Fw: EXTERNAL - Urgent -- Electricity Rate Mitigation (feedback requested today)

From: "Katona, Keley (ENERGY)" <keley.katona@ontario.ca>
To: "Imbrogno, Serge (ENERGY)" <serge.imbrogno@ontario.ca>
Date: Fri, 24 Feb 2017 17:02:37 -0500

From: Nelms, Scott (ENERGY) <Scott.Nelms@ontario.ca>
Sent: Friday, February 24, 2017 4:57 PM
To: Hume, Steen (ENERGY); Calwell, Carolyn (ENERGY/MEDEI/MRI); Katona, Keley (ENERGY)
Subject: FW: EXTERNAL - Urgent -- Electricity Rate Mitigation (feedback requested today)

As per our call

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: February 24, 2017 4:37 PM
To: Nelms, Scott (ENERGY)
Cc: CHENG Alec -FIN & C CTRL; MAUTI John -FIN & C CTRL; RYFA Ken -TREASURY
Subject: FW: EXTERNAL - Urgent -- Electricity Rate Mitigation (feedback requested today)

Scott:

Example I was referring to on the call on how the Interest would be paid and offset by a corresponding increase in the GA deferral to keep the rate payer bill flat.

John

From: CHENG Alec -FIN & C CTRL
Sent: Friday, February 24, 2017 4:06 PM
To: CHENG Alec -FIN & C CTRL; 'Petsche, Nadine (TBS)'; MAUTI John -FIN & C CTRL
Cc: 'Kandeepan, Ken (OFA)'; 'Veinot, Cindy (TBS)'; LEE John -TREASURY
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation (feedback requested today)

Sorry, sent this before I attached the table.

Customer Bill	Current Yr	New Yr		
	0	1	2	3
Other (Non-GA components)	60	60	60	60
GA	100	100	100	100
GA Deferral		-30	-31.5	-33.1
Interest			1.5	3.1
Total Bill	160	130	130	130

From: CHENG Alec -FIN & C CTRL
Sent: Friday, February 24, 2017 4:04 PM
To: 'Petsche, Nadine (TBS)'; MAUTI John -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: RE: EXTERNAL – Urgent -- Electricity Rate Mitigation (feedback requested today)

Our comments:

- We cannot verify the IESO entries, but assuming that KPMG is looking at that.
- The current proposal is to have the Trust collect revenue from customers, so the Trust should recognize revenue (which comprise of interest and other recovery amounts) before we start collecting the principal amount from the customers (i.e. before year 5) (see the table below as an illustration)
- I understand that this is a simplified model, but some additional features should be added at a later date when we have more certainty:
  - the financing model would include debt at different rates based on the tranche and the rate implicitly charged to customers would be determined based on the ultimate model and the legislation (may not be the same as the debt financing rate)
  - the Trust will have embedded features which will introduce other variability into the Trust

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From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Friday, February 24, 2017 12:28 PM
To: MAUTI John -FIN & C CTRL; CHENG Alec -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: EXTERNAL – Urgent -- Electricity Rate Mitigation (feedback requested today)
Importance: High

John/Alec,

In advance of next Monday's FPC meeting, we would like to confirm our understanding of the net fiscal impact under the Electricity Rate Mitigation model as currently envisioned. Attached for your review is a model outlining the transactions and impacts as we understand them. The net impact on interest expense to OFA and the Trust appears on lines AS 40 – AS 42.

We would appreciate your comments on the attached as well as any suggestions on how to address the net fiscal impact over the term of the proposal, today if possible.

Regards,
Nadine
