

Reporter/Outlet: Brian Hill, Global News

Topic: Watay Power financing

Summary statement:

The Wataynikaneyap Power Project is an incredible opportunity for Ontario to better serve First Nation communities and demonstrates strong economic value for Ontario's ratepayers and the government. The partnership between Wataynikaneyap Power and the Federal and Provincial governments is premised on a positive business case that benefits the 16 remote communities, which will now be able to access clean electricity, rather than relying on expensive and polluting diesel generation. It also benefits Ontario ratepayers by connecting these communities to the grid, which will ultimately save costs over the long run.

Questions/Responses:

1. Please provide a copy of the funding framework agreement announced yesterday.

The funding framework is set out in a memorandum of understanding (MOU) that contains provisions related to confidentiality that prevent it from being released at this point.

Confidentiality was included in the MOU because of the need for Wataynikaneyap Power (Watay Power) to undertake further commercial arrangements in developing this significant infrastructure project.

Watay Power will be applying to the Ontario Energy Board (OEB) for Leave to Construct in the near term. The OEB's Leave to Construct hearing will be public and Watay Power's application is expected to include further details on the funding for the project.

2. What is the source of the \$1.3 billion in spending the province has promised? Will this come from the tax base or will it be initially funded by electricity ratepayers?

The provincial contribution will be appropriated by the Province under a loan arrangement and recovered from the future federal funding, including interest costs.

3. Please provide an annual breakdown of the spending commitment during the construction period.

Wataynikaneyap Power (Watay Power) must obtain all approvals as a requirement for funding, and this includes obtaining Leave to Construct from the Ontario Energy Board (OEB).

Watay Power intends to submit an application for Leave to Construct in the near term. This approval process will provide more information on the specific project plan including with respect to timing of expenditures.

4. Please provide details on when/how the federal government will provide the up to \$1.6 billion it has promised?

The federal funding will be provided in two payments when the project completes designated milestones.

5. If cost of the project exceeds \$1.6 billion who will be responsible for the cost overruns?

~~The agreement includes provisions related to cost overruns, but these are currently confidential.~~

While details of the MOU are currently confidential, provisions that protect both ratepayers and taxpayers are an important part of the agreement.

6. If Ontario intends to borrow the funds needed for construction, does the \$1.3 billion commitment include the cost of servicing the debt?

Yes.

7. The plan as I understand it is for Wataynikaneyap Power to eventually have complete ownership of the project, how will this be accomplished?

Ontario understands from Wataynikaneyap Power (Watay Power) that Fortis, the industry partner, is aligned with the First Nations' goals of 100% ownership.

Watay Power would be best positioned to respond to their particular intentions; however, the First Nations that are participating in the project could undertake to purchase Fortis' equity share over time using proceeds from operating a regulated transmission asset.

8. In 2017, Ontario eliminated delivery charges on First Nations reserves: Will the 16 communities connected by the Watay Power line also not have to pay delivery charges once construction is complete?

The First Nation Delivery Credit (FNDC) is applicable to all First Nations customers on reserve that are serviced by a licensed distributor.

The FNDC was conceived out of a recognition of the unique challenges experienced by First Nations customers, as well as to recognize the contributions of First Nations to the electricity system in the province. It is one way that the Ministry of Energy is working to

ensure that communities across the province have access to clean and affordable electricity.

Recognizing that electricity rates are an issue for Ontarians beyond First Nations, Ontario's Fair Hydro Plan also took the pressure off of ratepayers to support programs such as the FNDC, and instead shifted these costs to the tax base, ensuring that ratepayers are not impacted.