Ontario's Fair Hydro Plan (OFHP)

Illustrative Deck to Understanding
Ontario's Fair Hydro Plan

March 27, 2017

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First Five Years

- Near term bill reduction for Regulated Price Plan (RPP) eligible customers via refinancing of a portion of the GA, with following elements:
  - Total bill reduction 2017 for typical Toronto Hydro customer with consumption of 750 KWh per month relative to forecast of 25%, including the 8% rebate that came into effect January 1, 2017, and funding of the electricity support programs through provincial revenues.
  - RPP customers will see the reduction on May 1, 2017 RPP rate, RPP-eligible customers are expected to see the reduction in the summer.
  - GA amounts in 2018, 2019, 2020, and 2021 will be set at levels to ensure the Toronto Hydro customer's bill increase at the same rate as inflation (CPI). The first increase will be in November 1, 2018 to RPP rates.
  - Under this framework, RPP and RPP-eligible customers will see increases every six months such that the typical Toronto Hydro customer's bill increases at the same rate as CPI year over year.
  - The responsibility and process for setting GA refinancing and eventual repayment amounts in 2021 onwards, needs to be established.

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Year Five Onwards

- To ensure electricity customers are not burdened with overly significant GA costs to provide certainty to OPG and markets the following constraints will be placed on OPG borrowing:
  - Required that GA refinancing to be completed within the committed 30 year period (end by 2047)
  - Requirement that surpluses in collections are applied to repay GA borrowing
  - Cap increases to ratepayer bills at no more than 10 % per year
  - Cap the amount to be recovered from ratepayers in any given year at 10% of the average total bill

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Purpose

- Illustrative presentation to understand of how the Ontario Fair Hydro Plan could possibly operate

- To be used only for discussion purposes
  - To develop a consensus in our understanding
  - Identifies additional questions that need a response

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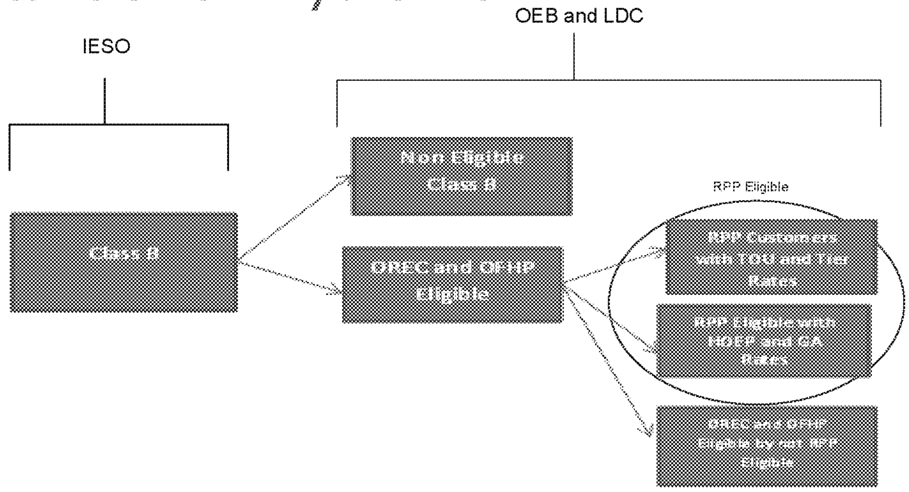
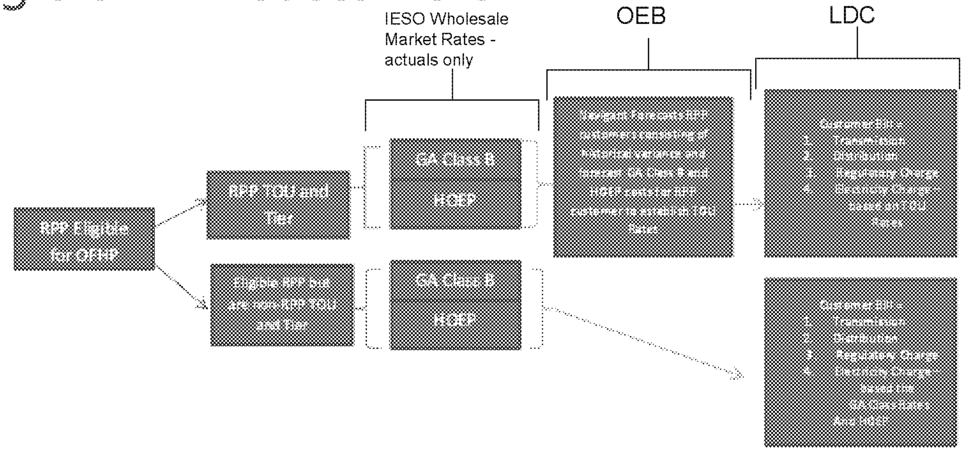
Not all Class B customers are eligible for Ontario's Fair Hydro Plan



- No change to GA Class A and Class B cost calculation
- IESO role is the GA area, of calculating Class A and Class B for market participants
- No change to GA Class B rate as it is still required for non-eligible OREC and OFHP customers

