BACKGROUNDER

Ministry of Energy

Ontario's Fair Hydro Act, 2017

The Fair Hydro Act proposes measures that would, if passed, lower electricity bills by 25 per cent on average for all residential consumers and as many as half a million small businesses and farms. These measures include the eight per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills.

The 25 per cent on average reduction

The measures that make up the 25 per cent on average reduction include:

- Refinancing a portion of the Global Adjustment (GA) – this would provide significant and immediate rate relief by spreading the cost of Ontario's electricity investments over the expected lifecycle of the generation infrastructure assets

- Enhancing and Shifting the cost of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from rate payers to provincial revenues. These programs, along with the creation of the First Nations On-Reserve Delivery Credit and Affordability Fund, will cost the Province $2.5 billion over the next three years

- The eight per cent rebate equal to the provincial portion of the HST that took effect on January 1, 2017

Refinancing the GA

The majority of the province's electricity generators have 20-year contracts. Many of these generators will be able to operate past their contract term, meaning that generating assets are expected to have ongoing useful life and will benefit future ratepayers by reducing the need to finance the development of new generating assets.

To relieve the current burden on ratepayers and share costs more fairly, a portion of the GA would be refinanced. Refinancing the GA would provide significant and immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing would be recovered from ratepayers.

Under current forecasts, this amounts to an accumulated debt not projected to exceed $25 billion, including interest.

Italics.

Rate Increases Held To Inflation for 4 years.

~~Additional Measures to Create a Fair Electricity System~~

A regulation to the *Fair Hydro Act* 2017 would keep any increases for ratepayers over four years to the rate of inflation. By including this measure in regulation, it offers the Province flexibility to respond to potential fluctuations in inflation rates in any given year. ~~[Inquiring with Finance about~~ other potential ~~items that have been indexed to CPI through regulation]~~

~~Provincial Guarantee~~ Clean Energy Adjustment

[illegible]

The Ontario Energy Board (OEB) would ~~continue~~ to play an important role under the ~~proposed~~ Fair Hydro Act, 2017. The proposed legislation would provide authority to ensure that Ontario's Fair Hydro Plan can be properly and effectively put in place to give electricity consumers the 25 per cent on average rate reduction.

The Clean Energy Adjustment

In the early years, it is intended that a portion of the costs covered by the GA would be refinanced to lower rates for today's electricity ratepayers. In later years, the cost of refinancing would be recovered through adjustments to consumer invoices with a Clean Energy Adjustment.

[illegible] The OEB would continue to play its important role as regulator for the electricity sector. In particular, it would continue to set commodity rates for Regulated Price Plan (RPP) consumers, including any cost reductions under the OFHP in the near term. The OEB would determine the required adjustments to consumer invoices to recover deferred GA amounts.

[illegible]

New and enhanced social programs

Moving Rural or Remote Rate Protection (RRRP) to Tax Base and Broadening Distribution Rate Protection

- The Rural or Remote Rate Protection (RRRP) program provides a rate subsidy to rural and remote residential customers who face higher distribution costs compared to urban areas.
- The RRRP is currently provided to approximately 350,000 rural residential customers in Ontario.
- The Province will expand distribution rate relief to provide distribution rate protection to additional customers served by LDCs with the highest rates. About 800,000 customers would benefit from the new broadened distribution rate protection program. LDCs benefitting from this include: Hydro One R2 and R1 customers, and residential customers of Northern Ontario Wires, Lakeland Parry Sound, Chapleau, Sioux Lookout, InnPower, Atikokan and Algoma. The benefits would differ from LDC to LDC.
- The Province will also move to fund RRRP costs through the tax base, reducing regulatory charges for all Ontario ratepayers.

Expanding the Ontario Electricity Support Program (OESP)

- The OESP is an income-tested, application based program that lowers electricity costs for the most vulnerable consumers, providing a rebate directly on bills. There are two scales: one with basic credits, and an enhanced credit for Indigenous people or those who use electric heat or certain electrically intensive medical devices.
- Effective May 1, 2017, Ontario increased the OESP by 50 per cent, meaning that single, low-income consumers who receive the lowest credit amount would get an increase from $30 to $45 per month ($540 per year, an increase of $180), and single, low-income consumers who qualify for the enhanced scale would see an increase from $45 to $68 ($816 per year, an increase of $276).
- Ontario is exploring automatic qualification for customers who are enrolled in other provincial low-income social programs.
- The Province is also moving forward in having the OESP funded by provincial revenues rather than the rate base, reducing regulatory charges for all Ontario ratepayers.

Providing a First Nations On-Reserve Delivery Credit

- In 2016, the Ontario Energy Board (OEB) engaged with First Nations, including remote communities, the distributors serving them, and consumer groups such as the Low Income Energy Network.
- Following the engagement process the OEB recommended:

- Eliminating the delivery charge for all on-reserve First Nations residential customers and removing the monthly service charge for customers of licensed distributors which charge a bundled rate. The OEB estimates this would provide residential customers an average monthly benefit of $85.
- Automatically qualifying on-reserve First Nations residential customers (approximately 21,500 customers).
- Enabling greater information sharing between distributors and Band Councils to identify all on-reserve First Nations customers.

- The Province is also moving forward in having the First Nations On-Reserve Delivery Credit funded by provincial revenues.

The government has introduced legislation that would, if passed, enable the above initiatives.

In addition, an Affordability Fund will be established through a transfer payment agreement with Hydro One. No legislative amendments are required for this fund

Establishing an Affordability Fund

- Ontario is establishing an Affordability Fund that will provide energy efficiency measures to Ontarians who are not eligible for low-income conservation programs, and who are otherwise unable to make energy efficiency improvements without financial assistance.
- The Province has worked with Hydro One to establish an independent Trust, which will provide oversight of funds and facilitate efficient distribution of funds to electricity distributors.
- Electricity distributors are best positioned to identify their customers who are in need of assistance, such as those that are in bill arrears, on repayment plans, facing service disconnection, or who are otherwise in frequent contact with a distributor's customer care centre regarding difficulty keeping up with their electricity bills.
- It is expected that electricity distributors will be able to begin applying to the Affordability Fund in Summer 2017.
- The Province is paying for the Affordability Fund through provincial revenues.

