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2018 DOCUMENT BRIEFING BOOK

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CHAPTER II: GROWING THE ECONOMY AND CREATING GOOD JOBS

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CO-OPERATIVE CORPORATIONS ACT REVIEW

ISSUE

The government will conduct a full legislative review of the *Co-operative Corporations Act* (CCA) to modernize it and streamline it with other Ontario business statutes, while ensuring that it continues to reflect co-operative principles.

Reference Chapter II, Protecting Consumers and Investors

KEY FACTS

- There are currently about 1,763 registered co-operative corporations in Ontario. The Financial Services Commission of Ontario's (FSCO's) August 2015 annual information return indicated that only 56% of registered co-ops are currently active.
- Co-operative corporations span a number of sectors, including farming, retail, renewable energy, child care and housing (with the latter being the largest co-operative sub-sector).
- The CCA has been in force since 1974, but has never been subject to a full legislative review. Amendments have been made on a piecemeal basis over the years to address specific issues relating to the sector.

BACKGROUND

- Co-operative corporations in Ontario are governed by the CCA, which is currently administered by FSCO. With the exception of co-operative corporations, FSCO does not incorporate or regulate other types of businesses that do not provide financial services.
- Other Ontario businesses are governed by the *Business Corporations Act* and the *Corporations Act*, which are administered by ServiceOntario, a division of the Ministry of Government and Consumer Services (MGCS).
- In its 2014 report, the Office of the Auditor General of Ontario noted FSCO's resource constraints and "minimal oversight" of the co-operative sector, including a lack of ongoing monitoring or examinations of co-operatives to ensure compliance with the CCA.
- In December 2017, a private member's bill (Bill 187) was introduced by MPP Des Rosiers, proposing to amend certain sections of the CCA to:
 - Eliminate audit requirements for co-ops in certain circumstances; and
 - Permit co-operative corporations to do more than 50 per cent of their business with non-members if authorized by their by-laws.

- In its 2016 report, the Expert Panel that reviewed the Mandates of FSCO, the Financial Services Tribunal and the Deposit Insurance Corporation of Ontario recommended that:
 - MGCS should be responsible for incorporating co-ops and should offer the same advice available to other businesses.
 - The regulation of co-ops should be left to those that are responsible for the sectors in which they operate.
 - Offering statements used by co-ops to raise capital from the public should be regulated in a manner consistent with similar offering documents used to raise capital in Ontario.
- In its report, the Expert Panel also encouraged the government to undertake a full legislative review of the CCA.
- In the 2017 Budget, the government announced that it would transfer the responsibility for incorporating co-operative corporations from FSCO to MGCS. If approved by LRC and Cabinet, this transfer will become effective October 29, 2018.
 - Bill 177, the *Stronger, Fairer Ontario Act (Budget Measures), 2017*, made amendments to the CCA to enable the transfer of responsibility for the incorporation of co-operatives from FSCO to MGCS. The Ministry of Finance is seeking LRC approval of amendments to regulations under the CCA in Spring 2018 that, if approved, will further enable the transfer.
- The Ontario Co-operative Association (On Co-op), a trade association that advocates on behalf of Ontario's English-speaking co-operative corporations, has been strongly advocating for the government to undertake a full legislative review of the CCA with the aim of modernizing the statute.

Prepared by: Ahesha Zabair

Branch: Deposit-Taking and Co-operative Policy, Financial Services Policy Division

FINANCIAL SERVICES REGULATORY AUTHORITY OF ONTARIO

ISSUE

What is the status of the government's initiative to create the Financial Services Regulatory Authority of Ontario (FSRA)?

Reference Chapter II, Protecting Consumers and Investors

KEY FACTS

- The government is moving forward with the creation and implementation of FSRA, a new modern and adaptive financial services and pension regulator that will strengthen consumer, investor and pension plan beneficiary protection.
 - The new FSRA organization is being built based on the vision of the mandate review panel.
- FSRA is working towards becoming fully operational by April 2019.
 - The government is working with FSRA on a business plan for the transition from FSCO to FSRA.
- The government is proposing legislative amendments to enhance the existing legislative framework and provide mechanisms for that transition.
 - The government and FSRA are continuing to consult with stakeholders.

BACKGROUND

In March 2015 the government announced the appointment of an Expert Advisory Panel to review the mandates of FSCO, the FST and DICO.

- FSCO is responsible for regulating Ontario's insurance sector, pension plans, loan and trust corporations, credit unions and caisses populaires, the mortgage broker sector, co-operative corporations and service providers who invoice auto insurers for statutory accident benefit claims.
- The FST adjudicates cases involving compliance issues arising in the regulated sectors.
- DICO provides deposit insurance for members of Ontario's credit unions and caisses populaires and is also responsible for prudential oversight and solvency regulation of the sector.

The Panel issued two separate consultation reports and conducted roundtable consultation sessions. The Panel's Final Report, submitted to the Minister of Finance, was published on June 20, 2016. The Panel's key recommendations were:

- The government should wind down FSCO and replace it with FSRA, a new integrated, operationally independent, self-funded and board-governed regulator.
- FSRA should operate outside of the Ontario Public Service and its collective agreements as a Crown corporation and have the authority to collect fees from the industries and individuals it regulates.
- DICO should remain as Ontario's deposit insurer for credit unions, but FSRA should take over solvency regulation.
- The FST should be formally separated from the regulator.

GOVERNMENT PROGRESS ON THE CREATION OF FSRA

After considering the Panel's recommendations, the government introduced legislation that established the initial parameters of FSRA. The *Financial Services Regulatory Authority of Ontario Act, 2016* (FSRA Act) was introduced as Schedule 8 of Bill 70, the *Building Ontario Up for Everyone Act (Budget Measures), 2016*, and was proclaimed into force by the Lieutenant Governor on June 29, 2017. The government appointed directors to FSRA's Board in summer 2017 and winter 2018.

2017 Legislative Amendments

In December 2017, the government passed legislative amendments that move FSRA closer to the government's vision. Once they come into force, the amendments will:

- Further define FSRA's statutory objects, including consumer and pension plan beneficiary protection, fraud deterrence, and cooperation with other regulators.
- Give FSRA specific categories of rule-making authority related to insurance, pensions, mortgage brokers, and setting fees to fund FSRA's operations.
- Set out a process by which FSRA would make rules, which would involve substantial public notice and consultation.

Next Steps

The government is proposing legislative amendments to enhance the existing legislative framework governing FSRA and the regulated sectors and to provide mechanisms for the transition to FSRA.

FSRA is working towards becoming fully operational by April 2019. FSRA's next steps will be to appoint a Chief Executive Officer and senior executives to oversee the management of FSRA's affairs. The government is working with FSRA on a business plan for the transition from FSCO to FSRA and on a plan to upgrade key information systems.

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Branch: Financial Services Regulation Modernization Secretariat, Financial Services Policy Division

UPDATING CAPITAL MARKETS LAW

ISSUE

The Ontario government is pursuing amendments to the Securities Act and the Commodity Futures Act to support the Ontario Securities Commission's (OSC) enforcement of capital markets legislation and provide the OSC with authority to regulate benchmarks.

Reference Chapter II, Protecting Consumers and Investors

KEY FACTS

- The government is committed to strong enforcement and protections for investors from unfair practices and violations of capital markets law.
- The government plans to propose amendments to provide the OSC with new enforcement tools to improve enforcement efficiency and effectiveness.
- The government also plans to establish a regulatory regime for benchmarks that would protect investors and respond to global regulatory requirements.

BACKGROUND

The OSC is responsible for regulating the capital markets in Ontario. Its mandate includes providing protection to investors from unfair, improper or fraudulent practices and fostering fair and efficient capital markets and confidence in capital markets.

The OSC's enforcement responsibilities include the investigation and enforcement of capital markets law violations. OSC enforcement personnel can bring regulatory matters before a panel of OSC Commissioners sitting as a specialized administrative tribunal. These tribunals can impose sanctions that include restricting access to capital markets, barring individuals from acting in some capacities, and imposing monetary sanctions.

More serious capital markets law violations are prosecuted in the courts and capital markets offences under the Criminal Code are the responsibility of the police, prosecutors and the courts

Media Coverage and Response

In December 2017, the Globe & Mail published a series of articles based on a year-long review of thousands of securities cases across Canada over more than 10 years. These articles identified concerns about Canadian securities regulators' enforcement, including repeat offenders, unpaid fines and inconsistent information sharing among regulators.

On December 19, 2017, the Canadian Securities Administrators (CSA), an umbrella organization of Canada's provincial and territorial securities regulators, issued a

statement in response to the coverage that clarified the limits of securities regulators authority over criminal matters and sentencing.

Enforcement

New enforcement tools and streamlined processes for information sharing would increase enforcement effectiveness by:

- Facilitating cooperation in investigations by providing the OSC with the ability to take enforcement action against persons or companies who obstruct the investigation.
- Strengthening the impact of sanctions imposed by other Canadian securities regulators by having non-monetary penalties for certain breaches of capital markets law apply automatically in Ontario.
- Increasing the OSC's flexibility in its administrative penalty process, permitting it to deal efficiently and appropriately with smaller regulatory issues.

The Ombudsman for Banking Services and Investments (OBSI) resolves disputes on a non-binding basis by recommending financial compensation and other remedies where it has found that a registered firm has acted unfairly, made an error or provided bad advice to a customer and the customer has suffered a financial loss. The government will work with the OSC to strengthen the framework for securing compensation for investors by making OBSI decisions binding on the firm if the award is accepted by the client.

Benchmarks

Financial benchmarks are used to determine pricing in a variety of financial contracts. The two Canadian benchmarks that are the most widely used are the Canadian Dollar Offered Rate and the Canadian Overnight Repo Rate Average.

In 2012, several banks were found to have manipulated the London Interbank Offered Rate (LIBOR), the most globally significant financial benchmark. As a result, the European Union (EU) created a regulatory framework for financial benchmarks. New requirements include governance controls and conflicts of interest rules. The regulation applies to EU market participants (e.g., banks, investment firms, insurance companies, pension funds etc.) and commencing in January 2020, they will not be able to use financial benchmarks that are not subject to an equivalent regulatory framework.

Without an equivalent regulatory framework, there could be a negative impact on capital markets, particularly for some derivatives priced against Canadian benchmarks. As of May 2017, in Ontario, approximately \$8.7 trillion (in notional value) of these derivatives were priced off of Canadian benchmarks. MOF understands that EU institutions would be involved in 3-5% of these contracts by value.

The government is proposing legislative changes to provide the OSC with the authority to develop financial benchmarks rules. The OSC plans to consult on the financial benchmark rules summer 2018, and aims to bring forward final rules in spring 2019. This timeline will give the EU time to review and recognize the Ontario regulatory framework ahead of the January 2020 deadline.

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THE FAIR HOUSING PLAN

ISSUE

What is the status of the Fair Housing Plan

Reference: Chapter II, Implementing the Fair Housing Plan

KEY FACTS

- While rising housing prices and rents reflect the strength of the economy, they also create affordability challenges for individuals and families trying to buy a home or find rental accommodation.
- As part of Ontario's response to these challenges, the government announced its Fair Housing Plan on April 20, 2017.
- The Fair Housing Plan has begun to have its intended effect.
 - The latest data show that, after a period of elevated activity, the Ontario housing market began rebalancing in 2017 (for more information, see Chapter III: *Ontario's Economic and Fiscal Strength, Section B: Economic Outlook*).
- The measures announced as part of the Fair Housing Plan include:
 - Implementing the Non-Resident Speculation Tax to help make housing more affordable in the Greater Golden Horseshoe Region;
 - Enhancing consumer protection by supporting stronger rules and professional standards for the real estate sector;
 - Updating the Growth Plan for the Greater Golden Horseshoe, 2017, to include a new requirement for municipalities to consider the use of available tools to require that multi-unit buildings incorporate a range of unit sizes to accommodate a diverse range of household sizes and incomes; and
 - Working with municipalities and stakeholders to provide municipalities with additional tools to increase housing supply (including new rental developments), such as the flexibility to apply a vacancy tax to unoccupied residential units.
- The Fair Housing Plan also includes the following measures aimed at improving fairness for renters:
 - Improving housing affordability in the rental market by ensuring that property tax for new multi-residential apartment buildings is charged at a similar rate as other residential properties;
- Unlocking surplus provincial land to create more than 2,000 new housing units with a mix of market-based and affordable units;

Expanding rent control to all private market rental units across the province to protect tenants from unfair rent increases; and

Ensuring that, starting April 30, 2018, landlords of most private residential units must use a standard lease document, that is written in easy to understand language and explains what can and cannot be included in a lease.

