From: Anna Strathy
To: Gadi Mayman
Subject: FW: IESO credit facility
Date: Tuesday, September 26, 2017 11:18:04 AM

Hi Gadi,
This is what I was chatting with Sarah about. IESO wants to share the draft letter agreement (re: intercept) with OPG and OPG's lawyers. I think the concern from IESO is whether the intercept could appear to OPG (or its lawyers) to provide the government priority over payments. There is some concern that OPG's lawyers will not be familiar with the intercept concept (and its requirement under OFA's lending policy) and we may be in for further delays.
I spoke with John and Sarah and it may be worthwhile to have a conversation with OPG once the draft letter is shared to help to provide some context and highlight the administrative nature of this requirement. I understand from Sarah's email below that the loan has been confidential up until now, but OFA can waive confidentiality and allow disclosure to OPG, so the sequencing would need to be worked out (i.e., confirm release of the letter, then discuss with OPG), but would you be willing to call John Lee (or someone else at OPG) to explain the intercept and this letter agreement? Alternatively, we could have John or Ron call over to their equivalent.
Anna

From: John Kim
Sent: Tuesday, September 26, 2017 10:44 AM
To: Sarah Neville ; Lisa Stein
Cc: Sarah Harris ; Anna Strathy ; Tobias P. Whitfield (MOF)
Subject: RE: IESO credit facility
Anthony had very cursory comments along two points – some concern expressed by Stikeman and Elliott about priority over payments and that they have some MOECC dealings related to Cap and Trade(?). I mentioned to him that the intent is not to cover anything other than appropriation for IESO's own operational funding and that happy to receive edits to cover such concerns.
John

From: Sarah Neville
Sent: Tuesday, September 26, 2017 10:37 AM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: IESO credit facility
Hi –
I just spoke with Toby (I've copied him as an FYI) and he flagged that he doesn't know why IESO would need to share this with OPG in the first instance. The only issue/reason we could identify was that it may have something to do with the purchase by OPG of the "asset" (I'm using quotation marks because I don't know anything about this transaction or its structure other than how it is referred) from IESO and making sure that the "asset" is free of encumbrances. IESO may have reps or warranties in its dealings with OPG to this effect, and, I am guessing, but this may have been part of the rationale with respect to concerns that IESO had in earlier versions of the drafting in regard to definitions of "permitted liens" and ranking of debt. Our advice is to reach out to IESO and try to ascertain the reason for the request (John, as Anthony called you, perhaps you could call him back

with this request?)
I understand that we have been treating this loan as confidential, and OFA can waive confidentiality and allow disclosure to OPG (if this route is agree to I would recommend that disclosure be made by IESO on a confidential basis) but the risk/caution is that adding more layers outside of the immediate parties to the intercept (which now includes MOE), will add further delay and complexity in what is essentially an administrative issue and as noted we are not plugged into the broader discussions going on between the other parties with respect to other components of the FHP process.
Sarah

From: John Kim
Sent: Tuesday, September 26, 2017 10:16 AM
To: Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility
Hi Sarah,
Sounds good to me. Anthony gave me a call to give me the heads-up before the email.
I did also mention to him that we would be open to suggested edits to the draft to reflect any comments they may have.
John

From: Sarah Neville
Sent: Tuesday, September 26, 2017 10:13 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility
Hi John,
Off the top of my head I don't see any legal issues from the OFA perspective, but I defer to Lisa because she is closer to the documentation than I am so will ask her to weigh in.
We should also consider giving Toby a heads up because I think MOF Legal's been more involved in the OPG side of things, I don't know where things stand on the other various moving parts that are not directly within the mandate of the OFA. I will give him a quick call.
Sarah

From: Sarah Neville
Sent: Tuesday, September 26, 2017 10:05 AM
To: Lisa Stein (Lisa.Stein@ofina.on.ca) <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: IESO credit facility
Hi Lisa – could you let us know if you see any concerns with this request?
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, September 26, 2017 10:04 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: IESO credit facility

John,

Thanks for this.

We have reviewed and before we comment back, we would like your ok to discuss/share this doc with OPG and their lawyers.

Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 21, 2017 4:07 PM
To: Anthony Martinello
Cc: Sarah Harris; Victor Buza; Sarah Neville
Subject: RE: IESO credit facility

Hi Anthony,

Pls. see attached draft letter agreement for IESO's consideration. We have shared with Energy Legal the draft as well to get their input/comments.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]

Sent: Wednesday, September 20, 2017 9:58 AM

To: John Kim <John.Kim@ofina.on.ca>

Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>

Subject: RE: IESO credit facility

Sure, before 11am today is preferred. Can you send call-in details. Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 20, 2017 9:44 AM
To: Anthony Martinello
Cc: Sarah Harris
Subject: RE: IESO credit facility

Hi Anthony,

Do you have time for a quick call this morning?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]

Sent: Wednesday, August 23, 2017 8:42 AM

To: John Kim <John.Kim@ofina.on.ca>

Subject: RE: IESO credit facility

Moody's (Gavin MacFarlane) has verbally raised their concern to me that the new $2B facility should be in place this month – main concern is that the IESO may/is rapidly burning through the $975M capacity at about $200M-$250M/month. Also, the first sale to Financing Entity is not expected until October(ish).

I am currently at about $405M utilized.

Also, both the IESO Board of Directors and Moody's were expecting these new facilities to be in place this month – and so, any delay would need to be explained.

Appreciate your efforts to co-ordinate a timely approval.

Call me to discuss if needed.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5

www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com]

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 22, 2017 5:22 PM
To: Anthony Martinello
Subject: IESO credit facility

Hi Anthony,

I am currently working on your request for the two facilities with the OFA.

I understand your main concern is your interactions with the ratings agencies, Moody's specifically.

Is there a particular timeline that you have to meet? My estimation is that the required approvals can be obtained in the early part of next week or the week after. I know the week after is spilling into September.

I am happy to keep pushing for early next week but let me know if the first week of September works. I am confirming as some extraordinary steps are involved.

Thanks,

John

Y. John Kim

Director, Electricity Finance Branch

Ontario Financing Authority

e-mail: john.kim@ofina.on.ca

Ph: 416-212-6996

From:	Gadi Mayman
To:	Anna Strathy
Subject:	FW: OEFC-IESO Credit Facilities and Amendment
Date:	Wednesday, November 29, 2017 10:14:03 AM
Attachments:	IESO-OEFC Note_v8.docx ATT00001.htm

I'm fine with this, has it gone through OFA Legal?

From: Ronald Kwan
Sent: Wednesday, November 29, 2017 8:16 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: OEFC-IESO Credit Facilities and Amendment

Hi Gadi, Mike,

Staff updated the BN on the IESO request to amend the OEFC credit facilities for permitted liens.

Staff heard from the IESO yesterday that without the terms of the OEFC facilities being amended this week, it would need to ask for an interim waiver from the OEFC to avoid being in default. If feasible, it may make sense to simply go ahead with amending the facilities for permitted liens instead.

Ron

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

- On November 28, 2017, IESO staff wrote to staff that without the terms of the OEFC facilities being amended, it would need to ask for an interim waiver from the OEFC to avoid being in default.

CONTEXT

- Under the FHP, the IESO and Ontario Power Generation (OPG) are interacting to refinance a portion of the Global Adjustment over a longer period of time.

- IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO sought and received its Board's approval on Nov 22, 2017 to enter into a security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the various agreements. IESO staff wrote:

  "…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."

- The IESO provided a draft Security Agreement, dated November 7th, 2017, between them and the OPG Trust to OFA. According to the draft Security Agreement, in the unlikely event that the IESO runs into financial difficulty, the IESO would give OPG Trust a priority in the IESO's assets, including all accounts of the IESO and all cash and proceeds from LDCs, that would put OPG Trust ahead of unsecured creditors, including the OFA and the OEFC.
  - The security agreement is not limited to the Clean Energy Adjustment funds collected by the IESO only.

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid breaching the terms of the existing agreements with OEFC.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017 the IESO had requested that the OFA make similar changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- With the proposed new security agreement between OPG Trust and the IESO, OPG Trust would have a priority claim against the IESO's assets, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low.
    - The extent of this risk is subject to uncertainty at this time, given that the regulations that govern the payments related to the Fair Allocation Amount in each period, and how that relates to the obligations to the Financing Entity, are still under development.

- IESO is an agency of the government consolidated line-by-line in the Province's accounts.

- The OFA agreed to IESO's requested changes to the OFA credit facilities.

- OFA'S Capital Markets Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993* and any changes to the OEFC agreements should take this into account.

- According to the Minister's Directives associated with the OEFC Agreements, the loan and the credit facilities are "subject to such other terms as OEFC deems appropriate." Therefore, an amendment for permitted liens can be done under the existing directives, and new or revised directives from the Minister of Finance are not deemed necessary. This would be consistent with the approach when the pre-existing OFA-IESO credit facility agreement was amended for permited liens on November 6, 2017.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens".