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BACKGROUNDER

all

Ministry of Energy

all residential

Ontario's Fair Hydro Act, 2017

The Fair Hydro Act, 2017 ~~proposes measures that~~ would, if passed, lower electricity bills by 25 per cent on average for ~~all~~ residential consumers and as many as half a million small businesses and farms. These measures include the eight per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on ~~all~~ electricity bills.

The 25 per cent ~~on~~ average reduction

The measures that make up the 25 per cent ~~on~~ average reduction include:

- Refinancing a portion of the Global Adjustment (GA) – this would provide significant and immediate rate relief by spreading the cost of Ontario's electricity investments over the expected lifecycle of the generation infrastructure assets

- Shifting the cost of certain electricity support programs from ratepayers ~~the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) program from rate payers~~ to provincial revenues. ~~These programs, along with the creation of the First Nations On-Reserve Delivery Credit and Affordability Fund, will cost the Province $2.5 billion over the next three years~~

- The eight per cent rebate equal to the provincial portion of the HST that took effect on January 1, 2017

The Government has consulted broadly while developing the measures in this Bill. Just some of those consulted include:

- Ontario's Energy Agencies
- Experts across government
- External accounting experts
- External legal advisors
- Potential investors
-

> Local Distribution Companies
>

The proposed legislation would deliver on the Government's commitment to fairness and electricity rates would come down, stay down and make life more affordable for families and businesses across the province

Comment [SL1]: Taken from QAs

Refinancing the GA

The majority of the province's electricity generators have 20-year contracts. Many of these generators will be able to operate past their contract term, meaning that generating assets are expected to have ongoing useful life and will benefit future ratepayers by reducing the need to finance the development of new generating assets.

To relieve the current burden on ratepayers and share costs more fairly, a portion of the GA would be refinanced. Refinancing the GA would provide significant and immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing would be recovered from ratepayers.

Initial analysis indicated ~~that~~ ~~Under current forecasts, this amounts to an~~ the accumulated debt will not ~~projected to~~ exceed $2~~5~~8 billion, including interest.

Initial analysis

~~**Additional Measures to Create a Fair Electricity System**~~

Increases Held To Inflation

A regulation ~~to~~under the *Fair Hydro Act, 2017,* would keep ~~any~~ increases for eligible ratepayers over four years to the rate of inflation. By including this measure in regulation, it offers the Province flexibility to respond to potential fluctuations in inflation rates in any given year.

Clean Energy Adjustment

In the early years, it is intended that a portion of the costs covered by the GA would be refinanced to lower rates for today's electricity ratepayers. In later years, the cost of refinancing would be recovered through adjustments to consumer invoices with a Clean Energy Adjustment. ~~Based on current modelling,~~ Initial analysis indicated that the Clean Energy Adjustments ~~will~~would appear on bills when consumers start to repay the amount, currently anticipated to occur ~~around XXX~~in the mid-2020s.

Mid-to-late

Provincial Guarantee

The Province ~~will~~would provide guarantees to investors to protect investors from risks that ~~investors~~ cannot otherwise mitigate. [For example, guarantees will address the risk that future governments may undermine their investment by impairing the recovery of Clean Energy Adjustments].

~~The Ontario Energy Board (OEB) would continue to play an important role under the proposed Fair Hydro Act, 2017. The proposed legislation would provide authority to ensure that Ontario's Fair Hydro Plan can be properly and effectively put in place to give electricity consumers the 25 per cent on average rate reduction.~~

~~In the early years, it is intended that a portion of the costs covered by the GA would be refinanced to lower rates for today's electricity ratepayers. In later years, the cost of refinancing would be recovered through adjustments to consumer invoices with a Clean Energy Adjustment.~~

The Ontario Energy Board (OEB) would continue ~~to play~~in its ~~important~~ role as regulator for the electricity sector. In particular, it would continue to set commodity rates for Regulated Price Plan (RPP) consumers, including any cost reductions under the ~~OFHP~~ Fair Hydro Act, 2017 in the near term. ~~The OEB would determine the required adjustments to consumer invoices to recover deferred GA amounts.~~

New and enhanced social programs

In addition, the Fair Hydro Act, 2017 shifts the costs of the Ontario Electricity Support program (OESP) and Rural or Remote Rate Protection (RRRP) from ratepayers to provincial revenues. These programs, along with the creation of the First Nations On-Reserve Delivery Credit and Affordability Fund, will cost the province $2.5B of the next three years.

Moving ~~Rural or Remote Rate Protection~~ (RRRP) to Tax Base and Broadening Distribution Rate Protection

- ~~The Rural or Remote Rate Protection (RRRP)~~RRRP program provides a rate subsidy to rural and remote residential customers who face higher distribution costs ~~[rates?] costs compared to urban areas.~~
- The RRRP is currently provided to approximately 350,000 rural residential customers in Ontario.

Comment [TC2]: $28b was the maximum debt figure, which has been used publicly. $25b was the total interest cost, which has also been used publicly. Both figures have since been revised downwards.

Comment [EK(3]: From Carolyn's notes

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Comment [EK(4]: From Carolyn's notes

Comment [EK(5]: Suggest delete this paragraph.

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Comment [SL6]: Comms: Should this read "rates" rather than "costs"

Comment [EK(7]: Urban vs rural has been an issue in media

July 1 date?

