Fair Hydro Plan (Intro of Legislation) – Draft Confidential Advice to Minister
Ministry of Energy – Questions and Answers
Date: May 8, 2017
Last reviewed: Policy, Legal

Fair Hydro Plan QA'S

Key Messages

- **The proposed OFPHP legislation, supporting regulation and amendments to existing legislation (e.g. Electricity Board 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 Protection Program (RRRP), expands the Ontario Electricity Support Program (OESP) and established a new On-Reserve First Nation Delivery Credit. The legislation also allows for these programs to be funded through the tax base.**

- **Ontario is committed to keeping electricity in Ontario clean, reliable and affordable.**

- **We've been making important investments in a cleaner and more reliable energy system for today and tomorrow.**

- **The decision to invest in a clean, modern and reliable electricity system was the right one — but the costs of this decision should not be put on today's electricity bills alone.**

- **We are moving forward with a plan that will ensure costs are shared more evenly.**

- **The new Fair Hydro Plan would bring in new initiatives that would cut costs directly on your energy bill.**

- **We are taking decisive action by proposing to lower electricity bills for households by 25 per cent on average — it would be the single-largest reduction in Ontario's history. 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.**

- **People with low incomes and those living in rural communities would benefit from even greater savings – as much as 40-50 per cent**

- **These are significant bill savings that will make a real difference.**

- **Ontario's Fair Hydro Plan includes:**

  - **Refinancing the Global Adjustment (GA) over a longer term period for Regulated Price Plan (RPP) eligible consumers, including families, small businesses and farms.**
  - **Helping vulnerable electricity consumers by enhancing electricity support programs and shifting costs off the electricity bill. We would be helping eligible customers by:**

- **Establishing a new Affordability Fund which will support Ontarians who are not eligible for the OESP, Low-Income Energy Assistance Program or Home Assistance Program and who have difficulty paying their electricity bills.**
    - **Broadening Rural or Remote Rate Protection (RRRP) to provide on-bill relief for rural customers paying the highest distribution charges (rates?).**
    - **Expanding the Ontario Electricity Support Program (OESP) to help more people with higher on-bill credit amounts.**
    - **Removing delivery charges from the bills of on-reserve First Nations customers.**
  - **Improving sector efficiency and modernizing Ontario's electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).**
  - **Any rate increases over four years will be held to the rate of inflation.**

- **To implement the OFHP legislation, the Ministry has prepared legislation and regulations in close collaboration with key ministries, agencies, third party financial advisors, and local distribution companies (LDCs)**

- **Our government has put forth a series of measures to help make life more affordable. These include:**

  - **Introducing the Ontario Electricity Support Program**
  - **Introducing a rebate equal to the provincial portion of the HST to reduce bills by 8% pre-tax**
  - **Additional relief for eligible rural customers, and**
  - **Expanding the Industrial Conservation Initiative so more businesses can take advantage of it.**

Questions and Answers

Fair Hydro Plan Overview

Q1. There are a number of different pieces to your Fair Hydro Plan. Can you please explain how these new and existing initiatives will help electricity ratepayers?

Over the last decade Ontario has rebuilt our transmission and distribution grid, invested in clean generation, and closed the last coal-fired power plant. Prices have increased because our energy system is being transformed – more than $50 billion has been invested to modernize the electricity system.

We have heard from Ontarians across the province that the costs of these new investments have grown too quickly, which is why we are moving forward with a plan that would ensure costs are shared more evenly over the years ahead.

Ontario's Fair Hydro Plan (OFHP) would reduce the electricity bills of residential consumers by 25 per cent on average starting this summer. Increases would also be held to the rate of inflation for four years. Small businesses and farms would also benefit. 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. The Fair Hydro plan will deliver the single largest reduction to electricity rates in Ontario history.

Ontario's Fair Hydro Plan (OFHP) includes:

- Refinancing the Global Adjustment (GA) over a longer period for Regulated Price Plan (RPP) eligible consumers, including residential consumers and most small businesses and farms.

- Shifting cost recovery for Rural or Remote Rate Protection (RRRP) and Ontario Electricity Support Program (OESP) from electricity bills to the tax base, lowering the regulatory charges paid by ratepayers. Consumers of all sizes would benefit from this change.

- Helping vulnerable electricity consumers by enhancing electricity support programs, including:

    - Broadening RRRP to provide delivery charge relief for the customers of the local distribution companies (LDCs) with the highest delivery charges. We currently support approximately 350,000 Ontarians living in rural or remote areas through RRRP. The enhancement would extend relief to approximately 800,000 households in total.

    - Expanding the OESP, which provides relief directly on the bills of low-income consumers who have applied and meet the eligibility criteria. The expansion would increase OESP credits by 50 per cent and allow more Ontarians to benefit from the program.

  - Establishing a new Affordability Fund, which would provide financial support to lower-income Ontarians who are not eligible for the Home Assistance Program to make home energy efficiency improvements, helping to manage their energy costs.

  - Establishing a Delivery Credit to eliminate delivery charges for all First Nations people living on reserve.

- Expanding the Industrial Conservation Initiative (ICI), which allows large consumers to reduce their electricity bills by up to one-third by reducing their consumption during peak hours. The expansion will allow manufacturers and greenhouses between 500 kW and 1 MW to participate, in addition to the consumers over 1 MW that are already eligible.

- Ontario's Fair Hydro Plan would also commit us to reducing system costs by improving sector efficiency and modernizing Ontario's electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).

Q2. Once legislation is passed, how soon will rate updates take effect?

This proposed legislation includes the provision that gives the OEB 15 days from Royal Assent to determine updates to the Regulated Price Plan rates, enabling customers to receive the full benefit of the Fair Hydro Plan.

Q3. How much will these initiatives cost?

To relieve the current burden on consumers, two streams of initiatives are being undertaken.

In the early years, a portion of the costs covered by the GA would be financed to reduce pressure on today's electricity consumers. In later years, the cost of financing would be recovered from consumers.

Under current forecasts, the immediate reduction in the GA would be about $2.5 billion per year on average over the first 10 years, with annual interest costs not exceeding $1.4 billion.

Second. The province is proposing to introduce and expand existing rate relief programs.

A number of important programs such as the Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection (RRRP) Program would now be funded from provincial revenues instead of by electricity consumers. The province is also launching a new Affordability Fund, enhancing the existing OESP and providing on-reserve First Nations with a delivery credit. Combined, these new measures would cost the government up to $2.5 billion over the next three years.

We are developing the 2017 Long Term Energy Plan (LTEP) which will include a projection of future electricity costs.

Q4. What took you so long? How are you just realizing this now?

The Fair Hydro Plan is part of a significant system restructuring that would address long-standing policy challenges and ensure greater fairness over the next three decades. It is crucial that we get it right.

While the government has taken steps to address rates with targeted relief and support programs - it was not enough.

For decades governments pushed off the price of reinvesting in the system. This put too much of the burden on a single generation of ratepayers.

People want to know three things:

- First, that relief – substantial relief – is on its way.
- Second, that the relief will go to everyone
- And third, that the relief will be lasting because it is built on a real change.

And that's why the government is proposing the structural change to the system that will give Ontarians relief on their bills.

Q5. How is this different from what was done in the past?

This proposal is a significant structural change that represents a fair solution to an issue that's been unfairly placed on one generation of ratepayers. This is not a temporary solution, and it does not sacrifice investments in the energy system. The government is proposing to change the way electricity costs are recovered, and to move funding for assistance programs off of hydro bills. This plan is the biggest rate reduction in Ontario's history.

Q6. Isn't artificially freezing rates what got us into trouble in the first place?

We've already invested over $50 billion in badly needed improvements to our electricity system. These investments will last Ontarians for generations to come, and it's only fair that more than one generation pays for them.

