



# Leading Change and Transformation

2016–2017 Annual Report



# Energy at a Glance: 2016

## Reliable and Sustainable Energy

### Infrastructure

Electricity distribution system –  
total assets:

**\$24,762,218,264<sup>1</sup>**



Natural gas distribution system –  
total assets:

**\$18,074,221,266<sup>1</sup>**



**\$2.2 billion**

invested in the electricity grid, enabling

**18,166 km**

of new distribution wires and other facilities

**9.7 km**

of electricity transmission lines approved  
for construction



**\$1.7 billion**

invested in natural gas infrastructure, enabling

**57.9 km**

of new and replacement natural gas pipelines

- 40 km in the Township of Dawn-Euphemia and in the Municipality of Chatham-Kent
- 7 km in the Municipality of Leamington
- 3.7 km in the City of Greater Sudbury
- 3.8 km in the City of Windsor
- 3.4 km in the City of Pickering

### Conservation and Demand Management

Electricity saved:

**1.15 billion kWh**

enough to power

**128,200 homes<sup>2</sup>**



Natural gas saved:

**160 million m<sup>3</sup>**

enough to heat

**70,800 homes<sup>3</sup>**



## Managing Costs

Average residential monthly  
electricity bill:

**\$138.47**

Average residential monthly  
natural gas bill:

**\$66.95**

Rate decreases of **0.1%**,  
on average, for  
**50** electricity distributors  
that filed annual applications  
for inflationary increases

OEB's operating expenses per  
customer annually for 2016–2017  
**\$5.25**, down \$0.46 due to  
the Ontario Electricity Support Program  
moving from the implementation to  
administration phase

About **\$22.3 million**  
in avoided rate increases  
achieved from our review of  
**10** major rate applications  
filed by electricity distributors

Number of decisions  
issued:

**291**

<sup>1</sup> Source: 2016 Yearbooks of Electricity/Natural Gas Distributors

<sup>2</sup> Based on verified 2016 CDM savings results reported by the Independent Electricity System Operator

<sup>3</sup> Preliminary results from Enbridge's and Union's 2015 Draft DSM Annual Reports submitted to the OEB; 2016 results were not available at the time this report was prepared.

## Protecting Consumers

Electricity distribution customers:

**5,111,254**

Residential and small business customers:

**5,054,673**



Natural gas distribution customers:

**3,581,123**

Residential and small business customers:

**3,565,012**



### Sector Oversight

In the electricity sector, the OEB regulated or licensed:

**76**

Distributors

**6**

Transmitters

**452**

Generators

**2**

Agencies:  
Independent Electricity  
System Operator and  
Smart Metering Entity

**111**

Wholesalers

**55**

Retailers

**28**

Unit  
sub-metering  
providers

**8**

Electricity  
storage  
providers

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

**3**

Distributors

**35**

Marketers

### Consumer Participation

Held **15** community meetings in  
**12** locations throughout Ontario  
about major rate applications

**\$5.1 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: **67**

### Compliance and Enforcement



Consumer  
contacts:  
**9,300**



Resolved  
complaints:  
**1,600**



Information  
and guidance:  
**7,500**

#### Top issues:

Disconnection process, cancellation  
of retail contracts, billing errors,  
unable to resolve customer service  
issues, notice of disconnection

**31** compliance inspections  
**6** enforcement proceedings

**\$106,500** in administrative  
penalties received in 2016–2017

### Assistance for Low-Income Energy Consumers

Low-income Energy Assistance  
Program assisted

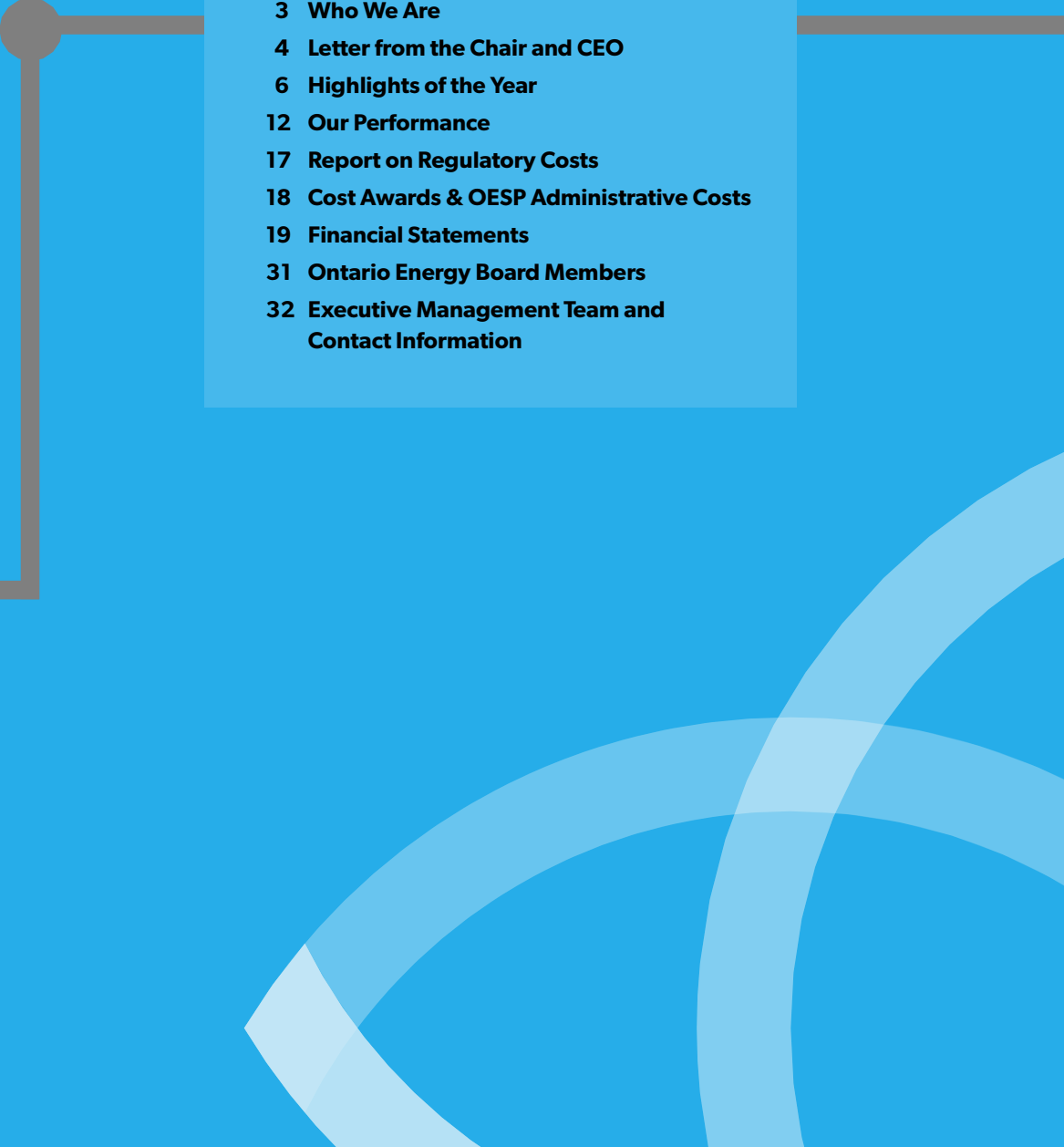
**19,600** customers

with **\$8.4 million** in emergency funding  
to help with their natural gas and electricity bills

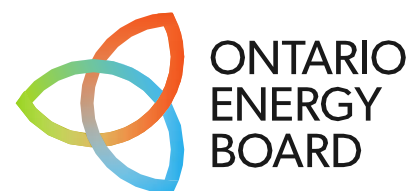
Ontario Electricity  
Support Program assisted

**167,000+** households

with nearly **\$59 million**  
in on-bill credits



|           |                                                              |
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## Who we are

**The Ontario Energy Board is an independent regulatory body.**

Our mandate and authority come from the *Ontario Energy Board Act, 1998*, the *Electricity Act, 1998*, and a number of other provincial statutes including: the *Energy Consumer Protection Act, 2010*, the *Municipal Franchises Act*, the *Oil, Gas and Salt Resources Act*, the *Assessment Act*, and the *Toronto District Heating Corporation Act*.

