NAVIGANT CONSULTING

REGULATED PRICE PLAN – COST TRACKING

QUARTERLY VARIANCE EXPLANATION (MAY 09 - OCTOBER 09)

This document has been prepared at the request of the Ontario Energy Board (OEB, or the "Board"). The Board's objective is to better inform interested stakeholders and consumers about the Regulated Price Plan (RPP) and the factors that have contributed to the difference between the forecast price that RPP consumers currently pay and the actual cost to supply those consumers. An appendix provides monthly values for the key contributing factors. This document is updated on a quarterly basis when all the information becomes available.

All of the statistics presented in this report are taken or derived from publicly available information sources. Neither Navigant Consulting nor the OEB has audited this information. Any revisions by the providers of the actual data will be included in future updates of this report.

This report is available on the Regulated Price Plan (RPP) Web page of the OEB Web site at www.oeb.gov.on.ca (see quick link under "Major Key Initiatives"). Any technical questions regarding this report can be directed to Chris Cincar at 416-440-7696 or Russell Chute at 416-440-7682.

Regulated Price Plan consumers pay a stable price for electricity that is set in advance by the Board. The initial RPP prices went into effect on April 1, 2005 and remained in place for a thirteen month period (April 2005 through April 2006). Now the Board reviews RPP prices every six months and adjusts them, as needed, based on:

- a forecast of electricity costs to supply RPP consumers for the coming period; and
- the outstanding variance balance at the end of the previous period.

The RPP prices, effective May 1, 2009 through October 31, 2009, are the prices reflected in the this report and were announced by the Board on April 15, 2009.

This report focuses on how well those RPP prices recover the costs of electricity supplied to RPP consumers and reduces the outstanding variance account balance.[1]

As per the previous report, the Board is continuing to issue this report on a quarterly basis, with the next Quarterly Variance Explanation report in February 2009. That next quarterly report will reflect the new RPP prices that went into effect on November 1, 2009.

[1] The RPP tiered prices in effect until October 31, 2009 are 5.7 cents per kWh (for consumption below the tier threshold) and 6.6 cents per kWh (for consumption above the tier threshold).

There are essentially two sources of supply for the RPP in the current hybrid electricity market structure:

1. Generating facilities subject to regulated prices, or under contract to the Ontario Power Authority (OPA) or the Ontario Electricity Financial Corporation (OEFC); and,
2. Generating facilities that receive the wholesale spot market price.

The first group of generating facilities supply electricity into Ontario's wholesale electricity market and are paid the wholesale spot market price. However, under current regulations, the final revenues for these two groups are different from the spot market price.

- Generating facilities subject to regulated prices or under contract to the OPA or OEFC are paid, or must reimburse, any difference between the average monthly revenue earned for their output on the spot market and their contract price or regulated price. This difference is transferred to consumers through the "Provincial Benefit" (or "Global Adjustment").

  Example:

  If the spot market price of electricity in a given period was 6 cents per kWh and the average contracted or regulated price (for generating facilities under contract or subject to regulated prices) was 5 cents per kWh, these generating facilities reimburse 1 cent per kWh, on average, to consumers for the electricity they supplied to the Ontario market during that period. This has the effect of reducing their average revenues from 6 cents per kWh to 5 cents per kWh. Conversely, if the spot market price was 4 cents per kWh, these generating facilities would be paid an additional 1 cent per kWh by consumers through the Provincial Benefit to bring their average revenues to 5 cents per kWh.

- Regulations previously required that OPG generation facilities subject to a revenue cap must reimburse any difference between the average revenue earned on their generation output and their revenue cap (average of 4.7 cents per kWh) to consumers on a quarterly basis. This payment was called the "OPG Rebate" (often also referred to as the OPG Non-Prescribed Asset Rebate, or "ONPA rebate"). For the first year, May 1, 2006 to April 30, 2007, revenues from this group of assets were capped at 4.6 cents per kWh[2]. As of May 1, 2008, it was increased to 4.8 cents per kWh. An estimate of the OPG Rebate was previously included in RPP prices. This revenue cap expired on May 1, 2009, however, settlement of the OPG Rebate is subject to a one quarter lag.

[2] Output sold by OPG through the OPA Pilot Auction (PA) was excluded from the revenue cap and instead was subject to a higher revenue cap of 4.8 cents per kWh as of May 1, 2008.

The primary effect of these regulations is that the cost of supplying electricity to RPP consumers from the first group is at a fixed price. This lessens consumers' exposure to volatile spot market prices.

The RPP prices reflected in this report went into effect on May 1, 2009. These prices are based on forecasts of many factors. The most important determinants of forecast RPP supply costs (and RPP prices) are: 1) the relative amount of electricity from each of the two electricity supply sources; 2) the price of electricity purchased from the spot market; and, 3) the outstanding variance account balance at the end of the previous RPP period.

