RE: FAO report

From: "Lyon, Sam (ENERGY)" <sam.lyon@ontario.ca>
To: "Feather, Adam (ENERGY)" <adam.feather@ontario.ca>, "Cox, Hilary (ENERGY)" <hilary.cox@ontario.ca>
Cc: "Barbaro, Rachel (ENERGY)" <rachel.barbaro@ontario.ca>, "Berg, Denna (ENERGY)" <denna.berg@ontario.ca>, "Christie, Tim (ENERGY)" <tim.christie@ontario.ca>, "Cayley, Daniel (ENERGY)" <daniel.cayley@ontario.ca>, "Ho, Larissa (ENERGY)" <larissa.ho@ontario.ca>, "Schlaepfer, Martin (ENERGY)" <martin.schlaepfer@ontario.ca>
Date: Wed, 24 May 2017 11:00:19 -0400
Attachments: Energy Backgrounder Response - draft - 20170524.docx (18.11 kB)

Hi Adam, Hilary,

Attached is a draft document that covers the issues the DM has requested, broadly drawn from QAs and the below. Can you please take a look and provide any edits/let us know your comfort with it asap?

Thanks,

S.

From: Feather, Adam (ENERGY)
Sent: May-24-17 10:09 AM
To: Lyon, Sam (ENERGY)
Cc: Barbaro, Rachel (ENERGY); Berg, Denna (ENERGY); Christie, Tim (ENERGY); Cox, Hilary (ENERGY); Cayley, Daniel (ENERGY); Ho, Larissa (ENERGY); Schlaepfer, Martin (ENERGY)
Subject: RE: FAO report

Sam:

Here is the SNAP ADM approved material. Once you have the QAs finalized, staff are teed up to review. Cheers.

A.

Key Messages

- Ontario's Fairy Hydro Plan includes enhancements to support programs that provide electricity cost relief to targeted vulnerable consumers. These programs, to be funded by the taxbase, include Rural or Remote Rate Protection, Ontario Electricity Support Program, and First Nations Delivery Credit.
- The *Fair Hydro Act, 2017* includes requirements for the Minister of Energy to provide these support programs on an on-going basis, and for these programs to be funded from the taxbase. Previous costs funded by ratepayers would be transitioned to the taxbase, thereby reducing regulatory charge costs for all consumers.
- The legislation contains no end date for these programs, and does not allow for costs to be transitioned to ratepayers. The government intends to provide these taxbased support programs on an enduring basis.

Background

- The *Fair Hydro Act, 2017* includes provisions that would amend the *Ontario Energy Board Act,* 1998 to establish or expand social programs that provide electricity cost relief to targeted vulnerable consumers. These provisions would also move costs associated for these programs from the ratebase to the taxbase.

- The FAO report contends that taxbase funding for these programs could end after 2020-21. The Ministry disputes this finding as it does not align with the authorities and obligations contained in the legislation:
  - **Ontario Electricity Support Program (OESP):** The new legislation requires the Minister to provide rate assistance to consumers having regard for their economic circumstances, and requires that funding for such a program come from money appropriated by the Legislature. The ability to fund the program through a ratebase charge is repealed with the *Fair Hydro Act, 2017*, and the program cannot be reverted off the taxbase. There is no program end date in legislation.
    - The ratepayer charge for OESP came off consumer bills as of May 1, 2017. The Ontario Energy Board is currently funding the program through a surplus accumulated from the ratepayer charge. It is expected that, if the legislation passes, taxpayer funding will begin in fall 2017.
  - **First Nations Delivery Credit** : The new legislation requires the Minister to provide an on-reserve Delivery credit and requires that funding for such a program come from money appropriated by the Legislature. This is a new program that was not previously funded by the ratebase and there is no authority to establish a ratepayer charge to fund this program. There is no program end date in legislation.
  - **Rural or Remote Rate Protection/Distribution Rate Protection** : The Ministry has committed to expanding RRRP funding to support 800,000 customers with some of the highest distribution rates. The new legislation requires the Minister to provide this program expansion - referred to in the legislation as *Distribution Rate Protection* – and requires that funding for such an expansion come from money appropriated by the Legislature. This expansion was not previously funded by the ratebase and there is no authority to establish a ratepayer charge to fund this expansion. There is no program end date in legislation.
    - The legislation also enables the Ministry to move existing RRRP costs to the taxbase. If passed, the Ministry intends to introduce a regulation that moves ~80% of existing RRRP costs (those currently supporting Hydro One low density customers) to the taxbase. A small portion of RRRP currently supporting Algoma Power and Hydro One Remote Communities are unaffected so as not to disrupt complex regulatory constructs governing this funding. This move will result in a substantial decrease in RRRP regulatory charges to customers, and the Ministry has no intention of returning these costs to the ratebase at any time.
- Should the legislation pass, the Minister will be required by legislation to continue funding these social programs indefinitely and through the taxbase.

