Neil Brodie

From:	Neil Brodie
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To:	Rosemarie Leclair
Subject:	Mary Anne at committee

The transcripts are out. I will go through the 3 days of testimony and send you relevant excerpts. I was going to send it to VP's as well unless you think differently.

Ontario Energy Board

The Chair (Mr. Shafiq Qaadri): Our next presenters are from the Ontario Energy Board: Ms. Aldred, Mr. Antonopoulos, Ms. Band, Ms. Bishop and Mr. Hewson. Welcome, colleagues. Please be seated. Do introduce yourselves individually, and please begin now.

Ms. Mary Anne Aldred: Good afternoon, Chair, and members of the committee. My name is Mary Anne Aldred. I'm the general counsel and vice-president, strategic policy, for the OEB. Rosemarie Leclair, the chair and CEO of the OEB, is out of the country today and therefore not able to attend.

I would like to introduce the members of the OEB's executive team who are with me here today. I have Brian Hewson, who is vice-president of consumer protection and industry performance; Martine Band, associate general counsel; Ted Antonopoulos, director of rates; and Ceiran Bishop, manager of strategic policy. We appreciate being invited to speak to you today.

The OEB is an independent regulatory body that makes decisions and provides advice to the government in order to contribute to a sustainable, reliable energy sector, and to help consumers get value from their natural gas and electricity services.

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The OEB has broad oversight responsibilities that are set out in legislation. We license market participants and establish standards of conduct and service. We approve major infrastructure investments. We approve the revenues required by 69 LDCs and five transmission companies to enable them to serve five million customers across the province. We've been setting electricity prices for residential and small-business customers for over 10 years.

Our core regulatory function is focused on ensuring that energy consumers are seeing the highest possible value for the dollars they spend on their monthly bill. This is balanced with the need to ensure appropriate investments are made to sustain the system those customers rely on—and we have a long history of doing just that.

While the OEB is not the architect of the government's proposed fair hydro plan, Bill 132 would, if passed, give the OEB some new responsibilities and affect how we exercise some of our existing responsibilities. Our role in implementing the proposed fair hydro plan is outlined at a high level in Bill 132. Much of the detail is expected to be set out in regulations.

The bill contemplates a role for the OEB in implementing the government's plan to lower electricity bills by 25% for a typical residential consumer, and a role in implementing the government's plan to hold rate increases for residential ratepayers to the rate of inflation.

In addition, Bill 132 contemplates that the OEB will have the following new responsibilities:

—setting the charge by which the clean energy adjustment will be recovered from consumers;
—approving fees that can be charged by OPG in its capacity as the financial services manager;
—ensuring that licensed electricity distributors and unit sub-meter providers abide by the act;
—implementing the government's plan to expand and enhance the rural or remote electricity rate

protection program;
—implementing the government's plan for a new First Nations on-reserve delivery credit; and
—setting rates to enable the IESO to recover any funding shortfalls to the extent that the amounts are not transferred to the OPG financing entity and financed in the capital markets.
As the agency tasked with giving effect to these elements of the proposed fair hydro plan, OEB staff has provided technical advice to government on implementation issues. We have done so based on our experience and our expertise in the sector in order to ensure that the government's policy direction and objectives can be implemented efficiently by both the OEB and those entities that we regulate.
While Bill 132, if passed, would affect how we do our work in some respects, it is not intended to limit the OEB's mandate to set just and reasonable rates for electricity distributors and transmitters. The government fully expects that the OEB will continue to exercise that mandate in the public interest, as we do today. That expectation is set out in a letter from the minister that is attached to the report that was posted on our website when we issued new RPP prices effective May 1, 2017.
As the committee members will know, those prices included a portion of the electricity bill reductions proposed under the fair hydro plan. This is in keeping with our normal practice. We set RPP prices based on forecasts, and we include significant price changes that may occur in the period because of the smoothing benefits for consumers.
This is one example of how the OEB, as the independent regulator, protects the interests of consumers. We do the same when we set distribution rates. Since 2009, we have kept annual distribution rate increases near the rate of inflation. We will continue that work in the public interest.
Thank you again for the opportunity to be here today. We would be pleased to answer any questions that you may have.
The Chair (Mr. Shafiq Qaadri): Thank you, Ms. Aldred.
To the government side: Mr. Delaney.
Mr. Bob Delaney: The OEB ranks utility performance. In your experience, does it matter a great deal if a utility is owned by a local municipality or more broadly held when it comes to how you rate them and how you score them?
Ms. Mary Anne Aldred: Certainly, when we set rates for utilities, the rate-setting process is not affected by ownership. For public ownership and private ownership, rates are set in the same way.
Mr. Bob Delaney: Okay. To boil it down to a very simple questions, then, one that we've heard a few times earlier today, does the ownership structure of Hydro One have any impact on rates?
Ms. Mary Anne Aldred: The ownership structure of Hydro One does not affect the way in which rates are set by the board.
Ms. Daiene Vernile: Could you repeat that slowly?
Ms. Mary Anne Aldred: The ownership structure of Hydro One does not affect the way in which rates are set by the OEB.
Ms. Daiene Vernile: Does not affect?
Ms. Mary Anne Aldred: Does not affect. We've set rates for the natural gas utilities, which are privately owned, for about 60 years.
Mr. Bob Delaney: If the legislation, as tabled, is passed in more or less this form, what would be the process for a summer rate review to ensure that these savings reached consumers as soon as possible?
Ms. Mary Anne Aldred: If the legislation is passed, the OEB will have 15 business days to reset the RPP prices for July 1. Those rates will be implemented over the summer by the LDCs as soon as they can.
Mr. Bob Delaney: Thank you, Chair.
The Chair (Mr. Shafiq Qaadri): To the PC side: Mr. Smith.
Mr. Todd Smith: So many questions, so little time.