The *actual* supply cost for the RPP also depends on many factors but the most important are the same as those used to forecast the RPP price: 1) the relative amount of electricity coming from each of the two supply sources; and, 2) the price of electricity purchased from the spot market. If these factors differ from those in the forecast issued by the Board, the *actual* RPP supply cost will differ from the *forecast* RPP supply cost.

The difference between RPP revenues and the RPP supply cost is defined as the "RPP variance". This report includes a chart that shows the forecasted and actual cumulative outstanding RPP variance at the beginning and the end of each quarter in the current RPP period and a table that shows the forecasted and actual cumulative outstanding RPP variance at the end of this quarter. For the purposes of this report, "*Initial RPP Period*" refers to April 1, 2005 through April 30, 2006, and "*Current RPP Period*" refers to May 1, 2009 through October 31, 2009. The six other periods are self-explanatory. Each period has different RPP prices as shown at the beginning of the appendix.

A summary table outlining the differences between the forecast and actual values is presented below.

Current RPP Period (May 1, 2009 through October 31, 2009)	Forecast *$ million*	Actual *$ million*	Difference *$ million*	Forecast *¢/kWh*	Actual *¢/kWh*	Difference *¢/kWh*
Revenue	*$1,609.3*	*$1,842.3*	*$233.0*	*6.13*	*6.13*	*0.00*
Market Cost	-$1,234.1	-$815.0	$419.1	-4.70	-2.71	1.99
Global Adjustment	-$402.8	-$1,107.7	-$704.9	-1.53	-3.68	-2.15
OPG Rebate (Incl. Interest)	$0.0	$0.1	$0.1	0.00	0.00	0.00
Stochastic Adjustment	-$24.7	$0.0	$24.7	-0.09	0.00	0.09
Supply Cost	*-$1,661.6*	*-$1,923*	*-$260.9*	*-6.33*	*-6.39*	*-0.06*
Net Revenue	*-$52.3*	*-$80.3*	*-$27.9*	*-0.20*	*-0.27*	*-0.07*
Opening Balance	*$137.4*	*$126.4*	*-$10.9*			
Net Revenue	-$52.3	-$80.3	-$27.9	-0.20	-0.27	-0.07
Interest on Variance Account	$1.7	$0.6	-$1.1	0.01	0.00	0.00
Adjustments	-$5.7	$25.8	$31.4	-0.02	0.09	0.11
Closing Balance	*$81.1*	*$72.5*	*-$8.6*			
Change in Variance Account	*-$56.3*	*-$53.9*	*$2.4*	*-0.21*	*-0.18*	*0.04*

Revenue is discussed in Section 2 below. Supply Cost, which is the sum of Market Cost and the Global Adjustment, is discussed in Sections 3 through 6. Net Revenue, the difference between Revenue and Supply Cost, is also discussed in Section 6. Section 7 discusses the Variance Account.

1. RPP Demand

Actual RPP demand was 13% higher than the forecast. RPP Demand as a percentage of the Total Market Allocated Quantity of Energy Withdrawn (AQEW), which represents total Ontario Demand excluding line loses, was also above forecast. Total Market AQEW was 8% lower than the forecast.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast *TWh*	Actual *TWh*	Difference *Total*	Difference *%*
Total Market Allocated Quantity of Energy Withdrawn (AQEW)	70.5	65.5	-5.0	-7.7%
RPP Demand	26.3	30.1	3.8	12.7%
RPP Demand as a % of AQEW	*37%*	*46%*	*8.7%*	

2. RPP Unit and Total Revenue

The RPP revenues represent the total revenues generated from the two tiered pricing structure and from Time-of-Use prices. The prices effective during the current RPP period are shown in the following table.

Current RPP Period (May 1, 2009 through October 31,2009)	Prices *¢/kWh*
RPP Tier Prices	
Tier 1	5.7
Tier 2	6.6
Time of Use (TOU) Prices	
Off-Peak	4.2
Mid-Peak	7.6
On-Peak	9.1

RPP Revenue

Total RPP revenue was 14.5% higher than forecast, primarily because of higher than forecast RPP demand. Revenue per kWh was roughly the same as forecast.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast	Actual	Difference	
			Total	%
Total RPP Revenue ($million)	$1,609.3	$1,842	$233.0	14.5%
Average Unit Revenue (¢/kWh)	6.13	6.13	0.00	0.1%
Tier 1: Tier 2 Split	52% : 48%	52% : 47%		

3. Market Cost

Simple Average Spot Market Price

The table below shows the cost of electricity purchased from the spot market (without consideration of the Global Adjustment) for a hypothetical consumer that uses the same amount of electricity in each hour. Actual spot market prices were 44% lower than forecast. The reasons for this difference are discussed below.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast	Actual	Difference	
	¢/kWh	¢/kWh	¢/kWh	%
Simple Average Cost	4.31	2.43	-1.88	-43.6%

