Ontario

MINISTRY OF
ENERGY

2017-18 Third Quarter Reporting

Phase 2

January 2018

Q3 Instructions

Components of Third Quarter Reports are due to TBS in two phases:

Phase I Submission (Submitted January 19, 2018):

- 2017-18 Fiscal Management Plan;
- Report backs on Ontario Fair Hydro Plan Transfer Payments and Strategic Asset Management and Transformation Transfer Payments;
- 2017-18 Interim Expense Outlook Summary Report;
- 2017-18 Interim Expense Outlook Details and Spending Rates Report; and
- Updated 2018-19 PRRT out-year risks.

Phase II Submission (due February 5, 2018):

- Regular Report Backs (GIF, Affordability Fund, and EV); and
- Provincial Agency Risk reporting.

Recap: Phase I Decisions

In Phase 1, the Ministry identified total year-end savings of $258.7 million, mainly due to updated savings from Fair Hydro Plan programs and Strategic Asset Management.

Savings from Fair Hydro Plan Programs

- The Ministry identified combined savings of $188.6 million.
  - Savings of $112.6 million are found within OESP, $56 million within OREC, and $20 millions within DRP/RRP.

Savings from Strategic Asset Management

- The Ministry identified net savings of $73.7 million.
  - EIGS identified $68.7 million of savings in Conferred Benefit and $5 million of savings in H1 services, after accounting for potential MNO costs.

Agency Consolidations (Fiscally Neutral - Offset by Revenue)

- Q3 Consolidation forecasts have been updated to reflect PRRT Interim Forecasts. These changes are fiscally neutral and offset by revenue.
  - $4.5 million increase for IESO, due to increases in the resources for market renewal initiative ($4.0 million increase), changes in pension and post-employment benefit estimates ($1.8 million increase), and labour cost recovery ($1.9 million decrease).
  - $0.9 million decrease from OEB, due to operational savings.

Ministry Discretionary Operating Cost

- The Ministry is forecasting to live within its discretionary allocation of $41.6 million (Vote 2901, 2902), due to the deferral of some previously identified projects.

Q3 Expenditure Overview

2017-18 Q3 Interim Expense Summary	Millions ($)
2017-18 Approved Allocation	2,049.7
Less: Total Ministry Savings Identified in Q3	(258.7)
2017-18 Q3 Interim Expense Outlook	1,791.0
2017-18 Q3 Year-to-date Actuals	**1,005.1**

- The Ministry's 2017-18 Approved Allocation is $2,049.7 million. Due to identified savings, Q3 Interim Expense Outlook is $1,791.0 million.

- As of December 31, 2017, 9 months or 75% of the fiscal year has been completed. The Ministry spent $1,005.1 million, representing 49.0% of its Approved Allocation and 56.1% of its Q3 Interim Expense Outlook.

- Overall spending rate for 2017-18 is higher compared to 2016-17. Year-to-date Actuals are driven by the following expenditures:
  - $692.5 million for Fair Hydro Plan Programs and NOEC.
  - $86.2 million for Hydro One Services and Cash Contribution to First Nations.
    - Conferred Benefit actuals of $63.9 million are not yet recorded on IFIS as of Q3.
  - $200.7 million for Consolidations.
    - Consolidation Actuals are estimates based on 75% of the Interim Expense Outlook.
  - $25.8 million for other Ministry operating expenditures.

Q3 Expenditures by Standard Account

Standard Account Breakdown (in $Millions)	2017-18 Approved Allocation	2017-18 Q3 Actuals	2017-18 Remaining Budget	2017-18 Q3 % Spent	2016-17 Year-end Budget	2016-17 Q3 Actuals	2016-17 Q3 Spent
Salaries and Wages	19.2	13.9	5.3	72.3%	19.8	12.9	65.5%
Employee Benefits	2.3	1.7	0.6	73.0%	2.4	1.6	67.5%
Transportation and Communications	0.7	0.4	0.3	57.0%	0.7	0.4	59.8%
Services[1]	113.3	66.2	47.1	58.4%	89.8	8.3	9.2%
Supplies and Equipment	0.7	0.2	0.5	23.7%	0.7	0.2	24.4%
Total Direct Operating Expense	**136.2**	**82.3**	**53.8**	**60.5%**	**113.3**	**23.4**	**20.7%**
Transfer Payments:							
TP_Conservation Initiatives	1.9	0.4	1.5	22.5%	1.9	0.5	25.5%
TP_Green Energy Initiatives	3.3	0.2	3.2	5.6%	201.3	100.4	49.8%
TP_Aboriginal Engagement Agreements	0.2	-	0.2	0.0%	0.2	0.8	413.7%
TP_E-Vehicle Overnight Charging	2.2	-	2.2	0.0%	-	-	-
TP_Northern Ontario Energy Credit	26.0	13.9	12.1	53.5%	26.0	13.8	53.0%
TP_Ontario Rebate for Electricity Consumers	939.0	524.4	414.6	55.8%	300.0	-	0.0%
TP_Ontario Electricity Support Program	137.8	-	137.8	0.0%	-	-	-
TP_Rural or Remote Rate Protection	344.0	148.7	195.3	43.2%	-	-	-
TP_On-Reserve First Nations Delivery Credit	15.0	5.6	9.4	37.0%	-	-	-
TP_Conferred Benefit[2]	135.0	-	135.0	0.0%	-	-	-
TP_Cash Contribution to First Nations	45.0	29.0	16.0	64.5%	-	-	-
Total Transfer Payments	**1,649.4**	**722.2**	**927.3**	**43.8%**	**558.2**	**115.5**	**20.7%**
Total Consolidations[3]	**264.1**	**200.7**	**63.4**	**76.0%**	**254.4**	**185.1**	**72.7%**
Grand Total	**2,049.7**	**1,005.1**	**1,044.5**	**49.0%**	**926.0**	**324.0**	**35.0%**