BACKGROUND

Ontario's Fair Housing Plan, announced on April 20, 2017, consists of 16 comprehensive measures that will help improve housing affordability for both owners and renters, while bringing stability to the real estate market and protecting the investment of homeowners.

Initiatives in the plan include:

- A new 15-per-cent Non-Resident Speculation Tax (NRST) on the price of homes in the Greater Golden Horseshoe (GGH) purchased by individuals who are not citizens or permanent residents of Canada or by foreign corporations.
- Empowering the City of Toronto, and potentially other interested municipalities, to introduce a vacant homes property tax to encourage property owners to sell unoccupied units or rent them out, to address concerns about residential units potentially being left vacant by speculators.
- Ensuring that property tax for new multi-residential apartment buildings is charged at a rate similar to that charged on other residential properties. This will encourage developers to build more new purpose-built rental housing.
- Providing municipalities with the flexibility to use property tax tools to help unlock development opportunities. For example, municipalities could be permitted to impose a higher tax on vacant land that has been approved for new housing.
- Working to understand and tackle practices that may be contributing to tax avoidance and excessive speculation in the housing market such as “paper flipping,” a practice that includes entering into a contractual agreement to buy a residential unit and assigning it to another person prior to closing.
- Expanding rent control to all private rental units in Ontario.
- Reforms to the Residential Tenancies Act, 2006 (RTA).
- Unlocking surplus provincial land to create more than 2,000 new housing units with a mix of market-based and affordable units.
- Introducing a targeted \$125-million, five-year program to further encourage the construction of new rental apartment buildings by rebating a portion of development charges.
- A Housing Delivery Group to identify barriers to specific housing projects and work with developers and municipalities to find solutions.

- A Development Approval Roundtable to identify opportunities to improve the development approval process in Ontario and bring more supply to market.
- Working with the real estate profession and consumers, review the rules real estate agents are required to follow to ensure that consumers are fairly represented in real estate transactions.
- A multi-disciplinary Housing Forum that provides a venue for active dialogue between government and partners about the state of the housing market, the impact of the measures in the Fair Housing Plan and any additional steps that are needed.
- Educating consumers on their rights.
- Making elevators in Ontario buildings more reliable.
- Updating the *Growth Plan for the Greater Golden Horseshoe, 2017*, to include a new requirement for municipalities to consider the use of available tools to require that multi-unit buildings incorporate a range of unit sizes to accommodate a diverse range of household sizes and incomes.

Taken together, these new policies represent a substantial, multifaceted plan to address Ontario's rising housing costs so that families can access housing that meets their diverse needs.

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ONTARIO'S FAIR HYDRO PLAN

ISSUE

As of July 1, 2017, residential electricity bills have been reduced by 25 per cent on average, for eligible households. Approximately half a million eligible small businesses and farms are also receiving a benefit. As part of this Plan, rate increases over four years will be held to the rate of inflation. While rates will rise gradually over time, the government remains committed to avoiding sharp increases.

Ontario is committed to supporting people with low incomes and those living in eligible rural or remote communities by providing significant reductions – up to 40 or 50 per cent – on residential electricity bills. On-reserve First Nation residential customers of licensed distributors are being provided a 100 per cent credit on the delivery line of their bills.

Reference: Chapter II, Fair Hydro Plan

KEY FACTS

- As of July 1, 2017, electricity bills have been reduced by 25 per cent on average, for eligible households. Approximately half a million eligible small businesses and farms are also receiving a benefit.
- The 25 per cent reduction includes
 - refinancing the Global Adjustment (GA) over a longer period and providing significant and immediate rate relief, helping to ensure intergenerational fairness
 - the eight per cent rebate on electricity bills, equal to the provincial portion of the Harmonized Sales Tax, which was effective January 1, 2017, and
 - moving of the costs of the Ontario Electricity Support Program (OESP) and most of the Rural or Remote Rate Protection Program (RRRP) to be funded by the government instead of by electricity consumers.
- Under the enhanced OESP and RRRP program, people with low incomes and those living in eligible rural or remote communities are receiving even greater reductions – up to 40 or 50 per cent – on residential electricity bills. As well, on-reserve First Nation residential customers of licensed distributors are being provided a 100 per cent credit on the delivery line of their bills.
- As part of Ontario's Fair Hydro Plan, the Affordability Fund was launched on October 24, 2017, to help Ontarians not eligible for low-income conservation programs and who need support to improve the energy efficiency of their homes. Eligible applicants are receiving benefits which could include, for example, LED light bulbs, power bars, energy-efficient appliances and better insulation.

BACKGROUND

Significant investments in generation and conservation, including investments supporting the decision to eliminate Ontario's use of coal and build cleaner and renewable supply, are being funded in part through the Global Adjustment (GA). Since 2003, almost \$70 billion has been invested in electricity infrastructure across the province to ensure people and businesses benefit from a cleaner, more modern and more reliable system.

On March 2, 2017, as part of the government's commitment to take action to reduce electricity bills for eligible families, farms and businesses, the Province announced Ontario's Fair Hydro Plan, which is lowering electricity bills by 25 per cent on average for residential consumers in the province. Approximately half a million small businesses and farms also receive a benefit, with additional relief for people with low incomes and those living in eligible rural or remote communities of as much as 40 to 50 per cent.

On June 1, 2017, Ontario enacted the *Fair Hydro Act, 2017* which lowered electricity bills by 25 per cent on average for residential customers as of July 1, 2017, providing significant rate relief and ensuring greater fairness.

Eligibility for Ontario's Fair Hydro Plan

The relief provided by Ontario's Fair Hydro Plan can vary depending on the customer.

- 1) Residential customers, small businesses and farms eligible for the Regulated Price Plan will receive rate relief through:
 - GA smoothing (or Deferring and Financing)
 - Funding the Ontario Electricity Support Program (OESP) and most of the Rural or Remote Rate Protection Program (RRRP) by government revenue instead of by electricity consumers.
 - The eight percent Ontario Rebate for Electricity Consumers

Note: In addition to residential customers, small businesses and farms eligible for the Regulated Price Plan, other non-Regulated Price Plan customers are also eligible for OREC, including multi-unit residential buildings, facilities used as residential rental units such as long-term care homes and school residences.

- 2) The eligibility and the rebate for the Ontario Electricity Support Program is dependent on how many people live in the house and the combined household income after-tax.

- 3) A consumer who falls into any of the following categories is eligible for the Distribution Rate Protection (DRP) program:
- A consumer with a residential-rate classification with any of the following distributors:
 - i. Atikokan Hydro Inc.
 - ii. InnPower Corporation.
 - iii. Chapleau Public Utilities Corporation.
 - iv. Sioux Lookout Hydro Inc.
 - v. Northern Ontario Wires Inc.
 - An Algoma Power Inc. consumer that falls within the R1 residential-rate classification, if he or she resides continuously at the service address for at least eight months of the year.
 - A Hydro One Networks Inc. consumer that falls within the R1 or R2 residential-rate classification, if he or she resides continuously at the service address at least eight months of the year.
 - A Lakeland Power Distribution Ltd. Consumer that falls within a residential-rate classification, within the former Parry Sound Power service area.
- 4) An on-reserve consumer who is a member of a band within the meaning of the *Indian Act* (Canada) is eligible to receive the First Nations On-Reserve Delivery Charge credit.
- 5) The Affordability Fund provides varied levels of support depending on people's total household income and average electricity bill.

*Note: Individuals who qualify for the Home Assistance Program, Low-Income Energy Assistance Program and the Ontario Electricity Support Program **are not eligible** for additional support or equipment offered by the Affordability Fund.*

GA Smoothing (or Deferring and Financing)

The OFHP has enabled the Independent Electricity System Operator (IESO) and Ontario Power Generation Inc. (OPG) to work together to refinance the GA over a longer period of time. The legislation also outlines the role for the Ontario Energy Board (OEB).

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 they would still be available to generate electricity after the upfront capital costs have been

paid for by the current generation of ratepayers. Recovering the GA costs over a longer period would ensure intergenerational fairness and provide significant and immediate rate relief to current ratepayers by spreading the cost of electricity investments to better reflect the expected lifecycle of the infrastructure that has been built.

In the early years, a portion of the costs recovered through the GA would be deferred, reducing pressure on today's electricity ratepayers. In later years, the deferred costs would be recovered from ratepayers.

Enhancing Social and Conservation Programs

To help Ontario's most vulnerable electricity consumers, Ontario's Fair Hydro Plan includes the enhancement of the Ontario Electricity Support Program (OESP) and broadening of the Rural or Remote Rate Protection program (RRRP).

The FHP also shifts the costs of the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection program (RRRP) from ratepayers to government funding. These programs, along with the creation of the First Nations On-Reserve Delivery Credit and Affordability Fund, will cost the Province up to \$2.5 billion over 2016-17 and the next three years, with on-going annual costs.

Ontario Electricity Support Program

The Ontario Electricity Support Program (OESP) is an income-tested, application-based program that lowers electricity costs for the most vulnerable, providing a rebate directly on bills.

As proposed on March 2, 2017, the Province increased the OESP monthly benefit amount by 50 per cent as of May 1, 2017, to provide additional savings of approximately \$680 per year. To date, about 190,000 households are receiving OESP.

The OESP is now funded by the government instead of by ratepayers. The estimated cost of the expanded OESP is \$140 million for 2017-18.

Further Details

In addition to increasing OESP credits by 50 per, eligibility thresholds for household income and size have also been broadened. Utilities began implementing enhanced credits beginning May 1, 2017.

The tables below show the proposed increased monthly credits. The household income amounts listed in the tables below are after tax, or net income.

OESP Monthly Credit Amounts								
Stepped Sliding Scale - Benefit Level		Household Size						
		1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7+ Persons
Income Bracket	< \$28,000	\$45	\$45	\$51	\$57	\$63	\$75	\$75
	\$28,001 - \$39,000	-	\$40	\$45	\$51	\$57	\$63	\$75
	\$39,001 - \$48,000	-	-	\$35	\$40	\$45	\$51	\$57
	\$48,001 - \$52,000	-	-	-	-	\$35	\$40	\$45

The OESP offers a larger credit to consumers whose homes are electrically heated, and those who rely on certain medical devices. Eligible First Nations and Métis households also qualify for a larger credit.

OESP Monthly Credit Amounts – Energy Intensive								
Stepped Sliding Scale - Benefit Level		Household Size						
		1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7+ Persons
Income Bracket	< \$28,000	\$68	\$68	\$75	\$83	\$90	\$113	\$113
	\$28,001 - \$39,000	-	\$60	\$68	\$75	\$83	\$90	\$113
	\$39,001 - \$48,000	-	-	\$52	\$60	\$68	\$75	\$83
	\$48,001 - \$52,000	-	-	-	-	\$52	\$60	\$68

The program is available to low-income customers who have accounts with electric utilities, unit sub-meter providers and retail energy companies.

Customers must apply to the program online or through a designated intake agency. Ontarians requiring assistance with the application process would be supported by local social agency partners. A tailored communications and application process has been developed to support First Nation communities.

Most eligible customers need to re-apply every two years or whenever their personal circumstances change. For example, eligible customers would need to re-apply if they move or experience a change in income level. An extended program eligibility period of five years is applicable for any account holder aged 65 and over, or those receiving a Canada Pension Plan disability pension.

Distribution Rate Protection Program

The broadening of the Rural or Remote Rate Protection program announced on March 2 as part of the Fair Hydro Plan is being implemented by the Ontario Energy Board under a new, Distribution Rate Protection (DRP) program to lower the distribution rates paid by eligible rural or remote residential customers who face higher distribution costs compared to other areas. The DRP broadens the support provided under the existing Rural or Remote Electricity Rate Protection (RRRP).

Approximately 800,000 customers now benefit from the enhanced distribution rate protection.

An average household consuming 750 kWh/month saves up to an additional \$180/year.

Through the OFHP, the Province is funding DRP costs and most of the RRRP costs through government revenues.

Affordability Fund

As part of Ontario's Fair Hydro Plan, the Province has established an Affordability Fund that launched on October 24, 2017. This new \$100 million fund will assist electricity customers who cannot qualify for low-income conservation programs, and who are unable to undertake energy efficiency improvements without any support.

The Affordability Fund provides LDCs with an additional tool to help customers in need. LDCs would use the Fund to provide support to customers for energy efficiency improvements to help reduce their future electricity bills.

The Affordability Fund is administered by an independent trust, which provides oversight of funds and facilitate efficient distribution of funds to electricity distributors.

Eligible applicants are receiving benefits which could include, for example, LED light bulbs, power bars, energy-efficient appliances and better insulation. Electricity bill savings for households participating in the program will depend on the types of measures installed (e.g., a home energy kit with two LED light bulbs and a power bar can help a household save about \$10 on their annual electricity costs, while an energy efficient refrigerator can help save about \$90 in annual electricity costs.)