- ~~The Province will expand distribution rate relief to provide distribution rate protection to additional customers served by LDCs with the highest rates.~~ About 800,000 customers would benefit from the new broadened distribution rate protection program. Customers of LDCs benefitting from this include: Hydro One R2 and R1 customers, and residential customers of Northern Ontario Wires, Lakeland Parry Sound, Chapleau, Sioux Lookout, InnPower, Atikokan and Algoma. The benefits would differ from LDC to LDC.
- ~~The Province will also move to fund RRRP costs through the tax base, reducing regulatory charges for all Ontario ratepayers.~~

Expanding the ~~Ontario Electricity Support Program~~ ~~(~~OESP~~)~~

- The OESP is an income-tested, application based program that lowers electricity costs for the most vulnerable consumers, providing a rebate directly on bills. There are two scales: one with basic credits, and an enhanced credit for Indigenous people or those who use electric heat or certain electrically intensive medical devices.
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~~Ontario is exploring automatic qualification for customers who are enrolled in other provincial low-income social programs.~~

~~The Province is also moving forward in having the OESP funded by provincial revenues rather than the rate base, reducing regulatory charges for all Ontario ratepayers.~~

Providing a First Nations On-Reserve Delivery Credit

- In 2016, the ~~Ontario Energy Board (~~OEB~~)~~ engaged with First Nations, including remote communities, the distributors serving them, and consumer groups such as the Low Income Energy Network.
-
-
- As a result of recommendations from the OEB, ~~t~~The Government plans to e~~Following the engagement process the OEB recommended:~~
~~o~~ ~~E~~liminat~~eing~~ the delivery charge for all on-reserve First Nations residential customers, ~~and~~ removi~~eng~~ the monthly service charge for customers of licensed distributors which charge a bundled rate~~. , a And Aautomatically qualifying on-reserve First Nations residential customers (approximately 21,500 customers).~~
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The government has introduced legislation that would, if passed, enable the above initiatives.

In addition, an Affordability Fund will be established through a transfer payment agreement with Hydro One. No legislative amendments are required for this fund.

Establishing an Affordability Fund

- Ontario is establishing an Affordability Fund that will provide energy efficiency measures to Ontarians who are not eligible for low-income conservation programs, and who are otherwise unable to make energy efficiency improvements without financial assistance.

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Comment [EK(8]: fix bullets

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Comment [jb9]: This should be a bullet

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Comment [EK(10]: Will or would if it doesn't require legislation?

- The Province has worked with Hydro One to establish an independent Trust, which will provide oversight of funds and facilitate efficient distribution of funds to electricity distributors.
- Electricity distributors are best positioned to identify their customers who are in need of assistance, such as those that are in bill arrears, on repayment plans, facing service disconnection, or who are otherwise in frequent contact with a distributor's customer care centre regarding difficulty keeping up with their electricity bills.
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BACKGROUNDER

Ministry of Energy

Ontario's Fair Hydro Act, 2017

The Fair Hydro Act, 2017 ~~proposes measures that~~ would, if passed, lower electricity bills by 25 per cent on average for all residential consumers and as many as half a million small businesses and farms. These measures include the eight per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills.

The ~~The~~ 25 ~~per~~ Per ~~cent~~ Cent ~~on a~~ Average ~~reduction~~ Reduction

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- The eight per cent rebate equal to the provincial portion of the HST that took effect on January 1, 2017.

In crafting the Fair Hydro Act, 2017, t~~T~~he Government has consulted broadly, including with:

- Ontario's Energy Agencies
- Experts across government
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- Local Distribution Companies

The proposed legislation would deliver on the Government's commitment to fairness and electricity rates would come down ~~, stay down~~ and make life more affordable for families and businesses across the province

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Refinancing the Global Adjustment

Recent investments in electricity infrastructure will create benefits for years to come. For example, ~~T~~the majority of the province's electricity generators have 20-year contracts. Many of these generators will be able to operate past their contract term, meaning that generating assets are expected to have ongoing useful life and will benefit future ratepayers by reducing the need to finance the development of new generating assets.

over time

To relieve the current burden on ratepayers and share costs more fairly, a portion of the GA would be refinanced. Refinancing the GA would provide significant and immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built. ~~In the early years, a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing would be recovered from ratepayers.~~

s

Initial analysis indicated that ~~Under current forecasts, this amounts to an~~ the accumulated debt will not ~~projected to~~ exceed $2~~85~~ billion, including interest.

Comment [TC1]: $28b was the maximum debt figure, which has been used publicly. $25b was the total interest cost, which has also been used publicly. Both figures have since been revised downwards.

~~**Additional Measures to Create a Fair Electricity System**~~

Increases Held To Inflation

hydro bills

The Fair Hydro Act, 2017, would allow future increases to rates to be set by regulation. This enables the government's commitment to hold increases to the rate of inflation ~~CPI~~ for four years. ~~A regulation to~~under the *Fair Hydro Act, 2017*, ~~would keep any increases for eligible ratepayers over four years to the rate of inflation.~~ By including this measure in regulation, it offers the Province flexibility to respond to potential fluctuations in inflation rates in any given year.

Clean Energy Adjustment

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hydro hydro

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borrowed.

*Provincial Guarantee*s

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The Province ~~will~~would provide guarantees to investors to protect investors from risks that ~~[investors~~ cannot otherwise be mitigated~~]~~. ~~[~~For example, guarantees will address the risk to investors that future governments may undermine their investment by impairing the recovery of Clean Energy Adjustments~~]~~.

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New and ~~enhanced~~ Enhanced ~~social~~ Social ~~programs~~Programs

In addition, the Fair Hydro Act, 2017 would shift~~s~~ the costs of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) from ratepayers to provincial revenues. These programs, along with the creation of the First Nations On-Reserve Delivery Credit and Affordability Fund, will cost the province $2.5 billion ~~B of~~over the next three years.

P

program

~~Moving Rural or Remote Rate Protection (RRRP) to Tax Base and~~ Broadening Distribution Rate Protection

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~~The OEB estimates this would provide residential customers an average monthly benefit of~~

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~~$85.~~

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Establishing an Affordability Fund

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Ministry of Energy

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- The eight per cent rebate equal to the provincial portion of the HST that took effect on January 1, 2017.

In crafting the Fair Hydro Act, 2017, the Government has consulted broadly, including with:

- Ontario's Energy Agencies
- Experts across government
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- External legal advisors
- Potential investors
- Local Distribution Companies

The proposed legislation would deliver on the Government's commitment to fairness, and electricity rates would come down and make life more affordable for families and businesses across the province. X

Refinancing the Global Adjustment

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To relieve the current burden on ratepayers and share costs more fairly, a portion of the GA would be refinanced. Refinancing the GA would provide significant and immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built.