[1] Q3 2017-18 services spending rates are higher due to the booking of H1 Underwriting fees. ($55.8 million booked in Q2 2017-18)

[2] Conferred Benefit expenses of $63.9 million will be recored in Q4.

[3] Consolidation Actuals are estimates based on 75% of the Interim Expense Outlook.

Q3 Expenditures by Division

Divisional Breakdown (in $Millions)	2017-18 Budget (Cost Centre)	2017-18 Q3 Actuals	2017-18 Remaining Budget	2017-18 Q3 % Spent	2016-17 Year-end Budget	2016-17 Q3 Actuals	2016-17 Q3 % Spent
Main Office	2.8	2.4	0.5	84.0%	2.8	2.0	71.6%
Corporate Services	5.4	3.0	2.5	54.9%	6.3	2.8	44.1%
Communication Services[1]	4.0	5.7	-1.7	143.6%	4.3	2.7	61.8%
Legal Services[2]	3.4	3.3	0.1	96.1%	4.0	2.7	67.3%
Strategic Network and Agency Policy	7.3	4.5	2.8	61.1%	6.7	4.0	59.7%
Energy Supply Policy	4.9	2.5	2.3	51.9%	6.6	3.2	48.8%
Conservation and Renewable Energy[3]	8.4	3.9	4.5	46.3%	37.3	4.2	11.2%
Strategic Asset Management	100.0	57.1	42.9	57.1%	45.3	1.9	4.1%
Total Direct Operating Expenses	**136.2**	**82.3**	**53.8**	**60.5%**	**113.3**	**23.4**	**20.7%**
Transfer Payments:							
TP_Conservation Initiatives	1.9	0.4	1.5	22.5%	1.9	0.5	25.5%
TP_Green Energy Initiatives	3.3	0.2	3.2	5.6%	201.3	100.4	49.8%
TP_Aboriginal Engagement Agreements	0.2	-	0.2	0.0%	0.2	0.8	413.7%
TP_E-Vehicle Overnight Charging	2.2	-	2.2	0.0%	-	-	-
TP_Northern Ontario Energy Credit	26.0	13.9	12.1	53.5%	26.0	13.8	53.0%
TP_Ontario Rebate for Electricity Consumers	939.0	524.4	414.6	55.8%	300.0	-	0.0%
TP_Ontario Electricity Support Program	137.8	-	137.8	0.0%	-	-	-
TP_Rural or Remote Rate Protection	344.0	148.7	195.3	43.2%	-	-	-
TP_On-Reserve First Nations Delivery Credit	15.0	5.6	9.4	37.0%	-	-	-
TP_Conferred Benefit[4]	135.0	-	135.0	0.0%	-	-	-
TP_Cash Contribution to First Nations	45.0	29.0	16.0	64.5%	-	-	-
Total Transfer Payments	**1,649.4**	**722.2**	**927.3**	**43.8%**	**558.2**	**115.5**	**20.7%**
Total Consolidations[5]	**264.1**	**200.7**	**63.4**	**76.0%**	**254.4**	**185.1**	**72.7%**
Grand Total	**2,049.7**	**1,005.1**	**1,044.5**	**49.0%**	**926.0**	**324.0**	**35.0%**

[1] Q3 2017-18 Actuals are higher for Communications due to Fair Hydro Plan Bulk Media Buy. $2.64 million will be recovered from TBS in Q4.

[2] Q3 2017-18 Actuals are higher for Legal Services due to Fair Hydro Plan Third-Party Legal Services. ($1.3 million in actuals to date)

[3] CRED's Budget in 2016-17 includes in-year approval for NAFTA Windstream settlement. ($28.5 million through in-year approvals)

[4] Conferred Benefit expenses of $63.9 million will be recored in Q4.

