

MEETING NOTE

NAME OF ORGANIZATION:	Special Chiefs Assembly & Leaders in the Legislature
DATE/TIME OF MEETING:	Wednesday, November 22, 2017 - 3:30 to 5:30 p.m.
LOCATION OF MEETING:	Delta Chelsea

PURPOSE: To discuss energy sector related matters in a Ministers panel format in a forum entitled “Environment, Energy & Infrastructure” at the Leaders in the Legislature event.

ATTENDEES: **Minister of Energy**
Glenn Thibeault

Minister of Environment and Climate Change
Hon. Chris Ballard

Minister of Infrastructure
Hon. Bob Chiarelli

Minister of Natural Resources and Forestry
Hon. Katheryn McGarry

Minister of Northern Development and Mines
Hon. Michael Gravelle

Minister of Transportation
Hon. Steven Del Duca

**Minister of Agriculture, Food and Rural Affairs & Minister
Responsible for Small Business**
Hon. Jeff Leal

**Minister of Housing & Minister Responsible for the Poverty
Reduction Strategy**
Hon. Peter Z. Milczyn

Minister of Indigenous Relations and Reconciliation
Hon. David Zimmer

Ontario Regional Chief

Isadore Day

Association of Iroquois and Allied Indians

Grand Chief Abram Benedict

Six Nations of the Grand River

Chief Ava Hill

Whitefish River First Nation

Chief Franklin Paibomsai (Shining Turtle)

Other First Nation Leadership

(TBD)

LAST MEETING: The last Leaders in the Legislature event was held on November 23, 2016.

ANTICIPATED AGENDA ITEMS:

1. Long Term Energy Plan 2017
2. Expansion of First Nation Delivery Credit to include Band owned buildings
3. First Nation Leadership and Representation in the Electricity Sector
4. Strengthening our Relationships – Moving Forward with the Hydro One Transaction

NOTES ON AGENDA ITEMS:

1. Long Term Energy Plan 2017

- Supporting Indigenous capacity and leadership is an important area of focus in the 2017 LTEP *Delivering Fairness and Choice*.
- COO acknowledges the work Ontario has done on the Long Term Energy Plan, recognizing points of collaboration with First Nations and especially supporting the foundational principle of protecting Mother Earth through energy conservation and greenhouse gas reduction.
- Ontario Regional Chief Day requests that First Nations need to be equal partners through inclusion in participatory processes and policy development that will drive the implementation of LTEP 2017.

Suggested Response:

- **An important area of focus in the 2017 LTEP, Delivering Fairness and Choice, is supporting First Nation capacity and leadership to continue encouraging the involvement of First Nation communities in an evolving energy sector to build community resiliency.**
- **The 2017 LTEP, Delivering Fairness and Choice, recognizes that many First Nation communities across Ontario continue to face energy related challenges: the need for reliable and affordable power, energy-inefficient housing and inadequate infrastructure, to name just a few.**
- **The causes and solutions to these challenges are rooted in complex historical, jurisdictional, geographic and regulatory context but the Province is committed to working with First Nations to identify issues and propose actions to advance reconciliation and healing.**
- **We have begun to take major steps to make power more affordable through our collaboration to develop and implement the First Nation Delivery Credit to address the high costs of electricity that affect so many of your communities.**

Background:

- Between October 2016 and January 2017, the government engaged with industry experts, Indigenous communities and organizations, businesses and Ontarians across the province.
 - 17 meetings were held with representatives from nearly 100 Indigenous communities and organizations
- LTEP 2017 Delivering Fairness and Choice launched on October 26, 2017 includes the following key initiatives to Supporting First Nation and Métis Capacity and Leadership:
 - Government to review programs to improve availability of conservation programs for First Nations and Metis, including communities served by Independent Power Authorities
 - The Province, working with the federal government, will continue to prioritize the connection of remote First Nation communities to the grid and support the four First Nation communities for which transmission connection is not economically feasible
 - Aboriginal Community Energy Plan program will be expanded to help communities implement their energy plans and support Ontario's Climate Change Action Plan.
 - Ontario to engage Indigenous communities to explore options for supporting energy education and capacity building, the integration of small scale renewable energy projects, net metering and other innovative solutions that address local or regional energy needs and interests.