Initial analysis indicated that the accumulated debt will not exceed $28 billion, including interest.

Increases Held To Inflation

The Fair Hydro Act, 2017, would allow future increases to rates to be set by regulation. This enables the government's commitment to hold increases to the rate of inflation for four years. By including this measure in regulation, it offers the Province flexibility to respond to potential fluctuations in inflation rates in any given year.

Clean Energy Adjustment

In the early years, it is intended that a portion of the costs covered by the GA would be refinanced to lower bills for today's electricity ratepayers. In later years, the cost of refinancing would be recovered through adjustments to consumer bills called a Clean Energy Adjustment. Clean Energy Adjustments would appear on bills when consumers start to repay the amount. Initial analysis indicates that this is currently anticipated to occur in the mid-to-late 2020s.

Provincial Guarantee

The Province would provide guarantees to investors to protect investors from risks that cannot otherwise be mitigated. For example, guarantees will address the risk to investors that future governments may undermine their investment by impairing the recovery of Clean Energy Adjustments.

The Ontario Energy Board (OEB) would continue in its role as regulator for the electricity sector. In particular, it would continue to set commodity rates for Regulated Price Plan (RPP) consumers, including any cost reductions under the Fair Hydro Act, 2017 in the near term.

New and Enhanced Social Programs

In addition, the Fair Hydro Act, 2017 would shift the costs of the Ontario Electricity Support program (OESP) and Rural or Remote Rate Protection (RRRP) from ratepayers to provincial revenues. These programs, along with the creation of the First Nations On-Reserve Delivery Credit and Affordability Fund, will cost the province $2.5 billion over the next three years.

Moving RRRP to Tax-Base and Broadening Distribution Rate Protection

- RRRP program provides a rate subsidy to rural and remote residential customers who face higher distribution costs.

- About 800,000 customers would benefit from the new broadened distribution rate protection program. Customers of LDCs benefitting from this include: Hydro One R2 and R1 customers, and residential customers of Northern Ontario Wires, Lakeland Parry Sound, Chapleau, Sioux Lookout, InnPower, Atikokan and Algoma. The benefits would differ from LDC to LDC.

Expanding the OESP

- The OESP is an income-tested, application based program that lowers electricity costs for the most vulnerable consumers, providing a rebate directly on bills. There are two scales: one with basic credits, and an enhanced credit for Indigenous people or those who use electric heat or certain electrically intensive medical devices.

- Effective May 1, 2017, Ontario increased the OESP by 50 per cent, meaning that single, low-income consumers who receive the lowest credit amount would get an increase from $30 to $45 per month ($540 per year, an increase of $180), and single, low-income consumers who qualify for the enhanced scale would see an increase from $45 to $68 ($816 per year, an increase of $276).

Providing a First Nations On-Reserve Delivery Credit

In 2016, the OEB engaged with First Nations, including remote communities, the distributors serving them, and consumer groups such as the Low Income Energy Network.

- As a result of recommendations from the OEB, the Government plans to eliminate the delivery charge for all on-reserve First Nations residential customers, remove the monthly service charge for customers of licensed distributors which charge a bundled rate.

The government has introduced legislation that would, if passed, enable the above initiatives. In addition, an Affordability Fund will be established through a transfer payment agreement with Hydro One. No legislative amendments are required for this fund.

Establishing an Affordability Fund

- Ontario is establishing an Affordability Fund that will provide energy efficiency measures to Ontarians who are not eligible for low-income conservation programs, and who are otherwise unable to make energy efficiency improvements without financial assistance.

- The Province is paying for the Affordability Fund through provincial revenues.

For media inquiries only call:

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Media Q&A – Energy (UPDATED)

On Fair Hydro Plan Legislation

Q1. Once legislation is passed, how soon will rate updates take effect?

This legislation includes the provision that gives the OEB 15 days to ~~announce~~ determine updates to the Regulated Price Plan ~~Time Of Use Rates~~rates, enabling customers to receive the full benefit of the Fair Hydro Plan.

X **Q2. If the Liberals lose the next election, could the new government undo this legislation?** ✓

Yes, they could. ~~While the Opposition has presented no credible alternative to provide relief to our province's ratepayers, a future government could undo this legislation.~~ ~~TThe Opposition has presented no credible~~ alternative to provide relief to our province's ratepayers, meaning this would claw back the 25 per cent on average savings for all residential customers and as many as half a million small businesses and farms, and the up to 40 to 50 per cent cut for families in rural or remote areas.

Comment [CD(1]: Not reviewed by ESP

Comment [CD(2]: Note that the legislation only covers a portion of the reduction, the 8% rebate would remain.

Q3. Were there any outside experts that disagreed with what you're doing?

We have consulted broadly both while developing the Fair Hydro Plan~~,~~ and in drafting this legislation. Just some of those we have consulted with include:

- Experts across government
- External accounting experts
- External legal advisors
- The Provincial Controller's Office
- Ontario's Energy Agencies
- Potential investors

Comment [CD(3]: Check order against BG

Ontarians want savings on their electricity bills and fairness in the electricity system. Our proposed legislation would deliver our commitment to fairness and electricity rates would come down~~, stay down~~ and make life more affordable for families and businesses across the province.

Q4. When will the 'Fair Hydro Plan' expire? The govt has committed to

Our Fair Hydro Plan Act would lower rates by 25 ~~per~~ cent on average across the province for all residential customers and as many as ~~half a million~~ small businesses and farms, when combined with the existing 8% rebate. ~~These r~~Rates ~~will~~ would be held to the rate of inflation for four years.

