

Ministry of Energy

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MAR 2 1 2017

Mr. Mayo Schmidt
President and Chief Executive Officer
Hydro One
483 Bay Street
8th Floor, South Tower
Toronto ON M5G 2P5

Dear Mr. Schmidt: *Mayo*

On March 2, 2017, the government announced Ontario's Fair Hydro Plan that would lower electricity bills by 25 per cent on average for all residential consumers in the province.

People with low incomes and those living in eligible rural communities would receive even greater reductions to their electricity bills. In addition, any electricity rate increases over the next four years will be held to the rate of inflation.

Building on previously announced initiatives to deliver broad-based rate relief, these measures will deliver the single-largest reduction to electricity rates in Ontario history.

Recently, electricity prices have increased because of much needed investments to modernize the system and to ensure it is clean and reliable. Ontario's Fair Hydro Plan will help relieve the burden of financing these system improvements on today's ratepayers by significantly restructuring the system to address long-standing policy challenges and ensure greater fairness.

In addition to the 25 per cent break on hydro bills, some of the other measures we are introducing include extra relief for people with low incomes through expansion of the Ontario Electricity Support Program (OESP); broadening the Rural or Remote Rate Protection (RRRP) to provide distribution charge relief to additional customers served by LDCs with the highest rates; and establishing an Affordability Fund for customers who do not qualify for low income conservation programs.

The Affordability Fund will be an additional tool to help all distributors with customers who are in need, and cannot undertake energy efficiency improvements without financial assistance. We expect that there will be opportunity for the industry to provide input to the Trust as it finalizes the details of this new Fund. When the Fund becomes accessible to distributors, I urge you to apply to make available these additional resources to your customers. Distributors deliver energy support and conservation programs in the province and I encourage that, where possible, you use existing program delivery infrastructure and agents for efficiencies.

We are also shifting the OESP and RRRP programs from being paid for through electricity bills to being paid for through government funding. This will reduce bills for everyone and ensure these programs continue to serve those in need.

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Finally, we are also proposing to expand the Industrial Conservation Initiative (ICI) to electricity consumers in the manufacturing sector (i.e., NAICs codes commencing "31", "32" and "33") with average peak demand greater than 500 kilowatts and less than 1 megawatt. If approved by Cabinet, newly eligible electricity consumers would need to be notified by their LDC of their eligibility by May 15, 2017, so they have the option to opt-in to the program by June 15, 2017, and be billed as ICI participants as of July 1, 2017. Further information on the proposal is available on the Regulatory Registry at www.ontariocanada.com/registry/view.do?postingId=23851&language=en.

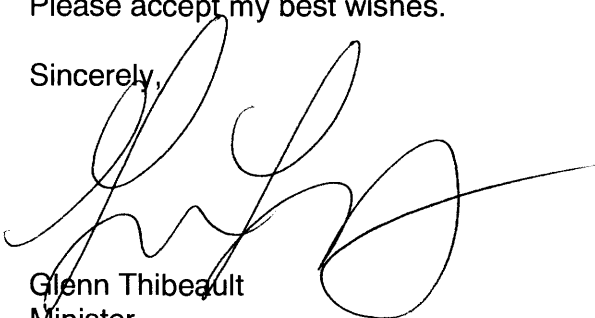
The government is working hard to put these rate relief measures into place as soon as possible. We will work with the OEB to develop program specifics and will keep you informed of your changing regulatory requirements. In the meantime, if you have any questions, please contact Sunita Chander, Director of Distribution and Agency Policy, at 416-325-6594 or at Sunita.Chander@ontario.ca.

I trust you receive this as good news for your customers, and will assist me in sharing the message about the benefits of the Fair Hydro Plan, including the 25 per cent off their hydro bill.

For more information on Ontario's Fair Hydro Plan, I encourage you to visit the webpage at ontario.ca/fairhydroplan.

Please accept my best wishes.

Sincerely,



Glenn Thibeault
Minister

P.S. Thanks again for your insights in the meeting with the Prince.