



News Release

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CONSUMERS ENTITLED TO UPDATE ON ELECTRICITY DEBT RETIREMENT CHARGE: AUDITOR GENERAL

(TORONTO) Ontario electricity consumers have been paying a special charge on their electricity bills since 2002 to retire a portion of the debt of the old Ontario Hydro. However, the Minister of Finance has never said how much of the debt remains—even though the law requires the Minister to provide such an update “from time to time”—Auditor General Jim McCarter says in his *2011 Annual Report*.

“Electricity consumers deserve to know where things stand and how the government is calculating the current ‘residual stranded debt’ balance that they have been paying a special charge to retire,” McCarter said today following the release of the report.

“This is particularly the case because more than \$8 billion has been collected over nearly 10 years to retire what was originally a \$7.8 billion residual stranded debt left from the restructuring of Ontario’s electricity sector in 1999.”

At the time of restructuring of the electricity sector in 1999, the Ministry of Finance determined that Ontario Hydro’s total debt and liabilities stood at \$38.1 billion, far greater than the estimated \$17.2 billion market value of the assets being transferred to the five new companies formed to succeed Ontario Hydro.

The difference between the debt and liabilities on the one hand, and the assets on the other, was identified as “stranded debt” and totalled \$20.9 billion. The government’s plan called for \$13.1 billion of that to be funded by the electricity sector itself and the remaining \$7.8 billion—the “residual stranded debt”—by electricity consumers through a new debt retirement charge (DRC) on hydro bills.

Following are some of the Auditor General’s other significant observations:

- Although the stated objective of the DRC was to pay down the residual stranded debt, external legal advisers engaged by the Auditor General supported the Auditor’s view that the *Electricity Act* allows the DRC to be used by the Ontario Electricity Financial Corporation (OEF) for any of its responsibilities for servicing and managing the stranded debt, and not just for the retirement of the residual stranded debt.
- Progress in retiring the overall stranded debt has been much slower than originally anticipated due mostly to the lower-than-expected profitability of Hydro One and, particularly, Ontario Power Generation. The lower their earnings, the lower the payments they are required to make to the OEF.

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