Message

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Sent: 2017-10-03 5:02:54 PM
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Subject: Media Call Summary: October 3, 2017

Minister's Office: 1 inquiry

Topic: Hydro One application

Reporter & Outlet: Shawn Jeffords, Canadian Press

Response Type: Minister's spokesperson

Reporter's Questions:

Just got a reply from OEB and wanted to come to you for comment regarding the decision on Hydro One's rate request. The OEB decision raises a number of concerns about the impact of the Hydro One IPO on the rate request.

Specifically, it says that the increase in executive compensation levels, which were justified because of the IPO, bring little value to ratepayers who only care that the system is well-run. How does the Ministry respond?

Also, Hydro One proposed to give 100% of all future tax revenue savings as a result of the IPO to shareholders, shutting out ratepayers. The OEB has rejected that, insisting on a sharing formula. Does the government support the OEB decision or Hydro One's position?

Response:

It's important to note that Ontario's Fair Hydro Plan has provided immediate relief by reducing electricity bills by 25 per cent on average for all residential consumers – and up to 40 to 50 per cent if you're an eligible rural or low-income Hydro One customer. The Plan will then hold any increases to the rate of inflation for four years. That means that any rate application approved by the Ontario Energy Board will be subject to the Fair Hydro Plan, and will not impact customer bills beyond the rate of inflation.

As the province's energy sector independent regulator, the Ontario Energy Board's top priority is to make decisions in the interest of ratepayers right across the province. The OEB's application review process is careful and considered, and in this case, reduced Hydro One's ask by $278 million over two years for administrative and capital expenditure costs. In the last eight years, the OEB has reviewed over 100 major rate applications and reduced requested rate increases by an average of about 40 per cent. This is yet another example of the OEB's strong record of denying hydro companies all that they ask for, and reviewing rate applications with the consumer in mind first.

In regards to the management of Hydro One, it's important to note that since we broadened its ownership, Hydro One has become a better run company. Hydro One is providing better service and better value, both to its customers and to the province.

Some examples of this include introducing more active customer communication, giving customers more choice in billing cycles, introducing e-billing, ending the practice of security deposits for new customers, and introducing a voluntary ban on winter disconnections. They've managed to do this while achieving $60 million in cost savings in their first year as a public company.

As the independent, arm's-length regulator of the province's energy sector, the OEB continues to balance the interests of consumers with those of utilities. In determining the appropriate allocation of these tax benefits between the shareholder and ratepayer, the OEB relied on the principles from a previous case to inform their decision.

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Agencies: 1 inquiry

Agency: OEB

Topic: Hydro One application

Reporter & Outlet: Shawn Jeffords, Canadian Press

Response type: OEB spokesperson

Questions:

Hydro One applied for rate hikes of 0.5% in 2017 and 4.8% in 2018. I'm unclear where that stands. It appears that rate increase was rejected, and rates will remain the same for customers over the next two years.

Also, it appears this decision will be retroactive to Jan. 1, 2017. Just want to double-check that.

It appears the OEB is saying the $2.6 billion Hydro One will make in future tax savings because of the IPO is not being pass along to ratepayers. As a result, the OEB is recommending establishment of a framework to share those savings amongst both ratepayers and shareholders. I want to confirm I'm understanding this piece correctly.

When will customers see the bill impacts?

Response:

What Hydro One Transmission Asked For	What the OEB Approved
OM&A	OM&A
$412.7 million (2017) $409.3 million (2018)	$397.7 million (2017) $394.3 million (2018) · A **reduction** of $15.0 million each year to reflect the OEB's findings that Hydro One's increased levels of compensation for senior executives, directors and managers should not be recovered from ratepayers.
Capital Expenditures Budget	Capital Expenditures Budget
$1,076.1 million (2017) $1,122.2 million (2018)	$950 million (2017) $1,000 million (2018) · A **reduction** of $126.1 million (2017) · A **reduction** of $122.2 million (2018)
Future Tax Savings from their 2015 IPO	Future Tax Savings from their 2015 IPO
100% of future tax savings to be returned to Hydro One shareholders.	**OEB rejected this request**. OEB mandates that future tax savings be shared between Hydro One shareholders and ratepayers. The allocation of any tax savings to shareholders should be limited to 71%. The remaining 29% annual allocation of tax savings should go to ratepayers. The OEB panel has estimated that this revised allocation would reduce grossed up taxes proposed by Hydro One of $81.9 million in 2017 and $89.6 million in 2018 to about $58.1 million and about $63.6 million in each of those years, respectively.

Next Steps:

1. Hydro One is directed to submit a response, also known as a Draft Rate Order, which calculates the total bill impact based on the reductions in OEB's decision. This response must be submitted to the OEB by October 10, 2017.
2. Intervenors and OEB staff may then submit comments to Hydro One's response to this decision and the Draft Rate Order submitted.
3. Hydro One then has the opportunity to reply to those comments.

4. The OEB will then review Hydro One's Draft Rate Order and the comments filed by the parties noted above, and approve final rates later this fall.

The precise bill impacts as a result of this decision will be realized once Hydro One files their response, called a Draft Rate Order, which calculates the total bill impact based on the OEB's decision.

Final rates will be implemented retroactively to October 1, 2017.

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Ministry: 0 inquiries