MOF - FAO Report on the Fair Hydro Plan
May 23, 2017

MEDIA KEY MESSAGES

- The Fair Hydro Plan, which includes the Ontario Rebate for Electricity Consumers equivalent to the provincial 8 per cent portion of the HST, will lower electricity bills by 25 per cent on average for residential consumers in the province starting this summer — the single-largest reduction in Ontario's history.

- The Financial Accountability Office's (FAO) analysis confirms that people in living in Ontario would receive significant relief under the Fair Hydro Plan.

- Under the proposed legislation, programs such as the Ontario Electricity Support Program and the Rural or Remote Rate Protection Program would be government-funded going forward and not just for a few years. This would mean more savings for ratepayers on an on-going basis.

- About 500,000 small businesses and farms will also benefit from the initiative.

- We are also proposing to lower energy costs by expanding access to natural gas to communities that are currently underserved, including rural, northern Ontario and First Nation communities.

- As part of the Fair Hydro Plan, we are helping to relieve the burden of financing system improvements and funding key electricity support social programs to allocate costs more fairly and equitably.

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

MEDIA QAs

Q: The Financial Accountability Office (FAO) estimates that the FHP will cost the Province approximately $45 billion over 29 years while providing overall savings to electricity ratepayers of $24 billion resulting in a net cost of $21 billion. Why is the Government doing this if the costs outweigh the benefits?

The burden of financing improvements to Ontario's electricity infrastructure and funding key programs has unfairly fallen on the shoulders of today's ratepayers.

That is why our Fair Hydro Plan is committed to reduce current high electricity bills by 25 per cent while shifting costs to the future to more fairly match the benefits and costs of these investments.

Recognizing that the electricity infrastructure that has been built will last for decades to come, the Province is proposing to refinance those capital investments to ensure that system costs are more equitably distributed over time.

The plan significantly reduces rates today and ensures fairness and predictability for tomorrow.

Q. Why have electricity rates gone up in the first place?

Electricity rates have risen for two key reasons:

1. Years of under-investment in the electricity system, which meant more than $50 billion has been invested since 2003 to ensure the system is cleaner and more reliable.

2. The decision to eliminate Ontario's use of coal and produce cleaner and renewable power.

The burden of financing these system improvements and funding key electricity support social programs has unfairly fallen on today's ratepayers.

As part of the Fair Hydro Plan, we are helping to relieve that burden and allocating costs more fairly and equitably.

Q. How are you going to help share the cost more fairly?

The electricity infrastructure that has been built will last for decades to come.

We are refinancing the cost of the contracts for those capital investments so that system costs are more equitably distributed over time.

In addition, a number of important programs, such as the Ontario Electricity Support Program and Rural or Remote Electricity Rate Protection, will now be funded by the government instead of ratepayers.

Q. How can Ontario afford the Fair Hydro Plan?

With a growing economy, responsible fiscal management and balanced budgets projected in 2017-18 and the following two years, we are able to take measures to help ease electricity cost pressures for people in Ontario.

This will not mean an increase in taxes.

We'll do this by changing the way electricity costs are recovered and moving funding for assistance programs off of electricity bills.

[If pressed]

This Fair Hydro Plan includes changing some funding sources to be government-funded, which will cost the government $2.5 billion over the first three years, and recovering other costs more fairly from ratepayers over a longer time period.

Q. Will you raise taxes to pay for the relief?

The Fair Hydro Plan will not mean an increase in taxes or create a need for new taxes.

Q. Aren't you just making the taxpayer subsidize the ratepayer? And won't that be even more expensive once interest rates are taken into account?

We are dedicated to reducing electricity costs wherever possible, while maintaining reliability for all consumers.

The Fair Hydro Plan would deliver significant savings for eligible electricity consumers.

Q. Why not make changes to directly benefit those who really need it?

With the Fair Hydro Plan, those with eligible low incomes and those living in eligible rural or remote communities would benefit from additional reductions to their electricity bills.

Ontario has a number of programs in place to help low-to-moderate income individuals and families with energy costs.

Programs include the Ontario Energy and Property Tax Credit, the Ontario Electricity Support Program, the Ontario Sales Tax Credit and the Northern Ontario Energy Credit.

We are also reducing costs for eligible rural or remote customers by expanding eligibility and providing additional funding to the Rural or Remote Electricity Rate Protection program.

The removal of the debt retirement charge has been saving typical residential users about $70 every year since January 1, 2016.

Q. How much is this going to add to your debt?

The intention is that refinancing the cost of the contracts for the electricity generation infrastructure investments (i.e. global adjustment deferral and refinancing) will leave net debt unaffected.

[If pressed]

This Fair Hydro plan includes changing some funding sources to be government-funded, which will cost the government up to $2.5 billion over the first three years,

Q. Does third party accounting opinion support the Global Adjustment deferral plan?

Yes. The proposed legislation was reviewed by impacted government agencies involved and their external advisors. Their preliminary advice conditionally supports the accounting structure.

[If pressed]

Input was provided by the Independent Electricity Sector Operator and Ontario Power Generation as well as their external accounting advisors.

Many specifics remain outstanding and will only be addressed through future regulations and commercial agreements, which is why the accounting firms can only conditionally support the accounting structure.