A customer who rents or owns a house or an apartment may qualify. The different levels of support through the fund are based on people's total household income and average electricity bill.

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

First Nations On-Reserve Delivery Credit

The Province has introduced the First Nations On-Reserve Delivery Credit as part of OFHP.

All residential rate class First Nations customers living on-reserve, as defined by the federal Indian Act, are eligible for this program, and they receive a 100 per cent credit

for the delivery line on their monthly electricity bills for electricity consumed on or after July 1, 2017.

About 21,500 residential households benefit, receiving average savings of \$1,020 per year.

The First Nations On-Reserve Delivery Credit is funded by provincial revenues.

Ontario Rebate for Electricity Consumers

On October 19, 2016, Ontario passed legislation that will rebate an amount equal to the provincial portion of the HST from electricity bills for about five million electricity consumers, including:

- Residential consumers
- Multi-unit residential buildings and other facilities used as residential rental units such as long-term care homes and school residences
- Small businesses
- Farms

This eight per cent saving went into effect as of January 1, 2017.

A detailed breakdown of the projected expenses for the electricity cost relief programs from the 2017 Provincial Expenditure Estimates is shown in the table below:

2017 Provincial Expenditure Estimates – Ministry of Energy (vote 2905)

(\$M)	2017-18
Ontario Electricity Support Program	\$140
Rural or Remote Rate Protection Program	\$344
Northern Ontario Energy Credit	\$26
Ontario Rebate for Electricity Consumers	\$939
On-Reserve First Nations delivery Credit	\$15
Total Operating Expense for Electricity Price Mitigation Programs	\$1,464

Other Electricity Price Mitigation Measures: Households

Rural or Remote Electricity Rate Protection Program

The Rural or Remote Electricity Rate Protection (RRRP) program is designed to provide assistance to eligible customers located in rural or remote areas where the costs of providing electricity service to these customers greatly exceeds the costs of providing electricity elsewhere in the province of Ontario. The RRRP amount is a source of

revenue for identified rural and remote electricity distributors to allow them to reduce the amount they would otherwise charge some of their customers to distribute electricity.

Each year, the Board approved an RRRP benefit amount to be collected from electricity distributors by the Independent Electricity System Operator (IESO). Electricity distributors in turn have a Board-approved retail RRRP charge to recover the RRRP amount paid to the IESO from their respective customers.

In September 2016, Ontario announced increased funding to the RRRP, which will the reduce electricity delivery costs for approximately 330,000 eligible rural customers located in rural areas.

Under the OFHP, the Province has expanded the RRRP to provide delivery charge relief to approximately 800,000 customers served by local distribution companies (LDCs) with the highest rates in Ontario. In addition, as part of the OFHP this RRRP charge for ratepayers has been reduced, as the RRRP is now mostly funded by government revenues.

The estimated cost of the expanded RRRP is \$344 million for 2017-18.

End of the DRC

The *Electricity Act, 1998*, previously allowed for the debt retirement charge (DRC) to be paid until the Minister of Finance determines that the residual stranded debt is retired. The DRC has been set at 0.7 cents per kilowatt-hour on most electricity consumed in Ontario.

As part of its commitment to reduce electricity cost pressures, the government has removed the DRC cost from residential users' electricity bills as of January 1, 2016. This would save a typical residential user about \$70 per year and end the DRC earlier for these users than otherwise provided for in the *Electricity Act, 1998*.

Previously, the DRC end date was uncertain as the estimated timing for residual stranded debt retirement is subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depend on the financial performance of OPG, Hydro One, and municipal electricity utilities (MEUs), as well as other factors such as interest rates and electricity consumption.

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HELPING BUSINESSES MANAGE ELECTRICITY COSTS

ISSUE

To maintain a competitive business climate in Ontario, the government has taken action by helping to manage electricity costs for business. Ontario's Fair Hydro Plan, introduced in 2017, is already benefiting as many as half a million eligible farms and small businesses in the Regulated Price Plan ("RPP"), and other designated business consumers, through bill reductions. In addition, many manufacturing and greenhouse businesses are finding relief through expanded eligibility for the Industrial Conservation Initiative ("ICI"). Through the Long-Term Energy Plan, the government is continuing to strive to manage electricity costs into the future.

The Province will continue to support some of the biggest employers in northern Ontario in the mining and manufacturing sectors, including eligible forestry companies, by providing ongoing annual support through the improved Northern Industrial Electricity Rate (NIER) program. Participants receive a rebate of \$20 per megawatt-hour (MWh) on eligible consumption, and, on average, electricity prices can be reduced by about 25 per cent.

Reference: Chapter II Growing the Economy and Creating Good Jobs

KEY FACTS

- Ontario's Fair Hydro Plan reduces electricity bills by an average of 25 per cent for residential consumers, and as many as half a million small businesses and farms are also benefiting from the reduction.
- The plan also allows smaller manufacturers and greenhouses with average monthly peak demand greater than 500 kilowatts (kW) to participate in the Industrial Conservation Initiative (ICI).
 - Industrial Conservation Initiative program: By reducing the province's peak electricity demand, the ICI improves system reliability, helps reduce greenhouse gas (GHG) emissions, and lowers electricity system costs for the benefit of all consumers by deferring the need to build new electricity generation capacity.
- The Northern Industrial Electricity Rate (NIER) program helps northern Ontario's largest industrial electricity users reduce energy costs, sustain jobs and remain globally competitive. The enhanced NIER program, launched in June 2017, continues to provide electricity rebates of two cents per kilowatt-hour (kWh) to qualifying large northern industrials.
- As of April 1, 2018, the electricity debt retirement charge ("DRC") will be ending — benefiting all businesses, including Ontario's mid-sized commercial and industrial consumers that are not in the Regulated Price Plan (RPP) or the ICI.

BACKGROUND

On June 1, 2017, Ontario enacted the *Fair Hydro Act, 2017* which lowered electricity bills by 25 per cent on average for residential customers as of July 1, 2017, providing significant rate relief and ensuring greater fairness.

Eligibility for Ontario's Fair Hydro Plan

The relief provided by Ontario's Fair Hydro Plan can vary depending on the customer.

- Residential customers, small businesses and farms eligible for the Regulated Price Plan will receive rate relief through:
 - GA smoothing (or Deferring and Financing)
 - Funding the Ontario Electricity Support Program (OESP) and most of the Rural or Remote Rate Protection Program (RRRP) by government revenue instead of by electricity consumers.
 - The eight percent Ontario Rebate for Electricity Consumers

Note: In addition to residential customers, small businesses and farms eligible for the Regulated Price Plan, other non-Regulated Price Plan customers are also eligible for OREC, including facilities used as residential rental units such as long-term care homes and school residences.

Expansion of the Industrial Conservation Initiative (ICI)

The Province implemented the ICI program in 2011. Initially, the ICI program has charged consumers with an average monthly peak demand greater than five megawatt (MW) a global adjustment rate proportional to their share of peak demand measured during the five highest-peak hours over a year-long period between May 1 and April 30. These consumers are defined as Class A consumers.

In 2015, Ontario expanded the ICI program to include consumers with average monthly peak demand greater than 3 MW in the manufacturing, mining, quarrying, oil/gas extraction, greenhouse, refrigerated warehousing or data processing sectors. The new Class A entrants had the opportunity to opt-in to the ICI program at their discretion and began receiving billing as Class A customers starting July 1, 2015.

There were about 300 participating consumers as of September 2016, who collectively reduced Ontario's peak demand by an estimated 1,000 MW in 2015.

In September 2016, the government announced a further expansion of ICI eligibility by eliminating sector restrictions and further lowering the monthly peak demand threshold from three MW to one MW. This allowed smaller manufacturers as well as institutional and commercial businesses to participate in the ICI and expanded eligibility to more than 1,000 additional businesses. The regulation to expand the eligibility to one MW was filed on November 18, 2016 and the expansion was in effect starting January 1, 2017, with billing beginning for the periods on or after July 1, 2017.

As part of Ontario's Fair Hydro Plan, the eligibility threshold for the ICI was expanded to provide small manufacturers and industrials the opportunity to save on their electricity costs, and reduce the Province's peak demand.

Effective July 1st 2017, small manufacturers and industrials whose electricity demand was too low to qualify for ICI before, are now eligible for the expanded ICI if they wish to participate.

Eligibility has been extended to small manufacturers and industrials with average monthly peak demand over 500 kilowatts.

The newly expanded ICI targets manufacturing sectors with NAICS codes commencing with the digits "31", "32", and "33", as well as NAICS code 1114, which includes greenhouses.

ICI expansion supports both increased business competitiveness as well as the government's conservation goals by:

- Enhancing the efficiency and competitiveness of a larger number of industrial firms;
- Helping reduce emissions by promoting energy conservation during peak demand periods;
- Improving the reliability of the electricity system, especially during critical peak demand periods;
- Reducing the need for and costs associated with the building of new electricity power plants in the future to cope with periods of high demand;
- Reduce cost pressures on the electricity system by empowering more consumers to lower their electricity demand during peak periods; and
- Reduce electricity bills for new ICI participants who are able to reduce their electricity demand during peak demand periods.

Enhanced Northern Industrial Electricity Rate (NIER) Program

- The NIER program was first announced in March 2010 for a three-year period, and in 2012 for an additional three-year term, to expire on March 31, 2016. The government extended the existing NIER Program for one additional year (April 1, 2016 – March 31, 2017) to allow for additional time to thoroughly develop the ongoing program.
- On June 20, 2017, the Province launched the ongoing NIER Program which provides electricity rebates of two cents per kilowatt-hour to qualifying large northern industrials with individual rebates capped at 2013-2016 average annual consumption levels, or \$20 million per year per company – whichever is lower.
 - The NIER rebate is estimated to reduce electricity prices for large industrial producers by up to 25 per cent on eligible consumption.

- Each of the participant's individual facility must consume a minimum of 50,000 MWh of electricity annually from the grid controlled by the Independent Electricity System Operator or a local distribution company.
- Companies eligible to participate in the NIER program must be classified as being within one of the following North American Industry Classification System industry sectors:
 - Mining and Oil and Gas Extraction, and
 - Manufacturing, with the exception of facilities that are designated as Sawmills and Wood Preservation which would not be eligible for the NIER program.
- Participants are required to develop and implement an energy management plan to manage their energy usage and reduce costs.
- Companies currently participating in the program in good standing would continue to participate in the extended program.
- New applicants would be accepted if funds are available up to the program cap of \$120 million per year on a first come, first serve basis.
- Since April 2010, the NIER Program has disbursed approximately \$843 million, up to September 2017, to large northern industrials

Reducing Electricity Costs for Mid-Sized Businesses

- As of April 1, 2018, the electricity debt retirement charge ("DRC") will be ending — benefiting all businesses, including Ontario's mid-sized commercial and industrial consumers that are not in the Regulated Price Plan (RPP) or the ICI.
- These non-RPP, Class B consumers use more than 250,000 kilowatt-hours annually and have a demand greater than 50 kilowatts.
- These and other businesses will see their electricity cost reduced by \$7 per megawatt-hour ("MWh") from the removal of the DRC.
- In addition, under Ontario's Fair Hydro Plan, the costs of certain electricity support programs are now being funded by the Province rather than by ratepayers.
- Combined with the removal of the DRC, this represents an estimated 6.5 per cent reduction in the electricity bill of a typical non-RPP, Class B business.

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SOCIAL IMPACT BONDS

ISSUE

The government is exploring initiatives that support at-risk youth and individuals with mental illnesses by improving access to secure and stable housing. To achieve this goal, the government will launch two new pay-for-success Social Impact Bond (SIB) pilot projects in the area of homelessness, which will assist over a thousand at-risk individuals over an eight-year period.

Reference: Chapter II Growing The Economy and Creating Good Jobs

KEY FACTS

- In June 2016, the government publicly announced that it was moving forward with two SIB proposals, one with the Niagara Resource Service for Youth (the RAFT) to help at-risk youth with housing support so they will stay in school and graduate, and one with Mainstay Housing to improve housing stability for chronically homeless individuals suffering from mental illness and addiction.
- In the SIB model, the government agrees to pay for an improved social outcome specified in a contract. The social outcome is achieved through an intervention by a service delivery organization, with partial upfront funding provided by private investors.
 - If the intervention is successful and achieves the contracted social outcomes, the investors are repaid with a pre-negotiated financial return.
 - If a SIB intervention is unsuccessful, it is paid for in part or entirely by a private sector investor.
 - These outcomes are measured by an independent evaluator. In this way, the government pays for program outcomes, rather than outputs.

