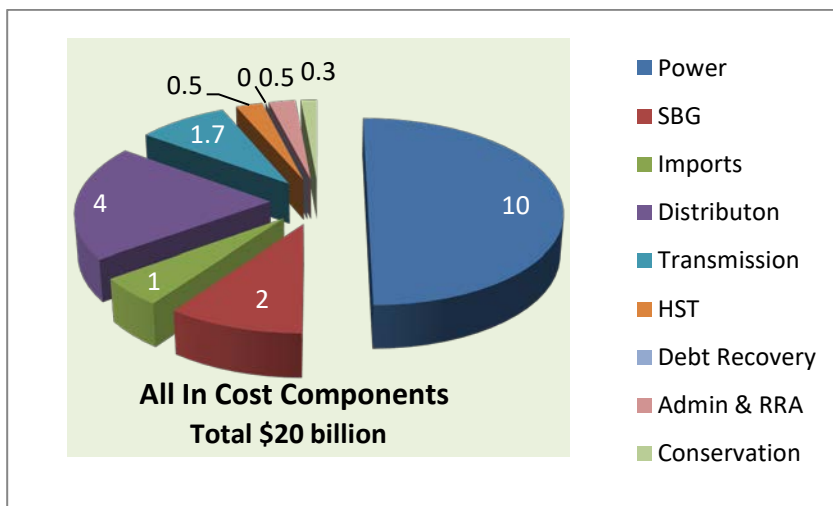


Ontario has lost over 400,000 manufacturing and farm jobs since 2004. Now NAFTA is at risk and more jobs and investment may be lost as a result. Power rates are only one factor in this. Lower wages in Asia, larger markets abroad all figure into the mix. But power rates are a major factor, and they can be corrected without harm to residential customers. In fact, correct farm and industrial power rates will add jobs and that is the best thing that can be done for residential customers.

The following rate proposals are job friendly and home budget friendly. They will provide stable affordable rates for residential users and to restore a substantial part of the competitive advantage for industry that Ontario once had in electricity costs compared to other jurisdictions in eastern North America.

What Are the Costs and How Are They Shared?

In early 2015 estimated total costs, excluding Debt Recovery and Provincial HST were \$20 billion. Provincial HST was \$0.8 billion and the DRC on all but residential was \$0.7 billion. These costs will be removed in 2017. The costs are divided as shown in the pie chart. Power including SBG and Imports is \$13 B or 65%. Delivery is \$5.7 B or 28.5%. All other costs combined are \$1.3 billion or 6.5%.



Ontario power use is shown in the following table.

Use By Class in TWH				
	Base	Shoulder	Peak	Total
Residential	24	11	6	41
Comm'l & Instit.	21	14	7	42
Industry & Agric	23	5	4	32
Class A Industry	17	5	3	25
	85	35	20	140

In 2017 and beyond, because of reduced 5CP eligibility, some use from Industry will shift into Class A. As this happens, the Global Adjustment now paid by those users, will be reallocated to all other Class B users. If this is 2 TWH, it will reallocate about 1.5% of the Global Adjustment to all other Class B users.

All the costs must be covered. A return to financing increases on the Provincial Debt is not tenable.

Suggestions for Residential Rates

1. Registering customers that rely on electric heat (just as farm customers are registered) and offering a special winter season rate to these customers.
2. Offering the lesser of:
 - a. a flat rate for the first 8,000 kWh a year for residential users with TOU after 8,000 or
 - b. regular time of use. (useful for residences that are off peak already)
3. Having only one rate increase a year (in May), not two as at present

The 8,000 kWh a year will provide 75% of residential users with all they use at a fixed rate each year, regardless of time of use. The conservation benefits of better lighting and timed use of appliances will still occur.

The blended rate will add nothing to residential bills. It would reduce costs for those under 8,000 kWh who for whatever reason have above average peak use. For the 20% who exceed the 8,000 kWh a year target, they would pay on a TOU basis for use over the 8,000, as they do now. So there would be no change for them.

