ENERGY Policy Tracking

As of: September 21st, 2017

For: September 22nd, 2017

ENERGY SUPPLY POLICY DIVISIONAL UPDATE	
STATUS	**TIMING OF NEXT STEPS**
1. Ontario's Fair Hydro Plan	
October 2017: Following the 2016 Throne Speech, a number of actions were taken to reduce electricity cost (e.g., 8% rebate, updating RRRP, suspending LRP II, etc.). November 2016: The Premier indicated the intent to provide further electricity price mitigation to ratepayers. March 2017: Cabinet approved Ontario's Fair Hydro Plan (OFHP). March 2017: Ontario's Fair Hydro Plan announced (with a technical briefing). March 2017: ENERGY and MOF staff met with FAO regarding OFHP. April 19, 2017: ENERGY met with Auditor General regarding OFHP. April 2017: OEB released Regulated Price Plan (RPP) rates that include reductions related to GA Refinancing. May 2017: Website updated to accommodate May 1 changes to rates and OESP. June 2017: *Fair Hydro Act, 2017* received Royal Assent. June 2017: ENERGY met with LDC working group to discuss GA Refinancing and expected impact on electricity consumers. June 2017: OEB released updated RPP rates and GA Modifier applicable to eligible non-RPP consumers.	Ongoing: The Ministry, Ontario Financing Authority (OFA), IESO, OEB, OPG and others (e.g., LDCs, H1, etc.) are working on the implementation of OFHP. September 2017: Minister's letter to OPG regarding the Fail Allocation Amount (FAA) to be signed as early as September 21. September 25, 2017: Treasury Board approval of Provincial Protection and Assurances Agreement. October 16, 2017 (TBD): LRC review of proposed new regulation to be made under Ontario Fair Hydro Plan Act, 2017 in order to enable Ontario Power Generation (OPG), as Financial Services Manager and the role of OEB in reviewing OPG/financing entity fees and proposed amendments to Ontario Regulation 429/04 regarding the recovery of interest payments and OPG/financing entity fees during the moratorium period.

ENERGY SUPPLY POLICY DIVISIONAL UPDATE	
STATUS	**TIMING OF NEXT STEPS**
July 2017: OEB's updated RPP rates and GA Modifier reflecting the full impact of OFHP came into effect.	

INVESTMENT AND GOVERNANCE SECRETARIAT UPDATE	
STATUS	**TIMING OF NEXT STEPS**
1. Hydro One Performance	
H stock is trading at ~~$22.74 as of September 12~~$22.34 as of October 26, 2017 close, up from $20.50 IPO price. ~~On August 8, 2017 Hydro One released their second quarter results for the three month period ending June 30, 2017. Hydro One indicated that net income attributable to common shareholders was $117M, a decrease of $35M or 23.0% from the prior year, reflecting milder weather, delay in receipt of transmission rate decision and interest rate driven reduction in allowed return-on-equity (ROE).~~ ~~On July 19, Hydro One announced the proposed acquisition of Avista, primarily and electric and natural gas utility in the U.S. Pacific Northwest, for $6.7B. Hydro One concurrently announced a $1.4B bought deal offering of debentures, convertible to common shares at $21.40 per share upon the transaction being finalized (expected in second half of 2018).~~ Joint regulatory application for approval of the Avista transaction tracking filed on September 14, 2017. The FAO has submitted an information request to the Ministry of Energy regarding the partial sale of Hydro One and acquisition of Avista. The Ministry of Finance also received a request. On October 3, 2017, Energy, Finance and TBS provided a consolidated response to this request.	Next Quarterly Dividend payment of $0.22 per share is expected ~~September 29~~December 29, 2017. ~~Joint regulatory application for approval of the Avista transaction tracking to be filed on September 14, 2017.~~ Targeted closing of the Avista transaction in the second half of 2018 following regulatory approvals. ~~Response is due to the FAO by September 26, 2017.~~

