



Annual Report

2019-2020



Energy at a Glance: 2019–2020

Protecting Consumers

Electricity distribution customers:

5,283,698

Residential and small business customers:

5,228,237

Natural gas distribution customers:

3,708,267

Residential and small business customers:

3,691,159

Sector Oversight

In the electricity sector, the OEB regulated or licensed:

66 Distributors	8 Transmitters	470 Generators	2 Agencies: Independent Electricity System Operator and Smart Metering Entity	127 Wholesalers	66 Retailers	27 Unit sub-meter providers	16 Electricity storage providers
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In the natural gas sector, the OEB regulated or licensed:

2 Distributors	30 Marketers
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Consumer Participation

\$4.7 million

Amount provided to intervenor groups to fund their participation including: residential consumers, manufacturers, farmers, landowners and Indigenous communities

Number of OEB proceedings & consultations where intervenors participated: **55**

Compliance & Enforcement

59 compliance reviews, and more than **50** compliance inspections leading to **\$274,000** in administrative penalties received

Consumer Contacts

7,727
Total interactions

Resolved complaints: 889

Information and guidance:
Responded to **6,838** enquiries

Top enquiries:
Ontario Electricity Support Program (OESP), Low-income Energy Assistance Program (LEAP), disconnections, billing and energy retailer contracts

Assistance for Low-income Energy Customers

LEAP assisted: **13,369** customers with **\$5.7 million** in emergency funding to help with their natural gas and electricity bills

OESP assisted: an average of **256,189** households a month with almost **\$181 million** in on-bill credits over the year

Energy at a Glance: 2019–2020 (continued)

Reliable and Sustainable Energy

Infrastructure

Electricity distribution system –
total assets:

\$27,238,183,219¹

\$2.3 billion¹

invested in the electricity grid

32,870 km¹

of new distribution wires and other facilities

12.2 km

of electricity transmission lines approved
for construction

Natural gas distribution system –
total assets:

\$24,698,680,485¹

\$53 million²

of natural gas pipelines and related infrastructure
approved for construction

21.1 km²

of new and replacement natural gas pipelines

Managing Costs

Average residential
monthly natural gas bill:

\$71.09

OEB's operating expenses per customer annually for 2019-2020 were **\$5.11**, down **\$0.03** as a result of the combined effect of the OEB's operating expenses increasing slightly by 0.21% and the number of natural gas and electricity distribution customers also increasing by 0.9% and 0.7% respectively.

Average residential monthly
electricity bill:

\$118.25

Rate increases of **1.21%**, on average, for **23** electricity distributors that filed annual applications for inflationary increases³

Eight electricity utilities filed major rate applications requesting **\$36.2** million in increases to distribution rates. The OEB disallowed the requested increases, and further reduced the distribution rates by an additional **\$20.2** million.

Number of rate decisions issued: **70**
Total decisions: **217**

¹ These numbers are based on RRR data submitted June 1, 2020, for the 2019 fiscal year and are subject to change by the reporting entities. Electricity distributors have started to report secondary lines as part of their total km of lines, which accounts for the large year-over-year increase relative to the last annual report.

² Source: OEB decisions approving pipeline projects applications pursuant to section 90 of the OEB Act (OEB File Numbers EB-2018-0188;EB-2018-0226;EB-2019-0218)

³ The annual applications for inflationary increases reflected in this report are based on decisions the OEB issued during the 2019-2020 fiscal year. As a result of the COVID-19 emergency, the OEB issued 31 IRM decisions (and 1 partial decision) on April 16, 2020, rather than on March 31 as planned. As these decisions were issued outside of the 2019-2020 fiscal year, they have not been taken into account in this annual report.

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VISION

The OEB supports and guides the continuing evolution of the Ontario energy sector by promoting outcomes and facilitating 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
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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.

Executive Summary

We are pleased to provide the following annual report, which includes the Ontario Energy Board's (OEB) financial statements for the fiscal year ending March 31, 2020, our Risks and Risk Management Summary and a report on our performance. The performance results described in this annual report reflect the OEB's performance against our 2019-2022 Business Plan, which was approved by the Minister of Energy, Northern Development and Mines in April 2019. On May 9, 2019, the government passed legislation that will, when proclaimed into force, materially change the OEB's corporate governance structure. We expect to transition to our new governance structure in the 2020-2021 fiscal year, and to align our operational priorities to the performance expectations that we anticipate will be articulated in a Ministerial Mandate Letter to be sent to the Chair of the OEB's new Board of Directors.

An important step in the transition was the appointment of Mr. Richard Dicerni as Special Advisor to the OEB in early February 2020, working within the existing governance structure until the new structure comes into force. Mr. Dicerni's appointment as Chair of the new OEB Board of Directors has been approved effective on proclamation of the legislative provisions that create the new governance structure.

In fiscal year 2019-2020, the OEB continued to focus on our core work, including setting energy rates, protecting energy consumers and encouraging the energy sector to become more responsive to consumers' expectations for value, quality of service, choice and control.

We also maintained our emphasis on continuous improvement so that we remain well equipped to

guide and support the ongoing evolution of the energy sector.

Setting rates for regulated energy utilities.

Eight electricity utilities filed major rate applications requesting \$36.2 million in increases to distribution rates. The OEB disallowed the requested increases, and further reduced the distribution rates by an additional \$20.2 million. This resulted in a net reduction of revenues by \$56.4 million compared to what the utilities requested. Additionally, we reviewed 23 applications from electricity utilities seeking annual inflationary adjustments, resulting in an increase in rates of 1.21 per cent on average, a level of increase that remains below the rate of inflation.

We also decided three applications from electricity utilities requesting approval to amalgamate or acquire another utility. We approved all of these applications.