Under GA refinancing, ~~Wwe project forecast~~initial analysis indicates that ~~the government wouldwill~~ borrowing ~~against rates~~would occur for about ten years, and that these loans ~~will~~ would be paid back within the following twenty. The exact timing will be determined by the markets and other factors as we strive to balance costs and benefits in the fairest way possible. This is a significant structural change that represents a fair solution to an issue that has unfairly burdened ~~one generation of~~current electricity ratepayers. This ~~is not a temporary solution, and it~~ does not sacrifice investments in the energy system. We're changing the way electricity costs are recovered, and moving funding for social programs off of hydro bills. This plan would deliver the biggest rate reduction in Ontario's history.

Q5. How did you decide how much to reduce rates by – 25%, 40%, 50%, etc.?

The amount of GA being smoothed out to later years reflects the projected lifespan of new generation built to update Ontario's electricity system. When combined with the 8 per cent rebate and shifting social programs to the tax base, the result is a significant rate reduction that will make a real difference in peoples' household budgets.

Q6. There are a lot of variables here – what is the chance this legislation won't work as planned?

We have consulted broadly both while developing the Fair Hydro Plan, and in drafting this legislation. Just some of those we have consulted with include:

- Experts across government
- External accounting experts
- External legal advisors
- The Provincial Controller's Office
- Ontario's Energy Agencies
- Potential investors

Comment [CD(4]: Check order against BG

Ontarians want savings on their electricity bills and fairness in the electricity system. Our proposed legislation would deliver our commitment to fairness and electricity rates would come down, stay down and make life more affordable for families and businesses across the province.

Q7. Why isn't the 4-year inflation part of the plan in the legislation? Why can't you commit to this promise via legislation?

Comment [DAC5]: Still working on response

Regulations offer the flexibility to respond to potential fluctuations in inflation rates in any given year~~, in order to ensure rate increases do not exceed inflation over four years as laid out in the Fair Hydro Plan~~.

Q8. Have you proactively engaged the Auditor General on this refinancing plan?

The Auditor General has received multiple briefings and all of the materials that have been requested to this point.

Q9. Is the Auditor General going to agree with all of this accounting?

We can't presuppose the work of the Auditor General. Our officials worked hard to assess all fiscal impacts and worked closely with both internal government and external auditing experts.

We have consulted broadly both while developing the Fair Hydro Plan, and in drafting this legislation. Just some of those we have consulted with include:

- Experts across government
- External accounting experts
- External legal advisors
- The Provincial Controller's Office
- Ontario's Energy Agencies
- Potential investors

Ontarians want savings on their electricity bills and fairness in the electricity system. Our proposed legislation would deliver our commitment to fairness and electricity rates would come down, stay down and make life more affordable for families and businesses across the province.

Q10. We're at the end of the legislative session – are you speeding this through to avoid scrutiny?

Our promise has always been to deliver real rate relief to Ontarians by this summer. We have consulted extensively with experts within and outside of government to craft a solution that will deliver on the 25 per cent average rate reduction to all households, and as many as 500,000 small businesses and farms.

~~It's our hope that the Opposition will do the right thing and support this legislation, so families can see their bills go down as soon as possible.~~ X

~~On~~ Debt Refinancing

Q1. How much debt are you borrowing?

The last decade has seen massive investments in improving our system. These costs need to be recovered, but it needs to be fair.

Part of that means moving the cost of social programs from the rate base to the tax base, and expanding ~~this~~ support to certain vulnerable groups. The fiscal impact of this move will be $2.5B over the next three years - this cost is additional to our expenditure on the 8% rebate.

And part of that means sharing some of the costs of these investments with the future ratepayers who will continue to benefit from them. This element - the GA refinancing - ~~will~~ is not expected to impact the fiscal plan.

The GA refinancing will add new borrowing costs. Year by year ~~the impact~~borrowing amounts will vary based on interest rates and other factors but in any given year it will be an additional $700M to $1.1B annually.

Based on int. rate estimates.

Our total accumulated debt, including interest, is not projected to exceed $~~25B~~28 B.

- **Comment [DAC6]:** Fact check (officials have been saying $0.5B/year in briefings)
- **Comment [CD(7]:** Is this meant to be the equity injection
- **Comment [DAC8]:** Fact check
- **Comment [CD(9]:** Consistent with past public statements

Q2. How does borrowing work? In tranches?

Leveraging the expertise of both ~~companies~~organizations, the government ~~intends to~~has introduced legislation that would enable the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to finance certain clean energy costs within the global adjustment (GA) over a longer period of time.

Under the proposed legislation, OPG would develop a financing plan, which sets out the funding obligations and amounts related to the financing of the deferred ~~Global Adjustment (~~GA~~)~~ amounts. This plan would be submitted to the Minister of Energy. The Ontario Energy Board (OEB) would be responsible for approving administrative fees related to OPG's role as Financial Services Manager in respect of the GA refinancing.

Debt and financing costs would be recovered through adjustments to consumer invoices~~, as determined by the OEB~~.

Borrowing is expected to be done in tranches, as set out in the Financing Plan developed by OPG.

Q3. What happens if the OEB doesn't allow OPG/IESO to recover the exact amount it has borrowed? Will this saddle us with more unwanted debt?

The Fair Hydro Plan legislation is written to prevent such a scenario. It provides for amendments to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998*, to enable Ontario Power Generation (OPG), the Ontario Energy Board (OEB), and the Independent Electricity System Operator (IESO) to address payment, settlement and cost-recovery obligations and to manage the refinanced GA costs. The transaction is expected to be fiscally neutral to the province.

Q4. Is there going to be a new CEO of this OPG entity?

The new entity will be managed by a Trustee or a Board of Trustees appointed by OPG.

OPG has a great deal of experience managing the risks associated with borrowing through their experience developing capital-intensive generation projects as well as their management of Nuclear Funds.

Q5. Is this entity within OPG or IESO?

Leveraging the expertise of both companies, the government intends to introduce legislation that would enable the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to finance certain clean energy costs within the global adjustment over a longer period of time.