RPP-Load Weighted Average Spot Market Price

The table below shows the cost of electricity purchased from the spot market (without consideration of the Global Adjustment). However, in this case, the consumer is assumed to use electricity in the same manner as the average RPP consumer (i.e., higher electricity consumption during the peak periods, such as winter evenings, when spot market prices are higher). The actual RPP load-weighted spot market price is 42% lower than forecast for the same reasons that apply to the simple average spot market price.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast	Actual	Difference	
	¢/kWh	¢/kWh	¢/kWh	%
RPP-Load Weighted Average Cost	4.70	2.71	-1.99	-42.4%

Natural Gas Prices

Natural gas prices have a significant impact on electricity prices because natural gas is the fuel source for generating facilities that set the hourly spot market price for electricity much of the time. In general, if natural gas prices are higher than forecast, the cost of electricity from these generating facilities and the spot market price of electricity will be higher than forecast.

Natural gas prices for the current RPP period were 17% lower than forecast. Navigant Consulting estimates that a $0.77/MMBtu decrease in gas prices is expected to decrease electricity prices by approximately 0.4¢/kWh. Instead, electricity prices were 1.88¢/kWh lower than forecast. The lower gas prices were supplemented by other factors, as discussed below.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast $/MMBtu	Actual $/MMBtu	Difference $/MMBtu	Difference %
Natural Gas Prices ($USD)	4.50	3.73	-0.77	-17.1%

NB - 1 MMBtu (Million British Thermal Units) ≅ 1.055 GJ (Gigajoules) ≅ 27.5 m^3 (cubic meters) of Natural Gas

Ontario Demand

Total Ontario demand was 7% lower than forecast.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast TWh	Actual TWh	Difference TWh	Difference %
Ontario Demand	72.1	67.1	-5.1	-6.9%

Lower demand tends to reduce market prices; Navigant Consulting analysis shows that a difference of this magnitude should reduce market prices by approximately 0.88¢/kWh. This factor by itself explains less than half the difference between forecast and actual market prices (or HOEP).

Weather, Cooling Degree Days (>24°C)

Degree days for a given day represent the number of Celsius degrees that the mean temperature is above or below a given base. This comparison shows the number of cooling degree days above 24°C per month in the city of Toronto (Lester B. Pearson Int'l Airport). If the temperature is less than or equal to 24°C, then the number will be zero.[3] Values above 24°C are used to estimate the cooling requirements of residential consumers. For example, if the mean daily temperature is 30°C, the number of cooling degree days would be 30°C –24°C = 6.

During the current RPP period, the number of cooling degree days was lower than normal, which contributed to the lower than expected Ontario demand discussed above.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast days	Actual days	Difference Days	Difference %
Cooling Degree Days (>24 °C)	17	8	-9	-52.8%

Weather, Heating Degree Days (>15°C)

During the winter heating season, *heating* degree days replace *cooling* degree days as an important factor driving electricity demand and spot market prices. Heating degree days, calculated in the same manner as cooling degree days, indicate the heating requirements of consumers in Ontario.

[3] 18°C is another common base temperature used to determine cooling degree days. Navigant Consulting and the OEB share the view that 24°C is more representative of when residential consumers use air conditioning.

This comparison shows the number of heating degree days below 15°C in the city of Toronto (Lester B. Pearson International Airport). If the temperature is higher than or equal to 15°C, then the number will be zero. The number of heating degree days for the current RPP period is 18% lower than normal, which also contributed to the lower than expected Ontario demand discussed above.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast *days*	Actual *days*	Difference *Days*	*%*
Heating Degree Days (<15°C)	359	293	-65	-18.2%

Hydroelectric Generation

Ontario experienced a wet spring and summer in 2009. As a result, the output of Ontario's hydroelectric plants has been substantially above normal. Additional hydroelectric generation tends to reduce the need for more expensive generation, such as coal and gas, and thus to reduce market prices. Hydroelectric generation was 18% higher than forecast by the Board. Navigant Consulting analysis indicates that a difference of this magnitude should reduce market prices by approximately 0.32¢/kWh. This change is due not only to the absolute increase in hydro generation, but also to the increase in hydro generation as a percent of total Ontario demand.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast *TWh*	Actual *TWh*	Difference *TWh*	*%*
Total Hydroelectric Output	14.2	16.7	2.5	17.6%

Nuclear Generation

Nuclear generation in Ontario can be broken down into two categories: OPG's regulated assets, and Bruce Power. Actual nuclear generation from both categories combined was slightly (1%) below the forecast, but nuclear generation as a percent of total Ontario demand was 2% higher than forecast, due to the drop in demand. When a greater proportion of demand is supplied by nuclear generation, it reduces the amount of more expensive generation needed. Navigant Consulting's analysis indicates that a 2% increase in nuclear generation as a percent of Ontario demand would reduce market prices by approximately 0.16 ¢/kWh.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast *TWh*	Actual *TWh*	Difference *TWh*	*%*
OPG's Nuclear Output	23.6	23.3	-0.3	-1.1%

