Key Considerations Associated with the Global Adjustment Proposal

<table>
<tr><th colspan="2">REFINANCING THE GLOBAL ADJUSTMENT:
KEY CONSIDERATIONS</th></tr>
<tr><th>ADVANTAGES</th><th>DISADVANTAGES</th></tr>
<tr><td>▪ Immediate reduction in residential electricity costs over the short-term (from $14 to $28 per month depending on borrowing option).
▪ Would provide short-term economic stimulus by reducing costs to consumers up to $2 billion to $3 billion for the first few years.</td><td>▪ Will imposed higher costs on ratepayers in the future which will act as a drag on the economy.
▪ Longer-term impact on rates on future electricity bills over 12 to 17 years could be as much as $46 to $51/month over true costs of electricity.
▪ Would legislating a tax/fee (similar to the DRC) in order to recover borrowing and interest costs in the future.
▪ Total costs (debt and interest) could reach up to $65 billion to fund @$25/month reduction for the first few years.
▪ …
▪ …</td></tr>
<tr><td>▪ Currently, the Global Adjustment recover costs related to the contractual life of generation asset (e.g., 20 years).
▪ Many of these assets can operate well beyond their current contracts.
▪ Refinancing these contracts to better reflect the useful life of the underlying assets, is more fair to ratepayers.</td><td>▪ Based on current analysis, only about $9/month could be justified in amortizing contracts (i.e., 20 years or less) over the useful life of the underlying assets.
▪ Reducing electricity rates even more would be dependent on increased borrowing only.</td></tr>
<tr><td>…</td><td>▪ A new entity would need to be created independent from government and oversight from legislative officers.
▪ After initial set up, government would have no control of the entity, including future rate increases.
▪ The entity would not be accountable to the government or the public.
▪ …</td></tr>
<tr><td></td><td>▪ Requires significant legal analysis to ensure proper implementation and avoid unintended consequences on fiscal plan.
▪ Risk of the Auditor General reversing the</td></tr>
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Commented [MG1]: Given the out-year cost is based on number of customers, energy has flagged they would consider a one-time charge on ratepayers if they are leaving the system to recover foregone deferred charges. While this would reduce the potential increased burden on the remaining rate base, it goes counter to us through CCAP trying to move people to net-zero homes, encourage sub-metering to get people off the grid or less reliant. If people do reduce their consumption, then this our-year cost becomes a great proportion of their bill which only serves to make it that more obvious. The IESO forecast they are using is consistent with CCAP principles to 2020 but beyond that, it's hard to know the impact of CCAP.

Commented [MG2]: I am getting more information but slide 49 shows that those small industries that can't load shift will be worse off through GA refinancing than when we were looking at a volumetric rebate. Trying to understand why they will pay more. As a flag, we have not communicated that we are no longer going ahead with proceeds recycling to the Industrial+ sectors (-hour volumetric). Assumption is given all this GAM work, we would not do that in addition.

Commented [MG3]: Pending further analysis, energy implies that there may be a role for the OEB in overseeing the entity, which I think could be seen as an advantage? Perhaps they could have a role in overseeing how the rate for recovery is set or ensuring some oversight/fairness

Commented [MG4]: Agency would be seen as too much provincial control I understood so has to be an arm's length entity/body

Commented [MG5]: Energy's deck says that mechanisms would need to be in place to prevent the province from dissolving the entity. I had been thinking that if all ends up not going the way the province wants, they could at the end of the day, repeal the leg that created the entity and take it over, which would of course mean taking on the debt etc. I don't understand why that wouldn't be possible?

	accounting treatment which would impact the deficit by up to several $ billions.