BACKGROUND

The government works continuously with partners to develop and deliver services that achieve positive long-term social outcomes for the people of Ontario.

The SIB approach works with service delivery organizations that have the expertise, capacity and scale in providing the required social service interventions. Funds are provided from private-sector investors upfront, who would receive outcome payments from government if appropriate project outcomes are achieved. Project outcomes will be assessed through an independent evaluator. This arrangement will allow delivery organizations, with government as a partner, to build evidence about effective practices in addressing homelessness, and provide additional services in the community.

Partner Organizations

1. Niagara Resource Service for Youth (The RAFT)

The RAFT is a not-for-profit agency in the Niagara region that works with at-risk youth and families. It offers a resource centre and a youth hostel, plus a number of specific initiatives designed to help at-risk youth with housing support, independent living, after-school programs and staying in school. The key outcomes for the RAFT pilot project are housing stability and educational attainment. One year after intake in the program participants must be stably housed and either be enrolled into high school or have graduated.

2. Mainstay Housing

Mainstay Housing (Toronto) is the largest non-profit organization that provides housing to people living with mental illness and addiction in Ontario. The Mainstay pilot project aims to improve housing stability and reduce the level of care required by chronically homeless individuals suffering from mental illness. The intervention involves two years of intensive site support, followed by a one-year transition period to help participants stabilize to a reduced level of care. The key outcome for the Mainstay pilot is housing stability, with participants having been stably housed one year following the transition period.

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ENHANCING THE CANADA PENSION PLAN

ISSUE

To provide information about further actions agreed to by Finance Ministers to improve the fairness of the Canada Pension Plan (CPP) enhancement.

Reference: Chapter II, Strengthening and Modernizing Retirement Security

KEY FACTS

- Ontario took a national leadership role to enhance the CPP, which will provide a meaningful increase in people's future retirement incomes.
- The CPP enhancement was the culmination of years of effort by Ontario working with the other provinces and territories to address the retirement savings needs of today's workers.
- In December 2017, federal, provincial and territorial Finance Ministers agreed on further changes to improve the fairness of the CPP enhancement.
- These changes include provisions to help protect the value of the enhanced retirement benefits for workers, particularly women, who take time out of the labour force to raise children, and those who are unable to work as a result of a disability.
- Finance Ministers also adopted a framework to ensure the CPP enhancement remains appropriately funded and managed, helping to protect benefits for future retirees.
- The federal government is currently drafting legislation and regulations for these changes and is expected to request approving Orders-in-Council (OICs) from provinces in 2018. This timing will allow the changes described above to come into force before the CPP enhancement begins in January 2019.
 - Changes to the CPP require consent through OIC from at least seven of the ten provinces representing at least two-thirds of the provincial population.

KEY INFORMATION

- At their December 2017 meeting, Finance Ministers closed the 2016-2018 Triennial Review of the CPP by agreeing in principle to make several changes to the CPP enhancement and the CPP. The changes agreed to are described below.
 - The changes will not have an impact on CPP contribution rates.

Child Rearing Provision in the CPP Enhancement

- Ministers of Finance agreed to include new provisions in the CPP enhancement that will help protect the enhanced retirement benefits of parents of young children.

- The proposed child rearing provision would increase the enhanced CPP benefits of parents who reduce their earnings or stop working to provide care for children under the age of 7 by providing an earnings credit, or “drop-in”, for these years.
 - The value of the drop-in would be equal the average of the earnings in the 5 years before the birth/adoption of the child, ensuring that the drop-in credit corresponds with the contributor’s work history.
 - The drop-in credits would then be applied to the years of low or no earnings for the purpose of calculating the contributor’s enhanced CPP retirement benefit or survivor benefit.
- This increase would be on top of the provisions in the base CPP that already provide benefits for those with child rearing responsibilities. See Background for more detail.

Disability Provision in the CPP Enhancement

- Ministers of Finance agreed to include new provisions in the CPP enhancement that will help protect the enhanced retirement benefits of workers with disabilities.
- The proposed disability provision would increase the enhanced CPP retirement benefits of those who receive a CPP disability pension to reflect their inability to work and contribute to the Plan due to their disability.
- The provision would provide a credit, or “drop-in” amount, for the years the person does not work due to the disability.
 - The drop-in would be based on 70 per cent of the individual’s earnings in the six years before the onset of the disability, ensuring that the drop-in corresponds with the contributor’s work history.
 - The drop-in credits would then be applied to those years of no earnings for the purpose of calculating the contributor’s enhanced CPP retirement benefit or survivor benefit.
- This increase would be on top of the provisions in the base CPP that already protect the retirement benefits of those with disabilities. See Background for more detail.

Ensuring Appropriate Funding of the CPP Enhancement

- Ministers of Finance have agreed on rules to ensure the ongoing financial sustainability of the CPP enhancement. Specifically, Ministers agreed to:
 - A method for determining the funding status of the CPP enhancement over the long term;
 - When Ministers would be required by regulation to consider corrective action in the event of a funding deficit or surplus; and

- An automatic adjustment mechanism that would be triggered if Ministers cannot agree on a course of action.
- The automatic adjustment mechanism, if triggered, would specify how benefits and contributions for the CPP enhancement would be adjusted to reduce a funding deficit or surplus.
 - Ministers agreed that the automatic adjustment mechanism would ensure that workers, employers and retirees all share the responsibility for correcting a large deficit, should one arise.
- Further details on the CPP enhancement financial sustainability rules will be available when the federal government completes drafting and posting the proposed regulations.

Other Changes

- For the 2016-2018 CPP Triennial Review, Ministers also agreed to do the following:
 - Provide a disability top-up benefit in the base CPP to early retirees who become disabled and meet eligibility requirements. This would ensure more equal treatment by the plan for recipients who become disabled in their early 60s, and would align with the Quebec Pension Plan (QPP), which already provides a similar top-up.
 - Remove the age-based restrictions on survivor benefits in both the base and enhanced CPP for individuals who become survivors before age 45. This would eliminate a rule in the CPP that tends to discriminate against younger survivors.
 - Extend the maximum value of the death benefit (\$2,500) in the base CPP to all eligible contributors, which would be particularly beneficial for families of lower-income workers.

BACKGROUND

Child Rearing and Disability Provisions in the Base CPP

- In the base CPP, those who reduce their earnings or stop working due to child-rearing or disability have access to provisions called “drop-outs” that remove these years of low or no earnings from the retirement benefit calculation.
 - As a result, these workers have higher retirement benefits than would otherwise be the case.
- Some stakeholders raised concerns that the CPP enhancement did not include drop-out provisions, and was therefore unfair to women and people with disabilities.
- In December 2017, Ministers of Finance agreed to include child-rearing and disability provisions in the CPP enhancement.

- The proposed “drop-in” provisions would protect the retirement benefits of workers with young children and those with disabilities, but compared to the base CPP drop-out provisions will preserve a closer link to the worker’s actual earnings.
 - Maintaining a close link between contributions paid and benefits earned was a key principle behind the CPP enhancement.

CPP Enhancement

- The CPP enhancement will begin to be implemented in January 2019. Benefits from the enhancement will accrue to workers as they contribute over the course of their career. Current retirees will not benefit from the CPP enhancement.
- The CPP enhancement will:
 - Increase income replacement in retirement from one-quarter to one-third of pensionable earnings.
 - Increase the pensionable earnings ceiling, called the Year’s Maximum Pensionable Earnings (YMPE), by 14%. The new higher earnings ceiling will be called the Year’s Additional Maximum Pensionable Earnings (YAMPE).
 - These improvements will increase the maximum benefit provided by the CPP from \$13,610 to over \$20,000 in today’s dollars.
- To fund the enhancement, contribution rates will increase beyond the existing 9.9% base CPP rate:
 - 2% on earnings (1% each for employees and employers) between the YBE and YMPE; and
 - 8% on earnings (4% each for employees and employers) between the YMPE and YAMPE.
 - The maximum contribution rate that a worker will pay for the CPP enhancement is 1.3% of their pensionable earnings.
- Contribution rate increases will be phased-in gradually over a seven year period, starting January 2019.

Retirement Undersaving

- Evidence suggests that about one-quarter of Canadian families do not have sufficient retirement savings. Of middle-income Canadian families without a workplace pension plan, about half are not saving enough for retirement.
- A number of factors are contributing to this situation, including:
 - A decline in workplace pension coverage. Workplace pension plans can improve retirement security, but about two-thirds of workers do not participate in one.

- An increase in life expectancy. This means that people need to save more to have sufficient savings to maintain their standard of living in retirement.

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CHAPTER III: ECONOMIC AND FISCAL OVERVIEW

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ENTERPRISE RISK MANAGEMENT

ISSUE

Province continues to implement enterprise risk management (ERM) across the Ontario Public Service. The Province is improving risk assessment in planning and decision-making processes and building risk management capacity across the enterprise. This implementation will support the achievement of Provincial objectives through the enterprise-wide integration of risk management into decision-making, policy development, operations and transformation activities of ministries and Provincial agencies. The adoption of an enterprise-wide approach to risk management will strengthen the government's capacity to both create and protect value in our programs and services.

Reference: Chapter III, Section A Economic and Fiscal Overview

KEY FACTS

- Since the introduction of the Risk Management Policy for the Government of Ontario in 2002, the Province has undergone significant change with an ever increasing need to focus on innovation, transformation, and evidence-based results and outcomes. There are many existing risk management and reporting mechanisms at various stages of maturity.
- The OPS Enterprise Risk Management (ERM) Framework was formally launched organization-wide on February 17, 2017. The framework, supported by decision-makers, serves as an OPS standard and guide at ministry / local levels for risk-based approaches and drive risk-informed decision making.
- The framework supports a transition from an approach in which different types of risk are managed in distinctive ways (each with their own techniques and defined terms) to one using a common approach fully integrated into organizational decision-making and planning processes.
- The ERM strategy going forward supports the vision of having the OPS build on existing risk management foundations and have a risk-smart culture that drives the efficient achievement of business objectives. Attaining this vision is a journey, not a destination, and the work completed to-date is the foundation towards achieving integration of ERM.

BACKGROUND

The government is transforming and modernizing public services by finding new and smarter ways to both improve outcomes for Ontarians and meet the Province's fiscal commitments. Government decisions must be: focused on the need to both create and protect value; informed by an understanding of both the internal and external contexts and the needs of stakeholders; supported by evidence; and guided by a full consideration of risks (both threats and opportunities).

The Enterprise Risk Management (ERM) Unit was formed within the Office of the Provincial Controller Division (OPCD) in 2014 to support the OPS in integrating risk management into strategy/policy development, business processes, and decision making across ministries, central agencies, and business lines.

The province's approach to advancing risk management is two-pronged and includes:

- A framework aligned with current standards and best practices, which outlines an enterprise-wide approach to risk management, and the foundational components and strategic enablers to support its implementation in Ministries, Central and Provincial Agencies; and
- A multi-year strategy, which builds on existing foundations, strengthens our capacity and supports a culture of deliberate and dedicated discussion of risk focused on the achievement of business objectives. The approach to ERM encompasses building:
 - An ERM Mandate: for clear accountability and the coordination of risk activities to drive risk-based decision making.
 - Language, Process and Tools: for a common platform to enable comparable risk intelligence focused on business objectives.
 - Capacity and Capability: for focused learning and development to create a risk culture and support ERM sustainability.

The ERM Unit has been working to improve central agency planning processes (i.e. TB/MBC submissions) and participating in Ministry risk pilots to support implementation.

Further supporting the strategy will be a variety of tools and guides that will both complement and strengthen the content outlined in the OPS ERM framework.

Additionally, the ERM Unit is focusing on capacity building initiatives, such as the onRISK conference and learning sessions, to promote risk-informed decision making across the OPS.

The strategy supports the vision of having the OPS to build on existing risk management foundations and have a risk-smart culture that drives the efficient achievement of business objectives. However, attaining this vision is a journey, not a destination, and the work completed to-date is the first step towards achieving integration of ERM. As the Framework becomes embedded in policy and program processes, changes should become evident at all levels – for Ontarians, Political Leaders, OPS Leaders, and OPS Staff.

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Branch: Enterprise Risk, Capacity and Assurance Branch, Office of the Provincial Controller Division Employee and Pensioners Benefit

ISSUE

The Employee and Pensioner Benefits expense of \$1,155M for 2017-18 is expected to decrease by \$53M to what was projected in 2017 budget. The Employee and Pensioner Benefits expense forecast of \$1,271M for 2018-19 is projected to increase by \$110M compared to the 2018-19 expense of \$1,161M forecasted in the 2017 Budget.

The 2018-19 Employee and Pensioner Benefits expense of \$1,271M is expected to increase by \$116M compared to the 2017-18 expense interim forecast of \$1,155M.

