MEDIA Q&A PACKAGE
FOR THE
ASSET ANNOUNCEMENT

April 16, 2015

CONTENTS

KEY MESSAGES

FINANCIAL GAIN

- **Informed by the Council's recommendations, the gross value of the share is estimated at approximately $8 billion to $9 billion, keeping in mind that that number is subject to market conditions.**

- **The net gain would provide us with approximately $4 billion. Together with other asset optimization strategies, this would provide us with $5.7 billion, or about $2.6 billion more from asset optimization than we had previously assumed.**

- **For this reason, our total commitment to Moving Ontario Forward rises from $29 billion to $31.5 billion, which together with the Province's other $100 billion in infrastructure spending is supporting more than 110,000 jobs per year on average.**

French

- **Compte tenu des recommandations du Conseil, la valeur brute de la participation est estimée à entre huit et neuf milliards de dollars. Il faut se souvenir que ce chiffre est en fonction des conditions du marché.**

- **Le gain net serait pour nous de l'ordre d'environ quatre milliards de dollars. Combiné à d'autres stratégies d'optimisation de l'actif, nous obtiendrions cinq virgule sept milliards de dollars, soit environ deux virgule six milliards de dollars de plus provenant de l'optimisation de l'actif que ce que nous avions escompté auparavant.**

- **C'est la raison pour laquelle notre engagement total en faveur du plan « Faire progresser l'Ontario » passe de vingt-neuf milliards de dollars à trente-et-un virgule cinq milliards de dollars ce qui, combiné aux autres dépenses provinciales de cent milliards de dollars dans des projets d'infrastructure, permet de soutenir, en moyenne, plus de cent dix mille emplois par année.**

BEER

- **The government of Ontario has listened to consumers and is delivering more convenience and expanded choice when it comes to where people in our province can buy beer.**

- **Beer will be sold in up to 450 grocery store outlets. That's in addition to existing Beer Store outlets and more than 600 LCBO stores province-wide.**

- **The government intends to introduce legislation that would, if passed, permit these changes to be implemented.**

- **These changes represent the largest shakeup to the way beer is sold in Ontario in nearly 90 years.**

- **The benefits to people across Ontario will be many. These reforms will bring added competition to beer sales, provide new retail growth opportunities for Ontario brewers, create jobs, grow the economy, and generate an anticipated $100 million in new revenue for Ontario, phased in over four years.**

- **Ontario will be entering into a New Beer Framework with the owners of the Beer Store.**

- **Craft brewers will benefit from the chance to get their products in front of more consumers. The Beer Store will promote the sale of craft brewers' products through merchandising, promotion and the allocation of shelf space. Grocery stores will also be required to support the sale of craft brewers' products.**

- **Consumers will also be happy when it comes to the issue of price. For a period of two years, Ontario's largest brewers have agreed, at the government's request, to cap price increases to inflation for some of their most popular beer brands, unless there are material changes to the industry. Ontario consumers will pay prices for their beer that are at or below the lowest prices in Canada.**

- **The government will continue to adhere to the principles of social responsibility by maintaining strict controls as to how beer is sold in these new locations. The Province will ensure the sale of alcohol is restricted to set hours, is in a designated section of each store, and that all staff selling alcohol in grocery stores are properly certified and fully trained to ensure Ontario's standards for social responsibility are always met.**

- **The government will continue to work with the Beer Store, industry stakeholders, consumers and others to build on what works for the future. And as the new system for beer is implemented in the coming months, the government and the Premier's Advisory Council on Government Assets will be working closely with the wine and spirits sectors to further modernize alcohol retailing and distribution in Ontario, and see how to expand its retail presence also.**

French

- **Le gouvernement de l'Ontario a écouté les consommateurs et offre une plus grande commodité et un choix plus varié quant aux établissements dans lesquels la population pourra acheter de la bière dans la province.**

- **La bière sera vendue dans un nombre maximum de quatre cent cinquante épiceries, outre les magasins actuels The Beer Store et les plus de six cent magasins de la LCBO situés un peu partout dans la province.**

- **Le gouvernement a l'intention de présenter un projet de loi qui, si adopté, permettrait la mise en œuvre de ces changements.**

- **Ces changements représentent la restructuration la plus importante du mode de vente de la bière en Ontario depuis près de quatre-vingt-dix ans.**

- **Les avantages pour la population de tout l'Ontario seront nombreux. Ces réformes encourageront la compétition dans le secteur de la vente de bières, offriront de nouvelles possibilités de croissance des ventes au détail pour les brasseurs de l'Ontario, créeront des emplois, stimuleront la croissance économique et généreront de nouvelles recettes prévues de l'ordre de cent millions de dollars pour l'Ontario, sur une période de quatre ans.**

- **L'Ontario signera un nouveau cadre relatif à la vente de bière avec les propriétaires de The Beer Store.**

- **Les fabricants de bières artisanales auront la chance de proposer leurs produits à un plus grand nombre de consommateurs. The Beer Store promouvra la vente de bières artisanales en ayant recours à des techniques de marchandisage, de promotion et de volume de présentation. Les épiceries devront également favoriser la vente de bières artisanales.**

- **Les prix rendront également les consommateurs heureux. Les plus gros brasseurs de l'Ontario ont accepté, à la demande du gouvernement, de plafonner au taux d'inflation, pendant deux ans, les augmentations de prix de certaines de leurs marques de bière les plus populaires à moins de changements matériel de l'industrie. Les prix que les consommateurs ontariens payeront pour leur bière correspondent aux plus bas prix pratiqués au Canada, ou sont même inférieurs à ces prix.**

- **Le gouvernement continuera d'adhérer aux principes de responsabilité sociale en maintenant des mesures de contrôle rigoureuses de la vente de bière dans ces nouveaux points de vente. La province s'assurera que la vente d'alcool est limitée à certaines heures et à une section spéciale dans chaque magasin et que tous les membres du personnel qui vendent de l'alcool dans les épiceries possèdent les compétences et la formation requises pour veiller au respect des normes ontariennes en matière de responsabilité sociale.**