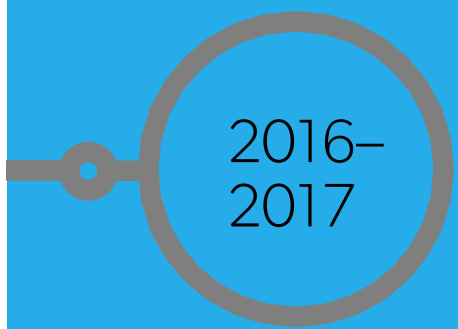
We help consumers get value from their natural gas and electricity services. We also make decisions and provide advice to the government in order to contribute to a sustainable, reliable energy sector in Ontario. We do this by:

- Establishing rates and prices that are reasonable to consumers and that allow utilities to invest in the system
- Encouraging higher performance from natural gas and electricity utilities and measuring progress
- Making consumers' own usage, and the broader energy issues, easier to understand
- Looking out for consumer interests, investigating complaints and applying penalties, where appropriate
- Thinking about the long-term needs of Ontario's energy sector and developing regulatory policy to meet emerging challenges.

## How we work

**Our actions are guided by the following principles:**

- **Transparency:** We strive for transparency in all our dealings with stakeholders.
- **Integrity:** We treat our stakeholders with integrity, and we act with integrity.
- **Openness:** We actively engage with our stakeholders and are open to hearing different points of view.
- **Responsiveness:** We stay attuned to the issues and challenges that are important to our stakeholders.
- **Efficiency:** We are committed to ensuring Ontario's energy system and local utilities operate efficiently.



2016–  
2017

## Letter from the Chair and CEO

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



**In the energy sector, trust used to refer to consumers' confidence in their utilities to keep natural gas and electricity flowing safely and reliably to their homes and businesses. It was bred in the belief that when a customer flips the switch, the commodity would be delivered.**

That hasn't changed. But with rapid technological advancements and unprecedented innovation in our sector, trust now requires more than simply blind faith: It depends on meaningful information and transparency.

From our research, and through everyday interactions at our call centre and public meetings, we know that Ontario's energy customers want more information than ever before. More information about billing and rates. More information about their utilities' performance. More information about how the energy sector actually works. And they're looking to their energy regulator to provide answers that are unbiased and easy to understand.

That's absolutely fine with us. How else can we be relevant if we're not tapped into the people whose lives are affected by our decisions? And how else can we be trusted, if we're not transparent?

Energy consumers are right to seek assurance that their energy dollars are spent wisely. This is a key priority for the OEB. This year, we disallowed 37 per cent of the

rate increases, on average, that electricity utilities asked for, demanding even greater efficiency from them and insisting they control their costs. We also continued to position Ontario's energy system for a safe and reliable future by ensuring that utilities invested \$2.2 billion and \$1.7 billion, respectively, in the electricity and natural gas grids.

Delivering value to consumers directly was another key priority this year, and we reached out to them more directly and more frequently than ever before. At community meetings in places such as Innisfil, Essex, Welland, and Cochrane, we listened and learned about customer concerns with their energy system. In discussions with our 100-member Consumer Panel, we saw first-hand how important plain language needs to be in all of our consumer communications. With the panelists' help, we also developed a new website that is more responsive to consumers' information needs. And based on the 167,000 households being helped through the new Ontario Electricity Support Program, we received compelling proof of the value that comes from putting the right program into the hands of those who need it most, at just the right time.

Transparency is at the very heart of trust. By being open with information, providing ready answers to questions, backing up words with facts, and acting consistently, trust grows incrementally.



And that's our ultimate goal. We now have robust internal and external frameworks in place to position Ontario's energy sector for a future that is more performance-based, more outcome-driven, and more customer-centric than ever before. These frameworks will allow us to pull in the information we need to make sound decisions – and to push out the information that customers need to do the same – all with the objective of ensuring quality service from utilities, reasonable rates for consumers, and a reliable and safe energy system for Ontario.

The OEB's evolution into a more relationship-based, customer-centric regulator has been a challenging journey, but a necessary one. And it's not over yet. I am proud of the work our Board members and staff have done so far to enable this transformative shift, and appreciate the input and collaboration we received this year from energy consumers, stakeholders and industry colleagues.

Maintaining trust in the sector is one of the most important things we all can do to help strengthen and lead Ontario's energy future.

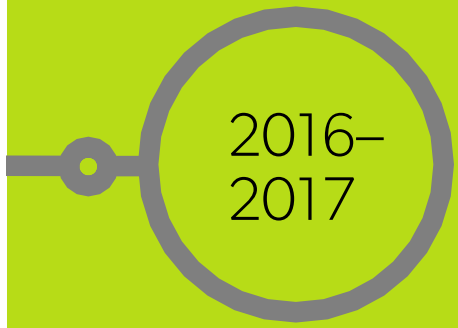
Sincerely,



**ROSEMARIE T. LECLAIR**

Chair and Chief Executive Officer  
Ontario Energy Board

"This year, we disallowed 37 per cent of the rate increases, on average, that electricity utilities asked for, demanding even greater efficiency from them and insisting they control their costs."


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# Highlights of the Year

## The value we delivered

This year, a key focus of our work was to ensure consumers continued to receive value for their energy dollars.

Our adjudicative and decision-making process is an example of this priority in action. After careful scrutiny of 10 major electricity distribution rate applications, we disallowed 37 per cent of the rate increases, on average, that electricity utilities asked for. Where possible, we encouraged them to become more efficient. At the same time, we strove to balance greater efficiency with greater reliability, by ensuring utilities continued to make prudent investments in Ontario's energy system.

Value is both a qualitative and a quantitative outcome. In keeping with our business plan (2016–2019), we multiplied the number of ways in which consumers could let their voices be heard. For example:

- We continued to tap into the **Consumer Panel** established last year (see sidebar), in order to better understand the questions consumers have about our energy system, as well as the OEB's role as an independent regulator and trusted advisor to government on issues in the public interest.
- We visited 12 communities across Ontario and held 15 **Community Meetings** where we heard consumers voice their opinions about major rate applications.
- We made it a requirement for utilities to use social media and other digital channels to disseminate information about major applications, in addition to using print media.

- We attended 45 **public meetings and events**, where we answered questions about everything from distribution rate applications to rates to billing terminology to consumers' rights.

This input informs not only our decision-making process, but also provides real-life context that keeps us in touch with everyday consumer issues.

