RE: Electricity Mitigation

From: Ronald Kwan <ronald.kwan@ofina.on.ca>
To: "Kandeepan, Ken (OFA)" <ken.kandeepan@ofina.on.ca>, "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Wed, 01 Feb 2017 19:41:04 -0500

And I should note, that was as per the model in the slides from this morning. As Cindy notes, more to discuss.

Ron

From: Ronald Kwan
Sent: February-01-17 18:45
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; 'Veinot, Cindy (TBS)' <Cindy.Veinot@ontario.ca>
Subject: RE: Electricity Mitigation

Hi Ken,

As per Cindy, more to discuss tomorrow.

A small point, I see the model as the generators that this entity (as settled through the IESO process) would keep whole, not the LDCs.

Ron

From: Veinot, Cindy (TBS) [mailto:Cindy.Veinot@ontario.ca]
Sent: February-01-17 18:18
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Electricity Mitigation

This is morphing a bit, so let's see where things go during tomorrow's meeting.

Cindy

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: February-01-17 4:46 PM
To: Kwan, Ronald (OFA)
Cc: Veinot, Cindy (TBS)
Subject: RE: Electricity Mitigation

Thanks Ron. I am cc'ing this to Cindy since she will be at tomorrow's meeting. Assuming there is no regulated asset it appears to my understanding that the transactions will flow in the following manner.

In year 1 assuming the actual global adjustment is $100 and the amount billed to ratepayers is $80, the $20 is lent to the new entity by the Province (for now let's ignore private sector lending). The Province shows a receivable of $20 and the new entity shows a payable. The Province's net debt remains unchanged since the increase in debt is offset by the financial asset.

Over the year the new entity pays the LDC's via IESO so that they remain whole. So first question is when the new entity transfers funds to IESO how does the latter treat this transfer in its books or can this be off –book and flowed through the “market books”.

If the latter the approach works, if the former then there is no point in setting up this entity, the OFA can lend directly to IESO, with a resulting impact to net debt.

Assuming the transfer to IESO can indeed be flowed through the “market books” of IESO then the new entity’s balance sheet continues eroding since the liability will increase year over year with no offsetting assets along with an increasing net debt.   This, to me makes it rather unattractive for any private sector investor.

These are my thoughts up to this point, can discuss more at the meeting tomorrow.

Thanks

Ken k

From: Ronald Kwan
Sent: Wednesday, February 01, 2017 1:07 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Electricity Mitigation

Hi Ken,

At the meeting, I believe it was discussed that this new entity would not be rate-regulated or have regulatory accounting, and that the LDCs would not be setting up a payable. Not that such ideas might not come back.

The larger deck includes other price mitigation options, as well as estimates of how much would be the bill impacts of the various options, not on the structure or accounting considerations of the potential GA entity.

Ron

From: Ken Kandeepan
Sent: February-01-17 12:51
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: Electricity Mitigation

Thanks Ron, there is considerable discussion on the control issue which all well and good, however, what I wanted to see and I would believe so does Cindy/OPCD is how exactly the smoothing works. Assuming the OFA lends to this new entity, the Province shows a receivable from the entity and the entity shows a payable to the Province, that much is understood.

What comes after is not clear, does the entity establish a rate regulated asset, if so how, do the LDC’s set up a payable to the new entity if so how. These details need to be provided, your initial email states these slides are excerpted from a bigger deck, are there any further details on those slides.

Thanks again and sorry for all the questions

Ken k

From: Ronald Kwan
Sent: Wednesday, February 01, 2017 12:32 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: Re: Electricity Mitigation

Hi Ken,

Energy circulated a broader deck this morning. The attached are excerpted slides that touch on the accounting issues for the potential new entity that Energy is discussing.

Ron

From: Ken Kandeepan
Sent: February 1, 2017 11:39 AM
To: Ronald Kwan
Subject: RE: Electricity Mitigation

Nope, given that the announcement is not that far off, I am concerned.

Thanks

Ken k

From: Ronald Kwan
Sent: Wednesday, February 01, 2017 11:38 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: Re: Electricity Mitigation

Hi Ken,

Nor did I see the WSIB excerpts OPCD said they'd provide. Did you see it?

Ron

On Feb 1, 2017, at 11:19 AM, Ken Kandeepan < Ken.Kandeepan@ofina.on.ca > wrote:

> Hi Ron
>
> At the conclusion of Monday's tele conference Energy was supposed to send out new material, I haven't received any, if you have much appreciated if you can pass it on.
>
> Thanks
>
> Ken k
