RE: ENE - Affordability Fund

From: "Patel, Bharat (TBS)" <bharat.patel3@ontario.ca>
To: "Graham, Helen (TBS)" <helen.graham@ontario.ca>, "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Cc: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>, "Hosick, Sarah (TBS)" <sarah.hosick@ontario.ca>
Date: Thu, 16 Feb 2017 13:56:56 -0500

See my comments in Red

Based on slide 27-29 following are the proposal:

- Home Assistance Program (HAP), delivered by LDCs .
- Affordability Fund which would be available to LDCs to provide similar energy efficiency measures as provided under HAP to targeted customers.
- An Affordability Fund would be accessible to LDCs only, and would target those customers who are most in need.
- Predetermined eligibility criteria to access funds from LDCs.
- LDCs would apply for funding to the Fund administrator , to offer energy efficiency measures to those customers that meet the targeted eligibility criteria.

Fiscal Impact (slide 29)

1. The LDC Affordability Fund would represent a fiscal impact of $200 million in fiscal year (FY) 2016/17. (are we sure in fiscal 2016-17, $200M will be paid out by H1 to LDCs to access the funds by customers those who meet the targeted eligibility criteria –if yes $200M will be fiscal impact in 2016-17. How we are funding HAP? Through loan or pre-payment to H1/trust? As long as funds are remained unspent within GRE would be eliminated upon consolidation and no fiscal impact to that extent)
2. To allow for funds to flow in FY 2016/17, ENERGY would sign a Transfer Payment Agreement (TPA) with one or several LDCs to administer the Fund and transfer money before end of fiscal year. (if energy is signing TPA with LDCs what is the relation of Province and H1 (acting as an agent?) if yes $200M would be operating loan or pre-payment to H1 (depending on terms of agreement) and when the funds are transfer to LDCs in accordance with TPA it would represent expense)
3. There is a fiscal risk if monies used for the Fund do not flow before FY year-end 2016/17 and for monies that are sitting in Hydro One at year-end (because of consolidation with province), and a corresponding fiscal pressure in the following years when the funds are flowed from Hydro One (H1) to ratepayers. (funds are sitting within GRE would be eliminated upon consolidation)

From: Graham, Helen (TBS)
Sent: February-16-17 12:29 PM
To: Veinot, Cindy (TBS)
Cc: Petsche, Nadine (TBS); Patel, Bharat (TBS); Hosick, Sarah (TBS)
Subject: FW: ENE - Affordability Fund

Hi Cindy

Here's the latest electricity price mitigation deck. Next internal milestone is inclusion in

Q3 reporting, which PEMD needs to take to Secretary's briefing tomorrow. PEMD is looking for our help on a question from Karen regarding the affordability fund proposal, discussed on slide 29 of attached, and in particular what are the risks regarding expense timing and consolidation. The idea is Energy would flow money to a Fund administrator, and LDCs would apply to the administrator to participate in the fund, in supporting eligible customers.

As I see it, I would think the risks are something like this:

1. Energy's expense could not be recorded on the CRF for 16-17 if they don't flow cash to H1 (the proposed Fund administrator) and don't have a TPA in place.
2. Energy could be at risk of VFM criticism if they flow cash in advance of getting the TPA signed, although flowing cash does mean recording an expense on the CRF in the year it is flowed. This might be an ambitious target, given timing?
3. If H1 sits on cash over yearend, that amount will be consolidated back for 16-17, but will show up through the consolidation as a fiscal pressure in 17-18.

I am not sure if there is any further complexity, given that some of the LDCs of interest here might be subsidiaries of H1?

We need to provide PEMD some information by EOD today. Who should be the point person for this in APFR?

From: Fung, Felix (TBS)
Sent: February 16, 2017 11:34 AM
To: Graham, Helen (TBS)
Cc: Strang, James (TBS); Morgenstern, Madeleine (TBS)
Subject: RE: ENE - Affordability Fund

Yes – absolutely – here's the latest and greatest from yesterday. They took this Cabinet.

Will send you password separately

From: Graham, Helen (TBS)
Sent: February-16-17 11:29 AM
To: Fung, Felix (TBS)
Cc: Strang, James (TBS); Morgenstern, Madeleine (TBS)
Subject: RE: ENE - Affordability Fund

Ps the last deck I see is from jan 19, but cindy tells me there is a more recent one – can you share?

From: Graham, Helen (TBS)
Sent: February 16, 2017 11:28 AM
To: Fung, Felix (TBS); Sawosch, Mercedes (TBS)
Cc: Strang, James (TBS); Morgenstern, Madeleine (TBS)
Subject: RE: ENE - Affordability Fund

Hi – Mercedes has not been working on the rate mitigation pkg, so let me take this away and see where we are on it. A lot of the focus down here has been on the GA element, so not sure if we have gotten into the weeds on that fund yet.

From: Fung, Felix (TBS)
Sent: February 16, 2017 11:26 AM
To: Graham, Helen (TBS); Sawosch, Mercedes (TBS)
Cc: Strang, James (TBS); Morgenstern, Madeleine (TBS)

Subject: ENE - Affordability Fund

Hi Helen/Mercedes,

Karen is asking about the proposed $200M Affordability Fund that Energy is including as part of the Electricity Rate Mitigation package. She wants to know if Cindy has confirmed whether:

1) The funding will flow to a consolidated entity (she mentioned H1, but does she mean the IESO?)
2) If the funding is going to a consolidated entity, what would be the fiscal impact for 2016-17? Energy has said the entire amount can be expensed this year, but Karen is worried that is not the case (i.e., only part of it will be expensed – and creating a pressure next year).

Anyway, let me know if you have any updates – as I have to include this as part of the Q3 reporting that we are doing (which is going to Secretary's briefing tomorrow).

Thanks - happy to chat in person,

Felix