Global Adjustment

Q: What authorities need to confirm or approve the proposed model?

A: The Ministry of Energy ("the ministry") is working with the auditors of OPG and the IESO and are providing their preliminary assessments of the proposed model. The ministry is has also been working with the Ontario Provincial Controller and the Ontario Finance Authority (OFA) on the model. To date, the opinion of the Ontario Auditor General (OAG) has not been sought, and while the OAG is not the auditor of OPG, the OAG has historically raised concern with "rate regulated accounting" and may take this into account when the provincial books are audited (i.e., it may impact whether the OAG qualifies the provincial books).

The Financial Accountability Officer (FAO) has not been consulted on this proposal and would have his own opinion with respect to how this may impact the state of the province's finances.

Q: When will the OAG's opinion be known?

A: The OAG has expressed views on rate regulated accounting, which will likely be raised again upon the announcement of this suite of initiatives. The OAG has not been consulted on this proposal and will have opportunities to publicly state her views through the Public Accounts committee in the summer of 2018 and in her pre-election report.

Q: What are the consequences of the OAG not approving the accounting treatment?

A: While the OAG is not the auditor of the OPG, the OAG may take the refinancing of the GA into account when the provincial books are audited (i.e., it may impact whether the OAG qualifies the provincial books). This could impact the provincial credit rating of the province.

Q: The GA smoothing option does provide a universal benefit. However, given its cost and complexity, is there an option to provide more targeted relief to those who may need it most now?

A: The government could proceed with enhancing electricity support programs for the most vulnerable as a start and evaluate the impact of those changes before pursuing GA smoothing. This could include shifting programs from the rate-base to the tax-base, expanding the Ontario Electricity Support Program, an on-reserve credit for First nations and continue to pursue initiatives through the Long-Term Energy Plan, expected to be released Spring 2017. These actions would reduce rates for the most vulnerable but would have minimal impact on the majority of customers across the province.

Q: Could the model impact on the province's future borrowing ability and/or credit rating?

A: There is the potential that the proposed model could impact the provinces credit rating and therefore borrowing ability. The ministry continues to work with the Ontario Provincial Controller and the OFA to develop a model that would minimize this risk but the OAG may take a different opinion. If the OAG qualifies the provincial books, for example, it is likely that that would impact Ontario's credit rating and therefore borrowing ability.

<u>General</u>

Q: What options are there for tenants to receive a benefit when they don't have a separate metre (i.e., their electricity cost is imbedded in their rent)?

A: The Ministries of Energy and Housing are working to ensure tenants are benefiting from existing rate relief programs and exploring additional actions that could be taken to benefit tenants.

Currently, tenants generally either pay for their own electricity use through suite meters (i.e., sub-meters or direct arrangements with hydro providers) or pay for electricity indirectly as a service included in their rent. Tenants who pay for their own electricity will receive electricity costs savings directly through their bills

Low-income tenants who pay their own electricity bills can access energy support programs such as the Ontario Electricity Support Program administered by the Ontario Energy Board.

The ministries will continue to work on options and report back to Cabinet in Winter 2017 with recommendations.

Q: Could consideration be given to capping hydro executives' salaries?

A: On September 6, 2016 the government announced a new framework for broader public sector executive compensation, including capping salary and performance-related payments for hospitals, universities, colleges, schools boards and government agencies.

The framework regulation came into force that day, and applies to all designated employers under the Broader Public Sector Executive Compensation Act, 2014.

The framework caps salary and performance-related payments for designated executives at no more than the 50th percentile of appropriate comparators and prohibits signing bonuses, retention bonuses, cash housing allowances and pay in lieu of perquisites.

As part of this process, employers are required to consult with the public when determining executive compensation programs and to post program details to their websites. Employers are required to submit reports attesting that the compensation for their designated executives complies with the framework.

An amendment to the regulation was made in December??? for nuclear executives of OPG as there were no similar national comparators. The amendment allows OPG to use international comparators when determining an appropriate salary and performance-related payment for their nuclear executives.