This is a significant structural change that represents a fair solution to an issue that's been unfairly placed on one generation. This is not a temporary solution, and it does not sacrifice investments in the energy system.

The government is proposing to change the way electricity costs are recovered, and to move funding for assistance programs off of hydro bills. This plan would result in the biggest rate reduction in Ontario's history.

Q7. The figure of 25 per cent savings is for a typical residential consumer. How much money will households actually save?

When we looked at how to make the system fairer, we wanted to make sure that these measures will benefit everyone.

Refinancing the Global Adjustment (GA) impacts the electricity line of the bill. So for example, in a typical household connected to Toronto Hydro and consuming 750 kWh per month, the reduction would be 25 per cent in 2017.

The reduction would vary depending on a number of factors, including how much electricity you use and the rates charged by your local distribution company.

Q8. Were there any outside experts that disagreed with what you're doing?
In crafting the Fair Hydro Act, 2017 the government has consulted broadly, including with:

- Ontario's Energy Agencies
- Experts across government
- External accounting experts
- External legal advisors
- Financial advisors
- Local Distribution Companies

The proposed legislation would deliver on the Government's commitment to fairness, and electricity rates would come down and make life more affordable for families and businesses across the province.

Q9. How did you decide how much to reduce rates by – 25%, 40%, 50%, etc.?

The amount of GA proposed to be smoothed out to later years reflects the projected lifespan of new generation built to update Ontario's electricity system. When combined with the 8 per cent rebate and shifting social programs to the tax base, the result is a significant rate reduction that will make a real difference in peoples' household budgets.

Q10. There are a lot of variables here – what is the chance this legislation won't work as planned?

In crafting the proposed Fair Hydro Act, 2017 the government has consulted broadly, including with:

- Ontario's Energy Agencies
- Experts across government
- External accounting experts
- External legal advisors
- Financial advisors
- Local Distribution Companies

The proposed legislation would deliver on the Government's commitment to fairness, and electricity rates would come down and make life more affordable for families and businesses across the province.

Q11. Will people's bills look different?

Most of the components of the plan do not require adjustments to the appearance of residential electricity bills.

We will work with the Ontario Energy Board (OEB) and Local Distribution Companies (LDCs) to ensure necessary changes are made to billing systems to reflect the impact of these initiatives.

LDCs already have experience with the implementation of billing changes like those associated with the OCEB and the Ontario Electricity Support Program (OESP).

Q12. You are characterizing these as structural changes. Does this mean the lower rates are permanent, or will rates rise again?

Any rate increases over four years will be held to the rate of inflation for typical residential electricity consumers.

We have a robust energy supply and are in a good position to improve efficiency, increase transparency, enhance opportunities for innovation and enhance competition to reduce system costs.

We are developing 2017 Long-Term Energy Plan (LTEP) which will include a projection of future electricity costs.

As part of the Ontario's Fair Hydro Plan (OFHP), the government will aggressively pursue cost reductions through sector efficiencies to mitigate costs over the long term.

Q13. Why isn't the 4-year inflation part of the plan in the legislation? Why can't you commit to this promise via legislation?

Regulations offer the flexibility to respond to potential fluctuations in inflation rates in any given year.

The Ontario Fair Hydro Plan Act, 2017, would if passed, allow future increases to hydro bills to be set by regulation. This enables the government's commitment to hold increases, for four years, to the rate of inflation. By including this measure in regulation, it offers the Province flexibility to respond to potential fluctuations in inflation rates in any given year.

Q14. You say you'll hold rates to increases of only inflation for 4 years – assuming that's 2% that brings you back to an 8% increase over those 4 years. How will that help Ontarians?

This proposal is a significant structural change that represents a fair solution to an issue that's been unfairly placed on one generation. This is not a temporary solution, and it does not sacrifice investments in the energy system.

We realize that energy bills have gone up too quickly in the past 10 years, so holding any future increases to the rate of inflation allows Ontarians to adjust accordingly and plan ahead. We believe this is a fair structural change to the system.

Additionally, it's difficult to implement savings in the short-term and takes a significant period of time to properly structure long-term savings across the energy system. This is primarily due to the complexities in the system and all the partners involved. That's why we have committed to holding rates for 4 years – allowing us to implement significant short-term savings, and also develop a long-term plan for additional savings in the 5th year and beyond.

Q15. When will the 'Fair Hydro Plan' expire?

Our proposed Ontario Fair Hydro Plan Act, 2017, with our other initiatives, would, if passed, lower rates by 25 per cent on average across the province for all residential customers and as many as half a million small businesses and farms,. The government has committed to hold increases to the rate of inflation for four years.

Under GA refinancing, initial analysis indicates that borrowing would occur for about 10 years. Initial analysis indicates that it is currently anticipated that loans will begin to be paid back in the mid-to-late 2020s The exact timing will be determined by the markets and other factors as we strive to balance costs and benefits in the fairest way possible. This is a significant structural change that represents a fair solution to an issue that has unfairly burdened current electricity ratepayers. This does not sacrifice investments in the energy system. We're changing the way electricity costs are recovered, and moving funding for social programs off of hydro bills. This plan would deliver the biggest rate reduction in Ontario's history.

Q16. How long are you talking about refinancing for?

Our proposal would spread costs over a 30-year period. This is a more fair approach that more accurately reflects the lifespan of our generation assets, and spreads the cost out among those people who will use them.

Q17. Why are you saddling our kids with billions of dollars of debt?

In the past few years we've invested more than 50 billion dollars in electricity infrastructure – new dams in the south, new towers in the north, and we plan to spend 13 billion dollars to refurbish nuclear power plants. These are enormously important assets that meet the demand for cleaner and reliable power everywhere in the province.

But we asked one generation – today's generation – to unfairly shoulder the burden of nearly all those costs. We had to play catch-up and we asked today's ratepayers to cover nearly the whole tab.

Think of it in terms of a mortgage. We needed to rebuild the system and so we went to the bank for that money. The mistake we made was setting terms that weren't fair – particularly the amortization. Instead of paying off the mortgage over 30 years, we agreed to a term of 20. That means we pay things down faster. But the monthly mortgage payments – or, in this case, your hydro bills – are higher. And it doesn't really make sense since that house – or in this case the electricity system – is an asset that will continue to benefit people far past that ten year window. In effect, this generation is subsidizing not just those who came before, but those who will come next.

It was a mistake – and it has been notably unfair on today's hydro users. So we're fixing that.

We're renegotiating the mortgage and setting a new term that stretches over a longer period. Over time, it will cost a bit more. And it will take longer to pay off. But it is fairer – because it doesn't ask this generation of hydro customers alone to pay the freight for everyone before and after. The burden now will be shared more evenly and more appropriately.

Q18. Doesn't this lower the incentive to conserve energy? It's against all your conservation efforts.

Our government remains committed to putting conservation first. Conservation is good public policy - it empowers individuals to lower their own bills, while reducing system costs and saving all Ontarians the cost of new generation and transmission infrastructure.

We will continue to encourage and support to ratepayers who are looking to lower their bills through conservation, by providing incentives and rebates through saveONenergy programs

Q19. Will you negotiate an additional 5% off bills with the federal government?

This is up to the federal government.

Q20. Why not just legislate contracts on the private sector generators?

We have already negotiated where we could - Samsung saved an estimated $3.7 billion in costs. We also received independent expert advice that said if we were to renegotiate, not only is it completely uncertain if we would get benefits, but the benefits would be negligible compared to the systemic changes we announced today.

The renegotiation process would be extremely complex and lengthy, and the advice we received stated that it is very unclear that the end result would be in the interest of ratepayers without any form of taxpayer subsidy.

The potential positive impacts are extremely small, not to mention potential litigation.

Q21. Why are you saying an average of 25%? Are some getting 50% while others get 0%?

We are proposing to triple the size of the cut we're making to people's hydro bills from 8 per cent to an average of 25 per cent. Electricity rates in Ontario would come down significantly, they're going to stay down and everyone would benefit.

