

For Immediate Release

April 1, 2004

Ontario Government Introduces Electricity Price Increases Effective April 1

Gananoque, Ontario – Residential and low-volume customers of Eastern Ontario Power will be paying more for electricity starting April 1, 2004 as the Ontario Government implements a two-tiered pricing structure to better reflect the true cost of electricity while providing consumers with a strong incentive to conserve. The two-tiered pricing structure to be implemented on April 1 is expected to remain in place until the Ontario Energy Board introduces a new pricing regime no later than May 1, 2005.

This pricing structure will replace the current 4.3 cents per kilowatt-hour (kWh) price cap on the commodity for residential, small commercial and designated consumers with a 4.7 cents per kWh charge for the first 750 kilowatt-hours of consumption per month and a 5.5 cents per kWh price for monthly electricity consumption in excess of the 750 kWh ceiling.

“Although the 4.3 cent cap was meant to protect consumers from the volatility of electricity prices, it has cost Ontario taxpayers approximately \$1 billion since it was introduced in December 2002 since the cost of power is higher than the capped price”, said Bill Daley, President and Chief Executive Officer.

Also beginning April 1, 2004, some utility customers across Ontario will see adjustments to the distribution portion of their bills. The Ontario Government is allowing utility companies in the province to adjust their distribution rates over a four-year period in order to recover costs incurred in preparing for the introduction of competition in the electricity market. At this time there will be no changes to the distribution rates of Eastern Ontario Power.

“The price cap, which also froze local distribution rates, has compounded many of the problems in Ontario’s electricity market in recent years,” said Bill Daley. “Putting Ontario’s electricity distribution industry on the path to restored financial health will ensure a strong, competitive economy for our local communities and the province of Ontario.”

The increase in the commodity price, combined with the distribution rate adjustment, is expected to increase the average customers’ bill who consumes 750 kWh or less per month by about \$3.00 before tax (approximately 60% of Ontario households consume less than 1000 kWh per month). Customers who consume 1000 kWh per month will see an increase of about \$6.00 per month before tax.

“Eastern Ontario Power, as a local distribution company, does not make any profit on the power – only on the delivery of energy to our customers. Local distribution charges are regulated by the Ontario Energy Board and represent less than 20% of an average monthly electricity bill, yet local distributors, such as Eastern Ontario Power, are responsible for collecting the remaining 80% of the electricity bill which includes fees paid to the Independent Electricity Market Operator, transmitters, generators and provincial stranded debt costs,” stated Bill Daley.

As an advocate of responsible energy usage, Eastern Ontario Power urges customers to take conservation measures such as changing to energy efficient lighting, installing programmable thermostats, weather-stripping doors and windows, installing efficient showerheads and other measures to reduce electrical consumption.

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