

RESIDENTIAL ELECTRICITY COSTS - ACTUAL AND PROJECTION

Attached are two charts that show simply and clearly what is happening to our electricity costs in Ontario.

This information is based the actual electricity usage and costs of a retired couple, commencing Jan 2002 to date. To smooth out the volatility of month-to-month numbers, the data is presented as 12 month rolling averages. I.e. while the data started Jan/Feb 2002 the first point on the chart is Dec 02/Jan 03 (the 12 month ave for 2002). The next data point is the 12 months Feb/Mar to Jan/Feb etc.

The average monthly consumption for this couple has been between 850 to 1100 Kw. Close to the 1,000 Kw the "government" uses as the average household consumption. The data is actual data through 8 full year cycles.

Taxes are included in the pricing to understand the "full price" we pay. Presenting the data (and the projection) this way avoids any ambiguity about individual small price increases only impacting the bill by "some small amount" i.e. avoiding the bigger picture. The individual pieces don't matter.....the overall picture is what counts!

A few pointers in reading the charts follow:

The chart "Total Residential Electricity Costs"

The dip at the beginning of the chart (pre McGuinty) was the reaction to the uproar over an attempt to introduce floating market rates. The usage rate was dropped to a fixed rate (4.3 c/Kw) and "other costs" were broken out into separate line items versus the previous two line item bill.

The increase in 2004 was due to the introduction of tier pricing.

The "bump" mid 06 to mid 08 was due to increasing tier rates (5.8 and 6.7 summer 2006) and then a reduction (5.0, and 5.9 summer 2007) (since the data is the 12 month rolling average, the peak is achieved several months after the initial upswing).

The upswing at the end of 2008 and continuing though 2009 is due to more rate increases. Winter 2008, 5.6 and 6.6, Summer 2009, 5.7 and 6.6, winter 2009 5.8 and 6.7.

Going forward the same electricity usage profile as 2009 has been used (A "normal year" with an average of just over 900 Kw/month).

Only known cost increases have be included in the projection.

- TOU pricing. Weighted average costs were developed based on hourly electricity usage and TOU pricing for an entire week. Electric dryer and dishwasher usage were shifted to off peak hours. (The only feasible time shifting for most people). Based on

the latest TOU pricing (Jan 2010), for this couple the weighted average price for winter will be 6.8 c/kw and for summer 6.9 c/kw. These prices have been used for all three forecast years. (No doubt they will continue to increase as more expensive “green energy” is introduced)

- Hydro delivery charges. The reported 25% over three years had been included. 8% in 2010 and 2011, 9% in 2011

- HST (13%) is included commencing mid 2010.

The steep increase in 2010 is the result of all three increases indicated above commencing during the same year. The increase slows down in 2011 as the TOU price increase has been absorbed. The continued increase in 2011 and 2012 is due to the increasing delivery rates and the accompanying increase in the associated HST.

Note: There is no allowance for the increasing contribution of high cost "Green Energy" or any potential increase in "regulatory costs".

Even if some of these cost increases are not implemented at the time shown, once they are implemented, the overall cost **will** reach the end number on the chart.

Since McGuinty took office, the total average residential electricity bill has already increased by 23%. By the time we get to the end of 2012 it will have increased by 52%.

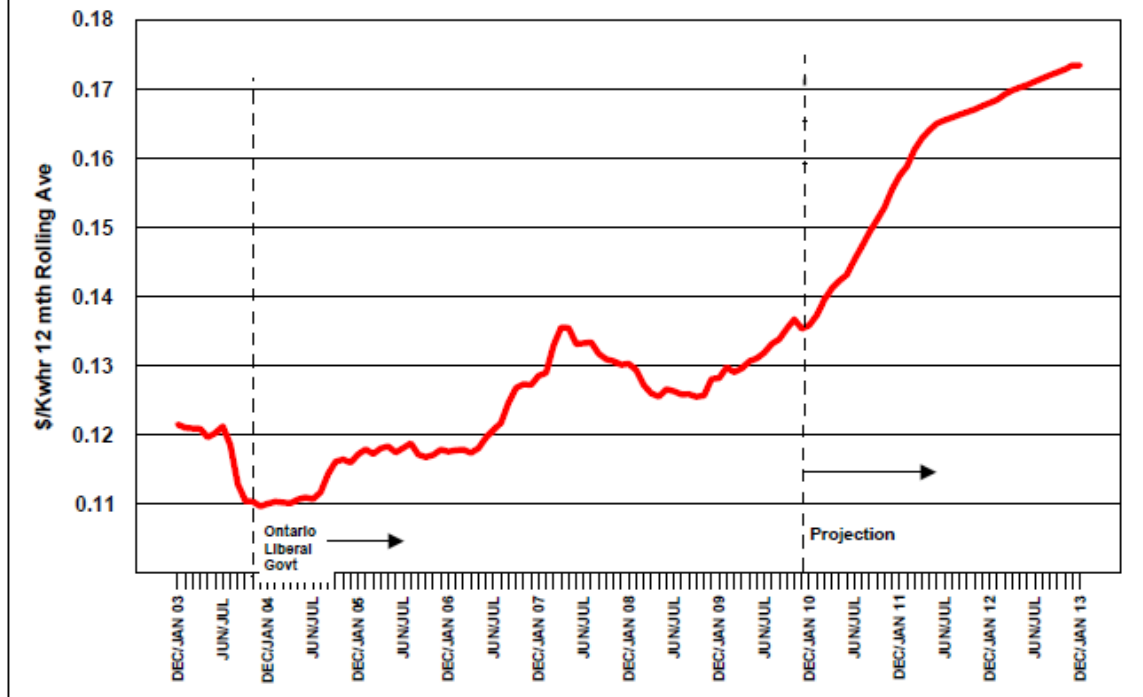
Chart "Residential Electricity Cost Split"

This chart is based on the same data as the chart above, but splits the costs, tax included, into "electricity cost" and "other". The two amounts add up to the totals on the other chart.

The crossing of the lines at the beginning of the chart (pre McGuinty) was due to the drop in rates to a fixed rate (4.3 c/Kw) and breaking out “other costs” into separate line items versus the previous two line item bill.

The horizontal line for electricity costs from 2011 is the result of the very conservative assumption of no further electricity price increases post 2011.

TOTAL RESIDENTIAL ELECTRICITY COSTS ACTUAL AND SHORT TERM PROJECTION



RESIDENTIAL ELECTRICITY COST SPLIT

ACTUAL AND SHORT TERM PROJECTION

