Ontario

MINISTRY OF
ENERGY

2017-18 First Quarter Reporting
Phase 2

July 2017

Q1 Instructions

- The Province has committed to achieve 2017-18 Year-End Savings target of $1.2 billion.

- Ministries are required to place an internal holdback of 5% on planned discretionary spending. This results in a holdback of **$6.98 million** for the Ministry of Energy (excluding Consolidation Adjustments and entitlement-based Transfer Payment programs).

- Components of First Quarter Reports are due to TBS in two phases:
  - **Phase I Submission (submitted July 4, 2017):**
    - Fiscal Management Plan Template - Overall Fiscal Position; and
    - 2017-18 Risk-Based Outlook Summary Report.
  - **Phase II Submission (due July 21, 2017):**
    - Fiscal Management Plan Template - Fiscal Position Details;
    - Attestation on the Internal Holdback on 5% of Discretionary Spending;
    - 2017-18 Risk-Based Outlook Details and Spending Rate Report;
    - Provincial Agency Risk reporting;
    - Report Backs on Green Investment Fund and Greenhouse Gas Reduction Account Reclassification; and
    - Report Backs on spending in Vote/Item 2902-01 (Policy and Programs) and Vote/Item 2906 (Strategic Asset Management and Transformation).

Recap: Internal Holdback on 5% of Discretionary Spending

$M Vote 2901 - Ministry Administration	Full Allocation	Eligible for 5% Holdback
Vote 2901 - Ministry Administration	15.08	15.08
Statutory Appropriations	0.06	-
Total Vote 2901 - Ministry Administration Allocation	**15.14**	**15.08**
$M Vote 2902 - Energy Development and Management		
Vote 2902 - Energy Development and Management	24.46	24.46
Statutory Appropriations	0.00	-
Total Vote 2902 - Energy Development and Management	**24.46**	**24.46**
$M Vote 2905 - Electricity Price Mitigation		
Northern Ontario Energy Credit	26.00	Program expenditure are entitlement-based and not discretionary.
Ontario Rebate for Electricity Consumers	939.00	
Rural or Remote Rate Protection Program	344.00	
Ontario Electricity Support Program	140.00	
On-Reserve First Nations Delivery Credit	15.00	
Total Vote 2905 - Electricity Price Mitigation	**1,464.00**	**-**
$M Vote 2906 - Strategic Asset Management		
Vote 2906 - Strategic Asset Management	100.00	100.00
Cash Contribution to First Nations	45.00	Contractual agreements for participation in Hydro One sale.
Conferred Benefit to First Nations	135.00	
Total Vote 2906 - Strategic Asset Management	**280.00**	**100.00**
Consolidation Adjustments and Other Adjustments		
Consolidation Adjustment - Independent Electricity System Operator	218.36	Expenses are not funded from the fiscal plan.
Consolidation Adjustment - Ontario Energy Board	45.74	
Other Adjustments - GGRA EV Overnight Charging Rebate Program	2.15	
Total Consolidation Adjustments and Other Adjustments	**266.25**	
Ministry Total Expense (including consolidation)	**2,049.85**	**139.54**
5% Internal Holdback of Discretionary Spending		**6.98**

Recap: Phase 1 Decisions

The Ministry has identified a $6.98 million internal holdback which will be managed through Vote 2906, Strategic Asset Management, while monitoring the following non-recurring pressures:

1.	Fair Hydro Plan (FHP) Third-Party Legal Service:	$2.50 million
2.	NAFTA Tennant Lawsuit:	$0.35 million
3.	Ontario's participation at the Energy East Hearings:	$0.85 million
4.	Cap and Trade Implementation Costs – EWRB:	$1.67 million
5.	Early Decant of Energy Staff from MacDonald Block:	$1.25 million
6.	Long-Term Energy Plan:	$0.42 million
7.	Resources to support OREC:	$0.61 million
Total additional pressures:		$7.64 million

The Ministry will make best efforts to manage these pressures, but may seek TB approval for funding increase with offset from within to address these pressures.