Compared to the 2016-17 actual expense of \$1,002M, the Employee and Pensioner Benefits expense is expected to increase by \$153M to \$1,155M in 2017-18.

Reference: Chapter III, Section C Total Expense

KEY FACTS

- The Employee and Pensioner Benefits expense is primarily comprised of the annual expenses associated with the Public Service Pension Plan, OPSEU Pension Plan, non-pension retirement benefits, post-employment benefits and other benefits. The overall change in the total expense is attributed to the following components:

Public Service Pension Plan (PSPP)

- 2017-18 interim expense forecast is lower than the 2017 Budget mainly due to a lower increase in active members than originally forecast in the 2017 Budget.
- The 2018-19 expense forecast is higher than forecasted in the 2017 Budget mainly due to improved mortality rates in the 2018 Budget valuation. The increase in expense is partially off-by lower salary escalation expectations than forecasted in the 2017-18 Budget.

OPSEU Pension Plan

- The 2017-18 interim pension expense is in line with the 2017 Budget forecast.
- The increase in 2018-19 projected expense in the 2018 budget compared to 2017 budget is mainly due to a reduction in the discount rate. The increase in expense is partially offset by higher than expected actual investment returns on plan assets, lower salary escalation expectation, and lower than expected inflation. In addition, these factors also increase the projected pension expense from \$146M in 2017-18 to \$186M in 2018-19.
- The forecasted 2017-18 interim expense is expected to increase by \$12M from 2016-17 actuals due to a reduction in the discount rate in 2016 and lower than expected return on plan assets in 2016 impacting expense starting 2017-18.

Non-Pension Retirement Benefits, Post-Employment Benefits and Other Benefits

- The decrease in total Non-Pension Retirement Benefits, Post Employment and

Other Benefits compared to 2017 Budget is mainly due to increase in discount rate compared to 2017 Budget and updated benefit claim assumptions for employees currently on Long-Term Income Protection (LTIP).

- 2015-16 Actuals include one time savings from plan change for OPSEU employees to cap termination pay accrued up to December 31, 2016 and changes to the OPSEU LTIP benefits.

BACKGROUND

Employee and Pensioner Benefits			(\$ Millions)	
	Actual 2015-16	Actual 2016-17	Interim 2017-18	Plan 2018-19
2018 Public Service Pension Plan*	519	521	570	611
2018 OPSEU Pension Plan	177	134	146	186
2018 Other Non-Pension Retirement Benefits	393	283	310	306
2018 Post-Employment and Other Benefits	(102)	64	129	168
2018 Budget -- Total	987	1,002	1,155	1,271
2017 Public Service Pension Plan*			581	530
2017 OPSEU Pension Plan			146	138
2017 Other Non-Pension Retirement Benefits			312	323
2017 Post-Employment and Other Benefits			169	170
2017 Budget – Total			1,208	1,161
(Decrease)/Increase in Public Service Pension Plan			(11)	81
Increase in OPSEU Pension Plan			-	48
Decrease Other Non-Pension Retirement Benefits			(2)	(17)
Decrease in Post-Employment Benefits and Other Benefits			(40)	(2)
(Decrease)/Increase in Fiscal Plan			(53)	110

*Includes PSSBA and consolidation adjustment

The Employee and Pensioner Benefits expense includes Public Service Pension Plan (PSPP) expense, OPSEU Pension Plan expense, and other non-pension retirement benefits expense (dental, basic life insurance, supplementary health and hospital benefits for retired employees), post-employment benefits (LTIP, WSIB, Legislated Severances) and other benefits (i.e. small pension plans held in consolidated revenue fund).

Expenses reported in both the Province's Consolidated Financial Statements and the Budget are determined consistently in accordance with recommendations of the Public Sector Accounting Standards (PSAS) of the Chartered Professional Accountants of Canada (CPA).

The PSAS basis for calculating pension and non-pension retirement benefits expense reflects the government's share of the cost of retirement benefits earned by employees during the year with adjustments to reflect the government's share of gains or losses experienced by the plan, interest on the net retirement benefits liability or surplus, one-time cost of plan amendments made during the year and other applicable adjustments.

The employer's cash contribution to a retirement benefit plan (i.e. pension and non-pension retirement plan) in a particular period does not represent retirement benefits expense on a PSAS basis. This contribution is calculated through an actuarial valuation for funding purposes and ensures that a retirement benefits plan has sufficient money to pay for its obligations when they become due.

Under the Province's accounting policies, any actuarial gains or losses in a given calendar year are reflected in pension expense over the expected average remaining service life of the employees (11.0 years for PSPP and 12.5 years for OPSEU) starting in the subsequent fiscal year.

OPSEU Pension Plan is currently reporting a net pension asset position (consistent since 2001-02). A net pension asset arises when the government's total contributions to a plan, including income earned thereon, are greater than the cumulative retirement benefit expense recognized since the start of the plan. The government records the pension net asset to the extent the government expects to benefit from the asset through future reductions in contributions to the plan.

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Branch: Financial Reporting and Fiscal Support, Office of the Provincial Controller
Division

TEACHERS' PENSION PLAN (TPP)

ISSUE

The Teachers' Pension Plan (TPP) income (i.e. negative expense) is expected to increase by \$401M from forecasted \$460M in 2017-18 to \$861M in 2018-19.

The TPP income forecast of \$861M in 2018-19 is projected to increase by \$83M compared to the 2018-19 TPP income of \$778M forecasted in 2017 Budget.

TPP income for 2017-18 of \$460M is expected to decrease by \$71M compared to \$531M forecasted in the 2017 Budget.

TPP is expected to report net income of \$460M (i.e. negative expense) in 2017-18, compared to the actual 2016-17 TPP income of \$377M, a change of \$83M year over year.

Reference: Chapter III, Section C Fiscal Outlook

KEY FACTS

- The Teachers' Pension Plan (TPP) has experienced favourable investment returns in the past several years (i.e. 2009 to 2015) including the most recent 2017 year.
- The cumulative effect of the investment gains on the net pension asset in 2017 and from prior years is more than sufficient to offset the Province's share of the cost of pension benefits that were earned by the members of the Teachers' Pension Plan in 2018-19. This has resulted in income (i.e. negative pension expense) forecasted for 2018-19.
- The TPP income forecast for 2018-19 has increased compared to what was initially forecast in the 2017 Budget. This is primarily due to higher than expected market returns on pension fund assets in calendar 2017, lower salary escalation expectation, as well as lower than expected inflation.
- The TPP income forecast for 2017-18 has decreased by \$71M compared to the income forecast in the 2017 Budget mainly due to an adjustment made to exclude Province cash contributions in arrears from pension assets.
- The projected change of \$83M, from 2016-17 actual income of \$377M compared to 2017-18 projected income of \$460M is due to increased recognition of investment gains on fund assets earned from prior years.

BACKGROUND

Teachers' Pension Plan Expense/(Income)				
	(\$ Millions)			
	Actual	Actual	Interim	Plan
	2015-16	2016-17	2017-18	2018-19
Actual	110	(377)		
2018 Budget			(460)	(861)
2017 Budget			(531)	(778)
Increase/(Decrease) in Fiscal Plan			71	(83)

Pension expenses reported in both the Province's consolidated financial statements and the Budget are determined in accordance with the Public Sector Accounting Standards (PSAS) of the Chartered Professional Accountants of Canada (CPA).

PSAS based calculations of pension expense reflects the government's share of the annual cost of pension benefits earned by employees during the year with adjustments for the government's share of gains or losses experienced by the plan, interest on the net pension liability or surplus, one-time cost of plan amendments made during the year and other applicable adjustments.

The employer's cash contribution to a pension plan in a particular period does not represent pension expense for financial reporting purposes. Rather, contributions are calculated based on actuarial valuations conducted for funding purposes which are intended to ensure that a pension plan has sufficient money to pay for its obligations when they become due.

Under the Province's accounting policies, any actuarial gains or losses in a given calendar year are reflected in pension expense over the expected average remaining service life of the employees (15.2 years) starting in the subsequent fiscal year.

Teachers' Pension Plan (TPP) is currently reporting in a net pension asset position (consistent since 2001-02). A net pension asset arises when the government's total contributions to a plan, including income earned thereon, are greater than the cumulative retirement benefit expense recognized since the start of the plan. The

government records the pension net asset to the extent the government expects to benefit from the asset through future reductions in contributions to the plan.

In the most recent January 1, 2017 funding valuation, commencing January 1, 2018, the required special contributions of 1.1% of earnings that were otherwise payable until December 31, 2026 have been eliminated.

Year-over-Year Increases Over Outlook Period

TPP expense decreased by \$487M from \$110M in 2015-16 to TPP income of \$377M in 2016-17 mainly due to increased recognition of investment gains earned on the fund assets from 2009 to 2015.

The projected change of \$83M, from 2016-17 actual income of \$377M compared to 2017-18 projected income of \$460M is mainly due to greater recognition of investment gains earned from 2009 to 2015, a revised lower salary escalation expectation, as well as lower than expected inflation.

The 2018-19 TPP income is projected to further increase compared to 2017-18 projected income. This is mainly due to greater recognition of investment gains earned from 2009 to 2015 & 2017, lower salary escalation expectation and lower than expected inflation.

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Division**

FISCAL IMPACT OF THE ELECTRICITY SECTOR

ISSUE

The electricity sector has a fiscal impact on the Province's revenues and expenses. The government dedicates the revenues it receives from the electricity sector to the Ontario Electricity Financial Corporation (OEFC) towards the debt and other liabilities of the former Ontario Hydro.

Reference: Chapter III, Section C Fiscal Outlook

KEY FACTS

- The combined net incomes of Ontario Power Generation (OPG), Hydro One Ltd. (Hydro One) are projected at \$1,445 million in 2017-18, \$828 million higher than the Budget 2017 forecast of \$617 million. This increase mainly reflects the re-categorization from Sales and Rentals to OPG net income of one-time OPG real estate transaction impacts, the financial performance of OPG's Nuclear Funds, and lower OPG expenses. This is partially offset by the impact of the Ontario Energy Board's 2017 rate decisions with respect to OPG and Hydro One and the re-categorization from Sales and Rentals to Hydro One net income, reflecting the Province's lower ownership share of Hydro One.
- Electricity payments-in-lieu of taxes (PILs) is projected to be \$499 million in 2017-18, \$93 million higher than projected in Budget 2017. The increase is largely reflects the re-categorization from Sales and Rentals of PILs associated with one-time OPG real estate transactions during 2017-18.
- Debt Retirement Charge (DRC) revenue estimated at is \$604 million in 2017-18, is \$19 million lower than the Budget 2017 projection due to lower than projected electricity consumption subject to the DRC.
 - The DRC for residential users ended as of January 1, 2016.
 - DRC is legislated to end for all remaining users on April 1, 2018.
- Revenues under Power Supply Contract Recoveries are \$182 million for 2017-18, \$110 million lower than projected in Budget 2017, primarily due the suspension or early termination of some OEFC Power Purchase Agreements with non-utility generators (NUGs), in response to the Independent Electricity System Operator's NUG curtailment initiative.
- Any change in Power Supply Contract Recoveries revenues is fiscally neutral, as it reflects a fully offsetting, equal change in expense under Power Supply Contract Costs.
- Power supply contracts are contracts of the OEFC comprised of power purchase agreements with NUGs entered into by the old Ontario Hydro in the late 1980s and

early 1990s.

BACKGROUND

The following table shows the actual and projected net incomes of OPG and Hydro One, total Payment in lieu of taxes from OPG, Hydro One and MEUs, and DRC.

	Actual									Interim	Plan
(\$million)	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19
OPG Net Income	183	391	414	256	136	809	1,056	463	342		
HOI Net Income	530	463	634	616	796	796	733	256	518		
Total OPG and HOI Income	713	854	1,048	872	932	1605	1,789	719	860	1,445	853
Payments in Lieu of Taxes	830	516	321	367	324	543	180	3,247	334	499	369
Debt Retirement Charge (DRC)	970	907	944	952	939	954	956	859	621	604	-
Total	2,513	2,277	2,313	2,191	2,195	3,102	2,925	4,106	1,481	2,548	1,222

Note: Totals may not add up due to rounding. The Province's reported net income from OPG includes provincial consolidation adjustments for OPG's nuclear funds on a realized gains and losses basis, and downward adjustment reflecting the estimated IFRS risks. Figures shown under Hydro One net income includes Brampton Holdco Inc. contribution in 2015-16 and 2016-17 (note that Brampton Holdco Inc. was owned by the Province for the period from August 2015 to February 2017).

