



# **Implementation of Ontario's Fair Hydro Plan**

**Ministry of Energy**

**May 10, 2017**



Minister

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Deputy Minister

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## Context

- On March 2, 2017, the government announced Ontario's Fair Hydro Plan (OFHP), which will lower bills by 25% for a typical residential consumer, starting in the summer of 2017. About half a million small businesses and farms are also expected to benefit.
- Any rate increases for residential consumers over four years would be held to the rate of inflation.
- These measures include the 8% rebate introduced in January and builds on previously announced initiatives to deliver broad-based rate relief on electricity bills.
- The OFHP is part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness.
- The legislative framework required to fully implement OFHP is set out in this presentation.



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## Context

- Ontario's Fair Hydro Plan (OFHP) has the following major components:
  1. Refinancing the Global Adjustment (GA);
  2. Helping vulnerable electricity consumers;
    - Ontario Electricity Support Program (OESP);
    - Rural or Remote Rate Protection (RRRP) program;
    - On-Reserve First Nations Delivery Credit; and
    - Affordability Fund.
  3. Extending the Industrial Conservation Initiative (ICI);
  4. Improving Sector Efficiency; and
  5. Modernizing Ontario's Electricity Market.

## Context – Action To Date

- Since the announcement of Ontario's Fair Hydro Plan (OFHP), a number components have been implemented.
- In April 2017, the Affordability Fund Trust was established. It is expected that electricity distributors will be able to begin applying to the Affordability Fund Trust in Summer 2017.
- In April 2017, ICI was expanded to allow eligible electricity consumers in the manufacturing and greenhouse sectors (i.e., with North American Industry Classification Standard (NAICS) codes commencing with the digits "31", "32", "33", and "1114") in Ontario with an average monthly peak demand of greater than 500 kW and less than 1 MW to opt in to ICI.
- The recovery of the Ontario Electricity Support Program (OESP) from the rate-base was removed as of May 1, 2017.
- On April 20, 2017, the Ontario Energy Board (OEB) announced new Regulated Price Plan (RPP) rates effective May 1<sup>st</sup> that include a portion of the bill reduction proposed under the OFHP (see next slide for more details). The legislation for GA refinancing requires OEB to issue a further rate adjustment no later than 15 business days after the legislation receives Royal Assent to achieve the full 25% for a typical consumer. This means new rates are expected to be effective July 1, 2017.

## New Regulated Price Plan Rates – Effective May 1, 2017

- Effective May 1, new RPP rates released by the OEB will include 50% of the estimated reduction in the Global Adjustment (GA). This reduction in RPP rates, along with the removal of the OESP charge and the existing 8% rebate, will mean that May bills will be 17% lower than they would otherwise have been for an average consumer.
  - It is standard OEB practice to include only a portion of future costs and benefits if they are not yet certain (i.e., pending legislation).

| TOU Price Periods | Existing TOU Prices | Forecast TOU Prices without consideration of the proposed Fair Hydro Plan | May 1, 2017 TOU Prices including a portion of the proposed Fair Hydro Plan |
|-------------------|---------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Off-Peak          | 8.7¢/kWh            | 9.1¢/kWh                                                                  | 7.7 ¢/kWh                                                                  |
| Mid-Peak          | 13.2 ¢/kWh          | 13.3 ¢/kWh                                                                | 11.3 ¢/kWh                                                                 |
| On-Peak           | 18.0 ¢/kWh          | 18.5 ¢/kWh                                                                | 15.7 ¢/kWh                                                                 |

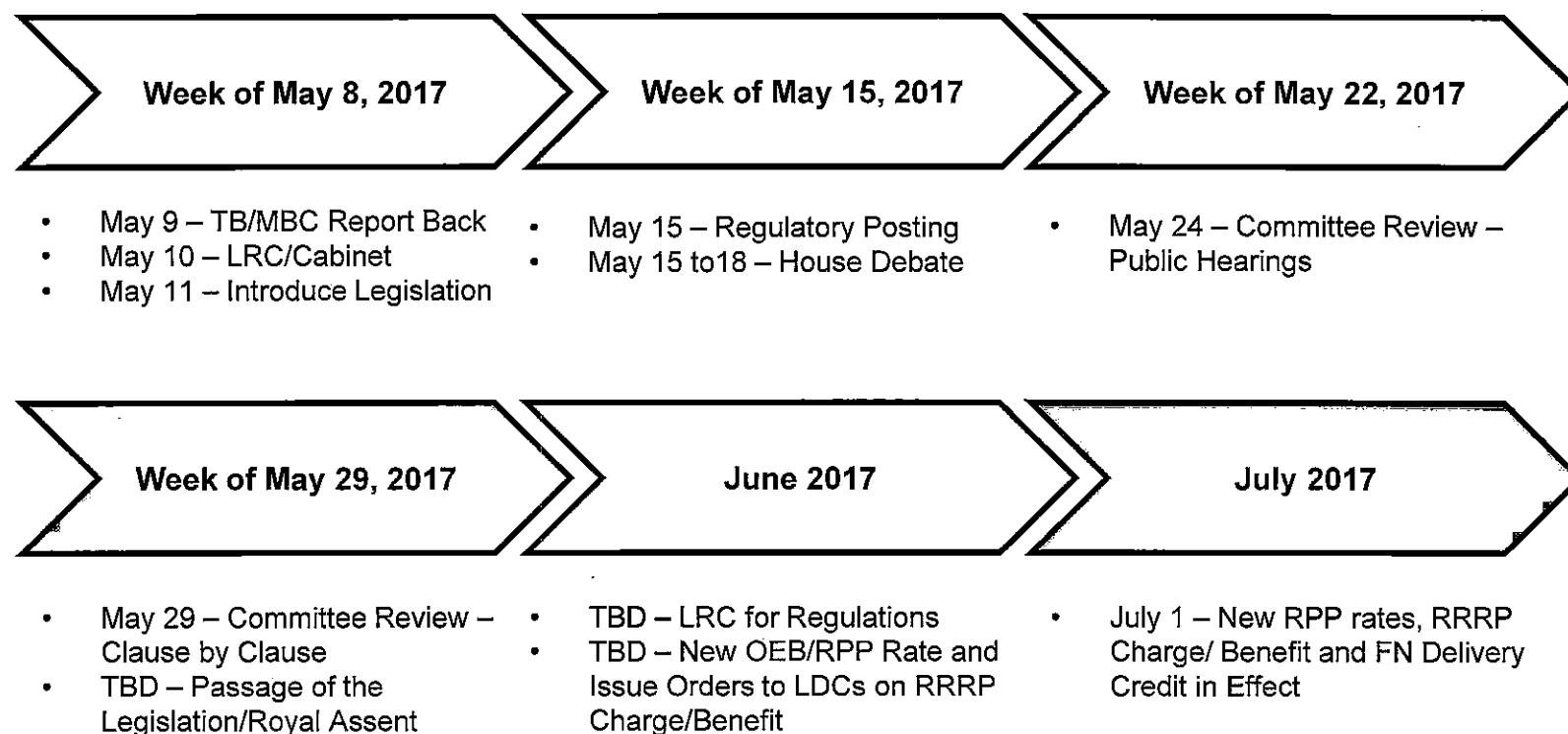
Source: OEB

## Ontario's Fair Hydro Plan – Proposed Legislation

- To implement OFHP, the Ministry has prepared the Fair Hydro Act, 2017 in close collaboration with key ministries (i.e., Treasury Board, Finance, Attorney General, Cabinet Office), agencies (i.e., OEB, IESO, OPG) and third party financial advisors and local distribution companies (LDCs).
  - The proposed Fair Hydro Act, 2017 would be an omnibus bill with 2 schedules: the Ontario Fair Hydro Plan Act, 2017 and amendments to the Ontario Energy Board Act, 1998 and Electricity Act, 1998.
- The proposed OFHP legislation, supporting regulation and amendments to existing legislation (e.g., *Electricity Act* and *Ontario Energy Board Act*) will enable implementation of the following key components of the Plan:
  1. Refinancing the Global Adjustment (GA) – The proposed legislation outlines how costs would be fairly allocated among eligible consumers over time.
  2. Helping Vulnerable Electricity Consumers – The proposed legislation broadens the Rural or Remote Rate Program (RRRP), expands the Ontario Electricity Support Program (OESP) and establishes a new On-Reserve First Nations Delivery Credit. The legislation also allows for these programs to be funded through the tax-base.
- This presentation provides an overview of these key components of OFHP legislation.

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## Ontario's Fair Hydro Plan – Critical Path



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## 1) Refinancing the Global Adjustment

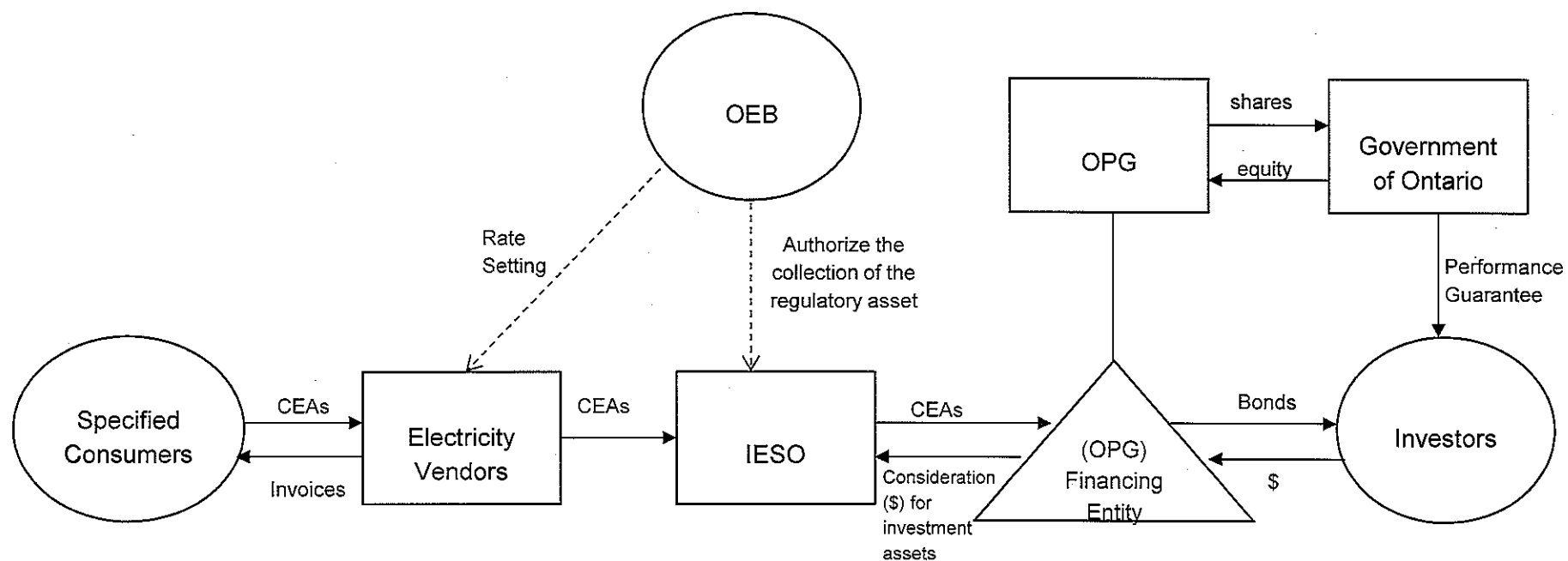
## GA Refinancing – Overview of Proposed Legislation

- The Fair Hydro Act, 2017 attempts to balance several key factors including financeability, accounting requirements and legal considerations.
- Following an extensive consultation process with internal and external experts, the proposed legislation strikes a balance between these three factors by:
  - Supporting financeability through a number of features, including enabling a provincial guarantee and provisions intended to provide certainty to investors in order to reduce borrowing costs and attract a wide investor base;
  - Addressing the necessary accounting requirements through mechanisms to record funding, interest and the transfer of regulatory assets to avoid a fiscal impact to the province; and
  - Mitigating legal risk by developing a methodology that attempts to fairly align costs and benefits.
- Slides 9 to 16 detail the mechanics of the Fair Hydro Plan Act, 2017.