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch, Corporate and Electricity Finance Division
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 28, 2017

From:	Gadi Mayman
To:	Anna Strathy
Subject:	FW: OEFC-IESO Credit Facilities and Amendment
Date:	Wednesday, November 29, 2017 10:14:03 AM
Attachments:	IESO-OEFC Note_v8.docx ATT00001.htm

I'm fine with this, has it gone through OFA Legal?

From: Ronald Kwan
Sent: Wednesday, November 29, 2017 8:16 AM
To: Gadi Mayman ; Mike Manning
Subject: OEFC-IESO Credit Facilities and Amendment

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Staff updated the BN on the IESO request to amend the OEFC credit facilities for permitted liens.

Staff heard from the IESO yesterday that without the terms of the OEFC facilities being amended this week, it would need to ask for an interim waiver from the OEFC to avoid being in default. If feasible, it may make sense to simply go ahead with amending the facilities for permitted liens instead.

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- IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO sought and received its Board's approval on Nov 22, 2017 to enter into a security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the various agreements. IESO staff wrote:

  "…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."

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- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid breaching the terms of the existing agreements with OEFC.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017 the IESO had requested that the OFA make similar changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- With the proposed new security agreement between OPG Trust and the IESO, OPG Trust would have a priority claim against the IESO's assets, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low.
  - The extent of this risk is subject to uncertainty at this time, given that the regulations that govern the payments related to the Fair Allocation Amount in each period, and how that relates to the obligations to the Financing Entity, are still under development.

- IESO is an agency of the government consolidated line-by-line in the Province's accounts.

- The OFA agreed to IESO's requested changes to the OFA credit facilities.

- OFA'S Capital Markets Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993* and any changes to the OEFC agreements should take this into account.

- According to the Minister's Directives associated with the OEFC Agreements, the loan and the credit facilities are "subject to such other terms as OEFC deems appropriate." Therefore, an amendment for permitted liens can be done under the existing directives, and new or revised directives from the Minister of Finance are not deemed necessary. This would be consistent with the approach when the pre-existing OFA-IESO credit facility agreement was amended for permited liens on November 6, 2017.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens".

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch, Corporate and Electricity Finance Division
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 28, 2017

From:	Ronald Kwan
To:	Gadi Mayman
Subject:	FW: OIC s22 CIPA - OFA-IESO - LRC package
Date:	Tuesday, May 30, 2017 5:07:20 PM
Attachments:	1 - CIPA - OIC s22 - OFA_FHP - LRC_MinistryApprovalForm v6_Markup_RK.doc 4 - CIPA OIC s.22 May 2017 (v.2) - ENG and FRE_Markup.docx

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Hi Gadi,

Just an FYI. It's a work in progress, but the DMO wanted to see a draft for today, which we will try to do.

I'm inclined to just have the amount as $2 bn, to meet the IESO request for the FHP-specific facility, unless there are other reasons/needs to expand the authority for other OFA purposes that you are aware of.

Ron

From: Ronald Kwan
Sent: May-30-17 16:41
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO - LRC package

Hi,

I started a markup.

Ron

From: Gavin He
Sent: May-30-17 11:19
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: OIC s22 CIPA - OFA-IESO - LRC package

Hi Ron,

Please find attached the LRC package for an OIC authorizing the Minister of Finance to lend to the OFA. In order for the OFA to lend to the IESO as part of the proposed Fair Hydro Plan Act, the OFA borrows from the Province (Minister of Finance). The OIC is being obtained under section 22 of the Capital Investment Plan Act.

The package is getting sign-off from MOF legal at the moment, and it's aiming to get yours and Gadi's sign off today in order to get this to DMO to make sure this will be on June 27th LRC date. MOF legal has already reviewed the package, so I do not expect any further changes from them. I will provide you the hard copy of the package once Legal signed off on that.

The documents are also saved here:
Z:\Users\CEF\Hydro 2017\IESO\Financing\IESO-OFA - FHP Line of Credit\LRC Draft Package

Thanks,
Gavin He

LEGISLATION AND REGULATIONS COMMITTEE:
MINISTRY APPROVAL FORM

LRC Tracking #: OICNA-13188
EVista Tracking #: SUB-NAOIC-2017-01004

Ministry of Finance

Capital Investment Plan Act
Order in Council

Profile at a Glance

Priority: Consequential to Commitment
Public Interest: Low
Key Stakeholder Interest: Very high
New Costs/Burdens: Yes for Government
New Savings/Opportunities: Yes for Government

Proposed Items for Review

1. Approval of Order in Council ("OIC") under section 22 of the *Capital Investment Plan Act, 1993 ("CIPA"),* authorizing the Minister of Finance to make a loan to the Ontario Financing Authority ("OFA").

