RE: strategy

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, 12 Feb 2017 10:45:46 -0500

Re the option tree – there was no attachment, so if you could resend that would be great.

On the first item, I don't think IESO would be involved at all – are you suggest it be part of the transaction?

I think we need to nail down our assessment of whether the Province controls IESO and its accounting early this week (like tomorrow) as we've been called to FPC to discuss the accounting for GA Smoothing on Thursday this week.

From: Petsche, Nadine (TBS)
Sent: February-10-17 10:27 PM
To: Veinot, Cindy (TBS)
Subject: RE: strategy

Cindy,
We would need to discuss with H1 Finance, but I think that through legislation, if the amount is required to be used to lower future rates then it should be reported as a regulated liability on Hydro One's books. The amount would be recognized in the future when the revenues are reduced.
If one were to argue that the IESO is not controlled and a transfer were made to it to reduce future rates, then it might be reported as an expense by the Province.

Attached is a preliminary draft of the option tree(just sharing as an FYI as I've asked Michel to review it and suggest edits/comments). It's looking more like we need to redirect attention to the options related to the IESO.

Nadine

From: Veinot, Cindy (TBS)
Sent: February-10-17 7:16 PM
To: Petsche, Nadine (TBS)
Subject: RE: strategy

This is the same item that we talked about before – Energy wants to flow money funds to the LDCs – including Hydro One – by year-end. Hydro One will then distribute to rate payers – probably based on applications. So H1 will record Dr. Cash and Cr. Deferred Revenue/due to ratepayers. Think GIF, but the cash leaves the province before year-end and it goes to H1. I don't think we can recognize an expense for 70% of the amount flowed to H1 if its sitting in their bank account.

From: Petsche, Nadine (TBS)
Sent: February-10-17 6:59 PM
To: Veinot, Cindy (TBS)
Subject: RE: strategy

Cindy,
I am not familiar with the Affordability Fund item. Are there any documents that provide additional details?
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From: Veinot, Cindy (TBS)
Sent: February-10-17 6:15 PM
To: Petsche, Nadine (TBS); Patel, Bharat (TBS)
Subject: FW: strategy

Nadine – re: #1 – how did the call end – who is doing what?

Re: #2 – have we ever had a year-end transfer from the province to H1 below. If H1 didn't spent any of the funding at March 31, then I would have thought we would reverse $140M of the expense – Dr. Investment in GBE and Cr. Expense.

Cindy

From: Nelms, Scott (ENERGY)
Sent: February-10-17 6:10 PM
To: Veinot, Cindy (TBS)
Subject: strategy

Hi Cindy,

Interesting day. I wanted to circle back and get your thoughts on a path forward:

1) GA Smoothing:
    a. OPG as the administrator: sounds like this new issue accounting could be challenging. We will wait to see if anyone comes up with a brilliant solution.
    b. IESO as the administrator: given potentially challenges with OPG, I asked Michel to resurrect this stream of work.

2) $200M Affordability Fund: Hydro One and KPMG seems to think there is a path to receive the TPA without any complex trust structure. Hydro One would debit cash and credit a payable to ratepayers. They don't think this consolidates back to the Province. I explained that it is likely not that simple, but I got some push back. I know this is minor relative to GA, but we need to spend a few minutes.

I am getting tons of pressure (as I'm sure are you) on landing this stuff for Wednesday. We should chat about what we can get done by then, so as to set expectations and help with what to say in the Cab Sub.

Thanks and hope you get somewhat of a weekend,
Scott

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