- **Le gouvernement continuera de collaborer avec The Beer Store, les intervenants de l'industrie, les consommateurs et d'autres parties prenantes pour améliorer le système à l'avenir. Dans le cadre de la mise en œuvre du nouveau système dans les mois à venir, le gouvernement et le Conseil consultatif de la première ministre pour la gestion des biens provinciaux collaboreront étroitement avec le secteur des vins et spiritueux pour moderniser davantage le système de vente au détail et de distribution de l'alcool en Ontario, et décider comment étendre également sa présence dans le secteur de la vente au détail.**

HYDRO ONE

Primary

- **The government intends to broaden the ownership in Hydro One to improve long-term performance and unlock billions in value for investment in major infrastructure projects that will help grow Ontario's economy for years to come.**

- **This approach will create an improved company that would operate more efficiently and better serve the interests of ratepayers and customers of Hydro One.**

- **This approach would generate approximately $4 billion to build new roads, highways bridges, transit and other needed major infrastructure projects and create thousands of jobs.**

- **To protect the public interest and ensure that all Ontarians will benefit from the future revenues of this reinvigorated company, the government of Ontario would remain the largest shareholder in Hydro One.**

- **The government intends to introduce legislation later this spring so that no other shareholder, or group of shareholders, would be allowed to own more than 10 per cent of the company.**

- **The government will release shares in stages, with about 15 per cent released this fiscal year and additional share sales in the future.**

- **Hydro One will not have the power to set rates – that will continue to rest with the independent Ontario Energy Board.**

- **The government intends to introduce legislation later this spring to strengthen and enhance the OEB's powers even further to protect ratepayers, increase accountability and improve transparency.**

Primary-French

- **Le gouvernement a l'intention d'élargir la participation dans Hydro One afin d'améliorer le rendement à long terme et de libérer des milliards de dollars pour des investissements dans des projets d'infrastructure majeurs qui stimuleront la croissance économique de l'Ontario pendant les années à venir.**

- **Cette approche permettra de créer une société mieux adaptée dont le fonctionnement serait plus efficace et qui servirait mieux les intérêts des contribuables et des clients de Hydro One.**

- **Cette approche générera environ quatre milliards de dollars qui serviront à construire des routes, des ponts routiers, des réseaux de transport en commun et d'autres projets d'infrastructure majeurs.**

- **Pour protéger l'intérêt public et veiller à ce que tous les Ontariens et Ontariennes profitent des futurs revenus de cette entreprise revigorée, le gouvernement de l'Ontario demeurerait le principal actionnaire de Hydro One.**

- **Le gouvernement a l'intention de présenter un projet de loi ce printemps de telle sorte qu'aucun actionnaire ou groupe d'actionnaires ne pourra posséder plus de dix pour cent de l'entreprise.**

- **Le gouvernement de l’Ontario émettra des actions par étapes avec environ quinze pour cent de ces actions qui seront émises au cours de l’actuelle année fiscale de même que d’autres ventes dans le futur.**

- **Hydro One ne jouera pas de rôle en matière de fixation des tarifs. Ceux-ci continueront à être déterminés par la Commission de l’énergie de l’Ontario qui est un organisme autonome.**

- **Le gouvernement a l’intention de déposer un projet de loi plus tard au printemps pour renforcer et accroître les pouvoirs de la CEO afin de mieux protéger les contribuables, de renforcer la responsabilité et d’améliorer la transparence.**

<u>Secondary</u>

- **The gain from broadening the ownership of Hydro One would be credited to the Trillium Trust. The Trust was established to invest in new infrastructure that will improve the province's long-term competitiveness, boost productivity, and create jobs for Ontarians.**

<u>Secondary-French</u>

- **Le produit net de l’élargissement de la participation dans Hydro One serait crédité au Fonds Trillium. Le Fonds a été créé pour investir dans les nouvelles infrastructures qui permettront d’améliorer la compétitivité de la province à long terme, de stimuler la productivité et de créer des emplois pour les Ontariens et Ontariennes.**

Q&A

FINANCIAL GAIN

Q. What is the value of the Hydro One shares you'll include in the IPO?

A. Informed by the Council's recommendations, the gross value is estimated at approximately $8 billion to $9 billion, keeping in mind that that number is subject to market conditions.

The net gain would provide us with approximately $4 billion. Together with other asset optimization strategies, this would provide us with $5.7 billion, or about $2.6 billion more from asset optimization than we had previously assumed.

For this reason, our total commitment to Moving Ontario Forward rises from $29 billion to $31.5 billion.

Q. Isn't that $2.6 billion rather low?

A. The $2.6 billion number only represents the increase in what we expect to get from our asset optimization strategy we set out in the 2014 Budget.

The net gain we are anticipating could be in the range of $3 billion to $4 billion, contributing to our overall asset optimization target of $5.7B – or $2.6 billion more than we were anticipating at the time of the 2014 Budget.

And keep in mind that it's subject to market conditions. If we do better, then that will result in a greater investment in infrastructure.

Q. So what is the actual net gain off of $8 billion to $9 billion?

A. Based on the Clark report estimates, it would be approximately $4 billion. We had already accounted for a portion of this in last year's Budget. The extra amount we are identifying today, based on the Clark recommendations that include broadening the ownership of Hydro One, is $2.6 billion. All of the money from these transactions will be dedicated to transit, transportation and critical infrastructure projects under Moving Ontario Forward.

Q. How much of the money from assets is being used to reduce the deficit?

A. All of the revenues from these transactions will be dedicated to transit, transportation and critical infrastructure projects under Moving Ontario Forward.

If pushed…

Q. How can you say you aren't using some of the revenues from asset sales to reduce the deficit?

A. Our plan to eliminate the deficit does not depend on the revenues from asset sales. The revenues from these transactions are not being used to reduce the deficit, they are allowing us deliver on our plan by investing in new infrastructure projects. All the revenues from assets will be dedicated to transit, transportation and critical infrastructure projects under Moving Ontario Forward.