## GA Refinancing – Overview of Proposed Legislation

- Refinancing the Global Adjustment would be achieved through stand-alone legislation, regulations and amendments to existing legislation and regulations.
- The proposed legislation would outline:
  - Roles and responsibilities for the OEB, IESO, OPG and the Province;
  - A detailed Preamble, Purpose and Definitions;
  - Details with respect to cost allocation, rate reduction methodology, implementation and financing;
  - Scope of provincial undertaking and enabling the Province to provide guarantees and indemnities to back stop that undertaking; and
  - Amendments to other acts.
- The associated amendments to existing legislation and regulations include:
  - *Electricity Act, 1998*: amendments to provide OPG with the authority to establish a special purpose vehicle (SPV) for the investment asset and *Ontario Energy Board Act, 1998*: amendments to allow for OEB to set rates recognizing GA refinancing.

## GA Refinancing – Roles and Responsibilities



Note: CEAs are "clean energy adjustments"

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## GA Refinancing – Legislative Overview

### **Preamble and Purpose**

- The preamble of the proposed legislation establishes the rationale for the allocation of “clean energy costs” over time. That is, the development of a clean, modern and reliable electricity system has increased costs for ratepayers.
- The purpose of the proposed legislation is to support the Government of Ontario’s commitment to ensure that the costs of these investments are allocated fairly among present and future generations of consumers.
  - Costs to be allocated include clean and renewable generation facilities, conservation, demand management, energy efficiency programs.
- The supporting legislation defines the mechanisms and framework that would achieve the refinancing of the Global Adjustment. Note: These mechanisms are described in the following slides.
- The legislation also restricts the OEB, Minister of Energy and the Crown from reducing, impairing or ending Clean Energy Adjustments (see slide 10) in the future:
  - The Lieutenant Governor in Council may authorize the Ministers of Finance and Energy to enter into guarantees and indemnities related to the Act.
- The proposed legislation aligns eligibility with the *Ontario Rebate for Electricity Consumers Act, 2016*.

## GA Refinancing – Legislative Overview (Cont'd)

### **Fair Adjustment**

- Sets out the mechanism for the Ontario Energy Board (OEB) to determine the “relief”, including the initial decrease in rates to achieve the 25% decrease, for the period July 1, 2017 to April 30, 2018.
  - Under the legislation, the OEB must determine the amount within 15 business days of Royal Assent.
- The Fair Adjustment also allows the Lieutenant Governor in Council (LGIC) to make regulations prescribing electricity rates for the period after May 1, 2018.

### **Clean Energy Adjustment**

- The Clean Energy Adjustment is the mechanism to begin to recover the under-collection of GA from eligible consumers during the recovery period.
  - This is an adjustment to a consumer invoice on a monthly basis to repay principal, interest and other financing.
  - IESO and each electricity distributor will act as an agent for the financing entity to impose, invoice and collect the clean energy adjustments.
- The proposed Act outlines:
  - The process for determining the total Clean Energy Adjustment amount;
  - The obligation on individual ratepayers for the repayment of the amount; and
  - The inability to offset or bypass re-collection of the amount.

## GA Refinancing – Legislative Overview (Cont'd)

### **Fair Allocation Amount**

- The Fair Allocation Amount is a calculation and allocation of clean energy costs and clean energy benefits over time.
  - The Minister of Energy is to calculate the Fair Allocation Amount and provide the amount to the Financial Services Manager. Subsequent calculations may be undertaken by other agents as prescribed by the Minister.
- It is expected that the calculation would lead to decreased rates in the near term with upward pressure on rates in the long term.
- Under the legislation the calculation of the Fair Allocation Amount is guided by the principles and purposes of the Act including the proportional allocation of clean energy costs and benefits.

## GA Refinancing – Legislative Overview (Cont'd)

### **Financial Services Manager**

- The legislation appoints OPG as the Financial Services Manager.

### **Financing Plan**

- Under the legislation, OPG, as the Financial Services Manager, is required to prepare a Financing Plan and submit it to the Minister of Energy for information purposes.
- The Financing Plan sets out the funding obligations and amounts related to the financing of the under-collected GA amounts.
- The Financing Plan shall be governed by principles, including:
  - Fair Adjustment period (July 1, 2017 to June 30, 2021);
  - Reasonable assumptions; and
  - Alignment with the Fair Allocation Amount.

## GA Refinancing – Legislative Overview (Cont'd)

- The ability to engage in the fair distribution of clean energy costs requires financing during periods where the collection of the clean energy costs is deferred to later years.
- The legislation outlines mechanisms that are required to enable the financing and meet requirements for rating agencies and investors.

### **Regulatory Asset**

- IESO will have a funding deferral resulting from the reduction in amounts collected during the first four years.
- The legislation enables IESO to record the under-collection of GA in a variance account, and deems this under-collected amount to be a Regulatory Asset.
  - OEB would determine rates to allow IESO to recover under-collection recorded in its variance account in the event the under-collection is not sold.
- IESO is authorized to sell all or a portion to the OPG Special Purpose Vehicle (SPV)/Trust.

## GA Refinancing – Legislative Overview (Cont'd)

### **Investment Asset**

- The sale of the regulatory asset from IESO to the OPG Special Purpose Vehicle (SPV)/Trust creates an “Investment Asset”.
  - The legislation establishes property rights for the Investment Asset such as the right to collect principal and interest and financing costs in the form of the clean energy adjustment from eligible consumers.
- The Investment Asset may in turn be sold to other investors or group of investors.

### **Amendments to Other Acts**

- The legislation includes required amendments to existing legislation such as:
  - The Electricity Act, 1998 – to expand the objects of IESO and OPG to enable them to perform their rights and obligations in the proposed Act
  - The Ontario Energy Board Act, 1998 – to address license conditions and the determination of regulated payments.

## GA Refinancing – Policy Considerations

- The proposed legislation to enable refinancing of the GA provides significant rate relief to electricity consumers that have been burdened with the costs of the necessary investments that have been made to decarbonize and modernize the province's electricity infrastructure.
- Given the long term nature of this program (i.e., approximately thirty years), the calculations related to refinancing of the GA set out in the proposed legislation will be subject to fluctuations in Ontario electricity demand, GA, and interest rates in the medium to long-term.
  - Should electricity demand be higher than forecast as a result of greater electrification, the cost of paying off the debt will be spread over a greater pool of consumption and decreasing future costs for individual ratepayers. Note: The reverse is also true in regards to decreasing demand.
  - Should interest costs increase from the assumed 5%, total borrowing costs would rise. Given that this a unique offering, managing investor confidence will be key to ensure borrowing costs don't rise.
- The Ministry has developed legislation in close collaboration with key ministries (i.e., Treasury Board, Finance, Attorney General, Cabinet Office), agencies (i.e., OEB, IESO, OPG) and third party financial advisors and local distribution companies (LDCs) to minimize risk, and to balance accounting and legal considerations and the need for financeability, where possible. Blakes has acted as the Ministry's external counsel in the development of the legislation providing expertise in securitization, constitutional law and energy law.

## GA Refinancing – Policy Considerations (cont'd)

- The legislation establishes a framework for the period after the ratepayer relief is set. By design, to achieve financing requirements there is limited control once the plan is set.
- The legislation recognizes the four-year period ending June 30, 2021, consistent with how the full reduction from OFHP are expected to be addressed through a July 1<sup>st</sup> RPP rate adjustment. Note: preliminary estimates presented in the March 1, 2017 Cabinet submission assumed calendar year 2017 to 2022.
- Bill impacts would vary between individual customers:
  - Small consumers (i.e., condo residents) will receive less than 25%;
  - Larger customers (i.e., electrically heated homes) will receive more than 25%; and
  - Lower-income Ontarians and those living in eligible rural communities would receive even greater reductions, as much as 40 to 50%.
- To support financeability, inflationary increases over the first four years would be set out in regulation rather than legislation.

## GA Refinancing – Financing Considerations

- The Ministry has worked closely with third-party financial advisors in advance of and throughout the drafting process to help to ensure that the proposed legislation enables refinancing of the GA.
  - The proposed legislation enables the province to provide assurances in the form of a “provincial guarantee” to OPG and investors regarding the permanence of the GA Refinancing framework and the authority of the legislature to pass the legislation. The intent is to ensure that the full value of any investment is recovered.
  - The legislation also enables the Province to guarantee borrowing of the trust in the event of a market disruption to mitigate OPG’s financing risk. Specifics of these guarantees will be determined in agreements to be negotiated later this year.
- It is still possible that the full value of the Regulatory Asset may not be purchased.
  - In such cases, IESO may be able to retain the unsold amounts recorded in its variance account for a short period of time.
- In order to provide financing, OPG would develop a special purpose vehicle (SPV) which will use 100% debt financing to purchase the regulatory asset, financing 51% through capital markets as senior debt, with the remaining 49% being provided by OPG as subordinated debt.
  - The 49% subordinated debt from OPG will be financed through debt OPG issues in its own capacity, through capital markets (up to 5%) with the remainder (44-49%) financed through equity injections from the Province. This will help to ensure OPG’s capital structure remains in line.
  - The Ministry of Energy has received an appropriation for \$1.1 billion operating asset to support these injections for the fiscal year 2017/18, and will report back through PRRT for future funding. Based on the final fair allocation amount calculation, the equity injections would be required until the period of recovery begins.
  - The injections will be fiscally neutral for the province as they will be offset with the value of shares purchased from OPG.
- OPG will seek to achieve the highest possible credit rating (AAA is possible) in order to reduce borrowing costs and attract a wide investor base. Credit ratings will depend on provisions in legislation, regulation and agreements as well as the capital structure of the SPV/Trust. Despite these factors, rating agencies may see the Province’s rating forming a ceiling given the contingent guarantees that the Province will provide (described above).

## GA Refinancing – Accounting Considerations

- The legislation to enable the refinancing of the GA has benefitted from the review and input of KPMG, E&Y and OPCD.
- The proposed legislation establishes mechanisms to enable the funding, sale and transfer between IESO and OPG that respond to the accounting requirements and advice outlined in the March 1, 2017 Cabinet Submission, such as concerns regarding consolidation by the Province.
- Under the proposed legislation, OEB will issue an “accounting order” to authorize IESO to create a variance account in which it will record the funding shortfall and recover the shortfall in accordance with the legislation and regulations. KPMG advises that the variance account created by the proposed legislation meets the accounting criteria for the recognition of a “regulatory asset”.
- The Auditor General (AG) may chose to comment on OFHP in an annual or special report. Ministry and agency staff have provided a technical briefing to the AG and her office.
- The proposed legislation and the associated amendments to the Electricity Act, 1998, enshrine OPG’s SPV/Trust as a stand-alone entity able to conduct business separately under a Trust agreement. Note: To further support the operations and mechanics of the OPG SPV/Trust, additional work will be done through the regulations and supporting agreements/documents. E&Y concurs with OPG’s assessment that accounting requirements to support “consolidation” of OPG SPV / Trust with OPG Inc. can be met.
  - OPG will have the authority to set up the SPV/Trust and assign it with powers regarding decision-making, funding and ongoing operation.
  - OPG and IESO are developing a process that will allow interest payments to occur under GA Refinancing.

## GA Refinancing – Legal Considerations

- In principle, refinancing the Global Adjustment (GA) to spread the costs of generation and conservation assets over the useful life of the assets presents only a “low” risk of being an unconstitutional tax, as each cohort of consumers pays for a proportion of the GA cost roughly equal to the proportion of the benefit they receive from the useful life of the assets.
- Legal risk arises if it becomes apparent that the Government is not spreading cost so that it is shared proportionately by future consumers who cause a need for or benefit from the generation asset, but rather is doing so in order to lower the price in the “short” term by increasing the price in the long term. If the proposed financing served to encumber future consumers with a premium payment to cover the GA financing in order to subsidize current ratepayers, then there would be a moderately high constitutional risk that the financing proposal would result in an unconstitutional tax.
- Former Supreme Court Justice Ian Binnie has provided a legal opinion concluding that the current proposal is at a moderately high risk of being a tax, for the following reasons:
  - The degree of constitutional risk is in direct proportion to the extent the government is not able to show a proper match between the cost of providing facilities for electricity generation and the group of consumers who benefit year to year from electricity generated by those facilities.
  - If the government fails to establish that the relevant electricity generating assets will continue to perform economically over the 30-year period, or if the GA charge is in the opinion of the Court disproportionately backend loaded, the GA will not qualify as a regulatory charge (and would be characterized as a tax).
  - By shifting costs to the 20-30 year customers, the government may in reality be disproportionately back-end loading the GA with the effect that the 20-30 year consumers will be subsidizing the 1-20 year consumers.
  - The judges can be expected to be aware of the difficult political problem of high energy costs in Ontario, and will take a careful look at the government’s evidence in support of the re-allocation of the GA.
- The legislation contains provisions to mitigate the constitutional law risks, including requiring the Minister of Energy to reallocate estimated clean energy costs attributable to each reference period in a way that takes into account the need to align those costs with the estimated clean energy benefits attributable to the same period. Limiting the near-term rate reductions to such amounts which can be justified as counterbalancing disproportionate GA payments during the 2005-2017 period ensures that the statutory 25% reduction is consistent with proportionate reallocation.

