ANNOTATED AGENDA
MO UPDATE: November 7, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. IESO Credit Facility

- Staff have worked hard to finalize the IESO credit facility for $2 billion for the implementation of the Fair Hydro Plan.
  - The existing $975 million facility is currently more than $800 million drawn.
  - Once the $2 billion facility is facility is put in place, the $975 million facility is to be reduced to $495 million.
- Staff received scanned executed copy of the letter agreement, which provides concurrence by all involved parties on the intercept provision, and the credit facilities agreements on Monday.

2. Impact of the FHP on Certain NUGs

- Staff for OEFC have drafted a potential letter from the Minister of Energy to the Minister of Finance that would provide support for a direction from the Minister of Finance to OEFC to allow for discussions with affected NUGs on the potential impact of GA deferral on their rates and options to avoid such impacts, if that is the outcome affected NUGs prefer.
  - This draft letter has been shared with Energy at a staff level and based on feedback from Energy, a new draft has been prepared.
  - Key feedback was to clarify that the letter focuses on the impact of the deferral of cost recovery of parts of the GA aspect of the FHP and not other aspects of Fair Hydro Plan (FHP) that removes costs from the ratebase, such as government funding of costs of the Rural or Remote Rate Protection and the Ontario Electricity Support Program.

3. Ottawa River Water Powers Act

- MNRF has organised a meeting with Cabinet Office, ENERGY and MOF to discuss the negotiations with Quebec on the water rental rates for the hydroelectric stations on the Ottawa River.
- The current 25 year agreement sets rates to the end of 2017 and had included significant increases over that period.
- The current rates are now relatively similar to the rates for water power rentals in each of Ontario and Quebec for power dams on Provincial Crown lands.
  - Ontario's water power rentals are a component of the Gross Revenue Charge, established under the Electricity Act, 1998, and related regulations, under the authority of the Minister of Finance.
- MOF issues might include maintaining the fiscal plan framework and not be seen as setting an adverse precedent for Ontario's GRC.

4. Constance Lake First Nation (CLFN) Meeting Request

- Meeting scheduling between the Chief and the Deputy is pending, but is currently targeted for November 22 with a pre-brief planned for November 17.
- CLFN has approached ENERGY seeking capacity funding for their advisor for discussions with OEFC/MOF.
    - ENERGY has indicated that they are amenable to providing such funding, but sought MOF's input on such funding being provided.
    - Staff provided feedback to ENERGY that this was for Energy to determine, noting that MOF would not be expressing an opinion on the matter.

OTHER ISSUES

5. Section 28 Approval for ONTC Line of Credit

- The Ministry of Northern Development and Mines (MNDM) is seeking s. 28 approval to allow the Ontario Northland Transportation Commission (ONTC) to establish a $5 million line of credit with the Ontario Financing Authority (OFA) to manage its cash flow related to operations and capital spending.

- MNDM received Treasury Board/Management Board of Cabinet (TB/MBC) approval on October 31 to move forward with an Order in Council (OIC) authorizing ONTC to borrow from the OFA.
  - ONTC requires an OIC in order to have the authority to enter into a LOC agreement with the OFA.
  - Before the OIC can be approved by the Lieutenant Governor in Council (LGIC), MNDM must have approval from the Minister of Finance under subsection 28(1) of the *Financial Administration Act.*

- This item is tracking to Cabinet for **November 15, 2017**, pending s. 28 approval.

- CEFD staff are working with MOF/OFA Legal to finalize the s.28 approval package and Minister's Directive, to be signed by the Minister of Finance.

- If the Deputy Minister or Minister would not be in a position to review this item prior to November 15, 2017, CEFD staff will work with TBS and/or MNDM on alternative options.
  - TBS has been discussing alternative options with Cabinet Office. TBS staff have stated that if absolutely necessary, it would be possible to delay the LGIC signing by a week. In this case, a formal request to delay signing would need to be made from MNDM's DMO or legal director.

6. Loan Program for Energy Retrofit Projects at Colleges and Universities\

- MOECC/MAESD received Treasury Board approval on July 25th of a $300M loan program through the OFA to finance energy retrofit projects at colleges and universities.
  - MAESD has been asked to provide a comfort letter signed by its Minister indicating MAESD's commitment to backstop this loan program and to cover interest payments. The comfort letter has been drafted as well as an MOU between MAESD and OFA outlining duties and responsibilities for these loans, which have been shared with MAESD staff.
- MAESD is seeking an FAA s.28 class exemption specific to this program as some of the projects will exceed the materiality threshold amounts set out in the current proposed exemption regulation.
  - MoF/TBS legal have provided drafting instructions to Leg Counsel.

   - Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of November, provided that Leg Counsel is able to complete the drafting of the regulation.

7. College Class Exemption Regulation

- MAESD Minister has sent a request to the Minister of Finance for a limited college class exemption regulation under existing FAA s.28 based on materiality thresholds, as an interim measure.
- It is assumed that colleges are not going to be exempted entirely at this time (pending a review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not).
- MoF Legal has prepared drafting instructions to Leg Counsel re: college class exemption based on materiality thresholds.
- Ministerial approval of the joint MOF/TBS regulation is expected to be sought by the end of November – early December, provided that Leg Counsel is able to complete the drafting of the regulation.

8. Ministerial Lending Directive – OFA Loan to OCRC

- The Cannabis Secretariat is seeking a loan of up to $150M for the Ontario Cannabis Retail Corporation (OCRC) to cover the corporation's set up costs, in accordance with policy approval obtained from Treasury Board on October 17, 2017.
- Recently introduced legislation establishing the new corporation is expected to be passed before the House rises in December.
- Prior to entering into a loan agreement with the OCRC in December, the OFA will require a ministerial lending directive (by the end of November) authorizing it to make the loan.