



# 2017–2018 Annual Report



# Energy at a Glance: 2017–2018

## Protecting Consumers



Electricity distribution customers:

**5,164,196**

Residential and small business customers:

**5,108,876**



Natural gas distribution customers:

**3,636,582**

Residential and small business customers:

**3,620,071**



## Sector Oversight

In the electricity sector, the OEB regulated or licensed:

**71**  
Distributors

**7**  
Transmitters

**457**  
Generators

**2**  
Agencies:  
Independent Electricity  
System Operator and  
Smart Metering Entity

**112**  
Wholesalers

**58**  
Retailers

**32**  
Unit  
sub-metering  
providers

**12**  
Electricity  
storage  
providers



In the natural gas sector, the OEB regulated or licensed:

**3**  
Distributors

**34**  
Marketers



## Consumer Participation

Held **18** community meetings in **17** locations throughout Ontario about major rate applications

**\$4.7 million**  
Amount provided to intervenor groups to fund their participation: including consumer groups, manufacturers, farmers, landowners and First Nation and Métis communities

Number of OEB hearings and proceedings where intervenors participated: **46**



## Consumer Contacts

Consumer contacts:  
**6,022**

Top enquiries:  
Retail contract management; renewals and amendments; utility disconnections; billing errors; OESP/LEAP



## Compliance and Enforcement

**19**  
compliance inspections

**5**  
enforcement proceedings



## Assistance for Low-Income Energy Customers

Low-income Energy Assistance Program assisted: **17,000** customers with **\$7.3 million** in emergency funding to help with their natural gas and electricity bills



Ontario Electricity Support Program assisted an average of **200,000** low-income households a month with almost **\$130 million** in on-bill credits over the year

## Reliable and Sustainable Energy

### Infrastructure

Electricity distribution system – total assets:

**\$26,324,549,179<sup>1</sup>**



**\$2.1 billion<sup>1</sup>**

invested in the electricity grid, enabling

**1,116 km**

of new distribution wires and other facilities

**115.3 km**

of electricity transmission lines approved for construction

Natural gas distribution system – total assets:

**\$19,527,773,080<sup>1</sup>**



**\$134.7 million**

of natural gas infrastructure approved for construction

**148.7 km**

of new and replacement natural gas pipelines approved for construction:

- 47.39 km in Milverton, Rostock and Wartburg
- 37 km in the City of Kawartha Lakes
- 22.5 km in Prince Township
- 20.3 km in the Municipality of Lambton Shores
- 20 km in the City of Greater Sudbury
- 0.9 km in the Township of St. Clair
- 0.6 km in the City of Windsor

## Managing Costs

Average residential monthly electricity bill:

**\$111.75<sup>2</sup>**



Average residential monthly natural gas bill:

**\$74.83**



Rate decreases of **0.2%**, on average, for **53** electricity distributors that filed annual applications for inflationary increases

Almost **\$5.5 million** in avoided rate increases achieved from our review of **9** major rate applications filed by electricity distributors

Number of decisions issued: **304**

OEB's operating expenses per customer annually for 2017–2018 were **\$4.98**, down **\$0.27** as the Ontario Electricity Support Program costs related to implementation ended in 2016–2017

<sup>1</sup> Source: 2017 RRR data as filed by electricity and natural gas distributors on April 30, 2018

<sup>2</sup> Reflects Fair Hydro Act, 2017 reductions



<b>3</b>	Vision, Mission and Values
<b>4</b>	Letter from the Chair and CEO
<b>7</b>	Our Performance
<b>12</b>	Report on Regulatory Costs
<b>13</b>	Cost Awards & OESP Administrative Costs
<b>14</b>	Risks and Risk Management
<b>17</b>	Financial Statements
<b>29</b>	Management Committee and Executive Team
<b>30</b>	Board Members and Contact Information

## Vision

**The OEB supports and guides the continuing evolution of the Ontario energy sector** by promoting outcomes and innovation that deliver value for all Ontario energy consumers.

## Mission

**We will pursue this Vision by:**

- Strengthening the focus on demonstrable consumer value during a period of sector evolution
- Incenting and enabling innovation in a way that enhances consumer choice, control and value
- Strengthening and sustaining the confidence of consumers during a period of accelerating change
- Equipping our own organization to meet the challenges presented by sector evolution

## Values

- **Effective:** We hold ourselves to a high standard regarding the quality and efficiency of our work.
- **Independent:** We are objective and bring an open mind to all we do.
- **Engaged:** We learn from our dialogue with consumers, utilities and other industry participants.
- **Expert:** We are experts in our field and share our knowledge with others.
- **Forward-looking:** We support innovative solutions both within our own organization and by those we regulate.
- **Respectful:** We serve the public interest and treat everyone with respect.

# Letter from the Chair and CEO



**Rosemarie T. Leclair**  
Chair and Chief Executive Officer

**I am pleased** to provide the following annual report which includes the Ontario Energy Board's financial statements for the fiscal year ending March 31, 2018, our new Risks and Risk Management summary, and an overview of Ontario's energy sector with updated statistics.

Maintaining a sustainable and financially viable energy network that continues to meet the needs of energy consumers is the core of the OEB's mandate.

**Last year, we continued to deliver on that mandate: through regulation that ensured consumers received value for their energy dollars and through initiatives that enabled a secure, sustainable and reliable energy system for Ontario, today and tomorrow.**

Highlights for the year include:

- **Setting just and reasonable rates for regulated energy utilities.** After careful scrutiny of nine major rate applications from electricity distribution companies, we disallowed 37 per cent, on average, of the total revenue increases that were requested. Further, we decreased rates by 0.2 per cent, on average, for 53 other electricity distributors that filed annual applications for inflationary increases, ensuring that delivery costs to consumers remained at or below the rate of inflation.
- **Protecting energy consumers.** We sent a strong signal about the OEB's unequivocal commitment to consumer protection through the release of our Consumer Charter, in May. The Charter communicates the rights that residential customers of energy utilities currently have including the right to safe and reliable service; accurate and timely bills; fair security deposit policies and disconnection and reconnection practices; reasonable and timely complaint resolution processes; and personal privacy.

To ensure our customer service rules continue to be relevant and serve the needs of consumers, and that they also maintain an appropriate balance between consumer protection and the ongoing operational needs of utilities, we launched a comprehensive review of our existing customer service rules. As part of this review, we used an online survey to engage consumers, consumer representatives including representatives of low-income consumers, utilities and other interested stakeholders.

- **Engaging directly with consumers.** We continued our efforts to better understand consumers' interests and reflect them in our regulatory policies, practices and decisions. We did this through a new 1,500-member online Consumer Panel and a 250-member small business panel to seek consumers' views on electricity pricing, new energy management options and utility distribution rates; and through the launch of a new online policy registry where consumers can easily engage in all regulatory policy initiatives that have a direct impact on them, as well as provide their opinions and feedback.

**“We continued our efforts to better understand consumers’ interests and reflect them in our regulatory policies, practices and decisions.”**

## Letter from the Chair and CEO (continued)

We strengthened the Consumer Engagement Framework used to support our adjudicative process by holding 18 community meetings across the province, from Sioux Lookout to Leamington. Feedback from participants was reflected in an OEB report made available to the decision-making panel. And, we continued to roll out tools to make the OEB's court-like processes more accessible and understandable to consumers, such as new videos that explain what happens at rate hearings and community meetings.

