

Re: Monday note

From: "Bevan, Andrew (OPO)" <andrew.bevan@ontario.ca>
To: "Beaudry, Jennifer (OPO)" <jennifer.beaudry2@ontario.ca>, "MacKenzie, Rebecca (OPO)" <rebecca.mackenzie@ontario.ca>
Date: Sat, 04 Mar 2017 15:36:07 -0500

Looks good thanks

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Beaudry, Jennifer (OPO)
Sent: Saturday, March 4, 2017 3:33 PM
To: Bevan, Andrew (OPO); MacKenzie, Rebecca (OPO)
Subject: RE: Monday note

Sorry for the delay Andrew - How's this for the note:

For the the interviews Monday it will be important to continue to return to the strategic objectives you spoke about on announcement day and continued to draw on for your interviews on Friday.

It will be important not to be boastful, because as you said: *Electricity is not a frill it's an essential part of our daily lives; I think we all know that. And everywhere I go, I hear from people worried about the price that they're asked to pay for hydro and the impact that it has on their household budgets.*

It will also be important (particularly on Moore in the Morning) not to take shots at the opposition, to go back to our plan, you motivation and what it means for people.

Remember to avoid explanations of our investments and upgrades or get distracted into a policy discussion about our electricity system. Fro example, don't start explaining the reductions we tried to make before the 25 percent (8 percent HST, renegotiating Samsung etc). Instead pivot back to the motivation where ever possible.

John Moore will push you on the politics, be ready to answer the tough political questions with "I'm not expecting applause for this. We're fixing a problem and working to make things more fair"

And, like you were on Metro Morning, be confident about answering the "you're kicking the can down the road/burdening our children with debt" questions. I have included that section of your transcript below.

1) This is about fairness - For too long, governments, my own included, have made mistakes in the way we've structured Ontario's electricity system. That has resulted in rates that are unfairly high. It's time to fix

those mistakes in ways that work for today and for the future. We've created an electricity grid that is second to none. In the past few years, we've invested more than \$50 billion in electricity infrastructure: new dams in the south, new towers in the north, \$13 billion to refurbish nuclear power plants alone, and billions more to ensure new transmission and distribution lines everywhere.

These are enormously important assets that meet the need for cleaner and reliable power everywhere in the province. These are assets that belong to all of the people of Ontario and they'll serve us for many decades to come. But the way we financed those investments was a mistake. We asked one generation, today's generation, to unfairly shoulder the burden of nearly all of those costs. We had to play catch up and we asked today's ratepayers to cover nearly the whole tab.

Think of it in terms of a mortgage. We needed to rebuild the system and so we went to the bank for that money. But the terms that were set weren't fair, particularly the amortization. Instead of paying off the mortgage in 30 years we agreed to a term of 20. That means that we pay things down faster, but the monthly mortgage payments, or in this case your hydro bills, are higher. And it doesn't really make sense since that house, or in this case the electricity system, is an asset that will continue to benefit people for long past that contract term. In effect, this generation has been subsidizing not just those who came before, but those who will come next. And that's not right. And it has been notably unfair on today's hydro users. So we're fixing that. We're refinancing the mortgage and we're setting a new term that stretches over a longer period.

Over time, it will cost a bit more; that's true. And it will take longer to pay off; that's also true. But it is fairer because it doesn't ask this generation of hydro customers alone to pay the freight for everyone who came before and everyone who is going to come after. The burden will now be shared more evenly and more appropriately. So that's the first and the most important fix we're putting in place.

2) What this means for people. For the past couple of months, I've made a point of connecting with people who have written to me about this issue. I've called them up or I've seen them on a visit. I've sat and I've talked and I've listened to what they had to say. People want to know three things. First, they want to know that relief, and by that they mean substantial relief, is on its way. Secondly, they want to know that that relief is going to go to everyone. And third, that the relief will be lasting because it's built on a real change. In other words, that bills won't jump back up in a couple of months or even in a couple of years. So we're going to deliver on all three counts. And that starts by bringing down what people pay on their bills. Last September, I committed to reducing electricity bills by 8 per cent across the board, equivalent to the provincial portion of the HST. But it hasn't been enough. It's made too small a dent in people's bills. And for that reason we're taking more action.

We are tripling the size of the cut we're making to people's hydro bills from 8 per cent to an average of 25 per cent. Electricity rates in Ontario will come down significantly. They're going to stay down and everyone will benefit. And let me emphasize that last point. The cut will go to all households that pay for electricity. There will be no asterisks, no loopholes and no exceptions. Our plan will lower electricity bills by 25 per cent on average for all residential consumers in the province.

