Energy in the 2018 Budget

Overview:

Nothing new in this budget for Energy, just continuation of our existing programs, including

- Fair Hydro Plan rate reductions for residential consumers
- Fair Hydro Plan reductions and incentives for businesses
- Climate Change Action Plan-related energy efficiency retrofit incentives;
- Connecting remote Indigenous communities to the transmission grid.

2018 Ontario Budget Online: http://budget.ontario.ca/2018/index.html

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CHAPTER II: GROWING THE ECONOMY AND CREATING GOOD JOBS

Reducing Ontario's Electricity Costs for Businesses (p. 92)

To maintain a competitive business climate in Ontario, the government has taken action by helping to manage electricity costs for business. Ontario's Fair Hydro Plan, introduced in 2017, is already benefiting as many as half a million eligible farms and small businesses in the Regulated Price Plan (RPP) through bill reductions.

In addition, many manufacturing and greenhouse businesses are finding relief through expanded eligibility for the Industrial Conservation Initiative (ICI). As committed to in the Long-Term Energy Plan, the government is striving to make energy more affordable.

Reducing Electricity Costs for Mid-Sized Businesses

As of April 1, 2018, the electricity debt retirement charge (DRC) will be ending — benefiting all businesses including Ontario's mid-sized commercial and industrial consumers that are not in the RPP or the ICI.

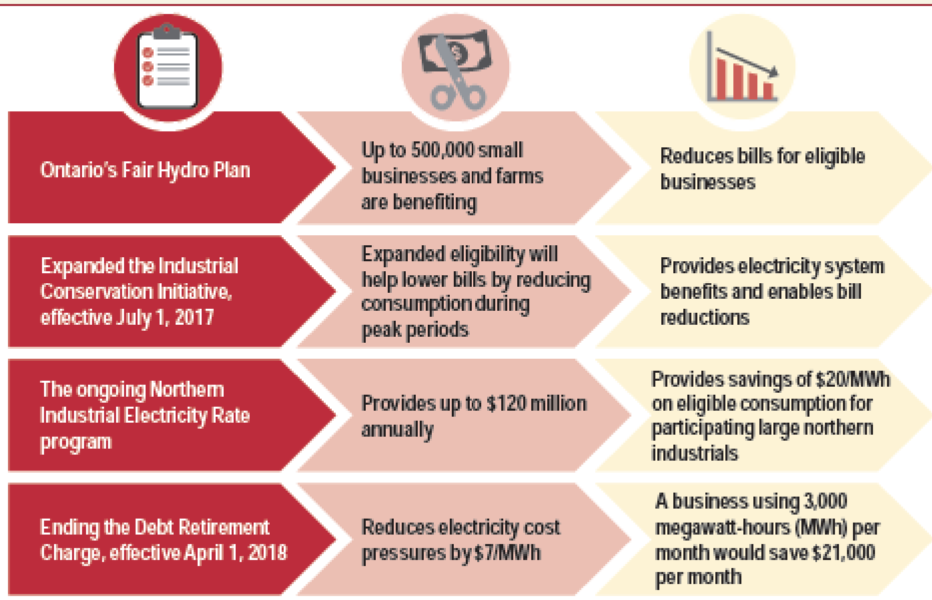
These non-RPP, Class B consumers use more than 250,000 kilowatt-hours annually and have a demand greater than 50 kilowatts. These and other businesses will see their electricity cost reduced by $7 per megawatt-hour (MWh) from the removal of the DRC. In addition, under Ontario's Fair Hydro Plan, the costs of certain electricity support programs are now being funded by the Province rather than by ratepayers.

Combined with the removal of the DRC, this represents an estimated 6.5 per cent reduction in the electricity bill of a typical non-RPP, Class B business.

Supporting Northern Businesses (p. 93)

The Province will continue to support some of the biggest employers in northern Ontario in the mining and manufacturing sectors, including eligible forestry companies, by providing ongoing annual support through the improved Northern Industrial Electricity Rate (NIER) program. Participants receive a rebate of $20 per megawatt-hour (MWh) on eligible consumption, and, on average, electricity prices can be reduced by about 25 per cent.

CHART 2.6 Reducing Electricity Costs for Businesses



Sources: Ontario Ministry of Energy and Ontario Ministry of Finance.

Delivering Electricity Rate Relief through Ontario's Fair Hydro Plan p. 112

Nearly $70 billion has been invested in the electricity system since 2003. These investments have several benefits, including providing a clean, reliable electricity system that meets the needs of Ontario families and businesses.

While these investments were necessary for a cleaner and more modern electricity system, they resulted in rising electricity rates. As announced in March 2017 under Ontario's Fair Hydro Plan, a portion of these costs is being refinanced, and recovery of these costs from ratepayers is being spread out over a longer period of time to better align with the timeframe of the benefits of these investments to Ontario electricity consumers. This has provided significant and immediate rate relief to eligible ratepayers and helps ensure intergenerational fairness.

