Ontario's Fair Hydro Plan

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Context

- On March 2, 2017, the government announced Ontario's Fair Hydro Plan (OFHP), which would lower bills by 25% for a typical residential consumer, starting in the summer of 2017. Some small businesses and farms would also benefit
- Any rate increases for typical residential consumers over the next four years would be held to inflation
- To implement the OFHP, ENERGY has prepared proposed legislation (Ontario Fair Hydro Plan Act) in close collaboration with the Ontario Energy Board (OEB), Independent Electricity System Operator (IESO), Ontario Power Generation (OPG), partner ministries (TBS, MOF and MAG), external advisors

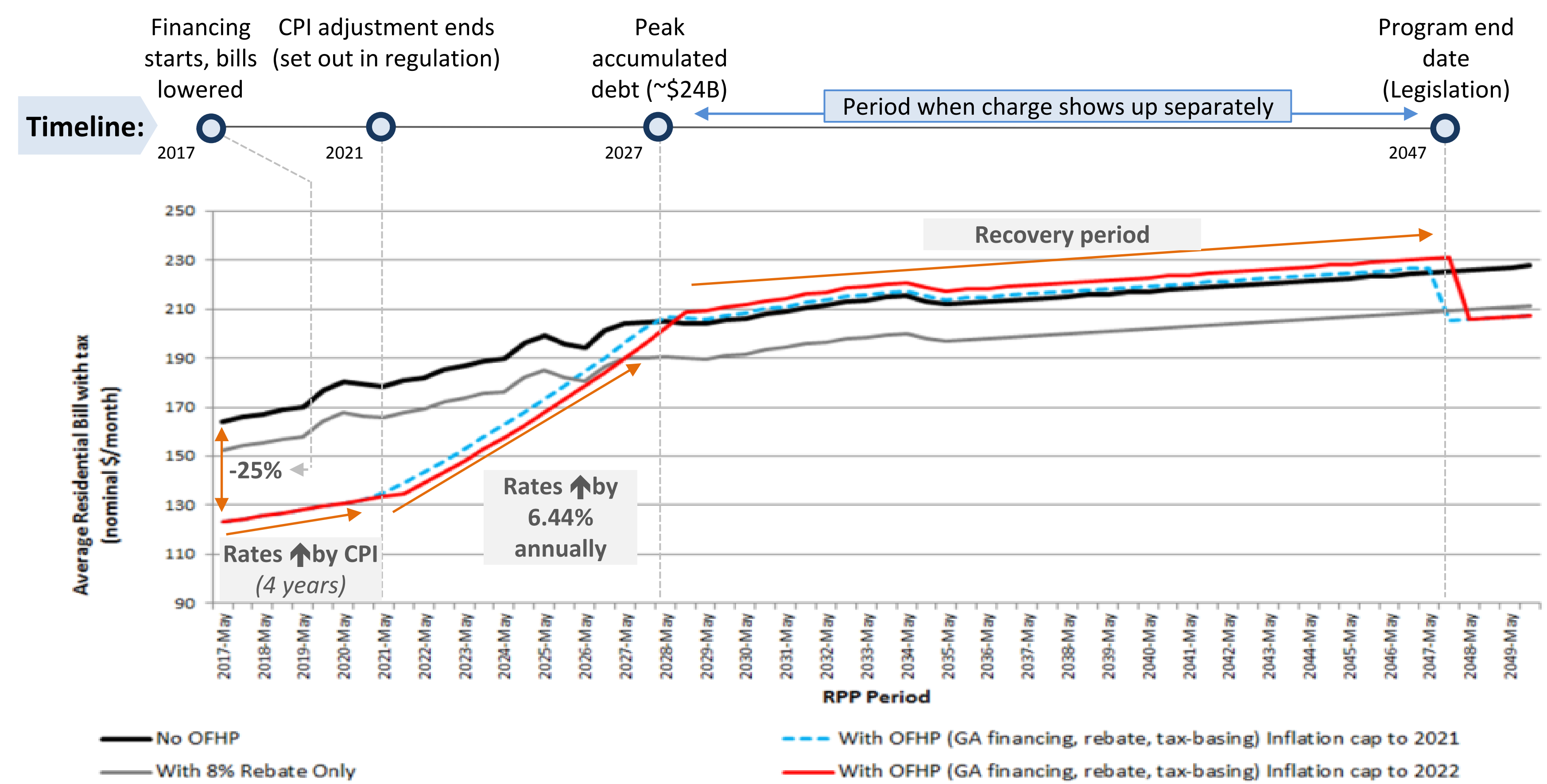
OFHP Act Overview

- The proposed legislation balances ratepayer interests, accounting objectives, market expectations and legal considerations
- It is built around the core principle that costs incurred to move to a clean, reliable system creates benefits across generations, and costs that should be spread more fairly. Pre-defined terms (see definitions) form the building blocks for this structure
- Roles and responsibilities are established in legislation:
  - Minister of Energy: sets Fair Allocation Amounts for all periods, at the beginning of the plan
  - OPG: acts as Financial Services Manager, sets the Financing Plan, establishes financing entities, purchases assets from IESO, and will drive invoice amounts to customers
  - IESO: creates funding shortfall / regulatory asset, sells to OPG, acts as agent to collect from ratepayers and funds initial interest costs
  - OEB: sets customer rates, establishes regulatory asset for IESO, reviews OPG's administrative costs
- A significant portion of the legislation is designed to ensure the financeability of the program and recoverability from ratepayers
- *Key considerations:*
  - Legislation sets the first Fair Allocation Adjustment and end date of 2047; amounts for intervening years set in regulation
  - Several Provincial guarantees to be negotiated to enable financing without imposing undue cost / risk on Province
  - Province's role constrained once the program underway (e.g. cannot remove OPG as financial services manager)
  - Modelling underway to ensure principle of cost / benefit alignment underlying the program is justifiable
  - Energy has received approval to provide equity injections to OPG to fund sub-debt (see diagram)
  - OFA working with IESO to provide an additional credit facility – requires approvals/Directive from Minister of Finance (see diagram)

GA Financing Overview

Financing Structure

Residential Bill ($ per month average)



Ontario's Fair Hydro Plan (cont'd)

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Electricity Support to Help the Most Vulnerable*

Broadening of the Rural or Remote Protection Program		2016-17	2017-18	2018-19	2019-20	2020-21
Fiscal Impact ($ Millions)		0	344	472	484	497
Overview	Expand the existing program and harmonize distribution rates for customers in the top high-distribution cost LDCs, and shifting costs to the tax base					
Updates	Legislative amendments enable shifting costs to the tax base, and create a new distribution rate protection program for 8 LDCs					
Next Steps	Regulation amendments to be posted shortly after legislation is introduced in order to facilitate implementation by July 1					

Ontario Electricity Support Program		2016-17	2017-18	2018-19	2019-20	2020-21