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy		
TB/MBC	LRC, June 27, 2017	June 27, 2017

Deputy Minister ____________ Date

Minister ____________ Date

LEGISLATION AND REGULATIONS COMMITTEE:
MINISTRY APPROVAL FORM

s. 1 Proposal and Context

- Approval is being sought for an OIC under section 22 of *Capital Investment Plan Act, 1993* ("CIPA"), which will authorize the Minister of Finance to provide loan(s) to the Ontario Financing Authority ("OFA") in an amount of up to $3.5 billion. Under the proposed OIC, loan(s) could be advanced during the period between the effective date of the OIC and June 30, 2053.

- Subsection 22(1) of CIPA authorizes the Minister of Finance to make loans to the OFA in the amounts, times and on the terms and conditions authorized by Lieutenant Governor in Council ("LGIC"). Subsection 22(2) provides a statutory appropriation for loans made by the Minister to the OFA under subsection 22(1).

- Existing OICs authorize the Minister of Finance to provide loans to the OFA of up to $x, under which the OFA has provided loans and credit facilities to …

- This proposed OIC is required to expand the overall Minister of Finance lending authority to the OFA to allow the OFA to provide loans ["including"?] under credit facilities requested by the Independent Electricity System Operator (~~to the~~ ("IESO"). This ~~and~~ will help the IESO to fulfil the commitments under the proposed Fair Hydro Act, 2017, under anticipated and potential timing differences in the implementation of the proposed Fair Hydro Plan. The timing of this OIC is critical to ensure borrowing authority for the OFA is available ~~as it will be required~~ to provide the IESO its requested financing arrangements upon the enactment of the proposed *Ontario Fair Hydro Plan Act, 2017.*

Commented [RK1]: Why this amount? Unless we can provide a reason beyond the FHP, I'd rather not go so high.

Commented [RK2]: Why this date? Tied to what?

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Commented [RK3]: Include IESO in the list.

s. 2 Approach and Intended Outcomes

- Under CIPA, the OFA provides financing to public bodies as directed by the Minister of Finance. The OFA obtains the funds it needs for its lending program by borrowing from the Province. This OIC would authorize the Minister of Finance under section 22 of CIPA to provide additional loans to the OFA.

- As per subsection 3(1) of CIPA, the Minister of Finance is responsible for the administration of CIPA with respect to the OFA.

- This proposed OIC is required to assist in fulfilling the commitments under the proposed *Ontario Fair Hydro Plan Act, 2017.*

- It is expected that as part of the implementation of the proposed arrangements, the Minister of Finance will direct the OFA to provide a revolving credit facility for short term financing related to the on-going *Ontario Fair Hydro Plan Act, 2017*. In particular, the OFA would be directed to provide a credit facility~~will be lending~~ to the Independent Electricity System Operator ("IESO"). The IESO is a public body for the purposes of CIPA.

- Under the proposed *Ontario Fair Hydro Plan Act, 2017,* the IESO would incur a monthly funding shortfall in the early years of the plan, as a portion of the Global Adjustment charge to ratepayers will be deferred to the future. Global Adjustment amounts initially collected will, therefore, be insufficient to fund the IESO's contractual obligations to electricity producers and service providers.
- The proposed *Ontario Fair Hydro Plan Act, 2017* allows the IESO ~~to sell~~ the right to recover those deferred amounts from specified consumers in the future (the "regulatory asset") and the ability~~.~~ to sell that asset.
  - o It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG SPV", an OPG special purpose vehicle or trust).
  - o The cash received would be used by the IESO to fund the current Global Adjustment shortfall.
- However, there is expected to be initial and potential timing differences. The OPG SPV is not anticipated to be established and able to borrow to finance the purchase of the regulatory asset from the IESO until later in 2017. Even once the SPV is set up to borrow, there may be timing differences between the IESO's monthly settlement process when it has to pay generators and when the SPV purchases the asset from IESO. Also, under ~~T~~the proposed legislation, ~~however, does not require the~~ OPG's SPV is not required to purchase any portion of the regulatory asset.
- As a result, IESO requires short-term financing to be in place for initial and potential monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset. ~~This short-term financing may also be required before the OPG SPV is operating and before it has its own financing in place to purchase the regulatory asset.~~

- IESO has requested that the OFA provide a revolving credit facility of up to $2 billion to support its role in the implementation of the *Ontario Fair Hydro Plan Act, 2017*. The $2 billion request from IESO is based on current data and assumptions which could change.