- **Preparing for tomorrow.** The OEB has accomplished much during the past several years to prepare for, and adapt to, the significant changes in Ontario's energy sector. Our new *Strategic Blueprint: Keeping Pace with an Evolving Energy Sector* sharpens our focus on value for consumers even further and also commits us to modernizing our approach to regulation. As well, it outlines our ambitious goals for the next five years.

To ensure the energy system operates efficiently and cost-effectively, today and tomorrow, we will

continue to look for ways to incent and improve utilities' performance, without adding to the financial burden consumers already carry. We will continue to advance our design of network and commodity rates, in order to enable more efficient infrastructure investment and greater consumer choice and control.

In summary, it was a productive year for the OEB and much was accomplished. We look forward to continuing our work to support and guide the ongoing evolution of the energy sector in a way that delivers value for Ontario's energy consumers.



**ROSEMARIE T. LECLAIR**

Chair and CEO  
Ontario Energy Board



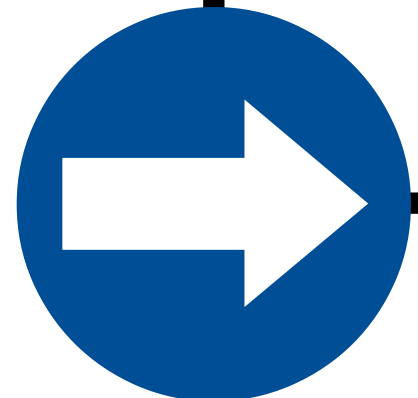
## Our Performance

**The OEB measures its performance using a balanced scorecard approach. Performance indicators are put in place to support four strategic directions defined in the 2017–2020 Business Plan objectives:**

- 1. Empowering consumers**
- 2. Enhancing utility performance**
- 3. Enabling access to competitive energy choices**
- 4. Enhancing regulatory effectiveness**

An independent audit firm assessed the OEB's performance in achieving the Business Plan initiatives over the past year. The auditor verified our **94.9 per cent success** in achieving the 2017–2020 Business Plan objectives.

The following scorecard describes the four strategic directions. Each key program within the strategic direction is weighted and has individual key priority actions and key milestones to assist in meeting the key programs. The scoring for each key program is based on achievement of each key milestone. If a key program does not achieve 100 per cent, then a partial score for the key program may be applied. The scores for the key programs are added together for the overall achievement score.



# Our Performance (continued)







## 1 Empowering Consumers

Over the last several years, the OEB has adopted a much more consumer-centric approach to regulation. This new approach is aimed at enhancing the level of energy literacy among consumers by equipping them with the tools and information they need to make informed choices about energy matters. Consumer-centric regulation also means providing a meaningful opportunity for consumers to participate in and influence decisions that impact them.

The OEB has already taken significant steps to improve the accessibility by consumers to our adjudicative processes, particularly through community meetings, and to engage consumers more actively in our policy development processes, particularly through the use of the new Consumer Panel.

We have also taken important steps to implement new measures to protect consumers and to reaffirm their rights regarding service standards, fair treatment and complaints.

In this planning period, the OEB continued with the implementation of the initiatives identified in the last business plan.

KEY PROGRAMS	KEY ACTIVITIES	AUDIT SCORE
<b>Consumer Outreach</b> Continue to enhance the way in which the OEB engages with and educates consumers about the energy sector, the rights and choices consumers enjoy, and the work of the OEB.	Continue and expand the OEB's program of public outreach throughout the Province, and implement a public affairs campaign designed to educate consumers regarding the mandate and work of the OEB and about their rights and choices as consumers.	
<b>Consumer Representation in Decision Making</b> Continue to enhance the opportunities for consumers to access and participate in the OEB's adjudicative proceedings and policy development processes.	Continue and expand the program of community meetings and launch an initiative to hold OEB hearings in the communities affected.	
<b>Consumer Charter</b> Educate consumers about their rights and responsibilities as reflected in the new Consumer Charter.	Include the Consumer Charter in the public affairs campaign outlined above and provide guidance to distributors and suppliers about implementation.	
<b>Giving Effect to the OEB's Consumers Come First report on the Energy Consumer Protection Act, 2010</b> Implement outstanding initiatives, provide consumer education and monitor compliance with the new consumer protection measures.	Complete energy retailer scorecards and price comparison website, develop new regulatory requirements to support online verification, provide consumer education about the new measures, and implement a program to monitor energy retailer compliance.	
<b>Ontario Electricity Support Program</b> Continue to manage and oversee the operation of the Ontario Electricity Support Program (OESP) designed to provide financial assistance to qualifying low-income electricity consumers.	Continue to promote awareness of, and expand access to, the OESP and implement program enhancements as appropriate.	
<b>Review of Customer Service Rules and Charges</b> Review the customer service rules and charges established in respect of electricity and natural gas distributors to ensure that they appropriately reflect the expectations and needs of energy consumers including matters such as equal payment plans, security deposits, bill issuance and payment, arrears management, disconnections, billing errors, customer account management, and collection and reconnection fees.	Evaluate existing customer service rules and charges and develop modifications to such rules and charges as appropriate.	
		<b>TOTAL: 100%</b>




## 2 Enhancing Utility Performance

One of the OEB's primary objectives is to ensure that utilities are delivering cost-effective, reliable and responsive services to consumers. Since 2012, the OEB's primary mechanism for promoting that objective is the Renewed Regulatory Framework.

The Renewed Regulatory Framework focuses on investment planning, cost effectiveness, continuous improvement, and operational excellence in meeting customer needs. The Framework holds utilities accountable for their performance through benchmarking, monitoring, reporting, and a new emphasis on effective corporate governance.

The OEB also recognizes that a trend towards larger-scale utilities can yield efficiencies and cost savings for the benefit of consumers and equip the sector to meet the challenges of technological change discussed in the "Environmental Scan."

In this planning period, the OEB continued with the initiatives identified in the last business plan.