From: Schlaepfer, Martin (ENERGY)
Sent: May-24-17 9:44 AM
To: Feather, Adam (ENERGY)
Cc: Lyon, Sam (ENERGY); Barbaro, Rachel (ENERGY); Berg, Denna (ENERGY); Christie, Tim (ENERGY); Cox, Hilary (ENERGY); Cayley, Daniel (ENERGY); Ho, Larissa (ENERGY)
Subject: RE: FAO report

Please share them once available, so that comms can use that material.

Thanks, Adam.

From: Feather, Adam (ENERGY)
Sent: May 24, 2017 9:40 AM
To: Schlaepfer, Martin (ENERGY)
Cc: Lyon, Sam (ENERGY); Barbaro, Rachel (ENERGY); Berg, Denna (ENERGY); Christie, Tim (ENERGY); Cox, Hilary (ENERGY); Cayley, Daniel (ENERGY); Ho, Larissa (ENERGY)
Subject: RE: FAO report

Sounds good. I have bullets on SNAP related content with Michael now so shall I wait to share back with you, Martin, until the QA review is complete or would you like me to send them along once ADM approved?

From: Schlaepfer, Martin (ENERGY)
Sent: May-24-17 9:38 AM
To: Christie, Tim (ENERGY); Cox, Hilary (ENERGY); Cayley, Daniel (ENERGY); Ho, Larissa (ENERGY); Feather, Adam (ENERGY)
Cc: Lyon, Sam (ENERGY); Barbaro, Rachel (ENERGY); Berg, Denna (ENERGY)
Subject: RE: FAO report

Comms will take a first crack based on the QAs but folks will need review.

From: Christie, Tim (ENERGY)
Sent: May 24, 2017 9:31 AM
To: Schlaepfer, Martin (ENERGY); Cox, Hilary (ENERGY); Cayley, Daniel (ENERGY); Ho, Larissa (ENERGY)
Cc: Lyon, Sam (ENERGY); Barbaro, Rachel (ENERGY)
Subject: Re: FAO report

We're in a meeting with LSB and Blakes trying to finalize OFHP motions, which is fairly critical. This language should exist in QAs already, can comms take a crack at it? SNAP should review as well as social programs and LTEP are their files.

On Wed, May 24, 2017 at 9:27 AM -0400, "Schlaepfer, Martin (ENERGY)" <Martin.Schlaepfer@ontario.ca> wrote:

> Hi Tim,
>
> Yes, the social programs are definitely a key factual concern. The fact that they do not continue through the forecast period, but also footnote 10 which claims that the legislation indicates that the social programs will go back to the rate base.
>
> It would also be great if we could also outline how the government is in the process of developing the 2017 LTEP which will define a new cost curve and, therefore, the numbers contained in the report will no longer be relevant in the future.
>
> Hopefully this helps for framing.
>
> Comms can then take a crack at making it more public facing and can share with MOF for any concerns they may want to add.
>
> Martin
>
> **From:** Christie, Tim (ENERGY)
> **Sent:** May 24, 2017 9:14 AM
> **To:** Cox, Hilary (ENERGY); Cayley, Daniel (ENERGY); Ho, Larissa (ENERGY); Schlaepfer, Martin (ENERGY)
> **Cc:** Lyon, Sam (ENERGY); Barbaro, Rachel (ENERGY)
> **Subject:** Re: FAO report
>
> Martin/Sam, there's really only one factual concern with the report, and that is the social programs do not continue through the forecast period.
>
> If we're going to non-factual concerns, we'd add that discounting the cash flows would show a

more appropriate cost as a net present value, but that is a choice of the authors.

Is this the kind of thing that is wanted in the backgrounder? It will be fairly sparse.

