Message

From:	MAUTI John -FIN & C CTRL [/O=OH/OU=TORONTO/CN=RECIPIENTS/CN=932974]
Sent:	4/28/2017 12:40:46 PM
To:	HARTWICK Ken -FINANCE [/o=OH/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=217097]
CC:	MAUTI John -FIN & C CTRL [/o=OH/ou=Toronto/cn=Recipients/cn=932974]; KOGAN Alex -FIN & C CTRL [/o=OH/ou=Toronto/cn=Recipients/cn=206693]; MELARAGNO Anthony -FIN & C CTRL [/o=OH/ou=Toronto/cn=Recipients/cn=208683]
Subject:	RE: Budget Summary
Attachments:	Ontario Budget 2017 - Comparison for JM.xlsx

Had my folks do some digging. Attached table gives you what 2016-2017 fiscal NI and EBT was budgeted from:

1) 2017-2019 Plan

2) 2016-2019 Plan

3) 2015-2017 Plan

4) The estimate we provided in January 2016 that we explicitly asked be provided from Energy to Finance as part of preparing 2016 Ont Budget (as OPG didn't approve 2016-2018 Plan till May, the Province needed some input into Budget prep). This was a specific decision that Carlo, Jeff and I reached in early 2016 and the fiscal forecast was quite low for 2016-2017.

Based on the results (assuming they used our forecast fiscal impacts we gave them in mid March from our monthly report to the Province), we suspect **M of Finance did NOT use the Jan 2016 values that we confirmed Energy did send to them in early 2016** . This is not the first time this has happened. Finance does not confirm what they do or do not use as part of their budget preparation. We asked MOE staff to try to find out for us through their channels.

Redacted - Commercially Sensitive

John G. Mauti
Chief Controller & Accounting Officer
OPG Inc.
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From: HARTWICK Ken -FINANCE
Sent: Friday, April 28, 2017 6:21 AM
To: MAUTI John -FIN & C CTRL
Subject: FW: Budget Summary

For you

Sent with BlackBerry Work (www.blackberry.com)

From: LYASH Jeffrey -PRESIDENT <jeffrey.lyash@opg.com>
Date: Friday, Apr 28, 2017, 6:18 AM
To: HARTWICK Ken -FINANCE <ken.hartwick@opg.com>
Subject: FW: Budget Summary

Note in Ted' comments that the budget shows a reduction in OPG Income assumed in the budget. Can you give me our recent historic and projected fiscal year shareholder income highlighting any changes against plan

Sent with BlackBerry Work (www.blackberry.com)

From: GRUETZNER Ted -CORPRELCOMM <ted.gruetzner@opg.com>
Date: Thursday, Apr 27, 2017, 5:48 PM
To: LYASH Jeffrey -PRESIDENT <jeffrey.lyash@opg.com>, ROWE Jennifer -CORPAFFAIRS <jennifer.rowe@opg.com>, CROZZOLI Carlo -CBUSDEV&STRT <carlo.crozzoli@opg.com>, HARTWICK Ken -FINANCE <ken.hartwick@opg.com>, KING Catriona -OFFCORPSEC <catriona.king@opg.com>, MARTELLI Mike -REGEN&PWRMK <mike.martelli@opg.com>, JAGER Glenn -NUCLEAR <glenn.jager@opg.com>, REINER Dietmar E -NUCPROJECTS <d.reiner@opg.com>, GINTHER Chris -CAO <chris.ginther@opg.com>
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Subject: Budget Summary

Afternoon

Rick Jennings prepared this summary of today's budget. The budget is focused on health and pharmacare, and this is the most often cited headline in early media reports. Energy is mentioned in a few sections, noted below, but OPG is not mentioned in any significant manner.

The section on the Fair Hydro Plan notes sections from the March announcement, but does not mention OPG's role in managing costs via the GAM .

Also of note, the budget states the Long Term Energy Plan will be released "this spring" and the proceeds of the sale of 700 University are listed at $200 million.

I've also attached a political analysis prepared by Earnscliff Strategy.

2017 Ontario Budget Highlights

Highlights: The 2017 Budget is balanced, the first since 2008-09. The forecast for the following two years is for a balance budget as well. The Government is taking advantage of the improved fiscal position to increase spending in the areas of health care, education, and economic development.
Ontario real economic growth is forecast at 2.3% for 2017 and 2.1% for 2018. Planned infrastructure spending is now expected to be $190 billion over 13 years.

Fiscal Update
$ billions

	2016/17	2017/18	2018/19	2019/20
Revenue	133.2	141.7	144.3	148.4
Expenditures	134.8	141.1	144.9	149.3
(Deficit)/Surplus	(1.5)	0.6	0.6	0.9
Net Debt as a % of GDP	37.8	37.5	37.3	37.2

Fair Hydro Plan
The Fair Hydro Plan is summarized on pages 20 -24 based on the March 2th announcement. The preamble notes that the $12.8 billion Darlington refurbishment project is underway and that Ontario was the first jurisdiction in North America to end coal-fired generation.
The description highlights the bill reduction of an average of 25% for eligible households and notes that 500,000 small businesses and farms would also benefit. It notes that the transfer of electricity support programs to the Province rather than ratepayers will cost up to $2.5 billion over the next 3 years.
The IESO's Market Renewal Initiative is highlighted noting that it is estimated to save up to $5.2 billion over a 10 year period starting in 2021.

Other Electricity / Energy Related Items
The combined net incomes of OPG and Hydro One for 2016-17 are projected to be $207 million below the 2016 Budget forecast. Lower than projected OPG net income is mainly due to a variance from gross margins assumed in the 2016 Budget.
The Natural Gas Grant Program, $100 million to support expansion of gas to rural and northern communities is highlighted.
Electricity support programs formerly funded through the rate base are now funded by the Province. As a result the Ministry of Energy's budget (includes the OEB and the IESO) increases from $925.5 million in 2016-17 to $2,049.9 million in 2017-18.
Electricity sector stranded debt has been reduced to $3.5 billion as of March 31, 2017 and is projected to be reduced to $2.4 billion by March 31, 2018. The Debt Retirement Charge which was ended for residential customers on January 1, 2016 is scheduled to end for all other customers on April 1, 2018.
Spending Changes:
Additional spending was announced in several areas including:

- Child care -$200 million towards funding more licensed child care spaces.
- Pharmacare – drug coverage for Ontarians 24 and younger.
- New infrastructure spending on Health and Education Infrastructure.
- University Tuition and funding support.
- Jobs and innovation funding.

Revenue Changes: As previously announced in the Fair Housing Plan, the Government is introducing a Non-Resident Speculation Tax and a Vacant Homes property Tax.
Legislative changes
The *Electricity Act* is being amended to reduce barriers to the acquisition of local Distribution companies.
The *Oil, Gas and Salt Resources Act* is being amended to enable the regulation of compressed air storage facilities.

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