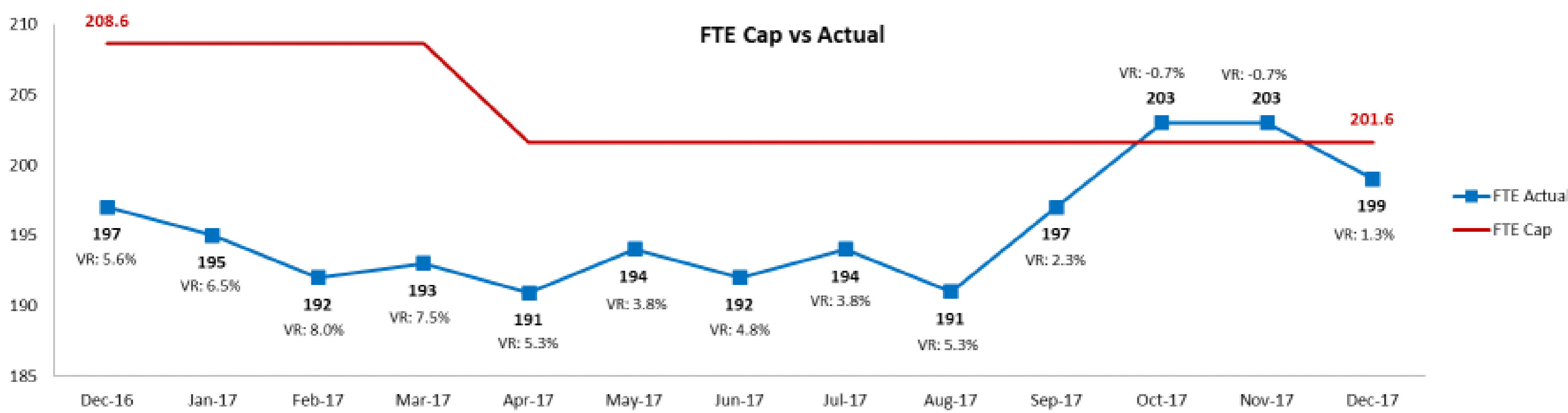
[5] Consolidation Actuals are estimates based on 75% of the Interim Expense Outlook.

Q3 Ministry Staffing Position

As of Q3, Ministry's actual FTE count is 199 against a cap of 201.6, representing a vacancy rate of1.3%.

	Q3 2017-18			Q2 2017-18		
	FTE Caps	FTE Actual	Vacancy	FTE Caps	FTE Actual	Vacancy
Minister's Office	16	14	2	16	15	1
Deputy Minister's Office	8	9	-1	8	10	-2
Communications Branch	28	29	-1	28	30	-2
Corporate Services	15.6	21	-5.4	15.6	19	-3.4
Strategic Network and Agency Policy	54	52	2	54	51	3
Energy Supply Policy	37	31	6	37	29	8
Conservation and Renewable Energy	48	43	5	48	43	5
Risk Manage MO FTEs	-3	0	-3	-3	0	-3
Temporary Transfer of FTEs*	-2	0	-2	-2	0	-2
Total	**201.6**	**199**	**2.6**	**201.6**	**197**	**4.6**
Vacancy Rate (VR)			**1.3%**			**2.3%**

*Transfer of 2 temporary FTEs for 2017-18 to GSIC for Energy and Water Reporting and Benchmarking (EWRB)Project.



Q3 Update - Other Items

Report back - Implementation status of the Green Investment Fund:

- **Home Reno Rebate (Union)/ Whole Home Retrofit Program (Enbridge):**
  - $100.0 million: Enbridge and Union have a total of 12,000 program participants as of October 2017.
  - In November 2017, Union requested additional funding of $15 million in 2017/18 in order to extend the province-wide multi-fuel residential audit and retrofit program over the course of 2018.
  - In December 2017, the Ministry submitted a request for $15 million from the Greenhouse Gas Reductions Account in order to extend Union's program. This request is currently being reviewed by MOECC.

- **Smart Grid Fund**
  - $2.0 million OPG's Gull Bay First Nation project:
    - Project construction is expected to start in Spring 2018 and be completed by Q4 2018-19.
  - $2.0 million Canadian Solar's Keewaywin project:
    - The community and Canadian Solar are not likely to come to an agreement under the current funding model.
    - Given this situation, the proponent has submitted a formal letter to the Ministry requesting to terminate the TPA and the project.
    - The Ministry is in the process of finalizing a termination letter which is expected to be delivered to the proponent in the coming weeks.

Q3 Update - Other Items

Report back - Implementation status of the Affordability Fund:

- The fund received 2,234 applications as of December 31, 2017. Eligible customers are expected to start receiving benefits through the Affordability Fund in Q4 2017-18.
- After accounting for total spending to date and the interest earned, the remaining balance in the Fund is $99.0 million.
- The Ministry will continue to assess the need for an additional funding request, taking into account the Fund results and electricity customer needs.
- Program Area is working on an updated quarterly spending forecast, available next week.

Report back - Implementation status of the EV Overnight Charging Program

- The Ministry is in the process of implementation of phase one following approval of its proposed multi-phase program design by Cabinet on December 13, 2017.
- Energy has requested a release of its 2017-18 funding from holdback. The item is included in MOECC's February 6, 2018 TB submission.
- The Ministry is in the process of procuring a service provider to assist in the delivery of the program. It is expected that the necessary agreements will be in place in March 2018 and funds will begin flowing before the end of 2017-18.

Agency Risk Report - nil report

Next Steps

- Deputy Minister's approval of the Phase II submission by February 5, 2018:
  - Regular Report Backs (GIF, Affordability Fund, and EV); and
  - Provincial Agency Risk reporting.

- CSD to submit Phase II materials to TBS by February 5, 2018.