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Fair Hydro Trust – Comparison to AG/FAO Report

- Total FHP financing cost is expected to be approximately **$16.3B** over the entire life of the program (2017 – 2047), based on the following assumptions:
  - Total FHP debt before interest of **$13.7B**, as per the Fair Allocation Amount (FAA) provided by MOE Sep 2017
  - Expected Fair Hydro Trust (FHT) long term financing rate of **~4.4%**

	%	LT Funding Rate
Senior Debt	51%	4.25%
Subordinated Debt	39%	4.45%
Jr. Subordinated Debt	10%	4.60%
Blended Rate	100%	4.4%

- Based on the AG report issued October 2017, total FHP financing cost was expected to be **$21.0B**, based on the following assumptions:
  - Total FHP debt before interest of **$18.4B**
  - Expected financing cost of **~5%**
- **The difference of $4.7B in interest is due to: ~ $2B lower rate and ~ $2.7B lower debt level or difference in debt profile**
- It was also noted in the AG report that ratepayers pay **$4B** more with FHP financing vs. Province of ONT financing, due to FHT's 90bps funding premium over Province of ONT :
  - The 90bps premium is an overstatement as the FHT LT senior debt (4.25%) is expected to be at a premium of ~25bps vs Province of Ontario LT debt cost of ~4%. With subordinated and Jr. subordinated debt combined, FHT is expected to be at a premium of ~40bps over Province of Ontario
  - The $4B was also based on a higher FHP financing level of $18.4B vs the MOE updated level of $13.7B
  - Based on the updated debt level of $13.7B and FHT's lower premium of 40bps, ratepayers pay **~$1.8B** more with FHT financing vs. Province of ONT financing