If pushed further…

Q. So how can you explain the change in your bottom line due to asset revenues?

A. The change in the deficit targets is the result of lower than projected spending — not higher revenues from asset optimization. There may be a temporary increase in revenue in any given year due to bookkeeping rules —the gains we raise from these transactions will not perfectly match what we spent on projects in that year. Our plan will dedicate the net proceeds, dollar for dollar, of these transactions into the Trillium Trust. Over the life of the plan, we'll spend it all on transit, transportation and critical infrastructure projects under Moving Ontario Forward, while meeting our timeline to balance the budget in 2017-18.

Q. Isn't the government obligated to dedicate any proceeds for a share sale to OEFC to pay down stranded debt?

A. The government has committed to dedicate any net proceeds from broadening ownership in Hydro One to the Trillium Trust to be used for new roads, highways, transit and other infrastructure as part of its overall plan to commit $31.5B to new infrastructure projects through Moving Ontario Forward, which will support more than 20,000 jobs on average annually over 10 years.

To facilitate that, the government intends to introduce legislation allowing the OEFC to receive the benefit of the transaction in the form of lower debt rather than cash. The OEFC —and even more importantly, ratepayers—still stand to benefit from the transaction.

This means that the cash will go to infrastructure as indicated. And, by lowering the stranded debt, ratepayers will benefit too.

In addition, the government has committed to eliminating the DRC for residential consumers at the end of this year, and the government estimates that for all others the DRC would end by the end of 2018. The broadening of the ownership of Hydro One is not expected to change the timeframe.

Q. Aren't you spending the same money twice? Once on debt and once on infrastructure?

A. No. The OEFC is consolidated into Public Accounts. So the OEFC's debt is already consolidated into the Public Accounts. Relieving OEFC of debt does not add to debt owed by the Province and has no fiscal impact.

This question is where does the $4 billion go? And the government is saying it will go to the Trillium Trust for investment on infrastructure.

Q. Shouldn't it be going to the OEFC's debt?

A. This debt relief does benefit OEFC and ratepayers, since that amount of debt no longer has to be paid for by ratepayers from OEFC's revenues from the electricity sector.

BEER

Q. Why not simply open up the sale of beer as widely as possible?

A. What we're announcing today is the biggest shake-up to the sale of alcohol in Ontario in nearly 90 years.

By extending the sale of beer to grocery stores, we are expanding convenience and choice for consumers. This new approach will bring added competition to the beer retail market, provide new growth opportunities for small brewers, create jobs and grow our economy. But not at the expense of social responsibility.

Of course we could have gone further. But getting it right is what matters most. And this set of changes gives us a host of benefits that we can build upon, while preserving the efficiencies of the current system to keep prices low for consumers.

Q. Why not put beer in corner stores?

A. Our government has consistently opposed that policy.

We believe in shaking up the status quo … in making beer available through grocery stores. But, in our judgment, grocery stores are best positioned to maintain the same social responsibility standards as exist today in the LCBO.

Q. Why are there so few details on how wine sales will function?

A. The Council advised us that it would need more time to provide detailed recommendations on how to implement changes to the sale of wine.

As you know, there are already private wine stores operating alongside some grocers. They have licences that are grandfathered under international trade agreements and Ontario must respect its trade obligations. It's complex. The Council wanted more time. And we believe it's important to get these things right.

Q. Will wine be sold using the same licences to be granted for beer?

A. The Council is continuing to work out the precise model for wine – it is a more complex issue in many ways. But we certainly will consider modernizing wine sales, in a trade compliant manner. We expect to deliver the recommendations on wine later in 2015.

Q. Doesn't this approach renew and reinforce the Beer Store monopoly?

A. This approach represents an enormous shake-up to the status quo for the Beer Store. It returns the Beer Store closer to its original co-operative roots, opening up its ownership to all brewers with manufacturing facilities in Ontario, better balancing the interests of key stakeholders, including brewers (big and small), restaurant and bar owners and, of course, the beer-buying public.

Specifically, the new framework will create substantial new competition from private retailers like grocery stores, a more open Board of Directors (which better takes into account the interests of smaller brewers and the public), capping price increases to inflation on some of the Beer Store's most popular brands until May 2017 (unless there are material changes to the industry) and an extension of the Ontario Deposit Return Program.

The government intends to introduce legislation that would, if passed, permit these changes to be implemented

We believe it is a dramatic improvement upon the status quo.

Q. Why not just cancel the agreement with the Beer Store?

A. It was an option the Council considered. In the end, they found it was possible to negotiate a broad number of changes with the Beer Store and felt that this approach was worthwhile. We accepted that recommendation and work to enter into a New Beer Framework with the Beer Store.

The Beer Store operates as a low-cost, efficient distributor of beer in Ontario, and this system will be maintained and will continue to benefit Ontarians by keeping beer prices below the Canadian average.

Q. Who will choose what licences go to which grocery stores?

A. A number of models are under consideration. Council Chair Ed Clark has agreed to remain in place to help government develop and oversee the exact approach.

The final process for awarding licences or other permissions will balance a host of considerations, including how to secure good value, best meet demands, ensure fair competition, avoid undue concentration and serve communities across the province while still adhering to the principles of social responsibility.

Q. What criteria will be used to determine the distribution of these new licences? Will they be open to all grocery chains? Only some? How will it work?

A. The final process for awarding licences or other permissions will balance a host of considerations, including how to secure good value, best meet demands, ensure fair competition, avoid undue concentration and serve communities across the province while still meeting the principles of social responsibility.

Clearly, to avoid undue concentration, there would be an effort to avoid seeing licences awarded overwhelmingly to any single organization or grocery outlet.

Q. After releasing his report last fall, Ed Clark had suggested that if only a "handful" of stores get licences to sell beer, they'll have an unfair advantage over other stores. Why the change in direction now?