KEY PROGRAMS	KEY ACTIVITIES	AUDIT SCORE
<p><b>Future of the sector</b> Assess the need for regulatory reforms which encourage optimal investment decisions and support the evolution of the sector (including any reforms that may be needed in the pricing of network services, infrastructure planning, incentives for distributors and transmitters, and other features of the Renewed Regulatory Framework).</p>	<p>Develop a preliminary set of options and roadmap for any regulatory reforms needed to address the implications of technological innovation in the Ontario energy sector.</p>	
<p><b>Gas Supply Planning</b> Complete the review of natural gas supply planning and other matters arising from the Natural Gas Market Review.</p>	<p>Develop guidance and filing requirements regarding natural gas supply planning by the gas distributors.</p>	<p><b>25%</b> The draft Framework was issued for comment in early 2018 as part of FY 2017–2018. Comments have been received and additional consideration of the process related to implementing a gas supply planning framework means that the OEB is well positioned to complete the initiative as planned in FY 2018–2019.</p>
<p><b>Electricity Distributor Benchmarking</b> Support the OEB's determination of rates and assessment of utility performance by incorporating benchmarking at the program level into the OEB's benchmarking of electricity distributors.</p>	<p>Complete the analysis required for the development of benchmarking at the program level.</p>	
<p><b>Effective Corporate Governance</b> Continue the development and implementation of guidelines for good corporate governance that will enhance consumer and investor confidence in the utilities regulated by the OEB and that will assist the OEB in the exercise of its mandate.</p>	<p>Complete the development of guidelines for good corporate governance in the utilities regulated by the OEB.</p>	 <p>The OEB released its Draft Report of the Board on Corporate Governance Guidance for comment to the OEB Rate-Regulated Utilities. The completion of guidelines was deferred given the need to redeploy resources in order to address initiatives which arose during the year, including the Long-Term Energy Plan Implementation Plan and the Strategic Blueprint.</p>
		<b>TOTAL: 89%</b>

# Our Performance (continued)

## 3 Enabling Access to Competitive Energy Choices

The OEB recognizes the fundamental changes occurring within the energy sector enabled by significant technological advancements in the way energy is produced, transported and consumed. Very real changes are emerging in our energy markets and the way in which consumers engage with them. The OEB recognizes the need to ensure that its own regulatory policies and processes address these changes in a manner that reflects the OEB's public interest and consumer protection mandates.

In this planning period, the OEB continued with the initiatives identified in the last business plan regarding both distribution rates and the Regulated Price Plan (RPP). The work in respect of the RPP is guided by the 2015 Regulated Price Plan Roadmap. As indicated in that Roadmap, the design of RPP pricing is critical to a number of inter-related objectives, including customer acceptance, customer choice and control, demand reduction, and the efficient use of and investment in electricity infrastructure.




KEY PROGRAMS	KEY ACTIVITIES	AUDIT SCORE
<p><b>Smarter Electricity Delivery Rates</b> Continue the development and implementation of rate design options for non-residential electricity distribution rates and related charges that support the efficient use of electricity infrastructure and that enable greater customer choice and control.</p>	Develop new rate design for non-residential electricity rates and related charges.	<p><b>25%</b> The OEB undertook a very extensive consultation to gather further information regarding Commercial and Industrial consumers to support the policy development. This additional information and the subsequent analysis have made completion of the policy initiative as planned in FY 2018–2019 possible.</p>
<p><b>Cybersecurity</b> Continue the development and implementation of a framework for the oversight of customer data protection and network security in the distribution sector.</p>	Complete the development of the framework (including any new regulatory obligations and filing requirements) for the oversight of customer data protection and network security in the distribution sector.	
<p><b>Smarter Electricity Prices</b> Continue the development and implementation of a new methodology for the RPP that provides appropriate price signals to low-volume electricity consumers in accordance with the Regulated Price Plan Roadmap.</p>	Implement pilot projects with electricity distributors as selected and approved by the OEB	
<p><b>Gas Demand-side Management (DSM) Framework Evaluation</b> Complete the evaluation of the performance of the current framework for DSM in the natural gas sector.</p>	Develop and initiate a plan for the mid-term review and evaluation of the current framework for DSM in the natural gas sector.	
<p><b>Climate Change Action Plan</b> Continue implementation of the framework governing the recovery of the costs incurred by natural gas distributors in meeting the requirements under the new cap and trade program and address any regulatory impacts arising from the implementation of “complementary measures” under the Climate Change Action Plan.</p>	Develop the regulatory tools necessary to support the framework governing the recovery of costs incurred by natural gas distributors in meeting the requirements under the new cap and trade program and address any regulatory implications of the “complementary measures” under the Climate Change Action Plan.	
<p><b>Long-Term Energy Plan (LTEP) Implementation</b> Carry out the work required by any directive issued by the Minister to the OEB regarding the implementation of the new LTEP in respect of matters within the OEB's jurisdiction.</p>	Undertake the work that may be required by a directive to the OEB in respect of the implementation of the new LTEP.	
		<b>TOTAL: 88%</b>

## 4 Enhancing Regulatory Effectiveness

The OEB has adopted the principle of “continuous improvement” in its approach to regulating the energy sector. That philosophy extends to the OEB’s own work in adjudication and regulatory policy development.

The OEB also recognizes its responsibility to address any directives issued by the Minister in a timely and effective manner and report to the Minister in a manner that will support any further deliberations or decisions by government.

In this planning period, the OEB focused on improvements in its adjudicative processes, the ongoing evaluation of the OEB’s regulatory policies, and the completion of the work required in connection with the Minister’s request regarding the examination of issues relating to the pricing of retail transportation fuels.

KEY PROGRAMS	KEY ACTIVITIES	AUDIT SCORE
<b>Redesign of the OEB Website</b> Redesign the OEB public website to be more engaging and consumer focused and to enhance the energy literacy of consumers.	Complete the implementation of the new website.	
<b>Adjudicative Process Improvements</b> Develop and implement measures to better ensure that the OEB’s review of applications is proportionate and efficient.	Develop new procedures designed to promote the proportionate and efficient review of applications.	
<b>Request Regarding Retail Transportation Fuels</b> Examine issues relating to the pricing of retail transportation fuels in Ontario and report to the Minister as requested.	Complete the examination of issues relating to the pricing of retail fuels in Ontario and report to the Minister.	
		<b>TOTAL: 100%</b>

## Performance Measures

The OEB is committed to the principles of continuous improvement in its approach to regulation. In that regard, the OEB has established a set of metrics that govern its engagement with consumers and regulated entities. The OEB’s current metrics are summarized in the table below.

OEB ACTIVITY	OBJECTIVE	METRIC (%)	ACTUAL RESULT (%)
Consumer calls	Answer incoming calls within 20 seconds	90	99
Consumer correspondence	Respond to general correspondence within 10 business days	85	100
Consumer voicemail messages	Respond to voicemail received by 12:30 pm within the same day	80	100
Consumer voicemail messages	Respond to voicemail received after 12:30 pm by the next business day before 12:30 pm	80	98
Consumer satisfaction	Overall satisfaction survey score	80	97
Consumer complaint letters	Mail complaint follow-up letters to consumers within 2 business days	80	99
Consumer complaint letters	Mail a follow-up letter to consumers after receiving a response from the licensee within 2 business days	80	97
Consumer enquiry letters	Mail enquiry response letters within 2 days	80	98
Industry Relations enquiries	Respond to Industry Relations enquiries within 10 days	90	92
Regulatory applications	Issue final decisions within timelines established by Management Committee based on type of decision	80	84
Regulatory applications	Issue cost award decisions within 60 days	90	<b>83%</b> completed on time. The OEB does not expect to miss this target in the future.

# Report on Regulatory Costs

The OEB reports annually on the costs associated with oversight of Ontario's gas and electricity sectors.

The following three measures are identified:

- three-year rolling average percentage change in operating expenses;
- three-year rolling average of operating expenses as a percentage of industry revenues; and
- three-year rolling average of operating expenses per end-use customer.