Recap: Q1 Pressures & Offsets (refer to print out)

2017-18 Q1 Risk-Based Outlook Summary
Ministry of Energy

High Likelihood Expense Risks $ Millions	2017-18 Q1 INTERNAL	2017-18 Q1 (TBS)
Approved 2017 Allocation (Including Consolidations and Adjustments)	2,049.85	2,049.85
Less: Consolidations	(264.10)	(264.10)
Less: Greenhouse Gas Reduction Account Reclassification	(2.15)	(2.15)
Less: Nothern Ontario Energy Credit	(26.00)	(26.00)
Less: Ontario Rebate for Electricity Consumers	(939.00)	(939.00)
Less: Ontario Electricity Support Program	(140.00)	(140.00)
Less: Rural or Remote Rate Protection Program	(344.00)	(344.00)
Less: On-Reserve First Nations Delivery Credit	(15.00)	(15.00)
Less: Cash Contribution to First Nations	(45.00)	(45.00)
Less: Conferred Benefit to First Nations	(135.00)	(135.00)
Approved Allocation for the Calculation of Managing to 95%	139.60	139.60
Key High-Likelihood (>90%) Risks: Pressures & Savings		
Projects with External Offsets		
Bulk Media Buy	4.00	
Offset 1: Bulk Media Buy Fund - TBS	(4.00)	
COMMS Projects		
Bill Redesign Initiative	0.30	
SNAP Projects		
SGF Technical Support	0.52	
The Study of Energy Storage in Ontario Distribution Systems	0.02	
OEB Mandate Review	0.03	
PTO Energy Coordinators	0.40	
Shakerhill Partners	0.19	
Energy Technology Trade Project	0.20	
Social Return on Investment (SROI)	0.01	
TATA Power/Ryerson Distribution Project	0.12	
Emerging Trends Research	0.10	
Toronto Region Board of Trade TAP Program	0.03	
CRED Projects		
Cap and Trade Implementation Costs - Energy & Water Reporting and Benchmarking - IT Project	1.52	1.52
Cap and Trade Implementation Costs - Energy & Water Reporting and Benchmarking - Partnerships	0.10	0.10
Cap and Trade Implementation Costs - Energy & Water Reporting and Benchmarking - Education	0.05	0.05
Green Button Technical Adoption of Standard	0.33	
BPS Sharepoint & IT Support	0.12	
RENEWAL of the Bloomberg New Energy Finance All Services	0.11	
BPS Data Analysis	0.09	
Study of Energy Efficiency for Drinking Water and Wastewater Treatment Plant Equipment	0.08	
Procurement of Expert Services on Ontario Large Building Sector Data	0.07	
Market Analysis of Ontario's Renewable Energy Sector	0.05	
Green Energy Investment Agreement (GEIA) Annual Jobs Auditing for 2015 and 2016	0.04	
Municipal Property Assessment Corporation (MPAC) Data for a Home Energy Rating and Disclosure Program	0.03	
Considerations for Deploying In Front Of the Meter Conservation Technologies in Ontario	0.03	
Procurement of consulting services for design of Home Energy Rating and Disclosure program	0.03	
NAFTA Arbitration: Tennant Energy LLC - Legal Charges	0.35	0.35
ESP Projects		
Default Emission Factors	0.05	
Plexos Ontario Electricity Model	0.08	
Energy East Consulting	0.85	0.85
Weekly Fuel Price Survey	0.02	
Ministry Initiatives		
Fair Hydro Plan Third-Party Legal Services	2.50	2.50
Long Term Energy Plan Costs (SNAP & COMMs Projects)	0.42	0.42
Early Decant of Energy Staff from MacDonald Block	1.25	1.25
Resources Support Ontario Rebate for Electricity Consumers Program	0.61	0.61
Offset 2: Offset Ministry Pressures from Within	(4.92)	(7.64)
Offset 3: Savings related to CI and GEI from CRED (to offset CRED expenses)	(1.50)	
Total High Likelihood Risks	4.26	0.00
Risk-Based Outlook	143.86	139.61
Risk-Based Outlook as a % of Current Approved Allocation	103.1%	100.0%
Potential Offset to Meet Ministry Pressure and 5% Internal Holdback		
Offset 4: Savings Related to Hydro One Services	(30.00)	(6.98)
Total High Likelihood Risks with Hydro One Savings	(25.74)	(6.98)
Risk-Based Outlook with Hydro One Savings	113.86	132.63
Risk-Based Outlook as a % of Current Approved Allocation (with holdback)	81.6%	95.0%

