Ontario's Fair Hydro Plan (OFHP)

Illustrative Deck to Understanding Ontario's Fair Hydro Plan

March 27, 2017

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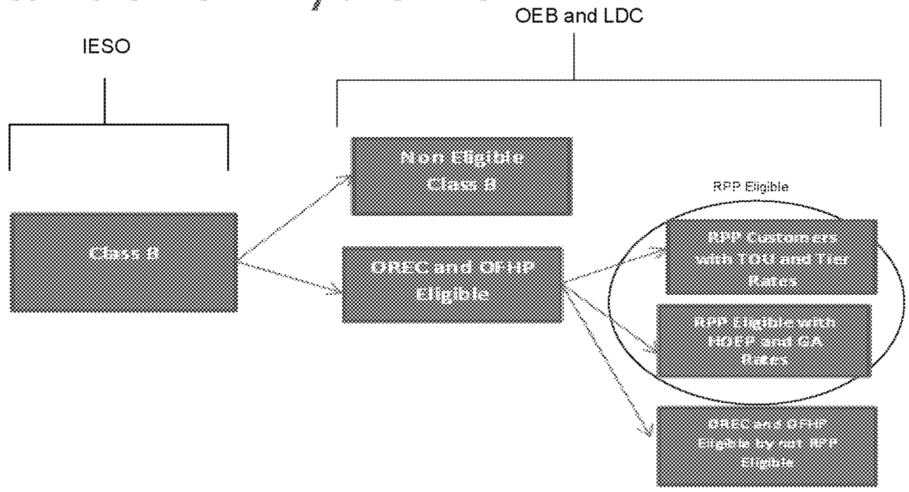
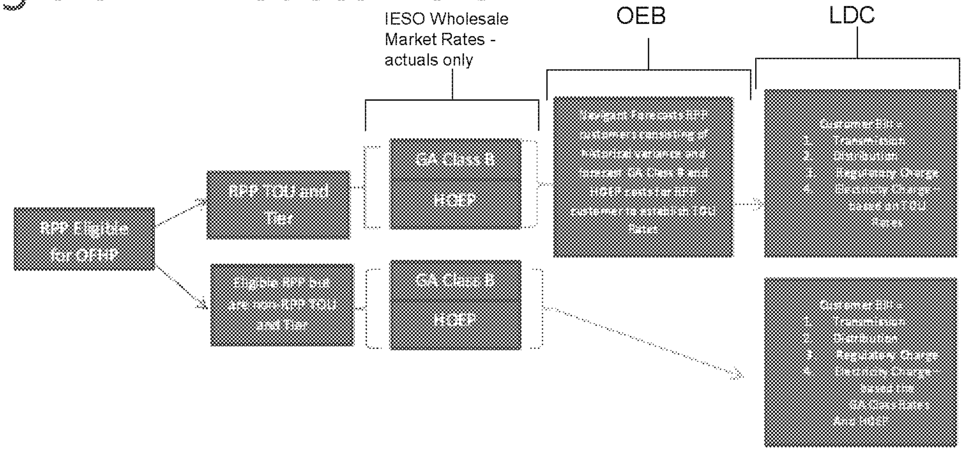
Not all Class B customers are eligible for Ontario's Fair Hydro Plan