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## GA Refinancing – Legal Considerations

- The bill provides for provincial assurances, guarantees and a statutory cause of action.
- **The provincial assurance provision** is intended to mirror as closely as possible the language of a similar provision that appears in legislation in the United States that purports to limit a state legislature's ability to enact legislation that would affect the transaction.
- The main legal risk associated with the provision is that its precise legal purpose and intended effect are not clear. Under Canadian law, it is not possible for legislation to limit the future exercise of legislative power by the Legislature, including the power to amend or repeal statutory provisions or to expropriate private rights conferred under past statutes.
- In light of this limitation, the U.S. provision has been modified to focus on possible actions by the executive branch of government that might undermine the value of the proposed securities (including regulation-making), rather than seeking to constrain the Legislature's powers. However, in the absence of some future statutory amendment, it is not clear what, if any, executive action could have the effect of undermining the payment obligation that would be imposed on consumers under the Act and, therefore, it is not clear what practical risk the provision is designed to mitigate against. This uncertainty creates a risk that a reviewing court could construe the provision in unanticipated ways.
- **The guarantee provisions** are intended to backstop the provincial assurance provision and provide that:
  - the Minister of Energy and Minister of Finance may, with LGIC approval, enter into agreements regarding the performance of IESO or electricity vendors; and
  - the Minister of Energy and Minister of Finance may, pursuant to LGIC order, agree to guarantee and indemnify any debt, obligation, security or undertaking associated with an investment interest.
- Legal risk to the province will be assessed as the agreements are negotiated and drafted.
- **A statutory cause of action** may be created by LGIC regulation. Much like the provincial assurance provision, the statutory cause of action provision is intended to mirror features of US legislation. Legal risk to the province will be assessed as the regulation defining the statutory cause of action is developed.

## 2) Helping Vulnerable Electricity Consumers

## Electricity Support Programs to Help the Most Vulnerable – Overview

- To provide targeted assistance to the customers and alleviate electricity cost burden, Cabinet agreed on March 1<sup>st</sup> 2017 to:
  - **Enhance Rural or Remote Rate Protection (RRRP)** by funding its costs through the tax base and providing additional support to customers of designated Hydro One rate classes and other high distribution cost Local Distribution Companies (LDCs).
  - **Enhance Ontario Electricity Support Program (OESP)** by funding its costs through the tax base and increasing eligible benefits by 50%.
  - **Implement On-Reserve First Nations Delivery Credit**, to remove Delivery charges for on-reserve First Nations customers.
- Cabinet also agreed to establish a new Affordability Fund, which would provide energy efficiency measures at no or minimal cost to those who are ineligible for low-income conservation programs, have difficulty paying their electricity bills, and who cannot make energy efficiency upgrades without financial assistance.

## Rural or Remote Rate Protection – Broadening Rate Protection

- Rural or Remote Rate Protection (RRRP) mitigates some of the high costs of electricity distribution in rural or remote areas of the Province. It is a legacy program of the old Ontario Hydro and has existed in its current form since 2001.

### **Shifting RRRP Costs to the Tax-base**

- Section 79 of the OEB Act is amended to provide the Ministry the authority to prescribe, through regulation, classes of consumers whose cost will be transferred from the rate-base to the tax-base.
- If the proposed legislative amendments are approved, the government intends to propose regulatory amendments that would prescribe Hydro One's R2 customers as receiving RRRP from appropriated funds effective July 1, 2017. This would fulfill the government's intention to transfer the majority of the costs of administering the RRRP program to the tax-base.

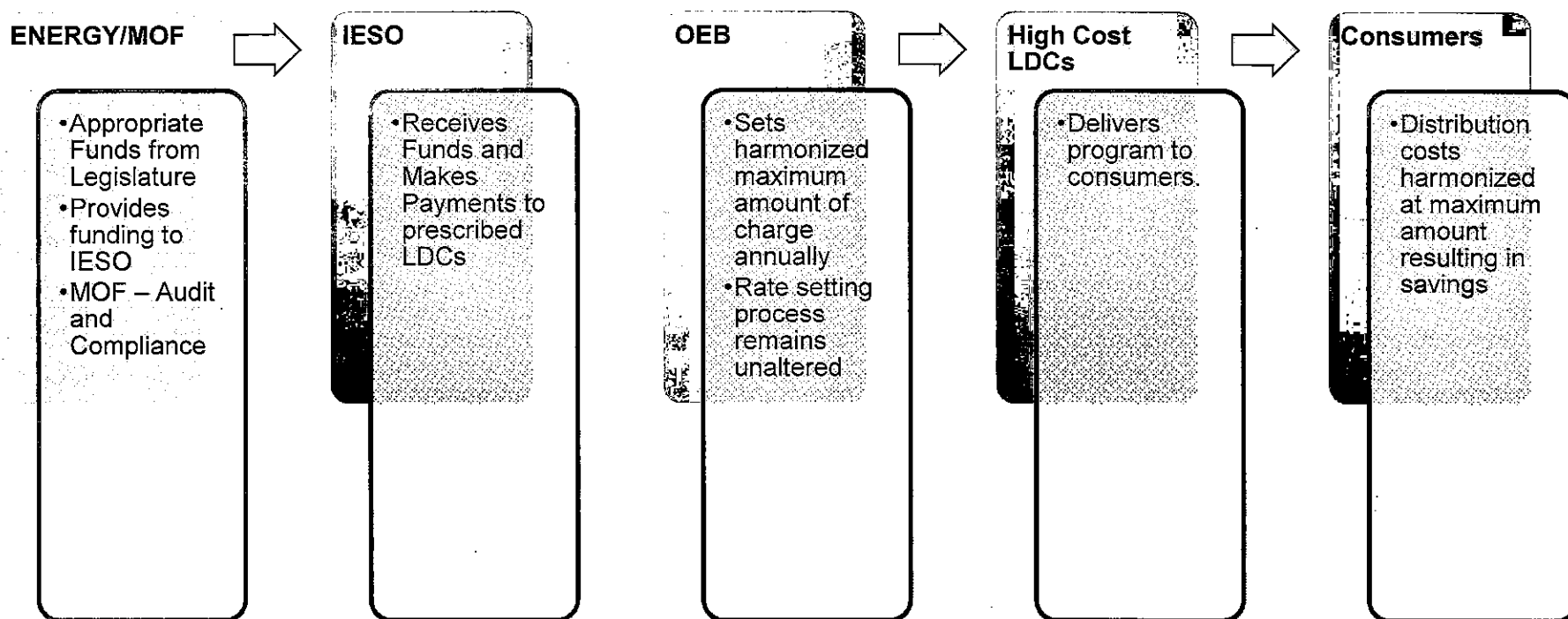
### **Broadened Distribution Rate Protection**

- In addition, Energy is proposing legislative amendments that will broaden rate protection by creating a new distribution rate protection program to complement RRRP. This new program would be funded through appropriated funds and would provide significant benefits to prescribed residential customers.
- Distribution rate protection would be extended to eligible residential customers served by LDCs with the highest distribution costs. Roughly 800,000 customers would receive benefits from the broadened rate protection.
  - These LDCs are: Hydro One (R1 and R2 rate classes), Algoma Power, Atikokan Hydro, InnPower, Chapleau Public Utilities Commission, Sioux Lookout Hydro, Lakeland Power (Parry Sound service territory) and Northern Ontario Wires Inc.
- The legislative amendments would provide Cabinet with the authority to create regulations defining the program.

## Broadening Distribution Rate Protection – Program Mechanics

- Upon Royal Assent, Energy intends to propose regulations that would outline how the program mechanics would work.
- The maximum charge would not affect the role of the OEB in setting rates. Affected LDCs would still need to file rate applications with the OEB to assess whether or not their costs are reasonable.
- The difference between OEB-approved rates and the maximum monthly charge would be reimbursed to LDCs from the tax-base.

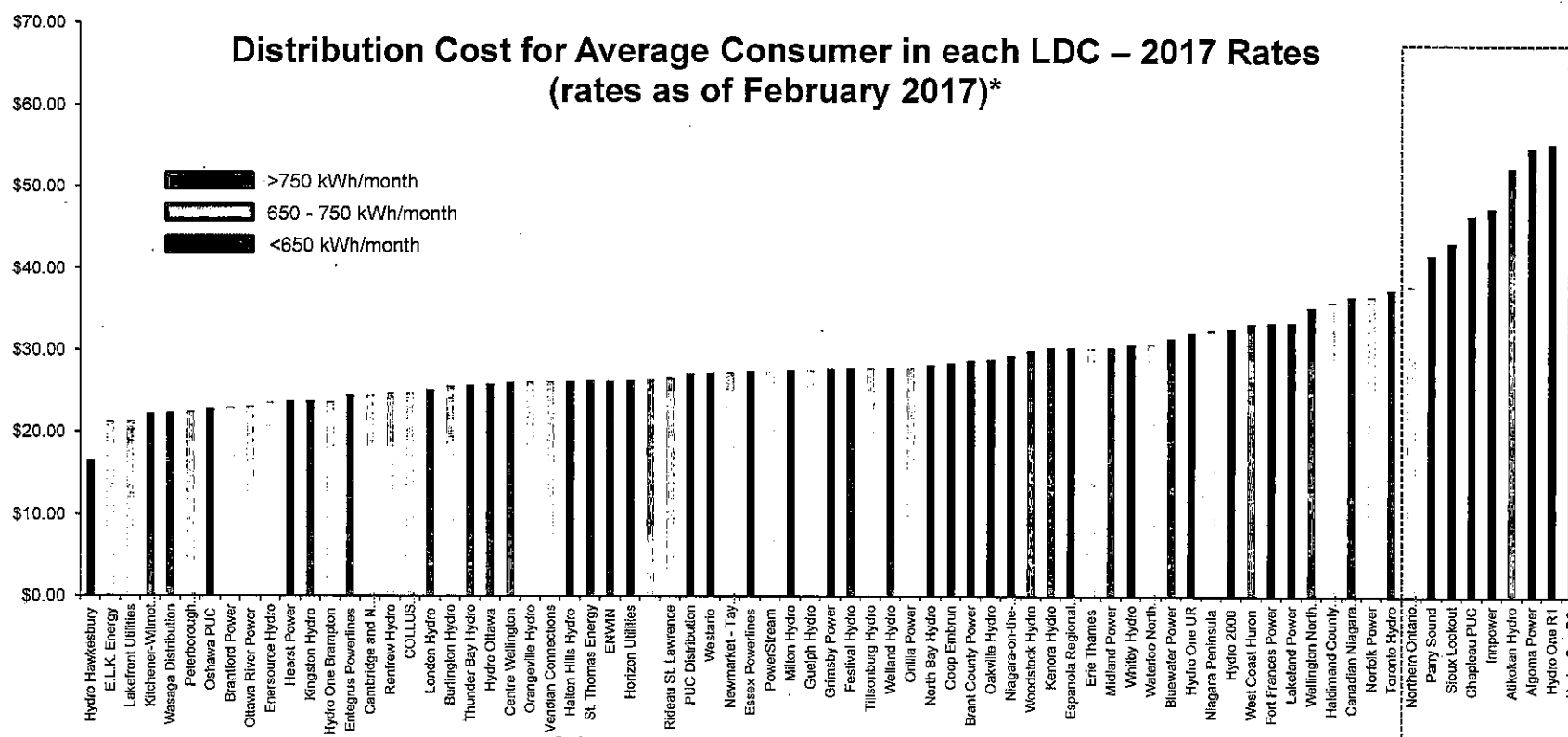
### Roles and Responsibilities



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## Enhancing the Rural or Remote Protection Program (RRRP)

- The table below shows what 2017 distribution costs are projected to be for the average consumer within each LDC across the province, and highlights the highest-cost distribution rates.
- The charts on the following slides show what the benefits would be in each LDC if the fiscal plan was used to support harmonizing distribution costs for customers of the LDCs in the top ~1/8<sup>th</sup> of rate classes at \$38/month.