See attached for a larger copy

Q1 Expenditures by Standard Account

Standard Account Breakdown (in $Millions)	2017-18 Budget (Estimates)	2017-18 Q1 Actuals	2017-18 Remaining Budget	2017-18 Q1 % Spent	2016-17 Year-end Budget	2016-17 Q1 Actuals	2016-17 Q1 % Spent
Salaries and Wages	19.2	4.4	14.8	22.9%	19.8	4.1	20.6%
Employee Benefits	2.3	0.7	1.7	29.0%	2.4	0.7	29.5%
Transportation and Communications	0.7	0.1	0.6	19.6%	0.7	0.1	13.8%
Services	113.3	1.8	111.4	1.6%	89.8	1.4	1.5%
Supplies and Equipment	0.7	0.1	0.6	9.2%	0.7	0.1	11.1%
Total Direct Operating Expense*	**136.2**	**7.1**	**129.1**	**5.2%**	**113.3**	**6.3**	**5.6%**
Transfer Payments:							
TP_Smart Grid Fund	-	-	-	-	8.0	-	0.0%
TP_Conservation Initiatives	1.9	-	1.9	0.0%	1.9	-	0.0%
TP_Green Energy Initiatives	1.3	0.1	1.2	9.8%	201.3	-	0.0%
TP_Aboriginal Engagement Agreements	0.2	-	0.2	0.0%	0.2	-	0.0%
TP_E-Vehicle Overnight Charging	2.2	-	2.2	0.0%	-	-	-
TP_Northern Ontario Energy Credit	26.0	-	26.0	0.0%	26.0	-	0.0%
TP_Ontario Rebate for Electricity Consumers	939.0	143.5	795.5	15.3%	300.0	-	0.0%
TP_Ontario Electricity Support Program	140.0	-	140.0	0.0%	-	-	-
TP_Rural or Remote Rate Protection	344.0	-	344.0	0.0%	-	-	-
TP_On-Reserve First Nations Delivery Credit	15.0	-	15.0	0.0%	-	-	-
TP_Conferred Benefit	135.0	-	135.0	0.0%	-	-	-
TP_Cash Contribution to First Nations	45.0	-	45.0	0.0%	-	-	-
Total Transfer Payments	**1,649.6**	**143.6**	**1,506.0**	**8.7%**	**558.2**	**-**	**0.0%**
Grand Total**	**1,785.7**	**150.7**	**1,635.0**	**8.4%**	**671.5**	**6.3**	**0.9%**

* Q1 2017-18 DOE spending rates (excluding TPs) are similar to Q1 2016-17. Total spending rate for 2017-18 is higher due to monthly OREC payments.

