Ministry of Energy Staff Comments on OPG 2017 Q4 Financials

Financials

Page # & paragraph	Description	Suggested revisions/comments
Page 5, Table and Page 64 Table	"Earnings from the Fair Hydro Trust (*Note 17*)"	Need an explanation of the earnings. From what? and are they ultimately returned to the ratepayer?
Page 12; Paragraph 4	"On June 1, 2017, the *Ontario Fair Hydro Plan Act, 2017* (the Fair Hydro Act or the Act) received Royal Assent…"	Comment: Suggest using OFHPA or "the Act" as short form, given that "Fair Hydro Act" is the overarching Act within which the OFHPA is Schedule I. Note that this issue appears in all the documents.
Pg. 64, pp. 1 Pg. 72, pp. 4	Chart	Comment: The chart on page 64 indicates $8 million in OM&A expenses/revenues from the Trust, plus $1 million income from subordinated debt interest. Page 72 indicates $7 million of unbilled revenue from IESO, and that OPG has submitted for OEB review a $6 million general fee. In addition, the "Fair Hydro Trust" segment on page 44 of the MD&A indicates that $1 million in OM&A expenses are not recoverable from IESO. It is unclear why $8 million in revenues is recorded in addition to income from interest, where $7 million is owing from IESO, and only $6 million is applied for as the fee. Please clarify these figures.
Page 67 Table	"Financing receivables" line	What do these receivables entail?

Commented [OD(1]: Recommend deleting – more of a mechanical question on fair hydro.

Commented [LA(2]: Would recommend deleting as there is a paragraph on page 18 of the Financials explaining what Financial Receivables are – additional information could be requested through a separate QA.

MDA

Page # & paragraph	Description	Suggested revisions/comments
Page 8 Table	944 million for cash flow provided by operating activities.	Can this be explained?
Page 17, Paragraph 4	"The Trust is structured to be bankruptcy remote and ring fenced from OPG in order to protect the Company's assets and operations"	Would be interested to see this drawn out and explained as to how the Trust is bankruptcy remote and ring fenced from OPG.
Page 31; Paragraph 2	"…description of the potential effects of the project on the Nation's spiritual and cultural connection to the land, taking into account the results of the SON Community Process. "	Comment: Please clarify the term "SON Community Process".
Page 40, Paragraph 1	"The Fair Hydro Trust segment is a non-generation segment that is not subject to rate regulation. It includes OPG's earnings from the Fair Hydro Trust, which includes the financial results of the Trust, as well as income related to OPG's role as Financial Services Manager of the Fair Hydro Trust and holder of subordinated debt issued by the Trust. Earnings include…. The Trust"	Explanation of what is meant by "earnings" from the Trust – what would be considered within this envelope of earnings? And is OPG expected to return this to ratepayers?
Page 44 Table 2	1 million for operations maintenance and administration for 2017	This was a wash, i.e. equal expenditure to income? Can this be explained?
Page 44; Paragraph 4.	"…earnings were offset by an allocation of OM&A expenses for labour costs relating to OPG's employees that are not exclusively dedicated to the segment but who provided services to set up the Trust during the year. Pursuant to the general regulation of the Fair Hydro Act, such labour costs are not recoverable as part of OPG's fees for 2017. "	Comment: ENERGY's understanding was that costs associated with FSM activities would be recoverable. In addition, see comment above regarding pages 64 and 72 of the Financials. Also, did OPG staff receive bonuses/additional salary to support the set-up of the Fair Hydro Trust?

Commented [OD(3]: Recommend deleting as this is a mechanical fair hydro question.

Commented [OD(4]: Recommend deleting as this is a mechanical fair hydro question.

Commented [OD(5]: Recommend removing as this is explained in the MD&A in the paragraph below.

Commented [LA(6]: Recommend posing this question through a separate QA as needed.

Pg. 66; Paragraph 1	"In January 2018, Refurbishment senior management met with the Minister of Energy, Cabinet and Treasury Board to provide an update on the status of the Darlington Refurbishment project and to request a decision to not exercise the Unit 3 off-ramp."	Comment: Consistent with past practice, it is suggested that reference to government approvals be at a high level and avoid mention of specific Treasury Board and Cabinet meetings. Suggested Edit: "In January 2018, ~~Refurbishment senior management met with the Minister of Energy, Cabinet and Treasury Board to provide an update on the status of the Darlington Refurbishment project and to request~~ **OPG provided an update to the government on the status of the Darlington Refurbishment project and requested** a decision to not exercise the Unit 3 off-ramp."
Page 72 Paragraph 1	"Ontario Fair Hydro Plan Act The Fair Hydro Act received Royal Assent and came into force on June 1, 2017. As the Financial Services Manager under the Act, OPG's reputation could potentially be adversely impacted through this involvement and through stakeholder opinions related to this involvement."	This is missing context.

Commented [LA(7]: Could request OPG add some detail on their reasoning if desired. This appears in the section "Risks to Maintaining Social Licence"

Press Release

Page # & paragraph	Description	Suggested revisions/comments
Page 2; Paragraph 3.	"The Fair Hydro Trust (the Trust) was established in December 2017 in accordance with the *Ontario Fair Hydro Act*, 2017…"	Comment: Word "Plan" is missing in *Ontario Fair Hydro Plan Act, 2017*

	"This sequencing ensured that the necessary resources were available to support the execution of both projects. The HWSF is expected to be completed by the second quarter of 2019 and is not on the critical path for the Darlington Refurbishment project, which continues to track on schedule. The increase in the cost estimate for the HWSF will be accommodated within the overall Darlington Refurbishment budget of $12.8 billion. Taking into account the execution performance of the Unit 2 refurbishment, the overall Darlington Refurbishment project continues to track on budget"	This needs to be fleshed out a bit – why not on critical path of refurbishment and how will it be accommodated within the overall budget?

Annual information Form

Page # & paragraph	Description	Suggested revisions/comments
Page 12, Paragraph 4	The majority unitholder and beneficiary of the Trust is a wholly-owned subsidiary of OPG. The Trust is structured to be bankruptcy remote and ring fenced from OPG in order to protect the Company's assets and operations	Would be interested to see this drawn out and explained as to how the Trust is bankruptcy remote and ring fenced from OPG.
Page 42; Paragraph 3	"…description of the potential effects of the project on the Nation's spiritual and cultural connection to the land, taking into account the results of the SON Community Process. "	Comment: Please clarify the term "SON Community Process".

Commented [OD(8]: Recommend deleting – technical fair hydro question.