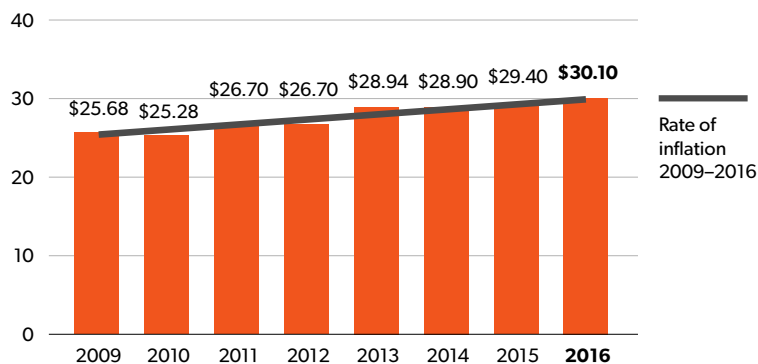
To ensure consumers have up-to-date information about the OEB, as well as access to the facts they need to navigate the energy system, we completely **redesigned our website** – [www.oeb.ca](http://www.oeb.ca) – using plain language and adding new online tools.

We also delivered value through innovation. The **Ontario Electricity Support Program (OESP)** is an example of how we worked outside of a more traditional regulatory box to address an important social issue. The OESP provides monthly on-bill credits to help reduce the electricity bills of lower-income customers. This year, the first full year of the program, we assisted more than 167,000 households and applied credits of nearly \$59 million on their utility bills. In recognition of these efforts, the OEB won a prestigious CAMPUT (Canada's Energy and Utility Regulators) Award for Innovation and Leadership. An evaluation plan is currently in place to monitor the program's success and identify areas for improvement.

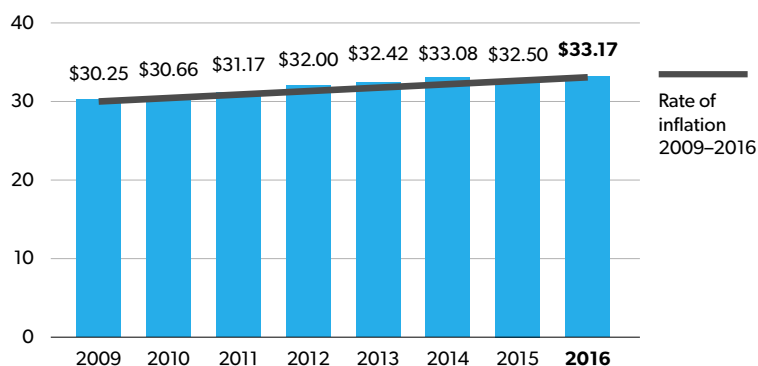
In terms of policy-driven innovation, we responded to a government request for advice about whether there should be a **special electricity rate for First Nation communities**. To prepare our response, we engaged with 50 First Nation communities at seven meetings

across Ontario, including remote communities, the distributors serving them, and consumer groups. With input from an advisory committee representing the views of First Nation communities, we developed a series of options. In December, we submitted our report for the government's consideration. The preferred option is now part of Ontario's *Fair Hydro Act, 2017*.

### Electricity: Monthly distribution charges



### Natural Gas: Monthly delivery charges



The OEB's role is to weigh increases in electricity distribution and natural gas delivery rates with investments made to upgrade aging infrastructure. These charts show that since 2009 electricity distribution and natural gas delivery rates have been kept at or near the rate of inflation.

## What the Consumer Panel does

We actively seek consumer input to improve our processes and achieve better results. We do this with support from our Consumer Panel. Since it was created in 2015, the panel has helped to:

- Shape consumer documents and tip sheets associated with new energy marketing rules in the *Energy Consumer Protection Act* (effective January 2017).
- Rewrite and reconfigure our website [www.oeb.ca](http://www.oeb.ca) to make it more consumer friendly. The new website launched in March.
- Develop and fine-tune the Consumer Charter, released in May.
- Inform the development of materials used at community meetings.

**"We create what is going to be written in the future for consumers. It's wonderful to know you were involved in something like that."**

– Member of Consumer Panel

**"Thank you very much for your help. Yes, [the utility] emailed me with apologies saying that it's their mistake, and closed the file and removed all records and collections. Also, they attached a confirmation letter. Thank you very much again, your help is important to me!"**

– Consumer feedback



## Highlights of the Year

### The promises we kept

Acting in the public interest means keeping promises – every day.

In our business plan (2016–2019), we committed to both protect and empower consumers. To protect them, in January, we announced **new rules under the revised Energy Consumer Protection Act, 2010**, that, among other things, forbid energy retailers from asking consumers to sign up for an energy contract while they are at their home. We also overhauled the documents that retailers are required to show consumers before signing up for an energy contract, simplifying the language and presenting information in a clearer, more understandable format.

We also launched our **new Consumer Charter** – the very first of its kind in Canada. With input from our Consumer Panel and an industry working-group, the Charter outlines electricity and natural gas consumers' rights and responsibilities, and also commits the OEB to protecting those rights. It clearly explains the six rights consumers have under existing rules and regulations, including the right to:

- Safe and reliable service
- Accurate and timely bills
- Fair security deposit policies
- Fair disconnection and reconnection practices
- Fair, reasonable and timely complaint resolution process
- Personal privacy.

Through new legislation that came into effect in February, the OEB was granted authority to **prohibit electricity utilities from disconnecting service during the winter months**. We acted on this authority by banning utilities from disconnecting or threatening to disconnect homes for non-payment for the balance of the winter, and requiring that homes be reconnected as soon as possible without charge. We also began a review of other existing customer service rules to ensure they reflect an appropriate balance between consumer protection and the ongoing operational needs of utilities.

On matters of compliance and enforcement, we continued to review a broad range of compliance issues covering everything from energy marketing to licensing infractions, and from sub-metering cases to utility readiness to support the new Ontario Electricity Support Program. Specifically, **we conducted 31 inspections**, which led to **six enforcement proceedings**.

To support our customer-centric and outcome-based mandate, we invested in new back-office systems, including a fully **upgraded IT infrastructure** and a new content management system. We also invested in a new **consumer engagement system** which captures information related to stakeholders who attend our community meetings.

Our consumer protection mandate is also reflected in the way we set distribution rates for electricity and natural gas utilities, and in the way we manage commodity pricing. For the first, we look for evidence of

reasonable prices, good reliability and quality service. When it comes to electricity, the *Fair Hydro Act, 2017*, will define how commodity prices are set so as to provide a 25 per cent discount to the monthly bill of an average 'proxy' residential customer. After April 30, 2018, bill increases for the proxy customer will be held to the rate of inflation.

To protect consumers and the energy system over the long-term, we built on the goals set out last year in the Regulated Price Plan (RPP) Roadmap and developed **RPP Pilot Guidelines** in order to begin exploring new priority price and non-price options through pilot projects.

Five utilities made complete pilot submissions. **Pilots from Alectra Utilities, London Hydro and Oshawa Power and Utilities Corporation**, involving roughly 18,000 customers, are expected to begin in late 2017 and remain in effect for one year. Remaining applications are under review.

The approved pilots will determine if:

- The price structure enables the electricity system to operate more efficiently without hindering investment;
- Both prices and the price structure provide consumers with incentives and opportunities to reduce their electricity bills by shifting their time of electricity use and reducing their peak demand;

- Providing more information and feedback to energy consumers helps them better understand the impact their energy use decisions have on their monthly bills.

Enrolled customers will pay actual pilot prices. A 12-month study period will allow us to assess customer acceptance, understanding and willingness to pay for certain price features. Pilot results will be available in 2019.