- Innovative financing models and support tools will be investigated to address barriers to financing of projects led or partnered Indigenous communities.
 - Ontario will report back to First Nations and Métis between Long Term Energy Plans to provide updates on the province's progress and seek ongoing feedback.
 - The Natural Gas Grant Program will support the expansion of natural gas access to First Nation communities.
- Upon publishing the 2017 LTEP, the Minister of Energy will direct the IESO and the OEB to develop implementation plans. For the 2017 LTEP, these directives will be issued by the Minister.
 - Agencies are required to prepare implementation plans based on the directives and submit them to the Minister for review by January 31, 2018.
 - Once the Minister of Energy approves the plans, the province, the IESO, and the OEB will move forward with implementation.

2. Expansion of First Nation Delivery Credit to include Band owned buildings

- Through the FNDC Working Group the Chiefs Committee on Energy had requested that the FNDC include Band owned buildings however agreed to focus on First Nation on-reserve residential customers.
- At a meeting with Ministry staff on November 9, 2017, the Chiefs Committee on Energy requested that Band owned buildings be included in an expanded FNDC in a timely fashion.
- The Chiefs Committee on Energy is aware the FNDC is tax based program and will be reaching out through the COO to First Nations to collect information on delivery costs for these types of facilities to assist the Ministry with determining the costs of expanding the FNDC by the end of November.

Suggested Response:

- **Around this time a year ago the First Nation Leadership was consistently identifying the high costs of electricity as a priority policy issue.**
- **We also heard that First Nation on-reserve customers faced unique challenges that impact electricity affordability, such as the poor quality of the housing stock and electric heating which often results in significantly higher electricity consumption levels and costs.**

- **Ontario's Fair Hydro Plan provided an opportunity to do something significant about the high costs of electricity faced by your community members living on-reserve.**
- **I am very pleased to say that over 20,000 First Nation on-reserve customers are currently receiving the First Nation Delivery Credit eliminating all delivery charges making their electricity far more affordable.**
- **Let's take a moment to acknowledge the positive impacts of our collaborative efforts.**
- **I know there is more work to be done; I have heard your request to expand the First Nation Delivery Credit to include Band Owned buildings. There will be many challenges to overcome given the program is funded through the tax base.**
- **I am prepared to continue our discussions to move the markers down the field to explore opportunities for an expanded program.**

Background:

- The Ministry of Energy, in collaboration with the Chiefs of Ontario (COO), crafted policy in a manner which best reflects the needs and wishes of First Nations to ensure the implementation of the credit on July 1, 2017.
- The Ministry suggested a narrow approach to the Chiefs Committee on Energy to consider just critical infrastructure like water plants and the idea was rejected by the Chiefs.
- Buildings identified as Band owned buildings are as follows, but not limited to and recognizing that not all communities have similar infrastructure:
 - Arenas
 - Health Centres
 - Administration buildings
 - Senior Centres
 - Community Centres
 - Schools
 - Water plants

3. First Nation Representation and Leadership in the Energy Sector

- Ontario Regional Chief Day has identified the concept of a First Nation Power Authority as an initiative that will advance First Nations relationships in the energy sector.
- COO has not provided information on the concept of a First Nation Power Authority which may be linked to past requests for First Nation representation on the OEB and

the IESO to be more active participants in the decision making processes in the energy sector and address the capacity needs of COO.

- ENERGY may consider expanding the First Nations-Ontario Energy Table to include a Technical Table to actively engage COO/First Nations to undertake work on initiatives in between meetings of the Energy Table as alternative approach.
- It is likely COO will pursue capacity funding to enable their participation in a technical table. With the release of LTEP 2017 and its focus on implementing Aboriginal Community Energy Plans (ACEPs) the Ministry will need to try to balance the capacity needs at the political level and the capacity needs at the community level.

