Ontario

MINISTRY OF
ENERGY

Affordability Fund Advisory Committee

DRAFT April 4, 2017, v2.0

Agenda

- Context: Need for an Affordability Fund
- Establishing a Trust to Administer the Affordability Fund
- Affordability Fund Principles
- Transaction Diagram: Roles & Responsibilities
- Affordability Fund Advisory Committee
- Transitioning from Original Trustee to Board of Trustees
- Advisory Committee Roles and Responsibilities
- Affordability Fund Timelines
- Next Steps

APPENDIX

- Key Features of TPA and Trust Deed and How They Relate

Context: Need for an Affordability Fund

- Electricity distributors and other stakeholders have indicated to the government that there is an immediate need to help customers in bill arrears and facing service disconnection.
  - LDCs reported to the OEB that approximately 60,000 customers were disconnected in 2015.
  - LDCs also reported over 560,000 residential electricity accounts in arrears in 2015; of these about 19,900 (~3.6%) accounts were eligible to participate in the Low-Income Energy Assistance Program (LEAP), which provides low-income support program.
  - In January 2017, Hydro One submitted to ENERGY a report, “Addressing Affordability” which outlined a number of recommendations on electricity rate mitigation, including a recommendation to establish an Affordability Fund to assist struggling customers who cannot qualify for low-income conservation programs.
- The Save on Energy Home Assistance Program (HAP), delivered by electricity distributors in collaboration with the IESO, requires participants to meet a mandated definition of low-income consumers (derived from Statistics Canada).
  - Not all customers who are in need are eligible for HAP.

Establishing a Trust to Administer the Affordability Fund

- On March 2, 2017, the government announced the establishment of an Affordability Fund as part of its Fair Hydro Plan.
    - The Affordability Fund will provide energy efficiency measures to Ontarians who are not eligible for HAP, and who are otherwise unable to make energy efficiency improvements without financial assistance.
- ENERGY has worked with Hydro One to establish an independent Trust that will administer the Affordability Fund, funded by $100 million from the tax base.
    - The 'Affordability Fund Trust' was established on March 23, 2017, when the Original Trustee signed a Declaration of Trust ('Trust Deed'). The Original Trustee is Computershare, a professional Trustee company which partners with some of the largest public and private organizations in Canada and globally.
    - On March 24, 2017, ENERGY entered into a Transfer Payment Agreement (TPA) with the Original Trustee to flow $100 million to the Affordability Fund Trust.
- A centralized delivery model through a Trust has been established to ensure independent oversight of funds and to facilitate efficient distribution of funds to electricity distributors.
- The Original Trustee will be replaced with a Board of Trustees who will be responsible for administering the Fund, including distributing funds to electricity distributors across the province based on an application process and targeted eligibility criteria.

Affordability Fund Principles

The Trust shall have regard to principles established by the Province, as set out in the TPA/Trust Deed:

Identification of Eligible Participants

- Trustees can rely on electricity distributors to identify eligible customers and facilitate payments
- If an electricity distributor is unable or unwilling to submit funding applications to the Trust, beneficiaries may directly apply to Trust (this avenue would not to be recommended to be widely publicized, but is legally required so Trust serves beneficiaries). Trustees can work with the OEB, IESO and other entities to assess the individual’s application.

Eligible Measures

- The TPA and Trust Deed includes a list of possible measures for consideration by the Trust, including eligible HAP measures (lighting, appliances) as well as air source heat pumps.
- The final measure eligibility list will be determined by the Trustees. Distributors are expected to have the flexibility to select measures based on their customer needs.

Payments to Trustees and Electricity Distributors

- It is not intended that the Trustees, with the exception of Computershare, will receive remuneration for their services. However, the Advisory Committee will have discretion to recommend compensation if it proves difficult to secure willing Trustees. Trustees will be eligible to seek reimbursement for reasonably incurred out-of-pocket expenses.
- Distributors are expected to manage funding from the Fund in a not for profit manner, but will be able to seek reimbursement for administrative expenses. Unspent funds to be returned to Trust.

The Trustees are expected to consult with distributors, IESO, OEB and low-income program experts to refine participant and measure eligibility rules, and develop an application process for Distributors.

Transaction Diagram: Roles & Responsibilities

Ministry of Energy

Enters into TPA with Trust
(TPA outlines Fund principles and provides for flow of funds to Trust)

Advisory Committee
Makes recommendations on appointment of Trustees

Administrative services agreements with Hydro One/other agents (financials, reporting, application screening etc.)

Affordability Fund Trust:
Trustees to consist of 3 LDCs, 2 Social Service Agencies, and 1 Government Rep (non-voting)

Trustees will review requests for funding from distributors, having regard to Fund Principles

Flow of Funds (through Implementation Agreements)

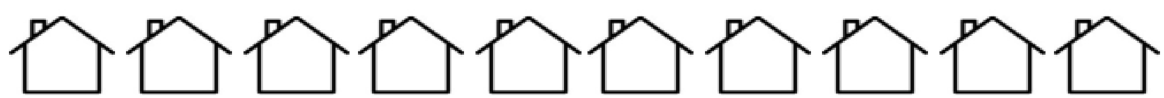
Distributors apply to the Fund for funding (identifying eligible customers and measures), deliver program to customers, and report results to the Trust.

