Affordability Fund Principles

Last modified March ~~7,~~8, 2017

Trust and Trustees

- Hydro One shall establish an independent, non-controlled Trust whose purpose will be to implement and manage the Affordability Fund (Fund) in accordance with the principles ~~communicated~~specified in the trust establishment document (the "Principles").

- The Trust ~~will establish~~establishment document (the "Trust Deed")[1] will contain the criteria and framework under which the ~~Province's policy~~Fund will be ~~delivered to~~distributed to, or for the benefit of, eligible ratepayers across the province, consistent with ~~principles reflected in a Transfer Payment Agreement (TPA) between the Province and the Trust~~the Principles.

- The Trustees will exercise discretion in managing the Trust~~, and the Trust's governing principles shall be outlined in the Trust Deed~~.

- It is expected that Hydro One will facilitate the drafting of the Trust Deed~~ based on the principles communicated by the Province~~.

- ~~In defining~~The Trust Deed will specify the ~~appropriate criteria and framework to operationalize the Trust and support the Trustees decisions, it is expected that the Trust would consider appropriate application, funding and eligibility criteria and consult with~~criteria to identify the beneficiaries of the trust ("Beneficiaries") eligible to receive allocations from the trust ("Eligibility Criteria"). In developing the Eligibility Criteria consideration will be given to input from Local Distribution Companies (LDCs), the Ontario Energy Board (OEB) and Independent Electricity System Operator (IESO), and other parties as deemed relevant~~ by the Trustees~~.

- To protect public interest, it is expected that any funds flowed to the Trust would be utilized in a not-for-profit manner, including any funds flowed to the Beneficiaries through LDCs.

- ~~Within the guidelines of the Trust Deed, ~~the Trustees shall have full discretion to administer and disburse the funds to ~~the~~Beneficiaries

[1] The Province expects a Transfer Payment Agreement (TPA) to be entered into. The TPA will address the transfer of funds to the trustees and the terms on which those funds can be disbursed by the trustees. This is basically the definition of a deed of settlement for a trust. To simplify execution, the TPA should be the establishment document of the Trust. In this way, there is a single governing document rather than a Declaration of Trust and a TPA which are duplicative of each other.

through LDCs, consistent with the ~~principles and general guidelines set out in the TPA and in line with the Province's Transfer Payment Accountability Directive~~Principles. During the initial establishment of the Trust, the services of Hydro One will be available to provide administrative support to the Trust, and the continuation of such services will be at the discretion of the Trustees with the terms and conditions to be established independently between the Trust and Hydro One or alternative service provider.

- It is expected that the Trustees will be appointed based on their understanding of the LDCs and electricity sector, geographic representation of customers across Ontario, representation of a cross-section of LDC sizes, and with consideration for expertise in conservation and low-income electricity support programs.

  Any Provincial representation on the Trustees shall be non-voting. Trustees representation may include Hydro One, but the number of individuals who represent Hydro One should not be sufficient to control the voting decisions of the Trust.

Allocation of Funding to LDCs

- It is expected that the Fund is to be accessible to Beneficiaries through all LDCs, including Hydro One.~~,~~ The Trust will administer and distribute funds to the Beneficiaries through LDCs across the province consistent with the ~~principles communicated by the Province, and in accordance with the criteria and framework established at the discretion of the Trustees.~~Principles.

- ~~It is expected that the Trust would~~* ~~implement consistent processes~~*~~, administration, and criteria for funding applications to ensure consistency basis across the Province.~~

- The Trustees will have the discretion to contract with third parties to ~~assist with administration of the Fund, and the~~provide administrative services ~~of~~ to the Fund. Hydro One will be ~~made available~~the initial administrative services provider for an interim period at the inception of the Trust until the Trustees have an opportunity to undertake such deliberations.

- It is expected that the Trustees will develop and* implement consistent processes* for administration of funding applications. These processes may include delegating identification and verification of Beneficiaries to LDCs (including Hydro One as an LDC) and to Hydro One (or another entity) as an administrative services provider.

- It is expected that the Trust will engage with LDCs to gather information on their respective eligible electricity customers as input to the Trustees decisions and ~~to~~that the Trust will provide direction to the LDCs regarding execution directions for delivery of the funding~~ in accordance with the program established by the Trust~~.

Customer Eligibility

- It is acknowledged that LDCs are best positioned to ~~provide further guidance on principles~~identify potential Beneficiaries as they are closest to the customer and will be responsible for identifying ~~customers who are in need and delivering assistance to them~~potential Beneficiaries and working with the Beneficiaries through the funding process.

- It is expected that the following eligibility criteria ~~might~~will be considered ~~by~~for inclusion in the ~~Trustees~~Trust Deed in defining the ~~target beneficiary group for the Fund~~Beneficiaries:

    - Customers who do not qualify for low-income conservation programs, such as the Save On Energy Home Assistance Program (i.e. are above household income thresholds determined by Statistics Canada's income measures), and who are having difficulties paying their electricity bills.