["If only the Loblaws and Costcos get this deal — they're going to put every little store out of business, because that's where everyone will go," Clark said in October. "If you give those licences to a big grocery store, they end up owning that town." Quoted by Cristina Blizzard in Trouble brewing with Wynne ; Will the Liberals leave us crying in our beer? Wed Apr 8 2015]

A. The final process for awarding licences or other permissions will balance a host of considerations, including how to secure good value, best meet demands, ensure fair competition, avoid undue concentration and serve communities across the province while still meeting the principles of social responsibility.

Clearly, to avoid undue concentration, there would be an effort to avoid seeing licences awarded overwhelmingly to any single organization or grocery outlet.

Q. Will the Beer Store end up closing stores?

A. The government is unaware of any plans on the part of the Beer Store to close stores as a consequence of these changes.

In fact, the Beer Store has committed to investing in its stores to enhance the retail experience for customers while offering new access to craft brewers.

Q. Why make grocery stores work through the LCBO to secure their beer? Why not allow them to work directly with brewers?

A. We have to take care to ensure the fair treatment of all brewers and all retailers.

We want to see these small craft brewers grow and succeed, to sell more product, gain more market share and to hire more workers. By ensuring the LCBO remains the wholesaler, we can best help encourage that outcome.

Q. Why will grocery stores only be allowed to sell six-packs? Why not 12-packs and 24-packs?

A. For the first time in Ontario's history, beer will be sold in grocery stores — in up to 450 new locations. That's roughly the same number of Beer Store outlets that exist today. In addition, in 10 LCBO stores, we'll run pilots where 12-packs can be sold.

These changes represent the biggest shake-up to the sale of beer in this province in nearly 90 years. But we were also conscious of the need to proceed with care. What we're talking about is bold, but on issues like six-packs versus 12-packs, the Council felt that it was prudent to take steps to ensure we get it right.

Q. How will this affect prices when I buy alcohol?

A. For a period of two years, the price consumers pay for some of most popular brands at the Beer store will be capped to inflation, unless there are material changes to the industry.

Ontario consumers will pay prices for their beer that are at or below the lowest price in Canada, while having an improved customer experience.

Q. What is this "beer tax" I've heard about? Will this be passed on to the consumer?

A. For a period of two years, the price consumers pay for some seven of the most popular brands at the Beer Store will be capped at inflation.

The new beer charge on brewers, by 2019-20, will provide $100 million a year to taxpayers.

This is part of a larger package of reforms that will increase convenience and choice for consumers, add competition to beer sales, provide new retail growth opportunities for Ontario brewers, create jobs and grow the economy.

Any revenue generated from selling beverage alcohol in a socially responsible manner will support key government priorities such as health care, education and skills training, as well as infrastructure and transit investments that benefit all Ontarians.

Q. What happens in the third year? Won't the brewers just start passing it on then?

A. After two years, we believe these reforms will have been absorbed fully by the new system. At that point, we believe competitive pressures between the brewers and particularly from a strengthened craft brewery sector will protect consumers.

Q. Will prices be the same at the LCBO as they are in grocery stores?

A. In Ontario, each beer brewer sets the prices for its own products.

Under Ontario's uniform pricing policy, the price that is set by the brewer is the price the consumer pays, whether the same product is sold in the LCBO, the Beer Store, the brewer's own on-site store, or in a grocery store.

Q. What happens to the Bag It Back program? Where do I take my empties?

A. The Beer Store will continue to operate the Ontario Deposit Return Program on behalf of the Province, and consumers can continue to bring their empty beverage alcohol containers back to the Beer Store.

Q. Won't increased access to alcohol, and easier access to all types of beverage alcohol in the future, promote increased alcohol consumption and have a negative impact on incidence of alcohol-related diseases?

A. Selling alcohol responsibly is a public trust that the government takes very seriously.

The government will continue to adhere to the principles of social responsibility by maintaining strict controls as to how beer is sold in these new locations. The Province will ensure the sale of alcohol is restricted to set hours, is in a designated section of each store, and that all staff selling alcohol in grocery stores be properly certified and fully trained to ensure Ontario's standards for social responsibility are always met.

Q. Will revenue from the sale of beer at grocery stores go toward paying down the deficit?

A. As the Finance Minister announced recently, the government is ahead of its deficit elimination targets and will continue to bring the budget back toward balance with a focus on disciplined spending and economic growth.

Any revenue generated from selling beverage alcohol in a socially responsible manner will support key government priorities such as health care, education and skills training, and infrastructure and transit investments that benefit all Ontarians.

Q. When will the Council's recommendations for the LCBO be implemented?

A. Council Chair Ed Clark has agreed to remain in place to continue working with government to implement these changes.

Some reforms will move quickly, others will take time. But major change will be visible to consumers within the next couple of years.

Q. How will craft brewers benefit from these changes?

A. Craft brewers will benefit in a number of ways.

For example, the Beer Store will operate under a new governance structure that will provide fair representation for all brewers. Furthermore, changes to the Beer Store's retail and marketing practices will provide additional retail opportunities to craft brewers, including increased shelf space and marketing opportunities for craft brewers. Craft brewers will also receive shelf space support in the new grocery channel.

Q. What will be done to ensure beer is sold in a socially responsible way in grocery stores?

A. The government will ensure that the social responsibility mandate that accompanies the sale of beverage alcohol is upheld regardless of changes to the retail model.

The grocery store format that is being proposed is in designated sections of large grocery stores only and is subject to clear restrictions on hours of sale, uniform pricing, and social responsibility training for all employees facilitating the purchase of beer.

Q. What is the difference between the announced proposal and the government's old commitment to LCBO Express Stores in grocery stores?

A. The Premier's Advisory Council on Government Assets reviewed the alcohol sector as a whole, and has determined it was in the best interest of the Province to introduce substantial new competition from private retailers, like grocery stores, in the alcohol retail sector.

