

Ministry of Energy

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MC-2017-1304

[Open Letter to LDCs – OFHP and OEB rate application filings]

[Name]

[Title]

[Company]

[Address]

[City] ON [Postal Code]

Dear [Name]:

I am writing to clarify that current rate applications by Ontario's Local Distribution Company's (LDCs) to the Ontario Energy Board (OEB) will not impact the recently implemented reductions associated with Ontario's Fair Hydro Plan because distribution rates are determined separately (by the OEB) from the elements that constitute the Fair Hydro Plan.

Ontario's Fair Hydro Plan has introduced new measures to lower electricity bills by 25 per cent on average for residential consumers. As many as half a million small businesses and farms are also benefitting.

These measures include the refinancing of a portion of Global Adjustment (GA), the shifting of cost recovery for electricity support programs from electricity bills to provincial revenues and 8 per cent rebate introduced in January.

GA Refinancing

Under the Ontario Fair Hydro Plan Act, 2017, a portion of GA is being refinanced over a longer period of time.

The GA is the mechanism which recovers the cost of running Ontario's generation fleet, as well as the cost of conservation programs. As Ontario invested in renewing our electricity system to ensure it is clean and reliable, the government invested in many new generating facilities, most of which operate under 20-year contracts. Many of these generators are expected to provide value to the electricity system beyond their contract lives.

Refinancing the GA will provide significant and immediate rate relief by spreading the cost of Ontario's clean energy investments over a longer period of time, ensuring that the costs of these investments are allocated fairly among current and future ratepayers. In later years, the cost of refinancing would be recovered from ratepayers.

July 2017 Regulated Price Plan (RPP) prices

As a result of the Ontario Fair Hydro Act, 2017 achieving Royal Assent on June 1st, the OEB updated RPP prices to reflect the full benefit of Ontario's Fair Hydro Plan of 25 per cent, or \$41 per month, on average, relative to what they would have been without the initiatives that are part of Ontario's Fair Hydro Plan.

The decrease is a result of the 8 per cent rebate, the shifting of funding for support programs from electricity bills to provincial revenues, and the Ontario Energy Board (OEB)'s decision to reflect the full value of GA refinancing as of July 1, 2017.

The OEB also determined the GA Modifier to be applied to the bills of customers who are eligible for GA refinancing but are not customers of the RPP.

The new RPP prices and non-RPP GA Modifier are in effect for electricity consumed between July 1, 2017 and April 30, 2018.

Eligible consumers see the full reduction for the first time when they receive their bill for the July 2017 billing period.

OEB Rate Filing Process

Each year, LDCs apply to the OEB requesting changes to their distribution rates. Costs associated with LDC's distribution rates are recovered from electricity consumers via the "Delivery" line on electricity bills.

The OEB is the energy sector's independent regulator with a mandate to protect Ontario energy consumers. The OEB reviews rate applications from LDCs to make sure the utility's costs are reasonable to consumers and to enable utilities to invest in the system. The Fair Hydro Plan has no impact on this process and the costs that the OEB determines are appropriate for the LDC to recover from its customers. Neither the Minister of Energy nor the government of Ontario have the authority to direct the Ontario Energy Board (OEB) on decisions under its jurisdiction.

Moving forward, our 2017 Long-Term Energy Plan will show Ontario families and businesses a snapshot of our future energy system, including supply, demand and affordability, over the longer term. Ontario is committed to investing in a clean, modern and reliable electricity system that reduces greenhouse gas (GHG) emissions and provides cleaner air for this and future generations of Ontarians.

Sincerely,

Glenn Thibeault
Minister