Through this plan, as of July 1, 2017, Ontario has lowered electricity bills by 25 per cent on average for residential customers. Up to half a million eligible small businesses and farms are also receivinga benefit. Rate increases over four years will be held to the rate of inflation. While rates will rise gradually over time, the government remains committed to avoiding sharp increases.

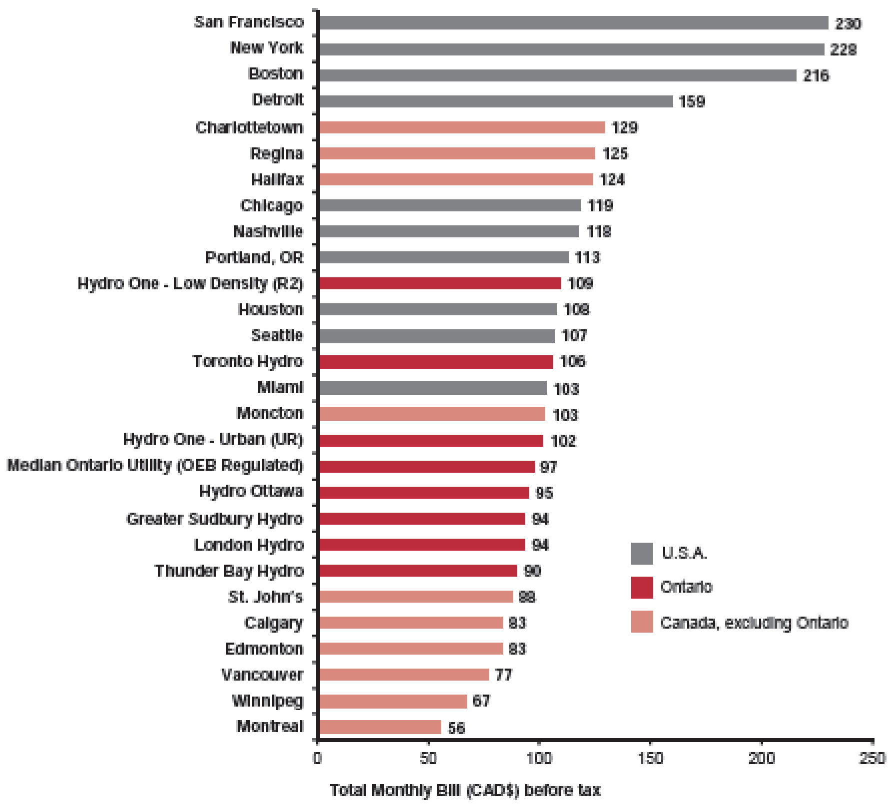
With the implementation of Ontario's Fair Hydro Plan, residential electricity bills in Ontario are within the range of rates in other provinces and compare favourably to jurisdictions in the United States.

Additional Relief for Families through Ontario's Fair Hydro Plan

Ontario is committed to supporting people with low incomes and those living in eligible rural or remote communities by providing significant reductions — up to 40 or 50 per cent — on residential electricity bills. On-reserve First Nation residential customers of licensed distributors are being provided a 100 per cent credit on the delivery line of their bills.
As part of Ontario's Fair Hydro Plan, the Affordability Fund was launched on October 24, 2017, to help Ontarians not eligible for low-income conservation programs and who need support to improve the energy efficiency of their homes. Eligible applicants are receiving benefits which could include, for example, LED light bulbs, power bars, energy-efficient appliances and better insulation.

CHART 2.8

Residential Electricity Bills
Selected Jurisdictions in Canada and the United States



Notes:
1. The Ontario figures are based on current electricity commodity prices (November 1, 2017) for the Regulated Price Plan, time-of-use (TOU), as well as the OEB rate database, while data for jurisdictions outside of Ontario are based on the Hydro-Quebec Report, "Comparison of Electricity Prices in Major North American Cities." Rates in effect April 1, 2017.
2. The data are rounded to the nearest Canadian dollar. The exchange rate used by Hydro-Quebec to convert data in U.S. dollars into Canadian dollars is 0.7468 (CAD$1 = US$0.7468), the rate in effect at noon on April 3, 2017.
3. The Ontario figures in this chart assume a typical consumption pattern of 65% Off-Peak, 17% Mid-Peak and 18% On-Peak for each TOU period, which represents the average across all consumers on TOU pricing in Ontario.
4. The data in this chart are based on 750 kilowatt-hour (kWh) as the average monthly consumption of electricity in all selected jurisdictions.
5. The Ontario figures include the *Ontario Fair Hydro Plan Act, 2017* adjustments.
6. The Ontario figures do not include any potential Ontario Electricity Support Program (OESP) credits.
7. Any applicable taxes (e.g., value-added or sales taxes, etc.) have been excluded in this chart.
8. These numbers are an estimate for informational purposes only.