**"The RPP pilots are price-based experiments that will allow real-world experience and customer preference to shape a re-vamped approach to the way electricity is priced. Ultimately, the goal is to unlock more value for the electricity system and consumers alike."**

– Ceiran Bishop, Manager, Strategic Policy, OEB

**"It was really valuable to learn about the OEB ... [it] means we tell more people in our community about where information is. Being able to provide input into a clear user-friendly website and a [Consumer] Charter was worth my time."**

– Ruth, Consumer Panel Member



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## Highlights of the Year

### The challenges we addressed

Fundamental changes are occurring within the energy sector, enabled by technological advancements in the way energy is produced, transported and consumed. While new smart grid technology marks a sea change in terms of enhancing electricity system reliability and utility performance, for example, it also carries risks related to the privacy of consumer information and the security of the grid itself.

In response to this new type of risk, we convened an industry-wide working-group last year to examine best practices that would help **mitigate and/or respond to cyber-security threats on a North America-wide basis**. This year, we continued to work with industry to develop a framework that will help protect critical infrastructure in Ontario. The framework, which launches on January 1, 2018, creates a common approach to assessing risk levels and preparedness. It also establishes control objectives, offers guidance on evaluation and compliance, and maintains accountability within each utility.

The province's new **cap and trade program** was announced in 2016 and implemented in January 2017. The OEB developed a regulatory framework to establish how natural gas utilities could recover the costs of cap and trade through rates (see page 11 sidebar).

We undertook research into the experiences of other jurisdictions (specifically Québec and California) in addressing the regulatory issues related to cap and trade programs. In April, we organized a series of meetings to discuss the key elements that Ontario's

regulatory framework should include. In May, we issued a staff paper that outlines our position for addressing these issues, along with various options.

Also in the natural gas sector, we seized the opportunity to establish a common framework in order to **enable the expansion of natural gas service** to Ontario communities that do not have access to natural gas and are uneconomic to serve under existing rates. The new framework allows for 'stand alone' rates or surcharges which reflect the higher costs associated with connecting natural gas service to these communities.

**Industry consolidation** is another example of the OEB's responsiveness to the changes that are quickly transforming Ontario's energy sector. This year, there was one major consolidation, which the OEB approved in December. The coming together of PowerStream, Horizon Utilities, Enersource and Hydro One Brampton makes Alectra Utilities the second-largest municipally owned electric utility by customer base in North America, with over one million customers. We expect more of these consolidations in the future, as local hydro companies and their shareholders consider transactions that can create greater efficiencies and benefits for their customers, and as they make available the resources required to deliver the technological advancements and service innovations that customers expect.

As technology evolves, and as customer profiles and customer needs adapt, our role as an independent regulator also continues to change. This year, in keeping with our focus on outcomes and utility performance,

we produced a **new Handbook for Utility Rate Applications** that outlines key principles and expectations for rate applications. The Handbook applies to all rate-regulated utilities, with a goal of helping them plan for the outcomes required to operate as efficiently as possible. These outcomes are reflected in utilities' annual scorecards, available on [www.oeb.ca](http://www.oeb.ca). This new Handbook is in addition to the **Handbook to Electricity Distributor and Transmitter Consolidations**, released last year, which guides applicants, shareholders and customers on how the OEB will assess the merits of utilities' consolidation applications.

### Ontario's Cap and Trade Program

What does Ontario's new cap and trade program mean for consumers?

- It is a central part of the province's solution to fight climate change and is intended to reduce Greenhouse Gas (GHG) emissions in the province.
- Natural gas utilities are now required to comply with the cap and trade program, including purchasing emission credits called 'allowances' for the GHGs that are created when natural gas is used by the utilities and by their residential and some of their business customers.
- Residential customers pay a charge for emissions related to their use of natural gas including home and water heating. The charge is included in the delivery line on their utility bill.
- Putting a price on carbon gives residential and business customers an incentive to cut emissions and conserve energy.

**"When the OEB called us all together to begin discussions about a framework for identifying best practices in the area of cyber-security, what I found most refreshing was their willingness, as the regulator, to drive for consensus. We were all there as peers, all of us focused on a self-administered diagnostic tool to assess our level of risk. Also, our discussions generated a good amount of awareness across our broader sector on cyber-security issues, and from my perspective that was a really valuable outcome."**

– Todd Wilcox, President and Chief Operating Officer, North Bay Hydro and Past Chair, Electricity Distributors Association

**"Alectra Utilities worked hard to present a strong business case to the OEB in which we identified significant financial benefits for customers from our merger and the acquisition of Hydro One Brampton. Working efficiently through the regulatory approval process allowed us to meet our timelines and hit the ground running to build the new Alectra. As we transition into a modern, integrated energy services company, we will continue to rely on our strong working relationship with the OEB and work with them to deliver value to our customers and shareholders alike."**

– Brian Bentz, President and CEO, Alectra Inc.

**"Community meetings and consumer outreach allow us to hear directly from the people who pay the bills through a process that is as convenient and unintimidating as possible. We hear consumers' questions, concerns and comments first-hand and take this information back to the hearing room, where it is really changing the way we review applications and make decisions. I wasn't sure how it was going to work out at first, but now that I see the positive difference it is making for consumers and our hearing process, I'm really glad we're sticking to it."**

– Kristi Sebalj, Registrar, Ontario Energy Board

## Our Performance

The OEB measures its performance using a balanced scorecard approach. Performance indicators are put in place to support four primary objectives defined in the 2016–2019 Business Plan objectives:

1. Empowering consumers
2. Enhancing utility performance
3. Enabling access to competitive energy choices; and
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 **97 per cent success** in achieving the 2016–2019 Business Plan objectives.

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

## 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.

In this planning period, the OEB will leverage its newly established Consumer Panel to engage more directly with consumers early on in order to implement regulation that not only reflects the evolution of the energy sector and considers the broader public interest, but that also delivers outcomes that are meaningful to those who pay the bill.

We will also look for opportunities to further enhance accessibility to the adjudicative process for the average residential and small business consumer by implementing enhanced consumer representation tools and processes, including community meetings and other approaches identified in our recently completed review of best practices in consumer representation models.

Finally, we will continue our commitment to improving energy literacy by enhancing the tools and information the OEB makes available to consumers to better understand their energy choices and the performance of their natural gas and electric utilities.

| INITIATIVE                                                       | PRIORITY ACTIONS                                                                                                                                                                                                                                                                                                                                              | AUDIT SCORE                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Consumer Outreach</b>                                         | Effective community outreach and engagement, supported by a new Public Affairs function, to enhance the quality, quantity and accessibility of resources available to energy consumers.<br><br>Engage Consumer Panel as an additional resource to access public input, test engagement products and regulatory policy direction.                              |                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Consumer Representation in Decision Making</b>                | Operationalize new consumer representation model to ensure effective and transparent consumer representation in OEB proceedings.<br><br>Enhance accessibility to the adjudicative process for residential and low-volume consumers by taking OEB hearings to the communities impacted by the application and providing enhanced opportunities to participate. | <b>90%</b><br>Developing a Consumers' Guide to the OEB's Hearing Process took longer than anticipated and was not completed in the timeframe.                                                                                                                                                                                                                                                                                                                                                         |
| <b>Consumer Protection</b>                                       | Develop a Consumer Charter/Consumer Bill of Rights.<br><br>Consider approaches to enhancing the OEB's oversight capacity to better respond to and "advocate" for consumers.                                                                                                                                                                                   | <b>83%</b><br>Consultations on an improved complaint process were undertaken but not completed. We focused efforts on providing consumers with important information on their rights, responsibilities and how the OEB can assist them with complaints about utilities. Relying on the existing complaints handling process allowed the earlier completion of the Charter. A revised and improved complaints handling process will be rolled out in 2018 as part of improvements in customer service. |
| <b>Ontario Electricity Support Program (Ministerial Request)</b> | Implement Ontario Electricity Support Program (OESP) to provide ongoing rate relief for low-income consumers.<br><br>Conduct ongoing evaluation and maintenance of the program as required.                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Energy Consumer Protection Act (Ministerial Request)</b>      | Complete review of the <i>Energy Consumer Protection Act, 2010</i> , and implement approved measures, as appropriate.                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>First Nations Rate Assistance (Ministerial Request)</b>       | Respond to Minister's request for advice on First Nations rates.                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Retail Transportation Fuels Pricing (Ministerial Request)</b> | Respond to Minister's request for advice on Retail Transportation Fuels Prices.                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                  |
|                                                                  |                                                                                                                                                                                                                                                                                                                                                               | <b>TOTAL: 95%</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