The following chart illustrates the rolling three-year averages for each of these regulatory cost measures:

	OEB		
	2017-2018	2016-2017	2015-2016
Electric Customers <sup>a</sup>	5,164,196	5,111,254	5,059,415
Natural Gas Customers <sup>a</sup>	3,636,582	3,581,123	3,540,089
<b>Measure #1: Operating Expense per Customer (\$yr/customer)</b>	<b>\$4.98</b>	<b>\$5.25</b>	<b>\$5.71</b>
3-Year Rolling Average	\$5.32	\$5.13	\$4.79
Industry Revenue (\$B) <sup>b</sup>	\$28.5	\$28.1	\$28.3
<b>Measure #2: Operating Expense as % of Industry Revenue</b>	<b>0.15%</b>	<b>0.16%</b>	<b>0.17%</b>
3-Year Rolling Average	0.16%	0.16%	0.15%
Operating Expenses <sup>c</sup>	\$43,841,842	\$45,676,603	\$49,120,150
<b>Measure #3: Percentage Change in Operating Expenses</b>	<b>-4.02%</b>	<b>-7.01%</b>	<b>30.86%</b>
3-Year Rolling Average	6.61%	9.77%	11.57%

Notes:

a) Source: Information reported to the OEB under Reporting & Record Keeping Requirements (RRR), as of April 30, 2018.

b) Source: 2015–2016 to 2017–2018 data based on various OEB, IESO and Statistics Canada sources.

c) Source: Ontario Energy Board, Financial Statements. The figure used is Total Expenses as reported in the Statement of Operations and Net Assets. Total expenses include OEB costs recoverable under section 30 and 79.2 of the *Ontario Energy Board Act, 1998* of \$4,673,868 in 2017–2018, \$8,365,620 in 2016–2017 and \$14,217,773 in 2015–2016. Intervenor and stakeholder costs that regulated entities were ordered to pay are not a cost of the OEB and are therefore not included in total expenses.

## Commentary:

### Measure #1: Operating Expenses per Customer

From 2016–2017 to 2017–2018, operating expenses per customer decreased by \$0.27 (5%) due to the decrease in OEB operating expenses, as explained in Measure #3.

### Measure #2: Operating Expense/Industry Revenue

From 2015–2016 to 2017–2018, industry revenue has remained consistent. OEB operating expenses as a percentage of industry revenue remained consistent over this same period.

### Measure #3: Percentage Change in Operating Expenses

From 2016–2017 to 2017–2018, operating expenses decreased \$1.8M (4%) as the Ontario Electricity Support Program costs related to implementation ended in 2016–2017. In 2017–2018, the OEB incurred only administration costs to promote awareness of and expand access to the OESP.

## Cost Awards & OESP Administrative Costs

Section 30 of the *Ontario Energy Board Act, 1998* (OEB Act) states that the OEB “may order a person to pay all or part of a person’s costs of participating in a proceeding before the OEB, a notice and comment process under section 45 or 70.2 or any other consultation process initiated by the OEB.” This may include costs of the OEB and stakeholders. Additionally, section 79.2 of the OEB Act authorizes the OEB to recover costs related to the administration of the OESP.

The OEB’s costs represent expenses incurred by the OEB in relation to specific proceedings or consultation processes (e.g. consulting services, court reporting and external meeting sites) and are reflected in the OEB’s financial statements. Regulated entities are required to pay these expenses to the OEB for specific proceedings and consultation processes. Stakeholder costs represent expenses that regulated entities are required to pay to intervenors in proceedings and to stakeholders in consultation processes. The eligibility for and award of stakeholder costs is governed by the OEB’s Practice Direction on Cost Awards. These costs do not appear in the OEB’s financial statements.

The following outlines the cost award activity for the 2018 fiscal year:

	<b>2018</b>
OEB’s costs recoverable under section 30 cost awards	
– natural gas proceedings	\$ 1,968,905
– electricity proceedings	1,113,906
OEB’s costs recoverable under section 79.2	
– OESP administrative costs recovered from the IESO	1,591,057
Stakeholder costs recovered under section 30 cost awards for consultation processes initiated by the OEB	
– natural gas proceedings	207,172
– electricity proceedings	43,965
Intervenor costs recovered under section 30 cost awards for proceedings initiated by applicants	
– natural gas proceedings	919,971
– electricity proceedings	3,578,628
<b>Total 2018 Cost Award Activity</b>	<b>\$ 9,423,604</b>

# Risks and Risk Management

## Overview

The OEB faces various risks that could significantly impact the achievement of its objectives and initiatives. From strategic, regulatory, operational, reputational and financial risks, all levels of the OEB utilize risk management practices to mitigate such risks and to maintain the integrity of the OEB in the Ontario energy sector and in protecting consumers.

## Risk Governance Structure

The OEB's risk governance structure includes the Executive Team, which is comprised of the Chief Operating Officer and the Vice Presidents from each of the OEB's divisions. The Executive Team informs the Management Committee of risks and challenges facing the OEB.

## Enterprise Risk Management

Information gathered during risk management activities is captured in the Enterprise Risk Register. This register transforms the information into a comprehensive register of risks faced by the OEB. Each risk is categorized, aligned with strategic objectives, and assigned a risk priority rating. The register is updated on a continuous basis and serves as both the OEB's risk profile and as a key tool to inform the Annual Internal Audit Plan. Further risk management activities are conducted through Internal Audit.

## Internal Audit

Internal Audit is an independent, objective assurance and advisory function to the Executive Team and Management Committee. Internal Audit assists in the achievement of the OEB's strategic objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. Internal Audit reports and findings are validated and distributed to both the Executive Team and the Management Committee.

## Risks to Achieving Objectives/Initiatives

The key risks facing the OEB, as well as the mitigating processes and control activities, and the effect on OEB's performance during the fiscal year, if any, have been described below.

### Regulatory Risks

*The volume and complexity of new programs and initiatives from government policies have the potential to limit OEB's organizational capacity in responding to changes in a timely manner, which impacts the OEB's ability to effectively execute its regulatory role.*

In recent years, there have been and continue to be significant changes that impact directly on the work of the OEB and its mandate, impacting resourcing as well as setting rates and approving infrastructure. For example, the OEB has seen changes to the *Ontario Energy Board Act, 1998* that gave the OEB authority to regulate charges for unit sub-metering. The OEB also began developing an implementation plan for the Long-Term Energy Plan (LTEP),



which sets out the new 20-year roadmap for the Ontario energy sector and has completed implementation activities for the *Fair Hydro Act, 2017*. To support the initiatives and legislative changes, oversight committees, including Executive Team and Management Committee, regularly discuss policy development and regulatory challenges. Staffing resources are redeployed where necessary and cross-functional teams established to enable the success of initiatives. The OEB successfully completed planned activities in the 2017–2020 Business Plan, while accommodating unforeseen requirements in a timely manner.

### **Strategic Risks**

*An evolving energy industry and emerging technologies require the creation of new programs, policies and procedures or changes to existing ones.*

The energy sector continues to undergo and anticipate significant transformation enabled by technological innovation. This has presented new choices for consumers that challenge traditional business and regulatory models, particularly in the electricity sector, and that require the OEB to create new programs, policies and procedures.

