ONTARIO FINANCING AUTHORITY CREDIT FACILITY TO THE INDEPENDENT ELECTRICITY SYSTEM OPERATOR TO SUPPORT THE FAIR HYDRO PLAN:

EXPEDITED REQUEST – PRESIDENT OF TREASURY BOARD AS ALTERNATE FOR MINISTER OF FINANCE DIRECTIVE FOR AN EXEMPTION FROM THE OFA LENDING POLICY INTERCEPT PROVISION

The Independent Electricity System Operator (IESO) requests the Ontario Financing Authority (OFA) to execute and put in place the OFA to IESO credit facility required for its role under the Ontario Fair Hydro Plan Act, 2017. On June 29, 2017, the Minister of Finance provided a Lending Directive to accommodate IESO's request.

As required by OFA's Lending Policy, the OFA is returning to request a Minister's direction to exempt from the requirement to include an intercept provision in the Ontario Fair Hydro Plan (OFHP) Credit Facility agreement, as well as the original credit facility agreement.

STATUS UPDATE

- IESO's treasury and pension staff has raised significant concerns about not having the OFHP credit facility in place by the end of August 2017:
    - A ratings agency, Moody's, has raised its concern that the $2 billion facility has not been put in place.
    - Moody's main concern relates to the rapid utilization of the existing $975M facility at a rate of about $200-250M per month (the existing facility is being used, as expected, by the IESO on an interim basis until the new facility is in place).
    - Given that the first bond issuance by OPG's Financing Entity is not expected until later in the fall, the timely execution of the OFA to IESO OFHP credit facility is of a significant concern.
        - OPG's financing entity would use the proceeds from the bond issuance, as well as financing from OPG and, indirectly, the Province as shareholder, to purchase the regulatory asset from IESO, which would use the proceeds to pay down the draws on the OFA credit facility.
    - The timely execution of the OFHP credit facility is also an important priority of the IESO management and Board of Directors, with the expectation that a credit agreement would be in place by the end of August 2017.

RECOMMENDED NEXT STEP

- Request obtaining the Intercept Exemption Directive from the President of Treasury Board, as alternate for the Minister of Finance.

Corporate and Electricity Finance Division
August 23, 2017