And for those living in rural communities or people who are living on low-incomes, the break will be even greater.

3) Structural Change. We are making structural changes. So when I talk about taking costs like the distribution charge or the Ontario Electricity Support Program which is really a social program to help people who are living on low income, taking those off the rate base saying you know it's not up to

electricity users to pay for those programs and putting those on the tax base. That's a structural change. Asking people across a couple of generations to pay for upgrades to an electricity system that's going to last for those generations and can be used by those generations, that's a structural change. We are actually making structural changes because we made structural investments. You know we could not just let the electricity system fail so when we came into office in 2003 there was a debate. It needed to be upgraded.

Metro Morning Transcript

CBC: There are policy decisions and there are political decisions. When did you realize that this could torpedo your government?

PREMIER WYNNE: Well, you know, the first issue is that and the most important issue, is that people were struggling and are struggling with their electricity bills. I mean that's what is driving this. And it's what, it's what drove the changes that we made including the 8 per cent reduction in January and realizing that that was not enough looking for more initiatives.

CBC: But you knew that you were wearing this?

PREMIER WYNNE: Well there's always a political component to these decisions, Matt. I mean I'm not going to deny that but as I said yesterday I'm not expecting people to stand up and celebrate because this is what we've done. What we've done and what we are -- what people will see on their electricity bills come summer is a response to a real need that people were feeling and it is my responsibility as Premier to respond to those needs and to help people. So by putting in place a 25 per cent reduction, so that's a 17 per cent...

CBC: Right.

PREMIER WYNNE: ...in addition to the 8 per cent that is already on people's bills. And to do that, spread out the cost over 30 years. You know, we're talking about assets, building that we've done to build up this electricity system that was really in tatters when we came into office under my predecessor. There was building that had to be done. Liberal, NDP, Conservative governments for years had not made the investments that needed to be made. We did that but the costs associated with that was being front-end loaded. We were asking this generation to pay, not just for the neglect of the past but for an asset that was going to be used for a 30 year period. So it's fair that we spread that cost over those 30 years.

CBC: How is it fair that you grandkids, my kids are going to pay for this?

PREMIER WYNNE: Interesting, people asked me that question yesterday about my grandkids and I you know, I think if I am talking to Olivia who is my eldest granddaughter I would say you know, we want to make sure that your mom and dad can look after you now and do the things that are going to make your

life good right now and yeah, that will mean that you'll have to also pay for a strong and clean electricity system into the future but it means that everybody is paying their share because those assets, that building that we've done is going to last for a long time. It's going to last well into Olivia and Claire and Hugh's lives and I want them, I want them to have a strong electricity system but I want their mom and dad to be able to afford their life right now.

CBC: You don't see this as kicking the can down the road?

PREMIER WYNNE: I see it as sharing, I see it as sharing an investment over the reasonable life of that asset and I think that's fair. You know what's not fair is that people have to pay now in a way that means their lives are not viable. That's not fair.

CFRB INTERVIEW WITH PC LEADER PATRICK BROWN

Date: March 3, 2017

Station: CFRB (Toronto)

Length: 10:00 minutes

Speaker(s): Patrick Brown, Ontario PC Leader

CFRB: Kathleen Wynne of course was on The Rush with Ryan and Jay last night. She said she had no choice but to opt into a program which is basically if you've ever been to one of those web sites where your calculating your mortgage and it tells you how much you're going to pay per month and then you go okay well that's a 10 year mortgage let's try 15. Oh that a little better let's try 20. Oh wow I think I can afford that. That is basically what Kathleen Wynne and the Liberal Government have done and when she spoke with The Rush she said she had no choice, she looked at all the options over a period of a year, consulted with the experts and the real problem was how much debt we've run up because of how much we left to decay over the years. So the Liberals since 2003 have spent billions and billions and billions of dollars. Others might argue they have wasted billions and billions of dollars and I would imagine that includes my next guest Progressive Conservative Leader, Leader of the opposition Patrick Brown joins us. Patrick Brown, good morning.

PATRICK BROWN, LEADER OF PC CONSERVATIVES: Great to be back on your show.

CFRB: Your thoughts then in this response to Kathleen Wynne and in particular to her assertion that she had no choice there was no other option?

