

MEETING NOTE

NAME OF MUNICIPALITY/ORGANIZATION: Municipality of Sioux Lookout

DATE/TIME OF MEETING: January 22nd, 2018 (1:00 p.m. – 1:15 p.m.)

LOCATION OF MEETING: Davenport Room, Sheraton Toronto, 4th Floor

ATTENDEES: **Minister of Energy**
Glenn Thibeault

Municipality of Sioux Lookout
Doug Lawrence, Mayor
Ann Mitchell, CAO

LAST MEETING: AMO 2017

AGENDA:

1. Municipal Energy Planning/Natural Gas Needs
2. Electricity Prices
3. Electricity Infrastructure

NOTES ON AGENDA ITEMS:

1. Municipal Energy Planning / Natural Gas Needs

- Sioux Lookout is currently in the midst of its Energy Plan and thanks the province for funding. We have critical needs such as lack of natural gas which is limiting our competitive edge.

Suggested Response:

Municipal Energy Plan (MEP)

- I commend Sioux Lookout for working on community energy planning with the Ministry of Energy under the Municipal Energy Plan (MEP) program. Your efforts will help Sioux Lookout better understand its local energy needs, identify energy conservation and greenhouse gas (GHG) emissions reduction opportunities, support economic development and local business opportunities, and develop plans to meet your goals.

Lack of Natural Gas

- **On January 30, 2017, the Ministry of Infrastructure (MOI) announced a \$100 million Natural Gas Grant Program (NGGP) to expand access to natural gas for communities that do not currently have service, including those in rural and Northern Ontario and First Nations communities.**
- **The Municipality of Sioux Lookout did not submit an application to receive funding from the NGGP.**

Background:

Municipal Energy Plan (MEP)

- Sioux Lookout is a small town in Northwestern Ontario known locally as the "Hub of the North", as it is serviced by an airport, Highway 72, and railway station and it operates as the regional hub for services for 31 Far North communities.
- ENERGY is contributing \$49,300 in funding for Sioux Lookout to develop a new MEP. The MEP also encompasses Lac Seul First Nation, a nearby community that Sioux Lookout has a close relationship with.
- Sioux Lookout is the only community in Northwestern Ontario along the 51 parallel without natural gas service. Energy costs are high.
- The MEP will address how the municipality will strategically position itself as the service provider for large projects in the region, capture opportunities for growth, and reduce residential and commercial energy costs.

Lack of Natural Gas

- Sioux Lookout has plans for a \$65 million natural gas pipeline. The community is hopeful that Rockex Mining's proposal for a hot briquetted iron (HBI) processing plant in the area would create a business case to justify the construction of the pipeline.
 - In May 2016, Rockex Mining had signed a letter of intent with Diversified Innovative Marketing Enterprises Ltd. (DIME) for funding the completion of a feasibility study and environmental assessment, and subsequent development and production at their Lake St. Joseph iron ore project, located approximately 100 km northeast of Sioux Lookout.
 - In July 2016, the agreement between Rockex and DIME was terminated. Rockex has not made any subsequent announcements concerning alternative financing options.

- On January 24, 2017, TB/MBC approved the \$100 million NGGP.
- Projects underwent an evidence-based assessment process involving multiple provincial ministries/agencies including Infrastructure Ontario, Ministry of Infrastructure, Ministry of Agriculture, Food and Rural Affairs, Ministry of Energy, Ministry of the Environment and Climate Change, Ministry of Indigenous Relations and Reconciliation and Ministry of Northern Development and Mines.
- Between April 21, 2017, and July 31, 2017, the NGGP accepted applications. Prior to MOI flowing funds to successful applicants, the NGGP expansion projects must also be reviewed and approved by the OEB.
- Ensuring affordable sources of energy are available to more rural and northern communities is key to Ontario's energy plan, and part of *Moving Ontario Forward*, the province's \$31.5 billion plan to invest in public transit, transportation and other priority infrastructure over ten years.

2. Electricity Prices

- The municipality would like to discuss the impact of electricity costs on local residents and businesses.

