

FW: OPG's Q2 disclosures on Fair Hydro

From: "Veinot, Cindy (TBS)" <"o=govon/ou=exchange administrative group (fydibohf23spdl)/cn=recipients/cn=veinot, cindy (tbs)d57">
To: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>, "Donaldson, Mark (MOHLTC)" <som.mark.donaldson@ontario.ca>
Cc: "Hosick, Sarah (TBS)" <sarah.hosick@ontario.ca>
Date: Mon, 31 Jul 2017 11:45:03 -0400

Nadine/Mark – could you take a look at the disclosures below.

Cindy

From: LAURETA LAPIRA May -TREASURY [mailto:may.lapira@opg.com]
Sent: July 31, 2017 11:03 AM
To: Veinot, Cindy (TBS)
Cc: HO Philip -FIN & C CTRL; LEE John -TREASURY
Subject: OPG's Q2 disclosures on Fair Hydro

Hi Cindy,

The email below contains the current draft disclosures on OPG's Q2 MD&A relating to the Fair Hydro Plan. Could you please take a look and let us know if you have any comments by tomorrow at the latest?

Thank you!
May

May Laureta Lapira, CPA, CA | Senior Manager, Treasury | Ontario Power Generation
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Recent Developments:

Ontario's Fair Hydro Plan

On March 2, 2017, the Province announced Ontario's Fair Hydro Plan (the Fair Hydro Plan) aimed at reducing electricity bills for all residential consumers in the province on average by 25 percent. As part of the Fair Hydro Plan, the Province has proposed refinancing a portion of the Global Adjustment costs over a longer time period for Regulated Price Plan and other eligible customers (e.g., residential, farm, small businesses). On June 1, 2017, the Province enacted *Bill 132 – An Act to enact the Ontario Fair Hydro Plan Act, 2017, and to make amendments to the Electricity Act, 1998 and the Ontario Energy Board Act, 1998* (Bill 132). Bill 132 establishes a framework under which the costs and benefits associated with the Government of Ontario's clean energy initiative are to be allocated among present and future consumers of electricity, appoints OPG as the Financial Services Manager of the Fair Hydro Plan, unless OPG is not in a position to do so, and provides for a financing entity to be established by the Financial Services Manager for the purpose of funding a portion of the Global Adjustment. Bill 132 also made certain amendments to other legislation, which will enable the IESO and OPG to work together to implement this financing.

OPG's Board of Directors, which had established a Special Committee to provide oversight on behalf of the Board of Directors, has conditionally approved OPG's involvement with the Fair Hydro Plan on commercial terms. The form of the financing entity to be established by OPG is being determined, and the specific operating protocol between the IESO, OPG and the financing entity and the requirements for financing the Fair Hydro Plan are being negotiated. OPG continues to prepare for financing activities of the financing entity that are expected to commence later in 2017. **[MONITOR]**

Risk Management:

Ontario's Fair Hydro Plan

OPG's involvement with Ontario's Fair Hydro Plan could have significant financial and reputational impacts on the Company.

The *Ontario Fair Hydro Plan Act, 2017* received Royal Assent on June 1, 2017 and regulations under this Act came into force in June and early July. The regulations clarify aspects of the structure and programs that are required for OPG, appointed as the Financial Services Manager of the Fair Hydro Plan, to refinance a portion of the Global Adjustment through a financing entity. OPG's credit rating and reputation could potentially be adversely impacted by the Fair Hydro Plan, through financial implications to the Company from its involvement with the Fair Hydro Plan and through stakeholder opinions related to this involvement.

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