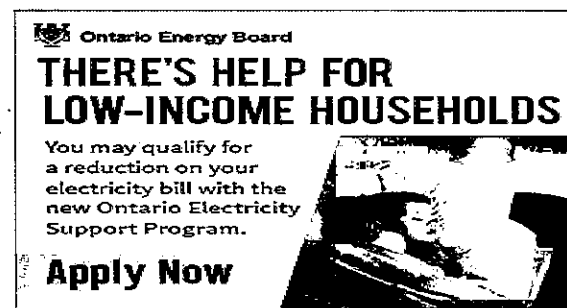
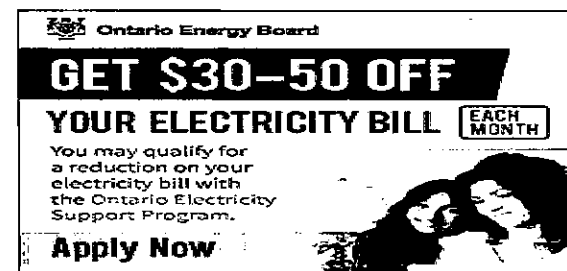


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\*Rates may have changed due to OEB decisions.

## Ontario Electricity Support Program (OESP) – Overview

- The OESP is an income-tested, application based program that lowers electricity costs of the most vulnerable consumers by a rebate directly on bills. The OESP is currently funded by the rate base.
- OESP benefits vary by income level and family size, and there are two benefit scales that include:
  - The basic program credit ranged from \$30/month to \$50/month.
  - An enhanced credit that ranged from \$45/month to \$75/month for consumers that are either Indigenous, use electric heat or have certain medical devices.
- The OESP launched on January 1, 2016, and in just over a year:
  - Over 192,000 have been enrolled in the program representing 33% of the total targeted low-income population. Nearly 300,000 applications have been received.
  - As of March 1, 2017, over \$60million in benefits have been provided to vulnerable consumers.
  - 172 intake agencies have been mobilized to assist low income consumers to apply for the OESP.
- The March 1, 2017 Cabinet Minute directed the Ministry to expand every benefit level of the OESP by 50%, move the program from a ratepayer funded program to a government funded program beginning in 2017 and pursuing additional measures to substantially increase take-up.



## Ontario Electricity Support Program (OESP) (cont'd)

- On March 23, 2017, the OEB issued a Decision and Order to cancel the OESP charge on all customer bills on May 1 (\$0.0011 per kilowatt-hour consumed), and begin using the variance account to continue financing the program (the net difference between the amount of OESP charge collected and the amount paid out)
- On April 11, 2017, amendments to the OESP regulation (O.Reg. 314/15) were filed. These amendments include expanding the credits amounts by 50% and introducing new eligibility categories so that more Ontarians are eligible for the program.
  - The proposed legislative change will allow the OESP to be funded from the tax base once the variance account is depleted, and provide Ministry of Finance with audit capabilities to ensure funds are spent as they were intended.
- The legislative change will also provide the necessary authority for the Ministry of Community and Social Services (MCSS) and the OEB to align OESP program delivery with other social assistance programs and help increase program uptake.
  - ENERGY is working with MCSS to enable automatic entitlement for Ontario Works (OW) and Ontario Disability Support Program (ODSP) participants to receive OESP.
  - ENERGY and the OEB are also working with the Canada Revenue Agency (CRA) to eliminate the CRA requirement for “wet signatures” on OESP application forms to streamline the application process.

## Ontario Electricity Support Program (OESP) (cont'd)

- The amendments to the OESP regulation (O.Reg. 314/15) are reflected below. Increases in credit amounts are in red, and the new eligibility categories are circled. These changes come into effect on May 1, 2017.

### Existing OESP Benefit Scales

| Sliding Scale #1 |                     | Household Size |      |      |      |      |      |      |
|------------------|---------------------|----------------|------|------|------|------|------|------|
|                  |                     | 1              | 2    | 3    | 4    | 5    | 6    | 7+   |
| Income Bracket   | < \$28,000          | \$30           | \$30 | \$34 | \$38 | \$42 | \$50 | \$50 |
|                  | \$28,001 - \$39,000 | -              | -    | \$30 | \$34 | \$38 | \$42 | \$50 |
|                  | \$39,001 - \$48,000 | -              | -    | -    | -    | \$30 | \$34 | \$38 |
|                  | \$48,001 - \$52,000 | -              | -    | -    | -    | -    | -    | \$30 |

| Sliding Scale #2 |                     | Household Size |      |      |      |      |      |      |
|------------------|---------------------|----------------|------|------|------|------|------|------|
|                  |                     | 1              | 2    | 3    | 4    | 5    | 6    | 7+   |
| Income Bracket   | < \$28,000          | \$45           | \$45 | \$50 | \$55 | \$60 | \$75 | \$75 |
|                  | \$28,001 - \$39,000 | -              | -    | \$45 | \$50 | \$55 | \$60 | \$75 |
|                  | \$39,001 - \$48,000 | -              | -    | -    | -    | \$45 | \$50 | \$55 |
|                  | \$48,001 - \$52,000 | -              | -    | -    | -    | -    | -    | \$45 |

### New Credit Amounts and Eligible Households

| Sliding Scale #1 |                     | Household Size |                                                                                      |                                                                                      |                                                                                      |                                                                                      |                                                                                      |      |
|------------------|---------------------|----------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|------|
|                  |                     | 1              | 2                                                                                    | 3                                                                                    | 4                                                                                    | 5                                                                                    | 6                                                                                    | 7+   |
| Income Bracket   | < \$28,000          | \$45           | \$45                                                                                 | \$51                                                                                 | \$57                                                                                 | \$63                                                                                 | \$75                                                                                 | \$75 |
|                  | \$28,001 - \$39,000 | -              | <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">\$40</span> | \$45                                                                                 | \$51                                                                                 | \$57                                                                                 | \$63                                                                                 | \$75 |
|                  | \$39,001 - \$48,000 | -              | -                                                                                    | <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">\$35</span> | <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">\$40</span> | \$45                                                                                 | \$51                                                                                 | \$57 |
|                  | \$48,001 - \$52,000 | -              | -                                                                                    | -                                                                                    | -                                                                                    | <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">\$35</span> | <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">\$40</span> | \$45 |

| Sliding Scale #2 |                     | Household Size |                                                                                      |                                                                                      |                                                                                      |                                                                                      |                                                                                      |       |
|------------------|---------------------|----------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-------|
|                  |                     | 1              | 2                                                                                    | 3                                                                                    | 4                                                                                    | 5                                                                                    | 6                                                                                    | 7+    |
| Income Bracket   | < \$28,000          | \$68           | \$68                                                                                 | \$75                                                                                 | \$83                                                                                 | \$90                                                                                 | \$113                                                                                | \$113 |
|                  | \$28,001 - \$39,000 | -              | <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">\$60</span> | \$68                                                                                 | \$75                                                                                 | \$83                                                                                 | \$90                                                                                 | \$113 |
|                  | \$39,001 - \$48,000 | -              | -                                                                                    | <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">\$52</span> | <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">\$60</span> | \$68                                                                                 | \$75                                                                                 | \$83  |
|                  | \$48,001 - \$52,000 | -              | -                                                                                    | -                                                                                    | -                                                                                    | <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">\$52</span> | <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">\$60</span> | \$68  |

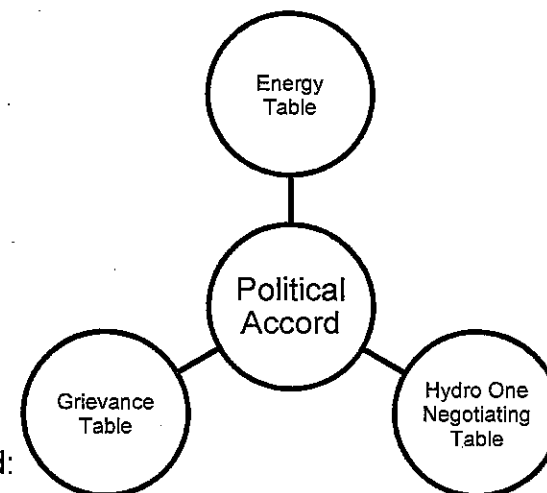
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## Economic Conditions on Reserve

- On-reserve First Nations customers face unique challenges that impact electricity affordability, such as the poor quality of the housing stock on-reserve. These challenges result in significantly higher electricity consumption levels and costs.
- First Nations living on reserve are particularly vulnerable low-income consumers: the average income is considerably lower compared to First Nations living off reserve and compared to non-Indigenous populations:
  - Average income of First Nations on reserve in Ontario: \$21,100;
  - Average income of First Nations off reserve in Ontario: \$31,527;
  - Average income of Non-Indigenous people in Ontario: \$42,506; and
  - Median incomes on smaller reserves can fall below \$10,000 (e.g., Cat Lake FN).
- Employment rates also differ between on-reserve First Nations, off-reserve First Nations and Non-Indigenous individuals, as well as other indices of social vulnerability:
  - 54% of Indigenous people over 15 years old and living on-reserve in Ontario are unemployed or not in the labour force;
  - The on-reserve unemployment rate is 18.3% compared to 6.4% in Ontario generally; and
  - 67% of families residing on-reserve are single parent families, compared to the Canadian equivalent of 19%.
- First Nations are seeking redress for historic grievances related to lands affected by energy developments, such as transmission or distribution infrastructure built on reserve lands and traditional territories where, in some cases, they may not have been appropriately consulted.
- Further, in some circumstances, linear infrastructure corridors cut First Nation reserves in half, significantly disturbing the use and management of an already small land base; the First Nation communities disturbed by the energy infrastructure report having experienced long wait times (e.g., 20 years) for their communities to get connected and receive the benefits of the energy derived from the local infrastructure.

## Delivery Credit for On-Reserve Consumers – Overview

- On June 27, 2016, following discussions on Hydro One shares and rates at the Chiefs of Ontario's (COO's) All Chiefs Conference, the Minister of Energy issued a letter directing the OEB to prepare a report providing "advice on options for an appropriate electricity rate (or rate assistance) for on-reserve First Nations electricity consumers".
- On-Reserve First Nations customers experience challenges with energy affordability and are seeking to address historical grievances associated with electricity system infrastructure.
- On December 29, 2016, the OEB provided a report to the Minister which recommended:
  - Elimination of the delivery charge for all on-reserve First Nations residential customers served by licensed distributors, and elimination of the monthly service charge for customers of licensed distributors which charge a bundled rate (no specific delivery charge);
  - Automatically qualify on-reserve First Nations residential customers (~21,500 customers);
  - Continue to provide assistance through OESP and LEAP to eligible on-reserve First Nations customers;
  - The OEB suggested the program should be funded from the tax base as it is targeted to a particular segment of the provincial population.
- On March 1, 2017, Cabinet gave approval to establish "a new province-wide government funded program beginning in 2017 that would eliminate the delivery charge for First Nations customers on reserve."



## Delivery Credit On-Reserve

- In the spirit of the political accord between the Chiefs of Ontario (COO) and the Province, the government is moving forward with legislation to enable an "On-Reserve" delivery credit.
- The new program would be implemented by amending the Ontario Energy Board Act, 1998 with a new section that would provide:
  - All prescribed on-reserve consumers, the entirety of their delivery line items would be credited.
  - It also provides that for consumers who are served by a distributor that does not have a delivery line item, the monthly service charge or similar charge would be credited (a very few distributors that serve on-reserve customers, such as remote communities, do not have a delivery line item).
- The program would be entirely funded through the tax base.
- The section includes the power to make regulations prescribing further program eligibility details such as:
  - The class of customers eligible (residential full-time, residential seasonal, band offices, commercial, etc.);
  - Whether on-reserve customers who are not status would be eligible, or whether eligibility would be restricted to status individuals only, and the method for determining status, if required;
  - Determining what is considered on-reserve; and
  - Determining the method of calculating the delivery credit.
- Specifics around eligibility, including whether non-status individuals and customers that are not residential are eligible are still subject to ongoing discussion between ENERGY and COO.

| Distributor                                | Number of On-Reserve Residential Customers |
|--------------------------------------------|--------------------------------------------|
| Algoma Power Inc.                          | 473                                        |
| Attawapiskat Power Corporation             | 336                                        |
| Bluewater Power Distribution Corporation   | 237                                        |
| Cat Lake Power Utility Ltd.                | 80                                         |
| Cornwall Electric Distribution             | 514                                        |
| Hydro One Networks Inc.                    | 16,679                                     |
| Hydro One Remote Communities Inc.          | 2,579                                      |
| PUC Distribution Inc. (Sault Ste. Marie)   | 264                                        |
| Thunder Bay Hydro Electricity Distribution | 332                                        |
| <b>Total Number of Customers</b>           | <b>21,494</b>                              |

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## Social Programs – Funding Processes