HYDRO ONE

Top Line Questions

Q Why did the Assets Council opt to include both transmission and distribution assets as part of the IPO after initially concluding that transmission should not be part of such a sale?

A. After extensive market sounding, financial analysis and assessment, the Council concluded that this approach would better serve the public interest for a number of reasons:

Hydro One as an integrated entity is worth more and could therefore help generate additional value that would serve the long-term interests of Ontario.

Separating Hydro distribution and transmission would negatively impact both taxpayers and customers.

This approach includes strong protections for the public interest and generates greater value for the public.

Q. Won't rates rise? Isn't the interest of the private sector to increase profit by raising rates?

A. Hydro One would not have the power to set its own rates. Rates would continue to be set by the independent Ontario Energy Board. Ontario Energy Board rate decisions have already been made for transmission, applying for the next two years and for distribution, applying for the next three years. That will remain unaffected.

Q. How can the government guard against rate increases if it is no longer the majority owner?

A. To protect the public interest and ensure that all Ontarians will benefit from the future revenues of this reinvigorated company, the government of Ontario would remain the largest shareholder in Hydro One.

No other shareholder, or group of shareholders, would be allowed to own more than 10 per cent of the company. The government will release shares in stages, with 15 per cent released this year and the option of additional share sales in the future. As a result the government would retain de facto control.

Finally, Hydro One would not have the power to set its own rates. Rates would continue to be set by the independent Ontario Energy Board. Ontario Energy Board rate decisions have already been made for transmission, applying for the next two years and for distribution, applying for the next three years. That will remain unaffected.

Q. Won't selling an interest in the company worsen the deficit?

A. The deficit is on track to be eliminated by 2017/18. In fact, the Finance Minister recently confirmed that we are running ahead of our projected targets. At the same time, we must strengthen our economy, create new jobs, invest in our province's infrastructure needs and keep electricity rates affordable.

By broadening ownership in Hydro One, we will achieve all these goals while building an improved, more efficient company that better serves the needs of the public.

Q. What is the government doing with Hydro One Brampton?

A. We are announcing that Hydro One Brampton would merge with Enersource, Horizon and PowerStream to create the second-largest electricity distribution utility in the province.

Together these utilities can take advantage of efficiencies of scale and resources sharing, which in turn could translate into savings for their respective ratepayers.

A non-binding Letter of Intent has been entered into by the parties that we and the Council believe represents the best value for Ontarians. All parties will continue to negotiate with the aim of finalizing an agreement in the summer of 2015.

Such a merger will provide a much needed catalyst for wider Local Distribution Company consolidation.

Q. How is this different from 2002?

A. The 2002 transaction proposed many things, including for example sale of up to 100 percent of Hydro One shares. There are, however, two principled and fundamental differences:

One, we would invest any net proceeds into public infrastructure that will improve the province's long-term competitiveness and create jobs for Ontarians; and

Two, we are retaining ownership in Hydro One and will continue to benefit from its revenues each year. The government would remain the single largest shareholder.

In addition, no other shareholder will be allowed to own more than 10% of the company and the shares will be released in stages. At least 25 to 30 percent of shares will be set aside for the general public.

Q. What guarantees can you give Hydro One and Hydro One Brampton customers that their rates won't go up?

A. This approach will create an improved company that will operate more efficiently and better serve the interests of ratepayers and customers of Brampton Hydro. In the long run, that should have a favourable impact on rates.

It's also important to remember that Ontario Energy Board rate decisions have already been made for transmission, applying for the next two years and for distribution, applying for the next three years. That will remain unaffected by this approach.

Q. What guarantees can you give Hydro One Brampton customers that their rates won't go up?

A. This approach will create an improved company that will operate more efficiently and better serve the interests of ratepayers and customers. In the long run, that should have a favourable impact on rates.

Q. Critics call this a fire sale – isn't it?

A. We've taken a measured approach to this initiative. We could have very easily sold Hydro One in its entirety in order to realize an immediate short-term cash infusion. Instead, we've taken a long-term perspective on this deal. By remaining a shareholder, the Government ensures that every Ontarian will benefit from the future revenues of this strengthened company.

Q. Why are we selling Hydro One to pay for transit in big cities?

A. Net proceeds from the IPO would be dedicated to the Trillium Trust.

Over 10 years, Ontario will make available nearly $31.5 billion in dedicated funding for public transit, highways and other priority infrastructure projects across the province through the government's Moving Ontario Forward plan. Up to $16 billion will be allocated for the Greater Toronto and Hamilton Area in public transit priorities and nearly $15 billion for roads, bridges and other projects elsewhere in Ontario.

Q. Why are you appointing David Denison as the new Chair of the Hydro One Board? Is this a conflict of interest?

A. We are appointing Mr. Denison as the new Chair, effective today, because of his corporate, industry and financial experience. He has the credentials to strengthen and help shape a new electricity company that will become a champion outside of Ontario and an industry leader in North America.

We know there will be plenty of challenges in taking the new company public – an undertaking that requires a skill set that is very different than has been contemplated in the past. David's experience is ideally matched and we're very fortunate that outgoing Chair, Sandra Pupatello, has agreed to stay on as a director as we proceed towards the transition of the company.

David has resigned from his position on the Advisory Council. The activities of the Council are governed by guidelines that were signed off by the Conflict of Interest Commissioner to ensure that any potential conflicts are fully and responsibly addressed.

Q. Will the departing Chair receive a compensation package?

A. Our understanding is that the outgoing Chair will be compensated appropriately for her work up to end of her tenure as Chair but there will be no additional compensation.

Q. Is the departing Chair going to receive another appointment from the government?

A. The departing Chair is a respected professional who has positioned H1 well for the coming changes. The government believes that she has much to offer in further public service so it is possible that the government will wish to engage her elsewhere.

Q The Council's final report indicated that legislative and regulatory restrictions should be removed – what exactly does this mean?

A. Hydro One would become a publicly-traded company, which has different oversight and disclosure requirements than a Crown corporation.