Coal Emissions Limit

The Ontario Government has directed OPG to limit carbon dioxide (CO_2) emissions from its coal plants to 19.6 million tonnes in 2009, falling to 15.6 million tonnes in 2010. To meet the target for

2009, coal generation would need to be reduced by approximately 25% below average generation over the previous five years. OPG's strategy for limiting its emissions involved limiting the coal capacity available for dispatch and adding an emission adder to its offers into the wholesale electricity market. The adder was initially set at $7 per tonne of CO_2.

Actual coal generation in January to October of 2009 was only 36% of average generation in the same months over the previous five years, well below the level needed to meet the 2009 emission target. While this was partly due to OPG's efforts to limit emissions, particularly early in 2009, it was mainly due to market conditions. Coal generation makes up much of the difference between total demand and baseload supply. As discussed above, Ontario demand has fallen, while nuclear and hydro generation have been above average. This has meant that the need for coal generation was much lower in January to October 2009 than it was in the same months in previous years. In recognition of this, OPG announced that effective March 17, 2009, the emission adder would be reduced to $0. OPG has not made any announcements about other aspects of its program to reduce emissions.

The CO_2 emissions limit was expected to reduce coal generation and push up market prices by approximately $8.50/MWh (0.85¢/kWh) between May and October 2009, according to NCI's forecast. Assuming that OPG has suspended all of its efforts to reduce emissions (because it appears OPG would easily meet the target for 2009 without taking any action going forward), it appears that the emission limits have had no impact on market prices during the current RPP period.

Combined Impact

The combined effects of lower gas prices, lower Ontario demand, higher hydroelectric generation and removing the coal emissions adder would be expected to reduce average electricity market prices by 2.6¢/kWh, based on Navigant Consulting analysis. The actual difference between forecast and actual market prices was a decrease of 1.9¢/kWh.

4. Global Adjustment

The Global Adjustment (GA) primarily represents the difference between the total payments made to certain contracted or regulated generators, and the payments they would have received if they had been paid market prices. The Global Adjustment can either be a credit or a charge to consumers. As identified in the appendix, the Global Adjustment has been a charge since 2005.

The forecast GA charge was determined to be lower then the actual GA charge, with the GA forecast being a charge to consumers of about 1.53 ¢/kWh and the actual GA a charge of 3.68 ¢/kWh.

While the CO_2 emissions limit applicable to OPG has not pushed up market prices as expected, OPG has recovered relatively significant costs through the Global Adjustment as explained in OPG's recent quarterly financial reports. According to OPG's "2009 Third Quarter Results"

report, in the first nine months of 2009, OPG received payments of about $294 million under the terms of a contingency support agreement with the OEFC. These payments are made in relation to OPG's Lambton and Nanticoke generating stations.[4] For the most recent quarter ending September 30, 2009, these payments amounted to about $112 million. Among other factors such as low market prices, this has contributed to the actual Global Adjustment charge being much higher than forecast.

In its most recent report to the Board, the Market Surveillance Panel (MSP) recommended that OPG not continue with the actions – Not Offered but Available (NOBA) designation and CO_2 outages – that triggered the payments discussed above and, instead, rely solely on the environmental emissions adder. The MSP noted "If OPG continues to use NOBA's and CO_2 planned outages to reduce coal-fired production, the Panel would need to assess whether this constitutes withholding and contributes to market inefficiencies."[5] If OPG were to follow through on this MSP recommendation, it should reduce the impact on the Global Adjustment and, in turn, the difference between the actual and forecast Global Adjustment going forward.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast *$ million*	Actual *$ million*	Difference *$ million*	Forecast *¢/kWh*	Actual *¢/kWh*	Difference *¢/kWh*
Global Adjustment	-$402.8	-$1,107.7	-$704.9	-1.53	-3.68	-2.15

The forecast value of the Global Adjustment is included in the RPP prices. Unlike the spot market price, the Global Adjustment does not vary with time: it has the same unit value for all Ontario electricity consumers whether they consume more electricity during "on-peak" (e.g., daytime) periods when spot market prices are higher or they consume more electricity during "off-peak" (e.g., night) periods when spot market prices are lower.