# Our Performance (continued)

## 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. Creating an environment that supports utility financial integrity and enhances operational performance is essential to realizing that objective.

In this planning period, the OEB will continue with initiatives designed to enable utilities to undertake better planning, optimize investment decisions, and prioritize and pace expenditures to better manage impacts on consumers. We will also look to ensure that regulatory policies encourage innovation, support consolidation and appropriately reflect changing utility business risks.

| INITIATIVE                            | PRIORITY ACTIONS                                                                                                                                                                                                                                                                     | AUDIT SCORE                                                                           |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <b>Good Governance</b>                | Develop guidance for regulated utilities on best practices in corporate governance to encourage governance which protects consumers and enhances consumer and investor confidence in regulated entities.                                                                             |    |
| <b>Optimal Investment Decisions</b>   | Review rate setting policies in support of infrastructure planning and investment decisions with a view to improving incentives for optimal decision making.                                                                                                                         |    |
| <b>Gas Supply Planning</b>            | Complete a review of gas supply planning by gas utilities and any other matters stemming from the annual Natural Gas Market Review, including review of the gas Quarterly Rate Adjustment Mechanism (QRAM) to ensure that utilities are meeting customer needs in an optimal manner. |    |
| <b>Performance Monitoring Network</b> | Establish effective reporting frameworks and enhanced auditing and benchmarking mechanisms and capacity to undertake business analytics to assist the OEB in enhancing utility performance.                                                                                          |  |
|                                       |                                                                                                                                                                                                                                                                                      | <b>TOTAL: 100%</b>                                                                    |

## 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 will need to ensure that its regulatory policies and processes are reflective of this evolution while continuing to reflect its public interest and consumer protection mandates.

In this planning period, the OEB will continue to evolve our regulatory policies to keep pace with the evolution of the energy sector. We will focus on improving rate design that will provide greater customer choice, support Conservation First and other public policy directions, and enable greater access to energy options for all consumers. We will also increase our oversight of cyber-security readiness.

| INITIATIVE                                             | PRIORITY ACTIONS                                                                                                                                                                                                                                                                                  | AUDIT SCORE                                                                           |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <b>Smarter Electricity Delivery Rates</b>              | Complete and implement changes in distribution rates for residential electricity customers to support the efficient use of electricity infrastructure, and formulate and assess options for changes to rate design for non-residential electricity customers.                                     |    |
| <b>Cyber-Security</b>                                  | Further develop a risk-based cyber-security regulatory framework for OEB oversight of electricity distributor protection of consumer data and distribution network security.                                                                                                                      |    |
| <b>Smarter Electricity Prices</b>                      | Develop a revised methodology for the Regulated Price Plan and implement as approved. Include an assessment of options for a more efficient allocation of supply costs under the Global Adjustment to encourage conservation by providing understandable price signals to customers.              |  |
| <b>Gas Demand-side Management Framework Evaluation</b> | Continue to evolve the framework through studies including achievable potential for natural gas savings in Ontario and the use of demand-side management to defer infrastructure investments. Evaluate the performance of the framework by June 1, 2018.                                          |  |
| <b>Cap and Trade</b>                                   | Develop and implement the necessary regulatory framework to address rate making issues arising from the cap and trade program.                                                                                                                                                                    |  |
| <b>Evolving Energy Sector</b>                          | Complete a review of Ontario's energy services market, identify emerging trends and their implications for prices, services, infrastructure utilization, and regulated businesses in Ontario. Address any regulatory barriers that limit ability of valued energy services to compete in Ontario. |  |
|                                                        |                                                                                                                                                                                                                                                                                                   | <b>TOTAL: 100%</b>                                                                    |

# Our Performance (continued)

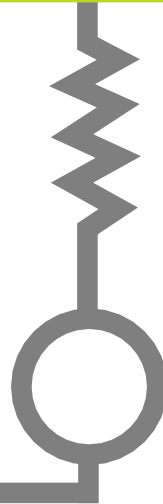
## 4 Enhancing Regulatory Effectiveness

The OEB has adopted a continuous improvement philosophy when it comes to regulating the energy sector. That philosophy extends to the OEB's own work in adjudication and regulatory policy development.

The OEB has done much work over the last several years to evolve its regulatory processes to ensure that they are accessible, proportional, and objective and deliver outcomes that are in the public interest.

In this planning period, we will continue to evolve our adjudicative model and our policy evaluation frameworks to ensure that they allow the OEB to effectively discharge its public interest mandate while meeting the needs of stakeholders and consumers impacted by our decisions.

| INITIATIVE                              | PRIORITY ACTIONS                                                                                                                                                                                          | AUDIT SCORE                                                                                                                              |
|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Stakeholder Engagement Framework</b> | Implement stakeholder engagement framework including annual executive energy forums, Chair's Advisory Roundtable (CAR), and Regulatory and Industry Affairs Standing Committees.                          | <b>60%</b><br>The CAR was restructured and membership refreshed during the year. While this process was underway, no meetings were held. |
| <b>Adjudicative Process</b>             | Having successfully implemented a Registrar function in FY2014, the OEB will seek opportunities to further improve the efficiency and effectiveness of its adjudicative processes.                        |                                                       |
| <b>Policy Evaluation Framework</b>      | Refine the policy evaluation framework developed in 2011 to establish an ongoing function and implement systematic policy evaluation to ensure ongoing effectiveness of regulatory policies and programs. |                                                      |
|                                         |                                                                                                                                                                                                           | <b>TOTAL: 93%</b>                                                                                                                        |



# Report on Regulatory Costs

Consistent with its commitment to good corporate governance, the OEB reports annually on the regulatory 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           |               |               |
|-------------------------------------------------------------------|---------------|---------------|---------------|
|                                                                   | 2016–2017     | 2015–2016     | 2014–2015     |
| Electric Customers <sup>a</sup>                                   | 5,111,254     | 5,059,415     | 4,989,967     |
| Natural Gas Customers <sup>a</sup>                                | 3,581,123     | 3,540,089     | 3,489,238     |
| <b>Measure #1: Operating Expense per Customer (\$yr/customer)</b> | <b>\$5.25</b> | <b>\$5.71</b> | <b>\$4.43</b> |
| 3-Year Rolling Average                                            | \$5.13        | \$4.79        | \$4.34        |
| Industry Revenue (\$B) <sup>b</sup>                               | \$28.1        | \$28.3        | \$26.9        |
| <b>Measure #2: Operating Expense as % of Industry Revenue</b>     | <b>0.16%</b>  | <b>0.17%</b>  | <b>0.14%</b>  |
| 3-Year Rolling Average                                            | 0.16%         | 0.15%         | 0.15%         |
| Operating Expenses <sup>c</sup>                                   | \$45,676,603  | \$49,120,150  | \$37,535,707  |
| <b>Measure #3: Percentage Change in Operating Expenses</b>        | <b>-7.01%</b> | <b>30.86%</b> | <b>5.45%</b>  |
| 3-Year Rolling Average                                            | 9.77%         | 11.57%        | 3.26%         |

Notes:

- a) Source: OEB Reporting & Record Keeping Requirements (RRR).
- b) Source: 2014–2015 to 2016–2017 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 \$8,365,620 in 2016–2017, \$14,217,773 in 2015–2016, and \$5,040,662 in 2014–2015. 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 2015–2016 to 2016–2017, operating expenses per customer decreased by \$0.46 (8%) due to the decrease in OEB operating expenses, as explained in Measurement #3 below.