Hydro One will continue to be regulated by the Ontario Business Corporations Act (OBCA) and the Ontario Securities Act. It will continue to file financial information with the Ontario Securities Commission.

Hydro One would no longer be overseen by Officers of the Legislature. Instead, it would have a dedicated corporate Ombudsperson to receive and investigate customer complaints.

The transition period from a government business to a publicly held company for independent Officers of the Legislature will be clearly and transparently described in proposed legislation. This would ensure that independent Officers of the Legislature could continue any work they have currently underway. Here's what that means specifically:

If the government's proposed legislation receives Royal Assent, the Ontario Ombudsman and the Ontario Auditor General's oversight would cease, but they would each have six months after that date to conclude any outstanding investigations. The Auditor General authority for the additional six months would also extend to special audits. The Auditor General would continue to receive sufficient information to allow for the reporting of Hydro One on the province's public accounts.

If the legislation receives Royal Assent, Hydro One would not be required to accept new requests under the Freedom of Information and Protection of Privacy Act (FIPPA). However, the company and the Information and Privacy Commissioner would have six months to conclude any outstanding requests and appeals.

The government would continue to have the ability to replace the entire board of Hydro One.

Q. Why are you removing Hydro One from the reach of the Auditor General and Ombudsman?

A. Hydro One is going to be a publicly traded company. Even though the government would remain the largest shareholder, it will now have different structures and oversight.

Similar changes occurred when there were shares released to the public for Air Canada, Petro-Canada and CN Rail.

The Province would require Hydro One to create a dedicated Ombudsperson, similar to those found at other public companies. The Ombudsperson would be able to receive and investigate customer complaints.

And Hydro One will continue to be captured by the Ontario Business Corporations Act (OBCA) and the Ontario Securities Act. It will continue to file financial information with the Ontario Securities Commission.

Various companies were removed from the list of Crown Corporations in the *Financial Administration Act (FAA)*, including Air Canada in 1988, Petro-Canada in 1991 and CN Rail in 1995.

The federal *Auditor General Act* also ceased to apply to these same three companies when they were removed from the FAA list.

Similarly, the federal *Access to Information Act* did not apply to Air Canada, Petro-Canada or CN Rail at the time of their privatization.
We intend to propose legislation that would allow for transition time to ensure that Officers like the Auditor General and the Ombudsman could continue any work they have underway.

Q. You brought in Freedom of Information rules and now you're exempting Hydro One? Why?

A. A publicly-traded company is not the same as a Crown corporation. Making changes to oversight and accountability is a normal step when a company is taken public.

Q. Is this counter to Open Government?

A. Absolutely not. The Ministry of Energy has been a strong leader in Open Data and Open Information. Data from Hydro One will still be included in our regular Ontario Energy Reports and in the Long-Term Energy Plan, and in IESO reports and forecasts.

Hydro One will continue to be regulated by the Ontario Business Corporations Act (OBCA) and the Ontario Securities Act. It will continue to file financial information with the Ontario Securities Commission.

Q. This money was supposed to pay down the stranded debt. By putting this money into the Trillium Trust, aren't you just leaving Ontarians with more debt they have to pay for?

A. The Debt Retirement Charge (DRC) will end for residential ratepayers on January 1, 2016. The DRC is estimated to end for all remaining ratepayers by the end of 2018. That timeframe is not expected to be affected by broadening the ownership of Hydro One.

The government intends to introduce legislative amendments that would enable the gain from the Hydro One IPO and any subsequent share sales to go into the Trillium Trust.

It is also committed to ensuring that electricity ratepayers are treated fairly. It is proposing amendments to the Electricity Act that would ensure the Ontario Electricity Financial Corporation (OEFC) receives a financial benefit – for example, debt relief to the benefit of ratepayers. This would keep the end of the DRC on track.

Process for Sale – Initial Public Offering (IPO)

Q. You mentioned that the IPO will be held in stages? How will that work?

A. Ontario intends to move forward with an IPO of 15 percent this year and additional share sales in the future. By moving in stages, the government can monitor the approach carefully and ensure the public interest is protected.

Q. What will you use the money for?

A. The net proceeds from the IPO would be placed into the Trillium Trust for investment in major infrastructure projects that will help grow Ontario's economy for years to come.

Q. How much revenue do you anticipate raising from the first IPO of 15 percent?

A. It is too soon to put an exact number on potential IPO earnings. However, the Council estimates that the Province's total ownership stake in Hydro One is currently worth approximately $13.5 to $15 billion.

Q. Why is the total amount raised from share sales not going into the Trillium Trust?

A. When Hydro One was created, it had a "book value" that is, for accounting purposes, the money that the Province owes the OEFC in exchange for the equity of the company.

The government intends to apply the proceeds of the sale of shares up to the book value of the proportionate shares of Hydro One divested in order to pay down debt. This is financially prudent and would have the effect of reducing interest payments. ***[source, Council report, p. 22]***

The remaining funds are the net proceeds. These net proceeds will be dedicated to the Trillium Trust.

Q. What governance controls and oversight would apply to the new company?

A. From a governance and control point of view, Hydro One would be required to operate under the same constraints as any other publicly traded, regulated companies, plus additional requirements.

This includes, for example, disclosure and reporting requirements under the Ontario Business Corporations Act. As well, the Province would require Hydro One to create a dedicated Ombudsperson.

Q. Is the government contemplating placing any governance or operations restrictions on the new company post the IPO?

A. The Province would remain the largest shareholder in the new company following the IPO. No other shareholder would be allowed to own more than 10 per cent of the company. Substantially all of the company's Officers would be required to reside in Ontario. In addition, the Ontario grid control centre and head office would need to be maintained in Ontario and the new company would be prohibited from selling all or substantially all of either the transmission or distribution businesses or assets regulated by the Ontario Energy Board.

Q. Who is the government hiring to do the IPO?

A. One or two lead financial experts will be selected through a competitive process that examines the experience and expertise of potential proponents. All five large Canadian banks have the sufficient consumer scale, local retail experience and Canadian retail network to effectively operationalize this transaction. Once selected, the lead institutions will establish a team of financial institutions to coordinate the process in close cooperation with Hydro One and government.

