

I am writing to provide the Ontario Energy Board (OEB) with additional detail regarding elements of the government's proposed Ontario Fair Hydro Plan. These proposed details are being set out for the OEB at this time so that they can be considered as inputs into the OEB's review of Regulated Price Plan (RPP) prices for May 1, 2017, as the OEB considers appropriate and in keeping with its normal forecasting activities. Additional information regarding the government's proposed Plan is included in the attached Appendix, and underlying assumptions can be provided to the OEB by Ministry staff. I understand the OEB per the March 23rd order has instructed that the OESP charge will be zeroed out on electricity bills and the program will continue to be financed through the variance account.

The government proposes to take steps to lower electricity bills on an after-tax basis by 25% for a typical residential customer relative to what those bills would otherwise have been without the Ontario Fair Hydro Plan. This proposed 25% rate relief measure is inclusive of the 8% rebate that is already in effect under the *Ontario Rebate for Electricity Consumers Act, 2016* and the savings that are anticipated to result from the proposed shifting of Ontario Electricity Support Program (OESP) and the Rural or Remote Electricity Rate Protection program (RRRP) costs from ratepayers to Provincial revenues.

Along with changes to the OESP and RRRP, changes to the Global Adjustment (GA) are proposed to be a component of the 25% rate relief. Under current forecasts, this would mean a reduction in the GA of approximately \$2.5 billion during the period May 1, 2017 to April 30, 2018. The resulting savings are expected to benefit all Ontario customers that are eligible for the RPP, including those that have opted out of the RPP in favour of market-based pricing or a retail contract as well as non-RPP eligible customers that are eligible for the 8% rebate. The government's intention is that the 25% rate relief measure will be designed with reference to a set of assumptions based on a proxy residential customer.

I understand that the OEB will review RPP prices again in the fall, and will make such further adjustments effective November 1 as required, in accordance with the legislation in place at that time.

The proposed Plan is not intended to limit the OEB's mandate to set just and reasonable rates for transmission and distribution or to set just and reasonable payment amounts for Ontario Power Generation Inc. The government fully expects that the OEB will continue exercising its mandate in the public interest as it does today.

The government will rely heavily on the OEB's expertise in moving forward with the proposed Ontario Fair Hydro Plan, and anticipates that the OEB will want to focus on the elements of the proposed Plan described above before turning in earnest to consideration of any cost efficiency

initiatives that it may wish to implement in due course for the further benefit of Ontario electricity customers.

DRAFT