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

From 2014–2015 to 2016–2017, 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 2015–2016 to 2016–2017, operating expenses decreased \$3.4M (7%) as the Ontario Electricity Support Program moved from implementation/start-up mode to the administration phase.

# 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 2017 fiscal year:

|                                                                                                          | 2017                 |
|----------------------------------------------------------------------------------------------------------|----------------------|
| OEB’s costs recoverable under section 30 cost awards                                                     |                      |
| – natural gas proceedings                                                                                | \$ 1,516,175         |
| – electricity proceedings                                                                                | 2,569,532            |
| OEB’s costs recoverable under section 79.2                                                               |                      |
| – OESP administrative costs recovered from the IESO                                                      | 4,279,913            |
| Stakeholder costs recovered under section 30 cost awards for consultation processes initiated by the OEB |                      |
| – natural gas proceedings                                                                                | 1,236,269            |
| – electricity proceedings                                                                                | 103,674              |
| Intervenor costs recovered under section 30 cost awards for proceedings initiated by applicants          |                      |
| – natural gas proceedings                                                                                | 1,728,368            |
| – electricity proceedings                                                                                | 2,072,491            |
| <b>Total 2017 Cost Award Activity</b>                                                                    | <b>\$ 13,506,422</b> |

# Financial Statements

## 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.



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**Julie Mitchell**

Vice President, People, Culture & Business Solutions  
July 5, 2017



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, 2017 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Bonnie Lysyk**, MBA, CPA, CA, LPA  
Auditor General

Toronto, Ontario  
July 5, 2017

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## Statement of Financial Position

As of March 31, 2017

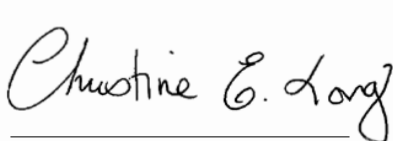
|                                                      | 2017                 | 2016                 |
|------------------------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                                        |                      |                      |
| <b>Current Assets:</b>                               |                      |                      |
| Cash (note 9)                                        | \$ 13,274,921        | \$ 8,616,823         |
| Investments – current (note 9)                       | —                    | 3,850,613            |
| Accounts receivable (note 9)                         | 635,949              | 1,249,054            |
| Regulatory process costs to be assessed (note 9)     | 4,547,463            | 2,436,533            |
| Deposits and prepaid expenses                        | 355,569              | 411,535              |
| Total Current Assets                                 | 18,813,902           | 16,564,558           |
| <b>Long-term Assets:</b>                             |                      |                      |
| Capital assets (note 5)                              | 3,541,382            | 2,802,373            |
| Total Long-term Assets                               | 3,541,382            | 2,802,373            |
| <b>TOTAL ASSETS</b>                                  | <b>\$ 22,355,284</b> | <b>\$ 19,366,931</b> |
| <b>LIABILITIES</b>                                   |                      |                      |
| <b>Current Liabilities:</b>                          |                      |                      |
| Deferred revenue (note 3b)                           | \$ 1,094,242         | \$ —                 |
| Accounts payable and accrued liabilities             | 6,847,048            | 6,803,732            |
| Total Current Liabilities                            | 7,941,290            | 6,803,732            |
| <b>Long-term Liabilities:</b>                        |                      |                      |
| Deferred revenue related to capital assets (note 3c) | 2,820,979            | 1,820,005            |
| Deferred rent inducement (note 8)                    | 930,083              | 1,268,255            |
| Pension liability (note 6b)                          | 207,933              | 276,049              |
| Total Long-term Liabilities                          | 3,958,995            | 3,364,309            |
| <b>TOTAL LIABILITIES</b>                             | <b>\$ 11,900,285</b> | <b>\$ 10,168,041</b> |
| Operating Reserve (note 4)                           | \$ 8,000,000         | \$ 6,870,615         |
| <b>Net Assets:</b>                                   |                      |                      |
| Internally Restricted Net Assets (note 7)            | 2,454,999            | 2,328,275            |
| <b>TOTAL LIABILITIES, RESERVE AND NET ASSETS</b>     | <b>\$ 22,355,284</b> | <b>\$ 19,366,931</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, 2017

|                                                            | 2017                 | 2016                 |
|------------------------------------------------------------|----------------------|----------------------|
| <b>REVENUES</b>                                            |                      |                      |
| <b>Recovery of Costs:</b>                                  |                      |                      |
| General cost recovery (note 3a)                            | \$ 35,994,760        | \$ 33,578,350        |
| Regulatory process costs – OESP (note 11)                  | 4,279,913            | 11,881,381           |
| Regulatory process costs                                   | 4,085,707            | 2,336,392            |
| Amortization of deferred revenue related to capital assets | 780,639              | 795,275              |
| <b>Total Revenues from Recovery of Costs</b>               | <b>45,141,019</b>    | <b>48,591,398</b>    |
| <b>Other Revenues:</b>                                     |                      |                      |
| Licence fees                                               | 396,400              | 389,600              |
| Interest income (note 9)                                   | 134,016              | 137,439              |
| Administrative penalties and interest (note 7)             | 126,724              | 22,445               |
| Miscellaneous income                                       | 5,168                | 1,713                |
| <b>Total Other Revenues</b>                                | <b>662,308</b>       | <b>551,197</b>       |
| <b>TOTAL REVENUES</b>                                      | <b>\$ 45,803,327</b> | <b>\$ 49,142,595</b> |
| <b>EXPENSES</b>                                            |                      |                      |
| Salaries and benefits                                      | \$ 28,043,034        | \$ 26,344,088        |
| Consulting and professional (note 11)                      | 7,267,704            | 13,442,756           |
| Publications, media and advertising (note 11)              | 4,666,850            | 3,657,818            |
| Premises                                                   | 2,829,533            | 2,799,966            |
| Information technology                                     | 1,089,125            | 970,197              |
| Office and administration                                  | 526,969              | 416,163              |
| Meetings, training and travel                              | 472,749              | 693,887              |
| Amortization of capital assets paid by OEB                 | 780,639              | 795,275              |
| <b>TOTAL EXPENSES</b>                                      | <b>\$ 45,676,603</b> | <b>\$ 49,120,150</b> |
| <b>EXCESS OF REVENUES OVER EXPENSES</b>                    | <b>\$ 126,724</b>    | <b>\$ 22,445</b>     |
| Net Assets, beginning of period                            | 2,328,275            | 2,305,830            |
| <b>NET ASSETS, end of period (note 7)</b>                  | <b>\$ 2,454,999</b>  | <b>\$ 2,328,275</b>  |

