FW: Ontario Cutting Electricity Bills by 25 Per Cent

From: Gadi Mayman <gadi.mayman@ofina.on.ca>
To: "Thompson, Scott (MOF)" <scott.thompson@ontario.ca>
Cc: "McLean, David (MOF)" <david.mclean@ontario.ca>, "Zhang, Christina (OFA)" <christina.zhang@ofina.on.ca>, "Pearce, Christopher (MOF)" <christopher.pearce@ontario.ca>, "Lemcke, Bonnie (OFA)" <bonnie.lemcke@ofina.on.ca>, "Kwan, Ronald (OFA)" <ronald.kwan@ofina.on.ca>
Date: Fri, 03 Mar 2017 10:37:34 -0500

Moody's is OK with yesterday's announcement, although they will, going forward, look at ensuring that OEFC's and OPG's debt is self-supporting, which, as long as the regulatory asset model holds, we should be able to convince them it is. You may recall that this is where Manitoba ran into trouble with S&P last year, when that agency determined that Manitoba Hydro's debt was no longer self-sustaining because of the cost overruns on their new northern Manitoba dams and transmission lines.

Given the article that you just sent, maybe Moody's should look at BC!

Gadi

From: Bonnie Lemcke
Sent: Friday, March 03, 2017 10:21 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; David Cross <David.Cross@ofina.on.ca>
Subject: FW: Ontario Cutting Electricity Bills by 25 Per Cent

FYI – Michael Yake has indicated that this is not a concern for the provincial credit wants to know how the financing will have implications for the province. They will want to make sure that OEFC and OPG's debt is self-supporting.

I am going to be arranging a call on Monday.

Bonnie

From: Yake, Michael [mailto:Michael.Yake@moodys.com]
Sent: Friday, March 03, 2017 10:16 AM
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Cc: Hardi, Adam <Adam.Hardi@moodys.com>; MacFarlane, Gavin <Gavin.Macfarlane@moodys.com>
Subject: RE: Ontario Cutting Electricity Bills by 25 Per Cent

Thank you Bonnie

I suggest having a call Monday. I will be out of office next week, but both Adam and Gavin will be available.

From my perspective, if the costs to the province are only the 2.5B over three years, plus the loss associated with the removal of HST from the hydro bill, that is not a significant concern from the provincial credit view. However, we will want to have greater clarity on how the refinancing will be done, specifically the roles of the IESO, OPG and any links back to the province, which is why Gavin's participation (he is out of the office today) would be useful.

Michael

From: Bonnie Lemcke [mailto:Bonnie.Lemcke@ofina.on.ca]
Sent: Friday, March 03, 2017 9:02 AM
To: Yake, Michael <Michael.Yake@moodys.com>
Subject: RE: Ontario Cutting Electricity Bills by 25 Per Cent

Hi Michael,

I am working from home today. You can reach me on my cell phone or call my home phone at 905-846-3970.

Bonnie

From: Bonnie Lemcke
Sent: Thursday, March 02, 2017 4:06 PM
To: 'Yake, Michael' <Michael.Yake@moodys.com>
Subject: RE: Ontario Cutting Electricity Bills by 25 Per Cent

The fiscal plan is **only** affected by the $2.5 billion over three years (see below).

- People with low incomes, those served by local distribution companies (LDCs) with the highest distribution costs , OESP recipients and On-Reserve First Nation households would benefit from even greater reductions to their electricity bills.
- These new measures will cost the government up to $2.5 billion over the next three years.

Refinancing the Global Adjustment **is fiscally neutral and will be done through the rate payers**. I have included a slide deck which explains how this is going to work. Slides 10 to 12 are the ones to look at for this.

Let me know when you have time to talk about this and I can go through in more detail.

Bonnie

From: Yake, Michael [mailto:Michael.Yake@moodys.com]
Sent: Thursday, March 02, 2017 3:57 PM
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: Re: Ontario Cutting Electricity Bills by 25 Per Cent

Thanks Bonnie

I will be back in the office tomorrow and will call you to have a better understanding of the changes.

Just to clarify, it seems like the full amount to be refinanced and the total amount the province would fund via taxpayers is unknown at this point. Is that correct? I interpret the $2.5 billion over three years to be only for the limited programs listed (new affordability fund, enhanced portion only of OESP and RRRP and on-reserve First Nations credits).

