

Re: For Minister's prep tomorrow

From: "Ghiassi, Ali (MOF)" </o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=ghiassi, ali (mof)0ef">
To: "Jackson, Kelly (MOF)" <kelly.jackson2@ontario.ca>
Cc: "Ingram, Kelsey (MOF)" <kelsey.ingram@ontario.ca>, "Moore, Brynne (MOF)" <brynne.moore@ontario.ca>, "Martin, Jessica (MOF)" <jessica.martin@ontario.ca>
Date: Wed, 01 Mar 2017 23:37:23 -0500

Will try

Ali Ghiassi
Chief of Staff
Minister of Finance
416.948.5409

On Mar 1, 2017, at 11:36 PM, Jackson, Kelly (MOF) <Kelly.Jackson2@ontario.ca> wrote:

I'm not sure what's been prepared for him. Will you be chatting with him tomorrow am before the briefing?

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ghiassi, Ali (MOF)
Sent: Wednesday, March 1, 2017 11:32 PM
To: Jackson, Kelly (MOF)
Cc: Ingram, Kelsey (MOF); Moore, Brynne (MOF); Martin, Jessica (MOF)
Subject: Re: For Minister's prep tomorrow

Looks good. We just want to make sure this is not misaligned as compared to energy's materials. Let's just tweak after watching premier. What are the materials that the deputy will be using?

Ali Ghiassi
Chief of Staff
Minister of Finance
416.948.5409

On Mar 1, 2017, at 10:26 PM, Jackson, Kelly (MOF) <Kelly.Jackson2@ontario.ca> wrote:

Hi there,

Here's what we have put together for tomorrow morning. Let me know if I need to share with PO or if we are good to tweak according to tomorrow's technical briefing and the P's media avail and go from there.

Best,
K

Briefing Note

How will you pay for this?

Costs that affect provincial revenues right away is \$2.5 billion over three years. These costs are expected to be absorbed by:

- Ontario's strong economic growth
 - o GDP outperforming G7
- Revenues are up
 - o Q3 finances showing revenues were \$2.4B higher than our projections
- Managing spending
 - o Because of this we can provide the 25% relief while still balancing the budget

Global Adjustment cost TBD:

- Details TBD. The government intends to introduce legislation that would, if passed, enable IESP and OPG to work together to refinance GA over the longer period of time - could change the role of OEB

Will this affect you balancing the budget?

- This is part of our broader plan to balance the budget while making strategic investments to grow the economy and support the programs and services that Ontarians rely on.
- We will be providing an update on our entire plan in the upcoming Spring budget.

Global Adjustment:

- We made a conscious decision to invest in our electricity system to clean up the dirty, unreliable system we inherited from the PC's.
- Because of our investments, we have a cleaner more reliable system, today than we have had in years, proven by the fact we've had no brownouts or blackouts and we're no longer relying on dirty coal.
- Further, the infrastructure we've created is going to have a longer lifespan that will benefit future generations.
- We're cutting bills by smoothing out the pace of rate increases over the longer term.

Q & A

1. How will you pay for this?

As a result of Ontario's strong economic growth, revenues are up, enabling us to absorb the costs of these new and expanded programs. Last week we came out with Q3 finances showing that the provinces revenues were \$2.4 billion higher than our projections.

We expect this trend to continue. Our economy continues to perform well and private-sector economists expect Ontario to be one of Canada's fastest-growing provinces over the next two years.

If pressed on GA smoothing:

Details TBD. The government intends to introduce legislation that would, if passed, enable IESP and OPG to work together to refinance GA over the longer period of time - could change the role of OEB

2. Will this affect you balancing the budget?

We remain on track to balance. While these costs do put pressure on our fiscal plan, we are on track to balance in 17-18, and stay balanced the year after.

Just last week, we showed that for the eighth year in a row, Ontario is projecting to beat its deficit target, supported by the province's growing economy.

3. Will you cut services? Will you raise taxes?

This is part of our broader plan to balance the budget while making strategic investments to grow the economy and support the programs and services that Ontarians rely on.

We've always had a balanced approach. We've reined in program spending. As a result of Ontario's strong economic growth, revenues are up, allowing us to absorb projected program costs.

We will be providing an update to our entire plan in the upcoming spring budget.

4. So, you are shifting costs from ratepayers to taxpayers. How much is this costing the tax payer?

The new measures announced today will cost up to \$2.5B over the next three years.

5. Why take this approach to reducing costs?

1. Targeted funding for those that need it most
 - a. The Province is also moving forward in having these RRRP costs be funded by provincial revenues, reducing regulatory charges
 - i. \$500 million - upcoming fiscal year
 - b. OESP through provincial revenues
 - i. \$185 million - upcoming fiscal year
 - c. First Nation Delivery Credit through provincial revenues
 - i. \$20 million - upcoming fiscal year
2. Extending ICI to cover more businesses
3. Smoothing over Global Adjustment
 - a. Our goal is to spread the costs out of grid upgrades to reflect the true life of the asset.
4. Improving sector efficiency

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

Details TBD. The government intends to introduce legislation that would, if passed, enable IESP and OPG to work together to refinance GA over the longer period of time - could change the role of OEB

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

Rate increases will be kept below the rate of inflation for the next three years. I can't speculate on interest rates in four years' time. We will be working with OPG and others with the experience and expertise to ensure that the refinancing approach is prudent.

8. Aren't you just transferring debt to OPG?

We are taking these steps to relieve the current burden on rate payers and share costs more fairly. The government intends to introduce legislation that would, if passed, enable IESP and OPG to work together to refinance GA over the longer period of time - could change the role of OEB. We are spreading out the recovery of the investment over multiple years and we expect continued transformation in the sector to generate future savings.

9. Will this impact the province's credit ratings?

OPG is a proven steward of large-scale financing. We expect legislation to strengthen the security of the fund.

FYI - OPG has a long-term credit rating of 'BBB+' from Standard & Poor's (S&P) and 'A (low)' from DBRS

- <http://www.opg.com/about/finance/Pages/finance.aspx>

10. Will you be dipping into the reserve to pay for this?

This is part of our broader plan to balance the budget while making strategic investments to grow the economy and support the programs and services that Ontarians rely on.

We've always had a balanced approach. We've reined in program spending. As a result of Ontario's strong economic growth, revenues are up, allowing us to absorb projected program costs.

We will be providing an update to our entire plan in the upcoming spring budget.

11. Will this cost be on the books for this year?

We will provide a full fiscal update in the Spring Budget. Stay tuned.

12. How soon will people see savings on their electricity bills?

Starting this summer, Ontario's Fair Hydro Plan would provide households, as well as small businesses and farms, with this 25 per cent break