Fiscal Impact ($ Millions)		0	140	261	325	375
Overview	Improve the existing program to enhance benefits and increase uptake through streamlined applications and expanded eligibility to include additional households					
Updates	LRC on April 10th which expanded program benefits by 50% (effective May 1). Authority to allow data sharing between OEB/MCSS to support participation of Ontario Works/Ontario Disability and Support Program clients. OEB will continue to administer the OESP program. Proposed legislation will come into force via a proclamation OIC.					
Next Steps	Legislation enables shifting cost tax base; OEB authorities remain until variance account is exhausted (expected fall 2017)					

On-Reserve First Nations Delivery Credit		2016-17	2017-18	2018-19	2019-20	2020-21
Fiscal Impact ($ Millions)		0	15	20	20	20
Overview	Establish a credit to remove delivery charges for 21,500 on-reserve First Nations residential customers					
Updates	Establish authority to create delivery credit and provide for tax-based funding in legislation					
Next Steps	Regulation amendments to be posted shortly after legislation is introduced in order to facilitate implementation by July 1					

Affordability Fund		2016-17	2017-18	2018-19	2019-20	2020-21
Fiscal Impact ($ Millions)		100		Up to 100 additional		
Overview	Fund has been established through local distribution companies to help consumers in need to make energy efficiency improvements					
Updates	Advisory committee established and has recommended reps. from Hydro One, Alectra and Thunder Bay Hydro to act as trustees; 2 social services trustees to be selected soon					
Next Steps	Report back to TB/MBC in June 2017 with final program details and a performance management framework; LDCs begin to apply to the Trust for funds in summer 2017					

*Note: out years subject to change

Other Elements / Considerations

- *Revised cost forecast for "Ontario Rebate for Electricity Consumers"* for an amount equivalent to 8% provincial portion of HST: Key measures announced in OFHP are expected to reduce the cost of the 8% rebate for the Province as the total cost of electricity paid by eligible customers, upon which the rebate is based, will be reduced. The revisions are as follows compared with estimates in September 8, 2016*:

	2017-2018	2018-2019	2019-2020	2020-2021
ENERGY Estimate (Sept 8, 2016) ($ million)	1,119	1,086	1,171	n/a
ENERGY Revised Estimate (March 15, 2017) ($ million)	939	882	882	895
Change: March 15, 2017 vs Sept 8, 2016	*-16%*	*-19%*	*-25%*	*n/a*

***NOTE:** The estimates are subject to variances as result of uncertainties in demand, natural gas prices and other factors. These uncertainties also impact the variance account for the Regulated Price Plan (RPP).

- *Industrial Conservation Initiative:* LRC on April 10th which expanded the program for manufacturing sectors, plus greenhouses and new 500Kw threshold (vs 1 MW for other consumers). Energy working with CME and OCC on outreach campaigns on benefits of ICI and other conservation initiatives
- *Bill Presentment:* Targeting a re-design of the bill for Fall 2017. For the interim period the Ministry plans to include bill inserts describing the program
- *Auditor General (AG) / Financial Accountability Officer (FAO):* The Ministry has met with both offices and is circulating information in response to follow up requests. The AG also engaged with IESO through its IT value-for-money audit