ANNOTATED AGENDA
MO UPDATE: May 15, 2017

ELECTRICITY & ASSET OPTIMISATION RELATED ISSUES

1. MNO Solar Inc. ALGP Application

- The MNO Solar Inc. project is a portfolio of 50 small solar projects with an aggregate nameplate capacity of about 13 MW. All sites have reached commercial operation.
- In July 2016, MNO Solar Inc. received a conditional offer of a loan guarantee under the ALGP for $6.471 million. MNO accepted the conditional offer in August 2016.
- At this point, there is no reason to believe that the guarantee agreement will not be successfully concluded.
- OFA comments on some key documentation, including the limited partnership agreement, and intercompany loan agreements, remain unaddressed.
    - MNO Solar Inc. counsel have previously indicated that they needed to engage with their partner, BrightRoof Solar, to address these comments.
    - To assist with this engagement and at the request of MNO Solar Inc. counsel, the OFA and TD Bank, the Lender under the guarantee agreement, shared a draft of the Loan Agreement with MNO Solar Inc. counsel on February 8.
    - MNO Solar Inc. counsel met with their partner May 10 and has informed the OFA to expect updated documentation as early as the week of May 22.
- An initial financial model and project report was prepared by the OFA's due diligence advisors to support the conditional offer.
    - These are being updated to reflect recently received information.
    - The OFA continues to wait on the amortization schedules for the Intercompany Loan Agreement, a summary of operating costs to-date, and a summary of historical generation to-date, to complete the financial modelling and project report to support the conclusion of the guarantee process and the final size of the loan guarantee under the ALGP. This outstanding information should also be forthcoming as early as the week of May 22.
- The OFA has worked with Ministry of Finance Legal Services to prepare a draft guarantee agreement based on current documentation in order to be able to move forward with negotiations once updated documentation is available.
    - Once the updated documentation is provided, the OFA will review to identify any remaining outstanding issues.
    - At that point, active engagement between the OFA, MOF Legal, TD Bank and MNO Solar Inc. can take place to successfully conclude the guarantee agreement and associated documentation.
    - The process of documentation negotiation between parties usually takes several months.

2. Ontario Fair Hydro Plan – Equity Injection

Staff from CEFD, OFA capital markets, Ministry of Finance, and OPG continue to discuss the mechanics behind an equity injection between the Province and OPG to support the Ontario Fair Hydro Plan.

- The CEFD and EIGS staff are working to establish clarity and steps required on the Provincial approvals for the equity injection, with common equity structure [with a new class of shares] looking to be the mechanism.

3. IESO Credit Facility – FHP Requirements

- IESO raised the potential requirements for financing the Fair Hydro forecast variances.
    - A letter requesting incremental credit facility of $1.5 Bn in potential borrowing requirements is requested, composed of a new FHP-purpose facility of $2 bn, and a reduction of the existing $975 million facility to $475 million.
    - OFA expressed the view to IESO that a new, separate facility for FHP would better track the amounts related to the FHP.
- Staff are preparing a draft Minister's Directive to the OFA to provide the new and revised facilities to the IESO.
- To allow for this [add wording in on the required OIC amendment to expand the OFA's total amount of credit facilities].

4. Cochrane Solar Project Update

- The Cochrane Solar Project (CSP) submitted its application to the Aboriginal Loan Guarantee Program (ALGP) early in 2015.
    - The Applicant purchased its equity interest in October 2015.
- In early 2017 ALGP staff became aware that the CSP is only performing at 75% of forecast for the twenty two months ended April 2017. The underperformance is attributable to snow accumulation on the panels.
- For this application staff have raised with the advisor for the applicants the possibilities of considering deferring the application until more generation experience exists to support the requested amount, or, alternatively, to size the guarantee based upon, e.g., lower actual output to date as reflective of the longer term average.
    - Generally, the ALGP would size the loan based upon a statistically conservative analysis compared to forecast as opposed to having actual output data.
    - Even based on actual data to date, the loan supportable would be estimated at about half the amount applied for to be guaranteed – TBD, subject to further due diligence.
- If the partner can develop an effective and successfully evidence better output from, e.g., a snow clearing plan, an initial lower guarantee amount may be increased at a later date.

- The Applicant and its project partner are considering the impacts or either option and will be advising ALGP staff after further reflection.

5. NUG Curtailment

- In order to facilitate a curtailment agreement between the Independent Electricity System Operator (IESO) and Northland Power for its Iroquois Falls NUG facility, Northland has requested that OEFC agree to suspend rather than terminate its Power Purchase Agreement (PPA) with Iroquois Falls for the remainder of the PPA term. The Iroquois Falls PPA expires at the end of 2021.
- Northland does not want to terminate the PPA as they believe a termination could make it difficult for Iroquois Falls to make a claim against OEFC if it disagrees with OEFC's calculation of the escalation and indexation used in the Iroquois Falls PPA, which is also proposed to be used in a curtailment agreement with IESO.
- Staff are reviewing options to address Northland's concerns and facilitate the negotiation process with IESO.
- At present, IESO has short term curtailment agreements with 4 other NUGs and is working towards a long term curtailment agreement with Iroquois Falls.

6. Recovery of Standstill NUG payments

- On April 19, 2017 the Minister of Energy sent a letter to the Minister of Finance requesting that the Minister direct OEFC to recover retroactive payments to standstill NUGs through the Independent Electricity System Operator's (IESO) settlement process over a six month period to ensure greater consistency with the smoothed cost recovery for Regulated Price Plan electricity consumers.
- A response letter has been drafted for the Minister of Finance's signature that will serve as both a response to Minister of Energy and as an authorization for OEFC to recover payments over 6 months.

OTHER ISSUES

7. College Class Exemption Regulation

- Expecting request from MAESD Minister to Minister of Finance for limited college class exemption regulation based on materiality thresholds.
- For the time being it is assumed that colleges are not going to be exempted entirely at this time (pending enabling legislation, review of regulations under the revised legislation – including business cases on potential sectors to prescribe or not), and MAESD will be proceeding with the request for a more limited class exemption under the existing FAA s.28 provisions.

8. Ottawa Convention Centre (OCC) Loan

- OCC has recently notified the OFA of a material adverse change pursuant to their loan agreement and that the OCC Board is requesting that the Ministry of Tourism, Culture and Sport assume the OCC's redevelopment debt.
- OFA will be working with MTCS and OCC on reviewing the OCC and loan workout options.

9. Immigrant Investor Program – Notice of Termination

- The Ministry of Citizenship and Immigration is seeking the Minister of Finance's immediate approval to suspend the receipt of funds from the Federal Immigrant Investor Program (IIP) to the Ontario Immigrant Investor Corporation (OIIC), for the purposes of enabling the OIIC to meet its planned wind down date, which is expected to be in fiscal 2021-22.
- The Province can trigger a suspension if the Minister of Finance were to send a termination notice to the federal Minister of Immigration, Refugees and Citizenship advising that the Province would no longer guarantee the repayment of any future provincial allocations transferred to the OIIC after a specific date.
    - The termination notice should be delivered before the next allocation of federal monies. Otherwise the wind down of the OIIC could be pushed back to 2022-23.
- OIIC will continue to manage prudently the existing funds under its administration to ensure that the outstanding obligations to immigrant investors will be met in their entirety.