MOF Qs & As

Electricity Rate Mitigation Announcement
March 2, 2017

Key Messages

- The government remains committed to balancing the budget by 2017-18.
- This will not mean an increase in taxes. We'll do this by changing the way electricity costs are recovered and moving funding for assistance programs off of hydro bills.
- As a result of the government's prudent fiscal management, we are able to take these new measures to help ease electricity costs for Ontarians.
- While Ontario's economy has recovered from the global recession, many families are not yet feeling the impact of the recovery – that's why we're continuing to invest in the things that matter most to people.
- We continue to invest in the economy, our people and a healthy, clean and prosperous low-carbon future. These investments will help enhance the public services that Ontarians rely on and stimulate economic growth.

Commented [MR(1]: Consistent with Energy messaging (9 pm)

Commented [MR(2]: Consistent with Energy messaging (9 pm)

Redirect to ENERGY:

1. Questions related to the Global Adjustment or debt retirement charge
2. Questions about electricity support programs or how they will be funded:
    - Ontario Electricity Support Program (OESP)
    - Remote Electricity Rate Protection (RRRP)
    - Affordability Fund
    - On-Reserve First Nations Rate
3. How the changes will be implemented
4. What changes consumers will see on their bill
5. Questions about current or future costs
6. Market renewal
7. Advertising related to hydro/price mitigation initiatives
8. Specifics about electricity prices
9. Electricity trading and pricing in other jurisdictions
10. Public sector salary disclosures for energy agencies

Q1. How would the Fair Hydro Plan impact Ontario's plans for a balanced budget?

A. The government remains committed to balancing the budget by 2017-18.

Further details on our fiscal plan will be provided in the upcoming *2017 Budget*.

[If pressed]
PO messaging: We will be keeping a close eye on economic growth, with the understanding that should it slow, this could create challenges in maintaining our deficit target.

Commented [MR(3]: Note: PO messaging

Q2. What will be the cost of providing the Fair Hydro Plan to Ontarians and how will it be reflected in the fiscal plan? How can the government pay for this?

This will not mean an increase in taxes.

As a result of the government's prudent fiscal management, we are able to take these new measures to help ease electricity costs for Ontarians.

We'll do this by changing the way electricity costs are recovered and moving funding for assistance programs off of hydro bills.

Commented [MR(4]: Consistent with Energy messaging (9 pm)

[If pressed]

This Fair Hydro plan includes changing some funding sources and recovering other costs over a longer time period. These new measures will cost the government up to $2.5 billion over the next three years.

Commented [MR(5]: Consistent with ENE messaging (9 pm)

Q3. Will you raise taxes to pay for the relief?

A. The government remains committed to balancing the budget by 2017-18.

Nothing in today's announcement changes that or creates a need for new taxes.

Further details on our fiscal plan will be provided in the upcoming *2017 Budget*.

Q4. Aren't you just making the taxpayer subsidize the ratepayer? And won't that be even more expensive once interest rates are taken into account?

A. The government is dedicated to reducing electricity costs wherever possible, while maintaining reliability for all consumers.

The proposed initiatives would deliver significant savings for eligible electricity consumers.

Q5: How is Ontario helping to lower electricity costs for residential consumers?

A: The Fair Hydro Plan is another example of how we're helping Ontario families, small businesses and farms with electricity costs.

This plan, including the 8 per cent Ontario Rebate for Electricity Consumers, will lower electricity bills by about 25 per cent for residential consumers in the province.

Small businesses and farms will also benefit from the initiative, with additional relief for people with low-incomes and those served by local distribution companies with the highest distribution rates.

[if pressed]
As of January 1, 2017, five million residential, small business and farm electricity users are receiving a credit on their electricity bills of an amount equal to 8 per cent of the provincial portion of the HST. This translates into average savings of about $130 annually or $11 each month.

In addition, Ontario has a number of programs in place to help low-to-moderate income individuals and families with energy costs, including the Ontario Energy and Property Tax Credit, the Ontario Electricity Support Program, the Ontario Sales Tax Credit, and the Northern Ontario Energy Credit.

the Rural or Remote Electricity Rate Protection program provides support to eligible rural or remote customers, and the removal of the debt retirement charge has been saving typical residential users about $70 each year since January 1, 2016.

Q6. Why would you not cap it so the benefits are directed towards those who really need it?

A. While Ontario's economy has recovered from the global recession, many families are not yet feeling the impact of the recovery – that's why we're continuing to invest in the things that matter most to people.

As part of the new Fair Hydro Plan, people with low incomes and those living in rural communities would benefit from additional reductions to their electricity bills.

[If pressed]

- The Province would expand the RRRP to provide distribution charge relief to additional customers served by LDCs with the highest rates. About 800,000 customers would benefit from the enhanced RRRP program.

- Ontario is increasing the OESP by 50 per cent, meaning that single, low-income consumers who receive the lowest credit amount would get an increase from $30 to $45 per month ($540 per year, an increase of $180), and the lowest credit for consumers that are either Indigenous, use electric heat or have certain medical devices would increase from $45 to $68 ($816 per year, an increase of $276).

- The Affordability Fund would provide Local Distribution Companies (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 Province is also moving forward in having the First Nations On-Reserve Delivery Credit funded by provincial revenues.

Q7. How much is this going to add to your debt?

A. The intention is that net debt would remain unaffected.

[Detail:]
The draft legislation to support the proposed Global Adjustment is in the process of being designed. The intention is to design it in such a way that it would not have a fiscal impact.

If the required legislation is passed, and to the extent that the province provides some financing to support the mechanism, the province's total debt would increase; however, the intention of the design is that net debt would remain unaffected.

It is anticipated that the increase in total debt would peak and then decline in later years as the cost of the refinanced global adjustment cost is recovered more fairly over time from current and future ratepayers, reflecting the expected useful life of the generation assets.

Q8. How will you manage a rise in interest rates?

A. The Global Adjustment refinancing model is in the process of being designed. It is expected that the design will be robust and take into account managing potential interest rate increases over the life of the initiative.

Q9. How will this impact 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 budget in the spring, including the impact of the Fair Hydro Plan, as well as the economic outlook and fiscal plan.