Suggested Response:

- **Effective July 1, 2017, Ontario's Fair Hydro Plan has lowered electricity bills by 25 per cent on average for residential customers and will hold increases to the rate of inflation for four years. As many as half a million small businesses and farms are also benefitting.**
- **Lower-income Ontarians and those living in eligible rural communities are receiving even greater reductions, as much as 40 to 50 per cent.**
- **Ontario's Fair Hydro Plan also expands support for vulnerable electricity consumers by:**
 - **Providing enhanced Distribution Rate Protection to customers served by Local Distribution Companies (LDCs) with some of the highest rates. The enhanced rate protection extends relief to approximately 800,000 households in total. This includes residential customers of Sioux Lookout Hydro**
 - **Expanding the Ontario Electricity Support Program (OESP);**
 - **Providing a First Nations On-Reserve Delivery Credit; and**
 - **Establishing an Affordability Fund.**
- **The 2017 Long-Term Energy Plan (LTEP) outlook for residential prices shows progress compared to earlier outlooks in the 2010 and 2013 LTEPs.**

- The outlook remains below the 2013 LTEP outlook for the full forecast horizon due to the Ontario Fair Hydro Plan, removing costs from the electricity system, the anticipated benefits from implementing the Independent Electricity System Operator (IESO)’s Market Renewal initiative, and more efficient consumption of electricity.
- Moving forward, Ontario is focused on continuing to put downward pressure on electricity bills over the long term. Our robust electricity supply puts us in a good position to improve efficiency, increase transparency and enhance opportunities for innovation and competition to further reduce system costs.
- The OESP is also being enhanced. Effective May 1, 2017, OESP credit amounts increased by 50% and eligibility criteria were expanded. The result is that more Ontarians will now be eligible to receive the OESP.
- Credits arrive monthly on bills and are dependent on household size and income. For example:
 - A one-person household earning \$28,000 or less could now receive \$45 per month.
 - A four-person household earning under \$48,000 could now qualify for \$40 per month.
 - Households with seven people earning a total of \$39,000 or less could receive \$75 per month.
- The Province is also aligning the OESP with other social assistance to help get more vulnerable consumers into the program so they can receive the support they need on electricity bills.
- These changes will also ensure that those deemed financially eligible for Ontario Works and the Ontario Disability Support Program will automatically be eligible for OESP.
- The Ministry is pleased to see that Sioux Lookout Hydro has information about the OESP on its homepage. A number of Sioux Lookout customers are already receiving the benefit, and we hope that everyone that is eligible gets enrolled into this program.

Background:

- Effective July 1, 2017, Ontario’s Fair Hydro Plan has lowered electricity bills by 25 per cent on average for residential customers and will hold increases to the rate of inflation for four years.

- The reduction reflects a number of initiatives, including refinancing a portion of Global Adjustment (GA), shifting cost recovery for the Ontario Electricity Support Program (OESP) and the majority of Rural or Remote Rate Protection (RRRP) from electricity bills to provincial revenues, and the 8 per cent rebate introduced on January 1, 2017.
- The government has aligned eligibility for GA refinancing with the Ontario Rebate for Electricity Act, 2016 (ORECA), which provides for the 8 per cent rebate. This means that consumers who are eligible for the 8 per cent rebate are also eligible for GA refinancing, including residential consumers, most small businesses, farms, condominiums, multi-unit residential complexes, long-term care homes and housing cooperatives.
- All RPP consumers receive the benefit of GA refinancing through the Ontario Energy Board's (OEB) RPP rate setting process.
 - With the new RPP prices that came into on July 1, the total bill for the proxy customer described under the Fair Hydro Act, 2017 will be about \$121. That is about \$41 or 25 per cent lower than it would have been without the initiatives under Ontario's Fair Hydro Plan.
 - The OEB also determined the GA Modifier to be applied to the bills of customers who are eligible for GA refinancing but are not customers of the RPP.
- The new RPP prices and non-RPP GA Modifier are in effect for electricity consumed between July 1, 2017 and April 30, 2018.
 - Eligible consumers would have seen the full reduction for the first time on their bill for the July 2017 billing period.