5. OPG Rebate

In previous RPP periods, the OPG Rebate (or ONPA Rebate) was an important factor in the supply cost. However, the OPG Rebate expired on April 30, 2009, and therefore had almost no impact on the RPP prices during the current RPP period. There was a small credit of $0.1 million, probably related to closing out the OPG Rebate account, but this did not have a material impact.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast *$ million*	Actual *$ million*	Difference *$ million*	Forecast *¢/kWh*	Actual *¢/kWh*	Difference *¢/kWh*
OPG Rebate	$0.0	$0.1	$0.1	0.00	0.00	0.00

[4] See page 29 of OPG's *2009Third Quarter Results* report which can be found at the following: http://www.opg.com/investor/pdf/2009_Q3_FullRpt.pdf.

[5] See page xiii (Executive Summary) of *Market Surveillance Panel Monitoring Report on the IESO-Administered Electricity Markets for the period from Nov 2008 to Apr 2009 (Jul 31-09)* at: http://www.oeb.gov.on.ca/OEB/_Documents/MSP/msp_report_200907.pdf.

The forecast OPG Rebate was previously included in RPP prices as a credit, which reduced consumer prices.

6. Net Revenue

The RPP supply cost represents the cost and amount of electricity supplied to RPP consumers taking into account the three factors discussed above (market cost, Global Adjustment and OPG Rebate).

Stochastic Adjustment

Actual market prices and actual demand cannot be predicted with absolute certainty. To take into account the volatility that exists amongst forecast parameters, a "stochastic adjustment" is used to reflect the greater likelihood of negative or unfavourable variances than favourable variances.[6] These unfavourable variances not only have an effect on the market priced component of the RPP supply cost, but also on the Global Adjustment component.

The necessary stochastic adjustment was determined to be $24.7 million or 0.09¢/kWh and is included in the price paid by RPP consumers to ensure that the "expected" variance at the end of the RPP year is zero.

RPP Supply Cost

With the stochastic adjustment taken into consideration, the total *unit* RPP supply cost was 1.0% higher than the Board's forecast, because of the impact of lower than forecast spot prices was more than offset by a higher than forecast Global Adjustment charge. The actual *total* RPP supply cost was higher than forecast because of higher than forecast RPP *unit* supply cost.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast *$ million*	Actual *$ million*	Difference *$ million*	Forecast *¢/kWh*	Actual *¢/kWh*	Difference *¢/kWh*
Market Cost	-$1,234.1	-$815.0	$419.1	-4.70	-2.71	1.99
Global Adjustment	-$402.8	-$1,107.7	-$704.9	-1.53	-3.68	-2.15
OPG Rebate (Incl. Interest)	$0.0	$0.1	$0.1	0.00	0.00	0.00
Stochastic Adjustment	-$24.7	$0.0	$24.7	-0.09	0.00	0.09
Supply Cost	*-$1,661.6*	*-$1,922.6*	*-$260.9*	*-6.33*	*-6.39*	*-0.06*

Net Revenue

Net revenue was lower than forecast due to a higher than forecast supply cost.

[6] For example, since nuclear generation plants tend to operate at capacity factors between 80% and 90%, these facilities are more likely to "under-generate" (due to unscheduled outages) than to "over-generate" (i.e., there is 10-20% upside versus 80-90% downside on the generator output). Similarly, during unexpectedly cold or hot weather, prices tend to be higher than expected as does RPP consumers' demand for electricity.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast *$ million*	Actual *$ million*	Difference *$ million*	Forecast *¢/kWh*	Actual *¢/kWh*	Difference *¢/kWh*
Revenue	$1,609.3	$1,842.3	$233.0	6.13	6.13	0.00
Supply Cost	-$1,661.6	-$1,922.6	-$260.9	-6.33	-6.39	-0.06
Net Revenue	*-$52.3*	*-$80.3*	*-$27.9*	*-0.20*	*-0.27*	*-0.07*

7. RPP Variance Account[7]

The difference between the forecast and the actual RPP net revenue is accumulated and tracked in a variance account (held by the OPA) to be either *credited* to RPP consumers (if a positive variance) or *charged* to RPP consumers (if a negative variance). In establishing the RPP prices that went into effect on May 1, 2009, the outstanding variance was forecast to be positive $137.4 million by the end of April 2009. The Board set the Variance Clearance Adjustment Factor at a credit of 0.081 cents per kWh included in RPP prices in order to bring the variance balance to zero by April 2010.

Opening Balance

The opening balance of the variance account used in the forecast is itself a forecast since consumers and LDCs require advance notification of RPP price changes. At the time that the forecast was done, the March 31, 2009 closing balance was known, but the April 30, 2009 closing balance (which becomes the May 1, 2009 opening balance) had to be estimated. The estimate of $137.4 million used in determining RPP prices was $10.9 million above the actual opening balance of $126.4 million

Interest on Variance Account

Positive balances (as they are currently) in the variance account earn interest. If the balance was negative, interest would be charged. The actual interest earned was $1.1 million below the forecast. This appears to be due to a reduction in the interest earned on the variance account that took effect in January 2009. The forecast assumed an interest rate of 2.8%/year, whereas the actual interest rate is around 1%/year.