Suggested Response:

- **The government is committed to continued formal processes like the First Nations-Ontario Energy Table to dialogue on issues of interest to First Nation communities.**
- **We look forward to continuing the discussions with First Nation leadership about how we can work together to address their interests in the energy sector.**
- **I am interested in hearing your ideas on how we can improve the processes we have in place such as the Energy Table and how you would like to interact with agencies like the IESO?**

Background:

First Nations-Ontario Energy Table:

- Ontario established the Energy Table as a forum for discussions with First Nation Leadership on priority energy issues. The inaugural meeting of the Energy Table was held on February 23, 2015.
- The original concept of the First Nations-Ontario Energy Table included a Technical Table component that never got started. COO has recently been inquiring about establishing a Technical Table to discuss energy issues on a more consistent basis at the staff level.
- The most recent Energy Table meeting was held in Batchewana First Nation on March 10, 2017. The successful development of the First Nation Delivery Credit as announced at this meeting.

OEB Representation:

- Preliminary discussions took place between OEB, Ministry of Energy and COO about First Nation representation on the OEB Board of Directors. However, a board position may not achieve the desire for greater First Nation perspectives in OEB decisions, given the requirement of the Board for impartial decision-making.
- Other options for Indigenous involvement at the OEB were explored and the OEB welcomed ideas from First Nations to have further participation and representation at the OEB.
- The Chair of the OEB wrote to select First Nation Leadership to request their views on exploring different options to enhance representation at the OEB in January 2016. COO may have re-evaluated this approach and has not continue to raise this issue.

4. Strengthening Our Relationship – Moving Forward with the Hydro One transaction

- On July 12, 2016, the Province and First Nations in Ontario announced an agreement-in-principle for the Province to sell to First Nations, for their collective benefit, shares of Hydro One Limited, enabling First Nations to participate in the broadening of ownership of Hydro One.
- Progress in receiving Equity Participation Commitments (EPCs) from First Nations communities has been slower than expected.
- COO is considering approaches to offer support to First Nations on completing the approval packages in hopes of streamlining the process.
- COO had originally targeted closing by end of October, COO is now targeting November 17, 2017 to achieve 117 commitments from First Nations communities, which would exceed the minimum 80% threshold (or 106 communities) required to close.
- The closing cannot occur before December 29, 2017 unless 100% participate. COO expects the closing date to be close to December 29.

Suggested Response:

- **I am pleased that we have been able to advance the relationship with First Nations that supports the Political Accord through implementation of the First Nations-Ontario Energy Table, the Grievance process and the commercial discussions for First Nation participation in the broadening of Hydro One ownership.**
- **We have come a long way since our initial discussions in August 2015 and the Agreement-in-Principle in July 2016 to address First Nations interests in the broadening of ownership of Hydro One.**

- **I am pleased that important milestones have been completed towards securing this historic opportunity for First Nations to participate in this Hydro One share offering.**
- **I want to encourage you to continue working hard to assess and participate in this transformative opportunity, and would be pleased to see the minimum 80% threshold reached to enable the transaction to close by the end of 2017.**
- **I would prefer to see all First Nations enjoy benefits of this hard won economic opportunity to build long-term wealth for your communities.**
- **I want to acknowledge all the hard work on both sides to get us where we are today with this transformative transaction and breathing more life into the Political Accord.**

Background:

Hydro One Agreement-in-Principle:

- COO indicated that it would not oppose the government's sale of Hydro One shares to the public given that the Province has entered into commercial discussions for an equity position by First Nations and is holding enhanced discussions with communities to address the legacy of historic grievances and points of friction between First Nations and Ontario's energy sector.
- On July 12, 2016, the Province and First Nations in Ontario announced an agreement-in-principle for the Province to sell to First Nations, for their collective benefit, shares of Hydro One Limited. The Province and the Chiefs Committee on Energy continue to work towards completing definitive agreements for the sale of Hydro One shares.
- The Province would sell up to approximately 15 million shares (2.5 per cent of total current outstanding Hydro One common shares), depending on the level of First Nation participation, to a new collective investment vehicle owned by First Nations.
- The First Nations investment vehicle would purchase the shares with a 25-year loan provided by Ontario. The interest rate for the loan would be the Province's relevant borrowing rate, plus 15 basis points. The purchase would be at \$18 per share, which is above the Province's book value for the shares.
- This would be a 25-year deal that can provide meaningful opportunities to First Nations for collective wealth creation and reduce barriers to accessing capital so that First Nations can advance their economic development initiatives.