Q. What are the fees being charged by these institutions?

A. Underwriting fees will be a percentage of sales to investors. The total fees paid to the underwriting group are estimated to be substantially lower than the industry average IPO fees.

Q. A number of people involved with the Council, including Ed Clark himself, are associated with the same large banks that you'll invite to manage the IPO. How is this not a conflict of interest?

A. All five large Canadian banks have the sufficient scale, experience and retail network to effectively operationalize this transaction. Ed Clark was with TD and Alan Hibben, who has led some negotiations for the Council, was affiliated with RBC. We benefited greatly from their insight and experience. However, it is important that all the qualified institutions have the opportunity to compete for this, and we will ensure that there are no conflicts of interest and that the selection process is fair.

Hydro One Brampton

Q. Who will be in charge of the new merged company? How will its leadership be decided? How about its new board?

A. A non-binding Letter of Intent has been entered into by the parties that we and the Council believe represents the best value for Ontarians. All parties will continue to negotiate with the aim of finalizing an agreement in the summer of 2015. The municipalities that own the three partner LDCs have all expressed support for this merger.

Q. What percentage of the new company will the government retain?

A. A non-binding Letter of Intent has been entered into by the parties that we and the Council believe represents the best value for Ontarians. All parties will continue to negotiate with the aim of finalizing an agreement in the summer of 2015.

Q. Is Infrastructure Ontario involved in the financial transaction? Are they going to lead the sale?

A. No, Infrastructure Ontario is not involved in the financial transaction for the disposition of Hydro One Brampton, nor Hydro One.

Q. What's happening to the money you make from merging Hydro One Brampton? How much will you make? Is it also going into the Trillium Trust?

A. A non-binding Letter of Intent has been entered into by the parties that we and the Council believe represents the best value for Ontarians. All parties will continue to negotiate with the aim of finalizing an agreement in the summer of 2015. If there is a gain associated with the merger, they would go into the Trillium Trust.

Ontario Energy Board – Enhanced Regulatory Oversight

Q. What new enhancements will be made to the OEB?

A. The government intends to introduce legislation that would enhance the OEB's powers to continue to protect electricity ratepayers with respect to cost, consumer protection, and reliability. If passed, these changes would provide the OEB with:

- Stronger compliance and enforcement powers by increasing penalties to companies that are not complying with the OEB's rules and directions
- Enhanced ability to ensure reliability and continuity of service if distribution or transmission companies are unable to fulfil their license obligations
- Enhanced oversight for ensuring best practices on utility consolidation activities
- Stricter oversight of retailers and more protection for consumers who sign energy retail contracts
- The OEB is also planning to move forward with an initiative to increase consumer advocacy by giving consumers a direct voice in OEB hearings and proceedings.

Q. Will the Rural or Remote Rate Protection program continue?

A. Yes. Current subsidies in place including the Rural or Remote Rate Protection program will continue.

Q. Are Hydro One residential customers guaranteed universal service? Will service quality deteriorate?

A. All existing customers, including in remote northern communities, will continue to be served, and any new customers in Hydro One's service territory would receive reliable and affordable service. The licence conditions imposed by the Ontario Energy Board will ensure consistent and reliable service levels.

Q. Isn't the Ontario Energy Board's approval of this transaction required?

A. The Ontario Energy Board will continue to establish and oversee the licence conditions and customer rates for Hydro One.

Q. You are implementing a two-year price freeze on the Beer Store's most popular brands. Are you also going to freeze electricity rates for two years to help protect ratepayers?

A. Hydro One would not have the power to set its own rates. Rates would continue to be set by the independent Ontario Energy Board. The Ontario Energy Board (OEB) is a quasi-judicial economic regulator of the province's energy sector. The OEB's roles and responsibilities include consumer protection, reviewing and approving distribution and transmission rates, and licencing distribution and transmission companies, including Hydro One. OEB rate decisions have been made for both Hydro One transmission (which apply for the next two years) and distribution (applying for the next three years).

Broadening ownership in Hydro One

Q. How is this really different than the privatization of Highway 407?

A. There are several fundamental differences. Four things immediately come to mind:

One, Hydro One would not have the power to set its own rates. Rates would continue to be set by the independent Ontario Energy Board, and we intend to introduce legislation that would strengthen the regulatory oversight authority of the Ontario Energy Board to protect ratepayers. For the Highway 407 lease, the government of the day did not implement any regulations for price setting.

Two, the Province does not receive any ongoing direct financial benefit from the Highway 407 lease. As it would retain an ownership stake in Hydro One, the Province would continue to receive Hydro One income.

Three, the use of proceeds from the lease of Highway 407 were not tied to any particular government investment or debt avoidance. The gain from the Hydro One IPO would be set-aside in the Trillium Trust for investment in long-term infrastructure projects. .

Four, the province intends to sell shares in tranches in order to get the maximum benefit.

Q. How will the new CEO be compensated? Will you ensure that their salary won't increase?

A. The Board of Hydro One will hire the CEO and will make the decision about compensation.

Q. How will you prevent the new Hydro One from spending money irresponsibly on things like sponsorships and box seats?

A. Government will remain the largest shareholder and will nominate 40 percent of the Board of Directors, and we have the power to unilaterally dismiss the Board. This would give us considerable influence over how Hydro One's finances are managed.

Q. Will Hydro One employees be captured by the "Sunshine List"? If not, why not?

A. No. Only public sector employees are included on the Sunshine List.

As a public sector entity Hydro One is currently captured in the *Public Sector Salary Disclosure Act* (PSSDA) as it is specifically required to report under the PSSDA. In the event of the sale of Hydro One as a publically traded entity, they would no longer be a public sector entity and would not be captured under the PSSDA. However, similar to the Ontario Securities Commission requirements, a publically traded Hydro One would have 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 would continue 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)

Q. Why is the Sunshine List exemption coming into effect before the IPO?

A. Salary disclosure occurs on an annual basis after the end of the calendar year. If the Act is passed, Ontario intends to move forward with an IPO of 15 percent this year and additional share sales in the future. The exemption would apply from this year going forward.