The cut would go to all households that pay for electricity. There will be no asterisks, no loop holes and no exceptions. And for those living in rural communities or with low incomes the break would be even greater – up to 40 to 50 per cent.

Q22. How much will this cost?

The last decade has seen massive investments in improving our system. These costs need to be recovered, but it needs to be fair.

Part of that means moving the cost of social programs from the rate base to the tax base, and expanding this support to certain vulnerable groups. The fiscal impact of this move would be

$2.5 billion over the next three years - this cost is additional to our expenditure on the 8 per cent rebate.

And part of that means sharing some of the costs of these investments with the future ratepayers who would continue to benefit from them. This element - the GA refinancing - would not impact the fiscal plan.

Q23. How can you ensure this is feasible? What if interest rates go up and it impacts your borrowing?

The government has built in conservative estimates in our financial calculations. There's always a chance that interest rates rise or fall, but we are confident that we built in the necessary buffer in our estimates by using higher rates than are currently forecasted.

Q24. Will any proceeds from cap and trade be used for the relief package? NGOs have been asking.

No.

Q25. We're at the end of the legislative session – are you speeding this through to avoid scrutiny?

Our promise has been to deliver real rate relief to Ontarians by this summer. We have consulted extensively with experts within and outside of government to craft a solution that will deliver substantial rate reductions to all households, and as many as 500,000 small businesses and farms.

<u>Fair and Clean Energy Adjustment</u>

Q26. The Government has always insisted that the Ontario Energy Board (OEB) is a quasi-judicial organization that is responsible for setting electricity rates in Ontario. Does this legislation effectively take that power out of their hands?

The Ontario Energy Board (OEB) would continue to play an important role under the proposed Fair Hydro Act, 2017. The proposed legislation would provide authority to ensure that Ontario's Fair Hydro Plan can be properly and effectively put in place to give consumers the price reductions this government has promised.

In the early years, it is intended that a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing would be recovered through adjustments to consumer invoices.

The OEB would continue to play its important role as regulator for the electricity sector. In particular, it would continue to set commodity rates for Regulated Price Plan (RPP) consumers, including any cost reductions under the OFHP in the near term.

The OEB would determine the required adjustments to consumer invoices to recover deferred GA amounts. The OEB would also be responsible for approving administrative fees related to certain activities in respect of the GA refinancing.

Global Adjustment & Debt Refinancing

Q27. What is the Global Adjustment (GA)?

The Global Adjustment (GA) accounts for the fixed costs of running Ontario's generation fleet, as well as the cost of conservation programs.

The GA is instrumental in maintaining a reliable electricity system by ensuring that sufficient generating capacity is available.

Q28. What changes are you making to the GA?

We have heard from Ontarians that costs are putting too much pressure on their electricity bills.

As we invested in renewing our electricity system, we invested in many new generating facilities, most of which operate under 20-year contracts, which means GA has increased in the near term to recover those costs, but we forecast that GA will eventually stabilize and decline in the future.

If passed, the proposed legislation would mean that starting this summer, the average residential electricity bill would be 25 per cent lower. Cost impacts are based on a forecast for a household connected to Toronto Hydro that consumes 750 kWh per month. Actual ratepayer savings would vary due to differences in consumption patterns.

If asked for more detail:

The majority of the province’s electricity generators are under 20-year contracts. Some of these generators are expected to provide value to the electricity system beyond their contract lives.

There is an opportunity to recognize the long-term benefit of these assets to the electricity system and “bring forward” that benefit for ratepayers today by deferring some of the current costs. GA refinancing would spread these costs over a longer period and provide immediate ratepayer relief.

By recognizing that generation assets are expected to continue to provide benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.

Q29. How much debt are you borrowing?

The last decade has seen massive investments in improving our system. These costs need to be recovered, but it needs to be fair.

Part of that means moving the cost of social programs from the rate base to the tax base, and expanding support to certain vulnerable groups. The fiscal impact of this move would be $2.5B over the next three years - this cost is additional to our expenditure on the 8% rebate.

And part of that means sharing some of the costs of these investments with the future ratepayers who will continue to benefit from them. This element - the GA refinancing - is not expected to impact the fiscal plan.

Initial analysis indicates that the accumulated debt would not exceed $28 billion, including interest.

Q30. What will be the total interest paid on the accumulated debt?

Initial analysis indicates that total interest will not exceed $25 billion.

Q31. Will all ratepayers (residential, commercial, industrial) benefit from the changes to the GA? If so, what kind of savings will a typical ratepayer see on their monthly bill?

Electricity consumers that are eligible for the Regulated Price Plan will benefit from the changes we are making to the Global Adjustment charge.

If passed, the proposed legislation would mean a typical residential consumer would see a bill reduction of 25 per cent. Small business and farms would also receive the benefit.

Q32. How will the changes to the affect the Hourly Ontario Electricity Price (HOEP)? Are there impacts that could affect pricing for certain customers?

The function of the wholesale electricity market will not change and the Hourly Ontario Electricity Price will continue to be set as normal.

Q33. How does the borrowing work? In tranches?

Leveraging the expertise of both organizations, the government has introduced legislation that would enable the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to finance certain clean energy costs within the global adjustment (GA) over a longer period of time.

Under the proposed legislation, OPG would develop a financing plan, which sets out the funding obligations and amounts related to the financing of the deferred GA amounts. This plan would be submitted to the Minister of Energy. The Ontario Energy Board (OEB) would continue its role as regulator for the electricity sector. In particular, it would continue to set commodity rates for Regulated Price Plan (RPP) consumers, including any cost reductions under the Fair Hydro Act, 2017. Debt and financing costs would be recovered through adjustments to consumer bills.

Borrowing is expected to be done in tranches, as set out in the Financing Plan developed by OPG.

Q34. Why was OPG chosen as the entity responsible for the GA financing?

Ontario Power Generation (OPG) has the necessary financing and commercial expertise to assist with refinancing the Global Adjustment (GA).

OPG currently manages an $18 billion nuclear fund and can use its infrastructure and expertise in this field to help administer the GA financing.

As an entity regulated by the Ontario Energy Board (OEB), OPG also has extensive experience with regulatory deferral and variance accounts.

Q35. What happens if the OEB doesn't allow OPG/IESO to recover the exact amount it has borrowed? Will this saddle us with more unwanted debt?

The proposed Fair Hydro Plan legislation is written to prevent such a scenario. The proposed Act, together with amendments to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998*, would enable Ontario Power Generation (OPG), the Ontario Energy Board (OEB), and the Independent Electricity System Operator (IESO) to address payment, settlement and cost-recovery obligations and to manage the refinanced GA costs. The transaction is expected to be fiscally neutral to the province.

Q36. Is there going to be a new CEO of this OPG entity?

The financing entity would be managed by a a board appointed by OPG.

OPG has a great deal of experience managing the risks associated with borrowing through their experience developing capital-intensive generation projects as well as their management of Nuclear Funds.

Q37. Is this entity within OPG or IESO?

Leveraging the expertise of both companies, the government intends to introduce legislation that would enable the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to finance certain clean energy costs within the global adjustment over a longer period of time.

OPG, in its role as Financial Services Manager, would create the appropriate entity within which to manage its Financing Plan. Under the proposed legislation, OPG would develop a financing plan, which sets out the funding obligations and amounts related to the financing of the deferred Global Adjustment (GA) amounts. This plan would be submitted to the Minister of Energy. The Ontario Energy Board (OEB) would be responsible for approving administrative fees related to OPG's role as Financial Services Manager in respect of the GA refinancing.

Q38. Does this financing entity report in to the government?

The entity would be directly accountable to OPG.

Q39. What accountability measures and oversight will government have over the OPG financing entity?