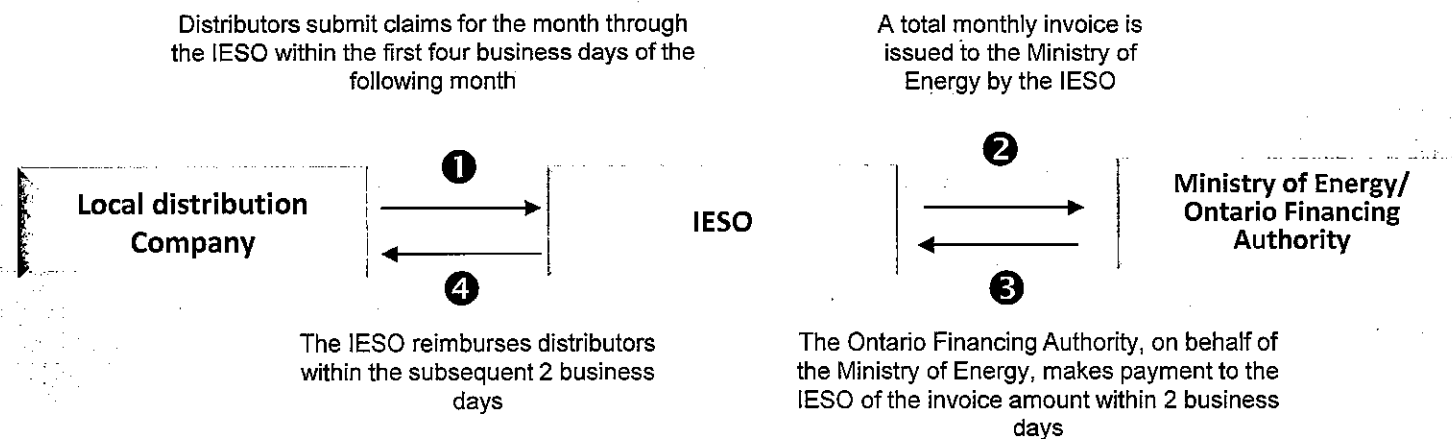
- As social programs are moved to the tax-base, LDCs are reimbursed for credits provided to customers by IESO, which is subsequently reimbursed by ENERGY. This is the same procedure followed for the reimbursement of the 8% Provincial Rebate under the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA).
- The proposed legislation includes provisions that establish the funding frameworks for these programs that mirror ORECA. These procedures would be further developed through regulation.

### Ministry of Finance

- The Fair Hydro Plan Act includes several provisions granting the Ministry of Finance oversight and accountability functions to oversee the flow through of tax-payer money. These include; provisions requiring information to be shared with MOF, enhanced record keeping obligations on parties receiving funds, MOF audit and inspection powers, and offences for being non-compliant.

### Independent Electricity System Operator

- The IESO is responsible for receiving payments from the Minister of Energy and compensating distributors for the lost revenue as a result of delivering the program. Each LDC will require a program specific variance account where the balances will be tracked by IESO.
- The IESO will then make payments to distributors from the money appropriated from the legislature in accordance with the outstanding balances identified in the variance accounts.



## Social Programs and OREC – Budget

- As approved in the TB/MBC submission of March 1<sup>st</sup>, 2017 and confirmed in Vote-Item 2905-1, the financial impacts of the social programs for the period July 1 2017- March 31 2018 are as follows:

| Program                                  | 2017-18 Budget         |
|------------------------------------------|------------------------|
| Ontario Rebate for Electricity Consumers | \$939,000,000          |
| Rural or Remote Rate Protection          | \$344,000,000          |
| Ontario Electricity Support Program      | \$140,000,000          |
| On-Reserve First Nations Delivery Credit | \$15,000,000           |
| <b>Total</b>                             | <b>\$1,438,000,000</b> |

- The IESO manages a variance account for the OESP, which holds the difference between the amount of OESP charge collected from the rate base, and the amount of OESP paid out in the form of credits. The amount in the variance account is about \$120 million as of March 1, 2017.
- These funds will be used to fund the OESP program until the variance account is depleted, at which point the transfer payment line will be used to finance the program costs.
- ENERGY will return with updated out-year figures as part of the 2018-19 PRRT process.

## Affordability Fund

- On March 2, 2017, the government announced the establishment of an Affordability Fund as part of its Fair Hydro Plan.
  - Electricity distributors and other stakeholders had indicated to the government that there is an immediate need to help customers in bill arrears and facing service disconnection.
- The Affordability Fund will provide energy efficiency measures to electricity customers who are not eligible for existing low-income conservation programs, and who are otherwise unable to make energy efficiency improvements without financial assistance.
- ENERGY worked with Hydro One to establish an independent Trust to administer the Fund. A centralized delivery model through a Trust was established to ensure independent oversight of funds and to facilitate efficient distribution of funds to electricity distributors.
  - The 'Affordability Fund Trust' was established on March 23, 2017, when the Original Trustee signed a Declaration of Trust ('Trust Deed'). The Original Trustee is Computershare, a professional Trustee company which partners with some of the largest public and private organizations in Canada and globally.
  - On March 24, 2017, ENERGY entered into a Transfer Payment Agreement with the Original Trustee to flow \$100 million in fiscal year 2016/17 to the Affordability Fund Trust.
  - The Original Trustee will be replaced by a Board of Trustees, based on the recommendations of an Advisory Committee established by ENERGY, by the end of May. The Board of Trustees will be responsible for administering the Fund, including distributing funds to electricity distributors across the province based on an application process and targeted eligibility criteria. Trustees will include representatives from three electricity distributors and two social service agencies, as well as one non-voting government representative.
  - It is expected that electricity distributors will be able to start applying for funds in Summer 2017.

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## COMMUNICATIONS

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## Communications

### **Communications Objective:**

- Raise awareness about Ontario's commitment to lower electricity costs for ratepayers through the rollout of Ontario's Fair Hydro Plan (OFHP) initiatives.

### **Strategic Approach:**

- Use introduction of legislation milestone to continue increasing awareness of the OFHP and how its measures would lower electricity rates across the province.
- Raise awareness, province wide, using earned, owned, shared and purchased media.
- Support LDCs with a comprehensive communications package.
- Leverage LDC, agency and partner channels.
- Prepare reactive materials will include updated Q&As, key messages and issues management plan.

### **Audiences:**

- All electricity consumers in Ontario.
- Consumer subgroups: residential households, low-income households, small and medium sized businesses, farms and Indigenous communities.

## Communications (cont'd)

### Key Messages:

- *Ontario's Fair Hydro Plan proposes new measures to lower electricity bills by 25 per cent on average for all residential households and as many as half a million small businesses and farms. This builds on the previously announced 8 per cent rebate.*
- *Rates increases held to inflation for four years.*
- *Lower-income Ontarians and those living in eligible rural communities would receive even greater reductions, as much as a 40 to 50 per cent cut.*
- *These measures include the eight per cent rebate introduced in January and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills.*
- *This is the largest reduction to electricity rates in Ontario's history.*

## Communications (cont'd)

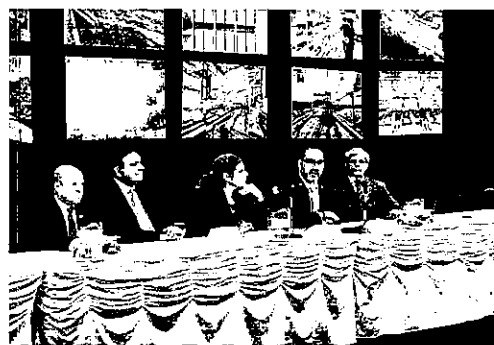
### Communications – Tactical Approach

|                                                                                                                                                                                                                                                                     | April/May 2017                                                                                                                                                                                              | May/June 2017                                                                                                                                                                                                                    | June 2017 to Fall                                                                                                                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Regional Rollout</b><br>Examples: <ul style="list-style-type: none"> <li>• MPP Template</li> <li>• Speeches</li> <li>• Media event</li> <li>• Op-ed, media pitch</li> <li>• Editorial board meeting</li> </ul>                                                   | <ul style="list-style-type: none"> <li>• MPP echo announcements</li> <li>• Minister speaking engagements (ongoing)</li> </ul>                                                                               | <ul style="list-style-type: none"> <li>• MPP echo announcements</li> <li>• Minister speaking engagements (ongoing)</li> </ul>                                                                                                    | <ul style="list-style-type: none"> <li>• Ministry and MPP echo news releases/announcements/Bac kgrounders/Key messages/ QA (dependent on relevant legislations and/or regulation passage)</li> </ul>     |
| <b>Earned</b><br>Examples: <ul style="list-style-type: none"> <li>• News release, etc.</li> <li>• Remarks</li> <li>• Event</li> <li>• Calls/emails to targeted audiences</li> <li>• Multilingual media</li> <li>• Fact sheets</li> <li>• House Statement</li> </ul> | <ul style="list-style-type: none"> <li>• Preconditioned earned media: examples of innovative technology success stories</li> <li>• LDC Toolkit development (FAQs, matte stories, digital assets)</li> </ul> | <ul style="list-style-type: none"> <li>• Introduction of legislation May 11th</li> <li>• News release</li> <li>• House statement</li> <li>• QAs</li> <li>• Targeted media outreach</li> <li>• Deliver toolkit to LDCs</li> </ul> | <ul style="list-style-type: none"> <li>• Pitch and disseminate matte materials to community and multi-cultural channels</li> </ul>                                                                       |
| <b>Digital / Social</b><br>Examples: <ul style="list-style-type: none"> <li>• Web content</li> <li>• Twitter/Facebook</li> <li>• Keyword / interactive web</li> <li>• Blogger outreach</li> <li>• Videos</li> </ul>                                                 | <ul style="list-style-type: none"> <li>• Web and social media content development (ongoing)</li> </ul>                                                                                                      | <ul style="list-style-type: none"> <li>• Updated web and social media content (aligned with TV creative)</li> </ul>                                                                                                              | <ul style="list-style-type: none"> <li>• Next phase of digital campaign</li> <li>• Develop sharable content with focus on bill savings</li> </ul>                                                        |
| <b>Paid (must include budget)</b><br>Examples: <ul style="list-style-type: none"> <li>• TV/radio/newspaper</li> <li>• Online banners/ads</li> <li>• Advertorial</li> <li>• Householder/direct mail</li> </ul>                                                       | <ul style="list-style-type: none"> <li>• Radio ads</li> <li>• Digital banner ads</li> </ul>                                                                                                                 | <ul style="list-style-type: none"> <li>• Prepare next wave ads – TV, digital, community channels</li> </ul>                                                                                                                      | <ul style="list-style-type: none"> <li>• TV ads (timing July)</li> </ul>                                                                                                                                 |
| <b>Shared</b><br>Examples: <ul style="list-style-type: none"> <li>- Agency and utility inserts, websites, collateral social accounts etc.</li> <li>- Third party agreements</li> </ul>                                                                              | <ul style="list-style-type: none"> <li>• Develop and share materials to support LDCs</li> </ul>                                                                                                             | <ul style="list-style-type: none"> <li>• Bill inserts</li> <li>• Leverage and support agency comms (OEB, IESO)</li> <li>• Chambers of Commerce events</li> </ul>                                                                 | <ul style="list-style-type: none"> <li>• LDC communications with customers</li> <li>• Bill inserts, digital content, brochureware</li> <li>• Canadian Manufacturers Association opportunities</li> </ul> |

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## Ontario's Fair Hydro Plan Rollout To Date

- Since launch in early March, Government has undertaken extensive province-wide rollout and promotion of OFHP.
- The Premier's Speech on March 2, 2017 has been followed by 13 echo announcements in communities across Ontario.



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## Media Coverage of OFHP

**“Alectra Utilities’ customers could see a 27 per cent cut in their electricity costs by the summer under a proposed strategy announced by the Ontario government that promotes a 25 per cent reduction in hydro bills.”**

**HamiltonNews.com**

**May 8, 2017**



**“Minister visits Orillia to outline hydro plan”**

**Orillia Packet and Times,  
March 24, 2017**



**“Reducing hydro bills the fair way forward: Wynne”**

**Toronto Star, March 7, 2017**



**“Durham households and small businesses should expect lower hydro bills”**

**Oshawa This Week, April 12, 2017**



## OFHP Advertising Phase I – Radio and Digital

- Radio campaign launched March 13<sup>th</sup> for four weeks, and was extremely successful, with 6,112,608 impressions (based on adults age 25-54) in 89 local markets across Ontario.
- Social and digital ads ran province-wide in English and French with an estimated 10,054,309 impressions.
- Multi-cultural radio followed starting March 20<sup>th</sup> for three weeks in 19 languages.