Source: Ontario Energy Board, *Electricity Rate Comparison*, https://cf.oeb.ca/html/_performance/rates_chart_US-CAN_totalbill.cfm

Investing in Ontario's Low Carbon Economy, pp. 114-116

Climate change is not a distant threat; it is already having an impact on Ontario communities.

Homes and businesses already face the consequences of extreme weather events, including severe storms, flooding and heat waves. To address such challenges, Ontario is taking an active role in global efforts to minimize risks from a changing climate. The government is taking this action by transitioning to a competitive and low-carbon economy through investments in the development and adoption of green technologies that will create new opportunities for economic growth and jobs, while protecting the environment from further consequences of climate change.

Linking to Create the Second Largest Carbon Market in the World

Ontario's cap and trade program is a market-based system that sets a hard cap on greenhouse gas(GHG) emissions, while giving flexibility to businesses and industry. On January 1, 2018, Ontario linked its carbon market with those already existing in Quebec and California to form the world's second largest carbon market.

The linked cap-and-trade market was deemed "best-in-class" by Ontario's Environmental Commissioner and will provide the most effective method to achieve GHG reduction targets, at the lowest cost to people and businesses.

Independent economic analysis has also shown that a linked cap-and-trade market is the most cost-effective way to achieve Ontario's GHG reduction objectives.

TABLE 2.3 Carbon Pricing Scenarios — Impacts by 2020

	Ontario's Approach	Carbon Tax
Household Energy Impact ($/month; 2016 dollars)	$13	$50
Carbon Price (2016 dollars)	$18	$72
Net GHG Reduction	18.42 million tonnes	12.7 million tonnes

Source: EnviroEconomics, Navius Research and Dillon Consulting, "Impact Modelling and Analysis of Ontario's Cap and Trade Program."

In addition to a linked cap-and-trade market, Ontario businesses will have opportunities to reduce compliance costs by:

- Investing in emissions-reducing technologies, including those supported by investments made through the Province's Climate Change Action Plan; and
- Purchasing offset credits.

Carbon Allowance Proceeds Are Helping Families and Businesses

Ontario's *Climate Change Mitigation and Low-carbon Economy Act*, *2016,* dictates that all proceeds in carbon allowances must be used towards initiatives that are reasonably likely to reduce, or support the reduction of, GHG emissions.

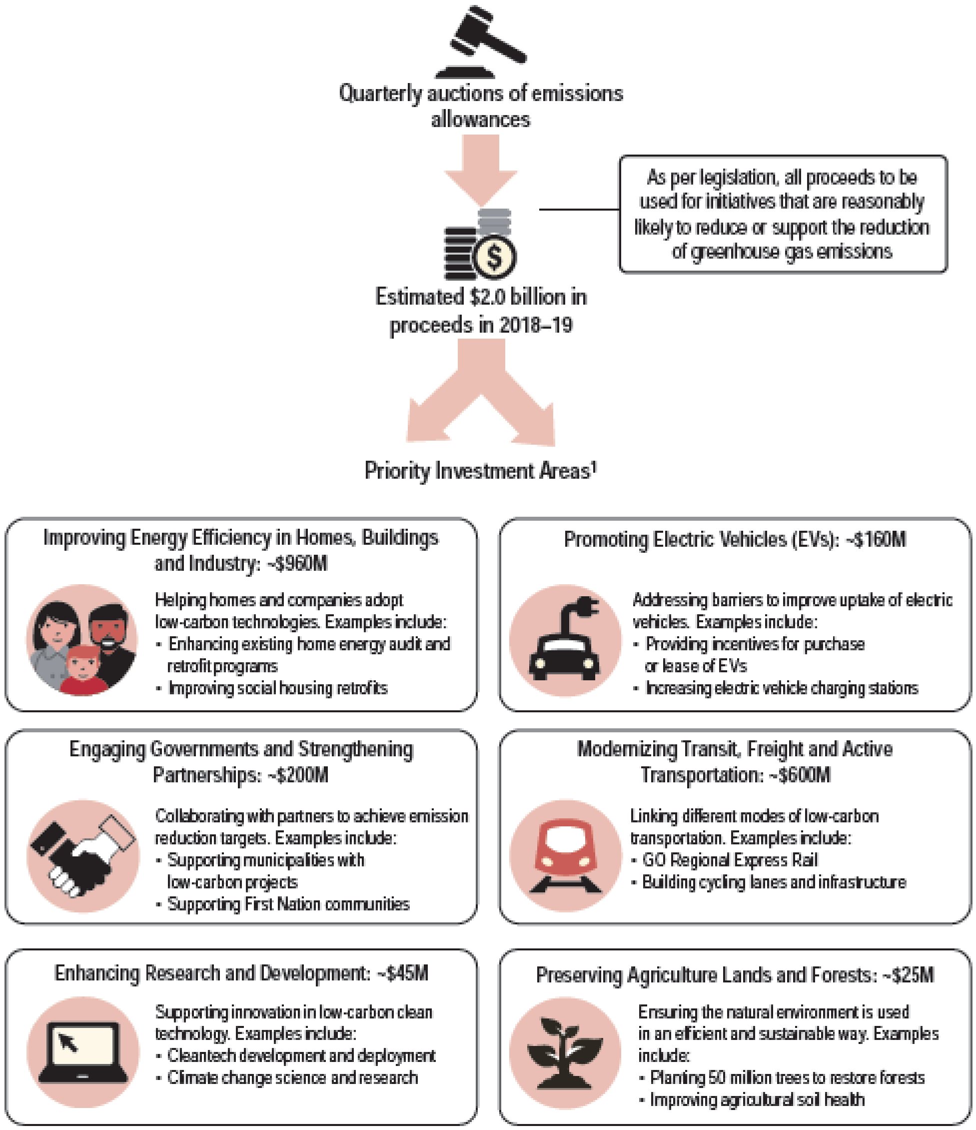
In 2017–18, Ontario's five auctions of GHG emission allowances generated $2.4 billion in proceeds that are supporting a wide spectrum of new programs guided by the Province's five-year Climate Change Action Plan. These investments are already helping Ontario families and businesses reduce costs and transition to a low-carbon economy by:

- Providing audits and retrofits to approximately 17,500 social housing apartment building units and 14,000 homes;
- Implementing 180 projects in 98 hospitals to create energy-related savings;
- Creating healthier, modern and more comfortable learning environments with new energy efficient upgrades in nearly 600 schools across the province;
- Partnering with 118 municipalities to build bike lanes and bike parking and support new cycling plans; and
- Installing over 300 electric vehicle (EV) chargers, including over 140 level 3 fast chargers, creating the largest public fast-charging network in Canada.

To help people and businesses fight climate change and save money, Ontario launched the Green Ontario Fund using proceeds from Ontario's carbon market. In its first year, GreenON:

- Engaged 140,000 people in Ontario who will receive home energy audits and no-cost smart thermostats;
- Offered a variety of rebates to help homeowners and businesses save money, including$7,200 off insulation, $5,000 off high-performance windows, $20,000 off ground source heat pumps, $5,800 off air source heat pumps and $100 off smart thermostats;
- Provided ongoing access to free, impartial energy saving advice through the GreenON Support Line at 1-888-728-8444 or the GreenON website at GreenON.ca;
- Launched GreenON Industries to support major carbon reduction projects for large industrial emitters and improve business competitiveness;
- Provided up to $25 million toward the GreenON Social Housing program;
- Launched the GreenON Food Manufacturing and Agriculture programs to support Ontario farmers, and food and beverage producers; and
- Launched the GreenON Challenge with funding of up to $300 million to encourage the development of innovative ultra-low carbon technologies and processes.

CHART 2.9 Planned Use of Carbon Allowance Proceeds



[1] Planned Investments are subject to availability of carbon allowance proceeds.

CHAPTER III: ONTARIO'S ECONOMIC AND FISCAL STRENGTH

In-Year Revenue Performance (p. 197)

TABLE 3.10 Summary of Revenue Changes since the *2017 Budget*
($ Millions)

	Interim 2017–18
Taxation Revenue	
Personal Income Tax and Ontario Health Premium	(2,823)
Corporations Tax	1,983
Land Transfer Tax	(48)
All Other Taxes	144
Total Taxation Revenue	**(744)**
Total Government of Canada	**(752)**
Income from Government Business Enterprises	
Ontario Power Generation Inc./Hydro One Ltd.	828
Ontario Lottery and Gaming Corporation	375
Liquor Control Board of Ontario	59
Ontario Cannabis Retail Corporation	(8)
Total Income from Government Business Enterprises	**1,254**
Total Other Non-Tax Revenue	**359**
Total Revenue Changes since the *2017 Budget*	**117**

Note: Numbers may not add due to rounding.

Revenue Changes (p. 198)

Highlights of changes to estimated 2017–18 revenue from the *2017 Budget* forecast are as follows *(energy-related items only*):

- The combined net income of **Ontario Power Generation Inc.** (OPG) and **Hydro One Ltd.** Hydro One) is $828 million above the *2017 Budget* forecast. This increase mainly reflects the re-categorization from Sales and Rentals to OPG net income of one-time OPG real estate transaction impacts, the financial performance of OPG's Nuclear Funds, and lower OPG expenses. This is partially offset by the impact of the Ontario Energy Board's 2017 rate decisions with respect to OPG and Hydro One, and the re-categorization from Sales and Rentals to Hydro One net income, reflecting the Province's lower ownership share of Hydro One.

- **Other Non-Tax Revenue** is $359 million higher largely reflecting carbon allowance proceeds and revenues from broader public-sector organizations. These increases are partially offset by lower, fiscally neutral revenue from power supply contract recoveries and lower Sales and Rentals revenue, mainly reflecting the re-categorization from Sales and Rentals of one-time OPG real estate transaction impacts.