INVESTMENT AND GOVERNANCE SECRETARIAT UPDATE	
STATUS	**TIMING OF NEXT STEPS**
2. Hydro One Governance Requirements	
The Province entered into a Governance Agreement with Hydro One specifying certain restrictions and practises which must be followed with respect to voting, governance standards, ability to acquire shares in the future, etc. The Province attended Hydro One's AGM on May 4, 2017, and voted by proxy in advance on current issues (i.e., financial statements, election of directors, appointment of external auditors, executive compensation). A ministry representative met with the chair of Hydro One's Nominating and Governance Committee and confirmed the Province intends to maintain its nominations for the next one to five years. PWU has requested to revise its ownership structure in relation to who holds and controls its interest in Hydro One shares in order to protect the PWU members in the event of a raid on the PWU in the future.	The Province and Hydro One will exchange Nomination Notices setting out proposed Director nominees early 2018 The Ministry is working with Hydro One and across government to formalize a communications protocol consistent with the Governance Agreement in the event of any future dilutive events taken by Hydro One. The Ministry of Energy, working with the Ministry of Finance, Torys and PWU, will work through approval of a number of amendments to related agreements/documents over the next couple of months, including developing a package for LRC review.
3. COO Engagement	
Ministry reported back to TB (September 13th) and Cabinet (September 28th) on the results of the negotiation and obtained approval for the deal. **Funding:** Phase 1 TPA in the amount of $1.2 million provided for the time frame of September 1, 2015 to March 31st, 2016.	~~COO to submit a request for funding for Phase 3.~~ COO has indicated that the revised Phase 3 proposal will be re-submitted the week of October 30. TBS will time filing of the regulation to precede the anticipated transaction closing in hopes of streamlining the process. COO expects to use its Fall Assembly on November 14 to offer support to First Nations on completing the approval packages.

INVESTMENT AND GOVERNANCE SECRETARIAT UPDATE	
STATUS	**TIMING OF NEXT STEPS**
Phase 2 TPA in the amount of $2.8 million provided for the period of April 1, 2016 to March 31, 2017. The TPA has been executed and payment has been processed, with $2.6 million paid. COO has submitted a request for funding for Phase 3 for Ministry review. Ministry has responded asking for greater budget detail and has requested the Phase 3 proposal be re-submitted. **Agreement:** COO and the Province reached an agreement in principle on June 16th, 2016, and received ratification of the terms at the Chiefs-In-Assembly meeting on June 29th, 2016. On June 30, 2017 the Loan Agreement and Share Purchase and Contribution Agreements were executed. The Chiefs Committee on Energy (CCE) held webinars with First Nations communities throughout the summer to complete a page turn of the definitive agreements. 14 commitment letters have been received to – date with about 14 in progress. The Ministry has received appropriation through PRRT for cash and share disbursements assuming financial close in 2017/18. The Province is reviewing COO's Master Limited Partnership Agreement to ensure it accurately captures all the Province's rights under the loan and share purchase agreement. Torys and counsel to COO submitted an application to the Ontario Securities Commission (OSC) filed on behalf of the Province and the new First Nation holding vehicles application to seek relief to enable both the Province's sale of shares to the holding vehicles and the	TBS is bringing forward a regulation to enable reporting of the value conveyed to First Nations through the share sale, currently tracking for October 30 2017. Targeted closing date is ~~November 15, but~~ prior to December 29, 2017. Torys and counsel to COO are drafting a response to the OSC's first comment letter on the exemption application filed on behalf of the Province and the new First Nation holding vehicles.

INVESTMENT AND GOVERNANCE SECRETARIAT UPDATE	
STATUS	**TIMING OF NEXT STEPS**
distribution of interests by those holding vehicles to each of the participating First Nations.	
4. Métis Nation of Ontario Engagement	
Ministry reported back to TB (September 13th) and Cabinet (September 28th) and obtained a revised mandate for discussions with MNO. **Funding:** MNO Phase 1 TPA in the amount of $599,500, covering the period of September 1, 2016 to March 31, 2017, has been executed and first payment of $545,000 has been paid. **Negotiations:** Formal negotiations with the MNO commenced in October 2016. ~~Six~~Seven full team meetings and several lead negotiator 1:1 conversations have subsequently occurred. Conversations with MNO continued in summer 2017. In July 2017, the Minister of Energy sent a letter to President Froh reaffirming his support for negotiations to continue at the table between the negotiating teams. In August 2017, MNO and the Province agreed to commence work on a draft term sheet and for negotiating teams to reconvene. The negotiating teams met on October 11, 2017.	The Province and Torys will develop a first draft of the term sheet and share with MNO for review ~~before the negotiating teams reconvene~~. Seek TB / MBC approval prior to finalization of an agreement-in-principle. MNO would submit a proposal for a Phase 2 TPA following release of remaining Phase 1 funds, which are pending the Ministry receiving final financial reports from MNO. MNO's proposal for Phase 2 would remain within the existing $599,500 budget
5. OPG Real Estate	
OPG's head office: On January 9, 2017, OPG announced an agreement with KingSett Real Estate Income Fund to sell its head	**Redevelopment of former OPG site Inspiration Lakeview:** OPG, with support from IO, has been provided with a recommendation from JLL and Goodmans LLP for the sale. ~~is proceeding with all necessary~~