In accordance with changes in legislation, the OEB resumed setting Regulated Price Plan (RPP) prices under section 79.16 of the *Ontario Energy Board Act, 1998*, effective November 1, 2019. The government introduced an expanded rebate (the Ontario Electricity Rebate, or OER), providing bill relief that reduces the pre-HST amount of eligible customers' bills by 31.8 per cent. We provided guidance to utilities and other regulated entities on implementation of the OER, to ensure that the new rebate was properly reflected on eligible customers' bills on a timely basis.

Protecting energy consumers. We implemented new customer service rules for electricity and natural gas utilities and unit sub-meter providers to enhance consumer protection throughout the province. The new rules came into effect in two

Executive Summary (continued)

waves (July 1, 2019, and March 1, 2020) following a major, comprehensive review and extensive consultation in 2018. The new rules cover a wide range of topics, including disconnections, security deposits and billing. These rules now also apply to rate-regulated natural gas utilities, reflecting feedback from consumers who told us they expect the same level of service from both electricity and natural gas utilities.

The OEB undertook more than 50 inspections of regulated entities for compliance with legal and regulatory requirements. Inspections where non-compliance was identified resulted in \$1.2 million in refunds to consumers and \$274,000 in administrative penalties through Assurances of Voluntary Compliance given by regulated entities. We received 889 complaints which were analyzed with most being resolved and 59 files being escalated for a compliance review. Staff took appropriate steps to address any compliance issues and facilitate resolution between the regulated entity and the complainant.

We also continued our work to assist low-income energy consumers. The Ontario Electricity Support Program, a program we administer that is now funded through provincial revenues, assisted an average of 256,189 low-income households a month with almost \$181 million in on-bill credits over the year. In addition, the Low-income Energy Assistance Program assisted 13,369 electricity and natural gas customers facing disconnection for non-payment through \$5.7 million in emergency funding.

Preparing for tomorrow. A number of initiatives during the year supported our focus on ensuring that our regulatory framework remains equipped

to support an evolving energy sector. We launched an integrated consultation on Utility Remuneration and Responding to Distributed Energy Resources (DERs). These initiatives are designed to support the evolution of the sector by evaluating new ways to remunerate utilities and facilitating investment in DER generation or storage on the basis of their value to consumers. In September 2019, and again in February 2020, the OEB brought together a diverse set of industry, consumer, and other sector participants to discuss how best to define the scope, objectives and other elements of these important initiatives. These consultations reflected a refreshed approach to stakeholder engagement, in keeping with the OEB's commitment to clear, open and transparent stakeholder processes in policy consultations, and allowed the OEB to hear directly from nearly 50 different stakeholder groups. A separate consultation was also launched that specifically focused on ways to streamline and improve the efficiency of the connection process for distributed energy resources.

This year also marked the first full year of operation of the OEB Innovation Sandbox. The Sandbox is an informal, accessible way for utilities and other companies to get regulatory advice or explore temporary relief from a regulatory requirement for new ideas, products, services or business models that have the potential to provide benefit for consumers. A number of parties made use of the Sandbox in its first year, and information regarding Sandbox activities has been reported on our Sandbox website.

Executive Summary (continued)

Improving regulatory processes and measuring our performance. One of our key areas of focus is on finding ways to improve our regulatory processes. This year we identified a number of opportunities to simplify some of our reporting requirements. For reporting of commodity deferral and variance accounts and customer numbers, we reduced the frequency of reporting from a quarterly to an annual basis, and made changes that improve the consistency of major event response reporting.

The data provided by utilities, including financial and non-financial information, is used to monitor utility performance and inform the further development of our work. We also redesigned and improved the overall efficiency and effectiveness of the data submission system, based on industry feedback.

Significant progress was made on our initiative to transition to an entirely electronic record for all regulatory proceedings, working with Archives Ontario. When it launches in early 2020-2021, it will eliminate the requirement to submit two hard copies of documents, reducing administrative costs for stakeholders and the OEB, and increasing transparency and access to records for the public.

We also began to implement our Performance Measurement Framework, developed last year, that will help us measure progress on the achievement of broader organizational goals and outcomes. The intent is to assess the impact of the full array of policy, operational and strategic activities that the OEB undertakes from year to year, in order to measure whether the outcomes desired for Ontario's energy sector are being achieved. Work over the period focused on testing

and refining the initial performance indicators and on the development of baselines for future measurement.

Responding to the COVID-19 pandemic. Just prior to the end of the 2019-2020 fiscal year, the COVID-19 outbreak caused unprecedented disruption to work and life around the world, and here in Ontario. It was declared a global pandemic by the World Health Organization on March 11 and an emergency by the Government of Ontario on March 17. The OEB responded by making a number of operational changes – leading up to and in the weeks following the official declaration – to help protect employees, stakeholders and consumers. On March 16, the OEB mobilized our business continuity plan and implemented a work-from-home program that enabled our work to continue seamlessly. The majority of employees were up and running remotely within 24 hours, and the work-from-home program was fully operational within two weeks.

The OEB took a number of actions to assist consumers and the companies that we regulate at a time of extraordinary social and economic uncertainty. For consumers, we:

- extended the winter disconnection ban to July 31, also applying it for the benefit of small business customers, and provided guidance to utilities on providing relief to customers during the COVID-19 emergency.
- took steps to ensure that utilities quickly implemented the Government of Ontario's March 24 Emergency Order fixing time-of-use electricity prices at the off-peak price of 10.1 ¢/kWh for all hours of the day, seven days a week. This pricing remained in place until May 31.

Executive Summary (continued)

- ensured our Public Information Centre remained open, enabling our team to answer questions from concerned consumers, and we used our digital and social media channels to ensure broad awareness of energy sector initiatives of importance to consumers.