The above estimates are based on revenue information available to March 7, 2018. Information arriving subsequent to this date will be reflected in the Province's finalized financial statements to be included in the *Public Accounts of Ontario 2017–2018*.

Average Negotiated Wage Increases (p. 212)

TABLE 3.19 Average Annual Negotiated Wage Increase in Ontario

Sectors	Per Cent Increase January 1, 2017 to December 31, 2017
Private	2.1
Public Sector (Federal)	1.4
Public Sector (Municipal)	2.0
Public Sector (Provincial)	1.9

Sources: Ontario Treasury Board Secretariat and Ontario Ministry of Labour.

Key Changes since the 2017 Budget (p. 213)

The government is projecting a deficit of $6.7 billion in 2018–19 and $6.6 billion in 2019–20.

This is a result of a slightly lower revenue forecast as well the government's plan to invest in priority areas to improve access to high-quality public services such as health care, child care, postsecondary education, social assistance, and mental health and addiction services, as well as expanding OHIP+ for seniors.

Compared to the *2017 Budget* forecast, the outlook for revenues is on track in 2017–18, and lower in 2018–19 and 2019–20 by $1.1 billion and $0.7 billion, respectively.

The reserve included in the fiscal plan is slightly higher in 2018–19 and slightly lower in 2019–20 compared with the forecast in the 2017 Budget. It is now set at $0.7 billion in each year over the medium term. For 2017–18, the reserve is not required for year-end and has been drawn down.

TABLE 3.20 Change in Medium-Term Fiscal Plan since the *2017 Budget*
($ Billions)

	2017–18	2018–19	2019–20
Surplus/(Deficit) from the *2017 Budget*	**0.0**	**0.0**	**0.0**
Total Revenue Changes	**0.1**	**(1.1)**	**(0.7)**
Expense Changes			
Net Program Expense Changes	0.4	5.7	6.3
Interest on Debt	(0.3)	(0.1)	(0.2)
Total Expense Changes	**0.1**	**5.5**	**6.2**
Change in Reserve	(0.6)	0.1	(0.2)
Fiscal Improvement/(Deterioration)	**0.6**	**(6.7)**	**(6.6)**
***2018 Budget* Surplus/(Deficit)**	**0.6**	**(6.7)**	**(6.6)**

Note: Numbers may not add due to rounding.

Key Changes in the Medium-Term Revenue Outlook since the 2017 Budget (pp. 214-215)

Compared to the *2017 Budget* forecast, the outlook for revenues is on track in 2017–18, and lower in 2018–19 and 2019–20 by $1.1 billion and $0.7 billion, respectively.

TABLE 3.21 Summary of Medium-Term Revenue Changes since the *2017 Budget* ($ Billions)

	2017–18	2018–19	201
2016 Tax Returns	(0.7)	(0.7)	
Adjustments in Respect of Prior Years	0.5	0.0	
Nominal GDP	0.1	0.1	
Increased Economic Uncertainty	(0.5)	(1.0)	
Housing Market	(0.4)	(0.6)	
Tax Revenue Measures	0.1	0.4	
Government of Canada Transfers	(0.8)	0.3	
Electricity Revenue	0.3	(0.5)	
Ontario Lottery and Gaming Corporation (OLG) and Liquor Control Board of Ontario (LCBO)	0.4	0.1	
Carbon Allowance Proceeds	0.6	0.6	
Cannabis-Related Revenue	(0.0)	(0.0)	
Other Revenue Sources	0.3	0.3	
Total Revenue Changes	**0.1**	**(1.1)**	

Note: Numbers may not add due to rounding.

Processing of **2016 tax returns** resulted in lower revenues assessed than estimated at the time of the *2017 Budget*, which lowered the tax revenue base upon which growth is applied. In particular, weaker revenues from 2016 PIT returns more than offset the impact of stronger revenues from 2016 corporate tax returns.

Electricity Revenue is projected to be higher in 2017–18 mainly due to higher net income from OPG reflecting the financial performance of OPG's Nuclear Funds and lower expenses. This increase is partially offset by the impact of the 2017 Ontario Energy Board (OEB) rate decisions with respect to OPG and Hydro One, and lower, fiscally neutral, Power Supply Contract Recoveries.

The decrease in 2018–19 mainly reflects revised estimated impacts of a Provincial accounting consolidation adjustment to OPG net income to reflect International Financial Reporting Standards under Public Sector Accounting Standards; lower, fiscally neutral Power Supply

Contract Recoveries; and lower projected revenues from Hydro One due to the impact of OEB rate decisions during 2017.

The change in **Carbon Allowance Proceeds** largely reflects an assumption of full market clearance of current and future vintage allowances, as opposed to 80 per cent assumed in the *2017 Budget*.

This revised projection is informed by the results of strong performance of the cap-and-trade auctions held in 2017–18, revised carbon price forecasts, and regulatory certainty in California, which is expected to encourage market participation.