In response to the evolving energy sector and to ensure that the OEB's approach to regulation is keeping pace with change and the OEB has the processes in place to anticipate and manage transformation, a Strategic Blueprint for 2017–2022 was developed to align goals and objectives in a way that tackles the changes underway in the energy sector. The Strategic Blueprint, along with the LTEP, is instrumental in informing the Annual Three-Year Business Plan, which was refreshed through continuous monitoring of strategic risks, as well as external facing stakeholder meetings.

### **Operational Risks**

#### **Cybersecurity:**

*A highly sophisticated cybersecurity attack could lead to disclosure or loss of sensitive or confidential data, or shut down of critical OEB Information Management Systems.*

The OEB has strategies in place to prepare for, respond to, and recover from cybersecurity incidents. The OEB continually assesses cybersecurity risks by examining the changes to its operational environment, as well as changing external threats, adjusting controls to ensure the security of the OEB environment. The OEB's Information Management Systems have protection against malicious access attempts and annual training is provided to all business units on compliance with the provincial IT Security Directive.

#### **Organizational Capability/Capacity:**

*With the implementation of new programs and initiatives, the OEB's staffing capabilities and capacity need to be able to meet its demands.*

The OEB recognizes that the evolving energy sector requires highly skilled individuals to help the organization navigate through a rapidly changing energy sector. The OEB prioritizes its work in order to ensure it has sufficient and appropriate staff to work in all operation areas. Key areas include consumer focus and stakeholder

## Risks and Risk Management (continued)

engagement programs, enhancing benchmarking and adjudicative processes, and increasing the scope of advisory and program initiatives undertaken at the request of the Ontario Government. The OEB has processes in place to ensure effective knowledge transfer, targeted hiring, and that OEB staff are adequately developed to meet business demands. Such activities include operational planning, the creation of a Workforce Plan and Succession Plan, and the use of consultants to augment our workforce.

### **Reputational Risks**

*The OEB recognizes that insufficient or low-quality information being communicated to consumers and industry participants could result in consumers not being adequately or appropriately informed, which impacts their ability to effectively participate in and manage energy matters that impact them.*

The OEB continues to engage in community outreach activities to inform consumers of the broader trends in the energy sector and energy regulation, and monitors and enhances consumer engagement processes. The OEB has implemented a broad public outreach program including the Consumer Engagement Framework and Consumer Panel. The Consumer Panel engages consumers through online and face-to-face interactions. The OEB also holds community meetings and offers enhanced approaches for customer input to the adjudicative process. The OEB's Public Affairs department, coupled with a Strategic Communications Plan and Media Management Program, also assists in ensuring consistent and accurate messages are provided to consumers and industry participants.

### **Financial Risks**

*Given the increasingly heightened expectations and requirements for financial transparency and reporting, there is added complexity to ensuring internal controls over financial reporting are adequately designed and operating effectively.*

The OEB keeps abreast of all new financial and performance reporting requirements from regulators and oversight bodies by ensuring that all policies and procedures are documented so that financial information continues to be accurately captured, as well as ensuring the implementation of strong internal controls. The design and operating effectiveness of internal controls and financial policies, procedures and processes are reviewed, assessed and monitored regularly through annual external audit and periodic internal audits, as well as financial updates to the Management Committee.

# Financial Statements

Year Ended March 31, 2018

## Management's Responsibility

The Ontario Energy Board's management is responsible for the integrity and fair presentation of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. The preparation of financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods.

The Ontario Energy Board maintains systems of internal accounting controls designed to provide reasonable assurance that reliable financial information is available on a timely basis and that the Ontario Energy Board's assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed and approved by the Ontario Energy Board's Management Committee. In addition the financial statements have been audited by the Auditor General of Ontario, whose report follows.



---

**MARY ANNE ALDRED**

Chief Operating Officer & General Counsel  
June 20, 2018



Office of the Auditor General of Ontario  
Bureau du vérificateur général de l'Ontario

## Independent Auditor's Report

To the Ontario Energy Board

I have audited the accompanying financial statements of the Ontario Energy Board, which comprise the statement of financial position as at March 31, 2018 and the statements of operations and net assets, 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 Ontario Energy Board as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario  
June 20, 2018

**Bonnie Lysyk**, MBA, FCPA, FCA, LPA  
Auditor General

20 Dundas Street West  
Suite 1530  
Toronto, Ontario  
M5G 2C2  
416-327-2381  
fax 416-327-9862  
tty 416-327-6123

20, rue Dundas ouest  
suite 1530  
Toronto (Ontario)  
M5G 2C2  
416-327-2381  
télécopieur 416-327-9862  
ats 416-327-6123  
[www.auditor.on.ca](http://www.auditor.on.ca)

## Statement of Financial Position

As of March 31, 2018

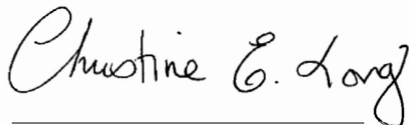
	2018	2017
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash (note 9)	\$ 16,547,004	\$ 13,274,921
Accounts receivable (note 9)	920,340	635,949
Regulatory process costs to be assessed (note 9)	2,567,787	4,547,463
Deposits and prepaid expenses	441,447	355,569
<b>Total Current Assets</b>	<b>20,476,578</b>	<b>18,813,902</b>
<b>Long-term Assets:</b>		
Capital assets (note 5)	3,772,980	3,541,382
<b>Total Long-term Assets</b>	<b>3,772,980</b>	<b>3,541,382</b>
<b>TOTAL ASSETS</b>	<b>\$ 24,249,558</b>	<b>\$ 22,355,284</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Deferred revenue (note 3b)	\$ 2,512,448	\$ 1,094,242
Accounts payable and accrued liabilities	6,798,717	6,847,048
<b>Total Current Liabilities</b>	<b>9,311,165</b>	<b>7,941,290</b>
<b>Long-term Liabilities:</b>		
Deferred revenue related to capital assets (note 3c)	3,314,542	2,820,979
Deferred rent inducement (note 8)	591,911	930,083
Pension liability (note 6b)	136,789	207,933
<b>Total Long-term Liabilities</b>	<b>4,043,242</b>	<b>3,958,995</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 13,354,407</b>	<b>\$ 11,900,285</b>
Operating Reserve (note 4)	\$ 8,400,000	\$ 8,000,000
<b>Net Assets:</b>		
Internally Restricted Net Assets (note 7)	2,495,151	2,454,999
<b>TOTAL LIABILITIES, RESERVE AND NET ASSETS</b>	<b>\$ 24,249,558</b>	<b>\$ 22,355,284</b>

See accompanying notes to financial statements

On behalf of the Management Committee:



**Rosemarie T. Leclair**  
Chair



**Christine Long**  
Vice-Chair



**Ken Quesnelle**  
Vice-Chair

## Statement of Operations and Net Assets

Year Ended March 31, 2018

	2018	2017
<b>REVENUES</b>		
<b>Recovery of Costs:</b>		
General cost recovery (note 3a)	\$ 37,422,067	\$ 35,994,760
Regulatory process costs	3,082,811	4,085,707
Regulatory process costs – OESP (note 11)	1,591,057	4,279,913
Amortization of deferred revenue related to capital assets	1,171,922	780,639
<b>Total Revenues from Recovery of Costs</b>	<b>43,267,857</b>	<b>45,141,019</b>
<b>Other Revenues:</b>		
Licence fees	396,100	396,400
Interest income (note 9)	170,920	134,016
Administrative penalties and interest (note 7)	40,152	126,724
Miscellaneous income	6,965	5,168
<b>Total Other Revenues</b>	<b>614,137</b>	<b>662,308</b>
<b>TOTAL REVENUES</b>	<b>\$ 43,881,994</b>	<b>\$ 45,803,327</b>
<b>EXPENSES</b>		
Salaries and benefits	\$ 29,322,280	\$ 28,043,034
Consulting and professional (note 11)	5,351,320	7,267,704
Publications, media and advertising (note 11)	2,940,808	4,666,850
Premises	2,881,736	2,829,533
Information technology	1,033,869	1,089,125
Meetings, training and travel	693,163	472,749
Office and administration	446,744	526,969
Amortization of capital assets paid by OEB	1,171,922	780,639
<b>TOTAL EXPENSES</b>	<b>\$ 43,841,842</b>	<b>\$ 45,676,603</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 40,152</b>	<b>\$ 126,724</b>
Net Assets, beginning of period	2,454,999	2,328,275
<b>NET ASSETS, end of period (note 7)</b>	<b>\$ 2,495,151</b>	<b>\$ 2,454,999</b>

See accompanying notes to financial statements

## Statement of Cash Flows

Year Ended March 31, 2018

	2018	2017
<b>Net inflow (outflow) of cash related to the following activities:</b>		
<b>OPERATING</b>		
Assessment billed	\$ 40,505,758	\$ 38,870,615
Regulatory process costs revenue	4,673,868	8,365,620
Other revenues	614,136	662,308
Expenses	(43,841,842)	(45,676,603)
	1,951,920	2,221,940
<b>Adjustment for Non-cash Expenses:</b>		
Amortization of capital assets paid by OEB	1,171,922	780,639
Amortization of leasehold improvements paid by Landlord	261,965	261,965
Deferred rent inducement	(338,172)	(338,172)
	1,095,715	704,432
<b>Changes in Non-cash Working Capital:</b>		
Accounts receivable	(284,392)	613,105
Regulatory process costs to be assessed	1,979,676	(2,110,930)
Deposits and prepaid expenses	(85,877)	55,966
Operating reserve	400,000	1,129,385
Accounts payable and accrued liabilities	(48,330)	43,316
Pension liability	(71,144)	(68,116)
	1,889,933	(337,274)
<b>Net Cash from Operating Activities</b>	<b>4,937,568</b>	<b>2,589,098</b>
<b>INVESTING</b>		
Maturity of investments	—	3,850,613
<b>Net Cash from Investing Activities</b>	<b>—</b>	<b>3,850,613</b>
<b>CAPITAL</b>		
Capital asset purchases	(1,665,485)	(1,781,613)
<b>Net Cash Used in Capital Activities</b>	<b>(1,665,485)</b>	<b>(1,781,613)</b>
<b>NET CHANGE IN CASH</b>	<b>3,272,083</b>	<b>4,658,098</b>
Cash, beginning of period	13,274,921	8,616,823
<b>Cash, end of period</b>	<b>\$ 16,547,004</b>	<b>\$ 13,274,921</b>

See accompanying notes to financial statements

## Notes to the Financial Statements

March 31, 2018

### 1. Nature of the Corporation

The Ontario Energy Board (the "OEB") is the regulator of Ontario's natural gas and electricity industries. The OEB also deals with energy matters referred to it by the Minister of Energy and the Minister of Natural Resources and Forestry.

Effective August 1, 2003, and pursuant to the *Ontario Energy Board Act, 1998* (the "OEB Act"), the OEB was continued as a corporation without share capital, empowered to fully recover its costs from natural gas and electricity industry participants.

As an agent of Her Majesty in right of Ontario, the OEB is exempted from federal and provincial income taxes under the *Income Tax Act*.

The OEB is classified as a government not-for-profit organization for accounting purposes.

### 2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PS), which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada. The OEB has elected to use the standards for government not-for-profit organizations that include sections PS 4200 to PS 4270.

Significant accounting policies followed in the preparation of these financial statements include:

#### a) Revenue Recognition

Revenues received in the fiscal year (FY) 2018 that relate to subsequent years are not recognized as revenue and are deferred. Recognition of revenue is matched to the expenses of the OEB as follows:

- General cost recovery under section 26 of the OEB Act related to the expenses of the OEB is recognized as revenue to the extent that the total expenses are in excess of regulatory process costs (section 30 and section 79.2), amortization of deferred revenue related to capital assets, and other revenues. When revenue is assessed in excess of actual cost in a current year, it is deferred and recognized in the following fiscal year and referred to as a true-up (note 3b).
- Revenue from administrative penalties assessed against market participants under section 112.5 of the OEB Act is recognized in the year the OEB accepts an assurance of voluntary compliance or issues the enforcement order for the amount identified, provided that the order is not under appeal and collection is reasonably assured. If the order is appealed, revenue will be recognized in the year in which all rights of appeal are exhausted and the order becomes final. Revenue from administrative penalties is not used to reduce the costs assessed under the OEB's Cost Assessment Model, but used to support activities relating to consumer education, outreach and other activities in the public interest. Both administrative penalties and their related expenses are reflected in the Statement of Operations and Net Assets and are reflected as internally restricted net assets, which are summarized in note 7 of the financial statements.
- Deferred revenue related to capital assets is recognized as revenue on the same basis that the underlying capital assets are amortized. Revenue related to capital asset expenditures is deferred because they have been billed in advance (note 3c).



- Regulatory process costs (section 30 and section 79.2 of the *OEB Act*) are recognized as revenue when related expenses are incurred.
  - Section 30 costs are regulatory process costs incurred in relation to specific proceedings and consultation processes. They are recovered from regulated entities through the cost award decisions made by the OEB in respect of those proceedings and processes. Some proceedings and consultation processes span several financial years. The OEB funds such proceedings and consultations through its operating reserve until the costs are finally recovered under section 30 of the *Ontario Energy Board Act, 1998*.
  - Section 79.2 costs are regulatory process costs related to the administration of the Ontario Electricity Support Program (OESP). Section 79.2 enables the OEB to continue to recover its OESP administration costs from the Independent Electricity System Operator (IESO). It also enables responsibility for the administration of the OESP to be transferred from the OEB to a Minister of the Crown. The OEB understands that this transfer may be deferred for an unspecified period of time.
- Other revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### ***b) Capital Assets***

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following the acquisition, as follows:

Office furniture and equipment	5–10 years
Computer software	3 or 5 years
Computer equipment	3 or 5 years
Audio visual equipment	3 years
Leasehold improvements	Remaining lease period

### ***c) Financial Instruments***

The OEB's financial instruments are initially measured at their fair value and subsequently measured in one of the following categories: (i) fair value or (ii) cost or amortized cost. The OEB uses fair value for the subsequent measurement of cash, accounts receivable, regulatory process costs to be assessed, accounts payable and accrued liabilities.

