

INTRODUCTION – Denise Harrington

Good afternoon. My name is Denise Harrington and I'm Managing Director of Communications and Public Affairs at the Ontario Energy Board. I'd like to welcome all of those participating in today's conference call.

Let me start by introducing the staff of the OEB taking part in this call, and follow with a brief outline of our announcement.

The Board is represented today by several members of our Regulatory Policy Development Department: *Marika Hare*, Managing Director; *Peter Fraser*, Manager; *Russell Chute*, Special Advisor; and *Chris Cincar*, Policy Advisor.

We'll begin with a brief summary of today's announcement:

The Ontario Energy Board today announced reduced electricity commodity prices for all residential consumers and other eligible consumers in Ontario. These new prices have been set under the Board's Regulated Price Plan which helps ensure that the prices consumers pay for the electricity that they use better reflects the actual amount paid to generators. These prices are reflected on the electricity line of consumers' bills.

Starting November 1st, prices for regulated price plan consumers who buy their electricity commodity from a utility will be 5.5 cents per kilowatt hour for electricity use up to a certain threshold per month, and 6.4 cents per kilowatt hour for consumption above that threshold.

For residential consumers, the monthly threshold for the lower price is set at 1000 kilowatt hours during the winter season from November to April, and at 600 kilowatt hours for the summer season from May to October.

The threshold for non-residential consumers that are eligible for the Price Plan will remain at 750 kilowatt hours throughout the year.

An average consumer using 1000 kilowatt hours per month will see a decrease of about 6% or \$6.60 per month on the electricity line of his or her bill.

The reduction in RPP prices takes into account two overriding factors: The first factor results from the need to recover a lower than expected variance account balance. Since the last RPP adjustment in May 2006, progress in

terms of reducing the various account balance has exceeded the Board's forecast.

The second factor is that the forecast cost for the amount paid to generators to supply RPP consumers with electricity over the next 12 months has remained essentially the same.

Time of use pricing will also change for consumers with utilities that have opted to bill time of use electricity prices for those with Smart Meters. The new time of use electricity prices will be 3.4 cents during off-peak periods; 7.1 cents at mid-peak; and 9.7 cents on-peak. Average consumers using 1000 kilowatt hours of electricity every month and being charged time of use price will also see a decrease of about 6% on the electricity line of their bills.

Now I will ask my colleague Peter Fraser to repeat this opening statement in French.

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Peter Fraser repeats above statement in French – not transcribed since no questions were asked in French by the journalists:

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Denise Harrington: Thank you Peter. Before we begin with questions, I'd just like to remind everyone that in order to provide enough opportunity for all journalists to ask their questions, we ask that you pose one question and a follow-up. Keep in mind that you can ask the operator to get back into the queue if you have an additional question. And now I'll ask our operator to provide us with the first question.

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Q&A session follows: (*Operator gives instructions*)

Question 1 – John McGrath, CBC:

CBC: Does this price stand for a year or is it going to be reviewed after 6 months?

Ms. Hare: It's Marika Hare answering. We will be reviewing the price in another 6 months, and depending on the forecast at the time will adjust the price if required.

CBC: And is this the first price reduction we've had since the Ernie Eaves freeze, and that was November 11th of what year?

Ms. Hare: Yes, it is, and that was in 2002.

CBC: That's fine for me.

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Question 2 – Maryanna Lewyckyj, TORONTO SUN:

TORONTO SUN: I was just wondering this is, the price itself, whether there's any other fees that might be associated with it that would either remain the same or perhaps go up? I know sometimes with natural gas issues that the commodity price goes down but there are other fees that may go up – either administration fees or a billing fee, just for producing the bill or getting electricity transmitted, and I just wanted to clarify whether there was going to be no change to those, or whether those are set by local utilities and aren't part of this pricing mechanism?

Ms. Hare: Last April we announced a change in the cost of supply, the RPP price, at the same time as a change in the delivery rate for the majority of utilities, not all though. So this announcement is only about the RPP. However there are a few utilities that will be changing delivery rates November 1st, and those utilities did not have a change May 1st it's because their individual rate cases weren't dealt with until recently, but we're only talking about a few utilities, 2 or 3.

TORONTO SUN: But it's possible that some consumers notwithstanding the fact that the commodity price is going down might see an increase, but maybe just clarify when you say "it's only a few". Is it not... there are no major utilities like Toronto Hydro or to say is making 10 or 12 calls to different utilities, that maybe you could clarify how widespread it is, and

just to clarify that perhaps some people might actually see their bill go up notwithstanding the lower commodity price?

Ms. Hare: The list I have of utilities that may be changing the delivery rates as of either November or December include Espanola, Attawapiskat, Dutton, Newbury, and PowerStream has a very small adjustment because of a change to their rate order.