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- ~~, therefore, i~~It is proposed that the OIC authorization be $3.5 billion [to ensure that there is sufficient ~~contingency~~borrowing authority in place for the OFA to meet the IESO and other requirements~~ once the implementation begins~~].

Commented [RK4]: $2bn, unless there is an identifiable other reason OFA needs more borrowing authority.

Commented [RK5]: Add in only if this is justifiable.

- For the OFA to accommodate this request, the OFA requires additional borrowing authority from the Minister of Finance to ensure that it has sufficient funds to lend, hence the current request for an OIC.

- If approved, t~~T~~he Minister of Finance will subsequently~~be required to~~ provide a Directive to the OFA to direct it to provide credit facilities ~~make loans~~ to the IESO in an amount not to exceed $~~3~~2.5 billion.
    - The OFA currently provides a credit facility to the IESO of $975 million.
    - The IESO has requested that the existing credit facility be reduced to $475 million, and a new credit facility be provided of $2 billion, for a total amount of $2.475 million.

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s. 3 Direction and Urgency

- As announced on March 2, 2017, and highlighted as a commitment in Budget 2017, the Province intends to implement the *Ontario Fair Hydro Plan Act, 2017*, which would reduce electricity bills by 25 per cent on average for eligible households.
- The ability for the OFA to have the requisite borrowing and lending capacity is instrumental in supporting implementation~~ing~~ of the proposed *Ontario Fair Hydro Plan Act, 2017*.
- Ministry of Energy proposed ~~R~~regulations under the proposed *Ontario Fair Hydro Plan Act, 2017* are expected to track for Cabinet approval by end of June 2017. It is expected that this OIC also be submitted for approval~~ed~~ concurrently as it ~~is~~supports a crucial component of the successfully implementation~~ing~~ of the Fair Hydro Plan.
- A related Cabinet Minute from the Ministry of Energy is tracking for June 27, 2017 date.

s. 4 Impact Assessment and Costs

- With this OIC, the Minister of Finance will be authorized to lend an additional amount of $x billion to the OFA. Subject to the terms and conditions of a

Directive from the Minister of Finance, loans from the Minister of Finance to the OFA are expected to be at the Province's cost of funds.

- Loans advanced will result in increased borrowing in the debt markets by the Province.
- Loans are expected to be repaid and, therefore, no fiscal impact is expected.

s. 5 Implementation

- If the OIC is approved and signed, the Minister of Finance will have authorization to provide a loan to the OFA. A Directive from the Minister will be required that will provide direction to the OFA on how ~~the OFA~~it can use the proceeds of the loan.

s. 6 Delivery and Results Tracking

- As described in section 2 above, the requirement for this OIC is a result of the Province's proposed *Ontario Fair Hydro Plan Act, 2017* and is required to ensure the timely implementation and support for the success of the Fair Hydro Plan.

s.7 Stakeholder Consultations

- As described in section 2 above, the requirement for this OIC is a result of the Province's proposed Fair Hydro Plan. The related Cabinet note for the initiative should be referred to.

s.8 Other Jurisdictions and Harmonization

- N/A

s. 9 Communications

- N/A

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
Ministry Policy/Program	Bruno Amara Snr Manager, Electricity Finance Branch Ontario Financing Authority	(416) 325-1489
Ministry Legal	Patrick Rundans Legal Counsel, Legal Services Branch Ministry of Finance	416-212-4538
Ministry Communications	N/A	N/A
Assistant or Deputy Minister's Office	Jonathan Tekle Policy Advisor Deputy Minister's Office	416-325-8736
Cabinet Office Policy	[name] [title] Cabinet Office	

Appendices

Appendix A: The Proposed OIC

Document Version/Version du document: document: MOF.2017.OFA[EFB]v.2

Authority Verified/Compétence vérifiée: ___________________________________

Please print name/Nom en lettres moulées s.v.p.: ___________________________________

Telephone/Téléphone: ___________________________________

Recommended by the Treasury Board/Management Board of Cabinet on:
Recommandé par le Conseil du Trésor / Conseil de gestion du gouvernement le: ________________

