

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 Debt²

	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

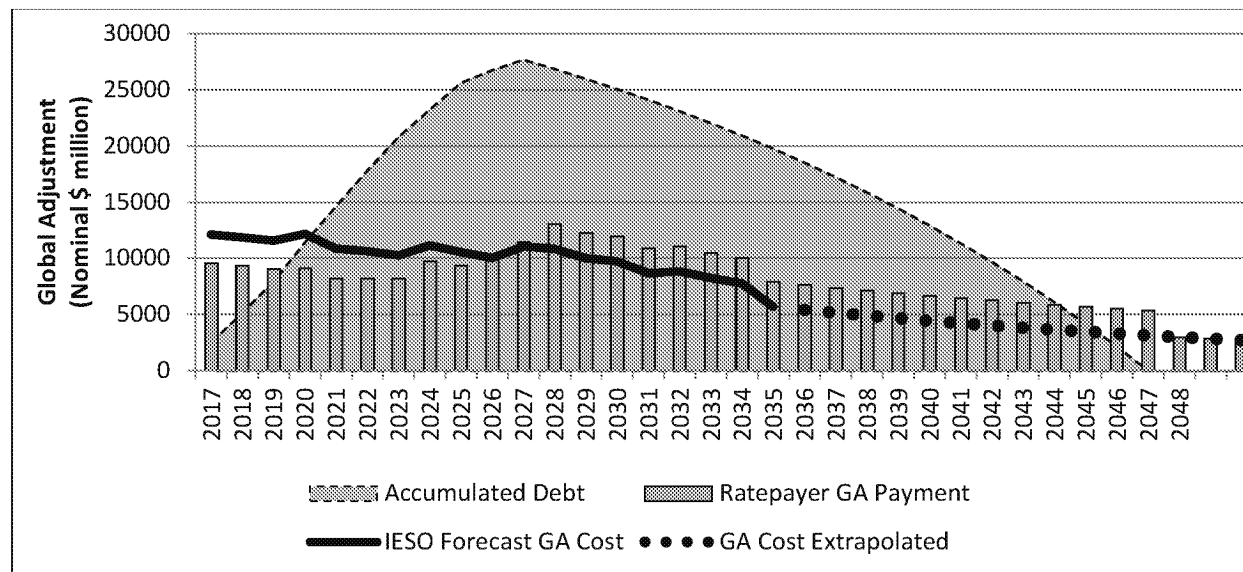


Figure 1: GA Cost, Payment and Associated Debt

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.