Ms. Harrington: If I could just add to what Marika has clarified. She mentioned the two prices on people's bills were adjusted back in the spring, because generally the Board will look at the delivery rates of all the utilities in the province once a year, and that was done for an announcement back in the spring; and if there were to be changes next year they would be adjusted next spring to take effect in May of 2007.

As Marika talked about, there are some exceptions of some utilities whose rates had not been clarified for the current year, a small handful. But for the vast majority of utilities across the province, those rates were set effective May 1st of this year and remain in effect to May 1st of next year.

TORONTO SUN: Thanks a lot.

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Question 3: Tyler Hamilton, TORONTO STAR:

TORONTO STAR: I just wanted to clarify why we're seeing this reduction. Is it fair to say that consumers overpaid over the past 6 months?

Ms. Hare: The RPP reflects the cost of supply, and in that cost of supply is the variance recovery. Last May we estimated the variance account recovery per kilowatt hour should be .5 cents; and as of May 1st, 2006, that variance account stood at \$420 million. We're estimating now that by the end of October the variance account will be at about \$105 million; and so essentially the price change is because of a reduction in the amount attributed to the variance recovery.

TORONTO STAR: But that reduction is because over the past 6 months consumers have paid more than the actual cost that was forecasted?

Ms. Hare: About three-quarters of it is because of the variance factor, and the other quarter is because of things like lower gas prices. We also had higher output from the new clear plants, about 15% higher. So these were

changes from the forecast that resulted actually in what we're seeing on a forecast basis over recovery.

TORONTO STAR: Yes, but that's the forecast looking ahead. But I'm just talking about the past 6 months. You talked about that three-quarters of it is the variance factor is because consumers paid more than what you had forecasted in that previous 6 month period? Just trying to break it down to get out the technical lingo you guys are using and just saying "consumers overpaid"?

Ms. Harrington: Tyler, one of the factors that... remember in the variances that the variance was built up over last summer as well because we had very hot weather and a lot of demand. So the way that the RPP price is set up is also to pay for the variance that has been incurred up to a certain period of time. So our forecast and the price that was set reflected the need to pay down that variance, and so that when we talk about the variance that's what we're talking about, plus the forecast of what it's going to cost to supply consumers over the next 12 months. As you'll note in the News Release a couple of factors have happened – natural gas prices have gone down and people have paid off the variance – consumers have paid off the variance faster than expected.

TORONTO STAR: That's the point, is if they paid it off faster than you had previously anticipated, does that mean that they paid more than... You know what I'm saying... is that... obviously you guys got the forecast wrong as far as paying this off over 12 months; they paid it off over a much shorter period?

Ms. Hare: I should first clarify that there's actually still is a balance in the variance account...

TORONTO STAR: I understand that...

Ms. Hare: ... it's not all paid off.

TORONTO STAR: ... but you expected to have \$210 million paid off in the first 6 months, right? Sorry, not exactly that figure. But you didn't expect as much paid off at this point?

Ms. Hare: That's correct.

TORONTO STAR: So consumers were paying more than what they maybe should have under the forecast?

Ms. Harrington: But they were also paying the difference between... They were paying for the variance, but also the forecast of what was going to happen over the next 12 months, and as natural gas prices were lower than anticipated as well... I mean it's a forecast. Natural gas was lower than anticipated, so that had an effect on price as well; and (2) and allowed more of the variance to be paid off.

TORONTO STAR: I understand that. But in the previous 6 months, you would have said that, in setting the rates, that consumers didn't pay enough for their power so therefore we have to recover that. And now they're getting a break because you recovered too much of it too quickly. So why can you say that they didn't pay enough but now you can say that they paid too much?

Ms. Hare: I'm not trying to (send?) the question but let me put it a different way: If everything had occurred exactly as we had forecasted, then we would not have had to change the price. But the forecast is never a 100% accurate and that things do not turn out exactly as has been forecasted. And that's exactly why we're doing a review every 6 months so that we don't have a large surplus or deficit in that variance account.

TORONTO STAR: Okay, thank you.

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Question 4: April Lindgren, CAN-WEST NEWS SERVICE

CAN-WEST NEWS: A couple of things. Can we basically say that the account ran up a deficit and prices went up over the past 6 months to kind of pay off the deficit, and it got paid off faster than everybody expected, and so you can lower the prices a bit because you've got 6 more months to clear the deck? I mean instead of "variance" can we call it like a "deficit" and a "surplus" in basically the cost of the electricity account – the difference between what it cost to produce it and what consumers pay?

Ms. Hare: That is what's the variance account, and it's a "variance" and not really a "deficit" because it could go one way or the other.

CAN-WEST NEWS: Yes. If natural gas prices continue to, say they plummeted and there was lots of rain and nuclear production went up a lot, you could end up with a kind of a surplus in that account?

Ms. Hare: Yes.