Q. Will the government have any oversight of Hydro One employees – their salaries, their expenses, travel and hospitality rules, etc.?

A. Hydro One will become a publicly-traded company. As a shareholder, the government will expect Hydro One to operate efficiently.

As a transmission and distribution company, Hydro One's rates will be set by the Ontario Energy Board. The company will have to demonstrate in its rate applications that it is operating in a cost-effective way.

Q. The government just brought into force a law to enable the government to manage executive compensation in the Broader Public Sector by establishing compensation frameworks, and your first action is to remove Hydro One entirely from any executive compensation freezes and frameworks. The people of Ontario still own Hydro One until the IPO goes out so how will they know how their tax dollars are spent?

A. Hydro One would become a publicly-traded company. A publicly-traded company is not the same as a Crown corporation. Making changes to oversight and accountability is a normal step when a company is taken public.

Hydro One will continue to be regulated by the Ontario Business Corporations Act (OBCA) and the Ontario Securities Act. It will continue to file financial information with the Ontario Securities Commission.

Government will remain the largest shareholder and will nominate 40 percent of the Board of Directors, and we have the power to unilaterally dismiss the Board. This would give us considerable influence over how Hydro One's finances are managed.

The Province would also require Hydro One to create a dedicated Ombudsperson, similar to those found at other public companies. The Ombudsperson would be able to receive and investigate customer complaints.

As a publicly traded company, Hydro One would complete an annual statement of executive compensation for its named executive officers (i.e. the CEO, CFO and top three earners).

Q. Why are the executive compensation freezes and frameworks being removed before the IPO?

A. Ontario intends to move forward with an IPO of 15 percent this year and additional share sales in the future. Making the changes now would support the IPO process by making the organization more reflective of a publicly traded company.

Q. Hydro One will no longer be subject to certain lobbyist requirements, so how will the people of Ontario know lobbying rules are being followed?

A. Under proposed legislation, Hydro One would no longer be prohibited from engaging lobbyists to lobby government. However, any lobbyists engaged by Hydro One would have to register under the *Lobbyists Registration Act*. In addition, under the proposed amendments Hydro One's officers, directors and employees would no longer be considered "public office holders" and so lobbyists would not have to register in order to lobby them.

Q. Hydro One will no longer be required to follow any procurement directives or the Travel, Meals and Hospitality Directive, nor will their expenses be reviewed by the Integrity Commissioner anymore. How will Ontarians be sure they are spending money wisely?

A. Government will remain the largest shareholder and will nominate 40 percent of the Board of Directors, and we have the power to unilaterally dismiss the Board. This would give us considerable influence over how Hydro One's finances are managed.

The oversight of independent Officers of the Legislature during Hydro One's transition period from a government business to a publicly held company would be clearly described in proposed legislation. This would ensure that the Officers could continue any work they have currently underway. Specifically, the Integrity Commissioner would continue to be able to review expense claims made before April 1, 2015, and Hydro One and its expenses officers would have corresponding duties to cooperate.

Hydro One will continue to be captured by the Ontario Business Corporations Act (OBCA) and the Ontario Securities Act. It will continue to file financial information with the Ontario Securities Commission.

Q. CUPE legal opinion says we can't sell Hydro One – is this true?

A. Currently, the government is Hydro One's sole shareholder. As with any shareholder, the province has the right to broaden the ownership of Hydro One. Following the lower court decision in 2002, the government passed legislation that amended the Electricity Act to clarify its right to sell Hydro One shares.

Q. How will merger encourage LDC consolidation across Ontario as you claim?

A. A merged company would create a large entity that is well-positioned to pursue consolidation and modernization of Ontario's electricity distribution system, particularly in the GTHA and surrounding environment where multiple LDCs present significant opportunities for savings from economies of scale. By creating a merged entity of this size, municipalities will have a choice of business partners to encourage efficiency and local development. ***(source, Council report p. 13)***

Q. Being the largest shareholder is not the same as being the majority shareholder – will you admit you're giving up control?

A. The government will release shares in stages, with 15 per cent released this year and the option of additional share sales in the future. The government will decide on future share offerings based on market conditions and other policy considerations. No decisions on those future offerings have yet been made. We intend to introduce legislation that would allow the government the option to sell shares in Hydro One until it holds no less than 40 per cent of its initial holdings. The government of Ontario would remain the largest shareholder in Hydro One following the IPO.

No other shareholder, or group of shareholders, would be allowed to own more than 10 per cent of the company.

The Governance Agreement between Hydro One and the Province would provide the government with the authority to:

- Elect the Hydro One board of directors prior to the IPO.
- Nominate 40 percent of the Hydro One board of directors post-IPO.
- Remove the entire board of directors with or without removing the board Chair.
- Reject board nominees if they do not meet the requirements outlined in the Governance Agreement.

Q. Why do we expect underwriting fees to be lower?

A. While the government and Hydro One will require knowledgeable and experienced advisors to provide the best possible advice and support through the IPO process, it is also important that government sets a fair rate of pay for financial experts to ensure that taxpayers receive maximum value.

With support from the Council and Hydro One, the government intends to establish fees for financial experts that take into account the prestige associated with this transaction and reflects the buying power of the province. These factors are expected to help the province to reduce underwriting fees below typical levels for comparable IPOs.

Q. Won't lost Hydro One revenues hurt Ontarians in the long run through lost profits?

A. The government will remain the largest owner in order to ensure we remain the greatest beneficiary of its ongoing revenues. We also think that the company will be improved, more growth oriented and, as a consequence, we'll have access to even better revenue stream.

This approach will create an improved company that would operate more efficiently and better serve the interests of ratepayers and customers of Hydro One.