** Excludes Consolidations.

Q1 Expenditures by Division

Divisional Breakdown (in $Millions)	2017-18 Budget (Cost Centre)	2017-18 Q1 Actuals	2017-18 Remaining Budget	2017-18 Q1 % Spent	2016-17 Year-end Budget	2016-17 Q1 Actuals	2016-17 Q1 % Spent
Main Office	2.8	0.8	2.0	27.4%	2.8	0.6	20.2%
Corporate Services	5.4	0.5	5.0	8.6%	6.3	0.5	7.4%
Communication Services[1]	4.0	1.2	2.8	29.8%	4.3	0.7	17.4%
Legal Services	3.4	0.6	2.9	16.4%	4.0	0.7	17.2%
Strategic Network and Agency Policy[2]	7.3	1.6	5.7	21.3%	6.7	1.2	17.9%
Energy Supply Policy	4.9	0.8	4.0	17.3%	6.6	0.8	12.8%
Conservation and Renewable Energy[3]	8.4	1.2	7.2	14.0%	37.3	1.2	3.2%
Strategic Asset Management[3]	100.0	0.6	99.4	0.6%	45.3	0.5	1.2%
Total Direct Operating Expenses*	**136.2**	**7.1**	**129.1**	**5.2%**	**113.3**	**6.3**	**5.6%**
Transfer Payments:							
TP_Smart Grid Fund	-	-	-	-	8.0	-	0.0%
TP_Conservation Initiatives	1.9	-	1.9	0.0%	1.9	-	0.0%
TP_Green Energy Initiatives	1.3	0.1	1.2	9.8%	201.3	-	0.0%
TP_Aboriginal Engagement Agreements	0.2	-	0.2	0.0%	0.2	-	0.0%
TP_E-Vehicle Overnight Charging	2.2	-	2.2	0.0%	-	-	-
TP_Northern Ontario Energy Credit	26.0	-	26.0	0.0%	26.0	-	0.0%
TP_Ontario Rebate for Electricity Consumers	939.0	143.5	795.5	15.3%	300.0	-	0.0%
TP_Ontario Electricity Support Program	140.0	-	140.0	0.0%	-	-	-
TP_Rural or Remote Rate Protection	344.0	-	344.0	0.0%	-	-	-
TP_On-Reserve First Nations Delivery Credit	15.0	-	15.0	0.0%	-	-	-
TP_Conferred Benefit	135.0	-	135.0	0.0%	-	-	-
TP_Cash Contribution to First Nations	45.0	-	45.0	0.0%	-	-	-
Total Transfer Payments	**1,649.6**	**143.6**	**1,506.0**	**8.7%**	**558.2**	**-**	**0.0%**
Grand Total**	**1,785.7**	**150.7**	**1,635.3**	**8.4%**	**671.5**	**6.3**	**0.9%**

* Q1 2017-18 DOE spending rates (excluding TPs) are similar to Q1 2016-17. Total spending rate for 2017-18 is higher due to monthly OREC payments.

** Excludes Consolidations.

[1] Q1 2017-18 Actuals are higher for Comms due to LTEP editorial services.

[2] Q1 2017-18 Actuals are higher for SNAP due to lower vacancy rate.

[3] 2016-17 Year-end Budget includes in-year approval to reallocate services dollars from Strategic Asset Management to CRED for NAFTA Windstream settlement costs.

Q1 Update Other Items

- **Report back – Implementation status of the Green Investment Fund:**
  - Home Reno Rebate (Union)/ Whole Home Retrofit Program (Enbridge):
    - $100 million: Enbridge and Union have a total of 4,495 program participants as of May 2017.
  - Smart Grid Fund
    - $2 million Canadian Solar's Keewaywin project: on hold awaiting INAC funding
    - $2 million OPG's Gull Bay First Nation project: expected to complete in Q4 2017-2018

- **Report back – Anticipated pressures, savings and timing of Services spending:**
  - Vote/Item 2902-01, Energy Development and Management
    - The Ministry is identifying $7.64 million in non-recurring pressures for 2017-18 (as identified in Q1 Phase 1). The Ministry will continue to monitor these pressures and find internals savings to manage.
  - Vote/Item 2906, Strategic Asset Management
    - Although the final share sale for Hydro One was completed in May 2017, expenses related to underwriting fees, Indigenous participation and Hydro One Brampton merger are still being finalized.
    - The Ministry will manage the 5% internal holdback through Vote 2906-01, as per TBS requirements in Q1 Phase 1.

- **Report back – GGRA Overnight Electric Vehicle Charging Initiative**
  - The Ministry is proposing a 3 phased approach to implement the free overnight charging program.

- **Agency Risk Report** – nil report

Next Steps

- Deputy Minister's approval of the Q1 Report
- Submission of all Q1 Reporting components to TBS by July 21, 2017
- Deputy Minister to sign attestation on the internal holdback on 5% of planned discretionary spending.