### ***d) Use of Estimates***

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards (PS) requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and recoveries for the year. Actual amounts could differ from these estimates.

## Notes to the Financial Statements (continued)

March 31, 2018

### e) Employee Pension Plans

The OEB's full-time employees participate in the Public Service Pension Plan (PSPP), which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPP, determines the OEB's annual payments to the Plan. Since the OEB is not a sponsor of the pension plan, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the OEB, as the sponsor is responsible for ensuring that the pension funds are financially viable. The OEB's expense is limited to the required contributions to the Plan as described in note 6a.

The OEB also manages a supplementary unfunded pension plan for a former Chair as described in note 6b. The OEB accrues its obligations and the related cost under this supplemental unfunded pension plan. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method, prorated on management's best estimate assumptions.

### 3. Industry Assessments for FY 2018

During FY 2018, the natural gas and electricity industry participants were assessed estimated costs for FY 2018 based on budgeted amounts. Amounts assessed in excess of actual costs are a true-up and are reported as current deferred revenue. The calculations of the general cost recovery, true-up and deferred revenue are outlined in the following tables.

#### a) FY 2018 General cost recovery

Salaries and benefits	\$ 29,322,280
Consulting and professional	5,351,320
Publications, media and advertising	2,940,808
Premises	2,881,736
Information technology	1,033,869
Meetings, training and travel	693,163
Office and administration	446,744
Amortization of capital assets paid by the OEB	1,171,922
Total expenses	43,841,842
Regulatory process costs, amortization of deferred revenue related to capital assets and other revenues excluding administration penalties and interest	(6,419,775)
<b>General cost recovery at March 31, 2018</b>	<b>\$ 37,422,067</b>

#### b) FY 2018 Current Deferred Revenue (FY 2018 True-up)

General cost recovery (note 3a)	\$ 37,422,067
FY 2018 Capital expenditures paid by the OEB	1,665,485
Operating reserve adjustment	400,000
Total assessment (actual)	39,487,552
Total assessment (budget)	42,000,000
<b>FY 2018 Current deferred revenue (FY 2018 True-up)</b>	<b>\$ 2,512,448</b>

### c) FY 2018 Deferred Revenue Related to Capital Assets

Revenues related to capital asset expenditures are deferred because they have been billed in advance with the exclusion of leasehold improvements paid by the landlord, which were not included in the assessments. As part of the leasehold inducements included in the lease agreement, the landlord paid for \$3,540,400 of leasehold improvements on behalf of the OEB since the start of the lease on January 1, 2005.

Net book value of capital assets FY 2018 (note 5)	\$ 3,772,980
Net book value of leasehold improvements paid by landlord (note 5)	(458,438)
<b>FY 2018 Deferred revenue related to capital assets</b>	<b>\$ 3,314,542</b>

## 4. Operating Reserve

As part of its self-financing status, the OEB established an operating reserve, which is adjusted on an annual basis. The primary objective of maintaining this reserve is to fund the OEB's operations in the event of revenue shortfalls or unanticipated expenditures. It is to be used for cash flow management and to support working capital requirements.

Based on the review of cash flow, the OEB has increased the maximum allowable operating reserve to 20% of the OEB's current annual funding requirement. The operating reserve is currently 20%.

### FY 2018 Operating reserve

Operating reserve as at March 31, 2017	\$ 8,000,000
Adjustment to the operating reserve	400,000
<b>Operating reserve as at March 31, 2018</b>	<b>\$ 8,400,000</b>

The OEB is not subject to any externally imposed reserve requirements.

## 5. Capital Assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net book value FY 2018</i>	<i>Net book value FY 2017</i>
Office furniture and equipment	\$ 2,821,564	\$ 2,712,365	\$ 109,199	\$ 66,860
Computer equipment	3,227,292	2,530,816	696,476	702,324
Computer software	6,675,590	4,631,086	2,044,504	1,539,359
Audio visual equipment	598,909	559,857	39,052	32,340
Leasehold improvements paid by OEB	1,576,129	1,150,818	425,311	480,096
Leasehold improvements paid by Landlord	3,540,400	3,081,962	458,438	720,403
<b>Total</b>	<b>\$18,439,884</b>	<b>\$14,666,904</b>	<b>\$ 3,772,980</b>	<b>\$ 3,541,382</b>

## Notes to the Financial Statements (continued)

March 31, 2018

### 6. Employee Future Benefits

- a) The OEB's contribution to the Public Service Pension Plan (PSPP) for FY 2018 was \$1,861,073 (2017 – \$1,885,906), and is included in salaries and benefits costs on the Statement of Operations and Net Assets.
- b) The unfunded supplemental pension plan for a former Chair had an accrued total benefit obligation of \$136,789 (2017 – \$207,933) and an accrued benefit liability with respect to the OEB of \$136,789 (2017 – \$207,933). The OEB's related expense for the year was negative \$46,476 (2017 – negative \$41,990) and is reflected in salaries and benefits costs. Benefits paid during the year were \$24,668 (2017 – \$26,126). The significant actuarial assumptions adopted at March 31, 2018 included a discount rate of 2.50% (2017 – 2.25%).
- c) The OEB is not responsible for the cost of employee post-retirement and non-pension benefits. These costs are the responsibility of the Province of Ontario, a related party.

### 7. Internally Restricted Net Assets

The internally restricted net assets at March 31, 2018 represent revenue from administrative penalties assessed against individual market participants under section 112.5 of the *Ontario Energy Board Act, 1998*. According to the OEB Cost Assessment Model, revenue from administrative penalties will not be used to reduce payments under the general assessment. Revenue from administrative penalties plus any related interest revenue is internally restricted by the Management Committee to support activities relating to consumer education, outreach and other activities in the public interest.

The changes in internally restricted net assets are as follows:

Balance, beginning of the year		\$	2,454,999
Administrative penalties issued in FY 2018	\$	10,000	
Interest revenue from administrative penalties		30,152	
Administrative penalties and interest			40,152
Expenses incurred			0
<b>Balance, end of the year</b>		<b>\$</b>	<b>2,495,151</b>

### 8. Deferred Rent Inducement and Operating Lease Commitments

The OEB entered into a lease commitment for its office space during FY 2005, which included various lease inducements. Deferred rent inducement represents the benefit of operating lease inducements which are being amortized on a straight-line basis over 15 years, being the term of the lease.

The changes in deferred rent inducements are as follows:

	FY 2018	FY 2017
Balance, beginning of the year	\$ 930,083	\$ 1,268,255
Less: Amortization of deferred rent inducement netted against premises expense	(338,172)	(338,172)
<b>Balance, end of the year</b>	<b>\$ 591,911</b>	<b>\$ 930,083</b>

The minimum base rental payments under the operating lease, expiring December 31, 2019, for the remaining one year and nine months and in aggregate are as follows:

March 31, 2019	\$ 1,100,563
December 31, 2019	825,422
<b>Total</b>	<b>\$ 1,925,985</b>

OEB is committed to pay its proportionate share of realty taxes and operating expenses for the premises, which amounted to \$1,739,187 during FY 2018 (2017 – \$1,720,853). These amounts are expected to be similar in future years.

