



Electricity Program - Pricing Details for 2017

LAS' two recent purchase tenders for our 2017 program year included 138 enrolled municipalities. The term of both completed purchases is January 1 to December 31, 2017, which coincides with the conclusion of the 2016 program year.

Effective January 2017, the LAS program hedge cost will be \$23.80/MW (2.38¢/kWh), including fees. This cost is 9% lower than the current LAS rate. See the chart below for the expected total commodity calculation.

Unless a different hedge amount was chosen by your municipality, 65% of your electricity requirement has been hedged. This results in 35% of your total consumption settling at spot market rates. This approach provides for flexibility of overall consumption and allows your municipality to benefit from the spot market rate in a moderated fashion.

Hedged electricity = 65% of total requirements (unless a different amount chosen)

The electricity commodity cost for 2017, including the LAS fee, is **2.38 ¢/kWh**.

Spot market consumption = 35% of total requirements (or balance of non-hedged amount)

It is impossible to predict the spot market cost of electricity as it is dependent on the supply and demand of electricity on an hour-by-hour basis. However, over the past 12-months the weighted average spot market price was **1.496 ¢/kWh**.

Global Adjustment = The average Global Adjustment charge over the past 12-months was **9.51¢/kWh**. LAS has added 5% to this charge as a precaution for 2017 budgeting.

The following chart illustrates the expected average total commodity cost in 2017 based on the 2017 LAS hedge price and similar market pricing over the last 12-months.

Expected Commodity Costs

	Price (¢/kWh)	Ratio	Total (¢/kWh)
LAS 2017 Hedge Price (including program fee)	2.380 ¢/kWh	65%	1.547 ¢/kWh
Avg. Spot Market – HOEP	1.496 ¢/kWh	35%	0.524 ¢/kWh
Global Adjustment		100%	9.986 ¢/kWh
Expected LAS Total Commodity Rate			12.056 ¢/kWh

Notes:

- Average weighted HOEP price from November 2015 to October 2016. Past averages may not be indicative of future costs.
- Average Global Adjustment charge from November 2015 to October 2016 (plus 5% for caution)
- Based on November 2016 rates and assuming a usage pattern of 55% off-peak, 22.5% mid-peak, and 22.5% on-peak (representative of a typical municipal account) the TOU rate is 11.81 ¢/kWh.

There will be points during the term when the spot market cost is lower than the LAS hedge price. However, there will also be points during the term where the opposite is true, where the spot market price is higher than the LAS Hedge price. The hedge portion is intended to safeguard against large swings in the spot market during peak heating and cooling seasons, whereas the exposure to the spot market can lower your commodity cost during low-market rate periods.

Streetlight Accounts:

All enrolled streetlight accounts will continue to bill at the prevailing spot market rates in 2017.

Electricity costs are typically lower for streetlight accounts because streetlights are primarily operated when demand for electricity is lowest (i.e. overnight – from dusk to dawn), and with lower demand comes lower spot market rates.

Over the most recent 12 months, the average streetlight commodity price was 1.17 ¢/kWh. Similar pricing in 2017 would result in commodity **savings of 0.94 ¢/kWh** (7.8%) compared to available RPP rates, with the impact of the Global Adjustment included.

Expected Streetlight Costs

	Total Cost
Avg. Spot Market – HOEP	1.17 ¢/kWh
Global Adjustment Charge	9.986 ¢/kWh
Expected LAS Total Commodity Rate	11.156 ¢/kWh
RPP Rates	12.10 ¢/kWh
Expected LAS Commodity Cost Savings	0.94 ¢/kWh

Notes:

- Average spot market cost based on streetlight profile of an Ontario LDC - November 2015 to October 2016. Costs within different LDC service areas may vary slightly.
- Average Global Adjustment charge from November 2015 to October 2016 (plus 5% for caution)
- Rate is the higher of the two-tier RPP rates as many municipal streetlight accounts get charged the majority of usage at the upper tier.

Current Time-of-Use (TOU) and RPP Rates

Effective November 1, 2016, Time of Use (TOU) electricity rates remained static, as follows:

- On-Peak 18.0 ¢/kWh (7-11am and 5-7pm M-F)
- Mid-Peak 13.2 ¢/kWh (11am-5pm M-F)
- Off-Peak 8.7 ¢/kWh (7pm-7am M-F, plus weekends and holidays)

The RPP rates for 'eligible' municipal accounts, effective November 1 are:

- Up to 750 kWh – 10.3 ¢/kWh
- All Additional Usage – 12.1 ¢/kWh

The RPP ended in 2009 for municipal accounts with annual consumption of >250,000kWh; accounts that exceed this threshold, and which are not enrolled with a retailer (such as LAS) are billed at the weighted average spot market rate.

The LAS program is unaffected by changes to the RPP and TOU rates.