ADDITIONAL QAs

ELECTRICITY PRICES -- BUSINESSES

Q55. Ontario businesses have repeatedly expressed concerns over the rising costs of electricity, some have even said they will have to close or leave Ontario. How do you respond to this?

Our government continues to make the investments necessary to ensure a clean, reliable and affordable electricity system for all Ontarians. There are measures in place to mitigate industrial electricity prices, including:

- Industrial Conservation Initiative (ICI)
    - The Industrial Conservation Initiative (ICI) allows large electricity consumers to lower their electricity costs by reducing their demand during peak hours. Reducing demand during peak hours benefits companies financially and benefits the electricity system by deferring the need for new peaking generation.
    - To give more businesses the incentive to participate in the ICI, we have lowered the threshold to 1 MW and removed sector restrictions so that more consumers can benefit.
    - Newly eligible consumers will be able to opt-in to the ICI program at their discretion and will see the impact in July 2017.

- Industrial Electricity Incentive (IEI)
    - The Industrial Electricity Incentive (IEI) offered reduced electricity rates for companies starting or expanding operations in Ontario.
    - The Independent Electricity System Operator (IESO) awarded 22 contracts to energy-intensive companies across the province through the program.

- Northern Industrial Electricity Rate Program (NIERP)
    - Participants in the Northern Industrial Electricity Rate Program (NIERP) receive a rebate of two cents per kilowatt hour.
    - On average, industrial electricity prices can be reduced by over 20% through the program.
    - In 2015, the Ontario government announced the commitment to an ongoing NIERP beyond March 2016.

- Industrial Accelerator Program (IAP)
    - IAP, delivered by the IESO, assists eligible transmission-connected companies to fast track capital investment in major energy conservation projects.
    - The program provides financial incentives to encourage investment in innovative process changes and equipment retrofits to reduce electricity consumption on the provincial system and to help companies become more competitive by positively impacting their bottom line.

  - Participants can receive incentives that will cover up to 70% of eligible project costs.

- saveONenergy for Business Program
  - The saveONenergy for Business Program, delivered they local distribution companies with support from the IESO, offers a variety of financial incentives to distribution-connected business and industrial customers to increase energy efficiency and save money on their bills.

- Demand Response (DR)
  - The IESO holds annual Demand Response auctions which provide payments to successful participants that commit to reducing their consumption when called upon to do so.
  - These DR auctions are a precursor to the capacity auction that IESO is planning to implement through its market renewal initiative.
  - Participation in the DR Auction is open to new and existing DR participants in Ontario with peak load greater than 1 MW, including industrial consumers and aggregators.

BROADENING OWNERHSIP OF HYDRO ONE

Q56. Won't rates rise as a result of your sale of Hydro One? Isn't the interest of the private sector to increase profit by raising rates?

Hydro One does not set its own electricity rates. Rates continue to be set by the independent Ontario Energy Board (OEB).

The OEB is an independent regulator with a mandate to protect the interests of Ontario's electricity consumers. Applications from electricity companies like Hydro One are reviewed by the OEB and the OEB makes the final decision.

The government has passed legislation that enhances the OEB's powers to continue to protect electricity ratepayers with respect to cost, consumer protection and reliability.

In addition, Hydro One has hired a dedicated Ombudsman, similar to those found at other public companies. The Ombudsman will receive and investigate customer complaints. Hydro One has appointed Fiona Crean as the Ombudsman of Hydro One.

ELECTRICITY TRADING

Q57. What kind of impact will importing Québec electricity have on our electricity system?

Québec will deliver 2 terawatt hours (TWh) of energy per year to Ontario from 2017-2023, which will target specific hours in which natural gas would have otherwise been used. 2 TWh is enough to power the city of Kitchener for a year.

The imported electricity from Québec is clean hydro power, and its use will be targeted to specific hours in which natural gas would otherwise have been used in Ontario.

By using clean hydro power from Québec, electricity sector greenhouse gas (GHG) emissions in Ontario are expected to be reduced by approximately 1 megatonne per year from 2017-2023.

Q58. How much will importing this electricity cost Québec**? Is it going to be more expensive than our natural gas generation here in Ontario?**

One of the negotiating principles of this agreement with Québec was to provide savings to Ontario ratepayers.

