RE: EXTERNAL - Urgent -- Electricity Rate Mitigation

From: "Veinot, Cindy (TBS)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=veinot, cindy (tbs)d57">
To: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Date: Sun, 26 Feb 2017 18:48:39 -0500

Alec seems to be saying that there is cash flow involved -- we'll have to confirm with him.

-----Original Message-----
From: Petsche, Nadine (TBS)
Sent: February-26-17 5:09 PM
To: Veinot, Cindy (TBS)
Subject: FW: EXTERNAL - Urgent -- Electricity Rate Mitigation

Cindy,
This model appears consistent with your understanding...the intangible would increase (for the deferral and accrued interest), but no cash inflow until the recovery period begins. Not sure how this might relate back to your earlier comment that intangibles can't accrue interest? I assume that the Trust would still be able to record an asset for the additional interest recoverable on the deferred amount?
N
-----Original Message-----
From: CHENG Alec -FIN & C CTRL [mailto:alec.cheng@opg.com]
Sent: February-26-17 4:13 PM
To: Veinot, Cindy (TBS); Petsche, Nadine (TBS); MAUTI John -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); LEE John -TREASURY
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation

I think our Treasury group may have sent an illustration to Energy, but assuming that it will be a GA deferral not overall bill. I don't think there have been a lot of discussions around this yet.

For Row 55, the cash is coming from customers who will pay the interest, but in exchange for a higher offsetting deferral (i.e. intangible purchase will be higher than otherwise) to keep the bills low.

Alec

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From: Veinot, Cindy (TBS) [Cindy.Veinot@ontario.ca]
Sent: February 26, 2017 2:14 PM
To: CHENG Alec -FIN & C CTRL; Petsche, Nadine (TBS); MAUTI John -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); LEE John -TREASURY
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation

Alex -- thanks for sending this along.

Two questions:

-- have you spoken to Energy about the model re: how some of the deferral is interest income
-- in Row 55 -- where does the cash come from?

Thanks,

Cindy

-----Original Message-----
From: CHENG Alec -FIN & C CTRL [mailto:alec.cheng@opg.com]
Sent: February-25-17 12:15 AM
To: Petsche, Nadine (TBS); MAUTI John -FIN & C CTRL

Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation

As requested, we have updated the model for OPG and Trust based on the parameters specified – bills of $100, $105, $95 over the next 3 years as outlined in your illustration. We have to add in the interest portion for reflect the recovery in your example. Also, we wanted to note that the example in your illustration is based on deferral of actual bill (not the GA amount), which is different from our understanding of how the deferral would work. But I trust the illustration is sufficient to illustrate OPG's and the Trust's accounting for your purposes.

As mentioned before, I understand that this is a simplified model, but some additional features could be added at a later date when there is sufficient certainty. For example:

o the financing model would include debt at different rates based on the tranche and the rate implicitly charged to customers would be determined based on the ultimate model and the legislation (may not be the same as the debt financing rate)

o the Trust may have embedded features which may be introduce variability into the Trust.

Alec

From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Friday, February 24, 2017 5:02 PM
To: CHENG Alec -FIN & C CTRL; MAUTI John -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation

Alec/John,
To help us better understand the interest impact on the Province overall, it would be helpful if you could complete the interest related entries in the original model (attached) for OPG and OPGTrust, for the first couple of years.
Also, we wondered if could share any details on how the billing is anticipated to work (based on discussions you may have had with the Ministry of Energy).
We will monitor our emails for your response.
Thanks in advance.
Nadine

From: CHENG Alec -FIN & C CTRL [mailto:alec.cheng@opg.com]
Sent: February-24-17 4:06 PM
To: CHENG Alec -FIN & C CTRL; Petsche, Nadine (TBS); MAUTI John -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: RE: EXTERNAL - Urgent -- Electricity Rate Mitigation (feedback requested today)

Sorry, sent this before I attached the table.

Customer Bill

Current Yr

New Yr

0

1

2

3

Other (Non-GA components)

60

60

60

60

GA

100

100

100

100

GA Deferral

-30

-31.5

-33.1

Interest

1.5

3.1

Total Bill

160

130

130

130

From: CHENG Alec -FIN & C CTRL
Sent: Friday, February 24, 2017 4:04 PM
To: 'Petsche, Nadine (TBS)'; MAUTI John -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: RE: EXTERNAL – Urgent -- Electricity Rate Mitigation (feedback requested today)

Our comments:

- We cannot verify the IESO entries, but assuming that KPMG is looking at that.

- The current proposal is to have the Trust collect revenue from customers, so the Trust should recognize revenue (which comprise of interest and other recovery amounts) before we start collecting the principal amount from the customers (i.e. before year 5) (see the table below as an illustration)

- I understand that this is a simplified model, but some additional features should be added at a later date when we have more certainty:

o the financing model would include debt at different rates based on the tranche and the rate implicitly charged to customers would be determined based on the ultimate model and the legislation (may not be the same as the debt financing rate)

o the Trust will have embedded features which will introduce other variability into the Trust

From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Friday, February 24, 2017 12:28 PM
To: MAUTI John -FIN & C CTRL; CHENG Alec -FIN & C CTRL
Cc: Kandeepan, Ken (OFA); Veinot, Cindy (TBS); LEE John -TREASURY
Subject: EXTERNAL – Urgent -- Electricity Rate Mitigation (feedback requested today)
Importance: High

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John/Alec,

In advance of next Monday's FPC meeting, we would like to confirm our understanding of the net fiscal impact under the Electricity Rate Mitigation model as currently envisioned. Attached for your review is a model outlining the transactions and impacts as we understand them. The net impact on interest expense to OFA and the Trust appears on lines AS 40 – AS 42.

We would appreciate your comments on the attached as well as any suggestions on how to address the net fiscal impact over the term of the proposal, today if possible.

Regards,
Nadine

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