**25% off your hydro bill**  
on average for Ontario households

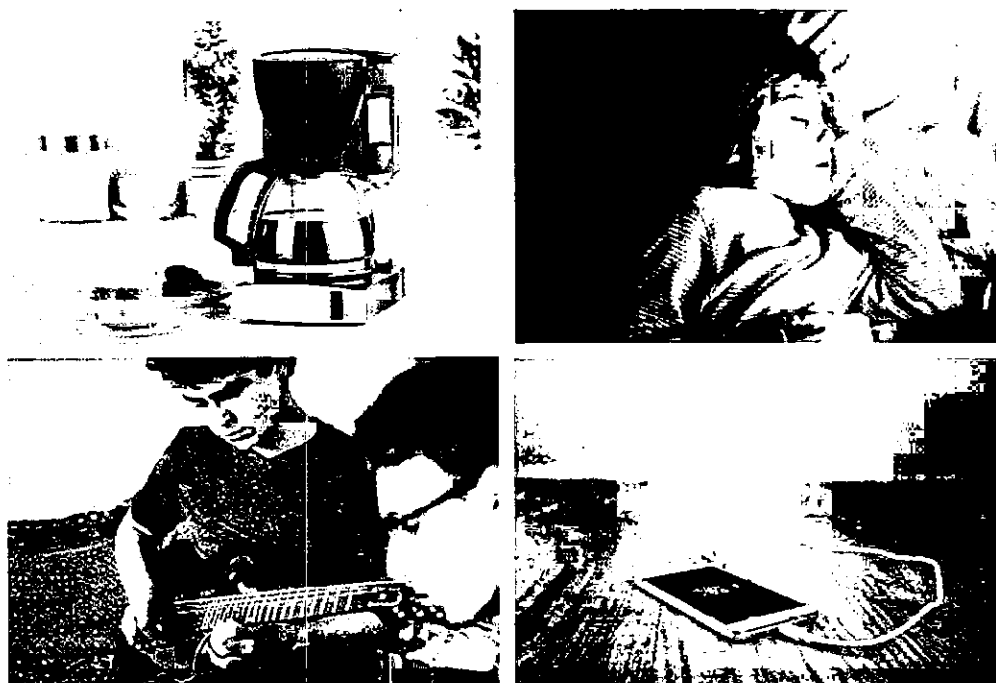
Learn more about  
Ontario's Fair Hydro Plan >

Paid for by  
the Government of Ontario



## OFHP Advertising Phase II – TV, Print, Digital

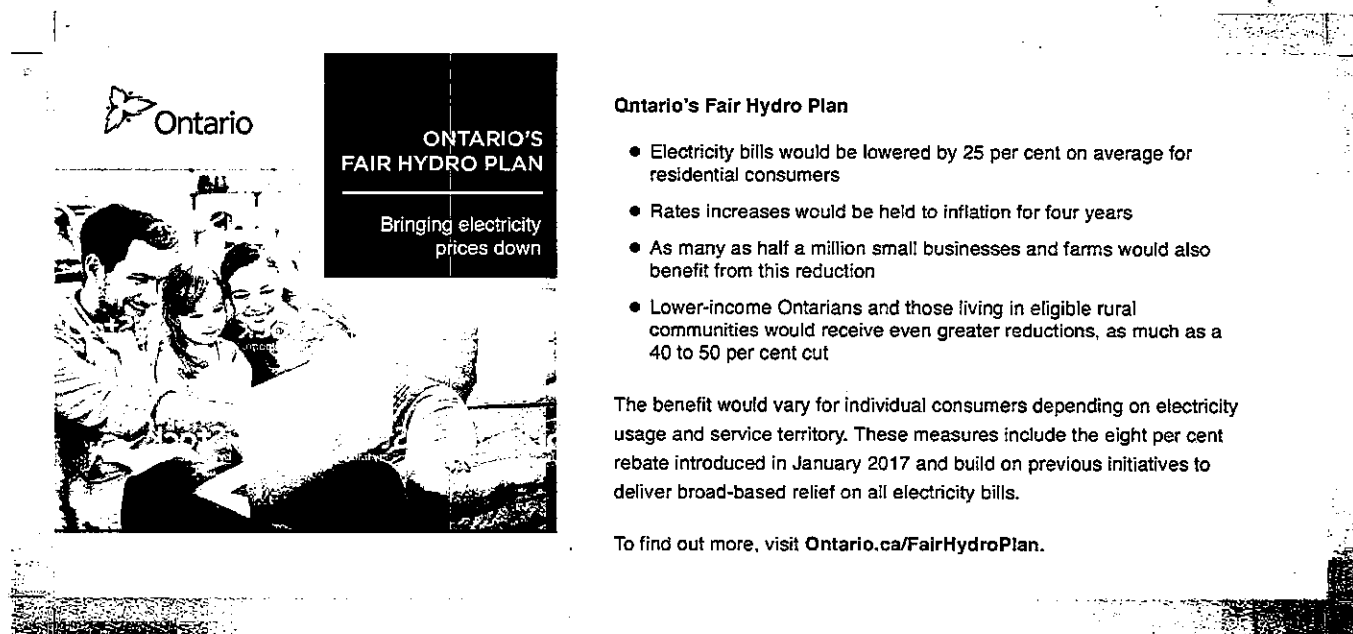
- Phase II is expected to launch early July 2017 with an integrated television advertising campaign supported by radio, print, digital and social media.
- A “slice of life” commercial is in development featuring Ontario’s Fair Hydro Plan and how it helps people in their everyday lives.



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## Electricity Bill Inserts

- The Ministry of Energy is asking electricity utilities to include inserts on the OFHP in bills, starting in June 2017.
- In addition, utilities will be required by regulation to include further OFHP inserts in bills once a quarter for one year.
- Below is a mockup of the potential June insert:



**Ontario**

**ONTARIO'S FAIR HYDRO PLAN**

Bringing electricity prices down

**Ontario's Fair Hydro Plan**

- Electricity bills would be lowered by 25 per cent on average for residential consumers
- Rates increases would be held to inflation for four years
- As many as half a million small businesses and farms would also benefit from this reduction
- Lower-income Ontarians and those living in eligible rural communities would receive even greater reductions, as much as a 40 to 50 per cent cut

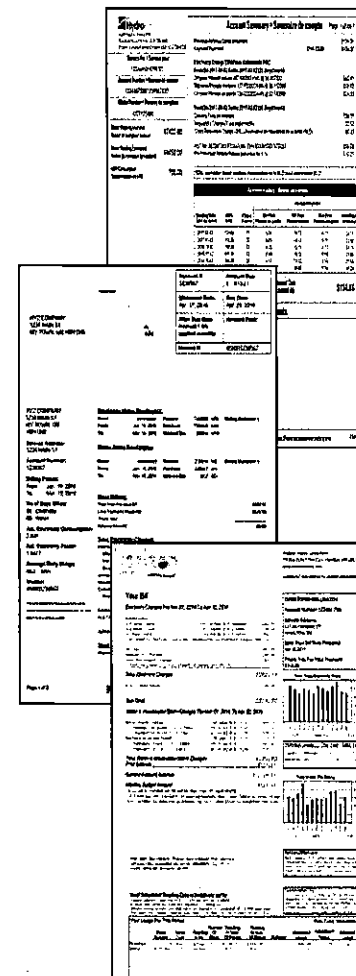
The benefit would vary for individual consumers depending on electricity usage and service territory. These measures include the eight per cent rebate introduced in January 2017 and build on previous initiatives to deliver broad-based relief on all electricity bills.

To find out more, visit [Ontario.ca/FairHydroPlan](http://Ontario.ca/FairHydroPlan).

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## OFHP On-Bill Messaging – Authority Overview

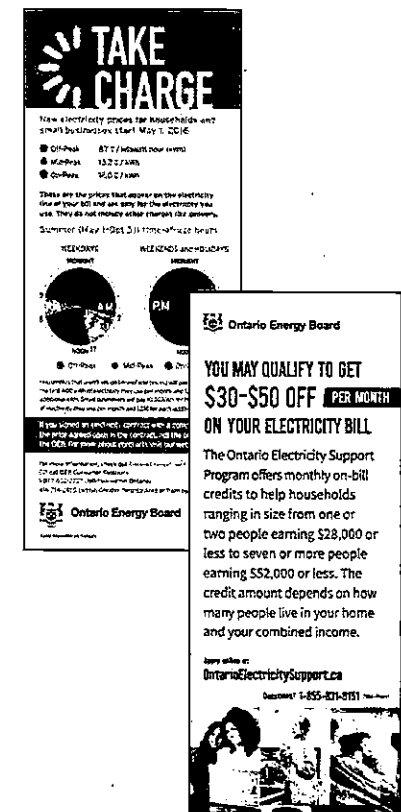
- In Ontario, most electricity customers receive bills for their consumption of electricity from their LDC.
- The government has the authority to stipulate requirements in relation to the form and content of electricity bills, including the ability to prescribe messaging related to government programs directly on bill invoices, inserts and envelopes.
- These requirements have been criticized as a patchwork of measures that limit the invoice's readability and usefulness to consumers. Customer advocates have called for more flexibility to design a more consumer-responsive invoice.
- The government obtains its authority to mandate specific content with respect to bills from the Ontario Energy Board Act, 1998, as well as a number of regulations, including:
  - **O. Reg. 275/04**, which requires bills to display specific line items, as well as a glossary of terms, consumption information and government messaging.
  - **O. Reg. 364/16**, which requires LDCs to include the 8% provincial rebate for consumers on bills, bill inserts and envelopes.
  - **O. Reg. 429/04**, which requires the GA to be disclosed on electricity bills for specified customers.
- The OEB has also established policies related to bill frequency and accuracy, which LDCs are required to follow.
- Hydro bill appearance varies widely across Ontario's approximately 70 LDCs.



## OFHP On-Bill Messaging – Near Term Messaging

- To ensure LDCs can provide Ontario Fair Hydro Plan programs on-time, only minimal near-term messaging is possible.
- In the upcoming months, LDCs will provide the following messaging updates:

| Date      | Bill Messaging                                                                                                                                                                                                                                                                                                                                                                                |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| May 2017  | <ul style="list-style-type: none"> <li>LDCs required to provide an OEB bill insert indicating changes to Time-of-Use (TOU) pricing.</li> </ul>                                                                                                                                                                                                                                                |
| June 2017 | <ul style="list-style-type: none"> <li>LDCs, where willing, to issue OFHP bill inserts ahead of finalized OFHP regulations.</li> <li>Ministry will work with LDCs to provide messaging, artwork and translation of the June bill inserts.</li> </ul>                                                                                                                                          |
| July 2017 | <ul style="list-style-type: none"> <li>OFHP regulations will be introduced in June 2017, which will require that as of July 1, 2017 LDCs provide: <ol style="list-style-type: none"> <li>General invoice messaging to explain the existence of the Ontario Fair Hydro Plan.</li> <li>Bill insert explaining OFHP programs in greater detail using prescribed language.</li> </ol> </li> </ul> |



Sample: OEB May 2016  
TOU Bill Insert

## OFHP Bill Insert – Design Options

- While some LDCs may begin providing inserts in June, all LDCs will be required by regulation to provide inserts beginning in July.
- Unlike the proposed June 2017 bill insert, LDCs would be required to comply with this second bill insert as per regulation.



Ontario's Fair Hydro Plan would lower electricity bills by 25 per cent, with rates also held to inflation for the next four years, for typical residential consumers. As many as half a million small businesses and farms would also benefit under the Plan. The benefit would vary for individual consumers depending on consumption and service territory. Lower-income Ontarians and those living in eligible rural communities would receive even greater reductions, as much as a 40 to 50 per cent cut. These measures include the eight per cent rebate introduced in January and builds on previous initiatives to deliver broad-based relief on all electricity bills.

To find out more, visit [Ontario.ca/FairHydroPlan](http://Ontario.ca/FairHydroPlan).



### ONTARIO'S FAIR HYDRO PLAN

Bringing electricity prices down

Ontario's Fair Hydro Plan would lower electricity bills by 25 per cent, with rates also held to inflation for the next four years, for typical residential consumers. As many as half a million small businesses and farms would also benefit under the Plan. The benefit would vary for individual consumers depending on consumption and service territory. Lower-income Ontarians and those living in eligible rural communities would receive even greater reductions, as much as a 40 to 50 per cent cut. These measures include the eight per cent rebate introduced in January and builds on previous initiatives to deliver broad-based relief on all electricity bills.