Details of Ontario's Finances: Revenue

TABLE 3.24 Revenue
($ Millions)

	2015–16	Actual 2016–17	Interim 2017–18	Plan 2018–19
Taxation Revenue				
Personal Income Tax	31,141	30,671	32,319	35,612
Sales Tax	23,455	24,750	25,954	26,808
Corporations Tax	11,428	14,872	15,800	15,137
Education Property Tax	5,839	5,868	5,968	6,076
Employer Health Tax	5,649	5,908	6,184	6,554
Ontario Health Premium	3,453	3,575	3,679	3,914
Gasoline Tax	2,459	2,626	2,675	2,699
Land Transfer Tax	2,118	2,728	3,091	3,142
Tobacco Tax	1,226	1,230	1,251	1,250
Fuel Tax	751	742	768	784
Beer, Wine and Spirits Taxes	582	589	607	638
Ontario Portion of the Federal Cannabis Excise Duty	–	–	–	35
Electricity Payments in Lieu of Taxes	3,247	334	499	369
Other Taxes	470	453	558	563
	91,818	**94,346**	**99,353**	**103,581**
Government of Canada				
Canada Health Transfer	13,089	13,910	14,359	14,934
Canada Social Transfer	4,984	5,146	5,314	5,486
Equalization	2,363	2,304	1,424	963
Infrastructure Programs	146	732	1,533	1,703
Labour Market Programs	927	965	969	998
Social Housing	455	441	412	386
Other Federal Payments	893	761	1,020	1,235
Direct Transfers to Broader Public-Sector Organizations	284	285	297	301
	23,141	**24,544**	**25,328**	**26,006**

Continued...

TABLE 3.24 Revenue (continued)
($ Millions)

	2015–16	Actual 2016–17	Interim 2017–18	Plan 2018–19
Income from Government Business Enterprises				
Ontario Lottery and Gaming Corporation	2,234	2,358	2,509	2,245
Liquor Control Board of Ontario	1,956	2,349	2,196	2,234
Ontario Cannabis Retail Corporation	–	–	(8)	(40)
Ontario Power Generation Inc./Hydro One Ltd.[1]	719	860	1,445	853
	4,909	**5,567**	**6,142**	**5,292**
Other Non-Tax Revenue				
Reimbursements	991	988	996	995
Vehicle and Driver Registration Fees	1,565	1,727	1,962	2,003
Electricity Debt Retirement Charge	859	621	604	–
Power Supply Contract Recoveries	875	838	182	183
Sales and Rentals	2,102	1,999	2,439	1,409
Carbon Allowance Proceeds	–	–	2,395	1,979
Other Fees and Licences	964	763	995	1,003
Net Reduction of Power Purchase Contract Liability	172	129	74	41
Royalties	274	272	297	295
Fees, Donations and Other Revenues from Hospitals, School Boards and Colleges	7,493	7,957	8,283	8,552
Miscellaneous Other Non-Tax Revenue	985	983	1,086	1,122
	16,280	**16,277**	**19,313**	**17,582**
Total Revenue	**136,148**	**140,734**	**150,136**	**152,461**

[1] Includes income from Brampton Distribution Holdco Inc. for 2015–16 to 2016–17 from its interest in Hydro One Brampton Networks Inc. On February 28, 2017, the Province sold its entire interest in Hydro One Brampton Networks Inc. and it is no longer included as a government business enterprise.

Note: Numbers may not add due to rounding.

Details of Ontario's Finances: Expenses

TABLE 3.25 Total Expense
($Millions)

Ministry Expense	2015–16	Actual 2016–17	Interim 2017–18	Plan 2018–19
Accessibility Directorate of Ontario (Total)	**15**	**15**	**18.9**	**20.8**
Advanced Education and Skills Development (Total)	**9,901**	**10,131**	**11,128.4**	**11,788.5**
Agriculture, Food and Rural Affairs (Base)	883	1,031	930.9	1,098.8
Time-Limited Investments in Infrastructure	47	–	101.9	100.0
Agriculture, Food and Rural Affairs (Total)	**929**	**1,031**	**1,032.8**	**1,198.8**
Attorney General (Total)	**1,859**	**1,937**	**2,051.8**	**2,012.6**
Board of Internal Economy (Total)	**205**	**219**	**252.3**	**352.3**
Children and Youth Services (Total)	**4,298**	**4,439**	**4,454.7**	**4,597.7**
Citizenship and Immigration (Total)	**102**	**105**	**108.4**	**122.2**
Community and Social Services (Base)	11,298	11,614	12,378.1	13,312.8
Time-Limited Investments in Affordable and Supportive Housing	–	23	9.3	–
Community and Social Services (Total)	**11,298**	**11,637**	**12,387.4**	**13,312.8**
Community Safety and Correctional Services (Base)	2,565	2,681	2,805.5	3,027.0
Time-Limited Support for 2015 Pan/Parapan American Games Security	122	–	–	–
Community Safety and Correctional Services (Total)	**2,687**	**2,681**	**2,805.5**	**3,027.0**
Economic Development and Growth/Research, Innovation and Science (Total)	**928**	**1,073**	**1,026.1**	**1,072.4**
Education (Base)	25,967	26,580	27,493.6	29,075.3
Teachers' Pension Plan	110	(377)	(460.0)	(861.0)
Education (Total)	**26,077**	**26,204**	**27,033.6**	**28,214.3**
Energy (Base)	328	456	355.1	374.7
Electricity Cost Relief Programs	–	400	1,247.2	1,580.8
Ontario Clean Energy Benefit	860	21	–	–
Strategic Asset Management and Transformation Related to Hydro One	44	43	187.9	35.0
Energy (Total)	**1,232**	**920**	**1,790.3**	**1,990.5**
Environment and Climate Change (Total)	**503**	**523**	**783.0**	**1,326.0**
Executive Offices (Base)	33	48	57.6	58.3
Disaster Relief	3	1	4.0	–
Executive Offices (Total)	**36**	**49**	**61.6**	**58.3**
Finance (Base)	1,048	862	885.1	986.2
Ontario Municipal Partnership Fund	513	505	506.3	510.0
Power Supply Contract Costs	875	838	181.8	182.8
Finance (Total)	**2,436**	**2,205**	**1,573.1**	**1,679.0**

