CONFIDENTIAL - ONTARIO'S FAIR HYDRO PLAN IMPACT SUMMARY

COMMITMENT

- A 25% reduction in the after-tax monthly residential electricity bill in 2017 relative to what the bill would have been without Ontario's Fair Hydro Plan (OFHP)[1].
- The after-tax monthly residential electricity bill will increase annually at the rate of inflation in the years 2018-2021 (projections assume an increase of 2% per year).
- Savings for all RPP-eligible electricity consumers are due to three different initiatives:
  - Global Adjustment (GA) Financing – lower residential bills in the short term by borrowing money to partially pay for the total GA cost; increase residential bills in the long term to pay back GA financing debt (including accrued interest),
  - Tax-Basing Social Programs – shifting the cost of the Rural or Remote Rate Protection (RRRP) and Ontario Electricity Support Program (OESP) from ratepayers to taxpayers,
  - 8% Rebate – an 8% reduction in the total pre-tax residential electricity bill.
- Precise amounts borrowed to finance the GA are expected to be determined so as to achieve the goals stated above.

Average Monthly Residential Bill (750 kWh/month)	Actual 2016	2017	2018	2019	2020	2021
Total Bill (includes HST)	**158**	**164**	**167**	**170**	**181**	**178**
Total Bill (excludes HST)	140	145	148	150	160	158
Impact of GA Financing		-26	-26	-26	-32	-28
Impact of Tax-Basing Social Programs		-2	-2	-2	-3	-3
Subtotal		117	120	122	125	127
8% rebate		-9	-10	-10	-10	-10
HST		15	16	16	16	17
Revised Bill (includes HST)	**158**	**123**	**126**	**128**	**131**	**133**
Year-over-Year Change		-22%	2%	2%	2%	2%
Change from Forecast		**-25%**	**-25%**	**-25%**	**-28%**	**-25%**

Table 1: Projected average residential bill.

FURTHER OFHP ASSUMPTIONS

- The tax-basing of social programs and the 8% rebate are assumed to continue indefinitely.
- In the years beyond 2021, the after-tax monthly residential electricity bill will increase annually at the slowest constant rate possible (6.5% per year) such that the total accumulated GA financing debt does not exceed the total amount OPG has stated they are able to borrow ($28 billion).
- The total amount paid to service the debt in any given year is capped at a maximum amount ($2.2 billion) determined such that the total accumulated debt is fully paid by the end of 2047.
- An interest rate of 5% was assumed in the GA financing analysis, compounded monthly but only accrued at year end (i.e. intra-year interest accrual was not accounted for, equivalent to an effective interest rate of 5.116% accrued annually assuming uniform GA cost in each year).
- Further detail on the estimated GA financing forecast is available upon request.

[1] All statements of ratepayer impact strictly apply only to a typical Toronto Hydro customer consuming 750 kWh/month. Similar savings will accrue to all RPP-eligible customers but the precise savings will differ depending on the distributor and specific consumption profile.

APPENDIX : Projected GA Financing Impact and Associated Debt[2]

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Average monthly residential bill w GA financing impact and tax *($/month)*	123	126	128	131	133	142	151	161	172	183	195	215	214	216	219	221
Year-over-year change in bill *(%)*	-22.1	2	2	2	2	6.5	6.5	6.5	6.5	6.5	6.5	10.5	-0.4	0.9	1.2	1
Impact of GA financing pre-tax *($/month)*	-26.1	-26.1	-26.2	-32.8	-28.7	-23.9	-19.9	-13.5	-11.8	2	4.2	21.8	21.8	21.7	21.7	21.5
Total Accumulated Debt *($ billion)*	2.5	5.1	7.9	11.4	14.6	17.8	20.8	23.2	25.6	26.7	27.7	26.8	26	25.1	24.1	23.1
Total Change in Accumulated Debt *($ billion)*	2.5	2.6	2.8	3.5	3.2	3.2	2.9	2.4	2.4	1.1	0.9	-0.8	-0.9	-0.9	-1	-1

	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Average monthly residential bill w GA financing impact and tax *($/month)*	223	224	221	222	222	223	224	225	226	227	228	229	230	230	231	210
Year-over-year change in bill *(%)*	0.8	0.6	-1.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	-9.3
Impact of GA financing pre-tax *($/month)*	21.4	21.3	21	20.9	20.8	20.7	20.6	20.5	20.4	20.4	20.3	20.2	20.1	20	19.9	0
Total Accumulated Debt *($ billion)*	22	20.9	19.7	18.5	17.2	15.9	14.4	12.9	11.3	9.7	7.9	6.1	4.2	2.1	0	0
Total Change in Accumulated Debt *($ billion)*	-1.1	-1.1	-1.2	-1.2	-1.3	-1.4	-1.4	-1.5	-1.6	-1.7	-1.7	-1.8	-1.9	-2	-2.1	0

Table 2: Projected GA Financing Impact and Associated Debt

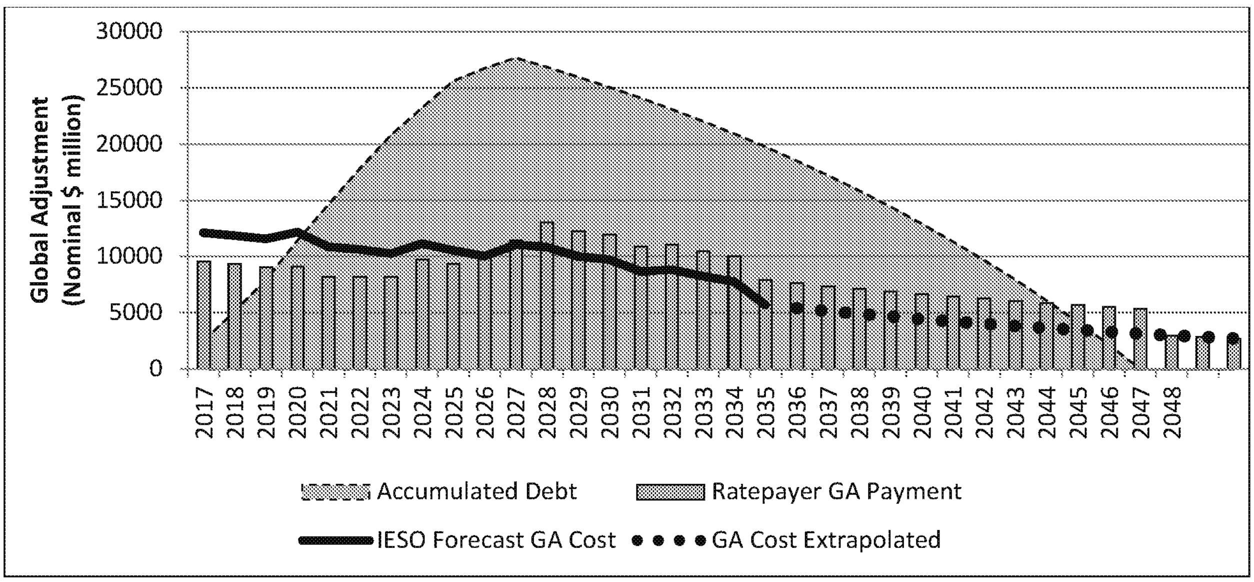

Figure 1: GA Cost, Payment and Associated Debt

[2] Although it is intended that RRRP and OESP will continue to be funded by the tax base indefinitely, the savings due to tax-basing these social programs were not included in the years 2022-2050 in the estimated residential bill forecast presented in Table 1. The OFHP is assumed to have been implemented January 1, 2017 for the purposes of this analysis.