Impacts of Broadening Ownership of Hydro One

As a result of Hydro One's completed final offering in May 2017, and the First Nations share sale in December 2017, the 2017-18 and 2018-19 results reflect the estimated impacts of the broadening of Hydro One ownership, including the following:

- Hydro One has exited the payments-in-lieu of taxes regime and is liable for federal and provincial corporate income taxes.
- The projected net income from Hydro One going forward will reflect the Province's proportionate ownership share of Hydro One, which is currently based on 47.4% share ownership as of the First Nations share sale in December 2017.

Change from 2016-17 to 2017-18

Combined net income of OPG and Hydro One is \$1,445 million in 2017-18, up \$586 million from \$860 million in 2016-17. The increase in 2017-18 is due largely to net income from one-time OPG real estate transaction impacts in 2017-18, a significant portion of which is re-categorized from Sales and Rentals under Other Non-Tax Revenue that was projected at the time of Budget 2017 [i.e., a fiscally-neutral realization of the transaction from Sales and Rentals to the net income of OPG] and the stronger financial performance of OPG's Nuclear Funds. This is partially offset by lower Hydro One net income as a result of a lower Provincial ownership share as a result of the final offering in May 2017, and the First Nations share sale in December 2017. The Provincial ownership share was about 70.1% during 2016-17, then decreased to 49.9% after the final offering in May 2017 and then to 47.4% after the First Nations share sale in December 2017.

Electricity PILs are \$499 million in 2017-18, an increase of \$165 million from 2016-17. The increase is primarily due to PILs associated with one-time OPG real estate transactions during 2017-18.

DRC revenue is estimated at \$604 million in 2017-18, down \$17 million from 2016-17, due slightly lower electricity consumption.

Power Supply Contract Recoveries are projected to generally decline over time primarily due to the expiration of NUGs contracts. In addition, over the past two years, early termination or suspension of some NUG contracts as a result of the IESO curtailment initiative has accounted for a large portion of the decline. Any change in Power Supply Contract Recoveries is fully offset by an equal change in expense under Power Supply Contract Costs.

Change from Interim 2017-18 to Plan 2018-19

Total electricity sector revenue is projected to decrease by \$1,326 million from \$2,548 million in 2017-18 to \$1,222 million in 2018-19. This largely reflects one-time revenue in 2017-18 related to net income and PILs from OPG real estate transactions in 2017-18 and the elimination of the DRC as of April 1, 2018.

Provincial Consolidation Adjustments for the Ontario Nuclear Funds

On consolidation into Public Accounts, the Province makes an adjustment to OPG net income to reflect only the realized portion of gains and losses of OPG's nuclear funds. This adjustment is reflected in Income from Investment in Government Business Enterprises.

Unrealized gains and losses of OPG's nuclear funds are recorded as an increase or decrease in the Province's investment in OPG, which affects the Province's net debt and accumulated deficit.

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2017 ONTARIO ECONOMIC OUTLOOK AND FISCAL REVIEW

BRIEFING BOOK

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2017 Ontario Economic Outlook & Fiscal Review

Building Fairness for Ontario Families

The government is taking steps to help ensure that every Ontarian sees themselves in, and benefits from, the strong economy.

NEW

Fairness for Seniors

- Introducing Aging with Confidence, an action plan that includes \$155 million in new initiatives
- Creating 5,000 new long-term care beds by 2022, with a 10-year plan to create 30,000 beds
- Increasing average to 4 hours of direct care per resident per day, when fully phased-in

Fairness for Patients

- Investing an additional \$7 billion in healthcare over three years to improve access to care, reduce wait times and enhance patients' experiences and recoveries

Supporting Families with Children

- Providing children / youth aged 24 and under with free prescription medications through OHIP+
- Helping 100,000 more children access affordable, high-quality licensed child care
- Working to ensure universal accessibility for families

Helping Students

- Providing more than 210,000 students with free tuition
- Implementing net tuition billing this year so students are only billed what they owe
- Proposing legislation that recognizes Ontario's Indigenous Institutes

Fairness for Workers

- Proposing to increase the minimum hourly wage to \$15 by January 1, 2019
- Ensuring part-time workers earn the same hourly wage as full-time workers
- Ensuring three weeks vacation after five years with the same employer

Improving Housing and Electricity Affordability

- Helping more Ontarians find affordable homes and protecting renters
- Reducing electricity bills by an average of 25 per cent for eligible households; half a million eligible small businesses and farms will also benefit

Ontario's Economic & Fiscal Strength

Ontario is delivering on its commitment to balance the budget in a fair and responsible way – a plan first introduced in the 2010 Budget.

Economic Statistics	2017p	2018p	2019p
Nominal GDP Growth (%)	5.3	4.1	4.1
Inflation (%)	1.7	2.0	2.0
Fiscal Statistics	2017-18	2018-19	2019-20
Revenue (\$ billions)	150.1	153.6	158.2
Program Expense (\$ billions)	137.4	140.4	144.2
Interest on Debt (\$ billions)	12.2	12.7	13.3
Net Debt to GDP (ratio)	37.3	37.1	37.0

Creating Opportunities for Everyone

The government is committed to building a dynamic and competitive business environment and investing in people's talent and skills.

NEW

Strengthening Ontario's Small Businesses

- More than \$500 million in new measures that lower costs and support growth.
- Combined with recent measures and WSIB premium reductions, supports total \$1.9 billion over three years

Cutting Small Business Costs

- Proposing to reduce the small business Corporate Income Tax rate by 22 per cent
- Offering new incentives to hire / retain youth aged 15 to 29
- Providing support for small and medium fruit / vegetable farming businesses

Supporting Small Business Growth

- Making investments to enhance the vibrancy of communities and main streets
- Developing a pilot program to improve access to small business financing
- Offering 'one-window' to make it easier for small business to interact with government

Reducing Red Tape for Small Businesses

- Providing better access to government procurement opportunities
- Making government inspections more efficient for compliant businesses
- Providing additional flexibility to meet government regulatory requirements

Continuing the Business Growth Initiative

- Continuing to invest more than \$650 million to scale up Ontario firms, support innovation and cut red tape

NEW

Embracing Financial Technology (FinTech)

- Helping FinTech companies navigate regulatory requirements and entrepreneurs launch their products in ways that fully comply with Ontario's financial services regulations

NEW

Modernizing Apprenticeship

- Proposing to transform the Apprenticeship Training Tax Credit into a Graduated Apprenticeship Grant for Employers
- Expanding eligibility to an additional five Red Seal service-sector trades (i.e., hairstylist, cook, horticultural / landscape technician, baker/pâtissier and app. service technician)

Building Tomorrow's Infrastructure Today

- Investing about \$190 billion in public infrastructure over 13 years, starting in 2014-15, to support an estimated 125,000 jobs on average each year

Working with Our Partners

The government continues to embrace a collaborative approach with its partners to address complex challenges including climate change, demographic changes and uncertain global economic growth.

Chapter I | Building Fairness for Ontario Families

The government is taking the necessary steps to help ensure that every Ontarian sees themselves in, and benefits from, the strong economy.

Fairness for Seniors

Introducing *Aging with Confidence*, an action plan that includes \$155 million in new initiatives that will help seniors live independent, healthy, active, safe and socially connected lives.



- Providing social, recreational and health programming to all seniors through 40 new Seniors Active Living Centres - bringing the total number to 300 province-wide

Seniors Living Independently



- Improving access to coordinated home care based on local needs through enhanced supports for naturally occurring retirement communities

Seniors Requiring Enhanced Supports



- Creating 5,000 new long-term care beds by 2022, with a 10-year plan to create 30,000 beds
- Increasing the provincial average of direct care to 4-hours per resident per day, when fully phased-in

Seniors Requiring Intensive Supports



- Providing better community transportation in underserved communities
- Providing a free, high-dose flu vaccine starting in 2018 targeted to protect seniors

Supports for All Seniors



Fairness for Patients

Investing an additional **\$7 billion** in health care over three years to reduce wait times, improve access to care and enhance patients' experiences.



Investments in Hospitals

- Providing better access to procedures, programs and tech (\$618 million)
- Repairing / upgrading 131 hospitals this year (\$175 million)

Improving Mental Health Services

- Expanding services for children, youth and students
- Investing \$222 million over 3 years to fight the opioid crisis

Boosting Access to Primary Care

- Supporting the expansion of interprofessional primary care teams by investing \$248 million over 3 years

Helping Students

- Making tuition free for more than 210,000 students this year.
- Implementing net tuition billing to ensure postsecondary students receive a reduced upfront bill, with OSAP already factored in.



Fairness for Workers & Modernizing and Strengthening Retirement Security



Proposing to modernize Ontario's employment and labour laws and strengthen retirement security.

Increasing the Minimum Wage

- Proposing to increase the hourly minimum wage to \$14 on January 1, 2018 and \$15 by January 1, 2019

Supporting Workers

- Ensuring part-time workers are paid the same as full-time workers and introducing paid sick days for all workers

Strengthening & Modernizing Retirement Security

- Playing a leadership role to enhance the Canada Pension Plan and modernize pension regulations

Ontario's Fair Hydro Plan

Delivering the single largest reduction in electricity rates in our history.



Reducing Electricity Rates

- Reducing electricity bills by 25% (\$41 on average) for eligible households
- Approximately 500,000 eligible small businesses and farms also benefit

Providing Additional Support

- Providing those with low incomes / living in eligible rural / remote communities reductions of as much as 40% to 50%

Supporting Families with Children

Investing in children's health and education to give them the best start in life.



Accessible / Affordable Childcare

- Helping an additional 24,000 children access licensed childcare in 2017-18 by dedicating \$200 million

Children & Youth Pharmacare

- On January 1, OHIP+ will provide free prescription drug coverage for everyone aged 24 and under

Other Initiatives

Fair Housing Plan

Ensuring Women's Safety and Security

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Fair Hydro Plan - Residential

Q: How is Ontario helping to lower electricity costs for residential consumers?

A: Ontario's Fair Hydro Plan (OFHP or the Plan) lowers household electricity bills by 25 per cent, on average, for residential consumers in the province. Approximately 500,000 small businesses and farms are also receiving a benefit. In addition, rate increases over four years will be held to the rate of inflation.

The 25 per cent reduction includes the 8 per cent Ontario Rebate for Electricity Consumers, which began on January 1, 2017, refinancing a portion of the Global Adjustment, and removing the cost of some programs (the Ontario Electricity Support Program and most of the Rural or Remote Rate Protection program) from electricity bills.

Ontario's Fair Hydro Plan also includes the following:

- Helping vulnerable electricity consumers by enhancing electricity support programs
- Eligible consumers will receive additional funding through the following assistance programs:
- The enhanced Distribution Rate Protection for residential customers served by the local distribution companies (LDCs) that have some of the highest rates. This broadens the support provided under the existing Rural or Remote Electricity Rate Protection (RRRP) program.
- An expanded Ontario Electricity Support Program (OESP), that increases participation and provides further assistance to eligible participants
- A newly established First Nations On-Reserve Delivery Charge Credit.
- The Affordability Fund, which was established to support Ontarians who do not qualify for low-income conservation programs and who are unable to undertake energy-efficiency improvements without support.
- Improving sector efficiency and modernizing Ontario's electricity market, in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).

People with low incomes receiving OESP, and those living in eligible rural or remote communities, are receiving even greater reductions, as much as 40 to 50 per cent. On-reserve First Nation residential customers of licensed distributors will get a 100 per cent credit on the delivery line of their bills.

Additional measures

The government removed the Debt Retirement Charge (DRC) from residential users' electricity bills, as of January 1, 2016. This is saving a typical residential ratepayer about \$70 per year, and means ending the DRC earlier than otherwise provided for in the Electricity Act, 1988.

The Province has already taken significant steps to support Ontario families and seniors:

- Ontario Energy & Property Tax Credit – for 2017, up to \$1,023 in tax relief for non-seniors, \$1,165 in tax relief for seniors, or \$227 in tax relief if you live on a reserve or in a public long-term care home, to help with the sales tax on energy, including electricity, and property tax.
- Northern Ontario Energy Credit – for 2017, up to \$148 for single people in the north, or up to \$227 for families in the north, to help with their higher energy costs.
- The Strengthening Consumer Protection and Electricity System Oversight Act, 2015, passed on December 1, 2015 enhances the OEB's role to ensure that it continues to have a robust set of tools to protect consumers and regulate the energy sector.
- Energy Consumer Protection Act, 2010 – tough new rules to protect consumers from unfair practices in the retail energy sector.

Q: How are you changing the way programs are currently funded?

A: Programs designed to support customers that are most vulnerable to increasing electricity costs have been shifted from being funded by ratepayers through electricity bills to being government funded, recognizing that they are similar to other social assistance programs. The Ontario Electricity Support Program and most of the Rural or Remote Rate Protection program are now government-funded.