## 9. Financial Instruments

### *Interest rate risk:*

The OEB's financial assets and liabilities are not exposed to significant interest rate risk. Cash balances earn interest at a rate ranged from 0.85% to 1.60% (2017 – 0.85%). The average cash balance interest rate for the year was 1.22% (2017 – 0.85%).

A 25 basis point change in the interest rate would impact the OEB's operating surplus by \$40,707 (2017 – \$28,468).

### *Currency risk:*

The OEB's exposure to currency risk is minimal as few transactions are in currencies other than Canadian dollars.

### *Credit risk:*

The OEB's exposure to credit risk is minimal. The OEB has minimal credit risk exposure in regard to accounts receivable due to high historical collection rates. The accounts receivable aging is summarized below:

	<i>Current</i>	<i>+60 days</i>	<i>+90 days</i>	<i>Total</i>
Regulatory process costs	\$ 380,947			\$ 380,947
HST recovery	516,003			516,003
Interest receivable	23,390			23,390
<b>Total</b>	<b>\$ 920,340</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 920,340</b>

The OEB also has minimal credit risk exposure in regard to the \$2,567,787 (2017 – \$4,547,463) of regulatory process costs to be assessed due to high historical collection rates. Included in these costs is \$647,891 to be collected by related parties.

Regulatory process costs to be assessed are costs incurred by the OEB which will be invoiced in a future fiscal year after March 31, 2018.

### *Liquidity risk:*

The OEB's exposure to liquidity risk is minimal as the OEB has a sufficient cash balance to settle all current liabilities. As of March 31, 2018, the OEB had a cash balance of \$16,547,004 (2017 – \$13,274,921) to settle current liabilities of \$9,311,165 (2017 – \$7,941,290).

## Notes to the Financial Statements (continued)

March 31, 2018

### 10. Related Party Transactions

The Province of Ontario is a related party as it is the controlling entity of the OEB. Therefore, the Independent Electricity System Operator (IESO), Ontario Power Generation (OPG), Hydro One, Ontario Ministry of Energy and Ontario Ministry of Finance are related parties of the OEB, through the common control of the Province of Ontario. The total related party transactions for FY 2018 are revenues of \$12,100,620 (2017 – \$13,713,900) and expenses of \$76,315 (2017 – \$133,071). These expenses relate to information technology and advertising expenses.

Related party transactions pertaining to employee future benefits are disclosed in note 6. Related party transactions incurred with the establishment of the Ontario Electricity Support Program (OESP) are included in note 11.

### 11. Ontario Electricity Support Program (OESP) Administration

In FY 2015, the OEB entered into contractual commitments regarding the implementation and administration of the new OESP, a new rate assistance program for low-income electricity customers, which as of January 1, 2016, provides eligible low-income customers with a monthly credit on their electricity bills. These commitments include the costs associated with the centralized service provider engaged by the OEB to administer the OESP. Costs relating to implementation ended in FY 2017. Currently the OEB incurs only administration costs to promote awareness of and expand access to the OESP. Ongoing program costs are incurred by Independent Electricity System Operator (IESO).

In FY 2018, the Statement of Operations and Net Assets has \$1,591,057 (2017 – \$4,279,913) of expenses related to the program. Section 79.2 of the OEB Act enables the OEB to recover its costs from the IESO. This section also enables responsibility for the administration of the OESP to be transferred from the OEB to a Minister of the Crown. The OEB understands that this transfer may be deferred for an unspecified period of time.

Total revenue and expenditures included in these financial statements related to OESP are as follows:

	FY 2018	FY 2017
Revenue:		
Regulatory process costs – OESP	\$ 1,591,057	\$ 4,279,913
<b>Total revenue</b>	<b>\$ 1,591,057</b>	<b>\$ 4,279,913</b>
Expenses:		
Consulting and professional	\$ 0	\$ 1,137,825
Publications, media and advertising	1,583,761	3,047,102
Other expenses	7,296	94,986
<b>Total expenses</b>	<b>\$ 1,591,057</b>	<b>\$ 4,279,913</b>

### 12. Comparative Figures

Certain prior year figures have been reclassified in order to conform to the current year's presentation.

## Management Committee



**ROSEMARIE T. LECLAIR**  
Chair & Chief Executive  
Officer



**CHRISTINE LONG**  
Vice-Chair



**KEN QUESNELLE**  
Vice-Chair



**MARY ANNE ALDRED**  
Chief Operating Officer &  
General Counsel

## Executive Team



**MARY ANNE ALDRED**  
Chief Operating Officer &  
General Counsel



**THEODORE  
ANTONOPOULOS**  
Vice President (Acting),  
Applications



**JOHN BOZZO**  
Vice President,  
Public Affairs



**BRIAN HEWSON**  
Vice President,  
Consumer Protection &  
Industry Performance



# Board Members



**CHAIR & CHIEF  
EXECUTIVE OFFICER**  
**ROSEMARIE T. LECLAIR**  
Appointed: April 6, 2011  
Term Expiry: June 30, 2020



**VICE-CHAIR**  
**CHRISTINE LONG**  
Appointed: June 13, 2012  
Term Expiry: November 3, 2018



**VICE-CHAIR**  
**KEN QUESNELLE**  
Appointed: September 6, 2005  
Term Expiry: September 5, 2018



**LYNNE ANDERSON**  
Appointed: May 10, 2017  
Term Expiry: May 9, 2019  
Full-time Board member



**ALLISON DUFF**  
Appointed: February 1, 2013  
Term Expiry: November 3, 2018  
Full-time Board member



**MICHAEL JANIGAN**  
Appointed: April 26, 2017  
Term Expiry: April 25, 2019  
Full-time Board member



**EMAD ELSAYED**  
Appointed: June 20, 2012  
Term Expiry: June 19, 2020  
Part-time Board member



**SUSAN FRANK**  
Appointed: June 3, 2015  
Term Expiry: June 2, 2020  
Part-time Board member



**CATHY SPOEL**  
Appointed: October 13, 1999  
Term Expiry: Feb 3, 2019  
Part-time Board member



**RUMINA VELSHI**  
Appointed: March 22, 2017  
Term Expiry: March 21, 2019  
Part-time Board member

**How to contact the OEB**  
**ONTARIO ENERGY BOARD**  
P.O. Box 2319  
2300 Yonge Street  
27th Floor  
Toronto, Ontario, Canada  
M4P 1E4

@OntEnergyBoard

**Website: [www.oeb.ca](http://www.oeb.ca)**

In Toronto: 416-481-1967  
Toll-free within continental North America: 1-888-632-6273  
Facsimile: 416-440-7656

**For consumer enquiries and complaints contact:**

Email: [consumerrelations@oeb.ca](mailto:consumerrelations@oeb.ca)  
In the Greater Toronto Area or from outside Canada: 416-314-2455  
Toll-free within Ontario: 1-877-632-2727

**For compliance and other regulatory enquiries contact:**

Email: [industryrelations@oeb.ca](mailto:industryrelations@oeb.ca)  
In the Greater Toronto Area or from outside Canada: 416-314-2455  
Toll-free within Ontario: 1-877-632-2727

Copies of this annual report, as well as other publications, may be obtained from the OEB.