RE: Copy of Electricity rate mitigation model Feb 24 (002) to reflect OPG calculation.xlsx

From:	"Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
To:	"Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Cc:	"Picard, Michel (mpicard@kpmg.ca)" <mpicard@kpmg.ca>
Date:	Mon, 27 Feb 2017 22:36:47 -0500

Hi Cindy.
OPG's whitepaper reflects the need for OPG to have a property right/right to collect in order to be able to consolidate the Trust. The extract below is from OPG's whitepaper. Perhaps it is through legislation that such a right is accomplished and the entity is able to add to the value of its reported intangibles?
Note that no $ actually flows from the Trust to the IESO for interest costs.
Nadine

Property Right or Right to Collect
Legislative Requirements for Financing
The GA Recovery Right must be structured to encompass the following elements:
☐ Right to recover from and bill Ontario electricity customers for (1) the principal amount of GA that is being deferred, (2) all interest and other financing costs incurred in respect of the deferral of the GA, (3) all fees, expenses and other administrative costs associated with such financing;
☐ Repayment/amortization schedule as agreed by the IESO and any purchaser of such GA Recovery Right (or pursuant to a pre-defined schedule/formula that covers all of the purchaser's principal, interest and ongoing financing costs on a monthly basis);
☐ Repayment/amortization schedule must include a true up mechanism to ensure all costs associated with the deferral can be recovered from customers;
☐ IESO may dispose of the GA Recovery Right, provided that any such disposition shall be a true sale and absolute transfer to the purchaser of the IESO's right, title and interest in and to the GA Recovery Right;
☐ Purchaser will have the right to require the IESO (or any successor) to collect the principal amount of GA Recovery Right, together with interest, financing and administration costs, on the agreed repayment/amortization schedule;
☐ Right must be irrevocable and, if amended by future governments, debt holders have the right of action against the government to recover the amount outstanding including interest, fees, expenses and any damages resulting from the amendment;
☐ GA Recovery Right will not be subject to any set-off, counterclaim or other defence by the IESO or any successor or affiliated entity; and
☐ Make certain amendments to the Electricity Act to allow OPG to implement the SPV financing structure (e.g. allowing OPG to create subsidiaries and holding companies, and to have a beneficial interest in the SPV, etc). This would provide flexibility to accommodate possible variations to the financing structure that may be desirable over time.

From: Veinot, Cindy (TBS)
Sent: February-27-17 10:29 PM
To: Petsche, Nadine (TBS); Picard, Michel (mpicard@kpmg.ca)
Subject: RE: Copy of Electricity rate mitigation model Feb 24 (002) to reflect OPG calculation.xlsx

Just weighing in on this – not clear to me how IESO sells an asset with a book value of 30 and OPG Trust recognizes the same asset with a book value of 30.77.

From: Petsche, Nadine (TBS)
Sent: February-27-17 8:59 PM
To: Picard, Michel (mpicard@kpmg.ca)
Cc: Veinot, Cindy (TBS)
Subject: Copy of Electricity rate mitigation model Feb 24 (002) to reflect OPG calculation.xlsx

Michel,
Attached is the revised spreadsheet including updated amounts to reflect the additional interest components as provided by OPG in the weekend.
As you'll see, the current year's interest expense is recognized by the Trust which also reports an increase in its intangible asset to include the interest component for future recovery.
The additional amount borrowed does not actually flow through to the IESO, but rather is limited in relevance to the Trust and its financing sources.
I assume that this is doable under IFRS? This would not constitute the 'interest on intangible' issue that was raised earlier?
Nadine