See accompanying notes to financial statements

## Statement of Cash Flows

Year Ended March 31, 2017

|                                                                          | 2017                 | 2016                |
|--------------------------------------------------------------------------|----------------------|---------------------|
| <b>Net inflow (outflow) of cash related to the following activities:</b> |                      |                     |
| <b>OPERATING</b>                                                         |                      |                     |
| Assessment billed                                                        | \$ 38,870,615        | \$ 34,243,181       |
| Regulatory process costs revenue                                         | 8,365,620            | 14,217,773          |
| Other revenues                                                           | 662,308              | 551,197             |
| Expenses                                                                 | (45,676,603)         | (49,120,150)        |
|                                                                          | 2,221,940            | (107,999)           |
| <b>Adjustment for Non-cash Expenses:</b>                                 |                      |                     |
| Amortization of capital assets paid by OEB                               | 780,639              | 795,275             |
| Amortization of leasehold improvements paid by Landlord                  | 261,965              | 261,965             |
| Deferred rent inducement                                                 | (338,172)            | (338,172)           |
|                                                                          | 704,432              | 719,068             |
| <b>Changes in Non-cash Working Capital:</b>                              |                      |                     |
| Accounts receivable                                                      | 613,105              | (420,607)           |
| Regulatory process costs to be assessed                                  | (2,110,930)          | 2,595,791           |
| Deposits and prepaid expenses                                            | 55,966               | (16,186)            |
| Operating reserve                                                        | 1,129,385            | 1,850,641           |
| Accounts payable and accrued liabilities                                 | 43,316               | 82,541              |
| Pension liability                                                        | (68,116)             | (47,370)            |
|                                                                          | (337,274)            | 4,044,810           |
| <b>Net Cash from Operating Activities</b>                                | <b>2,589,098</b>     | <b>4,655,879</b>    |
| <b>INVESTING</b>                                                         |                      |                     |
| Maturity of investments                                                  | 3,850,613            | 1,036,727           |
| <b>Net Cash from Investing Activities</b>                                | <b>3,850,613</b>     | <b>1,036,727</b>    |
| <b>CAPITAL</b>                                                           |                      |                     |
| Capital asset purchases                                                  | (1,781,613)          | (690,866)           |
| <b>Net Cash Used in Capital Activities</b>                               | <b>(1,781,613)</b>   | <b>(690,866)</b>    |
| <b>NET CHANGE IN CASH</b>                                                | <b>4,658,098</b>     | <b>5,001,740</b>    |
| Cash, beginning of period                                                | 8,616,823            | 3,615,083           |
| <b>Cash, end of period</b>                                               | <b>\$ 13,274,921</b> | <b>\$ 8,616,823</b> |

See accompanying notes to financial statements

## Notes to the Financial Statements

March 31, 2017

### 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) 2017 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 they 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 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 a reasonable estimate can be made 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 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.
- Other revenues are recognized when received and receivable.

### *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 years                 |
| Computer equipment and related software | 3 years                 |
| Audio visual equipment                  | 3 years                 |
| Leasehold improvements                  | over remainder of lease |

### *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. The OEB's short and long term investments are subsequently measured at amortized cost.

### *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.

### *e) Employee Pension Plans*

The OEB's full-time employees participate in the Public Service Pension Fund (PSPF) 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 PSPF, determines the OEB's annual payments to the Fund. Since the OEB is not a sponsor of these funds, 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 Fund 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.

## Notes to the Financial Statements (continued)

March 31, 2017

### 3. Industry Assessments for FY 2017

During FY 2017, the natural gas and electricity industry participants were assessed estimated costs for FY 2017 based on budgeted amounts. Amounts assessed in excess of actual costs are a true-up and are reported as current deferred revenue. The calculation of the general cost recovery, true-up and deferred revenue are outlined in the following tables.

#### *a) FY 2017 General cost recovery*

|                                                                                                                                                       |                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Salaries and benefits                                                                                                                                 | \$ 28,043,034        |
| Consulting and professional                                                                                                                           | 7,267,704            |
| Publications, media and advertising                                                                                                                   | 4,666,850            |
| Premises                                                                                                                                              | 2,829,533            |
| Information technology                                                                                                                                | 1,089,125            |
| Office and administration                                                                                                                             | 526,969              |
| Meetings, training and travel                                                                                                                         | 472,749              |
| Amortization of capital assets paid by the OEB                                                                                                        | 780,639              |
| Total expenses                                                                                                                                        | 45,676,603           |
| Regulatory process costs, amortization of deferred revenue related to capital assets and other revenues excluding administration penalties & interest | (9,681,843)          |
| <b>General cost recovery at March 31, 2017</b>                                                                                                        | <b>\$ 35,994,760</b> |

#### *b) FY 2017 Current Deferred Revenue (FY 2017 True-up)*

|                                                           |                     |
|-----------------------------------------------------------|---------------------|
| General cost recovery (note 3a)                           | \$ 35,994,760       |
| FY 2017 Capital expenditures paid by the OEB              | 1,781,613           |
| Operating reserve adjustment                              | 1,129,385           |
| Total assessment (actual)                                 | 38,905,758          |
| Total assessment (budget)                                 | 40,000,000          |
| <b>FY 2017 Current deferred revenue (FY 2017 True-up)</b> | <b>\$ 1,094,242</b> |

#### *c) FY 2017 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 2017 (note 5)                  | \$ 3,541,382        |
| Net book value of leasehold improvements paid by landlord (note 5) | (720,403)           |
| <b>FY 2017 Deferred revenue related to capital assets</b>          | <b>\$ 2,820,979</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 2017 Operating reserve*

|                                               |                     |
|-----------------------------------------------|---------------------|
| Operating reserve as at March 31, 2016        | \$ 6,870,615        |
| Adjustment to the operating reserve           | 1,129,385           |
| <b>Operating reserve as at March 31, 2017</b> | <b>\$ 8,000,000</b> |

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

## 5. Capital Assets

|                                         | <i>Cost</i>         | <i>Accumulated<br/>amortization</i> | <i>Net book<br/>value<br/>FY 2017</i> | <i>Net book<br/>value<br/>FY 2016</i> |
|-----------------------------------------|---------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Office furniture and equipment          | \$ 2,871,590        | \$ 2,804,730                        | \$ 66,860                             | \$ 3,381                              |
| Computer equipment and related software | 14,215,105          | 11,973,422                          | 2,241,683                             | 1,328,749                             |
| Audio visual equipment                  | 927,830             | 895,490                             | 32,340                                | 4,682                                 |
| Leasehold improvements paid by OEB      | 1,456,766           | 976,670                             | 480,096                               | 483,193                               |
| Leasehold improvements paid by Landlord | 3,540,400           | 2,819,997                           | 720,403                               | 982,368                               |
| <b>Total</b>                            | <b>\$23,011,691</b> | <b>\$19,470,309</b>                 | <b>\$ 3,541,382</b>                   | <b>\$ 2,802,373</b>                   |

## 6. Employee Future Benefits

- The OEB's contribution to the Public Service Pension Plan for FY 2017 was \$1,873,758 (2016 – \$1,532,038), and is included in salaries and benefits costs on the Statement of Operations and Net Assets.
- The unfunded supplemental pension plan for a former Chair had an accrued total benefit obligation of \$207,933 (2016 – \$276,049) and an accrued benefit liability with respect to the OEB of \$207,933 (2016 – \$276,049). The OEB's related expense for the year was negative \$41,990 (2016 – negative \$38,537) and is reflected in salaries and benefits costs. Benefits paid during the year were \$26,126 (2016 – \$8,333). The significant actuarial assumptions adopted at March 31, 2017 included a discount rate of 2.25% (2016 – 2.00%).
- 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.