CAN-WEST NEWS: Okay. That's the first thing. And the other thing I want to know is: Can you tell us anything about what happened with consumption over the past 6 months as to the comparable time the previous year? Is there any evidence that people are conserving?

Peter Fraser: This is Peter Fraser. Certainly the consumption over the summer months this year was lower than the previous year, but last year it was exceptionally hot. So we do not have the data or the information to sort out whether the reduction in total consumption over the summer was due to a cooler summer, or what portion of that was due to any particular conservation measures that may have been taken.

CAN-WEST NEWS: So it's impossible to know if people are being more conservation minded?

Peter Fraser: What we can say is that we don't have that information to sort that out this past summer. We did observe that in fact overall consumption of electricity was down over the previous summer.

CAN-WEST NEWS: And one final thing: Can you tell us since October 2003 how much higher electricity prices are for actual commodity and how much higher distribution rates are on average across all utilities?

Ms. Harrington: April, it's Denise Harrington. I don't have that figure now. It's something that we could provide but I just don't have the math worked out, but we could... we should be able to work that out for you.

CAN-WEST NEWS: It just gives us a bit of perspective. Because I think the Tories they'd frozen it at 4.6 cents I think it was?

Ms. Harrington: I believe it was 4.3. But if you will also recall that the tiered pricing was introduced in 2004, I think it was in the 2004 rate year that's when we first... this was set up by the government, and that's when the first thresholds were brought in to encourage conservation, and the Board began administering the RPP, the Regulated Price Plan, in the spring of 2005.

CAN-WEST NEWS: You can't tell whether people are conserving or not compared to last summer: How do you know that this price stuff, changing the prices around, has a conservation impact?

Ms. Harrington: I think... and Peter might want to answer this question or add to this question. But the thresholds and the tiers are designed to be an encouragement to conservation. A number of the conservation measures in

the province are new. Obviously lots of work is being done and is underway, but they are still relatively new; and it may be easier to track the results over time. The point is, these steps are being taken to encourage consumers to conserve. There are programs that utilities are offering, and there are also these tier prices that give consumers an incentive to keep their consumption below a certain level. And I'll just point out that when the Board set the Regulated Price Plan, as well we also referenced in our News Release that the winter season of the Regulated Price Plan starts in November. That's because when we set up the price plan, and based on the input we heard particularly from consumers, it is more difficult for consumers to conserve in the wintertime than in the summer because a lot of them depend on electricity for their heating. So that's why the threshold is higher in the winter. But the incentives are out there. As Peter said it's a little bit hard to determine yet overall how much of a reduction in consumption during the summer is attributable to specific conservation measures.

CAN-WEST NEWS: Thank you.

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Question 5 – Maryanna Lewyckyj, TORONTO SUN:

TORONTO SUN: Could you say typically the percentage of the commodity price that makes up a bill as opposed to... because I guess there are other components... Is it 80%, 90%, whatever of the typical bill. And I know it may vary from utility to utility, but is there sort of a range or a typical thing that it's... I'm guessing it is a bulk but maybe you could just clarify how much of the bulk of the bill would be the commodity price?

Ms. Hare: It's approximately half.

TORONTO SUN: Okay. And within the other half then, local utilities would have variances on how much they would charge on the other part of it?

Ms. Harrington: I can answer that question. It's Denise Harrington: The delivery line reflects the prices, the rates that utilities charge. Your local utility will charge you to provide services to you, anything from reading your meters to the billing services, and of course the maintenance of their infrastructure; and also they pass on certain costs associated with the electricity system as a whole that get passed on through that line on your bill. And then there are two other items on your bill: One is the "debt

retirement charge”, and the other one is called “regulatory charges”, and those are charges associated with the administration of the electricity market, the wholesale market. And as I mentioned before, the delivery line with the rate of your local utility will vary from utility to utility. Those utilities apply to the Board now once a year, indicate what their costs are and indicate what money they need to recover in rates to cover their costs and their rate of return.

TORONTO SUN: Okay. Thanks a lot.

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ADDITIONAL QUESTIONS

Question 6 – Maryanna Lewyckyj, TORONTO SUN

TORONTO SUN: Just to jump in again. I just didn’t know how many people were waiting. The other charges too, they would include things such as losses to grow-ups... Are there any statistics or anything on whether that’s being held more in check or is more of a problem or that kind of loss... or is that too specific and esoteric to really track?

