

Ontario's Fair Hydro Plan (OFHP)

Illustrative Deck to Understanding
Ontario's Fair Hydro Plan

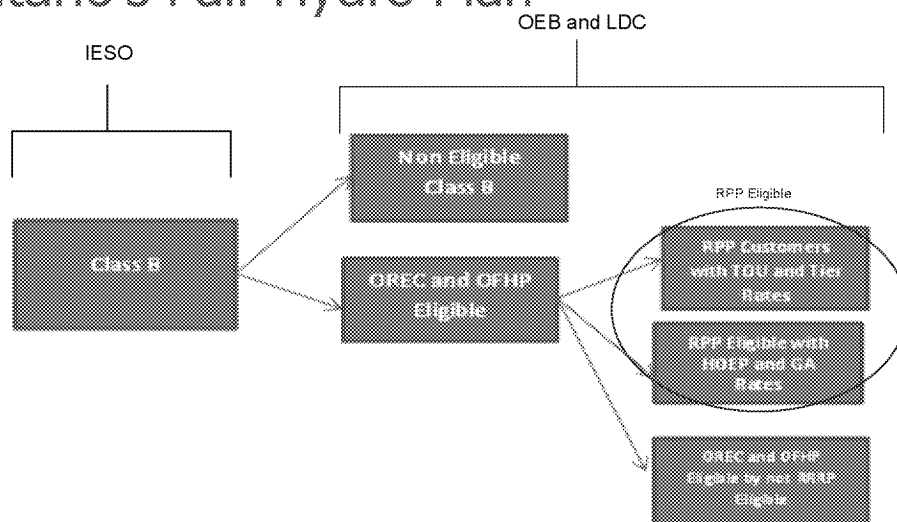
March 27, 2017



Purpose

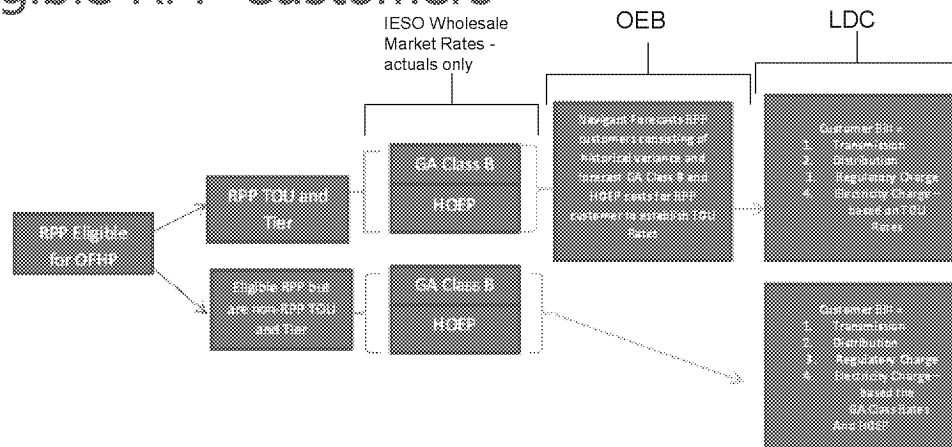
- Illustrative presentation to understand of how the Ontario Fair Hydro Plan could possibly operate
- To be used only for discussion purposes
 - To develop a consensus in our understanding
 - Identifies additional questions that need a response

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 includes 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 bill from FINANCING PLAN

Item 6	Total Bill Before Taxes	\$ 145.43
	Adjustments	
	Portion of RRRP and OESP moved to Gov't	-\$2.00
	Pre-Tax Financing Required	-\$26.04
	Pre-Tax Sub-Total	\$117.39
	8% Rebate from Gov't	-\$9.39
	HST	\$15.26
	New Bill Target	\$123.26

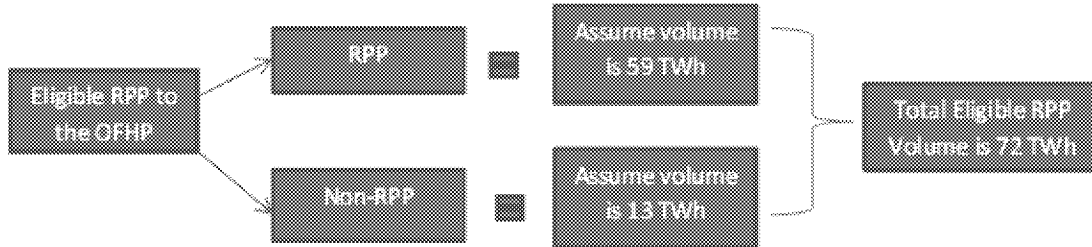
Move from Ratepayer to Gov't
Goal seeked to obtain New Bill Target

