

Mayo Schmidt
President & CEO

January 30, 2017

Hon. Glenn Thibeault
Minister of Energy
900 Bay Street, 4th Floor
Hearst Block
Toronto ON
M7A 2E1

Dear Minister Thibeault:

Hydro One customers continue to raise affordability as their most significant and pressing concern. We send over 14 million bills every year which serve to remind customers about the high cost of power, particularly for our tens of thousands of customers using electric heat during the winter months.

We are very encouraged by the Premier's commitment to lower electricity rates and reduce this heavy burden on consumers. Hydro One shares her sense of urgency as we work with customers who have become unable to balance paying for essential electricity against the other necessities of life. We recognize this as a significant matter that requires thoughtful, sustainable solutions.

As part of our commitment to advocate on behalf of our customers, Hydro One has developed a paper, Addressing Affordability, detailing a series of realistic, evidence-based and tangible recommendations designed to reduce electricity costs and increase fairness. To summarize our conclusions, we recommend the Government of Ontario take the following immediate measures:

1. Aggressively reduce the Global Adjustment (GA) by re-appropriating costs to the tax base for programs which have broader social benefit and reduce residential and small business consumers' portion of the GA.
2. Eliminate barriers and stimulate consolidation of LDCs to remove \$1.7 billion costs from the distribution sector.
3. Provide additional rate relief to rural customers by bringing their distribution charges in line with the provincial average.
4. Establish an Affordability Fund to allow LDCs to administer and work directly with customers to resolve acute cases of hardship and avoid disconnection.

We hope you will consider our advice on this critical and pressing matter. We believe we are well-positioned to understand both the complexity involved in reducing rates and the voice of the customer and that our recommendations will help create a more reliable, fair and affordable electricity system for the people of Ontario.

I will follow up with you in the coming days to discuss what may be the appropriate next steps to advance these recommendations. In the interim, please feel free to contact me at your convenience.

Best Regards,

A handwritten signature in cursive script, reading "Mayo Schmidt".

Mayo Schmidt
President and Chief Executive Officer

c.c. Serge Imbrogno, Deputy Minister, Ministry of Energy
Andrew Teliszewsky, Chief of Staff, Minister of Energy
David Denison, Board Chair, Hydro One Inc.

Att.