

RE: EXTERNAL - GA Financing

From: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Cc: "Nelms, Scott (MOF)" <scott.nelms@ontario.ca>
Date: Sun, 12 Feb 2017 19:23:06 -0500
Attachments: Update.msg (96.26 kB)

Cindy,

Not sure if you saw my recent email regarding a possible IESO solution? Attached for ease of reference. Michel will provide additional comments/input when he gets a chance (currently tied up on calls).

Nadine

From: Veinot, Cindy (TBS)
Sent: February-12-17 7:21 PM
To: Nelms, Scott (ENERGY)
Cc: Petsche, Nadine (TBS)
Subject: RE: EXTERNAL - GA Financing

I think it's critical, unless we can figure out how the finance sub could be classified as a GBE or we develop a solution using IESO.

From: Nelms, Scott (ENERGY)
Sent: February-12-17 7:17 PM
To: Veinot, Cindy (TBS)
Cc: Petsche, Nadine (TBS)
Subject: RE: EXTERNAL - GA Financing

John agrees that this would be a problem for OPG. I didn't get a lot more detail, but I have heard this message consistently from staff at OPG.

How important is it for the accounting?

From: Veinot, Cindy (TBS)
Sent: February-12-17 3:55 PM
To: Nelms, Scott (ENERGY)
Cc: Petsche, Nadine (TBS)
Subject: FW: EXTERNAL - GA Financing

Scott – re: the message below from John Mauti – have you asked whether argument below (intangible/franchise fee) could be applied if the structure did not include a finance sub, but in OPG directly – would be accounted for under US GAAP/IFRS. Wouldn't have to address consolidation using PSAB, although we would have to ensure that OPG continued to meet the GBE test.

Cindy

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>
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>
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?

Is 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

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