INVESTMENT AND GOVERNANCE SECRETARIAT UPDATE	
STATUS	**TIMING OF NEXT STEPS**
office property. The sale closed in April 2017 with estimated fiscal impacts reported back to TB/MBC on April 4. **Redevelopment of former OPG site Inspiration Lakeview:** On June 9th, 2016, OPG received a Shareholder Declaration and Resolution that requires the Company to sell its former Lakeview GS site located in Mississauga, Ontario. On June 6, the province announced the beginning of the sale process for Lakeview The Ministry has approved ~~the Lakeview disposition evaluation criteria and process.~~ **Hearn:** OPG and Studios of America entered into an agreement of purchase and sale in October 2016.	~~diligence and actions required to complete the disposition of Lakeview Site~~. ~~The next approval required will be~~ The Ministry has now provided approval of the final Agreement of Sale and authorization to execute ~~which OPG is seeking at this time.~~ ~~is expected in mid-late fall~~ The transaction is expected to close by March 20, 2018. **Hearn:** OPG to proceed with sale to Studios of Americas, with anticipated closing in Q3 2017.

STRATEGIC, NETWORK AND AGENCY POLICY DIVISIONAL UPDATE	
STATUS	**TIMING OF NEXT STEPS**
1. Sale of Hydro One Brampton – Post Closing	
On Feb. 28, 2017, the Province completed the sale of Hydro One Brampton to Alectra (merged entity consisting of Enersource, Horizon and PowerStream) The closing purchase price of $616.8M ~~subject to post-closing adjustments~~ was paid partly in cash and partly through a promissory note issued by Alectra. After adjusting for closing working capital and net fixed assets the Province received ~$615M in proceeds.	~~The Province will settle with Alectra the difference in the final purchase price, based on the closing statements, and the $616.8M paid by Alectra.~~ The Ministry is working to move forward transferring funds to the Trilllium Trust. The Ministry is working to move forward with a tax agreement which would ensure that tax credits/refunds belonging to Hydro One Brampton ultimately flow to Brampton Holdco.

STRATEGIC, NETWORK AND AGENCY POLICY DIVISIONAL UPDATE	
STATUS	**TIMING OF NEXT STEPS**
A regulation is has been filed which would designate proceeds of ~$107M to the Consolidated Revenue Fund (CRF) and recorded as a credit to the Trillium Trust. ~~On April 29th, Alectra paid the OEFC the required PILs as a result of the sale of Hydro One Brampton's assets to Alectra.~~ ~~On May 2, Alectra repaid the remaining balance of the promissory note to Brampton Holdco.~~ ~~On May 29, Alectra delivered audited closing statements and post-closing adjustment calculations to Brampton Holdco. Brampton Holdco has reviewed and approved the closing statements based on advice from Alan Hibben, which assisted with the review process. The approval is subject to confirmation of the final PILs amount.~~ The Province intends to keep the Brampton Holdco as a separate holding entity until the end of fiscal year to ensure continuity of oversight of all post-closing activities. The activities of the Holdco board that used to be supported by Hydro One Brampton is now taken over by policy and legal staff at the Ministry. Ministry will outsource bookkeeping and payroll services to a third party vendor. Holdco Q1 2017 unaudited financial statements has been prepared for submission to TB for public accounts in early August. The Holdco Board has 9 members. The last director meeting was held on June 21st.	Finalise engagement letter with BDO Financial Services to do bookkeeping and payroll services for Holdco in late September. Finalised agreement to extend engagement of KPMG to be Holdco's auditor for 2017 in early September. Next Board meeting will be held in Oct (TBD).

CORPORATE SERVICES DIVISIONAL UPDATE	
STATUS	**TIMING OF NEXT STEPS**
1. Estimates	
The 2017-18 Estimates were tabled on May 18th. Upon tabling, the Estimates are deemed referred to the Legislature's Standing Committee on Estimates.	English versions of the Estimates Briefing Book were submitted on June 2, 2017 (ten working days after tabling of the Estimates). French versions of the Estimates Briefing Book were submitted on July 19, 2017. On September 12, the Standing Committee on Estimates selected ENERGY as the second ministry to appear for 7.5 hours. Tentative schedule for Ministry of Energy's appearance: Tuesday, October 3 (4:15 PM to 6:00 PM) 1 hour, 45 minutes Wednesday, October 4 (3:45 PM to 6:00 PM) 2 hours, 15 minutes Tuesday, October 17 (9:00 AM to 10:15 AM) 1 hour, 15 minutes Tuesday, October 17 (3:45 PM to 6:00 PM) 2 hours, 15 minutes **Total Hours: 7 hours, 30 minutes**
2. 2018-19 Program Review, Renewal & Transformation (PRRT)	
PRRT instructions were released on September 15, 2017. This year's submission is focused on underlying cost drivers, risks and the intended outcomes to ensure ministry programs are sustainable. Ministries are also asked to build a robust submission that can withstand the scrutiny of independent analysis. Materials include: program notes, report backs, KPIs, risk reporting template, ministry overview deck, etc.	Final PRRT submissions are due October 26, 2017 (6 weeks after instructions were released.