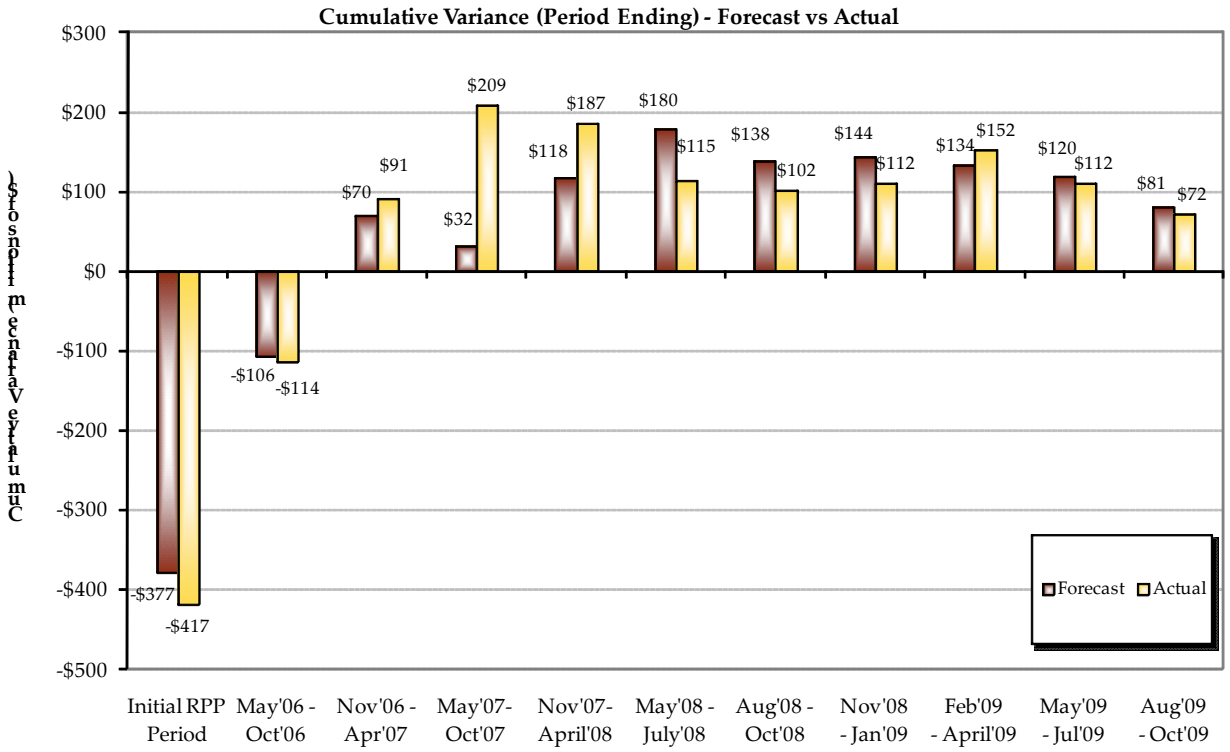
Adjustments

From time to time, the variance account statement provided by the IESO to the OEB restates amounts for prior RPP periods (i.e., before May 1, 2009). For the current evaluation period, the accumulated balance, excluding interest, was shown as $142.5 million in the April 30, 2009 IESO statement, but the accumulated balance up to April, excluding interest, was shown as $168.2 million in the July 31, 2009 IESO statement. These changes amounted to a total decrease in the outstanding balance of $25.8 million.

[7] The RPP variance includes interest incurred (or earned) by the OPA for balances held in the variance account, as required by the Board's RPP Manual.

Current RPP Period (May 1, 2009 through October 31,2009)	Forecast *$ million*	Actual *$ million*	Difference *$ million*	Forecast *¢/kWh*	Actual *¢/kWh*	Difference *¢/kWh*
Opening Balance	*$137.4*	*$126.4*	*-$10.9*			
Net Revenue	-$52.3	-$80.3	-$27.9	-0.20	-0.27	-0.07
Interest on Variance Account	$1.7	$0.6	-$1.1	0.01	0.00	0.00
Adjustments	-$5.7	$25.8	$31.4	-0.02	0.09	0.11
Closing Balance	*$81.1*	*$72.5*	*-$8.6*			
Change in Variance Account	*-$56.3*	*-$53.9*	*$2.4*	*-0.21*	*-0.18*	*0.04*

The chart below presents the forecast and actual variance account balance outstanding in the current RPP period and at the end of each of the previous RPP periods.



The positive $72.5 million net RPP variance corresponds to the "Net Variance Account Balance" identified on the OEB's Final RPP Variance Settlement Amount web page.[8] This value is taken to be the surplus amount after the estimated accrued OPG Rebate (attributable to RPP consumers) is taken into account. The difference between the forecast and actual net RPP variance at the end of the RPP period is used to reset the Variance Clearance Adjustment Factor when RPP prices are next adjusted. RPP price adjustments are set by the Board every six months, if needed, effective November 1st and May 1st.