OPG, in its role as Financial Services Manager, will create the appropriate entity within which to manage its Financing Plan. Under the proposed legislation, OPG would develop a financing plan, which sets out the funding obligations and amounts related to the financing of the deferred Global Adjustment (GA) amounts. This plan would be submitted to the Minister of Energy. The Ontario Energy Board (OEB) would be responsible for approving administrative fees related to OPG's role as Financial Services Manager in respect of the GA refinancing.

Q6. Does this financing entity report in to the government?

The entity would be directly accountable to OPG.

Comment [DAC10]: Is this true? Or does it have some measure of independence?

Q7. What accountability measures and oversight will government have over the OPG financing entity?

While OPG will have independence in appointing the Trustee or Trustees, as an organization OPG is ultimately accountable to its sole shareholder, the Minister of Energy.

Comment [DAC11]: Ditto to Q6

Q8. Will you take advantage of the OFA's borrowing rates? Or will OPG secure their own?

OPG will finance the deferral of Global Adjustment through a mix of OFA financing and external private sector financing.

Q9. Could this level of borrowing/refinancing ultimately affect Ontario's credit rating?

The refinancing of the Global Adjustment takes place only within the electricity system – current ratepayers pay less now, and future ratepayers in turn help to pay for their fair share of the significant investments we've made to build a clean and reliable electricity system, free of burning dirty coal.

The refinancing ~~does not impact taxpayers, or the provincial budget. As such, it does not affect Ontario's debt or credit rating~~is not expected to impact the fiscal plan.

Q10. What do you expect to happen after 4 years?

We project that ~~the government~~ borrowing will continue ~~to borrow against rates~~for about 10 years~~, up to a total of about ten years,~~ and that these loans will be paid back within the following twenty. The exact timing will be determined by the markets and other factors as we strive to balance costs and benefits in the fairest way possible.

In the meantime, the government and our agencies are working hard to reduce system costs and to give consumers more choice. The IESO is embarking on a Market Renewal project to improve the way we procure and dispatch energy, which will save costs. And the OEB is piloting projects to give customers greater flexibility in how they consume and pay for electricity. These measures will help ensure that electricity bills stay low in Ontario.

Q11. What if financiers don't want to buy your debt?

We have consulted broadly both while developing the Fair Hydro Plan, and in drafting this legislation. Just some of those we have consulted with include:

- Experts across government
- External accounting experts
- External legal advisors
- The Provincial Controller's Office
- Ontario's Energy Agencies
- Potential investors

Ontarians want savings on their electricity bills and fairness in the electricity system. Our proposed legislation would deliver our commitment to fairness and electricity rates would come down~~, stay down~~ and make life more affordable for families and businesses across the province.

Q12. You say you want to ensure fairness for this generation – how can you ensure fairness for our kids and grandkids if you're borrowing billions?

Future generations will be paying their fair share for a system they will be benefiting from in their lifetime. Not only will they benefit from a reliable electricity system, but from the cleaner air from the reduction of coal-fired~~fossil fuel~~ generation.

Our Fair Hydro Plan acts much like taking out a new mortgage – providing much-needed relief now by spreading costs across the life of our assets. Current ratepayers pay less now, and future ratepayers in turn help to pay for their fair share of the significant investments we've made to build a clean and reliable electricity system, free of burning dirty coal. This more fairly shares the cost of our investments across the generations of electricity ratepayers who will benefit from them.

Q13. How long are you talking about refinancing for?

Our proposal would spread costs over a 30-year period. This is a more fair approach that more accurately reflects the lifespan of our generation assets, and spreads the cost out among those people who will use them.

Original Fair Hydro Plan Announcement Qs&As

Q1. What took you so long? How are you just realizing this now?

It did take too long, and we've talked about that. Our Fair Hydro Plan is part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness over the next three decades. It is crucial that we get it right.

While our government has taken steps to address rates with targeted relief and support programs - it was not enough.

Beginning last year, we started to ask tougher questions about how we got to this point. And what could be done. For decades governments pushed off the price of reinvesting in the system. This put too much of the burden on a single generation of ratepayers.

People want to know three things:

- First, that relief – substantial relief – is on its way.
- Second, that the relief will go to everyone
- And third, that the relief will be lasting because it is built on a real change ~~– that bills won't jump back up in a couple months or a couple years~~.

And that's why we ~~made~~ are making the structural change to the system that will give Ontarians relief on their bills.

Q2. How is this different from what was done in the past?

This is a significant structural change that represents a fair solution to an issue that's been unfairly placed on one generation of ratepayers. This is not a temporary solution, and it does not sacrifice investments in the energy system. We're changing the way electricity costs are recovered, and moving funding for assistance programs off of hydro bills. This plan is the biggest rate reduction in Ontario's history.

Q3. Isn't artificially freezing rates what got us into trouble in the first place?

We've already invested over $50 billion in badly needed improvements to our electricity system, as a result of neglect from previous governments of all political stripes. These investments will last Ontarians for generations to come, and it's only fair that more than one generation pays for them.

This is a significant structural change that represents a fair solution to an issue that's been unfairly placed on one generation. This is not a temporary solution, and it does not sacrifice investments in the energy system.

We're changing the way electricity costs are recovered, and moving funding for assistance programs off of hydro bills. This plan is the biggest rate reduction in Ontario's history.

Q4. Why not just renegotiate contracts?

We would have done this if it was that easy.

We have done that where we could - Samsung saved an estimated $3.7B in costs.

We looked further to see if this was a realistic solution. We received independent expert advice that said if we were to renegotiate, not only is it completely uncertain if we would get benefits, but the benefits would be negligible compared to the systemic changes we announced today.

This is a key aspect of the NDP and PC proposals - so we would look to them to ask how they would be better suited at finding significant ratepayer savings than the government and the independent legal advice we received.

I also know that the PC energy critic, Todd Smith, admitted that renegotiating contracts would come at a huge cost to taxpayers and would increase electricity rates.

Comment [CD(12]: Not reviewed by ESP

Q5. Why not just reign in salaries?

We froze salaries across the broader public sector in 2012, and these salaries will remain frozen until organizations comply with our framework. Just as we did with Ontario's colleges, if proposals come forward that are unacceptable, we will keep salaries frozen and force them back to the drawing board.