While OPG would have independence in appointing the board of the financing entity, OPG is ultimately accountable to its sole shareholder, the Minister of Energy.

Q40. Will you take advantage of the OFA's borrowing rates? Or will OPG secure their own?

OPG would finance the deferral of Global Adjustment through a mix of OFA financing and external private sector financing.

Q41. Could this level of borrowing/refinancing ultimately affect Ontario's credit rating?

Commented [npp1]: See OFA's comments on feedback from credit rating agencies (viewing as ratepayer supported debt vs. taxpayer debt).

The refinancing of the Global Adjustment would take place only within the electricity system – current ratepayers would pay less now, and future ratepayers in turn would help to pay for their fair share of the significant investments we've made to build a clean and reliable electricity system, free of burning dirty coal.

The refinancing is not expected to impact the fiscal plan.

Q42. What do you expect to happen after 4 years?

Based on current modelling, we project that borrowing will continue for about 10 years . Initial analysis indicates that it is currently anticipated that consumers will begin to repay the borrowed amount in the mid-to-late 2020s The exact timing will be determined by the markets and other factors as we strive to balance costs and benefits in the fairest way possible.

In the meantime, the government and our agencies are working hard to reduce system costs and to give consumers more choice. The IESO is embarking on a Market Renewal project to improve the way we procure and dispatch energy, which will save costs. And the OEB is piloting projects to give customers greater flexibility in how they consume and pay for electricity. These measures will help ensure that electricity bills stay low in Ontario.

Q43. What if financiers don't want to buy your debt?

In crafting the proposed Ontario Fair Hydro Plan Act, 2017 the government has consulted broadly, including with:

- Ontario's Energy Agencies
- Experts across government
- External accounting experts
- External legal advisors
- Financial advisors
- Local Distribution Companies

The proposed legislation would deliver on the Government's commitment to fairness, and electricity rates would come down and make life more affordable for families and businesses across the province.

Q44. You say you want to ensure fairness for this generation – how can you ensure fairness for our kids and grandkids if you're borrowing billions?

Future generations would be paying their fair share for a system they will be benefiting from in their lifetime. Not only will they benefit from a reliable electricity system, but from the cleaner air from the reduction of coal-fired generation.

The proposed Fair Hydro Plan acts much like taking out a new mortgage – providing much-needed relief now by spreading costs across the life of our assets. Current ratepayers would pay less now, and future ratepayers in turn help to pay for their fair share of the significant investments we've made to build a clean and reliable electricity system, free of burning dirty coal. This more fairly shares the cost of our investments across the generations of electricity ratepayers who will benefit from them.

Q45. Who will be responsible for the accumulated debt of GA financing? The ratepayers or the taxpayers? Will it contribute to the province's debt?

The government is dedicated to reducing electricity costs wherever possible, while maintaining reliability for all consumers.

With the proposed Fair Hydro Plan and as a result of the government's prudent fiscal management, the Ontario government is delivering on its commitment to balance the budget this year, recognizing that balance provides the foundation for the long-term well-being and prosperity of Ontarians.

To relieve the current burden on ratepayers and share costs more fairly, it is proposed that a portion of the GA would be refinanced. Refinancing the Global Adjustment (GA) would provide significant and immediate rate relief by spreading the cost of electricity investments over the expected lifecycle of the infrastructure that has been built.

In the early years, it is intended that a portion of the costs covered by the GA would be refinanced to reduce pressure on today's electricity ratepayers. In later years, the cost of refinancing would be recovered from ratepayers.

Q46. People have been paying for investments to make the system cleaner and more reliable. Now, you are spreading these costs over the longer term. Aren't you just offloading costs to future generations?

We have been making important investments in a cleaner and more reliable energy system, and we are reaping the benefits of that, but these investments have led to higher electricity bills.

Most of Ontario's electricity generators are under 20-year contracts, but many of these facilities will continue to generate power after their contract ends. These are long-term assets for our electricity system. We are bringing forward some of the value of these assets by spreading some of the current costs of these contracts over a longer period.

Q47. Won't spreading these costs over more years lead to big rate hikes down the road?

Many of the generating facilities that have been developed recently are expected to operate past their contract life. We are recognizing that some generating facilities will continue to provide benefits to future electricity consumers after their contracts end. This will reduce the need for future consumers to finance the development of new generating facilities.

Q48. Residential customers just stopped paying the Debt Retirement Charge (DRC) and business and industrial customers are still paying it until 2018. Why are you now adding more debt to ratepayers?

We have a plan that significantly reduces rates today AND ensures fairness and predictability for tomorrow.

Most of Ontario's electricity generators are under 20-year contracts, but many of these facilities will continue to generate power after their contract ends. These are long-term assets for our electricity system. We are bringing forward some of the value of these assets by spreading some of the current costs of these contracts over a longer period. This will reduce the need to finance the development of new generation assets.

Program Enhancements

Q49. The new Fair Hydro Plan will also bring savings to Ontario consumers through electricity support programs. What are these programs and who will benefit?

Eligible consumers will receive additional funding through assistance and conservation programs including:

- Establishing a new Affordability Fund which will support Ontarians who are not eligible for the Home Assistance Program and struggle to pay their electricity bill.
- Broadening Rural or Remote Electricity Rate Protection (RRRP) to provide Delivery Charge Relief for the customers of the local distribution companies (LDC's) with the highest delivery charges.
- Expanding the Ontario Electricity Support Program (OESP) to increase participation and provide further assistance to eligible participants.
- Removing the delivery charge from the bills of on-reserve First Nations customers.

Q50. Why aren't you targeting relief to those who need it most instead of providing breaks to everyone?

We understand rising electricity costs are a concern for all Ontarians and appreciate that low-income Ontarians feel it even more. While all communities will benefit, we've taken extra steps protect the most vulnerable.

We currently offer both the Ontario Electricity Support Program and the Rural and Remote Rate Protection, which offer significant on-bill benefits to eligible households. As part of our Fair Hydro Plan, these programs are being enhanced to ensure vulnerable consumers receive additional support.

For those most in need, low-income programs like the Home Assistance Program provide energy efficiency upgrades in homes at no cost to help customers reduce future electricity bills and avoid future disconnections.

We recognize that there are other electricity customers who are in need, but who do not qualify as low-income, and are helping address this through the Affordability Fund.

Q51. How are you changing the way programs are currently funded?

As a government, we have been focused on ensuring that our electricity system has been fairer for families living in rural areas or with low incomes.

Programs designed to support customers that are most vulnerable to increasing electricity costs will shift from the hydro bill to government funding, recognizing they are for the common good. This includes the Ontario Electricity Support Program (OESP) and Rural and Remote Rate Protection (RRRP).

The new Affordability Fund and the On-Reserve First Nation delivery rate will also be government-funded. This ensures that initiatives designed to provide a social good will be better aligned with the government's poverty reduction goals.

Q52. This announcement is only for residential customers. What are you doing for industrial consumers?

Industrial customers will benefit through two initiatives.

A number of important programs such as the Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection (RRRP) program would now be funded from provincial revenues instead of by electricity consumers. This will provide savings to industrial customers, who currently fund a portion of these programs.

We are also proposing to expand the Industrial Conservation Initiative (ICI) to include smaller manufacturers with peak demands between 500 kW and 1 MW. ICI provides a strong incentive for participating consumers to shift their electricity consumption to off-peak hours to reduce their bills by about one-third. By reducing the province's peak demand, ICI has the added benefit of deferring the need to build peaking generation. Participating consumers collectively reduced Ontario's peak demand by an estimated 1,000 MW in 2015.

OESP

Q53. What are you doing for low-income Ontarians?

Through the Fair Hydro Plan, we are providing relief to everyone and also providing additional relief for those who are most in need of support.

