

Minister's letterhead – Working Draft

Mr. Jeff Lyash
Chief Executive Officer
Ontario Power Generation Inc.
700 University Avenue, 19th Floor
Toronto, ON M5G 1X6

Dear Mr. Lyash:

Re: Ontario Fair Hydro Plan Act, 2017 and the Fair Allocation Amount

I write pursuant to my obligation under subsection 20(4) of the *Ontario Fair Hydro Plan Act, 2017* (the Act) to provide Ontario Power Generation (OPG), acting in its capacity as Financial Services Manager under the Act, with the Fair Allocation Amount (FAA) in respect of each reference period from July 1, 2017 to April 30, 2047. Terms used in this letter that are also used in the Act have the definitions provided in the Act.

The FAA for each reference period, determined in accordance with Section 20 (1) of the Act and Ontario Regulation 206/04 under the Act, including associated estimated Financing Costs, shall be the amount set out in Schedule "A" to this letter. I would also note that the estimated Financing Costs, including estimated Fees, contained within the FAAs are reflective of input from OPG staff.

Also included in Schedule "A" are the readjustment amounts for the first four reference periods and additional readjustments that are expected to be made beyond the first four reference periods, reflective of past overpayments of clean energy costs between 2005 and 2017. The recovery of these readjustment amounts and related interest have been included in the calculation of subsequent FAAs as per s. 20(2) of the Act and related regulations.

To support the calculation of the FAA, the potential useful life of clean energy assets has been examined and a fair allocation of clean energy costs associated with those assets over time provided, so that specified consumers in the future pay their fair share for the benefits that they receive from those clean energy assets.

I trust OPG in its role as Financial Services Manager under the Act will prepare the financing plan in accordance with subsection 21(2) of the Act that reasonably aligns with these FAAs. [I would also note that under the Act, the FAA amounts included in Schedule "A" may be updated from time to time.]

[In addition, given that rates have not yet been set in regulation beyond the fourth reference period, I am also attaching the estimated GA deferral and recovery amounts related to Ontario's Fair Hydro Plan (OFHP) that form an input into the 2017 Long-Term Energy Plan (Schedule "B"). I trust that these estimates will be helpful, in addition to FAAs, in developing your Financing Plan.]

Commented [ESP1]: PLACEHOLDER

Included in Financing Costs are Fees – pending amendments to O.Reg. 206/17 and potential Board approval.

Commented [ESP2]: OPG has indicated that having this information would be helpful in relation its work to complete the Financing Plan.

We look forward to continuing to working with you as this initiative moves forward.

Sincerely,

Glenn Thibeault

DRAFT

SCHEDULE “A” – FAIR ALLOCATION AMOUNT

REFERENCE PERIOD	FAIR ALLOCATION AMOUNT (\$ million)	READJUSTMENT AMOUNT (\$ million)
2017-Jul		
2017-Nov		
2018-May		
2018-Nov		
2019-May		
2019-Nov		
2020-May		
2020-Nov		
2021-May		
2021-Jul		
2021-Nov		
2022-May		
2022-Nov		
2023-May		
2023-Nov		
2024-May		
2024-Nov		
2025-May		
2025-Nov		
2026-May		
2026-Nov		
2027-May		
2027-Nov		
2028-May		
2028-Nov		
2029-May		
2029-Nov		
2030-May		
2030-Nov		
2031-May		
2031-Nov		
2032-May		
2032-Nov		
2033-May		
2033-Nov		
2034-May		
2034-Nov		
2035-May		
2035-Nov		
2036-May		

Commented [ESP3]: Minister is not required by the legislation to include Readjustment Amounts in this letter to OPG.

However, the sum of the FAA and RA amounts reflects the total amount that will need to be refinanced. (i.e., OPG will need to know what the RA is either through their own calculation or the Ministry's calculation).

REFERENCE PERIOD	FAIR ALLOCATION AMOUNT (\$ million)	READJUSTMENT AMOUNT (\$ million)
2036-Nov		
2037-May		
2037-Nov		
2038-May		
2038-Nov		
2039-May		
2039-Nov		
2040-May		
2040-Nov		
2041-May		
2041-Nov		
2042-May		
2042-Nov		
2043-May		
2043-Nov		
2044-May		
2044-Nov		
2045-May		
2045-Nov		
2046-May		
2046-Nov		
2047-May		

[SCHEDULE "B" – 2017 LTEP GA deferral and recovery amounts related to OFHP]

DRAFT