Every dollar of public money should be spent with good intention and consideration. We are monitoring the implementation at OPG very closely, if we feel that the actual salaries selected are unacceptable, we will reject them.

However, the percentage of savings that reducing salaries would contribute to our energy system is not significant. OPG managers make up approximately 1.6 per cent of the entire energy system spending.

Reducing this amount, even significantly, would have a minimal impact on bills.

Q6. Why not just stop the sale of Hydro One?

The sale of Hydro One has nothing to do with rates. That is simply misinformation perpetuated by the opposition parties. Hydro One does not set their own rates. Rates are set by the Ontario Energy Board. ~~Third party experts have said that they expect to see efficiencies from the broadening of Hydro One's ownership, potentially leading to savings across the system.~~

In fact, as part of Ontario's proposed Fair Hydro Plan, rates would be reduced by 25 per cent on average for all Hydro One residential customers and over 100 thousand of its small business and farm customers. And a Hydro One low density (R2) customer in a rural or remote community that consumes about 2500 kilowatt-hours would see delivery charges for their electricity cut by more than $75 per month.

Comment [CD(13]: Not reviewed by ESP

Q7. The NDP has a strategy that doesn't require borrowing $27.7 billion – why not take their strategy for once?

The NDP hydro pamphlet is both short on details and long on hollow promises. Many of that party's proposals rely on a vague and yet-to-be-determined "expert panel" that will be convened in the future, as well as pie-in-the-sky negotiations with the federal government. The NDP's most expensive idea – buying back more than $4-billion in shares of Hydro One – will not take one cent off electricity bills. What it will do is send billions to the stock market instead of making much needed infrastructure investments in communities across Ontario.

Our plan would deliver real immediate relief for everyone and it is lasting because we are making a structural change to our electricity system.

Comment [CD(14]: Not reviewed by ESP

Q8. Why are you saddling our kids with billions of dollars of debt?

So the good news is that we've created an electricity grid that is second-to-none. In the past few years we've invested more than 50 billion dollars in electricity infrastructure – new dams in the south, new towers in the north, and we plan to spend 13 billion dollars to refurbish nuclear power plants ~~alone and billions more to ensure new distribution everywhere~~. These are enormously important assets that meet the demand for cleaner and reliable power everywhere in the province.

But we asked one generation – today's generation – to unfairly shoulder the burden of nearly all those costs. We had to play catch-up and we asked today's ratepayers to cover nearly the whole tab.

Think of it in terms of a mortgage. We needed to rebuild the system and so we went to the bank for that money. The mistake we made was setting terms that weren't fair – particularly the amortization. Instead of paying off the mortgage over 25 or 30 years, we agreed to a term of 10 to 15. That means we pay things down faster. But the monthly mortgage payments – or, in this case, your hydro bills – are higher. And it doesn't really make sense since that house – or in this case the electricity system – is an asset that will continue to benefit people far past that ten year window. In effect, this generation is subsidizing not just those who came before, but those who will come next.

It was a mistake – and it has been notably unfair on today's hydro users. So we're fixing that.

We're renegotiating the mortgage and setting a new term that stretches over a longer period. Over time, it will cost a bit more. And it will take longer to pay off. But it is fairer – because it doesn't ask this generation of hydro customers alone to pay the freight for everyone before and after. The burden now will be shared more evenly and more appropriately.

Q9. Are you trying to buy yourself some time before the next election?

Beginning last year, we started to ask tougher questions about how we got to this point. And what could be done. For decades, mistakes had piled up on top of more mistakes. Those governments, including ours, who for 30 years pushed off the price of reinvesting in the system? That was a mistake. Putting too much of the burden on a single generation of ratepayers? That was a mistake. And asking hydro users alone to pay for policies that ought to be paid for by all taxpayers? That was a mistake also.

People want to know three things:

- First, that relief – substantial relief – is on its way.
- Second, that the relief will go to everyone
- And third, that the relief will be lasting because it is built on a real change – that bills won't jump back up in a couple months or a couple years.

Q10. Are you using taxpayer money to fix liberal mistakes?

The situation that we find ourselves in is the result of years of inadequate investment in generation by all parties.

Our plan is a significant structural change that represents a fair solution to an issue that's been unfairly placed on one generation.

This is not a temporary solution, and it does not sacrifice investments in the energy system. We're changing the way electricity costs are recovered, and moving funding for assistance programs off of hydro bills. This plan is the biggest rate reduction in Ontario's history.

Q11. You keep saying "immediate" but summer doesn't sound "immediate" to us. What about this spring?

Our Fair Hydro Plan Act would, if passed, bring down rates, on average, 25 per cent this year. It will start to be seen on people's bills near the end of spring, early summer – just when people start to turn on their air conditioners.

Ontarians are already starting to see the benefits of our Fair Hydro Plan, through the 8 per cent reduction in January, as well as the Ontario Energy Board's May 1 rate update, which will deliver further savings to ratepayers sooner than expected.

Q12. Will you continue to be able to balance budgets?

With our economic growth projected to continue and balanced budgets planned for the foreseeable future, Ontario is once again in a strong, healthy position. A balanced budget means 100 per cent of the funds it borrows is for capital investments, like new hospitals, schools, roads and public transit.

These are important assets in our communities, create jobs and contribute to Ontario's long-term economic growth. ~~[from Finance Budget Qs&As]~~

Q13. You say you'll hold rates to increases of only inflation for 4 years – assuming that's 2% that brings you back to an 8% increase over those 4 years. How will that help Ontarians?

This is a significant structural change that represents a fair solution to an issue that's been unfairly placed on one generation. This is not a temporary solution, and it does not sacrifice investments in the energy system.

We realize that energy bills have gone up too quickly in the past 10 years, so holding any future increases, if any, to the rate of inflation allows Ontarians to adjust accordingly and plan ahead. We believe this is a fair structural change to the system.