Secretary/Secrétaire: ___________________________________

Executive Council of Ontario/Conseil exécutif de l'Ontario **[Bilingual]**

[Bilingue]

Ontario

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor of Ontario, by and with the advice and concurrence of the Executive Council of Ontario, orders that:

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure de l'Ontario, sur l'avis et avec le consentement du Conseil exécutif de l'Ontario, décrète ce qui suit :

WHEREAS pursuant to subsection 22(1) of the *Capital Investment Plan Act, 1993* (the "Act"), the Minister of Finance may purchase securities of or make loans to corporations established under subsection 2(1) of the Act in such amounts, at such times and on such terms and conditions as the Lieutenant Governor in Council considers expedient;

AND WHEREAS the Ontario Financing Authority (the "OFA") is a corporation established under subsection 2(1) of the Act;

AND WHEREAS pursuant to subsection 6(3) of the Act, the power of a corporation established under subsection 2(1) of the Act to borrow and issue securities, among other things, may only be exercised under the authority of a by-law that has been approved by the Minister of Finance;

AND WHEREAS the OFA wishes to borrow up to Three Billion Five Hundred Million Dollars in lawful money of Canada from the Minister of Finance and has been authorized to do so by a borrowing by-law approved in accordance with the Act;

Commented [RK1]: Why this amount? Unless we can provide a reason beyond the FHP, I'd rather not go so high.

THEREFORE:

Pursuant to subsection 22 (1) of the Act, the Minister of Finance is authorized to lend a maximum of Three Billion Five Hundred Million Dollars in lawful money of Canada to the OFA on the following terms and conditions:

(a) the loan may be advanced in such amounts and at such time or times as required by the OFA;

(b) repayment of advances made under the loan plus accrued interest may be made in whole or in part at any time provided that the loan plus any accrued interest shall be fully repaid by June 30, 2053;

(c) each advance (an “Advance”) made under the loan hereby authorized shall bear interest at a rate which is determined as follows:

   (i) from the date of the Advance to (but excluding) the date of repayment the Advance shall bear interest at a per annum rate equivalent to the yield earned on ninety day Province of Ontario treasury bills on the date before the Advance Date as determined by the Province, provided that if an Advance is outstanding for longer than ninety days, the interest rate shall be reset on the last day of each ninety day period (the “Reset Date”) to the yield earned on ninety day Province of Ontario treasury bills immediately preceding the Reset Date for such ninety day period as determined by the Province;

   (ii) in the event that moneys included in an Advance are used by the OFA for the purpose of funding loans to third parties (a “Third Party Loan”), the rate of interest payable by the OFA to the Province on the portion of the Advance so used shall be adjusted effective as of the date that the portion of the Advance is used to fund the Third Party Loan so that the per annum rate of interest payable by the OFA on such moneys is equivalent to the per annum rate of interest payable to the OFA under the Third Party Loan less an amount as may be determined by the Minister of Finance in respect of such Third Party Loan or a class of such Third Party Loans, until but excluding the date on which the Third Party Loan is repaid, at which time the interest rate set out in subparagraph (i) shall again be applicable to that portion of the Advance; and

   (iii) in the event that moneys described in subparagraph (ii), once repaid, are subsequently used to fund loans to third parties, subparagraph (ii) shall again be applicable in determining the interest rate payable to the Province on that portion of the Advance used to fund such loan, and so on, until the Advance shall be repaid to the Province in full;

   (iv) despite subparagraphs (ii) and (iii), in the event that no interest is payable to the OFA under a Third Party Loan, no interest shall be payable by the OFA on the portion of the Advance so used and to the extent that the terms of a Third Party Loan provide for the deferral of the payment of accrued interest for a period, the interest payment terms of an Advance or portion thereof shall also be deferred for a similar period.

(d) interest for any period of less than one year shall be payable for the actual number of days included in such period, computed on the basis of a 365-day year;

(e) despite paragraph (b) of this Order, interest on any portion of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall accrue on the basis stated above but shall become payable only to the extent the OFA receives payment of interest under the relevant Third Party Loan;

(f) despite paragraph (b) of this Order, any portion of the principal of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall become payable only to the extent the OFA receives repayment of principal under the relevant Third Party Loan; and

(g) the loan hereby authorized shall be evidenced by a promissory note.