We also implemented a series of immediate measures to assist regulated entities as they continue to serve their customers under new and unique constraints. For industry, we:

- waived the requirement for utilities to submit hard copies with each electronic filing in regulatory proceedings.
- extended the deadline for the annual filings that licensees and natural gas utilities are required to make under our Reporting and Record-Keeping Requirements.
- created new deferral accounts to allow utilities to track impacts associated with the COVID-19 emergency.
- found innovative solutions to enable our hearing work to continue, including changing a planned in-person settlement conference for a utility's major rate application to an online video format, conducted entirely remotely.
- provided guidance to industry and responded to enquiries about the implementation of initiatives aimed at providing financial relief for their customers.

These are examples of how the OEB is ensuring the seamless continuity of our important adjudicative and consumer protection work in these unprecedented times. We are proud of the way OEB leadership, Board Members and employees have responded in keeping the needs

of consumers and industry at the forefront during this crisis and in moving our regulatory agenda forward.

While the end of the 2019-2020 fiscal year period will be remembered as one of unprecedented disruption and uncertainty, the year as a whole was marked by significant achievement as an organization. As the OEB marks our 60th anniversary in 2020, we remain committed to serving the public interest, and look forward to strengthening our role as a responsible and responsive energy regulator under our new governance structure.

Our Performance

The OEB measures its performance using a balanced scorecard approach. Performance indicators are put in place to support four strategic goals defined in the 2019-2022 Business Plan:

- 1. Utilities are delivering value to consumers in a changing environment**
- 2. Utilities and other market participants are embracing innovation in their operations and the products they offer consumers**
- 3. Consumers have confidence in the oversight of the sector and in their ability to make choices about products and services**
- 4. The OEB has the resources and processes appropriate for the changing environment**

An independent firm assessed the OEB's performance for the fiscal year ending March 31, 2020, in achieving the initiatives set out in the 2019-2022 Business Plan as approved by the Minister of Energy, Northern Development and Mines in April 2019. Our performance results speak only to the degree of achievement of the key programs in that approved Business Plan, as verified by the auditor.

The following FY 2019-2020 Balanced Scorecard describes the key programs for each of the four strategic goals in our approved 2019-2022 Business Plan, together with an indication of whether the key program was achieved or only partially achieved.

The Balanced Scorecard was amended to reflect key activities affected by government policy or changes or pending changes to legislation or regulations, which are outside of the OEB's control. As the transition to the OEB's new governance structure was ongoing throughout the 2019-2020 fiscal year, the OEB acted with prudence and shared with stakeholders our decision to defer further external stakeholder engagement activities on a number of initiatives. As a result, changes to certain key activity deliverables were made. The affected items are identified by an asterisk next to them. In addition, while two key programs from the 2019-2022 Business Plan were ultimately not included on the Balanced Scorecard ("Consumer Participation in Decision Making" and "Wholesale Market Oversight"), a new one was added ("Measure OEB Outcomes"). All of these changes were approved by the OEB's Management Committee.

Our Performance (continued)

Utilities are delivering value to consumers in a changing environment

KEY PROGRAMS	KEY ACTIVITIES	RESULT
<p>Gas Supply Planning During 2018, we developed a new framework for the assessment of natural gas utilities' gas supply plans. The framework requires natural gas utilities to develop five-year gas supply plans and submit them to the OEB for review. We will review a utility's performance against the plan on an annual basis. This framework will increase transparency and accountability, helping to ensure that consumers are getting value for money.</p>	Complete review of the five-year gas supply plans filed by natural gas utilities.	✓
<p>Utility Benchmarking We are expanding the scope of utility benchmarking to include a detailed evaluation of costs at the program or activity level. We expect that this initiative will drive greater cost discipline and efficiency among utilities and ultimately reduce costs for consumers. Our initial focus will be on electricity distributors and then expanding to other regulated utilities.</p>	Implement new framework for program-level benchmarking of electricity distributors in the assessment of rate applications for 2020.	✓*
<p>Natural Gas Demand Side Management We have completed the mid-term evaluation of the current Demand Side Management (DSM) Framework for Natural Gas Distributors and are continuing our work regarding the Evaluation, Measurement & Verification (EM&V) of DSM programs.</p>	Complete the EM&V of the 2017 and 2018 DSM results, implement any modifications to the DSM framework as appropriate, and initiate development of the new framework for the 2021-2026 period.	✓
<p>Updating the Electricity Distributor Scorecard To ensure that the OEB's electricity distributor scorecards provide value to consumers, we are reviewing and evaluating the scorecard.</p>	Evaluate the current scorecard and assess possible modifications.	✓
<p>Affiliate Relationships Code We will undertake a review of the affiliate relationships regulatory requirements for both electricity and natural gas utilities to ensure the requirements reflect the balance between protecting the interest of consumers and the role of utilities in an evolving energy sector.</p>	Consult with consumers and industry stakeholders to identify issues with the existing codes, including potential barriers to the evolving roles for utilities, and consider options for addressing the issues where appropriate.	0%* A staff report identifying issues and potential barriers with options for addressing issues where appropriate was not prepared.

Utilities and other market participants are embracing innovation in their operations and products they offer consumers

KEY PROGRAMS	KEY ACTIVITIES	RESULT
<p>Utility Remuneration To support the evolution of the sector, we are evaluating options for a regulatory framework that remunerates utilities in ways that make them indifferent to traditional or alternative solutions, better support their pursuit of least cost solutions, strengthen their focus on long-term value and require them to reflect the impact of sector evolution in their system planning and operations.</p>	Evaluate and consult on options, ensuring a comprehensive approach.	✓*
<p>“Smarter” Electricity Delivery Rates To encourage the efficient use of electricity infrastructure and enable greater customer choice and control, we are developing a new rate design policy for commercial and industrial electricity distribution rates and related charges.</p>	Approve a plan for implementing the new rate design for commercial and industrial electricity rates.	✓*
<p>“Smarter” Electricity Prices To provide appropriate price signals to low-volume and other Class B electricity consumers in accordance with the Regulated Price Plan (RPP) Roadmap, we are taking steps that could inform a new methodology for the RPP and carrying out related work. The OEB has initiated four pilot projects to test options regarding RPP pricing. Results from pilots currently in the field are expected by the end of 2019.</p>	Analyze the results of the RPP pilots and evaluate pricing options for RPP consumers and other consumers.	✓
<p>Distributed Energy Resources We will identify and consider new instruments and regulatory reforms that would facilitate investment in distributed energy resources (DERs) on the basis of the value to consumers. As a near-term priority, we will also evaluate current provisions of the Distribution System Code (DSC) governing the connection of loads, generators, storage and similar facilities and consider appropriate modifications.</p>	Evaluate the existing connection-related provisions of the DSC and implement modifications necessary to support immediate sector initiatives. Evaluate options regarding the evolution of a regulatory framework for DERs that focuses on value to consumers.	✓*