Tim

____

From: Cox, Hilary (ENERGY) <hilary.cox@ontario.ca>
Sent: Wednesday, May 24, 2017 9:06 AM
Subject: Fw: FAO report
To: Christie, Tim (ENERGY) <tim.christie@ontario.ca>, Cayley, Daniel (ENERGY) <daniel.cayley@ontario.ca>, Ho, Larissa (ENERGY) <larissa.ho@ontario.ca>

Hi folks -
Need something within the next hour, so we're asked to start with paragraphs on top 3-4 factual concerns with report - comms will turn this into a backgrounder.

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Sent: Wednesday, May 24, 2017 9:03 AM
To: Cox, Hilary (ENERGY); Feather, Adam (ENERGY); Lyon, Sam (ENERGY); Berg, Denna (ENERGY); Barbaro, Rachel (ENERGY)
Subject: RE: FAO report

Hi Hilary,

Given the short turnaround time can you guys just put together short paragraphs of the top 3 or 4 factual concerns with the report and then comms can take a crack at formatting and adding an intro and conclusion to make it a public facing document. I think one of the major concerns is that the MOF piece doesn't fully elaborate on the concerns with the FAOs treatment of social programs and comms would need that material to be fleshed out.

It would be great if folks could send something up in the next hour.

Thanks,
Martin

From: Cox, Hilary (ENERGY)
Sent: May 24, 2017 8:53 AM
To: Schlaepfer, Martin (ENERGY); Feather, Adam (ENERGY); Lyon, Sam (ENERGY); Berg, Denna (ENERGY)
Subject: Re: FAO report

Hey Martin -
If this will be a public backgrounder, can we get Comms to take a first cut - based on the MOF piece as suggested?

Not sure that my guys will quite know where to start on a comms product such as this.

HC

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Schlaepfer, Martin (ENERGY)
Sent: Wednesday, May 24, 2017 7:15 AM

To: Cox, Hilary (ENERGY); Feather, Adam (ENERGY)
Subject: Fw: FAO report

Hi Hilary and Adam,

See below. Coming out of conversations between the Deputy and SOC, we need to create a backgrounder that provides corrections to the misinformation contained in the FAO report.

Given that the report is being released this morning, we will have to move quickly to produce this product.

Hilary, we may be able to use the MOF briefing note I shared last night as a starting point , but it's not clear to me if this new product is internal or something we would release publicly. I'm following up on that point, but if it's a public backgrounder we will have to get comms involved.

Let me know if you have any questions.

Thanks,
Martin

From: Imbrogno, Serge (ENERGY) <Serge.Imbrogno@ontario.ca>
Sent: Wednesday, May 24, 2017 5:13 AM
To: Schlaepfer, Martin (ENERGY)
Subject: Fwd: FAO report

Let's work on a product.

Sent from my iPad

Begin forwarded message:

> **From:** "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>
> **Date:** May 23, 2017 at 11:45:26 PM EDT
> **To:** "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca>
> **Cc:** "Bevan, Andrew (OPO)" <Andrew.Bevan@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "Bromm, William (CAB)" <William.Bromm2@ontario.ca>, "Kwamena, Boafoa (CAB)" <Boafoa.Kwamena@ontario.ca>
> **Subject: RE: FAO report**
>
> I think we need to create a backgrounder that provides correct information.
>
> I don't think the public service can stand by when Officers of the Legislature release erroneous information .
>
> Please check with your MO. I'm copying Andrew for his information/comments.
>
> Steve
>
> ---
>
> **From:** Imbrogno, Serge (ENERGY)
> **Sent:** Tuesday, May 23, 2017 7:05 PM
> **To:** Orsini, Steve (CAB)
> **Cc:** Davidson, Steven (CAB); Bromm, William (CAB); Kwamena, Boafoa (CAB)
> **Subject:** Re: FAO report

Hi. The FAO appears to mirror the fiscal plan that only goes out for three years whereas the GA financing is over thirty years. It's another shortcoming of the report.

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Orsini, Steve (CAB)
Sent: Tuesday, May 23, 2017 6:05 PM
To: Imbrogno, Serge (ENERGY)
Cc: Davidson, Steven (CAB); Bromm, William (CAB); Kwamena, Boafoa (CAB)
Subject: RE: FAO report

What about funding for social programs. Why didn't the FAO show that as continuing beyond the four years?

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>