Flow of Generation Costs to Customer's bill for Eligible RPP Customers



- Cost adjustment for Ontario Fair Hydro Plan will flow to customer through the electricity portion of the bill
- For RPP customers can obtain a the OFHP via new TOU rates that incudes a GA credit, or as bottom line rate credit. Likely a one-line rate credit
- Eligible RPP but non-RPP TOU and Tier customers, it is likely via a rate credit
- OFHP Eligible but not RPP Eligible will also need a rate credit

RPP Customer Bill to determine the targeted residential monthly bill reduction of 25%, by MOE analysis it is based on Toronto Hydro 750KWh/Mth in 2017

- Example: below of 25% decline based on 2017 Toronto Hydro Bill as per MOE analysis
- If based on prior year's bill, base bill may differ but mechanics will be the same
- Questions: What should the base bill be, 2017 Forecast or Actuals (Apr 2016 to May 2017)?
  - Should there be a true up? And how frequent? If so who carries the variance?

Base Bill is Toronto Hydro 750 KWh/Mth in 2017

item	Toronto Hydro Residential Monthly Bill (750KWh/Mth)		2017
1	Distribution	$	41.61
2	Transmission	$	13.10
3	Regulated Charges (includes OESP and RRRP)	$	5.72
4	Commodity	$	85.00
5	Total Bill before Taxes	$	145.43
6	HST	$	18.91
7	**Total Bill with Taxes - Base Bill for targeting a 25% reduction from**	**$**	**164.34**
	Target Bill = Reduce Total Bill shown in item 7 by 25%	$	123.26

How to figure out amount of the billl from FINANCING PLAN

item 6	**Total Bill Before Taxes**	**$ 145.43**	
	Adjustments		
	Portion of RRRP and OESP moved to Gov't	-$2.00	Move from Ratepayer to Gov't
	Pre-Tax Financing Required	-$26.04	Goal seeked to obtain New Bill Target
	Pre-Tax Sub-Total	$117.39	
	8% Rebate from Gov't	-$9.39	Gov't Funds 8% Rebate
	HST	$15.26	
	[illegible]	$123.26	

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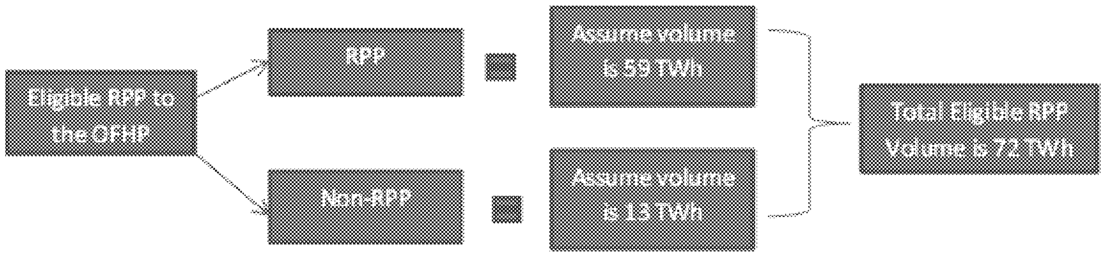
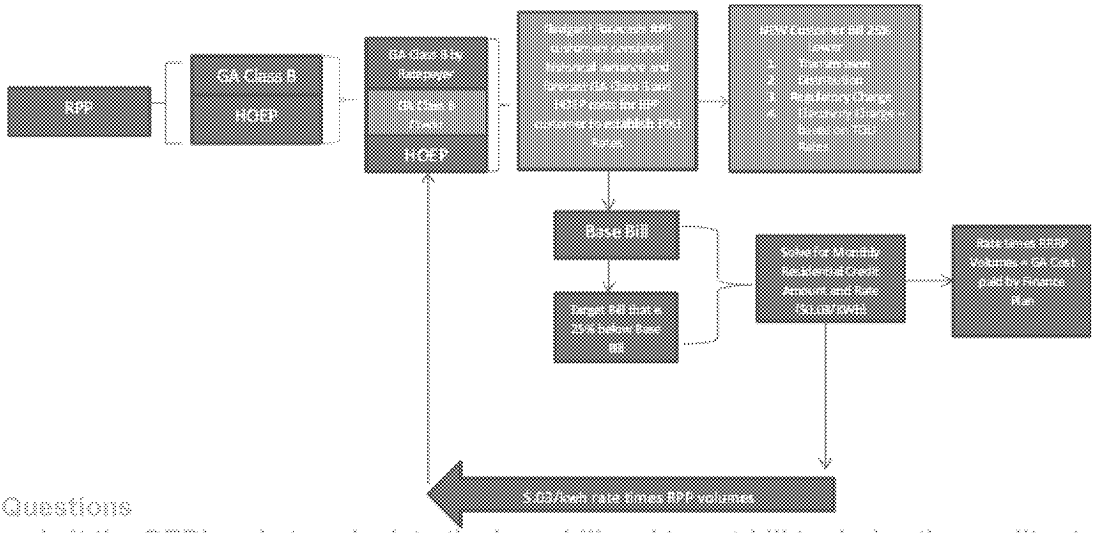
Estimated Volumes for illustration to calculate the GA Financing Amounts

Assume the following volumes



RPP rate credit flows back via the TOU process or could be a separate credit line



Questions

- Is it the OEB's role to calculate the base bill and target bill to derive the credit rate?
- Is the credit rate used as a bottom line adjustment on LDC bills?
- Would this credit rate be used for all the other eligible OFHP customer bills?