Consumers have confidence in the oversight of the sector and in their ability to make choices about products and services

KEY PROGRAMS	KEY ACTIVITIES	RESULT
<p>Consumer Outreach To increase consumers' confidence in the oversight of the sector and in their ability to make choices about products and services, we will enhance our engagement with consumers about the energy sector, the rights and choices consumers enjoy, and the work of the OEB.</p>	Continue and expand our program of public outreach throughout the province, and implement a range of communications programs that inform consumers about issues of importance to them.	✓
<p>Review of Customer Service Rules and Charges We are reviewing the customer service rules for natural gas and electricity distributors and for unit sub-meter providers. During early 2019, we will complete the first phase of this review regarding disconnections and related activities.</p>	Complete the second phase of the review, regarding the rules and charges relating to the management of customer accounts, billing errors and reporting requirements.	✓
<p>Low-income Energy Assistance Program (LEAP) To determine how well the LEAP emergency financial assistance program is meeting the needs of low-income energy consumers, we are evaluating the design and delivery of the program in both the electricity and natural gas sectors.</p>	Develop and implement modifications to program design and delivery as appropriate.	✓*
<p>Strengthening Utility Accountability to Customers To ensure that natural gas and electricity distributors and transmitters continue to deliver value to consumers in a changing environment, we will improve the reporting by utilities regarding the quality of the service they provide their customers.</p>	Develop new reliability measures and reporting requirements for electricity distributors and transmitters.	✓*

The OEB has the resources and processes appropriate for the changing environment

KEY PROGRAMS	KEY ACTIVITIES	RESULT
<p>Adjudicative Process Improvements To ensure the OEB’s organization and processes remain flexible and are adapted to changing needs, we are developing and implementing measures to better ensure that our review of electricity distribution cost-of-service applications is proportionate and aligned with the performance-based approach to regulation.</p>	Continue implementation of the process enhancements, especially to incorporate the new approach to program-level benchmarking.	✓*
<p>Evaluation of Policy on Utility Consolidations (MAADs) The OEB will review the MAADs policy with a view to assessing how well it has met its stated objectives and to identify and implement any modifications that may be required.</p>	We will review our experience with the MAADs policy as it has been applied since implementation and identify areas that require modification.	✓
<p>Measure OEB Outcomes Continue development and refinement of an outcome-based performance measurement framework that enables the OEB to assess the cumulative effects of the full array of policy, operational and strategic activities that the organization undertakes from year to year.</p>	Conduct an initial measurement of results for 2018 in order to test the operation of the Performance Measurement Framework, help to establish appropriate baselines and allow for any calibration as may be appropriate.	✓
<p>Enhancing OEB Performance To ensure our organization has the expertise, resources and processes appropriate for the changing environment, we will identify the attributes of high-performing tribunals and establish a framework through which continuous improvement will be encouraged, measured and achieved.</p>	Assess the performance of the OEB with respect to high-performing tribunals and identify any areas of improvement.	75% Council of Canadian Administrative Tribunals (CCTA) survey or equivalent to assess year over year stakeholder review of performance improvement was not administered.

Our Performance (continued)

Performance measures

The OEB is committed to the principle 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. In fiscal 2019-2020, all metrics were met.

OEB ACTIVITY	OBJECTIVE	RESULTS ACHIEVED
Consumer calls	Answer incoming calls within 20 seconds (90%)	96.8%
Consumer correspondence	Respond to general correspondence within 10 business days (85%)	100.0%
Consumer voicemail messages	Respond to voicemail received by 12:30pm within the same day (80%)	97.7%
Consumer voicemail messages	Respond to voicemail received after 12:30 pm by the next business day before 12:30 pm (80%)	99.5%
Consumer satisfaction	Overall satisfaction survey score (80%)	91.6%
Consumer complaint letters	Mail complaint follow-up letters to consumer within two business days (80%)	97.3%
Consumer complaint letters	Mail a follow-up letter to consumers after receiving a response from the licensee within two business days (80%)	91.9%
Consumer enquiry letters	Mail enquiry response letters within two days (80%)	96.7%
Industry Relations enquiries	Respond to Industry Relations enquiries within 10 days (90%)	94.3%
Regulatory applications	Issue final decisions in accordance with metrics established by Management Committee (80%)	90.1%
Innovation Sandbox Process	Meet with parties within 20 days of an initial request to do so (100%)	100.0%
Innovation Sandbox Process	Issue decision, where required, on Sandbox proposal in accordance with metrics (100%)	Sandbox decisions, if required, must be issued within 185 calendar days. There were no Sandbox decisions required for issuance in FY 2019-2020.

Outcomes-Based Performance Measurement Framework

The OEB is continuing with the development, refinement and implementation of a new Performance Measurement Framework in order to measure whether the outcomes desired for Ontario's energy sector are being achieved.

Historically, we have tracked our performance through the achievement of specific project milestones over a given period. While this practice will continue, we are now also measuring progress on broader organizational goals and outcomes to allow us to assess the cumulative effects of the full array of policy, operational and strategic activities that the organization undertakes from year to year.