This includes expanding the Ontario Electricity Support Program, which lowers electricity costs for the most vulnerable customers by providing a rebate directly on their bills. This program — which is income-tested and application-based — uses two scales: basic credits; and an enhanced credit for Indigenous people and for people who use electric heat or certain electrically intensive medical devices.

Effective May 1, 2017, the eligibility for OESP is expanding so that more Ontarians can receive the credit. OESP credits are also increasing by 50 per cent. Here is what that means for OESP recipients:

- Single, low-income consumers who receive the lowest credit amount received $30 per month ($360 per year). They will now receive $45 per month ($540 per year).
- There is also an enhanced credit for customers with unique electricity requirements, including electric heating, certain medical devices that use a lot of electricity, or Indigenous customers.
- For a single, low-income customer eligible for the enhanced credit, the amount is growing from $45 per month ($540 per year) to $68 per month ($816 per year).
- Families of 4 who receive the OESP could qualify for 3 different credit amounts, depending on their income. Please visit: https://www.oeb.ca/sites/default/files/backgrounder-OESP-20170426.pdf for more information on the different credit amounts, and who qualifies.

We are moving to have the OESP funded by the tax base, which will reduce regulatory charges on electricity bills for all Ontario ratepayers.

Q54. There hasn't been huge uptake of the Ontario Electricity Support Program (OESP). What are you doing to increase participation levels in this program?

We want to ensure that people receive the support they need and are eligible for, and are taking a number of steps to increase participation in this program:

- Increasing awareness of the program to eligible recipients

- As of May 1, 2017, OESP credit amounts increased by 50% and additional eligibility was added to benefit more low-income consumers in Ontario.

- ENERGY, the OEB, and the Ministry of Community and Social Services (MCSS) are developing a strategy to support and increase OESP participation levels. Pending legislative approval, this will:
  - Raise awareness of OESP through communication to social assistance clients who may qualify for the program
  - Incorporate OESP enrolment into the social assistance intake process

Q55. Can you provide more details about each of these existing programs? What is the Ontario Electricity Support Program (OESP)? Who was eligible to receive the OESP and how much did the average household receive before these new measures?

The government recognizes that that the price of electricity can be difficult for those that pay a higher share of their income towards the bill – particularly low-income families and seniors on a fixed income.

For many low-income Ontarians, paying their electricity bill can be a challenge, with this monthly expense representing a greater portion of their income.

That is why the OEB developed the Ontario Electricity Support Program (OESP), which provides an ongoing rate reduction directly on the bills of low-income electricity consumers who have applied and meet the eligibility requirements.

Before these measures, OESP monthly credits range from $30 to $50. A household receiving the lowest OESP credit would receive $360 per year off their bills, or $425 per year when combined with the removal of the Debt Retirement Charge (DRC).

Customers with unique electricity needs, such as customers using electric heating, customers relying on certain electricity intensive medical devices, and First Nation, Inuk, and Métis customers were eligible for an enhanced amount, ranging from $45 to $75 per monthly bill.

Q56. What is the Ontario Electricity Support Program (OESP)? Who is currently eligible to receive the OESP and how much does the average household receive?

The government recognizes that that the price of electricity can be difficult for those that pay a higher share of their income towards the bill – particularly low-income families and seniors on a fixed income.

For many low-income Ontarians, paying their electricity bill can be a challenge, with this monthly expense representing a greater portion of their income.

That is why the OEB developed the Ontario Electricity Support Program (OESP), which provides an ongoing rate reduction directly on the bills of low-income electricity consumers who have applied and meet the eligibility requirements.

OESP monthly credits range from $30 to $50. A household receiving the lowest OESP credit would receive $360 per year off their bills, or $425 per year when combined with the removal of the Debt Retirement Charge (DRC).

Customers with unique electricity needs, such as customers using electric heating, customers relying on certain electricity intensive medical devices, and First Nation, Inuit, and Métis customers are eligible for an enhanced amount, which ranges from $45 to $75 per monthly bill.

Q57. How is the Ontario Electricity Support Program (OESP) currently funded? How will that change? And why are you now shifting the cost to government funding?

As a government, we've been focused on ensuring that our electricity system has been fairer for families with low-incomes.

Funding for programs designed to support customers that are most vulnerable to increasing electricity costs will shift from the hydro bill to government funding, recognizing they are for the common good. This includes the Ontario Electricity Support Program (OESP) and Rural and Remote Rate Protection (RRRP).

The new Affordability Fund and the On-Reserve First Nation Delivery Rate will also be delivered using government funding. This ensures that initiatives designed to provide a social good will be better aligned with the government's poverty reduction goals.

Q58. How much more will the monthly on-bill credit be as a result of today's announcement?

As part of the Fair Hydro Plan, OESP program benefits will increase across the board by 50%.

Single low income consumers eligible for the lowest credit amount will receive $45 per month, an increase from the current $30, or an increase of $180 per year. For the enhanced credit, the lowest credit for single low income consumers is increasing from $45 to $68, or an annual increase of $276.

Q59. Where will this money come from? How is this different from the current OESP funding model?

The OESP is a rate relief program that supports low-income customers through a per kilowatt-hour charge on every customer's electricity bills.

The government recognizes that that the price of electricity can be difficult for those that pay a higher share of their income towards the bill – particularly low-income families and seniors on a fixed income. For many low-income Ontarians, paying their electricity bill can be a challenge, with this monthly expense representing a greater portion of their income.

This announcement means that greater focus and support can be placed on lower income Ontarians by enhancing the OESP through government funding, including a 50% increase in OESP credit amounts across the board.

This change will reduce costs for all consumers as a result of eliminating the OESP charge:

- Average residential customer savings: $0.83/month; and
- Average industrial customer savings: $1.10/MWh.

Q60. When will I see the additional credit on my electricity bill?

The credit will take effect this summer.

Q61. Will the additional credit be applied retroactively, i.e., to the date I received my first OESP credit?

The OESP started January 1, 2016, when the Ontario Clean Energy Benefit (OCEB) ended.

Existing customers will automatically receive the 50% increase in credit amount, effective May 1, 2017.

Q62. Can consumers who did not sign up for the program when it was launched in November 2015 sign up now? What is the deadline?

Customers can apply for the OESP any time.

There is no application deadline, but the sooner customers apply and are accepted into the OESP, the sooner they will begin to receive the on-bill credits.

Q63. How are you making these changes to the OESP? Are they a result of legislative changes? Regulation changes?

Changes to the OESP are being made through amendments to the *Ontario Energy Board Act, 1998* (OEBA), and through regulation O. Reg. 314/15.

RRRP

Q64. What are you doing for people in rural areas?

We currently provide support to roughly 350,000 rural residential customers through the Rural or Remote Electricity Rate Protection Program (RRRP). We will expand this support to provide rate relief also to customers of local distribution companies (LDCs) with some of the highest rates.

The enhanced program will benefit about 800,000 customers total. As an example, a Hydro One low density customer on electric heat consuming 2,500kWh/month will see their distribution charge reduced by about $75. Specific rebate amounts will be dependent on Ontario Energy Board rate-setting processes.

We are moving to have the RRRP funded by the tax base, which will reduce regulatory charges on electricity bills for all Ontario ratepayers. We project this will cost about $500 million in the 2017–18 fiscal year.

Q65. What is the Rural or Remote Rate Protection (RRRP) plan? Who is currently eligible to receive the RRRP and how much does the average household receive?

The Delivery charge on consumer bills includes the cost of delivering electricity from generating stations across the Province to homes and businesses via the high voltage (transmission) and low voltage (distribution) electricity systems and also includes the cost of distribution system losses.

The cost of distributing power to lower-density rural and remote areas is much higher than for urban and higher density areas.

To help offset the higher costs to distribute electricity to Ontario residents who live in rural or remote locations, eligible customers receive a credit off their bills under the Rural or Remote Rate Protection (RRRP) framework.