- 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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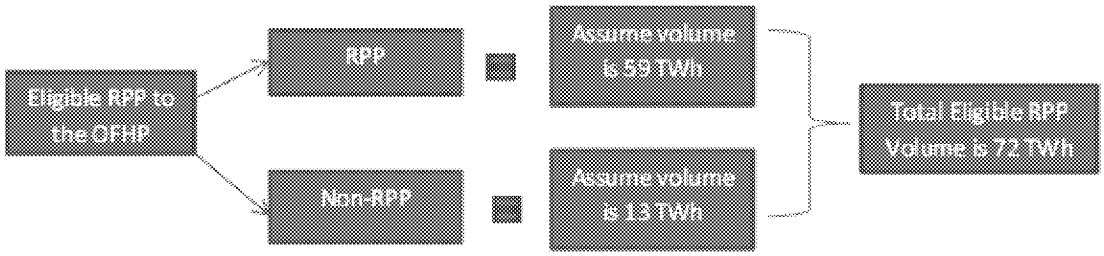
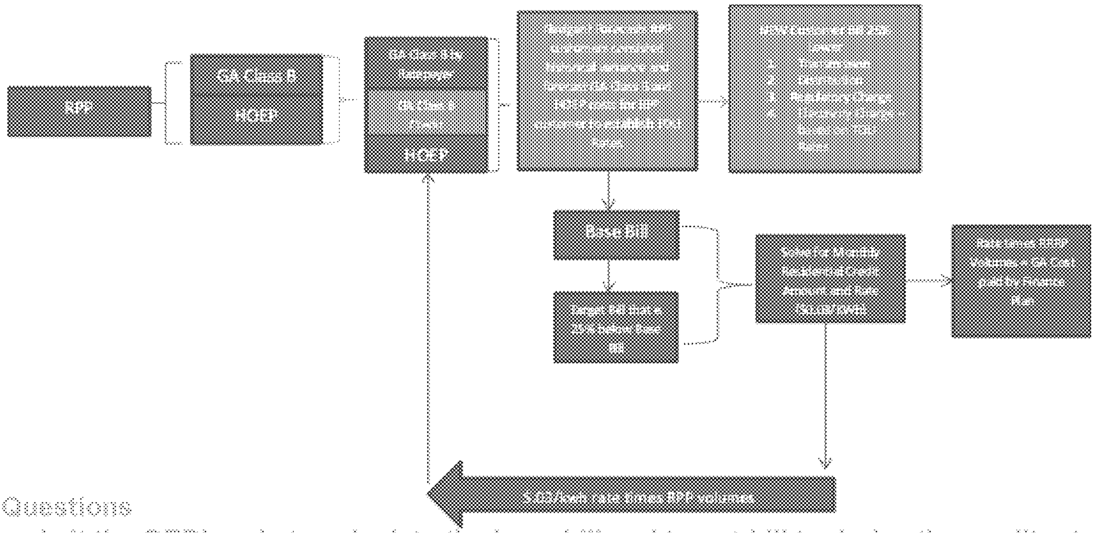
Estimated Volumes for illustration to calculate the GA Financing Amounts

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?

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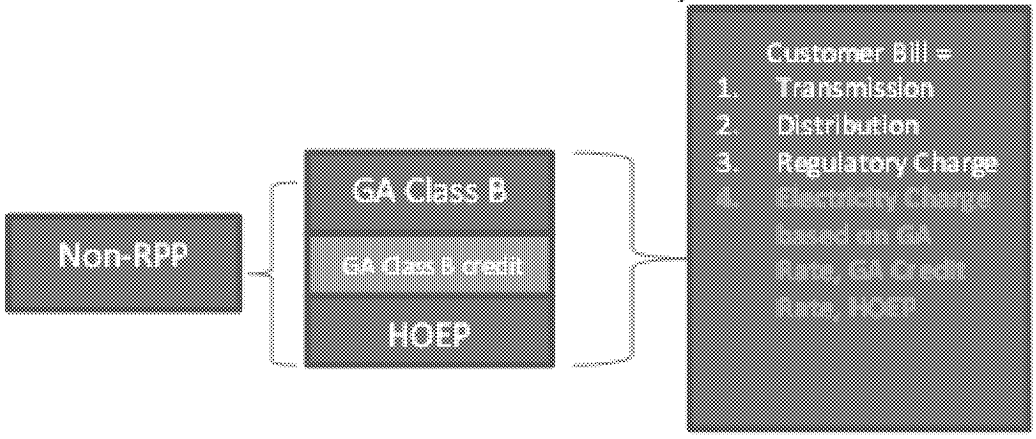
Other Eligible OFHP customers (including Eligible RPP without TOU and Tier Rates)



- 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

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 5	**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?

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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