The Performance Measurement Framework consists of two elements: a logic model, which lays out how areas of the OEB work together to deliver on key objectives for the organization as a whole, and a set of outcomes and indicators. The indicators measure progress towards the outcomes identified in the logic model.

Work over the last year focused on testing and refining the initial indicators that were developed for inclusion in the 2019-2022 Business Plan; a major element of this work was the development of baselines and initial results based on 2018 data. These activities allowed us to confirm or refine the definition of indicators, as well as to create new ones and replace others. Most indicators are still in the initial or defined stage of maturity, suggesting that they may require refinement and adjustment over time.

A focus on continuous improvement will enable objectives to become more refined and for new measures to be introduced. The next planned step will be to assess results from 2019. This activity will allow us not only to assess our progress towards our sector and ultimate outcomes, but also to test further the operation of the Performance Measurement Framework itself. A review of the way it is working will also provide an opportunity to confirm, refine or update performance indicators as a result of changes that may arise in the course of the OEB's transition to a new governance structure.

Financial Performance

The following provides an overview of the Ontario Energy Board's financial performance by cost category.

- A. Section 26 costs are the total of operating expenses and capital expenditures for the fiscal year, including operating reserve adjustment (if applicable), less other funding sources (mainly section 12.1 licence fees) and excluding any costs recovered under section 30 or section 79.2 of the *Ontario Energy Board Act, 1998* and any revenues related to administrative penalties. Section 26 costs are underspent by \$4.3M compared to the approved budget of \$44.3M. The majority of the budget variance results from transition savings resulting from unfilled vacancies and a change in the OEB's priorities related to projects.
- B. Section 30 costs are regulatory process costs incurred in relation to specific proceedings and consultation processes. Section 30 costs are underspent by \$1.1M compared to the approved budget of \$5.5M. The majority of the budget variance results from a change in the OEB's priorities related to projects.
- C. Section 79.2 costs are regulatory process costs related to the administration of the Ontario Electricity Support Program (OESP). Section 79.2 costs are not financially material to the OEB's Financial Statements. Section 79.2 costs are now included within the section 30 regulatory process costs revenue line of the Statement of Operations and Net Assets.

Report on Regulatory Costs

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

The following two measures are identified:

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

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

	OEB					
	2019-2020		2018-2019		2017-2018	
Electric Customers ^{a,b}		5,283,698		5,238,802		5,188,601
Natural Gas Customers ^{a,b}		3,708,267		3,681,393		3,636,612
Measure #1: Operating Expense per Customer (\$/customer)	\$	5.11	\$	5.14	\$	4.97
3-Year Rolling Average	\$	5.07	\$	5.12	\$	5.31
Operating Expenses ^c	\$	45,958,237	\$	45,860,613	\$	43,841,842
Measure #2: Percentage Change in Operating Expenses		0.21%		4.60%		-4.02%
3-Year Rolling Average		0.27%		-2.14%		6.61%

Notes:

- Source: Information reported to the OEB under Reporting & Record Keeping Requirements (RRR), on June 1, 2020, for the year ending December 31, 2019.
- Updated 2018-2019 and 2017-2018 data based on the finalized RRR customer data.
- 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 sections 30 and 79.2 of the *Ontario Energy Board Act, 1998* of \$4,355,053 in 2019-2020; \$4,716,246 in 2018-2019, and \$4,673,868 in 2017-2018. 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

OEB’s operating expenses per customer annually for 2019-2020 were \$5.11, down \$0.03 as a result of the combined effect of the OEB’s operating expenses increasing slightly by 0.21% and the number of natural gas and electricity distribution customers also increasing by 0.9% and 0.7% respectively.

Measure #2: Percentage Change in Operating Expenses

From 2018-2019 to 2019-2020, operating expenses have remained consistent. (See the Statement of Operations and Net Assets in the OEB’s financial statements later in this annual report for more details).

Cost Awards

Section 30 of the *Ontario Energy Board Act, 1998*, 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.

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 ordered to pay these expenses to the OEB for specific proceedings and consultation processes.

Stakeholder costs represent expenses that regulated entities are ordered 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 2019-2020 fiscal year:

	2020
OEB’s costs recoverable under section 30	
– natural gas proceedings	\$ 2,583,543
– electricity proceedings	1,771,510
Stakeholder costs recovered through section 30 cost awards for consultation processes initiated by the OEB	
– natural gas proceedings	275,773
– electricity proceedings	86,859
Intervenor costs recovered through section 30 cost awards for proceedings initiated by applicants	
– natural gas proceedings	1,032,174
– electricity proceedings	3,272,083
Total 2019-2020 Cost Award Activity	\$ 9,021,942

Risks and Risk Management

Overview

The OEB faces various risks that could 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

On May 9, 2019, Bill 87, the *Fixing the Hydro Mess Act, 2019*, was given Royal Assent. The legislation includes provisions that will, when proclaimed into force (expected in FY 2020-2021), change the OEB's corporate governance structure and realign roles, responsibilities and accountabilities amongst a Board of Directors led by a Chair, a Chief Executive Officer and Commissioners (currently called Board Members), including a Chief Commissioner.

In 2019-2020, the OEB's risk governance structure continues to include 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, associated mitigating processes and control activities, and the effect on the 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 the OEB's organizational capacity in responding to changes in a timely manner, which impacts the OEB's ability to effectively execute its regulatory role.

Risks and Risk Management (continued)

The 2019-2020 fiscal year saw significant changes in public policy and new legislation affecting the OEB.

As mentioned on the previous page, the *Fixing the Hydro Mess Act, 2019* received Royal Assent on May 9, 2019. The legislation includes provisions that, once proclaimed into force, will change the OEB's corporate governance structure. The OEB continues to work closely with the Ministry to ensure the success of the government's initiative to refresh our governance structure.