Q: The figure of 25 per cent savings is for a typical residential consumer. How much money will households actually save?

A: The reduction varies depending on a number of factors, including the level of consumption, and the local distribution company a consumer is connected to.

As of July 1, 2017, electricity bills have been reduced by 25 per cent on average, or about \$41 per month, for eligible households.

The table below provides examples of the ratepayer impact under Ontario's Fair Hydro Plan compared to what electricity consumers would otherwise have paid. This is based on information provided by the Ministry of Energy.

The estimates are illustrative examples, and not reflective of any “average” household. All the examples below assume that the consumers types in question have a typical time-of-use consumption profile and the savings “Percentage Reduction” noted include the 8% bill reduction equal to the provincial portion of HST, as well as the Global Adjustment, and expanded/enhanced Rural and Remote Rate Protection program and Ontario Electricity Support Program, where applicable.

Consumer Type (Who...?)	Estimated bill before 8% Rebate and FHP (\$/month)	Estimated Savings (\$/month)	Estimated bill after Savings (\$/month)	Percentage Reduction
Toronto Hydro residential customer consuming 750 kWh per month	160	~40	120	25%
Hydro One residential consumer, R2 rate class (low density area), heating with electricity and consuming 2,500 kWh per month	563	225	338	40%
Hydro One residential consumer, R1 rate class (medium density area), heating with electricity and consuming 2,500 kWh per month	500	200	300	40%
Low-income residential consumer in a household of 4 with a combined income less than \$28,000 connected to Alectra, consuming 750 kWh per month and currently receiving the basic OESP credit	120	60	60	50%
First Nations residential consumer connected to Hydro One as a R2 consumer, consuming 1,300 kWh per month , with current participation in RRRP, assumes the First-Nations On-Reserve Delivery Credit would reduce the delivery line to zero	292	175	117	60%

Q: Who is paying for the Fair Hydro Plan and how much will it cost? Will the government raise taxes to pay for this?

A: No, the government is not raising taxes to fund the Fair Hydro Plan. As a result of the government's prudent fiscal management, the government is able to take on these new measures to help ease electricity costs for Ontarians. The government is doing this by changing the way electricity costs are recovered and moving funding for assistance programs off of hydro bills.

In particular, a portion of the Global Adjustment costs of electricity is being shifted to the future for a fairer allocation of costs, among current and future consumers, reflecting the longer expected useful lives of recent generation investments in the electricity sector that can provide longer term benefits than their 20-year contract lengths.

In addition, a number of important electricity support programs are now funded by the Province rather than by ratepayers, which reduces electricity costs for all consumers. These new measures will cost up to \$2.5 billion over three years and include the following:

- Expanding the Ontario Electricity Support Program by increasing the on-bill credits by 50 per cent and expanding eligibility to more lower-income customers.
- Providing an enhanced Distribution Rate Protection program for residential customers served by the local distribution companies (LDCs) that have some of the highest rates in the province. The enhanced distribution rate protection broadens the support provided under the existing Rural or Remote Electricity Rate Protection.
- Establishing an Affordability Fund to help people who do not qualify for low-income conservation programs and who are unable to undertake energy-efficiency improvements without support.
- Reducing the monthly electricity bills for on-Reserve First Nation residential customers of licensed distributors by giving the customers a 100 per cent credit on the delivery line or service charge of their bills.

Q: Why is Ontario refinancing the Global Adjustment?

A: The much-needed rebuilding of an aging electricity system resulted in rapidly rising rates for many people across Ontario. The government recognized that present-day consumers should not be burdened with paying a disproportionate share of investments that can provide benefits for decades to come.

That is why the government announced Ontario's Fair Hydro Plan in March 2017. A portion of the Global Adjustment, which helps pay for investments in electricity supply and conservation, is being refinanced to spread the cost recovery from

ratepayers of electricity investments over a longer period of time. This refinancing and cost recovery from ratepayers in the future over a longer period, reflects the expected longer life cycle of existing facilities and is providing significant and immediate rate relief, helping to ensure intergenerational fairness.

Q: How can the government refinance over this longer period when existing generation contracts do not extend this far into the future? How can the government assume the plants will be available to operate over this longer period and at what price?

A: The policy objective of the Ontario's Fair Hydro Plan in refinancing the global adjustment is to more fairly allocate the cost to the ratepayers over the useful life of the generation plants or facilities, not the contractual terms of the asset. The key objective is to ensure that the costs borne by the beneficiaries of the electricity system, the ratepayers, fund the costs of these assets over the life of the assets.

The government is working to ensure that a flexible energy system and innovative technologies are in place to meet electricity demand at reasonable prices over the medium to long term. The 2017 Long-Term Energy Plan (LTEP) notes that while the demand for electricity is expected to remain steady, Ontario will be developing a flexible energy system that can meet possible future outlooks, using both existing generation assets as well as assets that would be coming on-line over time. The LTEP also indicated that a shortfall in capacity is expected beginning in the early-to-mid 2020s and additional resources would need to be procured to meet the base case demand scenario.

The 2017 LTEP projects that the residential price for electricity will remain below the outlooks published in the 2010 and 2013 LTEPs. The projected electricity prices for large consumers will, on average, be in line with inflation over the forecast period. This is the result of previous investments that delivered a cleaner and more reliable energy system, anticipated benefits from Market Renewal, and cost-reduction measures.

Q: Why is OPG involved in financing the Global Adjustment? The FAO reported this financing mechanism will add \$4 billion in interest costs. Is this not adding more costs to ratepayers?

A: The policy objective of Ontario's Fair Hydro Plan (OFHP) is to more fairly allocate the cost to ratepayers over the useful life, not the contractual term, of electricity generating assets. Therefore, it was a primary policy objective to ensure that the costs are borne by the beneficiaries of the electricity system – the ratepayers – not the tax-base.

We believe it is appropriate for ratepayers to pay for the financing of electricity assets. The rate-base has a different risk profile than the tax-base, which would be reflected in different interest costs. Having the rate-base pay interest costs is

not a new policy, for example Hydro One has borrowed in the capital markets since the early 2000s.

The \$4 billion figure in the Office of the Auditor General's report was sourced from the FAO's May 2017 report and is important to note, that the FAO's calculation was based on preliminary estimates of the program when peak debt estimates for the thirty year program were substantially higher and interest costs were forecast to be higher than current projections.

Q. How would a rise in interest rates affect your GA financing plan?

A. The Global Adjustment refinancing plan will be robust and take into account managing potential interest rate increases over the life of the initiative.

Q. How will this affect the province's credit rating?

A. The Province continues to be committed to a balanced budget for 2017–18.

As usual, the rating agencies will review the Province's finance's as presented in the Budget, Public Accounts and Fall Statement, including the impact of the Fair Hydro Plan, as well as the economic outlook and fiscal plan.

Q. Why not reduce costs by directing benefits towards those who really need them?

A. As part of Ontario's Fair Hydro Plan, people with low incomes and those living in rural communities are benefitting from additional reductions to their electricity bills.

- The Province provides enhanced distribution rate protection for residential customers served by LDCs that have some of the highest rates. About 800,000 customers now benefit from the enhanced Distribution Rate Protection program.
- Ontario expanded the OESP by increasing the on-bill credit by 50 per cent. Single and low-income consumers who receive the lowest credit amount can get an increase from \$30 to \$45 per month (\$540 per year, an increase of \$180), and the lowest credit for consumers who are either Indigenous, use electric heat or have certain medical devices will increase from \$45 to \$68 (\$816 per year, an increase of \$276).
- The Province has followed through with the First Nations On-Reserve Delivery Credit funded by provincial revenues, saving them an average of \$1,020 per year.

In October 2017, the Province announced the launch of the \$100 million Affordability Fund, designed to help people who do not qualify for low-income conservation programs and who are unable to undertake energy-efficiency

improvements without support. The Fund will support free installation of energy saving LED light bulbs, power bars, improved insulation and energy-efficient air conditioners and refrigerators.

Q. Are you not doing an apples and oranges comparison comparing 2017 LTEP monthly electricity bill forecast using 750 kWh consumed per month to 2013 and 2010 monthly bill forecasts using 800kWh?

A. LTEP 2017 and the notes to Chart 1.6 fully disclose that between the late-2009 and mid-2016 period, the Ontario Energy Board (OEB) defined the typical residential customer as a household that consumed 800kWh. This has changed as of May 2016 when the OEB changed its typical residential consumption to 750 kWh per month, due to declining household consumption.

As 750 kWh per month is reflective of the current average consumption used by the OEB, it is appropriate to be consistent with that in the LTEP projection on residential monthly electricity bills. It also is an indication that Province's conservation program are working.

If pressed on whether bills would be higher at 800 kWh:

750 kWh is reflective of the current average consumption used by the OEB and therefore is the appropriate. Typical residential bills have been reduced by 25 per cent under Ontario's Fair Hydro Plan. Consumers in eligible rural areas and low-income consumers are seeing even greater reductions of 40 to 50 per cent.

Ontario Electricity Support Program

Q. What changes has the government made to the OESP under the Fair Hydro Plan?

A. The government has expanded the eligibility for OESP so that more Ontarians can receive the credit. The government has also increased OESP credits by 50 per cent. Here is what that it means for people in common situations:

- Single, low-income consumers who receive the lowest credit amount currently receive \$30 per month (\$360 per year). They will now receive \$45 per month (\$540 per year).
- Some customers cannot avoid using more power because their home is electrically heated or they rely on an approved medical device that consume a lot of electricity. For a single, low-income customer eligible for the enhanced credit, the amount has grown from \$45 per month (\$540 per year) to \$68 per month (\$816 per year).

- A family of four which uses electric heat will see their credit climb from \$55 per month (\$660 per year) to \$82.50 per month (\$990 per year).

The OESP is now funded by the tax base, which will reduce regulatory charges on electricity bills for all Ontario ratepayers.

Enhanced Distribution Rate Protection and Rural or Remote Rate Protection program

Q: What is the Rural or Remote Rate Protection program, and what changes has the government made to the Rural or Remote Rate Protection (RRRP) program under the Fair Hydro Plan?

A: The Rural or Remote Rate Protection (RRRP) program provides a rate subsidy to residential customers in eligible rural or remote communities.

Prior to enhancements, the RRRP program provided relief to approximately 350,000 rural Ontario residential customers, but has since expanded distribution charge relief to about 800,000 customers, served by local distribution companies (LDCs) with the highest rates.

Ontario's Fair Hydro Plan provides enhanced distribution rate protection for residential customers served by LDCs that have some of the highest rates. This will let eligible customers save as much as 40 to 50 per cent on their electricity bills. The enhanced distribution rate protection broadens the support provided under the existing RRRP.

For example:

- A Hydro One R2 customer (residential, low density) consuming 2,500kWh a month has their distribution cost reduced by about \$75.
- A Hydro One R1 customer (residential, medium density) consuming 1,000kWh a month has their distribution cost reduced by about \$18.
- An InnPower customer consuming 1,000kWh a month has their distribution cost reduced by about \$12.

In addition, the Province has moved most of the funding of the RRRP program from electricity bills to provincial revenues, thereby reducing regulatory charges for all Ontario ratepayers.

Q: What is the distinction or difference between the Distribution Rate Program compared to the Rural or Remote Rate Program?

A: The Rural or Remote Rate Protection (RRRP) program provides a rate subsidy to residential customers in eligible rural or remote communities. Prior to the proposed enhancements announced in March 2017, the RRRP program provided relief to approximately 350,000 rural Ontario residential customers. With the Distribution Rate Program, distribution charge relief is expanded to about 800,000 customers.

Ontario's Fair Hydro Plan provides enhanced Distribution Rate Protection (DRP) for residential customers served by LDCs that have some of the highest rates. This will let eligible customers save as much as 40 to 50 per cent on their electricity bills. The enhanced distribution rate protection broadens the support provided under the previously existing RRRP.

A consumer who falls into any of the following categories is eligible for the Distribution Rate Protection (DRP) program:

- A consumer with a residential-rate classification with any of the following distributors:
 - Atikokan Hydro Inc.
 - InnPower Corporation.
 - Chapleau Public Utilities Corporation.
 - Sioux Lookout Hydro Inc.
 - Northern Ontario Wires Inc.
- An Algoma Power Inc. consumer that falls within the R1 residential-rate classification, if he or she resides continuously at the service address for at least eight months of the year.
- A Hydro One Networks Inc. consumer that falls within the R1 or R2 residential-rate classification, if he or she resides continuously at the service address at least eight months of the year.
- A Lakeland Power Distribution Ltd. Consumer that falls within a residential-rate classification, within the former Parry Sound Power service area.

In addition, the Province has moved most of the funding of the RRRP program from electricity bills to provincial revenues, thereby reducing regulatory charges for all Ontario ratepayers.