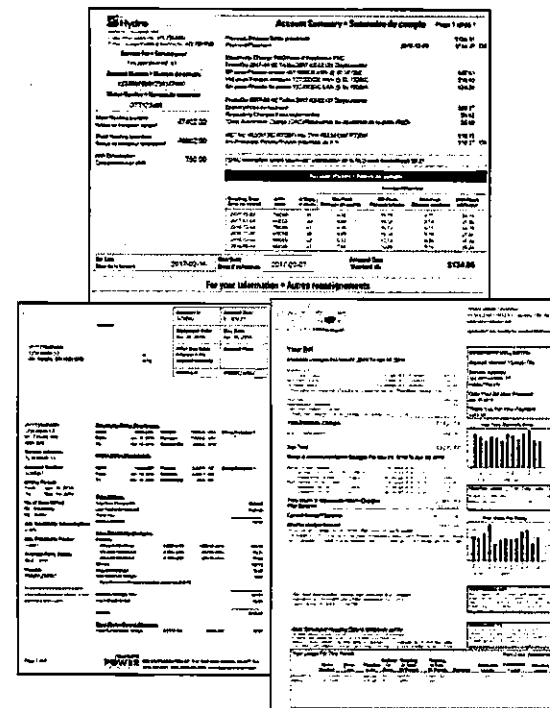
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Note: Graphic treatments are for discussion only

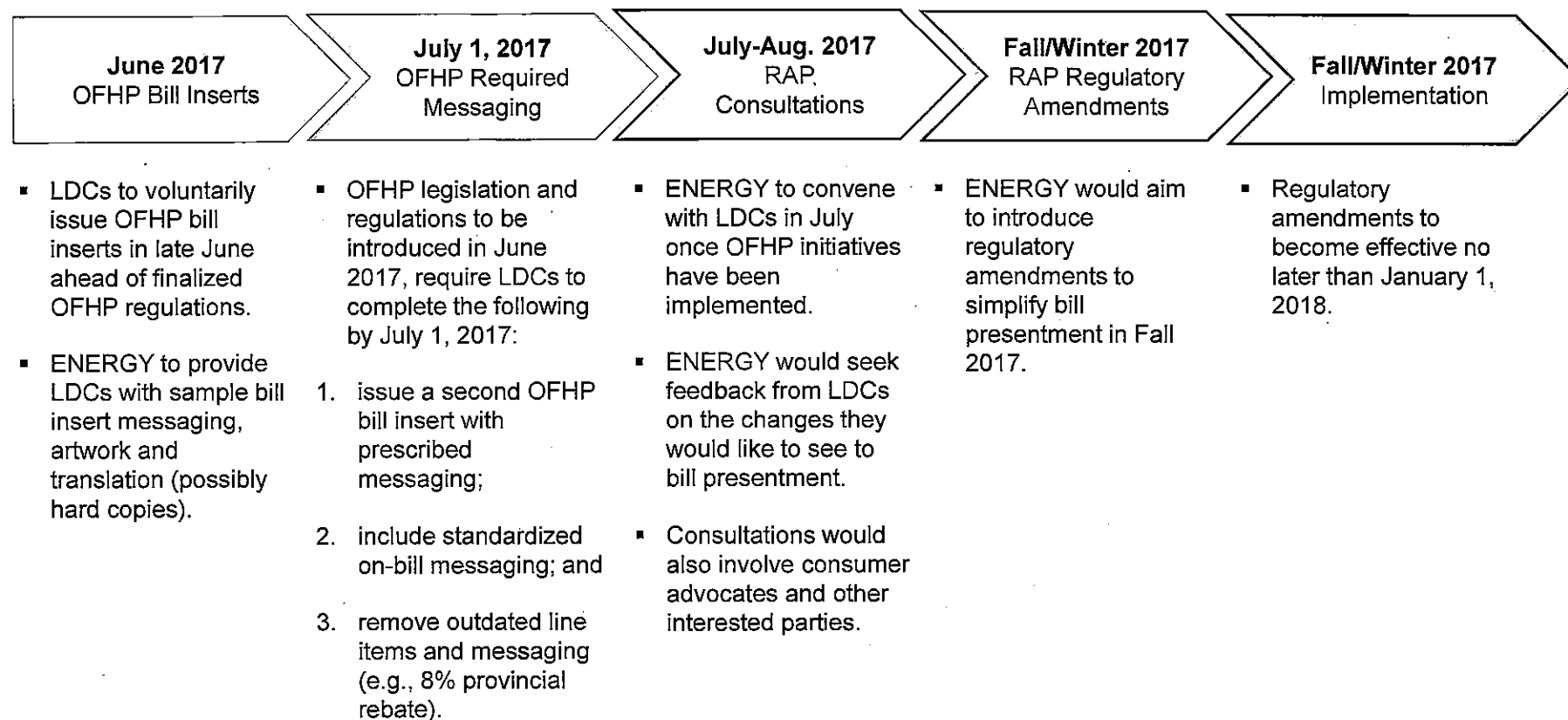
## Long-Term Messaging Improvements

- The Ministry believes there is opportunity for a consultation on the design of the bill, with a goal to refresh the regulatory framework to improve the value of the bill to the consumer across all LDCs.
  - Changes of this nature will require more in-depth consultation with LDCs, as well as broader regulatory amendments to simplify the requirements, necessitating a longer period to implement.
  - This refresh would also include opportunities to communicate OFHP savings in a more personalized and comprehensive manner.
- The Ministry proposes to convene with LDCs in July, once they've had sufficient time to make the backend changes necessary to implement the OFHP initiatives and general OFHP messaging, to discuss the changes they would like to see to bill presentment. We would also seek their feedback on how to improve the associated regulations.
- Consultation will also involve consumers, consumer advocates and other interested parties.
- Based on this feedback, the Ministry would aim to introduce regulatory amendments to simplify bill presentment in the Fall 2017.



## OFHP On-Bill Messaging – Proposed Timeline

- The Ministry believes there is opportunity for redesign of the electricity bill this summer, with a goal to refresh the regulatory framework to improve the value of the bill to the consumer across all LDCs.



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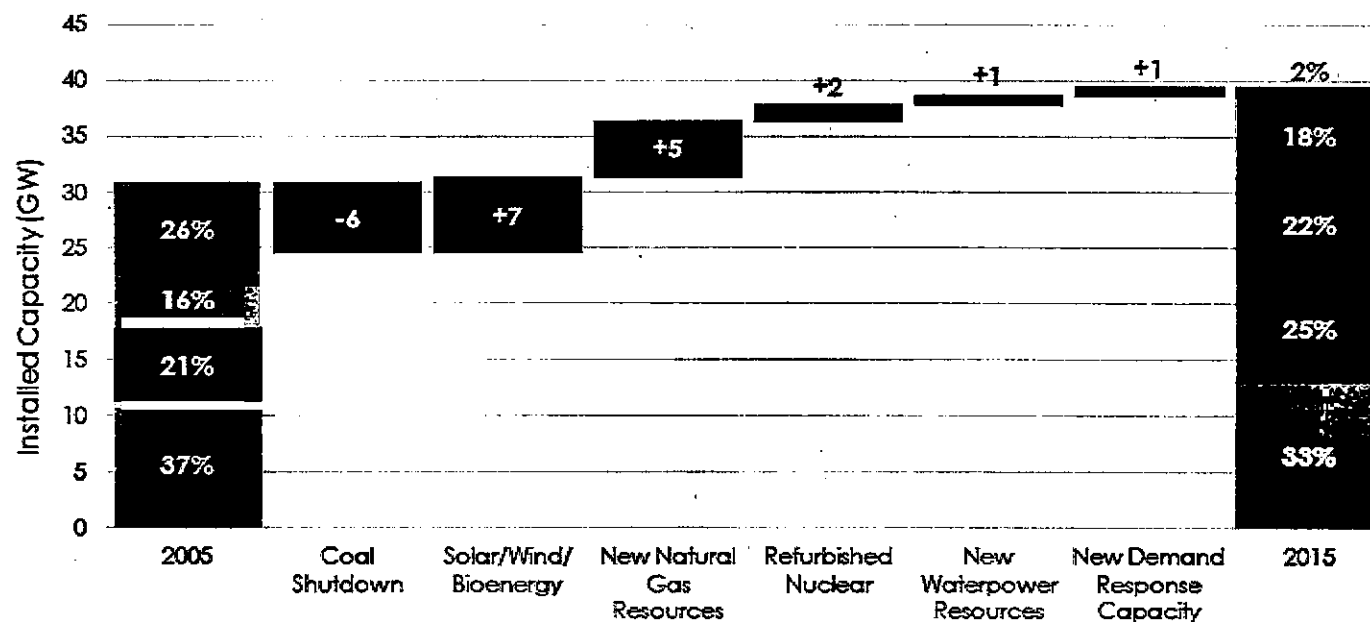
## Cabinet Minute

1. Cabinet approved the proposed *Fair Hydro Act, 2017* for introduction, subject to the following:
  - i. The Office of Legislative Counsel is authorized to prepare a French version and to make minor adjustments to the English version, for the purpose of ensuring consistency between the two versions and making other improvements or correcting mistakes discovered in the translation process.
2. ENERGY to report back, pending Royal Assent, with regulation and associated regulatory amendments for approval.
3. ENERGY work with Cabinet Office and Premier's office to develop a communications plan.

## Appendix

## Infrastructure Investments

- Electricity costs are increasing as the necessary investments are made to decarbonize and modernize the province's electricity infrastructure. Since 2005, Ontario has invested more than \$50 billion in generation, transmission and distribution assets to ensure the system is clean and reliable.



Source: IESO Ontario Planning Outlook

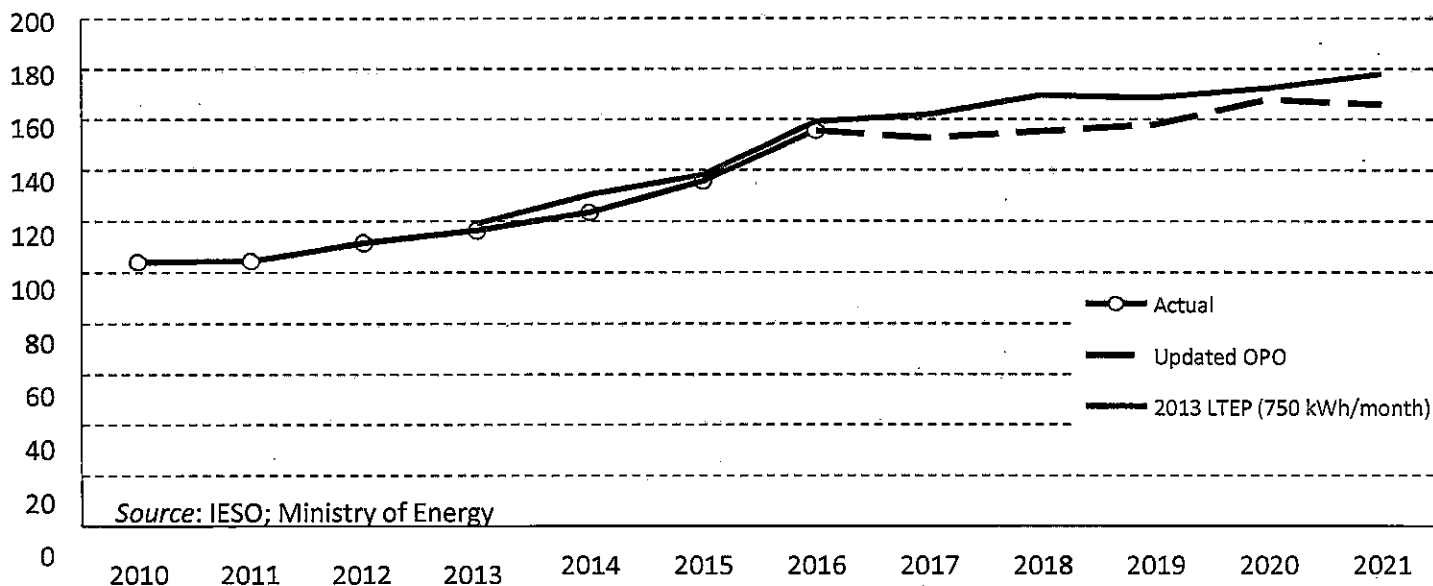
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## Electricity Prices Infrastructure Investments

- Electricity price increases have generally outpaced inflation. There have been several government policies that have impacted electricity prices over the past several years, including: HST, the Industrial Conservation Initiative (ICI), the Ontario Clean Energy Benefit (OCEB) and the Debt Retirement Charge (DRC).
- Following the 2016 Throne Speech, a number of actions were announced to further reduce electricity costs including an 8% electricity bill rebate for residential consumers.

