Re: Rate Mitigation

From: "Imbrogno, Serge (ENERGY)" <"/o=govon/ou=ontario public sector - iserv ems/cn=recipients/cn=imbrognose">
To: "Calwell, Carolyn (ENERGY/MEDEI/MRI)" <carolyn.calwell@ontario.ca>
Cc: "Katona, Keley (ENERGY)" <keley.katona@ontario.ca>
Date: Mon, 23 Jan 2017 09:22:37 -0500

Yes. Thanks

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Calwell, Carolyn (ENERGY/MEDEI/MRI)
Sent: Monday, January 23, 2017 9:01 AM
To: Imbrogno, Serge (ENERGY)
Cc: Katona, Keley (ENERGY)
Subject: RE: Rate Mitigation

I can get that started at the MAG end. Torys, but not Sharon, has experience with the FIT contracts. We will need them to do a conflicts check. Can I reach out to Sharon?

From: Imbrogno, Serge (ENERGY)
Sent: January-23-17 8:58 AM
To: Calwell, Carolyn (ENERGY/MEDEI/MRI)
Cc: Katona, Keley (ENERGY)
Subject: Fw: Rate Mitigation

Hi. Wondering if Alan may need external legal to support his work? Can we use Sharon? Serge

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Orsini, Steve (CAB) <Steve.Orsini@ontario.ca>
Sent: Monday, January 23, 2017 6:16 AM
To: Imbrogno, Serge (ENERGY); Clark, Ed (CAB)
Cc: Bromm, William (CAB); Kwamena, Boafoa (CAB)
Subject: Re: Rate Mitigation

Will do.

Steve Orsini

Sent from my BlackBerry Priv

On Jan 23, 2017 5:37 AM, "Imbrogno, Serge (ENERGY)" <Serge.Imbrogno@ontario.ca> wrote:
Hi Steve,

We're meeting with Alan this morning to support his work. It would be helpful if you could ask Patrick to make this a priority for MAG and to work closely with ENERGY.

Serge

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Orsini, Steve (CAB)
Sent: Sunday, January 22, 2017 3:20 PM
To: Imbrogno, Serge (ENERGY); Clark, Ed (CAB)
Cc: Bromm, William (CAB); Kwamena, Boafoa (CAB)
Subject: RE: Rate Mitigation

Serge,

I spoke to Ed today. We like your suggestion on trying to claim any extension of FIT contracts as credits for cap and trade as well as funded through proceeds.

Please work up the analysis.

Thanks

Steve

-----Original Message-----
From: Imbrogno, Serge (ENERGY)
Sent: January-21-17 1:51 PM
To: Clark, Ed (CAB); Orsini, Steve (CAB)
Subject: Rate Mitigation

Hi Steve, Ed,

I wanted to share some thoughts with you before sharing with a broader audience.

I was thinking of an energy policy rationale for the re-contracting work Alan is exploring. One could argue the original contract terms for wind and solar contracts where put in place to accommodate investors and developed at a time before our cap and trade plan was formalized. By extending the term of the wind and solar contracts, we would be locking in an additional 10 years of GHG free emissions. This would be consistent with our thinking around the long term energy plan which contemplates additional supply to enable the electrification of transportation and other sectors. I would also argue the extension could be funded with future cap and trade proceeds. This would allow us to lock in this GHG free supply at no additional cost to the rate base or tax base. This would achieve the immediate benefit of reducing rates in the near term and would put downward pressure on rates in the out years assuming we can pay for the extension with future cap and trade proceeds.

On gas plants, extending these contracts would be inconsistent with the above policy rationale. A better approach for the gas contracts would be to negotiate for reduced output in the near term, which would eliminate GHGs and would allow ratepayers to share in variable cost savings (eg. Labour, gas, etc). IESO would have to give us a MW target that would be appropriate from a system perspective. We could also think about employing OPG to negotiate the purchase of certain gas assets. For example, OPG is a partner with TransCanada at Portlands. The new TransCanada plant at Napanee is co-located on OPG property and sits beside OPG's Lennox facility. OPG is also a 50% owner of ATCO. If these assets where purchased by OPG it would give us more flexibility to restructure the contracts and would also help OPG's balance sheet.

The major challenge with the re-contracting option is timing and ability to match near term costs savings compared to the GA refinancing option. Given the re-contracting option is financed at a reduced WACC, it would be difficult to match the savings from the GA option which is financed at 5%. However, one could argue that we are underestimating the risk associated with the GA refinancing option. For example, the additional debt on the province's balance sheet may trigger a review of the province's credit rating. The accounting risks and consolidation are also significant.

Serge

Sent from my iPad