Ministry of
Office of the Minister

Ministère de
Bureau du ministre

Ontario

June XX, 2017

MEMORANDUM TO: Charles Sousa
Minister of Finance

FROM: Glenn Thibeault
Minister of Energy

RE: Request for section 28 approval of indemnities to the IESO, OPG, OPG's subsidiaries, and respective directors, officers, and employees in relation to the Ontario Fair Hydro Plan

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I am writing to request approval under section 28 of the *Financial Administration Act* ("FAA") the forms of indemnity for the IESO, its directors, officers, and employees; and OPG, OPG's subsidiaries (other than any financing entities as defined in the *Ontario Fair Hydro Plan Act, 2017* (the "*Act"*)) and their respective directors, officers, and employees (collectively the "Protected Persons"). Ministry of Finance and Ministry of Energy staff have worked together to review OPG's and IESO's indemnity requests and finalize materials.

OPG and the IESO have each requested an indemnity covering their respective corporations, directors, officers and employees in relation to their activities in carrying out the implementation of the Plan. OPG has also requested this form of indemnity for its subsidiaries (other than any financing entities as defined under the Act) ("Subsidiaries") and respective directors, officers and employees. The Ministry of Energy has committed to providing these indemnities. The Minister of Energy ("Minister") has been briefed and supports this request for approval.

The *Act* enables the implementation of the Ontario Fair Hydro Plan (the "Plan"). Under the Plan, the government has proposed to take steps to lower electricity bills on an after-tax basis by 25 per cent for a typical residential customer relative to what those bills would otherwise have been without the Plan. This proposed 25 per cent rate relief measure will be inclusive of the 8 per cent rebate that is already in effect under the *Ontario Rebate for Electricity Consumers Act, 2016* and the savings that are anticipated to result from the proposed shifting of the Ontario Electricity Support Program ("OESP") and the Rural or Remote Rate Protection program ("RRRP") costs from ratepayers to provincial revenues. Changes to the Global Adjustment (“GA”) are also proposed to be a component of the 25 per cent rate relief under the Plan.

The Plan is a novel program, the first of its kind in Canada. Because the work to be undertaken by OPG, OPG’s Subsidiaries, and IESO in carrying out their roles in implementing the Plan will fall outside of the usual operations/business risk that these corporation’s face, there is a risk that these corporations and their directors, officers, and employees may be subject to increased liability specifically due to their roles with the Plan. This risk arises in part because of the kind of market that OPG, and IESO indirectly, are to participate in, and the steps that investors could take to protect their investments.

The indemnities will provide OPG, OPG’s Subsidiaries, the IESO and their respective directors, officers and employees with assurance against liability in order to allow them to comprehensively carry out their respective roles in the successful implementation of the Plan.

My recommendation to provide this approval is based on the attached submission prepared by staff. The attached submission includes a description of the contingent liabilities. The cost or estimated cost of the contingent liabilities cannot be quantified. Should the payment be required, the Ministry will return to TB/MBC for an increase in its allocation.

Approval of these indemnities is requested by June 30, 2017. Failure to obtain approval could jeopardize the implementation of the Plan.

Thank you for your consideration of this request for section 28 approval. Please contact the Ministry of Energy should you have any questions pertaining to the request.

Sincerely,

Glenn Thibeault
Minister

Enclosures