# RE: FAO report

**From:** "Schlaepfer, Martin (ENERGY)" <martin.schlaepfer@ontario.ca>
**To:** "Imbrogno, Serge (ENERGY)" <serge.imbrogno@ontario.ca>
**Date:** Tue, 06 Jun 2017 17:19:05 -0400

Hi Deputy,

Below is a proposed Q&A you could share with Steve to follow up on the inconsistencies in the FAO modelling.

Thanks,
Martin

**Q&A Response**

**Q. Are there any inconsistencies in the FAO modeling between fiscal impacts and ratepayer benefits?**

The FAO report only included the fiscal impact of funding the social programs through provincial revenues for three years. However, data provided by ENERGY to the FAO in the development of the FAO report included the ratepayer impact of having the social programs funded through provincial revenues for the life of Ontario's Fair Hydro Plan (i.e., to 2047). Based on its review of the final FAO report, ENERGY is unable to confirm how the FAO has used this data in its ratepayer impact analysis.

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**From:** Imbrogno, Serge (ENERGY)
**Sent:** June 6, 2017 3:30 PM
**To:** Orsini, Steve (CAB)
**Cc:** Davidson, Steven (CAB); Kwamena, Boafoa (CAB); Schlaepfer, Martin (ENERGY)
**Subject:** FW: FAO report

**Hi Steve,**

**I sent you the email below clarifying what the legislation says about the RRRP costs and the taxbase. Steen is checking on any inconsistencies in the FAO modeling between fiscal impacts and ratepayer benefits.**

**Serge**

**From:** Imbrogno, Serge (ENERGY)
**Sent:** May 23, 2017 1:48 PM
**To:** Orsini, Steve (CAB)
**Cc:** Davidson, Steven (CAB); Bromm, William (CAB); Kwamena, Boafoa (CAB)
**Subject:** Re: FAO report

> *Hi Steve,*

*The existing RRRP program provides support to Hydro One R2 customers, as well as customers in Algoma Power and remote communities. The Fair Hydro Plan announced that the Ministry intends, through legislation and regulation, to move RRRP costs for Hydro One R2 consumers from the ratebase to the taxbase. This represents roughly 80% of current RRRP costs. Costs associated with providing support to Algoma Power and Hydro One Remote Communities are unaffected by this proposal in order to not disrupt complex regulatory constructs governing this funding. To allow the Ministry to implement this intent, the legislation allows for current RRRP costs to be funded through both the taxbase and the ratebase (with this division to be articulated in regulation). The regulations will specify that Hydro One R2 costs will be paid for by the taxbase, and there is no intention to return Hydro One R2 costs to the ratebase at any point.*

*Costs associated with the broadened RRRP program (referred to in the legislation as Distribution Rate Protection under Schedule 2 Section 4) can only be placed on the taxbase. Therefore the Ministry disagrees with the FAO assessment that there is potential for the program to revert back to the ratebase in the future.*

*Serge*

Sent from my iPad

On May 23, 2017, at 12:48 PM, Orsini, Steve (CAB) <Steve.Orsini@ontario.ca> wrote:

Why is the FAO saying that "the RRRP may revert back to ratepayers, as described under schedule 2, section 1 of the proposed Bill 132, the Fair Hydro Act, 2017."

Footnote 10: The FAO is forecasting the cost of the electricity relief programs based on the Province's announced commitments regarding the FHP and information provided by the Province to the FAO. As such, the FAO does not forecast the costs of the electricity relief programs beyond the year 2020-21. However, there is uncertainty with this assumption because (a) the electricity relief programs may continue after the year 2020-21 and (b) the cost of the RRRP may revert back to ratepayers, as described under schedule 2, section 1 of the proposed Bill 132, the Fair Hydro Act, 2017. Overall, the FAO estimates that the $21 billion in net costs to Ontarians of the FHP would not be impacted if this assumption changes. This is because any incremental savings to ratepayers would be offset by costs to the Province.

**From:** Kwamena, Boafoa (CAB)
**Sent:** May-23-17 10:56 AM
**To:** Orsini, Steve (CAB)
**Subject:** FAO report

Electronic version.

Thanks

<Fair Hydro Plan.pdf>