If the Fair Hydro Plan legislation is passed, customers served by the following LDCs would benefit from the expanded RRRP include: Hydro One R2 and R1 customers, Northern Ontario Wires, Lakeland Parry Sound, Chapleau, Sioux Lookout, InnPower, Atikokan and Algoma

Q66. The RRRP was recently updated on January 1, 2017. What kind of relief does it provide to ratepayers?

In recognition of the unique and special circumstances associated with the electricity cost-of-service for rural ratepayers, effective January 1, 2017, the province is reducing costs for eligible rural ratepayers by providing additional funding to the RRRP program.

Starting on January 1, 2017, 330,000 Hydro One low density (R2 class) customers will receive $60.50 per month in RRRP to bring their total Delivery line costs to roughly $78 for 1,000 kWh/month.

Q67. What further changes are you now making to the RRRP as a result of the Fair Hydro Plan?

Delivery Charge Relief will be provided for the customers of the local distribution companies (LDCs) with the highest delivery charges.

In addition to RRRP, which mitigates the specific costs related to low-density distribution service, Delivery Charge Relief will be broadened to harmonize distribution costs at the lowest rate amongst the eligible LDCs – eliminating some of the inequities caused by variation in distribution rates across the Province.

The additional relief is expected to decrease total electricity bills by an average of $540 a year or $45 each month. About 800,000 customers will benefit from the enhanced RRRP program.

Q68. How is this different from the current RRRP funding model?

RRRP funding is currently collected from all Ontario electricity customers through a regulated charge. To help reduce costs for all customers, RRRP and the broadened Delivery charge relief would be funded through the tax base instead of on electricity bills.

Q69. How will enhancing the RRRP through government funding reduce costs?

As a government, we've been focused on ensuring that our electricity system has been fairer for families living in rural areas or with low-incomes.

We recognize that programs, such as the RRRP, are for the common good and that these programs should be delivered to Ontarians through government funding and not through electricity ratepayers.

Q70. When will I see the additional savings on my electricity bill? Will the additional savings be applied retroactively, i.e., to the date I received my initial RRRP rebate?

Legislation is required to implement this program. If passed, the Ministry will work with the Ontario Energy Board (OEB) and affected LDCs to work through implementation details.

Q71. How are you making these changes to the RRRP? Are they a result of legislative changes? Regulation changes?

Changes to the RRRP will be made through amendments to the *Ontario Energy Board Act, 1998* (OEBA). Regulatory amendments will be required to address program details.

Q72. How will industrial customer be affected by this RRRP enhancement?

Industrial customers will not be affected by this RRRP enhancement, though they will experience cost decreases as a result of a reduction in the RRRP regulated charge that all customers currently pay.

The Affordability Fund

Q73. The new Fair Hydro Plan includes two new social and conservation initiatives: On-Reserve First Nations Rate and the Affordability Fund. Can you provide more details about the Affordability Fund?

For those most in need, the low-income Home Assistance Program provides energy efficiency upgrades in homes at no cost to the customer to help reduce future electricity bills.

We recognize that there are other electricity customers who are in need but do not meet the Home Assistance Program eligibility criteria. These electricity customers will be eligible for additional support for energy efficiency measures through the Affordability Fund.

Q74. Who will be eligible to receive funding and how much will the average household receive?

The Affordability Fund provides LDCs with an additional tool to help customers who are not eligible for the existing low-income conservation program. The Fund would provide support for energy efficiency improvements to help customers reduce future electricity bills and avoid future disconnections.

LDCs apply for funding to the Fund administrator, to offer energy efficiency measures to those customers in their service territories that meet the targeted eligibility criteria. Recipients could receive measures ranging from an average of $3,000 to $5,000 per customer, at no or minimal cost. For example, measures available in the Home Assistance Program include:

- Energy-saving light bulbs (LEDs); power bars; energy efficient window ACs, refrigerators, freezers, dehumidifiers; low-flow showerheads, hot water blankets, pipe wrap and faucet aerators (in homes with electric water heating);
- Programmable thermostats, weather stripping, insulation (in homes with electric heating); and
- Cold climate air source heat pumps would also be an eligible measure under the Affordability Fund for eligible customers. Heat pumps range in cost from $7,000 to 13,000.

Q75. How will the Affordability Fund be funded? Where will the money come from?

We will be helping electricity customers by expanding access to energy efficiency measures through an Affordability Fund. The Fund would be established with government funding.

Q76. How are you establishing this new social program? Is it a result of legislative changes? Regulation changes?

Legislative or regulatory changes are not required to establish the LDC Affordability Fund.

The province would enter into an agreement for the program to be delivered through LDCs. LDCs are best positioned to identify and target their customers who would benefit from this program.

The LDC Affordability Fund would provide LDCs an additional tool to help customers who are not eligible for low-income conservation programs.

The conservation programs supported by the Affordability Fund will be funded by government.

On-Reserve First Nations Rate

Q77. What are you doing to reduce electricity bills for First Nations people living on reserves?

We are providing additional support for people who live on First Nations reserves. We are taking a number of actions recommended by the Ontario Energy Board, including:

- Eliminating the delivery charge for all on-reserve First Nations residential customers and removing the monthly service charge for customers of licensed distributors that charge a bundled rate. The Ontario Energy Board estimates this will provide residential customers an average monthly benefit of $85 (or $1,020 per year)
- Automatically qualifying on-reserve First Nations residential customers — about 21,500 in total
- Enabling greater information sharing between distributors and band councils to identify all on-reserve First Nations customers.

Q78. Who will be eligible to receive funding and how much will the average household receive?

Eligible customers would receive an average of $85/month through the On-Reserve First Nations Rate.

Q79. How will the On-Reserve First Nation Rate be funded? Where will the money come from?

We are moving to have the First Nations On-Reserve Rate funded through the tax base, which will reduce regulatory charges on electricity bills for all Ontario ratepayers. We project this will cost about $20 million in the 2017–18 fiscal year.

Q80. How are you establishing this new social program? Is it a result of legislative changes? Regulation changes?

The proposed legislation offers amendments to the *Ontario Energy Board Act,* required to implement this program. If passed, the government will work with the Ontario Energy Board and affected LDCs on implementation details.

Q81. Can the new On-Reserve First Nations Rate be combined with the OESP? Will a First Nations consumer be eligible for the On-Reserve First Nations Rate and continue

to receive the OESP benefit? Is there a possibility that the combined funding sources could add up to an amount greater than the actual electricity bill?

The OESP enhanced credit is available to all eligible indigenous customers in the province, regardless of where they live. This includes First Nation, Inuit, and Métis customers.

The On-Reserve First Nations Rate applies only to First Nation customers living on a reserve in Ontario.

These programs will be treated as distinct, as they are designed to address different energy cost issues. Thus, customers eligible for both programs will receive credits under both programs.

Market Renewal

Q82. How are you planning on bending the cost curve in the future? If more can be done to reduce rates now, why haven't you already acted?

The government has been working hard to reduce electricity ratepayer costs and will continue to look for efficiencies in the system wherever possible without compromising the reliability of our system.

We have already taken several steps to mitigate system costs, including:

- Renegotiating the Green Energy Investment Agreement (GEIA) in 2013, to reduce contract costs by $3.7 billion.
- Reducing Feed-in Tariff (FIT) and microFIT prices through annual price reviews, saving ratepayers at least $1.9 billion.
- Introducing a competitive Large Renewable Procurement (LRP) process to drive down costs approximately $1.5 billion lower than the 2013 LTEP forecast.
- Suspending the second round of the LRP process and the Energy-from-Waste Standard Offer Program, which is expected to save up to $3.8 billion in costs.
- Deferring the construction of two new nuclear reactors at Darlington. This was in response to the supply and demand expectations of the 2013 LTEP, avoiding an estimated $15 billion in new construction costs.
- Maximizing the value of our existing nuclear fleet by starting Bruce refurbishments in 2020, instead of 2016, thus helping to achieve $1.7 billion in savings relative to the 2013 LTEP forecast and by continuing to operate Pickering up to 2024, pending regulatory approvals, which could save ratepayers as much as $600 million.