## Notes to the Financial Statements (continued)

March 31, 2017

### 7. Internally Restricted Net Assets

The internally restricted net assets at March 31, 2017 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                 |    | \$            | 2,328,275        |
| Administrative penalties issued in FY 2017     | \$ | 106,500       |                  |
| Interest revenue from administrative penalties |    | <u>20,224</u> |                  |
| Administrative penalties and interest          |    |               | 126,724          |
| Expenses incurred                              |    |               | 0                |
| <b>Balance, end of the year</b>                |    | <b>\$</b>     | <b>2,454,999</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:

|                                                                                   | <b>FY 2017</b>    | <b>FY 2016</b>      |
|-----------------------------------------------------------------------------------|-------------------|---------------------|
| Balance, beginning of the year                                                    | \$ 1,268,255      | \$ 1,606,427        |
| Less: Amortization of deferred rent inducement netted<br>against premises expense | (338,172)         | (338,172)           |
| <b>Balance, end of the year</b>                                                   | <b>\$ 930,083</b> | <b>\$ 1,268,255</b> |

The minimum base rental payments under the operating lease, expiring December 31, 2019 for the remaining 3 years and in aggregate are as follows:

|                   |           |                  |
|-------------------|-----------|------------------|
| March 31, 2018    | \$        | 1,082,937        |
| March 31, 2019    |           | 1,030,058        |
| December 31, 2019 |           | 772,544          |
| <b>Total</b>      | <b>\$</b> | <b>2,885,539</b> |

OEB is committed to pay its proportionate share of realty taxes and operating expenses for the premises, which amounted to \$1,720,853 during FY 2017 (2016 – \$1,723,845). 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. The OEB had two Ontario Government bonds that fully matured on September 2016 and March 2017 with effective yields of 1.80% and 1.48% respectively. Management has decided not to re-invest as the market rate and bank rate is not significantly different. OEB will continue to monitor the market. Cash balances earn interest at a rate of 0.85% (2016 – 0.85% to 1.00%). The average cash balance interest rate for the year was 0.85% (2016 – 0.90%).

A 25 basis point change in the interest rate would impact the OEB's operating surplus by \$28,468 (2016 – \$25,243).

### *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. Below the accounts receivable aging is summarized:

|                          | <i>Current</i>    | <i>+60 days</i> | <i>+90 days</i> | <i>Total</i>      |
|--------------------------|-------------------|-----------------|-----------------|-------------------|
| Regulatory process costs | \$ 99,309         | \$ 206          |                 | \$ 99,515         |
| General cost recovery    | 2,000             |                 |                 | 2,000             |
| HST recovery             | 523,897           |                 |                 | 523,897           |
| Interest receivable      | 10,537            |                 |                 | 10,537            |
| <b>Total</b>             | <b>\$ 635,743</b> | <b>\$ 206</b>   | <b>\$ 0</b>     | <b>\$ 635,949</b> |

The OEB also has minimal credit risk exposure in regard to the \$4,547,463 (2016 – \$2,436,533) of regulatory process costs to be assessed due to high historical collection rates. Included in these costs is \$2.2M 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, 2017.

### *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, 2017, the OEB had a cash balance of \$13,274,921 (2016 – \$8,616,823) and investments balance of \$0 (2016 – \$3,850,613) to settle current liabilities of \$7,941,290 (2016 – \$6,803,732). All Ontario Government bonds fully matured in FY 2017.

## Notes to the Financial Statements (continued)

March 31, 2017

### 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 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 2017 are revenues of \$13,713,900 (2016 – \$15,969,538), and expenses of \$133,071 (2016 – \$193,946). These expenses relate to salary & benefits for secondments and IT expenses. Related party transactions pertaining to employee future benefits are disclosed in note 6.

Related party transactions occurred with the establishment of the Ontario Electricity Support Program are included in note 11.

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

The OEB has 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. The OEB recovers its OESP administrative costs from the Independent Electricity System Operator (IESO). The IESO also incurs other costs related to the OESP.

In FY 2017, the Statement of Operations and Net Assets has \$4,279,913 (2016 – \$11,881,381) of program costs, including administration and carryover implementation costs. Total revenue and expenditures included in these financial statements related to OESP are as follows:

|                                     | FY 2017             | FY 2016              |
|-------------------------------------|---------------------|----------------------|
| Revenue:                            |                     |                      |
| Regulatory process costs – OESP     | \$ 4,279,913        | \$ 11,881,381        |
| <b>Total revenue</b>                | <b>\$ 4,279,913</b> | <b>\$ 11,881,381</b> |
| Expenses:                           |                     |                      |
| Consulting and professional         | \$ 1,137,825        | \$ 9,307,740         |
| Publications, media and advertising | 3,047,102           | 2,432,368            |
| Other expenses                      | 94,986              | 141,273              |
| <b>Total expenses</b>               | <b>\$ 4,279,913</b> | <b>\$ 11,881,381</b> |

# Ontario Energy Board Members



**ALLISON DUFF**

Appointed: February 1, 2013  
Term Expiry: May 3, 2018  
Full-time Board member



**CATHY SPOEL**

Appointed: October 13, 1999  
Term Expiry: February 3, 2019  
Part-time Board member



**EMAD ELSAYED**

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



**CHAIR & CHIEF  
EXECUTIVE OFFICER**

**ROSEMARIE T. LECLAIR**

Appointed: April 6, 2011  
Term Expiry: June 30, 2020



**ELLEN FRY**

Appointed: June 20, 2012  
Term Expiry: June 19, 2017  
Part-time Board member



**SUSAN FRANK**

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



**VICTORIA CHRISTIE**

Appointed: September 8, 2015  
Term Expiry: September 7, 2017  
Part-time Board member



**VICE-CHAIR**

**KEN QUESNELLE**

Appointed: September 6, 2005  
Term Expiry: September 5, 2018



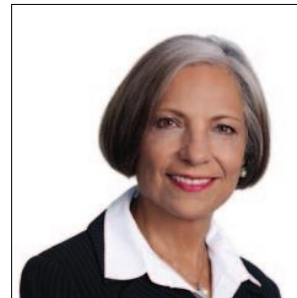
**PAUL PASTIRIK**

Appointed: September 8, 2015  
Term Expiry: September 7, 2017  
Part-time Board member



**PETER THOMPSON**

Appointed: September 25, 2015  
Term Expiry: September 24, 2017  
Part-time Board member



**RUMINA VELSHI**

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



**VICE-CHAIR**

**CHRISTINE LONG**

Appointed: June 13, 2012  
Term Expiry: May 3, 2018

# Executive Management Team



**MARY ANNE ALDRED**

General Counsel & Vice President  
Legal Services & Strategic Policy



**LYNNE ANDERSON**

Vice President  
Applications



**JOHN BOZZO**

Vice President  
Public Affairs



**BRIAN HEWSON**

Vice President, Consumer Protection  
& Industry Performance



**JULIE MITCHELL**

Vice President, People, Culture  
& Business Solutions

## How to contact the OEB

### ONTARIO ENERGY BOARD

P.O. Box 2319  
2300 Yonge Street  
27th Floor  
Toronto, Ontario, Canada  
M4P 1E4



## 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.