Coalition Rates Proposals

The Coalition proposes that Ontario adapt Time of Use (TOU) for delivery (transmission and distribution) and the Global Adjustment (GA) as well as for power. Time of Use will eliminate the subsidy that off peak users pay towards peak users and further stimulate users to shift their use to off peak periods. And the proposals contain measures to protect residential consumers who are less able to shift use. Specifically it is recommended that all residential customers get 8,000 kWh a year at a flat rate, so TOU will not inflict a penalty on showers, cooking, study etc... And that those with electric heat get a special seasonal rate. The core of the proposal is Time of Use rates for power, delivery and Global Adjustment with the following additional features:

- 1 Within rate classes, adopt Time of Use rates for transmission, distribution, Global Adjustment, as well as power (TOU for everything)
- 2 Sell surplus base power in Ontario first
- 3 Charge the normal transmission rate for exports (eliminate the export tariff rate)
- 4 Take steps to reduce operating and administrative costs
- 5 Change the regulated rate of return to Prime Rate plus 3.5%,
- 6 Go from two rate increases a year to one, and
- 7 Provide residential customers with less than 8,000 kWh a year at a flat rate or TOU billing, and a special seasonal rate for those with electric heat.

Costs for such a system would be distributed as shown in the second column below.

Comparing Options		
Cost Shares in Billions of Dollars		
	Early 2015	Time of Use Everything
Residential	6.6	6.9
Comm'l & Instit.	7.0	7.7
Industry & Agric	4.1	3.5
Class A Industry	2.3	2.0
Total	20.0	20.0

Comparing Options Cents per kWh		
	Early 2015 (No DRC or Prov. HST)	Time of Use, Everything
Residential 41.3 TWH	16.1	16.7
Comm'l & Instit. 42.9	16.3	17.9
Industry & Agric 31.8	12.9	11.0
Class A Industry 25 TWH	9.2	8.0
Total Use & Avg 140 TWH	14.3	14.3

TOU for everything has modest effects on home use costs because the 8,000 kWh at a flat rate provides a buffer. Over 75% of homes would be entirely free of time of use costs.

Commercial and Institutional costs rise because TOU for everything removes the subsidy they have enjoyed on delivery that has been paid by farms and industry and other off peak users.

Class A industry costs fall as they too are predominantly more peak users.

Rates for farms and industry fall 15% and bring Ontario's costs for these sectors back into the mid-range of power costs for eastern North America.

Selling Surplus Base Power in Ontario at a reduced rate to customers who increased their base use relative to the same month the year before would increase power use here, trim fixed costs per kWh and curb losses from SBG sales. Each TWH of surplus power sold in Ontario at 5 cents a kWh would reduce losses charged in the Global Adjustment by \$125 million. Using 5 TWH of surplus power in Ontario would increase power use to 145 TWH (+3.6%) and customers costs by \$250 million (+1.2%). The average cost of power would go from 14.3 cents a kWh to 13.9 cents. This benefit would be felt in magnified form by users who increased off peak use with no adverse affects for others.

Using storage to increase base use and reduce peak imports is another useful market for SBG in Ontario. Aggregators would buy SBG power, store it and sell it at peak. This is viable at prices below what Ontario pays for imports so there would be profits and savings on imports and on the present losses from SBG.

Eliminating the export transmission rate would reduce transmission costs for all domestic users by about \$160 million or 0.8%. Average costs would go from 14.3 cents to 14.2 cents a kWh. The saving would be shared by all users in proportion to use.

A lower rate of return on equity would be more in line with bond rates for utilities and it would reduce costs modestly, but send all power users the message that their interests are important too.

On rate increase a year instead of two would allow more effective scrutiny at the OEB of rate proposals and it would eliminate the perpetual cycle of increases twice a year.

For the approximately 500,000 customers on electric heat, a special seasonal rate, could reduce their heating costs by 25% from \$5,000 a year to \$3,750. This is the group of residential customers who suffer most from the present high rates.

And 8,000 kWh a year at a flat rate, free of TOU, would allow 75% of Ontario residents to use power when they needed it without fear of extra charges. And the others would pay for their extra use as they do at present.

Summary

Ontario industry and industrial workers live in the northern fringe of the North American rust belt. They have had to adjust to free trade in North America and reduced tariffs globally. With the present threats to NAFTA, even if it is not revoked, the resulting instability undermines new investment in Ontario. Competitive power rates for industry can help restore Ontario's competitive edge. Competitive power would add and retain jobs. With threats to NAFTA, the jobs won't come back and lower cost power will be more important than ever.

TOU for everything will remove the subsidy on delivery that above average peak users now enjoy.

TOU for everything in the context of a rate structure like Nova Scotia's would provide clarity in rates for everyone and the traditional benefit of explicitly lower rates as volume increases. And with the 8,000 kWh at a flat rate and special seasonal rates for electric heat, residential consumers can be well buffered.

Ontario can have rates that are job friendly, that will retain and bring in jobs and investment and add to disposable income for all.