We look forward to working closely with the OEB, OPG and IESO to find even more savings for ratepayers.

Q83. Can you provide details on what the OEB will be doing to help lower future costs?

The OEB has a mandate to regulate the electricity distribution sector in the public interest, ensuring the financial viability of the sector while promoting reliable service to customers at just and reasonable rates.

The OEB, through the Renewed Regulatory Framework for Energy (RRFE), has attempted to move the distribution sector towards a performance/outcomes-based regulatory framework.

While new reporting requirements such as the local distribution company (LDC) performance scorecard are positive developments, RRFE does not tie these system performance expectations to LDC financial performance.

Encouraging shared partnerships on services between utilities will help reduce costs in the back end and encourage further innovation for small to medium sized utilities.

The Ministry of Energy has asked the OEB to look at opportunities to further drive LDC efficiencies and productivity. In parallel, the OEB has been instructed to review business cases behind its own regulatory requirements to reduce “red tape” and eliminate costs that LDCs indicate are creating pressures on operating expenses.

Q84. We have already heard the Minister speak about the need for market renewal. What has been done to move forward these initiatives?

Through the work of the Electricity Market Forum, the Market Surveillance Panel, IESO studies, and stakeholder input, we have been able to identify areas of our electricity system that could improve their efficiency.

The objective of IESO’s Market Renewal Project is to implement changes to achieve material efficiencies in the near and longer term with minimal disruption to market participants. The initial findings from the Market Renewal benefits case show potential for cost savings that will be realized by both consumers and market participants.

Cost savings are expected to be achieved through the better utilization of existing assets, greater competition among resources, a reduced need to build new resources, and a more flexible and cost-effective procurement process that will better reflect system needs.

Changes related to IESO’s Market Renewal initiatives are estimated to save up to $300 million per year, starting in 2021.

<u>Municipalities, Schools, and Hospitals</u>

Q85. Is the MUSH sector eligible for the Fair Hydro Plan?

Most municipalities, university, schools and hospitals (MUSH) electricity consumers would not be eligible for the Global Adjustment (GA) refinancing portion of Ontario’s Fair Hydro Plan as they are generally too large to be eligible for the Regulated Price Plan (RRP).

MUSH consumers would benefit from shifting the funding for electricity support programs (e.g., Ontario Electricity Support Program) to provincial revenues.

Approximately 2 to 4 per cent as a result of shifting the social support programs to the tax base.

Q86. Do Long-Term Care homes qualify for the benefits from Global Adjustment (GA) refinancing outlined in Ontario's Fair Hydro Plan? They're already eligible for the 8% rebate that took effect on January 1, 2017.

Although Long-Term Care homes are not generally eligible for the Regulated Price Plan (RPP), a policy decision was taken to specifically extend eligibility for the 8% rebate to Long-Term Care homes through the enabling legislation.

Consistent with the 8% rebate, the government intends to include Long-Term Care homes in the GA refinancing proposal.

Advertising

Q87. How much is the government spending on advertising for this latest round of price mitigation initiatives?

We are committed to improving the public's understanding of the energy system.

It is important that the people of Ontario know about the decisions we are making so that they can effectively participate in making decisions on how they use energy.

Advertising is crucial for raising awareness about government programs and to ensure that all Ontarians are aware of how these programs will impact them.

For the placement of advertising regarding the Fair Hydro Plan to date, the Government has committed approximately $1,100,000.

We continue to assess the need for future public awareness activity.

Q88. Is the Auditor General going to agree with all of this accounting?

We can't presuppose the work of the Auditor General and the final accounting analysis can only be completed once all regulations and commercial agreements are completed. In assessing the potential accounting for this initiative, the government worked hard to assess all fiscal impacts and worked closely with both internal government and external accounting experts.

In crafting the proposed Fair Hydro Act, 2017 the government has consulted broadly, including with:

- Ontario's Energy Agencies
- Experts across government
- External accounting experts
- External legal advisors

- Financial advisors
- Local Distribution Companies

The proposed legislation would deliver on the Government's commitment to fairness, and electricity rates would come down and make life more affordable for families and businesses across the province.

Q89. Was a competitive competition held to select the advertising agency in charge of the campaign?

The advertising agency chosen to help our government raise awareness on these new initiatives is an approved Vendor of Record, with considerable experience in the energy sector.

All the necessary approvals and processes were followed during the selection of the advertising agency.

Our advertising campaign has been, and will continue to be, reviewed and approved by all the proper agencies/parties, including the Auditor General and the Advertising Review Board.

Q90. Why is the government spending money on advertising for this plan when it could be putting those funds toward lowering electricity prices?

We are committed to improving the public's understanding of the energy system.

It is important that the people of Ontario know about the decisions we are making so that they can effectively participate in making decisions on how they use energy.

We have been listening to people in all parts of the province and understand that they need us to do more and that's why we are introducing this plan.

The new Fair Hydro Plan will bring in more savings now through new initiatives that will cut costs directly on your energy bill.

Advertising is crucial for raising awareness about government programs and to ensure that all Ontarians are aware of how these programs will impact them.

For the Affordability Fund, targeted outreach is planned, as opposed to broad marketing, to ensure that support is delivered to customers who need it most.

Another resource available to Ontarians is the Ministry of Energy's emPOWERme website, an online resource dedicated to public education about electricity.

<u>Delivery charges</u>

Q91. Delivery charges have been a big issue for people. Why aren't you eliminating them or lowering them more than you are?

Ontario is making changes to the Rural or Remote Electricity Rate Protection Program to lower delivery charges for about 800,000 rural and remote consumers who currently face some of the highest rates. The legislation, if passed, would eliminate the delivery charge for all on-reserve First Nations residential consumers, resulting in an average savings of $85 per month.

Landlords and Tenants

Q92. Landlords will benefit from the new rate relief plan. How will you ensure they pass along these savings to their tenants?

Tenants who pay their own electricity bills are also able to benefit from the programs. The government is looking at ways to ensure that rate relief can be passed along to tenants that do not receive electricity bills.

RPP

Q93. What will the new Regulated Price Plan (RPP) rates be exactly?

The Ontario Energy Board (OEB) has announced changes to the Regulated Price Plan (RPP), which were effective May 1, that include a portion of the savings from Ontario's Fair Hydro Plan. As of May 1, 2017, the time-of-use electricity rates are:

- Off-peak: 7.7 cents/kWh (down from 8.7)
- Mid-peak: 11.3 cents/kWh (down from 13.2)
- On-Peak: 15.7 cents/kWh (down from 18)

For customers on tiered pricing, the rates are:

- Tier 1: 9.1 cents/kWh (down from 10.3)
- Tier 2: 10.6 cents/kWh (down from 12.1)

If the legislation is passed, the OEB would determine the amount of further relief within 15 days of the legislation coming into force.

Q94. This isn't a 25% reduction! Why not, when that was the promise of the Fair Hydro Plan?

The OEB has made its own independent determination to partially reflect the proposed Fair Hydro Plan measures in the new RPP price at this time.

Subsequent to the passage of the Fair Hydro Plan legislation, the OEB has indicated it will review pricing again this summer to determine further reductions.

The current reduction is 17% less for a typical consumer than their bill would have been. That reduction will increase subsequent to the legislation's passage.

Q95. What about customers who are eligible for the Fair Hydro Plan, but don't receive the RPP (like retirement homes and farms) – when will they see decreases?

The proposed legislation, if passed, will enable reductions for these consumers.

<u>Disconnections</u>

Q96. How come only half of Ontario's disconnected hydro customers have been reconnected thus far?