Has the OEB actually directed local distribution companies to start advertising the rate reduction?
Mr. Brian Hewson: No, the OEB has not directed anything like that.
Mr. Todd Smith: Okay. Given that the minister has the ability to calculate what should be prescribed as a clean energy cost and OPG has the responsibility for accepting that calculation and paying it, how is the OEB more than anything but just a rubber stamp here?
Ms. Mary Anne Aldred: The OEB will continue to set distribution rates in the independent adjudicative process that it's always done. The GA refinancing is being—the mechanics of that refinancing are through the RPP price setting, which is the commodity side of the bill.
Mr. Todd Smith: Okay. In order for this securitization to take place, it requires a dedicated revenue stream equal to repay the debt issue. Are we going to be faced with yet another cost on bills that the OEB has no ability to regulate?
Ms. Mary Anne Aldred: I think the details about the eventual recovery of the revenue stream are still to be determined under the legislation.
Mr. Todd Smith: Is it fair to say there's a debt retirement charge that will have to be incurred?
Ms. Mary Anne Aldred: No, I wouldn't put it that way.
Mr. Todd Smith: How would you put it?
Ms. Mary Anne Aldred: I think the minister will determine the arc of repayment of the costs over time. The OEB will set commodity rates as it's directed, in accordance with legislation that exists at the time that we have to set them.
Mr. Todd Smith: Given this may mean a separate line item of as much as $22 on bills in years to come, according to a document we received from a whistle-blower, is the OEB prepared to sign off on this plan anyway?
Ms. Mary Anne Aldred: The OEB is a regulator and a government agency. It is governed by its legislation and the framework that is put in place by the Legislature. We will abide by the legislation and abide by the law.
Mr. Todd Smith: There have been a lot of questions about the distance between government and various agencies. Can you just speak to the independent nature of the OEB?
Ms. Mary Anne Aldred: The OEB acts independently. Its core function is, as you know, to set distribution rates and transmission rates and approve infrastructure. Those processes all happen through independent, quasi-judicial hearings. We have intervenors who appear. It's a court-like setting. That is independent exercise of our core function.
Mr. Todd Smith: When the 8% reduction was to come off January 1, did the OEB send any kind of directive to LDCs regarding that 8%?
Ms. Mary Anne Aldred: I'm sorry, I don't know the answer to that. Can I get you that in writing later?
Mr. Todd Smith: Yes, please, to the committee. That would be—-
Mr. Peter Tabuns: Yes, we would like that.
The Chair (Mr. Shafiq Qaadri): Thank you, Mr. Smith. To the NDP: Mr. Tabuns.
Mr. Peter Tabuns: A few things here: You say that you regulate hydro LDCs the way you regulate natural gas distributors.
Ms. Mary Anne Aldred: I said that it's the same general adjudicative process.
Mr. Peter Tabuns: The natural gas companies: Do they ever get to rewrite your legislation to tell you what you can rule on and what you can't rule on?
Ms. Mary Anne Aldred: I'm sorry. I don't understand the question.
Mr. Peter Tabuns: The natural gas companies don't have the ability to go to cabinet and say, "There are things we don't want you to rule on." Does that come up?
Ms. Mary Anne Aldred: No.
Mr. Peter Tabuns: Okay. Are you going to be reviewing this plan? Are you going to be doing an assessment? Are you going to have hearings to determine whether it's good or bad for ratepayers?
Ms. Mary Anne Aldred: We will comply with the legislation, if and when it's passed. The

legislation does not contemplate such a hearing.
Mr. Peter Tabuns: No. So you won't actually be reviewing whether this is good or bad for ratepayers. You aren't regulating this particular scheme or structure; is that correct?
Ms. Mary Anne Aldred: We're complying with the legislation when it's passed—if it's passed.
Mr. Peter Tabuns: All right. It has been said earlier today that this sort of financing scheme has been used before in the United States for different utilities. Are you familiar with the fact it's been used in the United States before?
Ms. Mary Anne Aldred: I'm only familiar with the fact it has been used, but I can't really answer any detailed questions about the nature of the use or whether it compares.
Mr. Peter Tabuns: Is there anyone here before us who can speak to that? Okay, so you can't speak to whether or not you'll be fulfilling the same role here in Ontario as utility regulators in the United States have fulfilled, dealing with these particular schemes?
Ms. Mary Anne Aldred: No, I can't.
Mr. Peter Tabuns: Okay. Were you consulted? Was the OEB consulted on this piece of legislation?
Ms. Mary Anne Aldred: The OEB provided technical advice such that the policies of the government could be carried out. In our role as regulator, we were asked for implementation advice.
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Mr. Peter Tabuns: So how we put a particular charge through, how things are going to be heard when they come up for hearings—but you weren't asked for an overall assessment of the framework before us?
Ms. Mary Anne Aldred: No.
Mr. Peter Tabuns: Okay. The debt, how that's going to be set up: It will be showing on Ontario Power Generation's books. It won't be showing on the government of Ontario's books. Is that consistent with your understanding of what's before us?
Ms. Mary Anne Aldred: I'm sorry; I'm not particularly aware of the accounting arrangements.
Mr. Peter Tabuns: On the bills that will come out in the future, will there be a savings line shown, and will there be a debt line shown when it goes from savings to debt?
Ms. Mary Anne Aldred: I don't think we know that yet. I think the legislation has a placeholder for a regulation on that, but I don't think it's ready.
Mr. Peter Tabuns: All right. Do you have other placeholders for—
The Chair (Mr. Shafiq Qaadri): Thank you, Mr. Tabuns.
Thanks, Ms. Aldred, to you and your entire entourage from Ontario Energy Board.