Past Trends: Ministry Budget Breakdown (2013-14 to 2016-17)

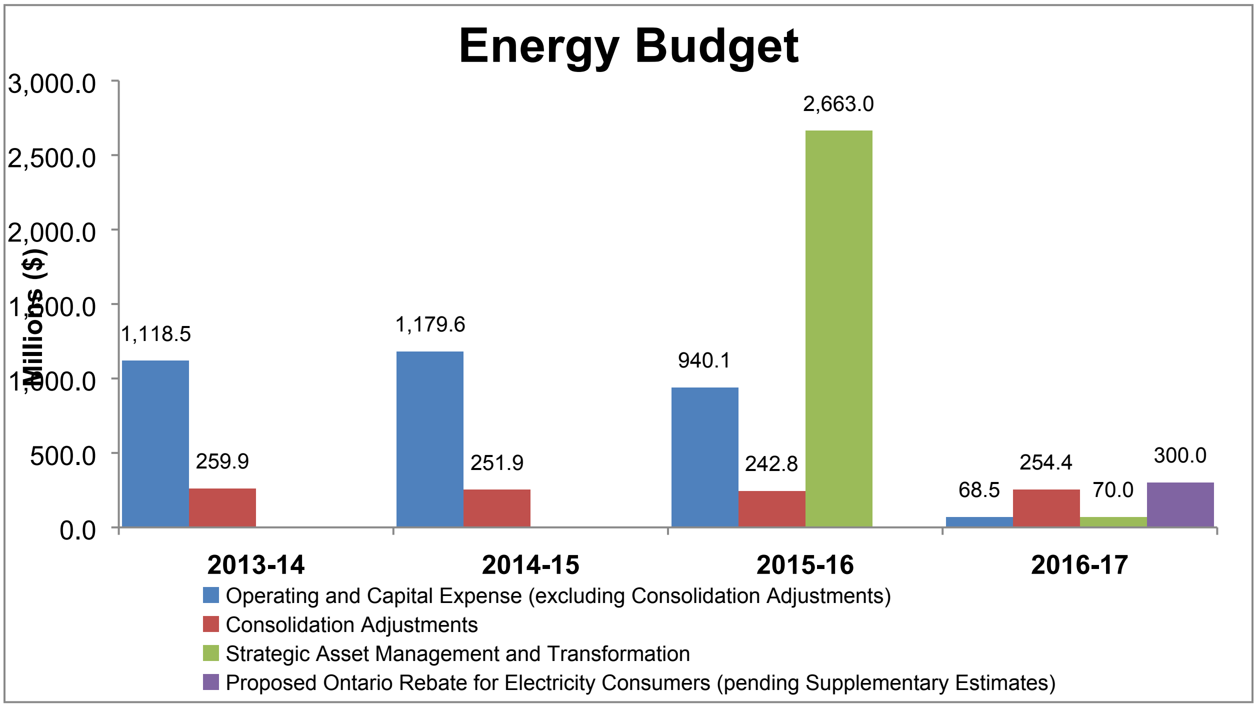
Ministry of Energy Estimates ($)*				
Program / Year	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Operating and Capital Expense				
Ministry Administration Program	14,960,814	15,163,914	15,163,914	15,163,914
Energy Development and Management	22,617,000	23,370,700	23,370,700	23,925,700
Strategic Asset Management and Transformation	-	-	63,000,000	70,000,000
Total Operating and Capital Expense (excluding Transfer Payment and Consolidation Adjustments)	**37,577,814**	**38,534,614**	**101,534,614**	**109,089,614**
Energy Transfer Payments	15,872,400	15,572,400	15,572,400	3,447,400
Electricity Price Mitigation Transfer Payments**	1,065,000,000	1,125,500,000	886,000,000	26,000,000
One-Time Capital Contribution Investment	-	-	2,600,000,000	-
Total Operating and Capital Expense (excluding Consolidation Adjustments)	**1,118,450,214**	**1,179,607,014**	**3,603,107,014**	**438,537,014**
Consolidation Adjustments				
Independent Electricity System Operator	167,177,000	159,273,500	210,231,200	216,496,400
Ontario Energy Board	33,311,000	33,074,000	32,572,600	37,943,000
Ontario Power Authority***	59,399,000	59,578,000	-	-
Total Consolidation Adjustments	**259,887,000**	**251,925,500**	**242,803,800**	**254,439,400**
Total Operating and Capital Expense (including Consolidation Adjustments)	**1,378,337,214**	**1,431,532,514**	**3,845,910,814**	**392,976,414**
Proposed Ontario Rebate for Electricity Consumers (pending Supplementary Estimate)	-	-	-	300,000,000
Total Operating and Capital Expense (including Consolidation Adjustments and Supplementary Estimates)	**1,378,337,214**	**1,431,532,514**	**3,845,910,814**	**692,976,414**

** Estimates, Interim Actuals and Actuals for prior years are re-stated to reflect any changes in ministry organization and/or program structure. Interim actuals reflect the numbers presented in the 2016 Ontario Budget.*

*** OCEB ended on December 31, 2015 which contributed to a reduction of $860 million to the Ministry's allocation in 2016-17.*

**** On January 1, 2015, the Independent Electricity System Operator (IESO) and the Ontario Power Authority (OPA) were amalgamated to become one organization known as the IESO.*