Affordability Fund

Q. What is the Affordability Fund?

- A. For those most in need, the low-income Home Assistance Program provides energy efficiency upgrades in homes at no cost to the customer to help reduce future electricity bills.

The government recognizes that there are other electricity customers who are in need but do not meet the Home Assistance Program eligibility criteria. As part of Ontario's Fair Hydro Plan, the Province has established an Affordability Fund to help Ontarians who do not qualify for low-income conservation programs to make energy efficiency improvements to their homes, improvements that could not otherwise be done without the support.

The \$100 million Affordability Fund provides an additional tool to help customers who are not eligible for low-income conservation programs and who are unable to undertake energy efficiency improvements without support. The Fund would provide support for energy efficiency improvements to help customers reduce future electricity bills and avoid future disconnections.

There are three levels of support available:

- **Level 1:** Receive a Home Energy Kit with upgrades that you can easily install yourself. This may include ENERGY STAR® light bulbs, a power bar and/or faucet aerators along with energy-saving tips.

The equipment that can be offered at this level includes: Block heater timer, smart power bar, efficient shower heads, aerators, hot water pipe insulation and LED light bulbs.

- **Level 2:** Receive an in-home visit from a professional Home Energy Advisor, a Home Energy Plan and upgrades that may include ENERGY STAR® appliances.

The equipment that can be offered at this level includes: Refrigerators, freezers, window air conditioners, dehumidifiers and programmable thermostats.

- **Level 3:** For electrically heated homes only: receive an in-home visit from a professional Home Energy Advisor, a Home Energy Plan and upgrades that may include insulation and/or an ENERGY STAR® heat pump.

The equipment that can be offered at this level includes: Heat pumps, comprehensive draft proofing, attic insulation and wall insulation.

First Nations On-Reserve Delivery Charge Credit

- Q. What has the government done to reduce electricity bills for First Nations people living on reserves?**
- A. Through Ontario's Fair Hydro Plan, the government is providing additional support for people who live on First Nations reserves. The government has reduced the monthly electricity bills for on-reserve First Nation residential customers of licensed distributors by giving the customers a 100 per cent credit on delivery line or service charge of their bills. This provides eligible customers with an average monthly benefit of \$85 (\$1,020 per year). This benefits approximately 21,500 residential customers living on reserves.
- Q. Who is eligible to receive the First Nations On-Reserve Delivery Credit and how much will the average household receive?**
- A. An on-reserve consumer who is a member of a band within the meaning of the Indian Act (Canada) is eligible to receive a delivery credit from a licensed distributor with which the on-reserve consumer holds an account that falls within a residential-rate classification. Eligible customers would receive an average of \$85/month through the First Nations On-Reserve Delivery Credit.

First Nations customers do not need to apply for this First Nations On-Reserve Delivery Credit, if their local distribution company already exempts them from HST. It will automatically be applied on to their bill.

Other Related Qs and As

Reliable and Clean Energy Supply

Q: What has the government done to ensure a reliable and clean supply of energy?

A: A clean, reliable and affordable supply of electricity is a critical element for sustainable job creation and economic development.

Since 2003, the government has made significant progress transforming the electricity system into one that Ontarians can count on for reliability and clean energy, while creating health and environmental benefits.

Nearly \$70 billion has been invested in Ontario's electricity system since 2003.

In 2016, Ontario produced more than 50 per cent of its electricity from nuclear, with renewable resources providing about 30 per cent and emitting generation providing less than 10 per cent. Conservation reduced energy consumption by about nine per cent.

Reducing Electricity Costs for Businesses

Q: Why has the government expanded the Industrial Conservation Initiative? How will this expansion of ICI help businesses with their electricity costs?

A: The Industrial Conservation Initiative (ICI) provides an incentive for large electricity consumers to reduce their electricity costs by reducing their demand during peak hours. Reducing consumption during peak hours benefits companies financially and benefits the electricity system by deferring the need for new peaking generation.

The program started in 2010 with a demand threshold of five MWs. The government has since expanded eligibility several times to allow more businesses to take advantage of the program, including, most recently, the following:

- On January 1st, 2017, regulation came into effect for the Industrial Conservation Initiative (ICI) to be expanded by reducing the demand threshold for eligibility to one megawatt (MW) and opening the program to all sectors, thereby including more than 1,000 newly eligible customers.
- In addition, as part of Ontario's Fair Hydro Plan, effective July 1, 2017, Ontario expanded the ICI program by reducing the eligibility threshold from one MW to 500 kilowatts (kW) for targeted manufacturing and industrial sectors. The newly expanded ICI targets manufacturing sectors with NAICS

codes commencing with the digits "31", "32", and "33", as well as NAICS code 1114, which includes greenhouses.

- Other Provincial, existing actions to reduce electricity costs for businesses include the following:
- Providing ongoing annual support totalling up to \$120 million through the Northern Industrial Electricity Rate (NIER) program to qualifying large industrial facilities in northern Ontario to help maintain competitiveness.
 - A rebate of two cents per kilowatt-hour is provided to NIER participants on eligible electricity consumption.
 - Participants for the NIER program are required to develop and implement an energy management plan to manage their energy usage and reduce costs.
- Ending the debt retirement charge (DRC) for commercial, industrial and all other electricity users as of April 1, 2018.

Protecting Consumers

Automobile Insurance

Q: What has the government done to lower auto insurance rates?

A: Over the past decade, the government has made a number of important and necessary reforms, including anti-fraud measures, changes to deductibles, and increased oversight of the towing industry.

Previous changes resulted in short-term decreases in auto insurance rates, only to see rates increase again in the longer term.

Recognizing that more needed to be done, the government appointed David Marshall as advisor on auto insurance in 2016 and asked him to recommend ways to make auto insurance more affordable and to improve health outcomes for those who are hurt in auto collisions.

Q: How much have auto insurance rates gone down (compared to the 15% rate reduction target)?

A: On average, rates have decreased 6.6 per cent since August 2013.

Significant reforms came into effect in June 2016, and the full impact of these reforms on rates will not be realized for several years.

Q: What is the status of the government's ongoing review of David Marshall's April 2017 Report?

A: Mr. Marshall's report was released in April 2017.

In August and September 2017, the government consulted with stakeholders on Mr. Marshall's report recommendations.

In the coming weeks, the government will announce new measures aimed at transforming important aspects of Ontario's auto insurance system to create a more efficient system focused on timely care for those who are hurt in collisions and sustained savings for consumers.

Q: What new measures is the government proposing?

A: The government has identified short-term and longer-term reforms that need to be made to Ontario's auto insurance system.

In the short term, the government is proposing legislative amendments that will modernize the process through which insurance companies receive approval of their auto insurance rates.

Borrowing and Debt Management

General

Q: Why is total long-term public borrowing \$25.8 billion in 2017–18 when the Province is forecasting a balanced budget?

A: Even with a balanced budget, long-term public borrowing is still necessary, primarily to refinance debt maturities and fund the Province's investments in capital assets. Total borrowing for 2017–18 is now forecast to be \$0.6 billion less than the forecast in the 2017 Budget as a result of higher pre-borrowing in 2016–17 and lower debt maturities.

Q: Why does the Net Debt-to-GDP ratio decrease to 37.3 per cent at the end of fiscal 2017–18, compared to the 37.5 per cent forecast in the 2017 Budget?

A: The decrease in the Net Debt-to-GDP ratio to 37.3 per cent is mainly as a result of lower net investment in tangible capital assets in 2016–17 and a stronger GDP growth forecast in 2017–18.

Q. The 2017 Budget forecast that the net debt to GDP ratio will decline from 2017–18 onwards. How will this be achieved?

A: The balanced budgets from 2017–18 onwards will limit the increase in net debt to net investments in capital assets. These investments will contribute to the economy growing at a faster rate than net debt allowing the Government to reduce net debt-to-GDP ratio to its pre-recession level of 27 per cent.

Q: The Province is projected to borrow \$25.8 billion in 2017–18. That's approximately \$1,817 for every person in Ontario. When will the Province eventually run into a debt wall and be forced to raise taxes and cut services?

A: There is strong demand for Ontario bonds in both the domestic and international markets. Last fiscal year Ontario was able to borrow \$27.0 billion in long-term debt while our spread, or the margin that we have to pay over the equivalent Government of Canada bond, tightened, indicating ongoing strong demand for Ontario bonds. We expect that the liquidity of Ontario benchmark bonds and continuing confidence in the value of Ontario debt will allow us to cost-effectively complete the 2017–18 borrowing program. As at November 14, 2017 the Province has completed \$24.2 billion of its \$25.8 billion borrowing requirement for 2017–18.

Q: Has it been difficult to complete the Province's borrowing program?

A: The Province continues to see strong demand for its bond issues in both the domestic and international markets. As of November 14, 2017, the Province had completed \$24.2 billion of its \$25.8 billion borrowing requirement for 2017–18, meaning that Ontario had completed 94 per cent of this fiscal year's borrowing program after only seven and a half months.

Q: What does non-cash adjustments of \$6.7 billion in 2017–18 represent?

A: Non-cash adjustments convert accounting accruals into cash requirements. Cash and accruals primarily differ due to accrued expenses that do not result in a cash outlay. These include the reserve of \$0.5 billion, and \$3.5 billion in Alternative Financing Procurements (AFPs) funded by third parties, partly offset by substantial completion payments to be made in 2017–18 for prior AFP projects. Another significant adjustment is amortization that is currently over \$5.5 billion but is partly offset by general timing adjustments that always arise between the Province's inflows and outflows on a cash versus accrual basis. A notable example of the latter is the variance between the net incomes of the Government Business Enterprises and the dividends they pay to the Province.

Q: Is the Province planning to issue any more Green Bonds in the future?

A: The Green Bond program is an ongoing program of the Province of Ontario. To date, Ontario has issued three Canadian dollar Green Bonds. The Province plans to issue its fourth Green Bond before the end of fiscal 2017–18.

On October 2, 2014, Ontario successfully launched a Green Bond program, with an inaugural global Canadian dollar bond of \$500 million. On January 22, 2016, Ontario launched a second global Canadian dollar bond of \$750 million and a third on January 27, 2017 of \$800 million.

Interest on Debt (IOD)

Q: What is the impact on IOD of a \$1.0 billion change in deficit?

A: The 2017–18 impact is forecast to be approximately \$30 million.

Q: What is the impact on IOD of a one percentage point change in interest rates?

A: The 2017–18 impact is forecast to be approximately \$300 million over a full year.

Q: What are your interest rate assumptions in the 2017–18 IOD budget for the FES in comparison to the 2017 Budget?

A: In line with the forecast changes to the 90-day and 10-year Government of Canada rates, we assume that 10-year interest rates decline from 3.0 to 2.9 per cent and 90-day rates increase from 0.7 to 1.2 per cent.

Q: Will IOD costs crowd out other expenditures as interest rates rise and debt continues to climb? How can you address this problem?

A: The declining IOD-to-revenue ratio since the early 1990's indicate the IOD costs have not crowded out other expenditures. For example, the 2010 Budget forecasted that, by 2017–18, the Province would have to spend 11.3 cents of every revenue dollar received on interest. The current forecast is 3.1 cents lower, at 8.2 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 1990s and 2000s, and is forecast to remain lower through the outlook period to 2019–20.

Credit Ratings

Q: What are the Province's current credit ratings?

The Province is rated:

	<u>Long-Term</u>	<u>Short-Term</u>
Moody's Investors Service:	Aa2	P-1
Standard & Poor's:	A+	A-1
DBRS:	AA (low)	R-1 (mid)
Fitch	AA-	F1+

Q: How will the credit rating agencies respond to the 2017 Fall Statement?

A: Ontario currently maintains a double-A rating with three of its four credit rating agencies. Ontario is projecting a balanced budget in 2017–18, and continued balance in 2018-19 and 2019-20, consistent with the plan laid out in the 2017 Budget.

We continue to update the rating agencies on a regular basis on economic and fiscal developments.

Q: How have the rating agencies responded to the qualified opinion on the public accounts and the recent report from the Auditor General noting that the government's plans obscure the financial impact of the Electricity Rate Cuts?

A: The Province's financial results in Public Accounts for 2016-2017 showed that the government had once again beaten its annual deficit targets. Ontario is projecting a balanced budget in 2017-18, and continued balance in 2018-19 and 2019-20, consistent with the plan laid out in the 2017 Budget.

The rating agencies make their own assessment of the province's finances. However, there were no credit rating implications either this year or last when the Province received a qualified audit opinion on its Public Accounts. Qualified opinions by the Auditor Generals of British Columbia and Quebec have been made in their respective provinces in the past, with no negative impacts on their province's credit ratings.