	$ 15,174	$ 60,953	$ 62,111
Annual operating surplus (deficit)	-	620	620	(1,158)
Net investment in capital assets	1,544	(1,544)	-	-
Balance at end of year	$ 47,323	$ 14,250	$ 61,573	$ 60,953

(a) Excludes leasehold improvement costs received by the AER as a lease incentive.

(in thousands)

Note 15 Contingent liabilities

The AER, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome and liability of these proceedings cannot be reasonably determined at this time, the AER believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the AER. Based on legal advice, management has concluded that none of the claims meet the criteria for recognizing an accrued liability under PSAS.

Note 16 Contractual obligations

As at March 31, 2018, the AER had contractual obligations totalling $183,751 (2017 - $189,462).

Contractual obligations are obligations of the AER to others that will become liabilities in the future when the terms of those contracts or agreements are met.

Estimated payment requirements for obligations under operating leases and contracts for each of the next five years and thereafter are as follows:

	2018
2019	$ 34,133
2020	21,311
2021	16,629
2022	13,454
2023	13,151
Thereafter	85,073
	$ 183,751

Note 17 Assets under administration

The AER administers security deposit programs in accordance with specified acts and regulations. Security deposits are held on behalf of depositors with no power of appropriation and therefore are not reported in these financial statements. The AER does not have any financial risk associated with security collected. Security, along with any interest earned, will be returned to the depositors upon meeting specified refund criteria.

As at March 31, 2018, assets under administration included security deposits held under the following programs:

	2018	2017	2018	2017
	Cash	Cash	Letters of Credit	Letters of Credit
Licensee Liability Rating program	$ 86,574	$ 114,146	$ 189,910	$ 232,255
Mine Financial Security program	41,567	40,993	1,351,072	1,345,974
Other programs	7,189	7,162	5,414	5,408
	$ 135,330	$ 162,301	$ 1,546,396	$ 1,583,637

(in thousands)

Note 18 Related party transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel and close family members of those individuals. In 2018, there were no outstanding amounts or transactions other than compensation, between the AER and its key management personnel. Key management personnel compensation is disclosed in Schedule 2.

The AER had the following transactions with related parties recognized in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry of Energy		Other entities	
	2018	2017	2018	2017
Revenues				
Government transfer - provincial grant	$ -	$ 3,338	$ -	$ -
Information, services and fees	67	66	1,365	417
	$ 67	$ 3,404	$ 1,365	$ 417

	Entities in the Ministry of Energy		Other entities	
	2018	2017	2018	2017
Expenses				
Computer services	$ 2,373	$ 2,199	$ 2,511	$ 1,651
Buildings	-	-	602	617
Administrative	-	-	1,458	1,290
Consulting services	-	-	915	1,371
	$ 2,373	$ 2,199	$ 5,486	$ 4,929
Receivable from	$ 17	$ 3,505	$ 922	$ 12
Payable to	$ 588	$ 509	$ 1,501	$ 692
Unearned revenue	$ -	$ -	$ 131	$ 583
Contractual obligations [(a)]	$ 4,515	$ 4,377	$ 3,705	$ 4,279

(a) Contractual obligations are obligations of the AER to related parties that will become liabilities in the future when the terms of those contracts or agreements are met.

Note 19 Comparative figures

Certain 2017 figures have been reclassified to conform to the 2018 presentation.

Note 20 Approval of financial statements

These financial statements were approved by the AER Board of Directors on May 10, 2018.

ALBERTA ENERGY REGULATOR

Schedule 1

SCHEDULE TO THE FINANCIAL STATEMENTS

Expenses - Detailed by Object

Year Ended March 31, 2018

(in thousands)

	2018	2017
Salaries, wages and employee benefits	$ 178,362	$ 176,443
Buildings	18,479	16,936
Computer services	18,094	16,742
Orphan well abandonment	15,796	31,028
Consulting services	14,463	14,302
Amortization of tangible capital assets	13,848	14,037
Administrative	4,582	5,320
Travel and transportation	4,471	4,115
Equipment rent and maintenance	815	884
Loss on disposal and write-down of tangible capital assets	128	76
Abandonment and enforcement	11	29
	$ 269,049	$ 279,912

ALBERTA ENERGY REGULATOR Schedule 2

SCHEDULE TO THE FINANCIAL STATEMENTS

Salary and Benefits Disclosure

Year Ended March 31, 2018

(in thousands)

	2018				2017
Position	Base salary [a]	Other cash benefits [b]	Other non-cash benefits [c]	Total [d]	Total [e]
Board of Directors					
Chairman	$ 216	$ -	$ 4	$ 220	$ 233
Board Director [f]	92	-	3	95	110
Board Director [g]	91	-	4	95	50
Board Director [g]	86	-	3	89	48
Board Director [h]	45	-	3	48	-
Board Director [i]	44	-	2	46	48
Board Director [h]	40	-	4	44	-
Board Director [j]	42	-	1	43	24
Board Director [k]	-	-	-	-	54
Board Director [l]	-	-	-	-	26
Board Director [l]	-	-	-	-	25
Executives					
President and Chief Executive Officer [m]	525	68	135	728	695
Chief Hearing Commissioner	209	18	57	284	291
Executive Vice-President, Corporate Services	273	87	74	434	438
Executive Vice-President and General Counsel [q]	273	77	105	455	466
Former Executive Vice-President, Operations [n,q]	55	15	18	88	527
Executive Vice-President, Operations [o,q]	247	62	57	366	-
Executive Vice-President, Stakeholder & Government Engagement	273	93	78	444	446
Former Executive Vice-President, Strategy & Regulatory [p,q]	70	15	10	95	404
Executive Vice-President, Strategy & Regulatory [o,q]	247	61	88	396	-