____

ATTENDU QUE le ministre des Finances peut, en vertu du paragraphe 22 (1) de la *Loi de 1993 sur le plan d'investissement* (la « Loi »), acheter des valeurs mobilières des personnes morales créées en vertu du paragraphe 2 (1) de la Loi ou leur consentir des prêts selon les montants, aux moments et aux conditions que le lieutenant-gouverneur en conseil estime opportuns;

ATTENDU QUE l'Office ontarien de financement (l'« OOF ») est une personne morale créée en vertu du paragraphe 2 (1) de la Loi;

ATTENDU QUE, conformément au paragraphe 6 (3) de la Loi, le pouvoir qu'ont les personnes morales créées en vertu du paragraphe 2 (1) de la Loi de contracter des emprunts et d'émettre des valeurs mobilières, entre autres, ne peut être exercé qu'aux termes d'un règlement administratif approuvé par le ministre des Finances;

ATTENDU QUE l'OOF souhaite emprunter jusqu'à concurrence de trois milliards cinq cent millions de dollars en monnaie légale du Canada du ministre des Finances et qu'il a été autorisé à le faire par un règlement administratif d'emprunt approuvé conformément à la Loi;

PAR CONSÉQUENT :

en vertu du paragraphe 22 (1) de la Loi, le ministre des Finances est autorisé à prêter un montant maximal de trois milliards cinq cent millions de dollars en monnaie légale du Canada à l'OOF, aux conditions suivantes :

a) le prêt peut être consenti selon les montants et aux moments qui conviennent à l'OOF;

b) le remboursement des avances consenties au titre du prêt, plus les intérêts courus, peut à tout moment être effectué en totalité ou en partie, pourvu que le prêt et les intérêts courus soient entièrement remboursés au plus tard le 30 juin 2053;

c) chaque avance (« avance ») faite au titre du prêt autorisé par les présentes portera intérêt au taux est fixé comme suit :

(i) de la date où elle a été faite jusqu'à la date (non comprise) de son remboursement, l'avance portera intérêt à un taux annuel équivalant au rendement gagné sur des bons du Trésor de la province de l'Ontario de quatre-vingt-dix jours à la date précédant la date de l'avance fixée par la province, pourvu que ce taux d'intérêt soit rajusté le dernier jour de chaque période de quatre-vingt-dix jours (« date de rajustement ») selon le rendement gagné sur de tels bons du Trésor immédiatement avant la date de rajustement pour une période de quatre-vingt-dix jours décidée par la province, si l'avance est impayée pendant plus de quatre-vingt-dix jours;

(ii) dans l'éventualité où l'OOF se servirait de sommes comprises dans une avance pour financer des prêts à des tiers, le taux d'intérêt à payer par l'OOF à la province sur la partie de l'avance ainsi utilisée sera rajusté à la date à laquelle la partie de l'avance sera utilisée pour le financement du prêt à un tiers de façon que le taux d'intérêt annuel à payer par l'OOF sur de telles sommes soit équivalent à ce dernier taux moins un montant que pourra fixer le ministre des Finances à l'égard d'un tel prêt ou d'une telle catégorie de prêt, jusqu'à la date (non comprise) à laquelle le prêt à un tiers sera remboursé, date à laquelle le taux d'intérêt établi au sous-alinéa (i) s'appliquera de nouveau à cette partie de l'avance;

(iii) dans l'éventualité où les sommes décrites au sous-alinéa (ii), une fois remboursées, seraient ultérieurement utilisées pour le financement de prêts à des tiers, le sous-alinéa (ii) s'appliquera de nouveau dans l'établissement du taux d'intérêt à payer à la province sur la partie de l'avance utilisée à cette fin, et ainsi de suite, jusqu'à ce que l'avance ait été remboursée intégralement à la province;

(iv) malgré les sous-alinéas (ii) et (iii), dans l'éventualité où aucun intérêt ne serait payable à l'OOF au titre d'un prêt à un tiers, aucun intérêt ne sera à payer par l'OOF sur la partie de l'avance ainsi utilisée et dans la mesure où les conditions du prêt à un tiers prévoient le report du paiement d'intérêts courus pour une période, le paiement d'intérêts au titre d'une avance ou d'une partie d'une avance sera également reporté pour une période d'égale durée;

d) l'intérêt payable relativement à toute période de moins d'un an sera calculé en fonction du nombre de jours réellement compris dans cette période, par rapport à une année comptant 365 jours;

e) par dérogation à l'alinéa a) ci-dessus, l'intérêt sur toute partie d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers est calculé comme il est indiqué ci-dessus, mais cet intérêt devient payable uniquement dans la mesure où l'OOF reçoit un paiement d'intérêts au titre du prêt à un tiers;

f) par dérogation à l'alinéa b) ci-dessus, toute partie du capital d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers devient payable uniquement dans la mesure où l'OOF reçoit un remboursement du capital au titre du prêt à un tiers

g) le prêt autorisé en vertu des présentes sera attesté par un billet à ordre.

