Ontario Electricity Financial Corporation
1 Dundas Street West
Suite 1400
Toronto ON M7A 1Y7

Société financière de l'industrie de l'électricité de l'Ontario
1 rue Dundas ouest
Bureau 1400
Toronto ON M7A 1Y7

Ontario

Phone: (416) 325-8000

January x, 2018

Addressee
[NUG Owner Name]
Address

Dear *[Name]*,

Re: Fair Hydro Plan and Total Market Cost

I am writing to you about legislative amendments that became effective in 2017 that affect the calculated value of the price indices in the power purchase agreement dated March 30, 1994, between Ontario Electricity Financial Corporation ("OEFC") and [Name of NUG], as amended, with respect to the [Name] generating facility (the "PPA"). The PPA provides for rate escalation based on the changes to price indices derived from the Total Market Cost ("TMC") price index. Under the PPA, OEFC is required to calculate TMC for each year.

TMC is established under the PPA to be the cost of electricity delivered on a 100 per cent load factor firm basis to a wholesale market participant load customer connected at the relevant voltage. In N-R Power and Energy Corporation v. Ontario Electricity Financial Corporation, 2015 ONSC 1641, it was determined that TMC should be calculated to include the amount of Global Adjustment payable by all energy consumers allocated on a pro rata energy use basis. In the decision for this case Mr. Justice Wilton-Siegel concluded that, as a conceptual matter, TMC is understood to comprise all energy-related costs that are intended to be recovered from electricity customers, including but not limited to all of the costs associated with the generation and supply of electricity. OEFC calculates TMC in accordance with this decision. The TMC for each year includes the electricity costs recovered from energy consumers in that year.

Recent changes under the *Ontario Fair Hydro Plan Act, 2017* ("the Act") mean that for certain consumers a portion of the Global Adjustment that would have been payable by these customers in the initial years will be deferred (defined as the "IESO deferral" in the Act) and eventually recovered as payable by specified customers in future years of the Ontario Fair Hydro Plan ("OFHP") through the clean energy adjustment ("CEA"), as defined in the Act.

Since the calculation of the TMC index for any year would only include amounts charged to energy consumers in that year, the IESO deferral amounts would not be included in the amount of TMC for the year. Similarly, the CEA, which will be charged to energy consumers in later years, would be included in TMC in those later years.

The Province has provided direction to OEFC that it is appropriate to provide options to NUG PPA holders as to how the IESO deferral and the CEA will be reflected in the annual calculation of TMC

This letter seeks your input on how the IESO deferral and CEA recovery under the OFHP should be reflected in the annual calculation of TMC under the PPA. Staff for OEFC have identified two options:

Option 1: Status Quo – no changes to the definition of TMC. In this case, IESO deferral amounts would not be included in the calculation of TMC and CEA amounts would be included in the calculation of TMC in future years of the OFHP.

Option 2: The definition of TMC under the PPA would be amended a) to include the total of the IESO deferral amounts for each year in the calculation of TMC and b) to exclude the total amounts of CEA charged to energy consumers in each year in future years of the OFHP.

If you agree to the amendment of the definition of TMC as described in Option 2, please confirm this by signing and returning the confirmation below by January 31, 2018. After this date, OEFC will assume that [Name of NUG] does not wish to pursue Option 2 with respect to the PPA

Staff for OEFC are also available to meet and discuss the issue and options identified in this letter. If you have any questions, or would like to arrange a mutually agreeable time to discuss, please contact Emily Kerr at Emily.Kerr@ofina.on.ca or 416-325-8356.

Thank you for your consideration of this matter.

Yours truly,

ONTARIO ELECTRICITY FINANCIAL CORPORATION

By: ______________________________

Name:
Title:

Option 2 - Accepted and agreed to, this ___ day of _____, 2018.

[Name of NUG]**.**

By: ______________________________________

Name:

Title:

I have authority to bind the corporation.