The direction issued by the Ontario Energy Board OEB) and supported by this government was that reconnecting and restoring full service to customers would happen on a priority basis. LDCs are reporting to the OEB on a weekly basis their activity in reconnecting and restoring full service to their customers, and we expect the OEB will work with LDCs to complete the reconnections in a timely fashion.

<u>Time of Use</u>

Q97. With the delivery charges skyrocketing, why does the Government continue to stand behind TOU Pricing?

With TOU, customers have the ability to better manage their costs by reducing or shifting their consumption to off-peak times when electricity is less expensive to produce. TOU prices give customers incentives to shift consumption away from system peaks, which reduces Ontario's overall peak demand which means we can defer investments and saves customers money in the long run.

The OEB is currently undertaking a comprehensive review of the Regulated Price Plan, including analyzing different TOU price structures. One of the key elements of their review is to pilot innovative TOU price structures that would better align with customer's behaviours and better address the system peaks.

For example, the OEB is seeking pilot applications that will test variations to the current TOU structure, such as plans that have a flat rate during the spring and autumn, a plan with only two TOU price periods, and a "Critical Peak Plan" with peak prices for specific hours when the electricity system is stressed, and lower rates during other periods.

Once approved, the pilots will run for a one year period in different cities all over Ontario.

Based on the results of the pilots, the OEB will be exploring the potential for offering a variety of TOU price structures to give customers more choice, allowing them to pick the plan that best suits their lifestyle and manage their electricity costs.

<u>Electricity Rates – Business</u>

Q98. Ontario businesses have repeatedly expressed concerns over the rising costs of electricity, some have even said they will have to close or leave Ontario. How do you respond to this?

Our government continues to make the investments necessary to ensure a clean, reliable and affordable electricity system for all Ontarians. There are measures in place to mitigate industrial electricity prices, including:

- **Industrial Conservation Initiative (ICI);**
    - **ICI** lowers costs for eligible large electricity consumers that reduce consumption during peak periods. ICI consumers can reduce their electricity rates by up to one third.
    - To give more businesses the incentive to participate in the ICI, we have lowered the threshold from 3 megawatts (MW) to 1 MW and removed sector restrictions so that more consumers can benefit. Newly eligible consumers that opt-in to ICI will see the impact beginning in July 2017.
    - We have also expanded ICI to include smaller manufacturers and greenhouses (i.e., NAICs codes commencing “31”, “32”, “33” and “1114”) with average peak demand greater than 500 kW and less than 1 MW. The expansion to 500 kW is effective in July 2017.
- **Northern Industrial Electricity Rate Program (NIERP);**
    - Participants in the **NIERP** receive a rebate of two cents per kilowatt hour. On average, electricity prices can be reduced by up to 20% through the program.
- **Industrial Accelerator Program (IAP);**
    - **IAP** assists eligible industrial, commercial and institutional customers that are directly or indirectly connected to the Independent Electricity System Operator (IESO) transmission grid fast-track capital investment in major energy-efficiency projects. Transmission-connected customers with distribution-connected sites can also elect to have these administered through the IAP.
- **saveONenergy for Business conservation programs for commercial and industrial consumers**
    - The **saveONenergy for Business Conservation Programs** offers a variety of financial incentives to businesses to increase energy efficiency and manage their electricity bills. Incentives are available to a broad range of businesses, including institutional customers such as municipalities, for energy audits, retrofits, process and systems upgrades, and small business lighting.

- **Demand Response Auction.**

  - Annual Demand Response Auctions are held by IESO for demand response capacity. Successful bidders (including residential Demand Response aggregators, large businesses and industry) receive payments to shift their consumption at times when the electricity system is stressed.

- Demand Response (DR)
  - The IESO holds annual Demand Response auctions which provide payments to successful participants that commit to reducing their consumption when called upon to do so.
  - These DR auctions are a precursor to the capacity auction that IESO is planning to implement through its market renewal initiative.
  - Participation in the DR Auction is open to new and existing DR participants in Ontario with peak load greater than 1 MW, including industrial consumers and aggregators.

Broadening the Ownership of Hydro One

Q99. Won't rates rise as a result of your sale of Hydro One? Isn't the interest of the private sector to increase profit by raising rates?

Hydro One does not set its own electricity rates. Rates continue to be set by the independent Ontario Energy Board (OEB).

The OEB is an independent regulator with a mandate to protect the interests of Ontario's electricity consumers. Applications from electricity companies like Hydro One are reviewed by the OEB and the OEB makes the final decision.

The government has passed legislation that enhances the OEB's powers to continue to protect electricity ratepayers with respect to cost, consumer protection and reliability.

Electricity Pricing in other Jurisdictions

Q100. What is the current status of industrial electricity prices in Ontario? How do prices compare to other North American jurisdictions?

Our government continues to ensure a clean, modern and reliable electricity system for all Ontarians.

Prices are increasing because our energy system is being transformed – we are making needed investments to modernize our electricity system. We chose to replace coal-fired generation with cleaner sources of energy, which will benefit our environment and the health of Ontarians.

As we plan for Ontario's electricity needs for the next 20 years, conservation will be the first resource considered, wherever cost effective. Conservation is the cleanest and most cost-effective energy resources, offers customers a way to reduce their electricity bills and reduces the need to build costly new generation, distribution and transmission infrastructure.

Indicative industrial electricity prices in Ontario are currently within five per cent of the United States average as reported by the U.S. Energy Information Administration.

According to 2013 Long-Term Energy Plan (2013 LTEP), the typical industrial electricity price is projected to increase on average by 2.7% per year in the five-year period from 2017 to 2021 inclusive, and by 1.4% per year from 2017 to the end of 2032.

Over the forecast period, the average annual increase in consumers' costs are generally in-line with expected inflation, which averaged about 1.8% over the last ten years (2007-2016).

The National Energy Board's *Energy Futures* 2016 report projects that industrial electricity prices are expected to increase in most provinces through 2032.

Public Sector Salary Disclosure – Energy Agency

101. Ontarians are struggling to pay their Hydro bills and yet you are paying Hydro executives massive salaries. How can you possibly justify this?

The Provincial legislative compensation restraints to control compensation are working. Total salary expenses paid to the top 10 earners in the electricity sector have declined by 30% in 2016 from 2009.

Energy agencies have been demonstrating their on-going commitment to the government's compensation restraints.

All energy agencies have complied with the public sector compensation restraint legislation that froze the compensation structure for non-unionized employees for two years beginning March 24, 2010.

Under Bill 55, the Strong Action for Ontario Act (Budget Measures), executive compensation restraint measures were introduced in March 2012.

In keeping with the government's commitment to manage executive compensation, the *Broader Public Sector Executive Compensation Act, 2014*, was proclaimed into force in March 2015. This legislation enables the government to set compensation frameworks for certain executives in the broader public sector, including OPG, IESO and OEB. The government will be moving forwarding to develop compensation frameworks for the broader public sector.

Q102. Why are Hydro One employees not captured by the Sunshine List? The opposition parties are demanding that the government add Hydro One employees back onto the list. Will you do this?

Only public sector employees are included on the Sunshine List.

As a publicly traded entity, Hydro One is no longer required to report salaries earned after December 31, 2014 under the PSSDA. However, similar to the Ontario Securities

Commission requirements, Hydro One has to disclose the total compensation levels of the CEO, CFO and three other highest paid executives of the corporation each year.

As an OBCA company subject to Canadian Securities law, Hydro One continues to comply with rigorous governance requirements that include:

- Disclosure of board approved annual financial statements along with quarterly updates
- CEO and CFO Certifications and Associated Controls certifying that there are no misrepresentations in the annual or quarterly materials
- Shareholders' meetings requirements and rules
- Disclosure requirements with respect to management circulars (including information about senior management, such as share ownership, any indebtedness to the company and any interest in material transactions) as well as compensation circulars (executive compensation disclosures including shares awarded, perks and incentives)