- In addition to the benefit of investing collectively in Hydro One, the Province would also provide seed capital of up to \$45 million in cash to the First Nation investment vehicle over, depending on the level of First Nation participation

Phase 3 Capacity Funding

- COO has submitted a funding request for Phase 3 to the Ministry for review
- Ministry has responded to COO on October 5th asking for greater budget detail and has requested the Phase 3 proposal be re-submitted
- On November 10, 2017 the Chiefs of Ontario re-submitted two capacity funding proposals:
 - Hydro One Equity Acquisition - Ontario First Nation Sovereign Wealth Fund
 - \$2,017,000.00 requested
 - Energy Technical Table and Energy Roundtable
 - \$165,000.00 requested
- The Ministry is currently reviewing the proposals and will develop TPA as appropriate

5. Remote First Nation Communities

- In LTEP 2017, the Province, working with the federal government, will continue to prioritize the connection of remote First Nation communities to the grid and support the four remote First Nation communities for which transmission connection is not economically feasible.
- COO is supportive of transmission connection for the 21 remote First Nation communities
- Wataynikaneyap Power is a transmission company equally owned by 22 First Nations communities and FortisOntario that will develop, own, and operate new transmission facilities in Northwestern Ontario in order to connect 16 remote First Nation communities currently powered by diesel generation.
- Ontario is continuing to engage with the federal government to negotiate a fair cost sharing agreement

Suggested Response:

- **The connection of remote First Nation communities remains a priority in LTEP 2017 *Delivering Fairness and Choice* as a key step towards providing a reliable, clean and affordable energy future for these communities.**
- **Watay Power is proposing to reinforce the transmission system in the region**

and connect a number of remote First Nation communities. Once complete, the project will provide more than 10,000 people living in remote First Nation communities in northwestern Ontario with a clean supply of electricity. Watay plans to begin construction work in 2018, after securing necessary approvals, with the goal of completing the project by 2024.

- **Watay Power is an unprecedented partnership between a consortium of 22 First Nation communities and a transmission partner, FortisOntario.**
- **In addition to the communities identified in Watay's current plan, there are five other remote First Nation communities that the Ministry is interested in working with to pursue options for grid connection. With continued dialogue among First Nation communities, Ontario is confident that transmission development can proceed in a manner that benefits all interested and potentially affected communities.**
- **We are committed to continuing to work with our federal counterparts to make this project a reality.**
- **For the remaining four First Nation communities that are not economic to connect to the grid, the government is supporting these communities as they work with IESO to explore innovative on-site solutions to reduce their dependency on diesel fuel.**

Background:

- There are 25 remote First Nations in Northwestern Ontario currently without grid access (see Attachment 1). The communities rely on local diesel generators.
- The First Nations have a combined on-reserve population of approximately 15,000 and peak electricity demand is approximately 20 MW.

- Remote First Nation communities are either served by Hydro One Remote Communities Inc. (RemoteCo) or locally owned Independent Power Authorities (IPAs).
 - **RemoteCo:** A subsidiary of Hydro One Networks, RemoteCo is regulated by the Ontario Energy Board (OEB), and receives the Rural or Remote Rate Protection (RRRP) subsidy, funded by Ontario ratepayers.
 - **IPAs:** not regulated by the OEB and do not receive RRRP. IPAs receive subsidies from Indigenous and Northern Affairs Canada.
- The federal government is responsible for capital upgrades to the electricity systems in all communities (e.g. new or expanded diesel systems as communities grow).
- Annual cost to service these 25 remote First Nation communities was estimated in 2014 by the IESO to be about \$90M. Residential and business customers in remote First Nation communities pay approximately 9% of this cost of service; the balance is covered through federal and provincial subsidies.