### Illustrative Typical Residential Electricity Bills

*Historical and Forecast in \$/month*

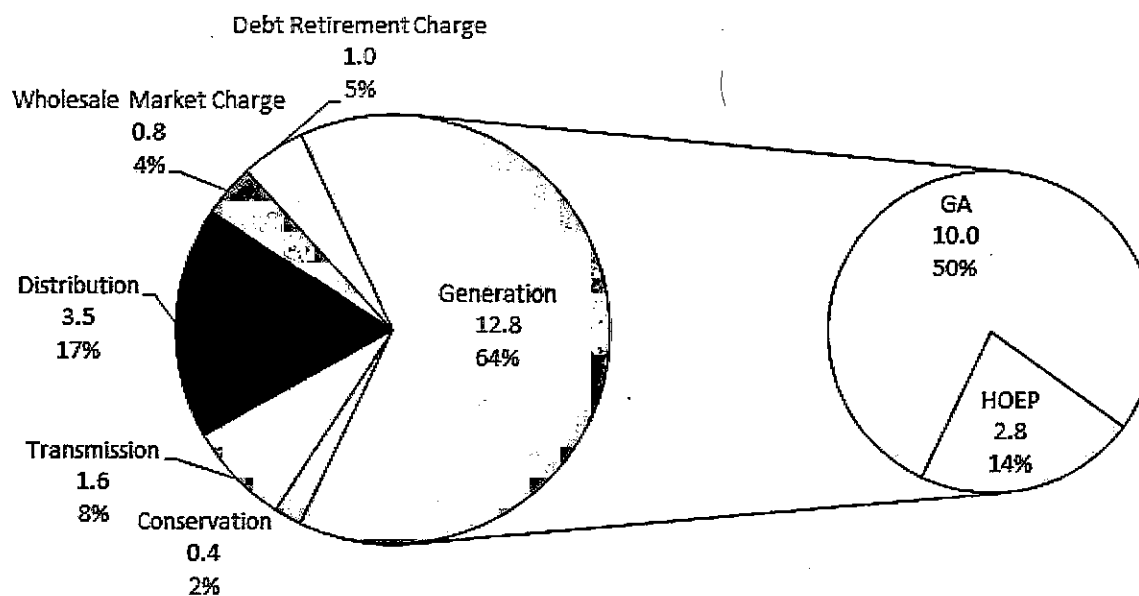


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## Global Adjustment

- In 2015, generation accounted for 64% of total electricity system costs. Total system costs in 2015 were \$20 billion.

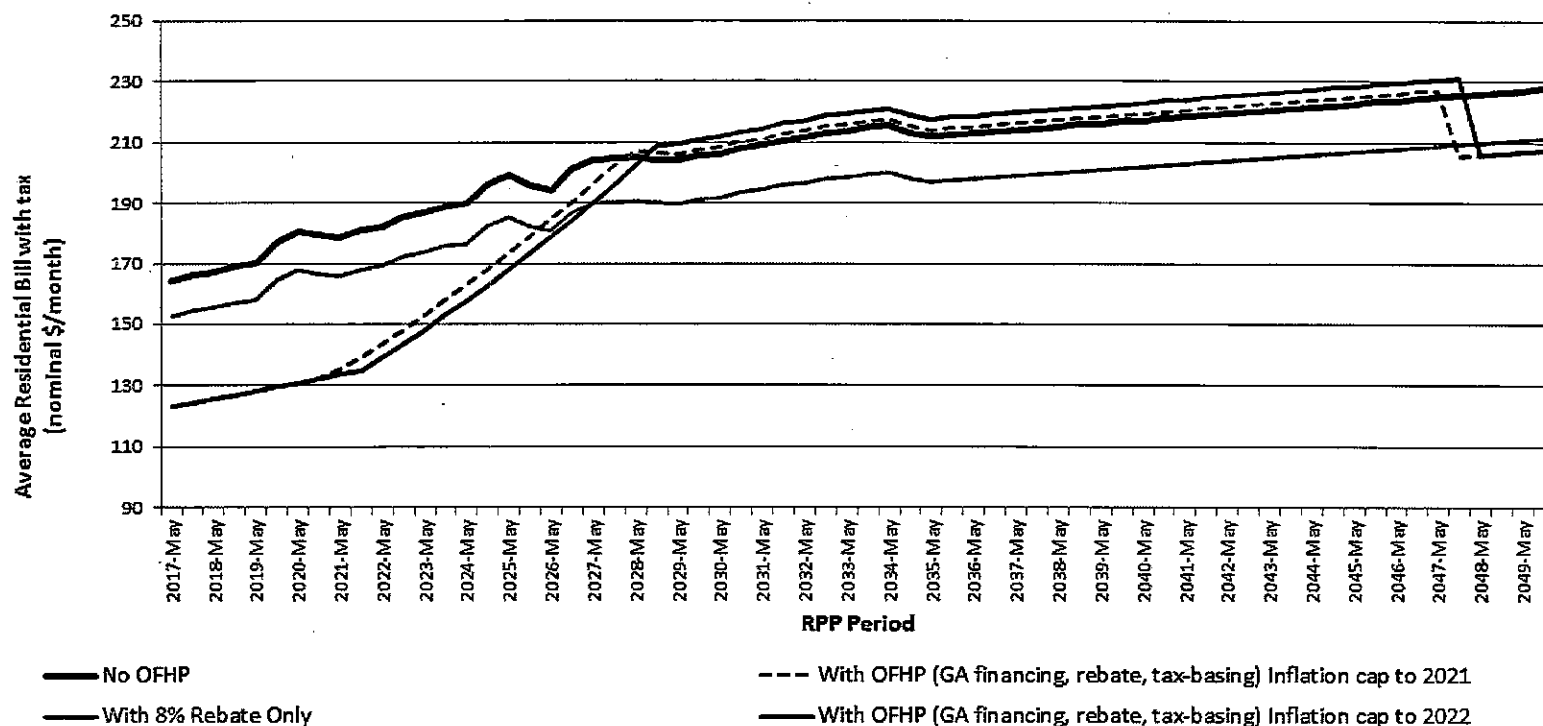
**2015 Electricity System Cost**  
\$ billion



**Source:** IESO

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## GA Smoothing for RPP-Eligible Only (Borrow \$2.5 billion in 2017, Residential Bills Lowered 25%)



|                                                  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  | 2023  | 2024  | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034  | 2035  | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 | 2046  | 2047  | 2048 |
|--------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|------|------|------|------|------|------|------|------|------|-------|-------|------|------|------|------|------|------|------|------|------|------|-------|-------|------|
| Average monthly bill with OFHP (\$/month)        | 124   | 126   | 129   | 131   | 137   | 146   | 155   | 165   | 176  | 187  | 199  | 207  | 207  | 209  | 212  | 214  | 216  | 216   | 214   | 215  | 216  | 217  | 219  | 220  | 221  | 222  | 223  | 224  | 225  | 226   | 216   | 206  |
| Year-over-year change (%)                        | n/a   | 2.01  | 2.01  | 2.01  | 4.25  | 6.44  | 6.44  | 6.44  | 6.44 | 6.44 | 6.44 | 3.61 | 0.08 | 1.20 | 1.29 | 1.14 | 0.93 | -0.04 | -0.88 | 0.49 | 0.49 | 0.49 | 0.49 | 0.49 | 0.49 | 0.49 | 0.49 | 0.49 | 0.49 | -4.37 | -4.61 |      |
| Impact of GA financing and tax-basing (\$/month) | -29.9 | -30.0 | -35.0 | -34.4 | -28.8 | -24.0 | -17.8 | -14.2 | -3.3 | 3.4  | 12.2 | 16.4 | 16.5 | 16.7 | 16.9 | 17.1 | 17.2 | 17.1  | 17.0  | 17.1 | 17.2 | 17.3 | 17.4 | 17.5 | 17.6 | 17.6 | 17.7 | 17.8 | 17.9 | 18.0  | -3.9  | -4.0 |
| Total accumulated debt (\$B)                     | 2.5   | 5.2   | 8.2   | 11.6  | 14.7  | 17.5  | 19.9  | 22.0  | 23.5 | 24.1 | 24.2 | 23.7 | 23.1 | 22.5 | 21.8 | 21.0 | 20.1 | 19.2  | 18.3  | 17.2 | 16.1 | 14.9 | 13.7 | 12.3 | 10.9 | 9.3  | 7.7  | 5.9  | 4.1  | 2.1   | 0.0   | 0.0  |
| Total change in accumulated debt (\$B)           | 2.5   | 2.6   | 3.0   | 3.5   | 3.1   | 2.8   | 2.4   | 2.0   | 1.6  | 0.6  | 0.1  | -0.5 | -0.6 | -0.6 | -0.7 | -0.8 | -0.8 | -0.9  | -1.0  | -1.0 | -1.1 | -1.2 | -1.3 | -1.4 | -1.4 | -1.5 | -1.6 | -1.7 | -1.9 | -2.0  | -2.1  | 0.0  |

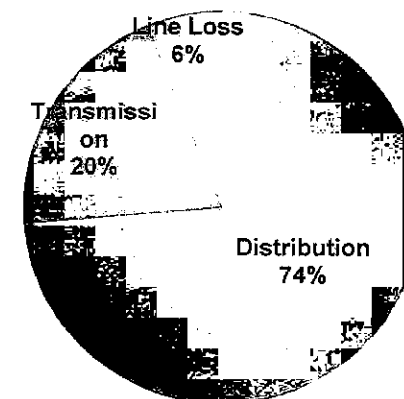
**Notes:** Assumes 30 year financing period and a nominal interest rate of 5% (compounded monthly). Ratepayer GA payments increase annually beyond 2020 such that the average monthly residential electricity bill increases by 6.3% per year to a maximum of \$2.2 billion above the true cost of GA in any given year to cap repayment charges at around 10% of total bill. IESO forecast is based on IESO's revised OPO forecast as of February 2017. Includes the cancellation of LRP II and EFW, expansion of ICI. Does not include smoothed OPG rates. Above residential bill is based on a 750 kWh per month Toronto Hydro customer. Data shown above is by RPP period. Assumes RPP prices are adjusted in July 2021 instead of May 2021 to coincide with the end of the inflation cap. Fair allocation amounts subject to third party review.

## Delivery and Distribution Charge – Background

- The **Delivery** line on a typical consumer bill is specific to a consumer's Local Distribution Company (LDCs) and accounts for roughly 25-35% of the total bill before taxes.
- Delivery covers the costs of getting electricity from generating stations across the province to homes and businesses and combines three cost components of the electricity sector into one line item charge:
  - Transmission:** The costs of moving electricity across high voltage lines from generating stations to the distribution system. This cost is recovered through a variable charge that is approved by the OEB.
  - Distribution:** The costs of moving electricity from the transmission system to homes and businesses. Depending on the LDC, distribution costs makes up about 60% to 80% of the Delivery line.
  - This cost is currently recovered through both a variable charge and fixed charge, approved by the OEB. Distribution rates are moving to a fully-fixed charge over next 5 years.
  - Line Loss:** The costs to recover electricity that is lost as heat when its delivered over a power line. Each LDC is assigned by the OEB a specific line-loss adjustment factor to reflect their losses particular to their assets. This factor is multiplied against the monthly electricity cost to determine the monthly cost.

| SAMPLE MONTHLY BILL STATEMENT    |                      |
|----------------------------------|----------------------|
| Anytown Hydro-Electric Limited   |                      |
| Account Number:                  | 000 000 000 000 0000 |
| Meter Number:                    | 00000000             |
| <b>Your Electricity Charges</b>  |                      |
| <b>Electricity</b>               |                      |
| Off-Peak @ 8.700 ¢/kWh           | 41.20                |
| Mid-Peak @ 13.200 ¢/kWh          | 16.35                |
| On-Peak @ 18.00 ¢/kWh            | 23.60                |
| <b>Delivery</b>                  | 53.07                |
| <b>Regulatory Charges</b>        | 4.79                 |
| <b>Debt Retirement Charge</b>    | 0.00                 |
| <b>Total Electricity Charges</b> | <b>\$139.00</b>      |
| HST                              | 18.07                |
| <b>8% Provincial Rebate</b>      | (11.12)              |
| <b>Total Amount</b>              | <b>\$145.95</b>      |

Cost breakdown of Delivery Line for an Average Residential Bill\*



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\* Toronto Hydro Bill @ 750kWhs

Appendix: See Ministry of Energy's Implementation of Ontario's Fair Plan – Appendix