John Moon

From:	John Moon
Sent:	February 21, 2018 1:42 PM
To:	Mike.Smith@ontario.ca
Cc:	Ceiran Bishop
Subject:	OEB Business Plan: Additional Information Request regarding

Hello Mike,

I understand Ministry staff would like the OEB to include additional information in its Business Plan regarding the leasehold capital expenditure budget.

OEB staff has incorporated those comments into a revised draft budget section included below (see highlighted text). Additionally, as requested, OEB staff disaggregated OESP costs from S.30 costs **. Please note these revisions have not been vetted by Management Committee.**

Can Ministry staff please review the below revisions and provide any comments by noon tomorrow.

Thank you,

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Please note my email address has changed to john.moon@oeb.ca Please update your address book accordingly.

ONTARIO ENERGY BOARD

2018-2021 BUDGET

2018-2021 Budget Summary

The Budget for the 2018-2021 planning period reflects the expenditures necessary to achieve the strategic goals as set out in this Business Plan. In particular, the proposed increase in budgeted headcount (from 178 to 192 FTEs) will provide additional capacity in the key areas of engineering, quantitative analysis and related disciplines. This additional capacity will equip the OEB to move forward with its commitment to the proportional review of applications and strengthen its internal capabilities regarding benchmarking, reporting, and performance measurement and evaluation.

Anticipated annual increases in employee compensation and lease inflation factors also contribute to the budgetary increases over the three-year planning period.

The 2018-2021 Budget includes expenditures of approximately $2.7 million on leasehold improvements (LHI), furniture and audio visual equipment (AV) and associated operating expenses of $300 thousand, related to the renovation of the OEB office space and funded through the operating reserve explained under *Key Assumptions* below. The required renovations include the followings:

- Redesign of the OEB's space, including hearing and public meeting rooms, to provide better access for both consumers and stakeholders to the OEB facilities; accommodate the OEB's expanded Public Affairs function; and improve divisional and operating synergies by locating divisions and departments together. The space redesign budget over the next three years is $2.1 million (LHI $1.7M, AV $150K, furniture $50K, and associated operating expenses of $200K) and the majority of work is planned to be performed during FY 2019-20 ($1.7M).

- Sustain the OEB's premises by replacing aging infrastructure such as carpet, HVAC, office furniture and equipment (which have not been replaced since the first major renovation of the OEB facilities in 2004) to ensure that the office space is a safe environment for employees and consumers. The sustainability budget over the next three years is $1 million (LHI $750K, furniture $251K, and associated operating expenses of $100K).

  The renovation project had been reflected in the approved 2017-2020 Budget but was subsequently delayed. This project will be funded by using the OEB's operating reserve balance, as originally proposed in the 2017-2020 Budget.

"Section 30 costs and section 79.2 costs" are excluded from the 2018-2021 budget set out below.

- "Section 30 costs" are 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. The "section 30" budget is $6.1 million for the 2018-2019 financial year, $5.5 million for the 2019-2020 financial year, and $5.0 million for the 2020-2021 financial year.

- "Section 79.2 costs" are costs related to the administration of the Ontario Electricity

Support Program (OESP) that are recoverable under section 79.2 of the Act. The *Fair Hydro Act, 2017* includes an amendment to the Act that would replace the current section 79.2. When proclaimed, the new section 79.2 would, among other things, enable the OEB to continue to recover its OESP administration costs. It would also enable 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 of responsibility may be deferred for some as-yet unknown period of time, and the OEB has therefore developed its budget for section 79.2 costs on the basis of the assumption that the OEB will be responsible for administration of the OESP during the three-year planning period. The “section 79.2” budget is $1.5 million in each of the next three years.

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 or section 79.2 of the *Ontario Energy Board Act, 1998*.

Key Assumptions

As a self-financing entity, the OEB has established an operating reserve. That reserve is adjusted each year. The primary purpose of this reserve is to fund the OEB's operations in the event of revenue shortfalls or unanticipated expenditures. It is also used to manage cash flows and to support working capital requirements. The operating reserve can be up to 20 per cent of the OEB's current annual funding requirement. During the 2018-2021 planning period, the operating reserve will range between 12 per cent and 19 per cent. As noted above, the OEB intends to use part of the operating reserve to fund approximately $3 million of renovations in the 2018-2021 budget.

Revenue from administrative penalties, assessed against individual regulated entities under s.112.5 of the *Ontario Energy Board Act, 1998,* are not used to reduce the costs assessed under the OEB's *Cost Assessment Model.* These funds are internally restricted to support only those activities relating to consumer education, outreach and other activities in the public interest.

An interest rate of 1.1 per cent has been assumed for the operating reserve and the accumulated balance in the administrative penalty fund.