Other government policy developments during 2019-2020 include developments in electricity pricing, an initiative to further expand access to natural gas and federal carbon pricing.

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 consider the need for new programs, policies and procedures.

In 2019-2020, the OEB further refined and tested its outcomes-based Performance Measurement Framework. Once fully specified, the Framework is expected to provide another means by which the OEB can measure whether the outcomes desired for Ontario's energy sector are being achieved.

As a means of staying abreast of sector developments, the OEB continues to monitor closely developments in other jurisdictions.

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. IT infrastructure upgrades continue to be implemented on a regular basis.

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

Risks and Risk Management (continued)

ensure it has sufficient and appropriate staff to work in all operation areas. Key areas include enhancing benchmarking and adjudicative processes.

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 affect them.

The OEB engages in outreach activities to inform consumers of developments in energy regulation and consumer protection matters. Through its Consumer Panel, the OEB engages consumers through online and face-to-face interactions and seeks Consumer Panel input into the OEB's policy work as well as communications plans and products. 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 that internal controls over financial reporting are adequately designed and operating effectively.

The OEB keeps up-to-date on 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. In addition, the OEB is annually subject to audits or reviews by governmental offices, such as the Office of the Integrity Commissioner, which report on the OEB's continued compliance with various directives and financial requirements applicable to government agencies.

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, 2020

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.



Ian Malpass

Vice President, Finance & Information Technology

June 4, 2020



Independent Auditor's Report

To the Ontario Energy Board

Opinion

I have audited the financial statements of the Ontario Energy Board (OEB), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OEB as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the OEB's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the OEB either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Independent Auditor's Report (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OEB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the OEB's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the OEB to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Toronto, Ontario
June 4, 2020

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

Statement of Financial Position

As of March 31, 2020

	2020	2019
ASSETS		
Current Assets:		
Cash (note 9)	\$ 18,898,236	\$ 16,485,514
Accounts receivable (note 9)	554,210	1,340,386
Regulatory process costs to be assessed (note 9)	2,512,258	3,478,549
Deposits and prepaid expenses	625,537	428,717
Total Current Assets	22,590,241	21,733,166
Non-current Assets:		
Capital assets (note 5)	3,186,522	3,236,237
Total Non-current Assets	3,186,522	3,236,237
TOTAL ASSETS	\$ 25,776,763	\$ 24,969,403
LIABILITIES		
Current Liabilities:		
Deferred revenue (note 3b)	\$ 4,282,622	\$ 2,296,647
Accounts payable and accrued liabilities	6,646,599	8,187,937
Deferred rent inducement (note 8)	-	253,739
Total Current Liabilities	10,929,221	10,738,323
Non-current Liabilities:		
Deferred revenue related to capital assets (note 3c)	3,186,522	3,039,763
Pension liability (note 6b)	120,003	134,642
Total Non-current Liabilities	3,306,525	3,174,405
TOTAL LIABILITIES	\$ 14,235,746	\$ 13,912,728
Operating Reserve (note 4)	\$ 8,514,000	\$ 8,514,000
Net Assets:		
Internally Restricted Net Assets (note 7)	3,027,017	2,542,675
TOTAL LIABILITIES, RESERVE AND NET ASSETS	\$ 25,776,763	\$ 24,969,403

Commitments and Contingencies (note 8 & 11)

See accompanying notes to financial statements

On behalf of the Management Committee:



Robert Dodds

Vice-Chair

Statement of Operations and Net Assets

Year Ended March 31, 2020

	2020	2019
REVENUES		
Recovery of Costs:		
General cost recovery (note 3a)	\$ 38,562,517	\$ 39,066,798
Regulatory process costs	4,355,053	4,716,246
Amortization of deferred revenue related to capital assets	1,305,379	1,367,335
Total Revenues from Recovery of Costs	44,222,949	45,150,379
Other Revenues:		
Ministry of Energy, Northern Development and Mines (note 10)	1,002,244	-
Administrative penalties and interest (note 7)	484,342	47,524
Licence fees	423,600	404,400
Interest income (note 9)	289,610	298,834
Miscellaneous income	19,834	7,000
Total Other Revenues	2,219,630	757,758
TOTAL REVENUES	\$ 46,442,579	\$ 45,908,137
EXPENSES		
Salaries and benefits	33,199,761	31,753,339
Consulting and professional	5,610,590	5,664,184
Premises	2,890,126	3,059,586
Information technology	1,040,621	1,083,755
Publications, media and advertising	819,099	1,610,556
Meetings, training and travel	666,386	827,381
Office and administration	426,275	494,477
Amortization of capital assets paid by OEB	1,305,379	1,367,335
TOTAL EXPENSES	\$ 45,958,237	\$ 45,860,613
EXCESS OF REVENUES OVER EXPENSES	\$ 484,342	\$ 47,524
Net Assets, beginning of period	2,542,675	2,495,151
NET ASSETS, end of period (note 7)	\$ 3,027,017	\$ 2,542,675

See accompanying notes to financial statements

Statement of Cash Flows

Year Ended March 31, 2020

	2020	2019
Net inflow (outflow) of cash related to the following activities:		
OPERATING		
Assessment billed	\$ 42,000,630	\$ 39,943,552
Regulatory process costs revenue	4,355,053	4,716,246
Other revenues	2,219,630	757,758
Expenses	(45,958,237)	(45,860,613)
	2,617,076	(443,057)
Adjustment for Non-cash Expenses:		
Amortization of capital assets paid by OEB	1,305,379	1,367,335
Amortization of leasehold improvements paid by Landlord	196,474	261,965
Deferred rent inducement	(253,739)	(338,172)
	1,248,114	1,291,128
Changes in Non-cash Working Capital:		
Accounts receivable	786,176	(420,046)
Regulatory process costs to be assessed	966,291	(910,762)
Deposits and prepaid expenses	(196,820)	12,730
Operating reserve	-	114,000
Accounts payable and accrued liabilities	(1,541,338)	1,389,220
Pension liability	(14,639)	(2,147)
	(330)	182,995
Net Cash from Operating Activities	3,864,860	1,031,066
CAPITAL		
Capital asset purchases	(1,452,138)	(1,092,556)
Net Cash Used in Capital Activities	(1,452,138)	(1,092,556)
NET CHANGE IN CASH	2,412,722	(61,490)
Cash, beginning of period	16,485,514	16,547,004
Cash, end of period	\$ 18,898,236	\$ 16,485,514

See accompanying notes to financial statements

Notes to the Financial Statements

March 31, 2020

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, Northern Development and Mines 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.

