RE: EXTERNAL - GA Financing

From: "Veinot, Cindy (TBS)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=veinot, cindy (tbs)d57">
To: "Picard, Michel" <mpicard@kpmg.ca>
Cc: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Date: Sun, 12 Feb 2017 15:56:33 -0500

Agreed, but I don't think a finance co would be a GBE as it won't be self sustaining.

-----Original Message-----
From: Picard, Michel [mailto:mpicard@kpmg.ca]
Sent: February-12-17 3:56 PM
To: Veinot, Cindy (TBS)
Cc: Petsche, Nadine (TBS)
Subject: Re: EXTERNAL - GA Financing

Would have to ensure that this type of activity is permitted by the OEB and the impact on their metric and rating.

If the sister company was set-up as a GBE then it would be fine.

Sent from my iPhone

On Feb 12, 2017, at 15:47, Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca<mailto:Cindy.Veinot@ontario.ca>> wrote:

If the intangible asset were in OPG directly vs. a sub, it would be accounted for under US GAAP/IFRS – we wouldn't have to consider PSAB.

From: Picard, Michel [mailto:mpicard@kpmg.ca]
Sent: February-12-17 3:44 PM
To: Veinot, Cindy (TBS); Petsche, Nadine (TBS)
Subject: FW: EXTERNAL - GA Financing

Cindy, Nadine,

I believe what PWC and John have in mind is the intangible asset which is what is included in the Long island Power Authority's financial statements since 2013.

From: Picard, Michel
Sent: Sunday, February 12, 2017 3:41 PM
To: 'CHENG Alec -FIN & C CTRL' <alec.cheng@opg.com<mailto:alec.cheng@opg.com>>
Subject: FW: EXTERNAL - GA Financing

Alec,

How is different than the asset in Long Island Power Authority?

4126 560 2569

From: Nelms, Scott (ENERGY) [mailto:Scott.Nelms@ontario.ca]
Sent: Sunday, February 12, 2017 2:06 PM
To: Picard, Michel <mpicard@kpmg.ca<mailto:mpicard@kpmg.ca>>
Subject: FW: EXTERNAL - GA Financing

Hi Michel,

See the following update from OPG. Sounds like you may get a call from PWC. Will pass on more if/when I see it.

Thanks,
Scott

From: MAUTI John -FIN & C CTRL [mailto:john.mauti@opg.com]
Sent: February-12-17 1:54 PM
To: Nelms, Scott (ENERGY)
Cc: MAUTI John -FIN & C CTRL
Subject: RE: EXTERNAL - GA Financing

Met with Pwc late Friday. Not a reg asset but they think OPG Finance Co could set up an asset similar to a royalty or franchise fee concept where OPG has the rights to a portion of future cash flows. May be an intangible asset rather than a financial one.

Problem is whether such legislation would have that asset survive on consolidation since it's that legislation that gave rise to this future right and it's the Province enacting this legislation. Relayed this onto the Provincial controllers office and I think they have EY looking into it.

We're pulling out all the stops to try to make this work.

We'll circle back with Pwc who is following up with their government accounting expert.

Ken fully in the loop as I know there's a meeting Monday afternoon to discuss.

Thanks

From: Nelms, Scott (ENERGY) [mailto:Scott.Nelms@ontario.ca]
Sent: Sunday, February 12, 2017 1:25 PM
To: MAUTI John -FIN & C CTRL
Subject: EXTERNAL – GA Financing

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Hi John,

I wanted to circle back on the accounting issue from Friday. My sense is that creating a regulatory asset for OPG is going to be difficult. Have you heard any progress? I am going to get asked tomorrow, how things are going, so if you hear anything please let me know. Is anything the Province can do in legislation to bolster the case that this is OPG's cost?

IIs there any way OPG could finance all of its portion of GA, thereby reducing its annual revenue requirement (akin to nuclear smoothing but on a larger scale)? I realize this would impact OPG's liquidity and solvency ratios. If all borrowing comes from OFA, does the accounting even work? This is a long shot, but I want to make sure we have turned over every stone.

Thanks,
Scott

Scott Nelms
Investment and Governance Secretariat | Ministry of Energy 7th Floor | 77 Grenville St | Toronto, ON
w: (416) 212-6469 | c: (647) 330-2681
scott.nelms@ontario.ca<mailto:scott.nelms@ontario.ca>

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