BROWN: I think the reason she feels she had no choice it was about her own political survival. I think people across the province were livid and she felt that she had to do damage control. It was about her own self-interest. It was a short term, short term manoeuvre. It's going to cost us long term. You talked about

interest payments; they said that it is now capped at \$1.4 billion a year maximum in interest payments. (inaudible) figure from the government it could range from \$25 billion to \$42 billion to -- in interest payments. It's a massive amount that we'll be paying more to pay for Kathleen Wynne's mistakes and I know in the press conference she showed some contrition yesterday. Six times she said we've made mistakes that she was apologetic about that. But what I'm frustrated by is that we're spending all this money to make up for those mistakes, to make up for the Green Energy Act's fumbles and this and that. And you think they would take a different approach going forward. Here we are today, today and despite having to pay for these bad contracts, today they're proceeding with the next stage of Fit 5. So despite the fact that we have a massive (inaudible) over a generation today they're signing it and allowing it to go to the next stage, more of these bad contracts so I don't understand what world they're living in. They can spend billions of people's hard earned money, spend billions of dollars that we don't have. And then continue to do the same old thing.

CFRB: They have argued that -- first of all Kathleen Wynne argued yesterday that she can't cancel the green energy contract because the penalties would be incredible. But they've also argued that you know, it's made the quality of air better which is going to lead to better health outcomes and a better Ontario. Is green energy worth paying for it all?

BROWN: So first of all they shouldn't even call it green energy. Our own water power. we've turned off to some extent. We run Niagara Falls, not at full capacity, we (inaudible) hydroelectric projects in Northern Ontario. Our own green energy water power we're not using. That's green. These bad contracts which are mostly foreign, the Liberal party benefit from it, the people haven't. The Liberal Party got \$1.3 million in donations for the 30 (inaudible) contracts. Why don't we just talk about those contracts. She won't share them with the public. We only have the copy of one of the contracts which is completely wrong. The opposition should have access to these contracts. For the one contract we have a copy, the Samsung deal, we know that there was an exit clause we could have gone out of a billion and a half of surplus electricity. Why Wynne won't look at these bad contracts, they're her supporters, they're her friends, obviously she's not going to open them up or look at them. But at the very least, I don't even want to look at the old bad contracts, but at the very least stop signing new ones. And here we are today and more of them are coming forward. LRP one, so FIT 5 is today but LRP one is still coming full steam ahead. We're going to have 500 megawatts of new generation that we don't need. We give away electricity at a loss to Pennsylvania and Michigan, Ohio and New York and we charge Ontarians for it. People say how am I paying for that? They pay for it through their global adjustment. And I get the government saying they're not going to look at their own deals because it's they're friends. What I don't understand, what I was so disappointed by yesterday's announcement is the fact they're still going full steam ahead with more of these bad deals. What's going to happen four years from now? We going to have another announcement, we're going to take -- we're going to borrow billions more to pay for the next (inaudible) contract?

CFRB: You didn't really answer my question though. I get the complaint. But I asked you if in your estimation and the estimation of your party if green energy is worth paying for or you would just bail out on it altogether?

BROWN: No I'm a big believer in green energy. If we need it. It will work. And apologies I didn't answer the question. I always try to answer a question directly. What I was saying is water power I believe, is (inaudible). Having a giant contract with a foreign company like Samsung they call it green energy but when you're not using your own green energy how is it green energy? We have a massive over supply right now. The fact that we're giving away surplus energy if you don't need it why would you be signing long term contracts for energy you do not need. I don't believe it's about green energy. I think everyone likes green energy and as much as the government tried to say and this was to make up for dirty energy, that's not true. The increased load we needed years ago was made up by nuclear which is also a mission for -- these bad contracts we did not need. We'd give it away. We don't use it.

CFRB: Patrick Brown I'm going to ask for your patience for a second. We've got to get people where

they're going. So if you could stand by for a second we're just going to break for traffic here. In conversation with Patrick Brown, leader of the opposition at Queens Park right now.

(commercial break)

CFRB: Patrick Brown, thank you very very much for standing by. You've said a few times in the previous answers that this was about the Liberals and their friends and donations. Are you actually framing this as corruption?

