WEEKLY RATE MITIGATION IMPLEMENTATION GROUP
April 13, 2017

Agenda

1) GA Refinancing
   - Legislative Drafting (LSB / Blakes)
   - OPG Update
   - IESO Update
   - OEB Update

proposed amendments → [illegible] →

→ May 1st [illegible] – 9:00 am [illegible] Fin[illegible]

→ 19th/27th →

2) OPG Letter
   - comfort letter
   - doing their [illegible]
   - [illegible]
   - → scheduled 20th

3) Other OFHP Initiatives
   - Affordability Fund (CRED)
   - ~~RRRP, OESP and FN (SNAP)~~
   - ICI (ESPD)

4) Update on Action Items / Policy Matrix

1 Andrew → 49/51 → make dealers [illegible] → red line → [illegible] → [illegible] test

4-5 pm

2 EY / KPMG / Naugent / HOGG ? May 1 → designated [illegible] → Bini → [illegible]

Notes: Trust → Financing Plan →

IESO → establishing the [illegible] amount → [illegible] process to validate the amount

→ risk to IESO → incur a debt before OPG –

LDC Role → Collection → rely on the systems already in place

Ratepayers → class → benefit / repayment – ledger → [illegible]

→ used collection [illegible] in place → a [illegible] of [illegible]

Panel Central Utility → [illegible] them, but not in the legislation

→ U.S. → same [illegible] → as the U.S. → credit rating –

→ make sure → not intermediary →

→

→ Provincial undertakings → Leg — Reg → commercial agreements'
→ Legislation → undertaking → how to tie future hands →
→ province will not take steps → + commercial agreement →
→ "make whole" → zoom in → only if guarantee → no gov't back-stop -
→ define indemnity → commercial may be better → consequences

→ Rose → OEB → ratepayer back stop → in theory → socialized at the
→ rate class? versus →

→ How much in AAA but you → AA or AA+ → capacity compared →
→ IESO/LDCs → normal → collecting as public versus agent →
→ under-collection → certainty of collection →
→ July → draft to ask for AAA → first of its kind in Canada →

→

Process → translate into legislation → only day to day — term —
→ over the course of the weekend → legislation →

→ Marking of terms → #

→ Audit? → Full → Functional — Draft 1st →
Term

→ IESO → collection process
→ big gov't issues → if OPA doesn't purchase the asset → be familiar with OFA —
→ lender focus on certainty → regulatory asset — future right to collect →
→ e.g. 10 year limit → control → temp. → what does it mean? — step. stop
versus permanent → ?

DRAFT: April 11, 2017

[Letterhead of Minister of Energy]

April [●], 2017

Bernard Lord
Board Chair
Ontario Power Generation Inc.
700 University Avenue, 19th Floor
Toronto, Ontario
M5G 1X6

Dear Mr. Lord:

I am writing further to the Premier's news release of March 2, 2017, in which the Province announced the Fair Hydro Plan to lower electricity bills by 25 per cent on average for certain customers starting in the summer of 2017, as part of a significant system restructuring that will address long-standing policy challenges and ensure greater fairness. Given OPG's expertise as a participant in the electricity market and its expertise in rate regulated accounting and investment stewardship over significant pension and nuclear funds, I am writing specifically to request OPG's involvement in the implementation of the Global Adjustment Refinancing component of the Fair Hydro Plan

As you will have read, the 25 percent reduction in residential electricity bills referred to in the March 2nd announcement includes the 8 per cent reduction resulting from the rebate of the provincial portion of the harmonized sales tax on electricity bills effective January 1, 2017. The Province has also committed that certain customer bills would not increase by more than the rate of inflation for the four years following the 25 per cent average reduction.

OPA,

In addition, as you know, Ministry of Energy staff have been working on preparing the draft legislation and regulations to implement the Fair Hydro Plan, with input from the IESO, the OEB, OPG and their respective advisors.

The Province is requesting that OPG, working with the Ministry of Energy, the IESO, the OEB, and their respective advisors, consider and recommend a plan for financing mechanisms that could achieve the Province's objectives for the reduction in consumer bills and the limitation on bill increases outlined above and in the Fair Hydro Plan, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan.

In particular, the Province would like OPG's financing plan to consider, among other things, structures and methods that would permit viable refinancing of a portion of the Global

Adjustment to reduce electricity prices for certain of today's electricity ratepayers, with the costs of the refinancing to be recovered over a period of up to 30 years, all in accordance with the legislation and regulations designed to facilitate the Fair Hydro Plan. We would expect the financing plan to include:

i) potential structures for the financing, which may include, as appropriate, a special purpose vehicle created for the financing;

ii) potential financing mechanisms and instruments, including senior debt and subordinated debt; and

iii) identification of the capital markets and jurisdictions that can be accessed to finance the rate mitigation.

The Province recognizes the need to provide OPG with the necessary assurances with respect to recovery of the principal, interest, and operating and other costs of any financing and will address the specific requirements identified by OPG and its financial advisors, including in the pending legislation and regulations that will govern the mechanics and requirements of the financing entity. We would also request that your plan identify any amendments to OPG's governing legislation and constating documents needed to facilitate the implementation of the financing plan in a commercial manner.

We would further expect that the financing plan would be implemented in an effective and cost-efficient manner by OPG.

I look forward to receiving a detailed plan that has the support of the OPG Board of Directors by June 1, 2017.

Yours truly,

The Honourable Glenn Thibeault
Minister of Energy