Ms. Harrington: It’s not a figure that we have; it’s a figure that individual utilities may be able to identify to you, Maryanna, but it’s not a figure that we have. Whatever costs utilities have associated with their operations and in providing services to consumers, they are passed on through what we call the “distribution rate” which appears on the “delivery line” of the consumer’s bill. What’s important for consumers to know is whatever those costs are... and there can be a whole number of costs that utilities face in providing those services... They come to the Board, there’s a very thorough process where those numbers are reviewed and financials are reviewed in a public process, and the Board issues decisions on those. That whole process happens once a year, and leads to decisions in the spring that take effect on May 1st of the year. So that process will be going on now. It is up to the utilities based on their business operations what they indicate to the Board are their reasons for the cost that they incur and therefore what they need to recover in rates. So it will handled in that process, and it’s different from the rate which we are announcing today which applies to all consumers across the province not matter who their utility is. Because the rate that we’re talking about today really applies to what you and I would use for the electricity we use in our day-to-day lives – when we go home and put on the computer, put the lights on, it’s the electricity we consume and it’s not

about the services that are provided to us by our utilities – that's covered under a separate line.

TORONTO SUN: And just a quick follow-up: Going forward, what would be the main 3 factors that might influence when a review comes up in 6 months... I'm guessing it'd be weather, natural gas prices and consumption. But could you put what the factors are and in what order they typically come?

Ms. Hare: So you're asking in 6 months when...

TORONTO SUN: Just what are the main 6 factors that impact on it. Some of them have come up – natural gas prices, output, weather, etc.: Could you sort of tend to put them in some type of order of how important they are in having an impact on the prices?

Ms. Hare: If I was to put them in order, it would be fuel prices; it would be supply and demand; weather; status of the variance account.

TORONTO SUN: Thanks a lot.

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Question 7 – Marc Labelle, RADIO CANADA

RADIO CANADA: Are you worried that by seeing a reduction in price that consumers might consume more, or is it not important from your point of view that risk of consumers consuming more with their bills going down?

Ms. Hare: First of all I'd say we're very concerned about conservation and ensuring that consumers are managing their electricity bill. Although this is a reduction and certainly good news, it is a fairly minor reduction – it's a 6% reduction in the commodity price. And the other comment I'd make is that on the bill, the two tiers are shown very prominently so consumers are certainly incented to try and consume below the first tier, because there is a difference in price certainly between those two tiers, the 5.5 cents to 6.4.

RADIO CANADA: In deciding to reduce by this very small amount: Did you decide to reduce the cost by this small amount because of your worry that consumers might start consuming more? In other words, was there room to reduce by more than what you did?

Ms. Hare: Through the RPP we are passing on what we are forecasting to be the true cost of the electricity going forward. It is an exercise that a structure that was developed two years ago and we are now following the mechanics of that structure.

RADIO CANADA: But there is no political influence of any kind on this?

Ms. Hare: Not at all.

RADIO CANADA: Okay. Thank you.

Ms. Hare: One thing I should have added to the previous question is the fact that we do have “time of use” prices where we differentiate between off-peak, mid-peak, and on-peak, and there we see a significant difference in price as well. So that we hope through these “time of use” prices that consumers are encouraged to shift their demand.

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Question 8: April Lindgren, CAN-WEST NEWS SERVICE

CAN-WEST NEWS: How many people or households are on “time of use” right now throughout the province?

Ms. Hare: We have 3 utilities that are looking at “time of use” prices – one (Milton) has implemented time of use prices for their customers that have Smart Meters.

CAN-WEST NEWS: How many is that?

Ms. Hare: ... and two other utilities are looking to implement shortly – Newmarket and Chatham Kent. In terms of the number of customers, it would be in the order of 10,000 customers at this point.

CAN-WEST NEWS: All of them in Milton?

Ms. Hare: No. That would be for all 3 utilities. But I might say that we expect a significant increase in that number as more Smart Meters are being installed.

CAN-WEST NEWS: So just to clarify: When you say you’re expecting Newmarket and Chatham Kent to come on, pushing the numbers up above

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Attendees:

- Denise Harrington, Marika Hare, Peter Fraser, Russell Chute; Chris Cincar

10,000, or there's a total of 10,000 assuming Milton, Newmarket and Chatham Kent are up and running?

Ms. Hare: We expect it'll be about 10,000 with all three.

CAN-WEST NEWS: And the government wants to be at 700,000 or 80,000 by the end of next year?

Ms. Hare: Just to be clear: There are certainly more Smart Meters that have been installed but they haven't gone to the "time of use" pricing as yet.

CAN-WEST NEWS: How many have been installed?

Ms. Hare: If you would like, we can get you a more precise number maybe later in the day, but I don't have that at my fingertips.

CAN-WEST NEWS: Okay. Thank you.

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(operator informs no further questions)

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CONCLUSION:

Denise Harrington:

Thank you very much operator; thank you for joining us on the call. I want to remind you that all the materials related to today's announcement are available on the OEB website at www.oeb.gov.on.ca. You can also review this call for up to 24 hours after it has ended – you can dial 1-877-289-8525 and enter the following pass code 212-05864, and I believe that information is on the Media Advisory as well, so you dial in the pass code 212-05864 followed by the # key. Thank you for your participation.

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