Gov't Funds 8% Rebate

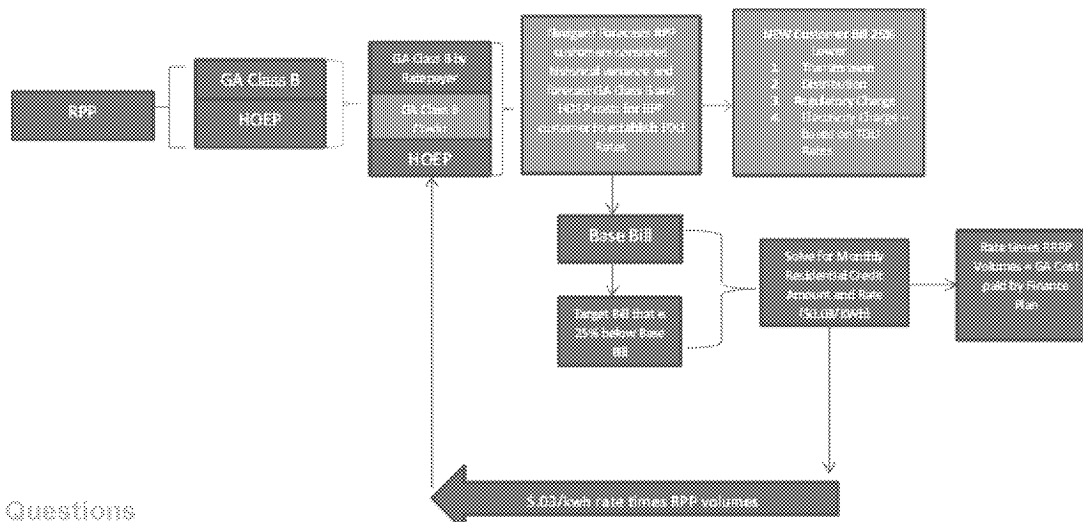


Estimated Volumes for illustration to calculate the GA Financing Amounts

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

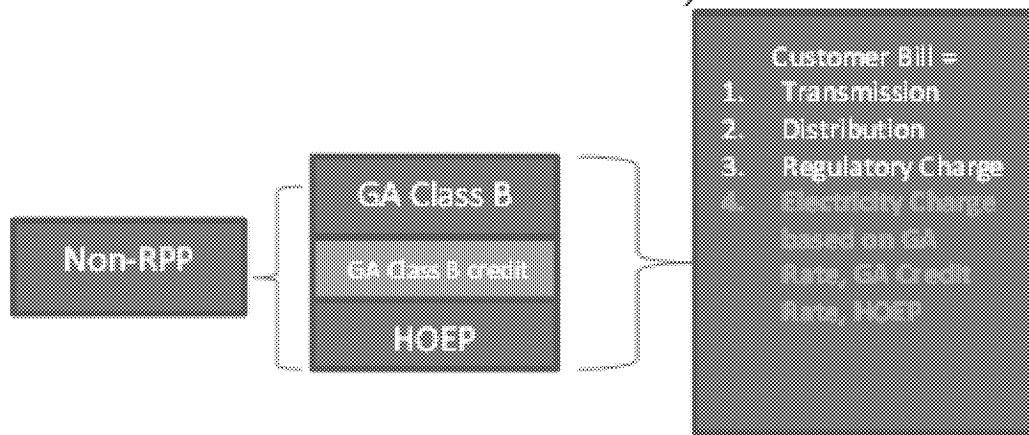
Questions

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?

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
	Pre-Tax Financing Revenue	\$36.04	\$38.12
	Pre-Tax Sub-Total	\$117.39	\$119.73
	8% Rebate from Gov't	-\$9.39	-\$9.58
	HST	\$15.26	\$15.57
	New Bill after Taxes	\$123.26	\$125.72

Move from Ratepayers to Gov't

Goal seeked to obtain New Bill Target

Gov't Funds 8% Rebate

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

Discussion and Next Steps

