**Hydro One FAO Report – Questions and Answers**
**Ministry of Finance, Ministry of Energy**
**Version: January 12, 2018**
**Last reviewed by: IGS**

**Q1. Is it fair to say that any short-term gain from the sale of Hydro One will be negated over the long-term?**

- The government decided to accept the Premier's Advisory Council on Government Assets' recommendations to broaden the ownership of Hydro One in order to unlock new funding for building new roads, highways, bridges, transit and other needed major infrastructure projects and creating thousands of jobs
- While the government's portion of Hydro One's net income has been reduced as its ownership level decreased, the government remains the largest shareholder and would continue to benefit from improved efficiencies, growth and performance as a result of private sector discipline
- Any improved economic performance as a result of the infrastructure investments made would also positively impact government revenues

**Q2. In what year is it projected that the benefits from the sale of Hydro One will be wiped out by lost revenue?**

- The Province has exceeded its objective to raise $9 billion in gross proceeds and other revenue benefits from broadening the ownership of Hydro One, including $4 billion in net revenue gains that, through the Trillium Trust, will be invested in infrastructure and $5 billion to reduce debt
- The government's expectation is that, by broadening ownership of Hydro One, government revenue would benefit from improved efficiencies, growth and performance of Hydro One as a result of private sector discipline, as well as Ontario's improved economic performance as a result of the infrastructure investments made

**Q3. Can Hydro One sue the OEB to recover more deferred tax asset revenue? If so, would that have to be approved by the Board, which includes government-nominated members?**

- No, the OEB cannot be sued, as it is specifically prohibited by statute (s.11 of the *Ontario Energy Board Act, 1998*)
- Hydro One has chosen to appeal the OEB's decision through both available avenues in October 2017: the OEB's own appeal process, Motion to Review and Vary the Decision (Motion), and the Divisional Court of Ontario, which could set aside or confirm the OEB decision or refuse to hear the appeal
- Hydro One had indicated that the appeal with the Divisional Court of Ontario is stayed pending the outcome of the Motion, for which the OEB has granted an oral hearing scheduled to begin on February 12
- As outlined in the Governance Agreement between the Province and Hydro One, since the IPO the government engages in the business and affairs of Hydro One as investor and not manager, vesting management of the company with the Board of Directors and Executive team of Hydro One
- All members of Hydro One's board of directors, whether or not they have been nominated by the Province, have a fiduciary duty to act in the best interests of the corporation

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**Q5. It seems as though it's not actually $4B being spent on infrastructure – can you explain how much actually is?**

- The Province has exceeded its objective to raise $9 billion in gross proceeds and other revenue benefits through broadening the ownership of Hydro One, including $4 billion in net revenue gains that, through the Trillium Trust, will be invested in infrastructure
- The Province has dedicated $3.7 billion in net revenue gains from the sale of Hydro One shares in 2015 and 2016 to the Trillium Trust
- The Province is committed to crediting the Trillium Trust with the net proceeds from the sale of Hydro One shares in 2017

**Q7. The FAO outlines that the Avista purchase will have a negative effect on the province's books – why was this approved by the government?**

- This deal was a business decision made by Hydro One as an independent company.
- While the Province's ownership interest in Hydro One is expected to diluted following the transaction, Hydro One has indicated it expects the transaction to be accretive to earnings per share in the first full year of operation, which would represent a net benefit to all shareholders, including the Province

**Commented [CK(1]:** Latest version of the FAO report resolves the issues identified in the earlier version with respect to RSD and DRC so this question appears to no longer be relevant

**Commented [LT(2]:** The latest draft of the report does not speak to the acquisition of Avista and therefore this Q&A may no longer be necessary.