Ontario Electricity Support Program

- The OESP provides a fixed monthly credit directly on qualified consumers' bills. The credit amount eligible consumers receive is based on household income and household size. This allows the program to provide a greater benefit to low-income consumers who are more in need of assistance.
- Monthly credits now range from \$35 to \$75 after the 50% increase that took effect on May 1, 2017. Customers with unique electricity needs are eligible for a higher level of assistance, ranging from \$52 to \$113 per monthly bill. This includes:
 - Indigenous customers,
 - Customers using electric heating, and
 - Customers using certain electricity intensive medical devices, which currently includes:

- Oxygen concentrators,
 - Mechanical ventilators, and
 - Kidney Dialysis machines.
- Several legislative and regulatory amendments in 2017 have enabled the expansion of the OESP, and are supporting the alignment of OESP with social assistance.
- In particular, the Ontario Energy Board Act provides the Ministry of Community and Social Services (MCSS) with the authority to collect the information needed to complete OESP applications for social assistance clients, and for the OEB to share information with MCSS to support its efforts to align OESP with other social assistance program delivery.
- Corresponding amendments to the OESP regulation enable MCSS to implement these legislative changes and ensure that applicants deemed financially eligible for Ontario Works and the Ontario Disability Support Program are automatically eligible for the OESP if they receive electricity bills.
- Further regulatory changes are being proposed to complete the transfer of the OESP to the tax base, and ensure the appropriate authorities are in place for government to oversee program spending.

RRRP & Distribution Rate Protection (DRP)

- Ontario's Fair Hydro Plan recognizes that there are opportunities to enhance support for vulnerable electricity consumers, including Ontarians living in low-density areas where the cost to deliver electricity is greater than in higher-density and urban areas. These customers can experience difficulty in reducing their electricity bill through conservation, particularly when reliant on electric heating.
- Rural or Remote Rate Protection (RRRP) mitigates some of the high costs of electricity distribution in rural or remote areas of the province. It is a legacy program of the old Ontario Hydro and has existed in its current form since 2001. It currently benefits approximately 350,000 customers. Part of the program helps fund the costs of Hydro One customers classified into the "R2" residential rate class (low density), who pay some of the highest delivery costs in the Province.
- As part of the Fair Hydro Plan, the Province broadened distribution rate protection to provide rate relief to customers served by Local Distribution Companies (LDCs) with some of the highest distribution rates.
- About 800,000 customers now benefit from the enhanced rate protection. Residential customers from the following LDCs benefit from the broadened rate protection: Hydro One low density (R2) and medium density (R1) customers,

Northern Ontario Wires, Lakeland Power (Parry Sound), Chapleau Public Utilities Corporation, **Sioux Lookout Hydro**, InnPower, Atikokan Hydro and Algoma Power.

- Ontario's Fair Hydro Plan also includes shifting cost recovery for RRRP and OESP through the tax base instead of through ratepayers, reducing regulatory charges for everyone and ensuring the programs continue to serve those in need.

Reducing System Costs

- Ontario currently has a robust supply of electricity and is in a good position to improve efficiency, increase transparency, and enhance opportunities for innovation and competition to reduce system costs.
- Under Ontario's Fair Hydro Plan, the government is continuing to look for opportunities to improve sector efficiency and reduce system costs.
- For example, the Independent Electricity System Operator (IESO)'s Market Renewal initiative will result in a more efficient marketplace with competitive and transparent mechanisms that meet future system needs at the lowest cost.
- The initiative is expected to save up to \$5.2 billion over a 10-year period and forms a key component of Ontario's plan to ensure the affordability of electricity in the longer term.

3. Electricity Infrastructure

- The delegation indicates that as a community that serves 29 First Nations to the north, Sioux Lookout is growing and doesn't have the infrastructure to support growth.
- Sioux Lookout may request an update on the remote connection project and seek assurances that Ontario is still committed to the project.
- Sioux Lookout is a regional hub for the north of Dryden region and the remote connection project represents a significant potential contributor to economic development of the region.

Suggested Response:

- **Ontario is committed to connecting remote First Nation communities to the grid where it is economical.**
- **The Independent Electricity System Operator's (IESO) current analysis shows up to 21 of 25 remote First Nation communities in northwestern**

Ontario are economical to connect to the provincial electricity grid, reducing the reliance on dirty diesel generation. Grid access will enable growth and lower costs over the long run.