On May 9, 2019, Bill 87, the *Fixing the Hydro Mess Act, 2019* was given Royal Assent. The legislation contains provisions that, among other things, will, when proclaimed into force (expected in FY 2021), change the OEB’s corporate governance structure and realign roles, responsibilities and accountabilities amongst a board of directors, a chair, a chief executive officer and commissioners, including a chief commissioner.

2. Significant Accounting Policies

a) Basis of financial statement preparation

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, which reflect the significant accounting policies.

b) Revenue recognition

Revenues received in the fiscal year (FY) 2020 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).
- 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*.

Notes to the Financial Statements (continued)

March 31, 2020

- Section 79.2 costs are regulatory process costs related to the administration of the Ontario Electricity Support Program (OESP). Section 79.2, together with Ontario Regulation 14/18 made under the *OEB Act*, enables the OEB 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. At this time, the OEB is not aware of any plans to transfer the administration of the OESP.
- 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).
- 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 under section 26, 30 and 79.2 of the *OEB Act*, 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.
- 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.

c) 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	remainder of initial lease term

d) 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.

e) Use of estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards

Notes to the Financial Statements (continued)

March 31, 2020

(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. Items requiring the use of significant estimates include pension liability and useful life of capital assets. Actual amounts could differ from these estimates.

f) 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 plan is 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

During FY 2020, the natural gas and electricity industry participants were assessed estimated costs for FY 2020 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) General cost recovery

	FY 2020	FY 2019
Salaries and benefits	\$ 33,199,761	\$ 31,753,339
Consulting and professional	5,610,590	5,664,184
Premises	2,890,126	3,059,586
Information technology	1,040,621	1,083,755
Publications, media and advertising	819,099	1,610,556
Meetings, training and travel	666,386	827,381
Office and administration	426,275	494,477
Amortization of capital assets paid by the OEB	1,305,379	1,367,335
Total expenses	45,958,237	45,860,613
Regulatory process costs, amortization of deferred revenue related to capital assets and other revenues excluding administration penalties and interest	(7,395,720)	(6,793,815)
General cost recovery	\$ 38,562,517	\$ 39,066,798

Notes to the Financial Statements (continued)

March 31, 2020

b) Current deferred revenue (True-up)

	FY 2020	FY 2019
General cost recovery (note 3a)	\$ 38,562,517	\$ 39,066,798
Capital expenditures paid by the OEB	1,452,138	1,092,556
Operating reserve adjustment	0	114,000
Total assessment (actual)	40,014,655	40,273,354
Total assessment (budget)	44,297,277	42,570,001
Current deferred revenue (True-up)	\$ 4,282,622	\$ 2,296,647

c) 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. The current balance is zero as the initial lease expired on December 31, 2019.

	FY 2020	FY 2019
Net book value of capital assets (note 5)	\$ 3,186,522	\$ 3,236,237
Net book value of leasehold improvements paid by landlord (note 5)	0	(196,474)
Deferred revenue related to capital assets	\$ 3,186,522	\$ 3,039,763

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 19.2%.

	FY 2020	FY 2019
Operating reserve, beginning of the year	\$ 8,514,000	\$ 8,400,000
Adjustment to the operating reserve	0	114,000
Operating reserve, end of the year	\$ 8,514,000	\$ 8,514,000

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

Notes to the Financial Statements (continued)

March 31, 2020

5. Capital Assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net book value FY 2020</i>	<i>Net book value FY 2019</i>
Office furniture and equipment	\$ 2,507,902	\$ 2,417,656	\$ 90,246	\$ 118,233
Computer equipment	3,623,955	3,090,265	533,690	524,974
Computer software	8,380,232	6,192,299	2,187,933	2,152,768
Audio visual equipment	729,974	599,467	130,507	41,605
Leasehold improvements paid by OEB	1,813,937	1,569,791	244,146	202,183
Leasehold improvements paid by landlord	3,540,400	3,540,400	0	196,474
Total	\$ 20,596,400	\$ 17,409,878	\$ 3,186,522	\$ 3,236,237

6. Employee Future Benefits

- The OEB's contribution to the Public Service Pension Plan (PSPP) for FY 2020 was \$2,094,936 (2019 - \$2,005,060), and is included in salaries and benefits costs on the Statement of Operations and Net Assets.
- The OEB has an unfunded supplemental pension plan for a former Chair. The significant actuarial assumptions adopted at March 31, 2020 included a discount rate of 2.00% (2019 – 2.25%). The OEB's pension expense, included in salaries and benefits costs, is shown below:

Components of Net Periodic Pension Cost	FY 2020	FY 2019
Current service costs	\$ 0	\$ 0
Interest costs	2,799	3,135
Actuarial loss (gain)	3,025	17,503
Costs arising in the period	5,824	20,638
Difference between costs arising in the period and costs recognized in the period in respect of actuarial loss (gain)	0	0
Net periodic pension cost recognized	\$ 5,824	\$ 20,638

The total benefit obligation and the accrued benefit liability with respect to the OEB is as follows:

Change in Accrued Benefit Obligation	FY 2020	FY 2019
Accrued benefit obligation, beginning of the year	\$ 134,642	\$ 136,789
Current service costs	0	0
Interest costs	2,799	3,135
Benefits paid	(20,463)	(22,785)
Actuarial loss (gain)	3,025	17,503
Accrued benefit obligation, end of the year	\$ 120,003	\$ 134,642

Notes to the Financial Statements (continued)

March 31, 2020

- 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, 2020 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:

	FY 2020	FY 2019
Balance, beginning of the year	\$ 2,542,675	\$ 2,495,151
Administrative penalties issued in the year	429,000	0
Interest revenue from administrative penalties	55,342	47,524
Expenses incurred	0	0
Balance, end of the year	\$ 3,027,017	\$ 2,542,675

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 the term of the lease (15 years) ending on December 31, 2019.

