RE: Hydro Regs- Materials

From: "Teare, Rebecca (CAB)" <rebecca.teare2@ontario.ca>
To: "Schlaepfer, Martin (ENERGY)" <martin.schlaepfer@ontario.ca>, "Hindmarch-Watson, Tim (CAB)" <tim.hindmarch-watson2@ontario.ca>
Cc: "Moore, Karen (CAB)" <karen.moore4@ontario.ca>
Date: Fri, 27 Oct 2017 11:18:04 -0400

Thanks very much.

From: Schlaepfer, Martin (ENERGY)
Sent: October 27, 2017 10:36 AM
To: Teare, Rebecca (CAB); Hindmarch-Watson, Tim (CAB)
Cc: Moore, Karen (CAB)
Subject: RE: Hydro Regs- Materials

Hi Rebecca,

Below are responses to your questions.

Thanks,
Martin

- With respect to the last sentence in the language provided below, does ENERGY have any concerns with stating that the repayment period will begin in 2027 (rather than late 2020s)?

There is some uncertainty around the exact date when repayment begins, so we prefer to leave it at "late 2020s".

- Please provide more details on why OPG advises that to meet its accounting requirements an initial lump sum of $3.1 million is needed to ensure that is can operate on a "commercial basis" for the first seven months of the plan.

OPG has advised that without this payment they would be operating at a loss for 2017. OPG needs to operate on a commercial basis under the OFHP accounting framework.

- Is the proposed 7.5 basis points base fee for the Jan 1 2018 to March 31 2019 consistent with comparable service providers?

According to OPG, it is at the low end of comparable fees for securitization products. It has been reduced from OPG's initial ask of 10 basis points.

- What kind of performance metrics would the performance-based fee be based on?

OPG is eligible for performance-based fees based on the financing rate that is secured for their debt issuances. OPG's actual rate is compared to a forecast rate (approved by the OEB), and OPG receives 10% of the spread. Conversely, if OPG's rate is higher than forecast, they pay a penalty of 10% of the spread.

From: Teare, Rebecca (CAB)
Sent: October 27, 2017 9:22 AM
To: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>; Hindmarch-Watson, Tim (CAB) <Tim.Hindmarch-Watson2@ontario.ca>
Cc: Moore, Karen (CAB) <Karen.Moore4@ontario.ca>
Subject: RE: Hydro Regs- Materials

Hi Martin,

Thanks very much for your review. We received a couple other questions that I'm hoping you can kindly please advise on at your earliest convenience this morning:

- With respect to the last sentence in the language provided below, does ENERGY have any concerns with stating that the repayment period will begin in 2027 (rather than late 2020s)?
- Please provide more details on why OPG advises that to meet its accounting requirements an initial lump sum of $3.1 million is needed to ensure that is can operate on a "commercial basis" for the first seven months of the plan.
- Is the proposed 7.5 basis points base fee for the Jan 1 2018 to March 31 2019 consistent with comparable service providers?
- What kind of performance metrics would the performance-based fee be based on?

Also, can you please provide an update on timing for when the regs will be signed today?

Many thanks,
Rebecca

From: Schlaepfer, Martin (ENERGY)
Sent: October 27, 2017 8:32 AM
To: Hindmarch-Watson, Tim (CAB)
Cc: Moore, Karen (CAB); Teare, Rebecca (CAB)
Subject: Re: Hydro Regs- Materials

Hi Tim,

Please see a proposed edit from our MO below in red.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: Friday, October 27, 2017 12:36 AM
To: Hindmarch-Watson, Tim (CAB)
Cc: Moore, Karen (CAB); Teare, Rebecca (CAB)
Subject: Hydro Regs- Materials

Thanks, Tim. This works for us.

I'll have to get back to you on the signing tomorrow.

Thanks,
Martin

From: Hindmarch-Watson, Tim (CAB) <Tim.Hindmarch-Watson2@ontario.ca>
Sent: Thursday, October 26, 2017 4:51 PM
To: Schlaepfer, Martin (ENERGY)
Cc: Moore, Karen (CAB); Teare, Rebecca (CAB)
Subject: RE: Fair Hydro Regs- Materials

Hi Martin:

I know you are likely all offsite at the moment, but wanted to flag something for you that OPCD caught when reviewing the pink note.

The note had contained the statement that the clean energy adjustments would appear at the beginning of the repayment period. However, it is our understanding that due to nuances in the legislation, the CEAs would actually appear at the end of the inflationary cap period, but that these will be small as they will only represent interest payments. This is not the way it has been represented to members in previous notes and, as such we are proposing to include the following in the note:

> It was originally intended that the clean energy adjustments would appear on customer's bills at the beginning of the repayment period. However, the way the legislation operates, the clean energy adjustments will appear on customer's bills once the inflationary cap period is complete. These payments are expected to be small as they will represent interest payments, and not repayment of the principle until the repayment period begins in the **late** 2020s.

Can you please review ASAP and get back to us on this as well as the plan to have the minister sign offsite tomorrow?

Thanks,

Tim Hindmarch-Watson
416-325-4618

From: Schlaepfer, Martin (ENERGY)
Sent: October-24-17 6:03 PM
To: Hindmarch-Watson, Tim (CAB)
Cc: Moore, Karen (CAB); Teare, Rebecca (CAB)
Subject: RE: Fair Hydro Regs- Materials

Hi Folks,

Sorry, please use this version of the pink note. Minor changes.

Thanks,
Martin

From: Schlaepfer, Martin (ENERGY)
Sent: October 24, 2017 5:49 PM
To: Hindmarch-Watson, Tim (CAB) <Tim.Hindmarch-Watson2@ontario.ca>
Cc: Moore, Karen (CAB) <Karen.Moore4@ontario.ca>; Teare, Rebecca (CAB) <Rebecca.Teare2@ontario.ca>
Subject: RE: Fair Hydro Regs- Materials

Hi Folks,

Attached are the current drafts of the regs, the approval form, and comments/edits on the pink note.

The regs and approval form are still undergoing changes, but these are near final. I hope to get you updated ones tomorrow.

Thanks and sorry for the delay in getting these to you.
Martin

From: Hindmarch-Watson, Tim (CAB)
Sent: October 24, 2017 8:47 AM
To: Schlaepfer, Martin (ENERGY) <Martin.Schlaepfer@ontario.ca>
Cc: Moore, Karen (CAB) <Karen.Moore4@ontario.ca>; Teare, Rebecca (CAB) <Rebecca.Teare2@ontario.ca>
Subject: Fair Hydro Regs- Materials
Importance: High

Hi Martin:

Following up to see where materials are at for the Fair Hydro Plan regs? We really need to have the package, including comments on the draft note, this morning if we are going to be able to ensure that the item stays on for the 30th.

Thanks,

Tim Hindmarch-Watson
Policy Advisor
Justice, Resource and Environmental Policy
Policy and Delivery Division
Cabinet Office
416-325-4618