continued...

TABLE 3.25 Total Expense (continued)
($ Millions)

Ministry Expense	2015–16	Actual 2016–17	Interim 2017–18	Plan 2018–19
Francophone Affairs, Office of (Total)	**8**	**5**	**6.5**	**7.8**
Government and Consumer Services (Total)	**602**	**595**	**618.8**	**585.3**
Health and Long-Term Care (Total)	**54,925**	**55,945**	**58,289.5**	**61,277.7**
Indigenous Relations and Reconciliation (Base)	75	128	92.2	101.3
One-Time Investments including Settlements	5	–	21.6	–
Indigenous Relations and Reconciliation (Total)	**79**	**128**	**113.8**	**101.3**
Infrastructure (Base)	213	161	265.8	213.3
Federal–Provincial Infrastructure Programs	–	8	141.9	603.3
Infrastructure (Total)	**213**	**169**	**407.7**	**816.6**
International Trade (Total)	**21**	**29**	**51.7**	**61.1**
Labour (Total)	**305**	**308**	**324.1**	**330.6**
Municipal Affairs/Housing (Base)	923	994	1,051.2	1,006.8
Time-Limited Investments	1	6	22.9	16.7
Time-Limited Investments in Municipal, Social and Affordable Housing	165	544	297.0	324.3
Municipal Affairs/Housing (Total)	**1,088**	**1,544**	**1,371.1**	**1,347.8**
Natural Resources and Forestry (Base)	723	751	801.3	779.9
Emergency Forest Firefighting	95	107	117.3	69.8
Natural Resources and Forestry (Total)	**818**	**858**	**918.6**	**849.7**
Northern Development and Mines (Total)	**701**	**814**	**764.1**	**813.7**
Seniors Affairs (Total)	**20**	**19**	**29.8**	**46.5**
Status of Women (Total)	**26**	**23**	**27.6**	**37.4**
Tourism, Culture and Sport (Base)	1,431	1,540	1,568.1	1,514.2
Time-Limited Investments to Support 2015 Pan/Parapan American Games	839	–	–	–
Tourism, Culture and Sport (Total)	**2,270**	**1,540**	**1,568.1**	**1,514.2**
Transportation (Base)	3,284	3,636	4,199.2	4,678.4
Time-Limited Investments in Infrastructure	–	–	895.6	887.5
Transportation (Total)	**3,284**	**3,636**	**5,094.8**	**5,565.9**
Treasury Board Secretariat (Base)	220	233	230.4	346.9
Employee and Pensioner Benefits	987	1,002	1,155.0	1,271.0
Operating Contingency Fund	–	–	50.0	1,325.0
Capital Contingency Fund	–	–	–	275.0
Treasury Board Secretariat (Total)	**1,207**	**1,235**	**1,435.4**	**3,217.9**
Interest on Debt[1]	11,589	11,709	11,965.0	12,542.8
Year-End Savings[2]	–	–	–	(1,225.0)
PRRT Savings	–	–	–	(200.0)
Total Expense	**139,663**	**141,725**	**149,494.3**	**158,464.5**

