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Sent: 2018-06-13 9:18:38 AM
To: Barb Anderson [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=aed9ac5b497c451d900820d1687ba9e9-Barb Anders]
CC: Anthony Martinello [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=3fb7d76317b34780b15d96309b995c31-Anthony Mar]
Subject: How the deferred GA is calculated

Barb,

Further to our conversation on the deferred GA variance, see the excerpt from the most recent OEB RPP/GA modifier setting document. In particular, look at iii where it indicates Ontario Rebate for Electricity Consumer Act (8%) reduction is included in the 25% bill reduction:

The OFHP Regulation prescribes important elements of the methodology to be used by the OEB in setting RPP prices, as further described in greater detail in the following sections of this report:

- i. The attributes of the proxy customer, including that the customer is a residential service class customer of Toronto Hydro-Electric System Limited (Toronto Hydro) paying time-of-use (TOU) RPP prices.
- ii. The attributes of three total invoice amounts:
 - a. "Total Invoice Amount A", representing an electricity bill (Invoice A) for the proxy customer based on what RPP prices would otherwise have been on May 1, 2017 (used in setting RPP prices for the July 1, 2017 to April 30, 2018 period);
 - b. "Total Invoice Amount B", representing an electricity bill (Invoice B) for the proxy customer based on the RPP prices set by the OEB effective July 1, 2017 to achieve the initial 25% reduction; and
 - c. "Total Invoice Amount C", representing an electricity bill (Invoice C) for the proxy customer based on what RPP prices need to be to achieve the rate of inflation increase.
- iii. The description of the total invoice amounts makes it clear that any financial assistance under the *Ontario Rebate for Electricity Consumers Act, 2016* (ORECA) is to be taken into account when determining "Total Invoice Amount B" and "Total Invoice Amount C".
- iv. How the rate of inflation is to be determined.

In theory the Fair Hydro Global Adjustment (GA) deferral is not 25% but around 15%. This is because GA is paid by more than customers eligible for Fair Hydro and it assumes the 8% for ORECA and the 2% when Ontario Electricity Support Program (OESP) and most of the Rural and Remote electricity Rebate Program (RRRP) went to be paid by taxes. That said, we have recently become aware that the OEB has directly LDCs (Utilities) which is the lion share of the deferral (IESO only has two eligible Market Participants) to permit much larger ORECA eligibility than what the legislation intended. This is an important fact because the Fair Hydro eligibility is tied to ORECA eligibility. Unfortunately due election and associated writ, we have been unable to change any direction. So it is possible that at the moment, there is significant more deferral going to the deferred GA variance than envisioned at the inception of Fair Hydro. I have been in conversation with our Ministry colleagues to help work through the interpretation with our Legal Counsel and head of Regulatory Affairs. We need consistent application of the legislation and at the moment we are applying the legislation differently than OEB but in line with Ministry direction.

For illustration, I used data I had available for total GA and the posted GA deferral numbers from our website which include Financial Service Manager costs and interest so the % is slightly overstated but you can see the deferral is less than 25% and the actual value should be even lower once we get the issues with the OEB legislation interpretation worked out.

	July 2017	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017
Total GA	\$ 6,964.63	\$ 1,029.44	\$ 821.14	\$ 1,099.23	\$ 914.86	\$ 1,023.31
FH GA Deferral	\$ 387.70	\$ 210.80	\$ 219.50	\$ 186.70	\$ 175.20	\$ 198.50
% of GA	6%	20%	27%	17%	19%	19%

Anthony and I would be happy to chat further on this if you wish.

Regards,

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