Re: Long Island Model

From: "Imbrogno, Serge (ENERGY)" <"/o=govon/ou=ontario public sector - iserv ems/cn=recipients/cn=imbrognose">
To: "Katona, Keley (ENERGY)" <keley.katona@ontario.ca>
Date: Fri, 24 Feb 2017 17:05:00 -0500

Ok. Thanks

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Katona, Keley (ENERGY)
Sent: Friday, February 24, 2017 5:04 PM
To: Imbrogno, Serge (ENERGY)
Subject: Fw: Long Island Model

OK to send below to MO?

From: Calwell, Carolyn (ENERGY/MEDEI/MRI) <Carolyn.Calwell@ontario.ca>
Sent: Friday, February 24, 2017 4:59 PM
To: Katona, Keley (ENERGY)
Cc: Nelms, Scott (ENERGY); Hume, Steen (ENERGY)
Subject: Re: Long Island Model

Keley - this is all that I was able to get from OPG.

> **From:** WONG Leslie -LAWDIV <leslie.wong@opg.com>
> **Date:** February 24, 2017 at 4:36:21 PM EST
> **To:** "'Calwell, Carolyn (ENERGY/MEDEI/MRI)'" <Carolyn.Calwell@ontario.ca>
> **Cc:** "Shear, Dan (ENERGY)" <Dan.Shear@ontario.ca>, LEE John -TREASURY <john.s.lee@opg.com>, RYFA Ken -TREASURY <ken.ryfa@opg.com>, "Hill, Krista" <khill@torys.com>, "Nelms, Scott (ENERGY)" <Scott.Nelms@ontario.ca>, "Hume, Steen (ENERGY)" <Steen.Hume@ontario.ca>, GINTHER Chris -CAO <chris.ginther@opg.com>
> **Subject: RE: EXTERNAL - Re: Rate Mitigation - Legislative Requirements**

> Dear Carolyn,
>
> OPG's review of the US precedents was focussed on the legislation, financing structure and bond documentation (such as the ratings reports, trust indenture and prospectuses). These documents were geared towards investors of the bonds and focused on the robustness of the regulatory asset (right to recover) and the safety of the investments, as opposed to the rate impacts/benefits for consumers. As a result, the bond documents do not include analysis of the rate savings to consumers relative to other rate recovery mechanisms.
>
> The rate orders for the LIPA and Duke bonds do include findings that the securitization bonds are expected to result in savings (on a net present value basis) for consumers relative to the traditional

rate recovery mechanism for stranded costs.

However, we note that the situation for recovery of stranded costs in the US is different from the contemplated GA deferral. The stranded costs in the US would normally be funded by through debt borrowed by the utility and recovered over time through rates charged to consumers. There are expected savings in the US by using the securitization bonds, because they bear a lower interest rate than the rate at which the utility could otherwise borrow to finance the stranded costs.

In contrast, there is currently no borrowing by the IESO to fund the GA – it is being collected fully from consumers as the costs are incurred. Deferring a portion of the GA and financing it through bonds (even at a low interest rate) will result in higher overall costs consumers, as there are interest and other financing costs that would otherwise not be incurred.

Regards,

Les

Leslie Wong
Senior Counsel
Ontario Power Generation Inc.
700 University Avenue, H18 G27, Toronto, ON M5G 1X6
T: (416) 592-3110 | E: leslie.wong@opg.com

On Feb 24, 2017, at 11:14 AM, Katona, Keley (ENERGY) <Keley.Katona@ontario.ca> wrote:

Not sure if we can answer these questions?

From: Teliszewsky, Andrew (ENERGY) <Andrew.Teliszewsky@ontario.ca>
Sent: Friday, February 24, 2017 11:14 AM
To: Katona, Keley (ENERGY)
Cc: Imbrogno, Serge (ENERGY); Whittington, Matt (ENERGY); Tresise, Landon (ENERGY); Baker, Carys (ENERGY)
Subject: Re: Long Island Model

Hi.

So for this and the Duke example. PO asking what happened in practical terms.

So, these measures had the effect of lowering rates in the near term / spreading the cost more efficiently across the rate-base and spreading out the charges. What was the % decrease in the near term and what was the pressure in the long term was (i.e. What happened to the Duke / Long Island "red line", and how much above their "black line" did it go up, etc.)

Atel/

Andrew Teliszewsky

Chief of Staff | Office of Hon. Glenn Thibeault
Ministry of Energy
andrew.teliszewsky@ontario.ca
416-327-3550 (o)
416-436-6370 (m)

On Feb 23, 2017, at 4:12 PM, Katona, Keley (ENERGY) <Keley.Katona@ontario.ca> wrote:

Hi Andrew,
Attached is a summary of the Long Island legislative framework.
Keley

<BN summary_of_securitization_provisions_in_LIPA_Reform_Act Feb 2 2017.docx>