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Translate the Monthly Bill Reduction into the Financing GA amount

- The $26.04/Month credit from FINANCING is converted into a unit rate by dividing by 750/KWh, which is equal to $0.03472 / kWh.
- Take the rate of $0.03/KWh times all eligible RPP volumes of 72 TWh to calculate the total amount of the GA is required to finance 25% bill reduction for all the eligible customers
- This is about $2.5 Billion per annum as shown below

	2017	
Monthly Bill Amount to be Financed	$26.04	
Based on 750 KWh Monthly Bill	750	
Rate ($/KWh)	$0.03472	$/kWh
Assume All Eligible RRP volumes	72	TWh
GA Amount Required from FINANCING	$2,500,172,626	

Questions
Is the rate based on the forecast volumes or actual volumes?
True up or no-true up in subsequent periods?
Who establishes the non-RRP customer rate?

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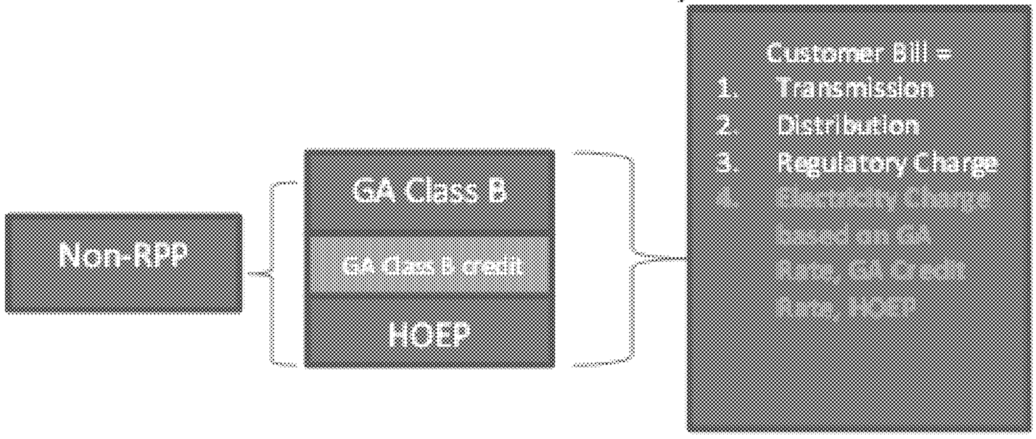
Other Eligible OFHP customers (including Eligible RPP without TOU and Tier Rates)



- Rate credit from the bill calculation could be used as the GA Class B credit for the eligible OFHP customers
- Or the credit rate could be used as a single line adjustment after the bill normal bill calculation

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Illustration of residential bill calculation for 2018 with the 2% bill cap from the prior year

Base Bill is Toronto Hydro 750 KWh/Mth in 2017 — 2% Cap increase from 2017

item	Toronto Hydro Residential Monthly Bill (750KWh/Mth)		2017		2018	
1	Distribution	$	41.61	$	43.26	
2	Transmission	$	13.10	$	13.40	
3	Regulated Charges (includes OESP and RRRP)	$	5.72	$	5.89	
4	Commodity	$	85.00	$	85.31	
5	Total Bill before Taxes	$	145.43	$	147.86	
6	HST	$	18.91	$	19.22	
7	**Total Bill with Taxes - Base Bill for targeting a 25% reduction from**	$	**164.34**	$	**167.08**	
	Target Bill = Reduce Total Bill shown in item 7 by 25%	$	123.26	$	**125.72**	2018 target is 2% increase from prior year

How to figure out amount of the bill from FINANCING PLAN

item 6	**Total Bill Before Taxes**	$ **145.43**	$ **147.86**	
	Adjustments			
	RRRP and OESP moved to Gov't	-$2.00	-$2.00	Move from Ratepayers to Gov't
	Pre-Tax Financing Required	-$26.04	-$26.13	Goal seeked to obtain New Bill Target
	Pre-Tax Sub-Total	$117.39	$119.73	
	8% Rebate from Gov't	-$9.39	-$9.58	Gov't Funds 8% Rebate
	HST	$15.26	$15.57	
	New Bill after Taxes	$123.26	$125.72	

Questions:

Is there a global detailed calculation of the bill – not a line item calculation of the 2% cap increase?

Could there be need for a greater amount than the 25% reduction cost to accommodate the cap?

GA Finance Amount for 2018

	2017	2018	
Monthly Bill Amount to be Financed	$26.04	$26.12	
Based on 750 KWh Monthly Bill	750	750	
Rate ($/KWh)	$0.03472	$0.03483	$/kWh
Assume All Eligible RRP volumes	72	72	TWh
GA Amount Required from FINANCING	$2,500,172,626	$2,507,959,732	

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Discussion and Next Steps

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