The changes in deferred rent inducements are as follows:

	FY 2020	FY 2019
Balance, beginning of the year	\$ 253,739	\$ 591,911
Less: Amortization of deferred rent inducement netted against premises expense	(253,739)	(338,172)
Balance, end of the year	\$ 0	\$ 253,739

The OEB extended its lease commitment for its office space for an additional five years ending December 31, 2024. The minimum base rental payments under the operating lease, expiring December 31, 2024 and in aggregate are as follows:

FY 2021	\$ 1,490,156
FY 2022	1,574,954
FY 2023	1,721,556
FY 2024	1,868,158
FY 2025 – 9 months	1,483,582
Total	\$ 8,138,406

Notes to the Financial Statements (continued)

March 31, 2020

OEB is committed to pay its proportionate share of realty taxes and operating expenses for the premises, which amounted to \$1,619,716 during FY 2020 (2019 - \$1,948,859).

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 ranging from 1.39% to 2.10% (2019 – 1.60% to 2.10%). The average cash balance interest rate for the year was 2.04% (2019 – 1.89%).

A 25 basis point change in the interest rate would impact the OEB's operating surplus by \$42,475 (2019 - \$45,889).

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	\$ 133,658	\$ 2,915	\$ 8,401	\$ 144,974
General cost recovery	1,000		7,195	8,195
Admin Penalty	10,000			10,000
HST recovery	379,506			379,506
Interest receivable	24,389			24,389
Allowance for Doubtful Accounts			(12,854)	(12,854)
Total	\$ 548,553	\$ 2,915	\$ 2,742	\$ 554,210

The OEB also has minimal credit risk exposure in regard to the \$2,512,258 (2019 - \$3,478,549) of regulatory process costs to be assessed due to high historical collection rates. Included in these costs is \$683,852 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, 2020.

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, 2020, the OEB had a cash balance of \$18,898,236 (2019 - \$16,485,514) to settle current liabilities of \$10,929,221 (2019 - \$10,738,323).

Notes to the Financial Statements (continued)

March 31, 2020

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 Electricity Financial Corporation (OEFEC), Infrastructure Ontario, Ontario Ministry of Energy, Northern Development and Mines 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 2020 are revenues of \$13,314,519 (2019 - \$11,825,087) and expenses of \$585,410 (2019 - \$367,307). These expenses relate to consulting and professional costs, information technology, advertising and leasing services. Revenues relate to general cost recovery, regulatory process costs, and funding from the Ministry of Energy, Northern Development and Mines to cover organizational restructuring including severance costs.

Related party transactions pertaining to employee future benefits are disclosed in note 6.

11. Contingencies

Contingencies refer to possible legal claims that have been made against the OEB, the ultimate outcome of which cannot be predicted with certainty. Management does not expect that the outcome of the claims against the OEB will have a material and adverse effect on its results and does not believe any provisions for losses are necessary at this time. No amounts have been recognized in the accounts for claims made against the OEB. Any settlements will be accounted for at the time of settlement.

Board Members

CHAIR & CEO

ROSEMARIE T. LECLAIR

*Appointed: Apr 6, 2011
Term Expiry: Apr 30, 2019*

VICE-CHAIR

KEN QUESNELLE

*Appointed: Sep 6, 2005
Term Expiry: Sep 5, 2018
Seized as per s 4.3 of the
Statutory Power Procedure
Act, transferred to Part-time
Board Member status -
December 1, 2019*

VICE-CHAIR

ROBERT DODDS

*Appointed: Nov 21, 2018
Term Expiry: Nov 20, 2020*

LYNNE ANDERSON

*Appointed: May 10, 2017
Term Expiry: Sep 1, 2020
Full-time Board Member*

ALLISON DUFF

*Appointed: Feb 1, 2013
Term Expiry: Nov 3, 2018
Full-time Board Member
Seized as per s 4.3 of the
Statutory Power Procedure
Act, transferred to Part-time
Board Member status -
December 1, 2019*

JENNI BYRNE

*Appointed: Feb 21, 2019
Term Expiry: Feb 20, 2020
Full-time Board Member
Resigned August 30, 2019*

MICHAEL JANIGAN

*Appointed: Apr 26, 2017
Term Expiry: Sep 12, 2020
Full-time Board Member*

CATHY SPOEL

*Appointed: Oct 13, 1999
Term Expiry: Sep 12, 2020
Part-time Board Member*

EMAD ELSAYED

*Appointed: Jun 20, 2012
Term Expiry: Jun 19, 2020
Part-time Board Member*

SUSAN FRANK

*Appointed: Jun 3, 2015
Term Expiry: Jun 2, 2020
Part-time Board Member*

Total remuneration: \$1,820,214.31

This information reflects the status of appointments as of March 31, 2020.

Contact Information

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Toll-free within Ontario: 1-877-632-2727

For compliance and other regulatory enquiries contact:

Email: industryrelations@oeb.ca

In the Greater Toronto Area or from outside Ontario: 416-314-2455

Toll-free within Ontario: 1-877-632-2727

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