- **Wataynikaneyap Power has made significant progress in developing a transmission proposal to connect 16 of Ontario's remote First Nation communities to the grid.**
- **Responsibility for electricity service in remote First Nation communities is shared between the Province and the federal government. A fair cost sharing agreement is critical to connecting remote First Nation communities.**
- **Ontario is having productive discussions with Watay and the federal government to advance this project.**
- **Ontario has taken a number of steps to advance the project and we are working diligently with the federal government to reach a cost-sharing agreement as soon as possible.**

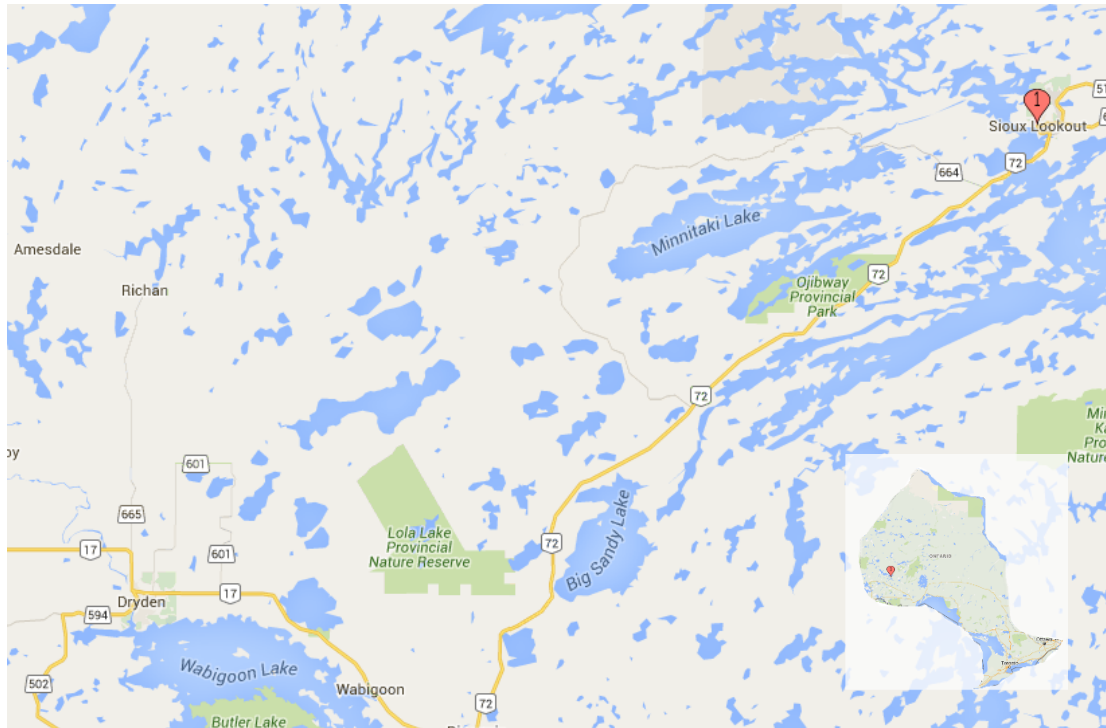
Background

- There are 25 remote First Nation communities in northwest Ontario which rely on high-cost diesel generation for their electricity supply.
- Electricity service is provided via local distribution grids. The distribution systems and diesel generators are operated either by Hydro One Remote Communities Inc. (RemoteCo), which provides service in 15 communities, or by small, First Nation-owned Independent Power Authority (IPA). These 10 IPAs are not regulated by the Ontario Energy Board.
- The IESO has completed analysis that shows up to 21 of 25 remote First Nation communities in Northwestern Ontario are economical to connect to the provincial electricity grid, reducing the reliance on dirty diesel generation. Grid access will enable growth and lower costs over the long run.
- On July 29, 2016, the Ministry of Energy selected Wataynikaneyap Power (Watay) to connect 16 remote, diesel-dependent First Nation communities to the province's electricity grid.
- Watay is a partnership between a consortium of 22 First Nation communities, and a transmission partner, FortisOntario. Many of Watay's First Nations partners are the remote communities that will be connected.

- On August 17, 2017, the federal government announced up to \$60.2M in funding for the connection of Pikangikum. Watay will proceed with construction work this winter to connect Pikangikum by the end of 2018.
- Pending regulatory approvals and a funding agreement, Watay intends to proceed in a phased approach with goal of connecting all communities by 2024.

MUNICIPALITY OF SIOUX LOOKOUT

The Municipality of Sioux Lookout is a town in Northwestern Ontario. It has a population of 5,600.



MEDIA SCAN:

The Wataynikaneyap Transmission Project training program received over \$2 million from the federal government. The training is 50 per cent funded by the federal grant and 50 per cent by Wataynikaneyap Power, making the total dollar amount available for training for the energy sector over \$4 million. The federal investment of \$2,052,979 will pay for the training required to find jobs in the energy sector for 192 participants from 22 First Nation communities within the Sioux Lookout region and throughout Northwestern Ontario