BROWN: It certainly smells pretty bad and whether it gets to that point is something that a lot of Ontarians are asking. I've actually asked this question directly in the legislature. I said to the Premier, "We know there's 30 bad contracts for energy we do not need, that we're giving it away, that we're charging Ontarians for. Your party got \$1.3 million in donations from these companies. How do you reconcile that?" And of course the Premier did not answer that. Listen, I'm glad now that in Ontario we don't have cash for access, we don't have the big donations that are permitted as of January 1st. But how does that not influence the government. I actually put up on Twitter yesterday a list of the companies that need donations and the contracts they got and the energy companies that didn't make donations and the contracts they got, and it was pretty consistently the bigger the donation the bigger the contract and the less the duration. The ones who donated nothing essentially didn't get any energy contracts.

CFRB: And Patrick Brown, it's you know very satisfying I'm sure to recap how awful everything has been and how we got to this point but it also kind of reminds me of when you get into an argument with your partner in the car because you're lost and you still you know, you never get to drawing a map of where the heck you're going to get to. So what is your plan? What is the alternative?

BROWN: Well first of all I think nowadays we're going to use GPS. But...

We still argue even with GPS.

BROWN: Well, first of all, I think nowadays we're going to use GPS. But...

CFRB: We still argue, even with GPS.

BROWN: Well, on hydro, I would say there's three immediate recommendations we made to the government before this that we asked to be addressed in their plan. One was to stop the fire sale of Hydro One (inaudible). So they haven't sold a majority share yet. And if they could retain a majority share, that would be helpful. As if we sell a majority, we are going to lose future control over rate increases, so this is more of a preventative measure. Two, we asked them to stop signing new contracts. You know, over 60 per cent of the bill is generation and the fact the government is not addressing generation is a big flaw in it. It's one of the reasons we wanted to look at LRP1, stop FIT 5, cancel the Green Energy Act. Number three, we've also asked the government to look at these offensive executive salaries that this year, for the first time ever, hydro salaries is off the sunshine list; the government removed it from public disclosure. And if you remember the sunshine list, you could have called it the hydro list because it was so flooded

with hydro salaries. These salaries are out of whack with the rest of the country. The Hydro One CEO makes \$4 million. In Quebec, it's \$400,000. So I want some of these salaries to (inaudible) with what is competitive.

CFRB: They are all good ideas, but what about the debt? How better to settle that? We've got to.

BROWN: The provincial debt or the hydro debt?

CFRB: No, the hydro debt. We can get to the provincial debt on another visit.

BROWN: They are actually not addressing the hydro debt at all in this.

CFRB: Well, they've extended the amortization; that's how they are getting the savings, the alleged savings. We've got to pay that bill one day.

BROWN: But they are not addressing their existing debt, they are only making it a larger principle.

CFRB: Well, no, they are extending the payment of it. So the debt exists. How would you pay it?

BROWN: Let me just stress this, nowhere in this plan does it address the debt. It only adds to the debt. So that's not even referenced, that's not even referenced in the plan. What I think would give us more fiscal room in hydro is to actually have a conversation with the generators and to stop signing any new deals.

CFRB: Right, I know. But we are covering the same territory. What I'm asking you about is, we have this debt we have to pay and you're quibbling over whether or not we are paying it. But the math that was done yesterday was we extended the amortization period, which is why we owe less, even though everyone knows we are going to owe more. And the key question for you have to be: what is the alternative? Kathleen Wynne says she looked at all the alternatives, there were none.

BROWN: Well, I believe that's incorrect. So what I was saying before is rather than borrow to pay for these bad contracts, to pay for...right now it costs us more than we're getting in revenue from ratepayers. Rather than having that cycle that continues, what I'm saying is, if you look at the 30 bad deals and if you stop signing new ones, you're going to create more capacity. And so, you won't have to borrow to cover these bad deals. If exit clause existed in the Samsung deal, exists in the other 30 mega deals, there would be significant opportunity to get rid of the surplus, just in the bad deals. Having said that, if we can't, then the starting point should be signing new ones.

CFRB: Patrick Brown, thank you. Appreciate this.

From: Beaudry, Jennifer (OPO)
Sent: Saturday, March 04, 2017 8:35 AM
To: Bevan, Andrew (OPO); MacKenzie, Rebecca (OPO)
Subject: Re: Monday note

I will update today and resend. I need to do the 1010 interview note as well today.

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Bevan, Andrew (OPO)
Sent: Saturday, March 4, 2017 7:55 AM
To: MacKenzie, Rebecca (OPO); Beaudry, Jennifer (OPO)
Subject: Monday note

Hi, this is still missing strategic objectives for the interviews, generally and then for each specific interview
3 regional considerations etc

Sent from my BlackBerry 10 smartphone on the Rogers network.