8 http://www.oeb.gov.on.ca/OEB/Industry+Relations/OEB+Key+Initiatives/Regulated+Price+Plan/Regulated+Price+Plan+-+Variance+Settlement+Amount

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APPENDIX A –KEY VARIANCE DRIVERS, MONTHLY VALUES

Presented in this appendix are the monthly values for the factors discussed in the body of this document. As well, one additional summary table is provided for RPP total demand. "*Initial RPP Period*" refers to the thirteen month period from April 1, 2005 through April 30, 2006.

The table below shows all of the RPP two-tier prices since the RPP was introduced. All of the monthly values in this appendix correspond to those different RPP prices.

cents per kWh	Initial RPP Period	May '06- Oct '06	Nov '06- Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'09	Current Period
Tier 1	5.0	5.8	5.5	5.3	5.0	5.0	5.6	5.7
Tier 2	5.8	6.7	6.4	6.2	5.9	5.9	6.5	6.6

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1. Spot Market Prices and Key Drivers of Spot Prices

Simple Average Spot Market Price

cents per kWh	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Forecast	5.5	6.0	6.0	5.7	5.4	5.9	5.0	3.9	3.9	4.7	4.8	4.2	4.3	4.3
Actual	6.5	4.5	4.9	4.6	4.9	4.8	4.1	2.8	2.3	1.9	2.6	2.1	2.9	2.4
% Difference	18.2%	-25.0%	-18.3%	-19.3%	-9.3%	-18.6%	-18.0%	-28.2%	-41.0%	-59.6%	-45.8%	-50.0%	-32.6%	-44.2%

RPP Load Weighted Average Spot Market Price[9]

cents per kWh	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Forecast	6.0	6.6	6.4	6.2	5.8	6.4	5.2	4.2	4.3	5.2	5.4	4.5	4.5	4.7
Actual	7.0	5.0	5.2	5.0	5.1	5.3	4.3	3.3	2.7	2.0	2.5	2.7	3.0	2.7
% Difference	17%	-24%	-19%	-19%	-12%	-17.2%	-17.3%	-21.4%	-37.2%	-61.5%	-53.7%	-40.0%	-33.3%	-42.6%

RPP Demand

TWh	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Forecast	81.0	37.2	37.8	35.4	34.7	28.9	32.1	4.3	4.4	4.8	4.6	3.9	4.2	26.3
Actual	81.1	34.6	37.1	31.0	34.5	29.2	34.2	6.2	5.3	4.5	5.1	4.5	4.4	30.1
Difference	0.1%	-7.0%	-1.9%	-12.4%	-0.6%	1.0%	6.5%	44.2%	20.5%	-6.3%	10.9%	15.4%	4.8%	14.4%

[9] Actual values are calculated based on LDC reported monthly RPP revenues and costs for RPP supply which was provided by the IESO. The LDCs report these RPP revenues and costs before month-end, and are based on an estimate for the current month plus any reconciliation required for prior submissions. The forecast values were developed based on an estimate of the consumption pattern for RPP consumers.

NAVIGANT CONSULTING

Natural Gas Price

$/MMBtu	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Forecast	$7.08	$7.84	$9.67	$8.01	$8.05	$9.57	$8.81	$4.25	$4.35	$4.47	$4.56	$4.61	$4.73	$4.50
Actual	$8.89	$6.14	$7.37	$6.85	$8.73	$9.80	$5.34	$4.13	$3.95	$3.57	$3.28	$3.04	$4.37	$3.73
% Difference	25%	-22%	-24%	-14%	7%	2%	-40%	-2%	-9%	-20%	-28%	-35%	-6%	-18%

Weather, Cooling Degree Days (> 24 °C)

> 24 °C	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Normal	17	17	0.0	17	0	17	0	0	2	10	5	1	0	17
Actual	81	52	0.0	45	0	13	0	0	2	0	7	0	0	8
% Difference	376%	206%	0%	165%	0%	-24%	0%	0%	0%	-100%	40%	-100%	0%	-53%

Weather, Heating Degree Days (< 15 °C)

< 15 °C	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Normal	3,517	346	2,892	359	2,892	359	2,892	99	15	1	3	47	194	359
Actual	2,894	291	2,603	154	2,700	306	2,811	64	13	0	0	18	198	293
% Difference	-18%	-16%	-10%	-57%	-7%	-15%	-3%	-35%	-13%	-100%	-100%	-62%	2%	-18%

2. Generators that Contribute to the Provincial Benefit

The tables below show the total output from OPG's regulated generation facilities. A regulation previously specified that any aggregate output above a threshold of 1,900 MW for OPG's regulated hydroelectric generation facilities in any given hour was eligible to receive the spot price, and hence did not contribute to the Provincial Benefit. This applied until a new hydroelectric incentive mechanism was approved by the Board and implemented on December 1, 2008 under which OPG continues to receive the spot market price for output that qualifies.

