OPG Participation in Fair Hydro Plan
COMMUNICATIONS

Background

The government introduced the Fair Hydro Plan in early March. The plan, if passed in the legislature, would reduce customer bills by 25 per cent when combined with the HST rebate.

OPG will be a key player in this plan, as the proposed legislation would give the company a role in managing the financing aspects as it relates to the customer impact of the Global Adjustment (GA).

This program would require OPG to create a ring-fenced special purpose vehicle that would operate outside OPG's regular operations. The entity will refinance payments that currently push residential prices up via GA and spread recovery of these costs over a longer period of time, which would lower customer bills in the intervening period.

Reputational Risks

- OPG could be seen as partisan, and an enabler of a re-election bid.
- Longer term, as repayments start to be built into rates, OPG could be seen as the cause of these increases. The Debt Retirement Charge, for example, became known to some as an "OPG Charge."
- The announcement of a complicated financial entity could create confusion as to the impact on OPG's operations.
- OPG's investment "spread" and management fees on the program could create a backlash if OPG is seen to be making a lot of money off the backs of ratepayers. This will become evident as OPG's financial reports will document the performance and profit.
- The vehicle, when consolidated, will result in higher net income but will dilute the ROE due to the higher equity needed to support the program. In addition the consolidated debt from the trust could place further pressure on OPG credit rating metrics.
- Under the present plan, rates will start to see significant increases at the same time OPG files its next rate application to the OEB, which could tie OPG to rate increases that aren't its doing.

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