

1 **Q. Please indicate when approximately the next provincial election is due and whether**  
2 **the company is aware that in Ontario facing similar (through smaller) rate shock,**  
3 **and with an election looming, the *then* Liberal government took steps to mitigate**  
4 **that rate shock. If so, can the company briefly highlight what steps the Ontario**  
5 **government took to mitigate this rate shock.**

6  
7 **A. A. Provincial Elections**  
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9 Section 3(2) of the *House of Assembly Act* provides that provincial elections in  
10 Newfoundland and Labrador are to be held every 4 years. The last provincial election  
11 was held in 2015. In accordance with the legislation, the next provincial election is  
12 currently expected to be held in 2019.<sup>1</sup>  
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14 **B. Recent Ontario Experience**  
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16 In 2016, electrical energy prices in Ontario rose to 18¢/kWh on peak.<sup>2</sup> The increasing  
17 energy prices became a high profile political issue in the province. In March 2017, the  
18 Government of Ontario announced the Fair Hydro Plan (“FHP”).  
19

20 Under the FHP, average consumer electricity costs were projected to decrease by 25%,  
21 followed by 4 years of growth at the rate of inflation. Starting in 2021, electricity costs  
22 were projected to increase by an average of 6.8% annually until the end of 2027. After  
23 2027, electricity costs were projected to be an average of 4% higher under the FHP than  
24 the status quo.<sup>3</sup>  
25

26 The 25% decrease contained in the FHP was a combination of (i) an 8% rebate of the  
27 provincial portion of HST on electricity bills, (ii) a 16% reduction arising from electricity  
28 cost refinancing, and (iii) an approximately 1% reduction arising from adjustment to  
29 regulatory programs.<sup>4</sup>  
30

31 The FHP decreased Ontario Power Generation electrical energy charges on customers’  
32 bills by approximately 25%. It did not affect charges levied by transmission or  
33 distribution companies.<sup>5</sup>  
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35 The FHP was financed by the province of Ontario and Ontario Power Generation on a  
36 45%/55% basis. The costs of the FHP were then reflected in a regulatory asset created by

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<sup>1</sup> Under the *House of Assembly Act*, the Lieutenant Governor-in-Council also has the power to prorogue or dissolve the House of Assembly at any time before the 4 years have passed.

<sup>2</sup> Ontario electricity bills include charges for (i) electrical energy, (ii) transmission service, (iii) distribution service, (iv) regulatory charges and riders and (v) customer charges. The 2016 electricity price increases which gave rise to the 2017 Fair Hydro Plan were increases to electrical energy charges.

<sup>3</sup> See: *Fair Hydro Plan: An Assessment of the Fiscal Impact of the Province’s Fair Hydro Plan, Spring 2017*, Financial Accountability Office of Ontario, page 1.

<sup>4</sup> *Ibid*, page 2, *et. seq.*

<sup>5</sup> See: *The Fair Hydro Plan: Concerns About Fiscal Transparency, Accountability and Value For Money, Special Report, October 2017*, page 10.

1 the Independent Electricity System Operator.<sup>6</sup>  
2

3 The FHP was estimated to cost the Province a total of \$45 billion over 29 years. The  
4 savings to electricity rate payers were estimated at \$24 billion. The net cost to Ontarians  
5 was expected to be \$21 billion which essentially represented interest costs to finance the  
6 delays in payment of energy charges beyond 2027.<sup>7</sup>  
7

8 Significant controversy arose concerning the transparency associated with accounting for  
9 the FHP. The Auditor General of Ontario maintained that the Government created a  
10 needlessly complex accounting/financing structure for the FHP that could result in more  
11 than \$4 billion in extra interest costs.<sup>8</sup>  
12

13 The FHP became effective July 1, 2017.  
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15 In June 2018, the Liberal Government which implemented the FHP was replaced by a PC  
16 Government. A prominent PC campaign promise was to save the average Ontario family  
17 an additional 12% on their Hydro bills.<sup>9</sup>

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<sup>6</sup> See: *Fair Hydro Plan: An Assessment of the Fiscal Impact of the Province's Fair Hydro Plan, Spring 2017*,  
Financial Accountability Office of Ontario, page 13.

<sup>7</sup> Ibid, page 1.

<sup>8</sup> See: *The Fair Hydro Plan: Concerns About Fiscal Transparency, Accountability and Value For Money, Special  
Report, October 2017*, pages 6-7.

<sup>9</sup> Ontario PC Website : (*Doug Ford will reduce Hydro rates and put more money in your pocket*)  
[https://www.ontariopc.ca/doug\\_ford\\_will\\_reduce\\_hydro\\_rates\\_and\\_put\\_more\\_money\\_in\\_your\\_pocket](https://www.ontariopc.ca/doug_ford_will_reduce_hydro_rates_and_put_more_money_in_your_pocket)