RE: Hydro | National Post

From: "Berry, James (ENERGY)" <james.berry5@ontario.ca>
To: "@OPO-Media Relations and Issues Management" <opo-mediarelationsandissuesmgmt@msgov.gov.on.ca>
Cc: "Nekolaichuk, Colin (ENERGY)" <colin.nekolaichuk@ontario.ca>, "Den Heijer, Kevin (ENERGY)" <kevin.denheijer@ontario.ca>
Date: Wed, 11 Apr 2018 16:03:37 -0400

Hi all:

Tom Blackwell from the Post sent through the following query. Our proposed response follows each of its respective bulletpoint, with a paragraph up front as a general line. Let us know your thoughts. His sidebar is already up, but can update if he gets something in the next hour or two.

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I apologize for the last-minute nature of this email, but wonder if you could help me out.
I'm doing a sidebar to the David Livingston story, detailing the various instances where the Auditor General or FAO has said Liberal hydro policies have wasted large amounts of money. My list includes:

We remain focused on supporting care, creating opportunity and ensuring affordability for Ontario families and that's exactly why we launched Ontario's Fair Hydro Plan to reduce rates for all residential consumers by 25 per cent on average. That also includes a reduction for as many as half a million small businesses and farms. These reduced rates will be held to the rate of inflation for four years, ensuring affordability over the medium term. Our Long-Term Energy Plan outlines how we will make electricity affordable over the long run.

- gas-plant cancellations, $1 billion (AG)

Natural gas-fired generators play an important role in Ontario's electricity supply mix, helping to meet periods of peak demand, improving reliability, and supporting the integration of renewable generation. We've worked with the province's Independent Electricity System Operator and other industry partners to improve siting for large energy infrastructure projects, ensuring decisions are sound from the beginning. Updates focus on bringing communities to the table, linking local and provincial planning and reinforcing the planning/siting continuum.

- Fair Hydro Plan, $4 billion more in borrowing costs because done through OPG (AG)

The Fair Hydro Plan keeps the cost of borrowing within the rate-base, not the tax-base, because that's the logical thing to do. Electricity financing should remain within the electricity system. When Guelph Hydro borrows money to expand its distribution network, it stays within the rate base. When OPG borrows to build a new hydroelectric dam in Northern Ontario, that also stays within the rate base. And when Bruce Power extends the life of one of its nuclear reactors, it stays within the rate base. These costs are spread out over a longer period of time – 30, 50, or even 90 years – because it better reflects the life of the asset.

- Fair Hydro Plan, $1.3 billion that should have been added to deficit but was obscured by improper accounting (AG)

The concerns referred to by the AGO result from a difference of professional judgement. Third-party experts from firms such as KPMG, E&Y, and Deloitte were consulted by government and its agencies on the structure of the accounting. Through these consultations we considered a range of implementation options, and ensured due diligence was completed.

The accounting practices in this Plan are well-established, and well-recognized within the industry. In fact, six of eight other independent system operators – AESO in Alberta, ISO in New England, NYISO in New York, MISO in Minnesota, PJM in the Midwest and Eastern Seabord, and ERCOT in Texas – use a rate regulated accounting

structure. And it's a common practice for companies like Toronto Hydro, Hydro One, and Fortis.
This was a policy choice we made to ensure that we continue to have a clean, reliable affordable electricity system for the ratepayers of today, and the ratepayers of tomorrow. That's exactly what the Fair Hydro Plan has done, and what it will continue to do into the future.

- Sale of Hydro One, $1.8 billion more than cost of raising same amount through actual borrowing on markets (FAO)

Last year we successfully achieved our target of $9 billion generated, with $4 billion marked for infrastructure investments and $5 billion going towards paying down debt. We broadened ownership to improve long-term performance of the utility, while unlocking the value in this asset to enable investments in transit and other major infrastructure projects that will help grow Ontario's economy, and benefit future generations.

Our goal was to get the best possible value for the people of Ontario and to invest billions in transit, transportation and infrastructure through the Trillium Trust. That includes GO Regional Express, LRT projects in multiple communities, and the Ring of Fire in the North, among others.

In moving forward with the broadening of Hydro One's ownership, one of the Province's priorities was improved corporate performance, customer service, and increased operating efficiencies. The FAO's report confirms that as a publicly traded company, Hydro One is in a position to achieve efficiencies that will create savings for Ontario's ratepayers and a boost to the Province's revenues.

- Overall hydro policy, unnecessarily added $37 billion to costs from 2006-2014 (AG)

Governing is about choices. We made a choice of a clean, modern and reliable electricity system. Narrowly focused value-for-money audits always show it would have been cheaper to burn dirty coal. What the auditor didn't account for in her report of our investments in the system includes $4.4 billion in health care and environmental costs that saw the equivalent of 7 million cars taken off the road.

From: Nekolaichuk, Colin (ENERGY)
Sent: April 11, 2018 3:04 PM
To: Blackwell, Tom <tblackwell@postmedia.com>
Cc: Berry, James (ENERGY) <James.Berry5@ontario.ca>
Subject: RE: Hydro

Hi Tom,

I'm actually headed to the airport in a few minutes, but my colleague James (copied here) will get back to you.

Cheers,
Colin

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From: Blackwell, Tom [mailto:tblackwell@postmedia.com]
Sent: April-11-18 2:33 PM
To: Nekolaichuk, Colin (ENERGY)
Subject: Hydro

Hi Colin

I apologize for the last-minute nature of this email, but wonder if you could help me out.
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- gas-plant cancellations, $1 billion (AG)
- Fair Hydro Plan, $4 billion more in borrowing costs because done through OPG (AG)
- Fair Hydro Plan, $1.3 billion that should have been added to deficit but was obscured by improper accounting (AG)
- Sale of Hydro One, $1.8 billion more than cost of raising same amount through actual borrowing on markets (FAO)
- Overall hydro policy, unnecessarily added $37 billion to costs from 2006-2014 (AG)

The opposition says this shows a long history putting political expediency over good management of the hydro system, at a huge cost. Could you offer a comment on that allegation?

Thanks very much in advance!

Tom