Electricity Distributor 1

Electricity Distributor 2

Electricity Distributor 3

Primary Beneficiaries – Eligible Residential Electricity Customers



In the event that Trustees are unable to disburse funds before the end of Trust term, if date of Trust is not extended, Trustees will consult with the OEB to select a Residual Beneficiary(s) from a list of charities who support delivery of low-income programs.

Affordability Fund Advisory Committee

- The Advisory Committee has been established to make recommendations to the Original Trustee regarding the appointments of the Board of Trustees.
  - The Committee will act independently to appoint Board of Trustees.

- Committee members have been selected because they possess relevant knowledge and experience to identify and evaluate suitable replacement Trustees.

Advisory Committee Members

- Brian Bentz (CEO, Alectra Utilities)
- Bryce Conrad (CEO, Hydro Ottawa)
- Robert Mace (CEO, Thunder Bay Hydro)
- Ferio Pugliese (VP Customer Care & Corporate Affairs, Hydro One)
- Terry Young (VP Conservation and Corporate Relations, IESO)

Transitioning from Original Trustee to Board of Trustees

TRUST

March 2017

Phase 1: Establish Trust with Original Trustee

- Original Trustee in place (Computershare)
- Trust Deed and TPA executed

April – May 2017

Phase 2: Full Board of Trustees Established

- Original Trustee accepts recommendations of Advisory Committee in appointing Board of Trustees as long as selection criteria are met.
- Once all Trustees in place, Original Trustee deemed to have been replaced and steps down as Original Trustee

ADVSORY COMMITEE

Establish Advisory Committee

Committee selected to identify and recommend Board of Trustees

Formed of individuals with electricity sector, conservation and low-income program expertise

Advisory Committee Makes Recommendations to Original Trustee

Committee recommends Board of Trustees to Original Trustee

(5 voting members, 1 government non-voting)

Advisory Committee Roles & Responsibilities

The Trust Deed includes a “Trustee Replacement Annex,” which outlines the specific responsibilities of the Committee:

- On or before May 31, 2017, the Committee will identify six residents of Ontario willing to act as members of the Board of Trustees and who satisfy the following criteria:

  a) Each member demonstrates an understanding of the electricity sector including the electricity distribution sector.

  b) Each member demonstrates an expertise in conservation and low income programs.

  c) Three of the identified individuals will be representatives from separate electricity distributors, two individuals will be representatives from separate social services agencies and one individual, who will be a non-voting member, will be an employee or representative of the Government of Ontario.

  d) It is expected that representation by the Government of Ontario will be non-controlling.

- The Committee will make a recommendation to the Original Trustee to appoint the identified individuals to the Board of Trustees.
  - If any of the individuals recommended are not accepted and appointed by the Original Trustee, the Committee shall identify and recommend an alternative individual/individuals willing to act.
- Upon the appointment of six trustees, the Advisory Committee’s role will be considered complete.

Affordability Fund Timeline

April – May 2017: Advisory Committee recommends Trustees; Original Trustee appoints full Board of Trustees

June 2017: Trustees expected to engage with distributors, IESO and OEB, and low-income groups to design funding criteria and processes

Summer 2017: Estimated timeline for electricity distributors to begin applying to the Trust for funds

Late 2017/ Early 2018: Government may make available additional funds based on performance and need**.**

Next Steps for the Advisory Committee

- Hydro One to support the Committee, including arranging meetings and providing any other support/logistics that may be necessary
- Advisory Committee to begin meetings in mid-April
- Advisory Committee to provide recommendations on appointment of Trustees to Original Trustee by May 31st

Appendix

Key Features of TPA and Trust Deed and How They Relate

TPA (ENERGY-Trust)

- General Terms and Conditions (Customized to reflect non-controlled Trust)
- Project Specific Information (total funding amount, duration, contacts)
- Project (conditions to be met before distributing funds)
- Budget (e.g. eligible admin expenses)
- Payment plan
- Reporting
- Principles Annex

Documents are mutually referable and the TPA is established as a supplement to the Deed.

Original Trust Deed (signed by Original Trustee)

- General Terms and Conditions
- Objectives
- Distributions
- Powers of the Trustee
- Concerning the Trustee (e.g. duties)
- Amendments and Supplements
- Termination
- Acceptance of Trusts
- Principles Annex
- Eligible Measures
- Permitted Expenses
- Permitted Delegation Annex
- Trustee Replacement Annex

Admin. Services Agreement (Trust-Hydro One – at Trust discretion)

- E.g. financials, reporting, etc.

- The government's Guiding Principles for Trustees consideration are included as an Annex to both the TPA and Deed.