Over the 2017-2023 period, the agreement will reduce Ontario electricity system costs by an estimated $70 million from previous forecasts.

ELECTRICITY PRICING IN OTHER JURISDICTIONS

Q59. What is the current status of industrial electricity prices in Ontario?How do prices compare to other North American jurisdictions?

Our government continues to ensure a clean, modern and reliable electricity system for all Ontarians.

Prices are increasing because our energy system is being transformed – we are making needed investments to modernize our electricity system. We chose to replace coal-fired generation with cleaner sources of energy, which will benefit our environment and the health of Ontarians.

As we plan for Ontario's electricity needs for the next 20 years, conservation will be the first resource considered, wherever cost effective. Conservation is the cleanest and most cost-effective energy resources, offers customers a way to reduce their electricity bills and reduces the need to build costly new generation, distribution and transmission infrastructure.

Indicative industrial electricity prices in Ontario are currently within five per cent of the United States average as reported by the U.S. Energy Information Administration.

According to 2013 Long-Term Energy Plan (2013 LTEP), the typical industrial electricity price is projected to increase on average by 2.7% per year in the five-year period from 2017 to 2021 inclusive, and by 1.4% per year from 2017 to the end of 2032.

Over the forecast period, the average annual increase in consumers' costs are generally in-line with expected inflation, which averaged about 1.8% over the last ten years (2007-2016).

The National Energy Board's *Energy Futures* 2016 report projects that industrial electricity prices are expected to increase in most provinces through 2032.

PUBLIC SECTOR SALARY DISCLOSURE – ENERGY AGENCIES

Q60. Electricity bills are rising for Ontario families. How does the Province justify the high salaries of executives at Ontario Power Generation (OPG), the Independent Electricity System Operation (IESO) and the Ontario Energy Board (OEB)?

Ontario's electricity sector requires committed, highly skilled professionals and trained workers. The salary levels reported reflect this.

Energy agencies have been demonstrating their on-going commitment to the government's compensation restraints:

- All energy agencies indicated they have complied with the public sector compensation restraint legislation that froze the compensation structure for non-unionized employees for two years beginning March 24, 2010.

- Under Bill 55, the *Strong Action for Ontario Act* (Budget Measures), further restraint measures were introduced that cap executive compensation for OPG, Hydro One, IESO and former OPA. The restraint measures came into force March 2012, and will continue until the Province achieves a balanced budget.

- In addition to legislative requirements, Ontario's energy agencies have also implemented additional expenditure restraint measures to those required in the compensation legislation.

In March 2015, the *Broader Public Sector Executive Compensation Act, 2014* came into effect, giving the government's ability to establish compensation frameworks for certain executives in the broader public sector, including OPG, IESO (the merged entity of the former IESO and OPA) and OEB.

The Provincial legislative compensation restraints to manage compensation are working. Total salary expenses paid to the top 10 earners in the electricity sector have declined by 21% in 2015 from 2009.

Q61. How much do the executives at Hydro One make? Why are Hydro One executive salaries not captured under the *Public Sector Salary Disclosure Act*?

In accordance with the *Public Sector Salary Disclosure Act* (PSSD), Ontario Power Generation (OPG), the Ontario Energy Board (OEB), and the Independent Electricity System Operator (IESO), have disclosed the salaries and taxable benefits paid to employees who earned over $100,000 in 2015.

Only public sector employees are included in the PSSD.

Hydro One has become a public traded company following the government's decision to broaden the ownership of Hydro One to create lasting public benefits and ongoing public protections.

- The government continues to hold approximately 70 per cent of Hydro One and will proceed with future offerings in a careful, staged and prudent manner over time reducing Ontario's stake to 40 per cent while remaining the largest shareholder.

- The proceeds from broadening the ownership of Hydro One will be used to invest in infrastructure and reduce debt.

As a publicly traded company, Hydro One is no longer required to report salaries of employees earned after December 31, 2014 under the *Public Sector Salary Disclosure Act*.

Hydro One will continue to be governed by Ontario laws, including the *Business Corporations Act* and *Securities Act*.

Hydro One has disclosure requirements under Ontario securities legislation to provide certain information to the public. Total compensation levels of CEO, CFO and three other highest paid executives of the corporation are reported each year.