(a) Includes retainers and per diems for Board Directors. Members of the Board of Directors do not participate in the AER's pension plans. Includes pensionable base pay for Executives.

(b) Payments in lieu of vacation and health benefits, vehicle allowances, and short term incentive payments for Executive Vice-Presidents.

(c) Contributions to all benefits as applicable including employer's share of Employment Insurance, Canada Pension Plan, Government of Alberta and AER pension plans, health benefits or payments made for professional memberships, tuition fees and fair market value of parking.

(d) Salaries and benefits for the Board of Directors are presented in descending order.

(e) The 2017 figures have been restated by a total of $31 to include the fair market value of parking provided to Executives to conform to the 2018 presentation.

(f) The incumbent left the position effective February 19, 2018.

(g) The incumbent held the position effective October 1, 2016.

(h) The incumbent held the position effective October 18, 2017.

(i) The incumbent held the position from October 1, 2016 to September 30, 2017.

(j) The incumbent left the position effective June 16, 2016 and was rehired effective October 18, 2017.

(k) The incumbent left the position effective September 30, 2016.

(l) The incumbent left the position effective June 16, 2016.

(m) Automobile provided, no dollar amount included in other non-cash benefits.

(n) The incumbent left the position effective June 2, 2017.

(o) The incumbent held the position effective May 8, 2017.

(p) The incumbent left the position effective July 4, 2017.

(in thousands)

(q) Under the terms of the AER's defined benefit SEPP and two supplementary retirement plans (SRP), employees may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post-employment period. The SEPP and SRP provide future pension benefits to participants based on years of service and remuneration. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs, amortization of actuarial gains and losses, and interest accruing on the actuarial liability. The costs detailed below are only for those employees included in Schedule 2 who participate in the SEPP and SRP maintained by the AER to compensate senior staff who do not participate in the government management pension plans.

	2018			2017
Position	Current service cost	Prior service and other costs	Total	Total (r)
Executive Vice-President and General Counsel	$ 41	$ 2	$ 43	$ 53
Former Executive Vice-President, Operations (s)	9	1	10	61
Executive Vice-President, Operations (t)	12	1	13	12
Former Executive Vice-President, Strategy & Regulatory (u)	-	9	9	24
Executive Vice-President, Strategy & Regulatory (t)	26	2	28	34

Position	Accrued obligation April 1, 2017	Changes in accrued obligation	Accrued obligation March 31, 2018	2017 (r)
Executive Vice-President and General Counsel	$ 525	$ 47	$ 572	$ 525
Former Executive Vice-President, Operations (s)	270	(270)	-	270
Executive Vice-President, Operations (t)	30	12	42	30
Former Executive Vice-President, Strategy & Regulatory (u)	1,180	124	1,304	1,180
Executive Vice-President, Strategy & Regulatory (t)	375	43	418	375

(r) The 2017 figures have been restated to include balances related to the incumbents who were appointed to their positions in 2018 as they were members of the pension plans prior to their appointment date.

(s) Includes service to June 2, 2017.

(t) Includes amounts for the year ended March 31, 2018 as the incumbents were members of the pension plans prior to their appointment date.

(u) Includes service to July 4, 2017.

ALBERTA ENERGY REGULATOR
SCHEDULE TO THE FINANCIAL STATEMENTS
Actual Results Compared with Budget
Year Ended March 31, 2018
(in thousands)

Schedule 3

	Budget (Note 3)	Adjustments [a]	Adjusted budget	Actual
Revenues				
Industry levies and assessments	$ 274,847	$ (15,000)	$ 259,847	$ 260,021
Information, services and fees	3,542	-	3,542	7,901
Investment income	867	-	867	1,747
	279,256	(15,000)	264,256	269,669
Expenses				
Energy regulation	244,619	-	244,619	249,752
Orphan well abandonment	30,500	(15,000)	15,500	15,796
Climate leadership plan	6,637	-	6,637	3,501
	281,756	(15,000)	266,756	269,049
	(2,500)	-	(2,500)	620
Capital				
Capital investment	9,000	-	9,000	14,268
Less: Amortization	(11,500)	-	(11,500)	(13,848)
Loss on disposal and write-down of tangible capital assets				(128)
Net capital investment	(2,500)	-	(2,500)	292
Surplus	$ -	$ -	$ -	$ 328

(a) The Adjustments reflect the reduction in orphan well levy required to consolidate issuance of two orphan levies into one and to start collecting a single levy at the beginning of the fiscal year.