

IESO Credit Facility - FHP Requirements

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Hi Marianne,

Hope you had a good weekend!

I have the approval package for Minister signature re: approval to authorize the Minister to make a loan to the OFA, as part of the Energy's FHP submission tracking to June 27th LRC.

We spoke about this at our weekly but as a reminder, here is a quick summary below.

Issue

- **OIC will be required to borrow money from the Province in an amount of up to \$2.0 billion, subject to terms and conditions of a Minister's directive to the OFA on how the loan can be used.**
 - o OFA currently provides a \$975 million credit facility, they would reduce that to \$475 million, so it would be an incremental increase of \$1.5 B in potential borrowing requirements.

Context

- Independent Electricity System Operator (IESO) borrowing requirement for the FHP from OFA.
 - o The IESO is anticipated to have financing requirements for short to medium term funding shortfalls in the implementation of FHP.
- There is expected to be initial and potential ongoing IESO cash flow requirement timing differences.
 - o The OPG Special Purpose Vehicle (SPV) is not anticipated to be established and able to borrow to finance the purchase of the regulatory asset from the IESO until later in 2017 (planned for later in summer 2017; however, exact timing is subject to actual implementation).
 - o Even once the SPV is set up to borrow, there is expected to be timing differences between the IESO's monthly settlement process when it has to pay generators and when the SPV purchases the asset from IESO.
 - o Also, under the legislation, OPG's SPV is not required to purchase 100% of the regulatory asset at any given time
 - o Loan is needed to cover clean energy costs if for some reason the OPG Trust chooses not to purchase a portion of the deferred Global Adjustment amounts under the proposed FH Act.

I will drop off the package shortly. Let me know if you have any questions.

Thanks,

Jonathan Tekle

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