A. Total Ministry



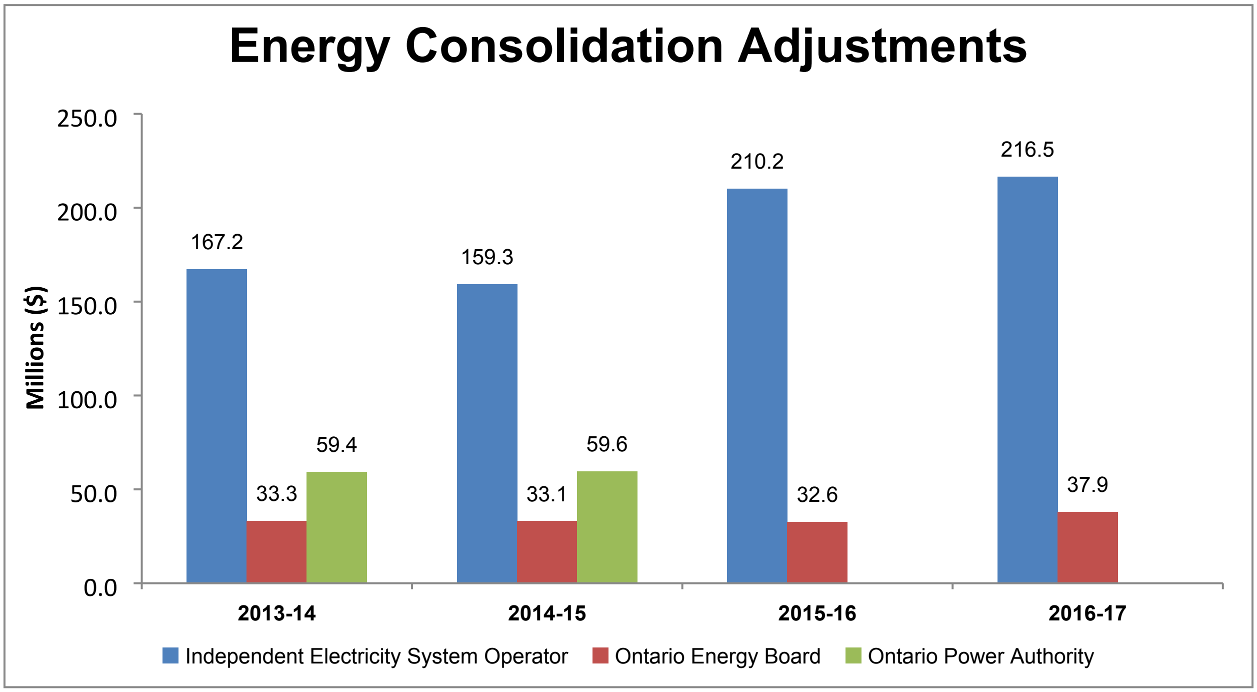
Note: The Strategic Asset Management and Transformation Vote/Item and the Proposed Ontario Rebate for Electricity Consumers is represented by a separate column to better reflect year-over-year changes in the Ministry budget.

On September 12, 2016, Treasury Board approved the creation of a new item in Vote 2905 – Electricity Price Mitigation in the amount of $300 million which covers the Proposed Ontario Rebate for Electricity Consumer, pending Supplementary Estimate.

Exclusive of the Proposed Ontario Rebate for Electricity Consumers, the Ministry of Energy's 2016-17 Estimates, inclusive of consolidation adjustments, has decreased by $3,452.9 million (90%) from $3,845.9 million in 2015-16 to $393.0 million in 2016-17. This is mainly due to:

- A decrease of $2.6 billion as the Ministry provided a one-time capital contribution investment to Hydro One in 2015-16. This transaction will not be repeated for 2016-17.
- $860 million decrease in the Ontario Clean Energy Benefit as the program ended on December 31, 2015;
- $12.5 million decrease in the Smart Grid Fund (SGF) as the initial funding envelope for the program will be complete by March 31, 2016;
- $7.9 million increase to support Secondary Offering Costs related to Hydro One's IPO;
- An increase of $6.3 million in consolidated adjustments for the Independent Electricity System Operator; and
- An increase of $5.4 million in consolidated adjustments for the Ontario Energy Board.

B. Agency Consolidation



Note: On January 1, 2015, the Independent Electricity System Operator (IESO) and the Ontario Power Authority (OPA) were amalgamated to become one organization known as the IESO.

Overall, the consolidation adjustment to the Ministry's expense for the 2016-17 Estimates has increased by approximately $11.6 million from the 2015-16 Estimates.

<u>IESO Variance from 2015-16 to 2016-17</u>

As a result of the IESO and OPA merger, the IESO is transitioning the former OPA employees who were in the PSPP prior to the merger to the IESO Pension Plan. This results in:

- $4.0 million increase in employee benefits; and
- $10.8 million change in its pension contributions paid to PSPP/OPSEU Pension Plan, this is represented as an increase in expense on the IESO books.
- Additional minor variances in the IESO's Operating Expense include:
  - $0.3 million decrease in salary and wages;
  - $0.1 million decrease in transportation and communications expenses;
  - $0.9 million decrease in supplies and equipment; and
  - $3.0 million decrease in services expense to external sources related IESO projects to drive efficiency and realize value.
- The IESO's decrease of $4.1 million in Capital Expense is driven by a reinvestment in its IT systems and infrastructure (buildings), in addition to revised project completion timelines.

OEB Variance from 2015-16 to 2016-17

In response to government policy and legislative changes, the OEB's budget has increase to accommodate its expanded mandate which includes associated program/policy development and implementation costs.

- Most significantly, this includes an addition of 22 new positions at the OEB, resulting in its staff headcount at 181 positions. Associated cost as a result of the new positions include:
    - $2.5 million increase in salary and wages;
    - $0.8 million increase in employee benefits;
    - $0.3 million increase to travel and communications; and
    - $0.1 million increase in supplies and equipment.
- Additional increases include:
    - $1.7 million increase in external consulting and professional services, and advertising; and
    - $0.1 million increase IT infrastructure investment to reduce the risk for end of life assets.