OPG Nuclear Output

TWh	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Forecast	50.6	22.2	25.8	23.6	23.5	24.1	24.1	2.8	3.7	4.4	4.5	4.2	4.1	23.6
Actual	49.5	24.3	21.7	21.7	24.2	23.2	23.9	2.3	3.9	4.3	4.6	4.3	4.0	23.3
% Difference	-2%	9%	-16%	-8%	3%	-4%	-1%	-18%	5%	-2%	2%	2%	-2%	-1%

OPG Regulated Hydroelectric Output

TWh	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Forecast	19.7	9.8	9.6	9.8	9.7	9.8	8.0	1.4	1.4	1.4	1.4	1.4	1.4	8.6
Actual	19.3	8.9	9.5	8.6	9.0	9.1	9.2	1.6	1.5	1.6	1.7	1.6	1.6	9.5
% Difference	-2%	-9%	-1%	-12%	-7%	-7%	15%	14%	7%	14%	21%	14%	14%	10%

Global Adjustment

cents per kWh	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Forecast	0.2	0.4	0.2	0.0	(0.2)	0.1	(0.7)	(1.7)	(1.9)	(1.1)	(1.1)	(1.8)	(1.7)	(1.5)
Actual	0.7	-0.5	-0.3	(0.5)	(0.5)	(0.6)	(1.6)	(3.1)	(3.8)	(4.2)	(3.8)	(4.0)	(3.4)	(3.7)
Difference	50.0%	-90.0%	-50.0%	-50.0%	-30.0%	-70.0%	-90.0%	-140.0%	-190.0%	-310.0%	-270.0%	-220.0%	-170.0%	-220.0%

3. Generators that Pay the OPG Rebate

The tables below show the total output from OPG's non-prescribed generation facilities. Also shown is the OPG Rebate amounts applicable to those facilities in previous RPP periods.

OPG Coal-fired Output

TWh	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Forecast	36.2	14.5	16.5	13.9	16.5	12.8	11.5	1.3	2.0	2.2	2.2	1.5	1.2	10.4
Actual	30.0	13.3	13.8	13.8	13.1	11.3	8.0	0.8	0.4	0.3	0.7	0.3	0.6	3.2
% Difference	-17%	-8%	-16%	-1%	-21%	-12%	-30%	-38%	-80%	-86%	-68%	-80%	-50%	-69%

OPG Rebate

cents per kWh	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Forecast	0.5	0.5	0.6	0.5	0.45	0.70	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Actual	0.5	0.1	0.2	0.1	0.16	0.24	0.08	0.00	(0.00)	0.00	0.00	0.00	0.00	0.00
Difference	0.0	(0.4)	(0.4)	(0.4)	(0.3)	(0.50)	(0.10)	0.00	0.00	0.00	0.00	0.00	0.00	(0.00)

4. RPP Unit and Total Revenues

The RPP unit revenue for May 2009 onwards is calculated as the weighted average price of electricity consumed by RPP consumers at the two tiered prices (5.7 and 6.6 cents per kWh) less the Variance Clearance Adjustment Factor of -0.081 cents per kWh. The actual unit revenue has been essentially the same as the Board's forecast.

cents per kWh	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Forecast	5.3	5.8	5.7	5.9	5.4	5.5	6.0	6.1	6.1	6.2	6.1	6.1	6.1	6.1
Actual	5.4	5.7	5.8	5.9	5.4	5.4	6.0	6.1	6.1	6.1	6.2	6.1	6.1	6.1
% Difference	2%	-2%	2%	0%	0%	-2%	0%	0%	0%	-2%	2%	0%	0%	0%

The differential between *forecast* and *actual* RPP demand combined with the differential between *forecast* and *actual* RPP unit revenues results in the difference between the *forecast* and *actual* total RPP revenue

million $	Initial RPP Period	May '06-Oct '06	Nov '06-Apr '07	May'07-Oct'07	Nov'07-Apr'08	May'08-Oct'08	Nov'07-Apr'08	May'09	June'09	July'09	Aug'09	Sept'09	Oct'09	Current Period
Forecast	$4,300	$2,158	$2,170	$2,070	$1,880	$1,577	$1,922	$261	$272	$293	$285	$238	$260	$1,609
Actual	$4,358	$1,991	$2,141	$1,812	$1,860	$1,589	$2,050	$377	$325	$279	$315	$275	$272	$1,842
% Difference	1%	-8%	-1%	-12%	-1%	1%	7%	44%	20%	-5%	11%	15%	4%	14%