Briefing Note

Highlights: Meeting with Minister of Energy

LDC Consolidation

- Refer to separate deck.
- Orillia MAAD application with the OEB still pending – we are hoping to receive the OEB's decision by the end of the month. We will close 90 days after OEB approval.
- Peterborough: Working to finalize all agreements by the end of the month. Once the agreements are signed we have 45 days to file the MAAD application.

Niagara Reinforcement Project

Background

- The Niagara Reinforcement Project is a, 76 kilometer, double circuit, 230 kV transmission line along an existing Hydro One right of way between Niagara Falls and Caledonia.
- Construction stopped on May 22, 2006, when Hydro One's Caledonia Transformer Station was significantly damaged by vandals who set fire to the station.
- Towers associated with the project were dragged from their location and were used to create a barricade in the area. Approximately 5 kilometers remains to be completed, including 26 tower structures and the stringing of 32 spans of conductor.
- The estimated project costs incurred to date amount to $98 million.
- In late 2016, Hydro One commenced discussions with Six Nations and Mississauga's of the New Credit to form a commercial partnership to finalize the remaining portions of the line and energize the asset.
- Hydro One would maintain majority shares in the partnership and would operate and maintain the line. In April 2017, Six Nations submitted an unsolicited proposal to Hydro One to complete construction on the line using their local aboriginal construction company (A6N).

Next Steps

- Hydro One is reviewing the proposal from Six Nations to complete the remaining construction on the line.
- Hydro One is working on a term sheet that would outline the key components of the potential partnership and will share it with Six Nations and Mississauga's of the New Credit First Nations.
- Hydro One is encouraging both First Nation communities to meet as soon as possible to ensure there is a mutual desire and agreeable terms to form a partnership and complete the line.

Northwest Bulk

- The purpose of this project is to augment the capacity and maintain the reliability of electricity supply to the area of northwestern Ontario located west of Thunder Bay to support forecast electricity demand growth.
- Hydro One is developing the Terms of Reference for the project's Environmental Assessment. Five Preliminary route options have been identified.
- Hydro One is waiting for the IESO's system planners to confirm need for the project.

Distribution Rate Filing

- On March 31, 2017, Hydro One filed its 2018-2022 Distribution Rate Application with the OEB.
- Hydro One is requesting a rate increase to maintain our aging infrastructure so that we continue to provide electricity safely and reliably to our customers.
- The requested 2018 revenue requirement reflects an increase of 1.9% over 2017 OEB-approved levels. After adjustments for a reduced load forecast (3.0%), the resulting impact on distribution rates is an increase of 4.9% in 2018, an average of 3.5% per annum over the Term.
- The proposed increase is approximately $2.79 a month in 2018 for our typical residential customer. Although we are asking to increase our distribution rates, we still expect our customers will see a significant decrease in their bills once the Government of Ontario's Fair Hydro Plan is implemented.

Bill Redesign

- The Ministry presented draft regulations to Hydro One in May, 2017, that will allow all elements of the unconstrained bill to be provided to Hydro One customers as an exemption.
- Hydro One remains on track to commence distribution of its new bills in November.

Flip the Switch

- Flip the Switch is our new commitment to customers to better listen and respond to their questions and concerns.
- Campaign messaging will be delivered across multiple channels including Flip the Switch microsite, customer letters, Hydro One Day, social media activation, radio ads and "Get Local" face-to-face customer service program.
- Goals for the campaign include:
    - Customer connection with a commitment to listen and build a genuine relationship
    - Humanizing Hydro One and engaging in real dialogue
    - Providing education and awareness to demystify what Hydro One does while providing transparency on costs and billing
    - Listening and responding with action, providing proof points to demonstrate back to the customer that we're making positive changes
- Initial feedback from internal and external stakeholders has been favourable; early indicator that brand perception is moving in a positive direction.

Ontario Fair Hydro Plan

- A portion of the Global Adjustment (GA) is proposed to be refinanced to reduce pressure on today's electricity ratepayers. The Government intends to create two new regulations to provide for the implementation of the required calculations related to refinancing the GA.
- Rural and Remote Rate Protection (RRRP) will be enhanced to provide distribution charge relief to rural customers served by LDCs with the highest rates.
- The Government of Ontario established a $200M Affordability Fund in March 2017 for customers struggling to pay their bills.
- H1 is working with fund trustees to determine how the overall program will be managed, including the process thru which other LDCs will apply and be granted access to funds.
- The first trustee meeting is scheduled for June 21.

- In addition, Hydro One is developing an internal process to manage the delivery of funds to Hydro One customers, with initial funds dispersed in late Q3.
- OESP credits were increased by 50% as of May 1, 2017. The OESP is moving to have it be funded by provincial revenues reducing regulatory charges for all Ontario ratepayers. This is projected to cost approximately $185M in the current fiscal year.
- The Government proposes to introduce a new regulation that would provide program parameters for the provision of an on-reserve First Nations Delivery Credit.
- The First Nations Delivery Credit is to be applied to all on-reserve residential customers with First Nations status. The credit is expected to bring the entire delivery charge to zero.
- The Fair Hydro Plan is being designed to have no material impact to Hydro One's revenues.