Additionally, it's difficult to implement savings in the short-term and takes a significant period of time to properly structure long-term savings across the energy system. This is primarily due to the complexities in the system and all the partners involved. That's why we are holding rates for 4 years – allowing us to implement significant short-term savings, and also develop a long-term plan for additional savings in the 5th year and beyond.

Q14. How can we trust you?

We are following a model that has been done by 18 LDCs in the United States. We are following the advice of experts to make significant structural changes to our energy system.

Q15. Why aren't you bringing relief to large industrials?

Our focus was on families, farms, and small to medium sized businesses across Ontario.

However, larger businesses will still see a modest reduction in their electricity bills.

Through SaveOn Energy, many large industrials have already taken advantage of energy saving programs. ~~That's why we~~ And we also lowered the eligibility threshold for ICI to 1MW, allowing additional large consumers to benefit. But we know we can do more. That's why we are lowering the threshold again to 500 KW as part of our Fair Hydro Plan.

Q16. Where did this idea come from?

Our government met with many stakeholders over the last few months - our plan is a culmination of the feedback we received and hard work by officials to come up with options. Our government felt this was the strongest, fairest reduction and structural change to Ontario's electricity system.

Approximately 18 US states have passed similar legislation in the past to help spread out costs from today over a longer time period. These examples offer strong legal and financial frameworks to help guide Ontario's own proposal. Duke Energy has used a similar mechanism to refinance the early retirement of nuclear energy. Long Island Power Authority also used a similar mechanism to spread out the cost of recovering the costs of debt.

Q17. What are you doing to tackle delivery charges for those in rural Ontario?

People living in rural and remote parts of Ontario have been paying much higher distribution costs, compared to people who live in urban areas.

We are going to be providing more relief on those distribution costs – supporting some 800,000 families.

Q18. Will you negotiate an additional 5% off bills with the federal government?

This is up to the federal government.

Q19. Why not just legislate contracts on the private sector generators?

As we've seen with other jurisdictions, legislating contracts on private sector companies could lead to legal challenges, meaning more costs for Ontario ratepayers.

We have already negotiated where we could - Samsung saved an estimated $3.7 billion in costs. We also received independent expert advice that said if we were to renegotiate, not only is it completely uncertain if we would get benefits, but the benefits would be negligible compared to the systemic changes we announced today.

The renegotiation process would be extremely complex and lengthy, and the advice we received stated that it is very unclear that the end result would be in the interest of ratepayers without any form of taxpayer subsidy.

The potential positive impacts are extremely small, not to mention potential litigation.

Q20. When are people going to see relief? Why are you making people wait when they need relief today?

Relief has already been delivered. Ontarians are already starting to see the benefits of the Fair Hydro Plan, through the 8 per cent reduction in January, as well as the Ontario Energy Board's May 1 rate update, which will deliver further savings to ratepayers sooner than expected.

The Opposition have been talking a big game when it comes to hydro rates - we hope their votes on the Fair Hydro Plan Act will match their posturing, and they will help us get this legislation passed and the full 25 per con average relief in place for Ontarians by this summer.

The NDP hydro pamphlet is both short on details and long on hollow promises. Many of that party's proposals rely on a vague and yet-to-be-determined "expert panel" that will be convened in the future, as well as pie-in-the-sky negotiations with the federal government. The NDP's most expensive idea – buying back more than $4-billion in shares of Hydro One – will not take one cent off electricity bills. What it will do is send billions to the stock market instead of making much needed infrastructure investments in communities across Ontario.

But at least the NDP have put something forward. It's been more than 60 days since we announced on March 2 how we will provide real relief on electricity rates, and in that time the PCs have failed to provide a single constructive idea on how to help Ontario families. Their main talking point – ripping up contracts – would actually end up costing ratepayers money in penalties and legal fees, while reducing confidence in Ontario as a business-friendly province. This isn't very well thought out for a party that prides itself on paying lip service to helping businesses.

Q21. Why are you saying an average of 25%? Are some getting 50% while others get 0%?

We are tripling the size of the cut we're making to people's hydro bills from 8 per cent to an average of 25 per cent. Electricity rates in Ontario will come down significantly, they're going to stay down and everyone will benefit.

Let me emphasize that last point – the cut will go to all households that pay for electricity. There will be no asterisks, no loop holes and no exceptions. Every single household that pays for electricity in Ontario will see an average cut of 25 per cent. And for those living in rural communities or with low incomes the break will be even greater – up to 40 to 50 per cent.

Q22. How much will this cost?

As I've stated very clearly, the last decade has seen massive investments in improving our system. These costs need to be recovered, but it needs to be fair.

Part of that means moving the cost of social programs from the rate base to the tax base, and expanding this support to certain vulnerable groups. The fiscal impact of this move will be $2.5 billion over the next three years - this cost is additional to our expenditure on the 8 per cent rebate.

And part of that means sharing some of the costs of these investments with the future ratepayers who will continue to benefit from them. This element - the GA refinancing - will not impact the fiscal plan.

The GA refinancing will add new borrowing costs. Year by year the impact will vary based on interest rates and other factors but in any given year it will be an additional $700 million to $1.1 billion annually.

Q23. How can you ensure this is feasible? What if interest rates go up and it impacts your borrowing?

We built in conservative estimates in our financial calculations. There's always a chance that interest rates rise or fall, but we are confident that we built in the necessary buffer in our estimates by using higher rates than are currently forecasted.

Q24. Will this rate decrease apply to curling rinks, hospitals, schools?

These facilities will receive a marginal decrease on their electricity bills.

If pressed: *approximately 2 to 4 per cent as a result of shifting the social support programs to the tax base.*

Q25. Doesn't this lower the incentive to conserve energy? It's against all your conservation efforts.

Our government remains committed to putting conservation first. Conservation is good public policy - it empowers individuals to lower their own bills, while reducing system costs and saving all Ontarians the cost of new generation and transmission infrastructure.

We will continue to encourage and support to ratepayers who are looking to lower their bills through conservation, by providing incentives and rebates through saveONenergy programs.

Q40. Will any proceeds from cap and trade will be used for the relief package? NGOs have been asking.

No.