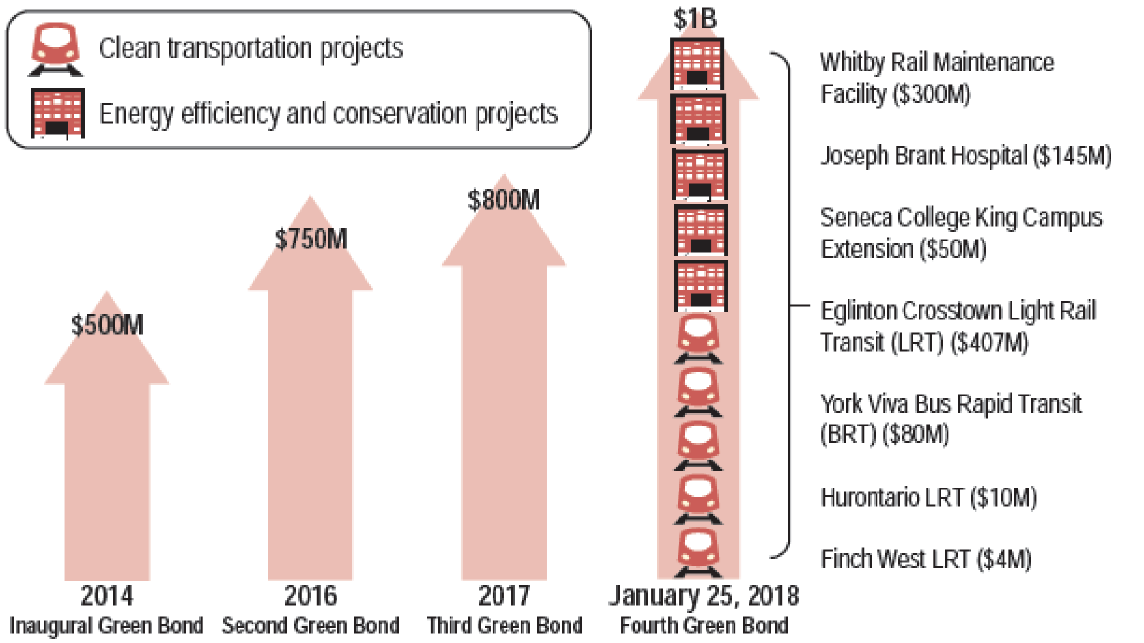
[1] Interest on debt is net of interest capitalized during construction of tangible capital assets of $165 million in 2015–16, $158 million in 2016–17, $301 million in 2017–18 and $456 million in 2018–19.

[2] As in past years, the Year-End Savings provision reflects efficiencies through in-year expenditure management and underspending due to factors such as program management, and changes in project startups and implementation plans.

Note: Numbers may not add due to rounding.

Leading Canadian Dollar Green Bond Market (p. 235)

CHART 3.17 Ontario's Green Bond Issues



Notes: Numbers may not add due to rounding. Seven projects have been selected as eligible and are expected to receive funding from Ontario's fourth Green Bond. This basket approach allows a level of funding flexibility, should some of the chosen projects experience different spending patterns than those currently forecast.
Source: Ontario Financing Authority.

Reducing Ontario's Electricity Sector Stranded Debt (p. 245)

Ontario Electricity Financial Corporation (OEFC) interim results for 2017–18 show an estimated excess of revenue over expense of $1.9 billion, which would reduce OEFC's unfunded liability (or "stranded debt of the electricity sector") from $3.2 billion, as of March 31, 2017, to $1.3 billion, as of March 31, 2018. This would be the 14th consecutive year of stranded debt reduction.

Projected 2018–19 OEFC results are an excess of revenue over expense of about $0.3 billion. Through prudent management of electricity sector debt and other obligations, the government has removed the debt retirement charge (DRC) cost from residential electricity users' electricity bills beginning January 1, 2016. As announced in the 2015 Ontario Economic Outlook and Fiscal Review, the government is ending the DRC beginning April 1, 2018, for industrial, business and other electricity users, such as institutions and not-for-profits.

Even after the end of the DRC, OEFC is expected to continue to service and pay down its debt and other liabilities from OEFC's other dedicated revenues, such as payments-in-lieu of taxes and the Gross Revenue Charge.

CHAPTER IV: FAIRNESS AND OPPORTUNITY THROUGH PARTNERSHIPS

Partnering with Indigenous Communities on Infrastructure (p.258)

Connecting Northern Remote Communities to the Transmission Grid

Twenty-five remote First Nation communities in northwestern Ontario rely on diesel for local power generation. However, as noted in the 2017 Long-Term Energy Plan, the high cost of diesel fuel creates a strong economic and environmental case to connect as many as 21 of those communities to Ontario's electricity grid instead.

Wataynikaneyap Power LP (Wataynikaneyap Power), a licensed transmission company, is a partnership between First Nation LP, comprising 22 First Nations with majority ownership, and FortisOntario. Wataynikaneyap Power has been selected to connect 16 remote First Nation communities to an adequate, reliable and clean supply of power.

The project will be able to support new housing, water treatment and other community infrastructure, with added economic and employment benefits for northwestern Ontario and First Nation community members. Ontario has been engaging with Wataynikaneyap Power and the federal government on cost-sharing responsibilities.

The Independent Electricity System Operator has established a Matawa-focused working group to assist in determining the best path forward for five other communities that are economic to connect to the grid. For the remaining communities, Ontario is exploring innovative and potentially cost-effective solutions, such as supporting the development of renewable microgrids, in an effort to reduce diesel use.