Michael

From: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Date: March 2, 2017 at 11:08:38 AST
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: FW: Ontario Cutting Electricity Bills by 25 Per Cent

Here is the News release regarding Electricity Relief. The province continues to project a balanced budget for 2017-18, and will provide a full update on its fiscal plan in the spring budget.

Let me know if you have any questions.

Bonnie

From: Ontario News [mailto:newsroom@ontario.ca]
Sent: Thursday, March 02, 2017 10:01 AM
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: Ontario Cutting Electricity Bills by 25 Per Cent

News Release

Ontario Cutting Electricity Bills by 25 Per Cent[news.ontario.ca]

March 2, 2017

System Restructuring Delivers Lasting Relief to Households Across Province

Ontario is lowering electricity bills by 25 per cent on average for all residential customers as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness.

Starting this summer, Ontario's Fair Hydro Plan would provide households with this 25 per cent break. Many small businesses and farms would also benefit from the initiative. People with low incomes and those living in eligible rural communities would receive even greater reductions to their electricity bills. As part of this plan, rate increases over the next four years would be held to the rate of inflation for everyone.

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.

Taken together, these changes will deliver the single-largest reduction to electricity rates in Ontario's history.

Recently, electricity rates have risen for two key reasons:

- Decades of under-investment in the electricity system by governments of all stripes resulted in the need to invest more than $50 billion in generation, transmission and distribution assets to ensure the system is clean and reliable
- The decision to eliminate Ontario's use of coal and produce clean, renewable power, as well as policies put in place to provide targeted support to rural and low-income customers, have created additional costs.

The burden of financing these system improvements and funding key programs has unfairly fallen almost entirely on the shoulders of today's ratepayers. To relieve that burden and share costs more fairly, two system fixes are being undertaken.

Recognizing that the electricity infrastructure that has been built will last for many decades to come, the province would refinance those capital investments to ensure that system costs are more equitably distributed over time. In addition, a number of important programs, such as the Ontario Electricity Support Program (OESP), will now be funded by the government instead of by ratepayers.

The province will also launch a new Affordability Fund, enhance the existing OESP and Rural or Remote Rate Protection (RRRP) program and provide on-reserve First Nations households with a delivery credit. **These new measures will cost the government up to $2.5 billion over the next three years.**

Notwithstanding that hydro rate relief costs will add significant pressure on the fiscal framework, the province continues to project a balanced budget for 2017-18, and will provide a full update on its fiscal plan in the spring budget.

Reducing electricity costs is part of Ontario's plan to create jobs, grow our economy and help people in their everyday lives.

QUICK FACTS

- Ontario’s Fair Hydro Plan[ontario.ca] would improve sector efficiency and modernize the province’s electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).

- The Province will expand the RRRP to provide distribution charge relief to additional customers served by LDCs with the highest rates. About 800,000 customers would benefit from the enhanced

RRRP program.

- The Affordability Fund would be accessible to Local Distribution Companies (LDCs) for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance.
- On-reserve First Nations customers will receive a 100 per cent credit of the delivery line on their monthly electricity bills.
- The expanded OESP will provide an additional $180 to $276 per year for households of eligible size and combined income.
- Ontario is expanding the Industrial Conservation Initiative (ICI) program by reducing the threshold from 1 mW to 500 kW and targeting more small manufacturing and industrial consumers.

BACKGROUND INFORMATION

- Energy Sector Efficiencies [news.ontario.ca]
- Refinancing the Global Adjustment [news.ontario.ca]
- Previous Actions to Reduce Energy Costs [news.ontario.ca]
- Enhancing Electricity Support and Conservation Programs [news.ontario.ca]

ADDITIONAL RESOURCES

- Learn how Ontario is developing the next Long-Term Energy Plan[ontario.ca]

QUOTES

"I have heard from people around the province who are worried about the price they are asked to pay for electricity and the impact it has on their household budget. Electricity is a necessity. By fixing problems in the system, we will be able to provide every residential customer in Ontario with an average 25 per cent off their bills now and make rates fairer in the future."
— *Kathleen Wynne, Premier of Ontario*

"Ratepayers across Ontario have been loud and clear — we need to do more to help reduce costs. The government has listened and Ontario's Fair Hydro Plan would reduce costs now and ensure an affordable and reliable electricity system. These new measures would have a significant impact on your monthly hydro bill and would help the most vulnerable."
— *Glenn Thibeault, Minister of Energy*

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