    - Customers for which the LDC has reasonable evidence to indicate that the customer requires financial assistance to pay for energy efficiency measures

- It is expected that the final eligibility criteria will be informed by discussions with LDCs, the OEB, IESO, and other stakeholders~~ deemed relevant by the Trustees~~.

Measure Eligibility

- It is expected that the Trust Deed will ~~develop~~include a standardized list of energy efficiency measures~~ that can be applied by LDCs with flexibility, considering their climate and customer needs~~.

- It is expected that energy efficiency measures will be offered to those customers that meet the targeted eligibility criteria at minimal or no cost to participating customers.

- In ~~assessing~~preparing the Trust Deed criteria ~~and framework for delivering the program, the Trustees are expected to consider~~for energy efficiency measures, consideration will be given to which categories of energy efficiency measures should be eligible, such as those which are consistent with or build on the Save On Energy Home Assistance Program (HAP) eligible measures.

- Examples of measures available in HAP include: energy-saving light bulbs (LEDs), power bars, energy efficient window ACs, refrigerators, freezers, dehumidifiers, low-flow showerheads, hot water blankets, pipe wrap and faucet aerators (in homes with electric water heating),programmable thermostats, weather stripping, and insulation (in homes with electric heating).

- Other measures which might be considered include air source heat pumps for space heating in electrically-heated homes.

Accountability and Reporting

- The Trust Deed description of the Beneficiaries will be Consistent with the Province's Transfer Payment Accountability Directive~~, the Trust Deed is expected to include a description of the intended use of the funds, including the following:~~

    - ~~specific purpose for which the funds are to be used;~~

    - ~~description of the intended recipients; and~~ ~~the nature of the eligible expenditures relevant to the funds~~.

- It is expected that administrative expenses of the Fund, including any relating to the Trust, to the establishment of the Fund and any expenses related to LDC delivery of the program to ~~its eligible customers~~Beneficiaries, will be in accordance with the principles outlined in the Province's Transfer Payment Accountability Directive.

- The Trust Deed is also expected to~~ include provisions for the following~~:

    - ~~ensuring~~ensure that public funds are spent prudently and for the purposes intended;

    - ~~acknowledging Trust accountability to the Province for program activities, regardless of H1 assistance in facilitating exchange of information between the Trust and the Province;~~

    - ~~identifying~~identify the right to independent verification/audit;

    - ~~the right~~provide for the Province to recover the funds if they are ~~found~~ not ~~to be~~ used for the purposes intended~~, or if they will not be used for the purposes intended~~ by a specified date.

- The Trust Deed is expected to outline a performance management framework, including formally defined measures of performance that provide a clear understanding of intended outcomes.

- The Trust Deed is expected to identify processes and requirements for the Trustees to advise the government of Trustee-developed performance criteria, and provide annual assessments against those criteria.

- The Trust Deed is expected to identify report-back requirements for public accountability, including information to be provided with respect to the management of funds (e.g. audited financial statements, audited list of recipients and amounts funded).

- The Trust Deed is expected to include a provision to provide quarterly reports to the Province which will include a list of funding recipients, amounts funded and other performance metrics as determined through the Trust's performance management framework.

- The Trust Deed is expected to include a provision to provide annual reports to the Province which will include audited financial statements, a list of funding recipients, amounts funded and other performance metrics as determined through the performance management framework.

- The Trust Deed is expected to include the right for the Trustees to operate for as long as funds are available to the Trust, including new funding made available by the Province.

Implementation and Timing

- The goal of the Province is to have the funds transfer recorded in the fiscal year ending March 31, 2017. It is not feasible that the program defined in these principles will be documented in full detail by this date.

- A staged approach could be completed. Prior to March 31, 2017 a preliminary Trust Deed would be entered into that would:

  - identify a single trustee and provide for the later development of procedures for the governance of the Trust and the appointment of a specified number of additional trustees and procedures for replacement of trustees;

  - contemplate the later development of procedures for service agreements with Hydro One or other persons;

- identify the Customer Eligibility in detail so that the class of Beneficiaries is determined;

- identify the Measure Eligibility in detail and contemplate the updating of the Measure Eligibility from time to time by the Trustees in accordance with specified principles;

- identify the principles applicable to the identification of Beneficiaries to whom funds will be provided and the flow of funds from the Fund to the Beneficiaries through the LDCs and provide for the later development and implementation of the details applicable to the identification and transfer process;

- provide for a transfer of funds from the Province to the Trust;

- contain a condition that funding would not flow to the Beneficiaries until such time as all missing details had been developed and implemented to the satisfaction of the Province;

- After March 31, 2017, the provisions above identified as being subject to further development would be completed and reflected in a revision to the Trust Deed.