Electricity File
March-15-17
9:09 AM
Update from OPG

-- more comprehensive modelling required for rating agencies -- will probably need 3 rating agencies -- plans for soft sounding during the next few weeks
-- may need customer data

-- considering whether there is a need for a new class of shares re: equity injection

-- OFA considering whether OFA could provide initial financing -- concern over crossing quarters and having to report; temporary only; permanent is not ok; could the OFA act as a lead buyer -- for a small percentage -- could drive interest rate down -- cognizant of accounting risks -- OPG will connect with OFA

-- GA -- DM -- has to be flexible re: exact amounts -- how does that impact the financing

-- discussions with OPG board last week -- special committee of the board set up to deal with this issue -- first meeting this Friday

IESO -- conversations with IT re: how system will work; continuing to work with KPMG with formal opinion

Legislation -- not in a good draft form yet

OEB -- work on a letter from the Minister re: rate setting for RRP as of May 1 -- should be ready for review by legal within a day or two; letter includes reference to OESP (off the bill for May 1); sending a letter of direction to the LDCs to be up and running for May 1; working on increasing enrolment (won't be by May 1 -- perhaps by July 1)

May 1 -- RPP rate reset to include first rate that has smoothing; OESP is removed, etc -- will need some quick facts for communications purposes (will the legislation be passed by then -- probably ok if not, as the OEB is coming up with a forecast)

July 1 -- RRRP delivery line change effective (will be retroactive to July 1 regardless of implementation timing)

Legislation -- have met with external firms
5 buckets -- see document

Affordability fund

TPA and Trust Deed with Blakes -- expecting to have documents finalized by the end of next week

Computershare -- initial trustee (professional administrator) -- within a certain timeline, trustees would be appointments, up to 5 -- LDCs and social services agencies (3 + 2)

RRRP/OESP/First Nations
-- OESP -- may need a reg; reg posted for comment -- deals with three enhancements
-- met with MCSS re: automatic qualification
RRRP -- first working group meeting next week -- 7 LDCs + IESO + OEB; many LDCs going through rate hearings -- need to assess impact
First Nations -- decision point -- who is eligible (First Nations living on reserve? -- needs to be a geographic boundary)

ICI -- regulation posted for next 30 days

Warehouse facility -- true up -- how does this actually work? -- How does RPP currently work re: forecasting $500M to $1B -- short term borrowing facility -- warehouse facility will purchase the asset and then refinance it with long-term borrowing

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Legal update (Blakes)
Deferral in the short term -- of the costs of the GA -- moving to talking about it as the process of spreading the capital cost of moving away from coal (a way of articulating what the program is) -- not a nuts and bolts issue -- a way to keep the program as a regulatory program
Q -- how does that matter if challenged -- this is a major tool to defend against a potential challenge; would be perfect if the program shows that the ratepayers had overpaid in the period to date; intergenerational funding of infrastructure
Energy -- working with Navigant to complete a study of the useful life of the assets

Asset (future cash flow) -- has to be clearly defined -- means by which the asset is raised (collected) has to be clearly defined; how easy will it be for consumers to opt out; asset produces no cash flow in the initial period of time;
Q -- how specific will the legislation get on recovery? Will have to link to consumption of energy; will have to be clear that it can be traced through IESO/through LDCs/through to consumer; not planning for detailed calculations to be included in the legislation (will appear in the regulations)
Blakes -- working through US regulations
OPG -- has hired Goldman/RBC/CIBC to assess difference between US and Canada -- Goldman lead on looking at legislation

Shortage in cash flow over time -- may not be able to borrow against the asset (need modelling) -- intersects with role of equity; first few years -- commitment not to increase beyond rate of inflation -- will lenders accept that interest being part of the next GA deferral (need modelling)

Two key issues to work through with agencies -- when does responsibility move from IESO to OPG -- OPG to get back to legal folks

What happens if commodity prices go up and there is no GA?

Legislation -- pens down on April 17 -- introduction in the House May 4; TB Monday May 1 before LRC; opinions from accounting firms available by Monday May 1; legislation to be sent from Carolyn

OPG Update
-- Board committee up and running
-- Accounting -- continuing to work on whether OFA can be the lead order
-- Shareholder direction -- being worked between Carolyn and OPG (Board indemnification -- Section 28 -- comes to TBS)
--John Lee -- 4 hr session with banks yesterday; going down the securitization path; likely will end up as a hybrid vehicle -- better for pricing; Q to banks -- define lender's protection -- lender's covenants, etc; working through building a more robust model; next 1-2 weeks -- plan to have a discussion with the rating agencies (focus on AAA rating); discussion with IESO re: how to operationalize; a number of legal documents identified; need to start having OFA in the room on future discussion

IESO -- back office
Social programs under way -- no issues
RPP -- good conversation OEB last week -- need to have another conversation re: OEB and LDCs;
Board approved f/s with regulatory accounting this week -- good discussion
Working on turning accounting analysis into an opinion -- KPMG

If the IESO sets the RPP that is setting the amount that gets collected now from the ratepayers; the requirement is to make the amount that is not part of the RPP a regulatory asset -- what is the role of the OEB

OEB Update
Comfort letter for May RPP rate; drafted comfort letter; planning to announce rates week after Easter
OESP -- expectation - new rates go into effect on May 1; Board decision to remove charge on bills this week; wet signature on application issue -- Energy working with MOF who is working with CRA re: security issue
First Nations -- implementation target -- July 1 (or retro to July 1)

Affordability Fund

Trust deed and trustee agreement tracking for signature today

Money to Compushare by end of month

? Report back to TBC -- when?

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Comments to resolve:

A number of items have come up in the context of "must haves" re: being able to access financing -- but Steve Ashborne from Blakes notes that the asset is an excellent asset re: financing -- how much of this is posturing -- who is advising the government on this (CV to connect with Gadi)

Other --