____
Recommended: Minister of Finance
Recommandé par : Le ministre des Finances

____
Concurred: Chair of Cabinet
Appuyé par : Le président/la présidente du Conseil des ministres

Approved and Ordered:
Approuvé et décrété le :

____
Lieutenant Governor
La lieutenante-gouverneure

From:	Gadi Mayman
To:	Anna Strathy
Subject:	Fw: IESO Treasury Policy for Approval - Reg 280/14
Date:	Monday, June 19, 2017 6:16:22 PM
Attachments:	Item 8(iii) BLACKLINED Treasury Policy June 14 2017.pdf Item 8(iv) BLACKLINED Schedule A - IESO Treasury Policy.pdf IESO Finance Policy Update June 2017 Reg 280-14.pdf

From: David Barrett <david.barrett@ieso.ca>
Sent: Monday, June 19, 2017 6:13 PM
To: Charles Sousa (MOF)
Cc: Scott Thompson (CAB); Gadi Mayman
Subject: IESO Treasury Policy for Approval - Reg 280/14

Dear Minister Sousa:

On behalf of the IESO, I am sending the attached IESO Treasury Policy and Schedule A (version June 14, 2017) for your review and approval.
Should you have questions on this, please contact either Anthony Martinello, Kimberly Marshall or John Rattray whose information is contained in the accompanying letter.

Sincerely,
David Barrett

David Barrett, CPA, CA | Supervisor, Government Affairs
Independent Electricity System Operator (IESO) | T: (416) 969-6224 | M: (905) 601-6481
1600-120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca[ieso.ca] | Twitter: IESO_Tweets[twitter.com] | LinkedIn: IESO[linkedin.com]
Conservation: www.saveONenergy.ca[saveonenergy.ca] | Twitter: saveONenergyOnt[twitter.com] | LinkedIn: saveONenergy[linkedin.com]

IESO **Statement of Investment, Borrowing and Financial Management Policies and Procedures (“Treasury Policy”)**			
Office of Primary Responsibility	Treasury, Corporate Services	Policy #	**Treasury 01**
Subject.:	**IESO TREASURY POLICY**	Page:	1 of 4, and Schedule A
Approved by	Board of Directors	Effective	June 24, 2015
		Revised	June 14, 2017~~n / a~~

1. DEFINITIONS

CFO: means the IESO’s Chief Financial Officer

IESO: means the Independent Electricity System Operator.

Treasury Policy: means this policy document, and means the Statement of Investment, Borrowing and Financial Management Policies and Procedures as referenced in Ontario Regulation 280 / 14.

2. PURPOSE:

The purpose of this Treasury Policy is as follows:

a) To adopt a policy for the sound and efficient management of the IESO’s borrowing, investment, foreign exchange, financial affairs, and other treasury related activities;

b) To make investments when the investments are advisable for the sound and efficient management of the IESO’s financial affairs;

c) To adhere to Ontario Regulation 280 / 14 made under the Electricity Act, 1998, as amended;

3. SCOPE

This Treasury Policy applies to all treasury related activities of the IESO (corporation) and the IESO's administered markets.

This Treasury Policy must be reviewed on an annual basis.

4. OUT OF SCOPE

This Treasury Policy does not apply to any activities pertaining to the IESO's pension plans[1].

Nothing in this Treasury Policy restricts the IESO's authority to enter into contracts referred to in section 25.32 or 25.35 of the Electricity Act.

5. RESPONSIBILITIES

5.01 **Director~~Manager~~, Treasury and Pension Operations (or equivalent)** is responsible for:

- Manage all day-to-day treasury activities and ensure adherence to this Treasury Policy;
- To establish documented treasury processes and procedures for internal control purposes;
- As necessary, recommend to the CFO any appropriate changes to Treasury Policy;
- Provide the CFO on a timely basis with any policy violations, concerns, or issues;
- To provide a report on the IESO's treasury activities to the CFO and IESO Board of Directors at least each quarter.

5.02 **Chief Financial Officer** is responsible for:

- Establish prudent and effective treasury and risk management practices;
- To manage the relationships between government and the IESO regarding all treasury matters;
- Reviewing any proposed changes to the Treasury Policy before submission to the IESO Board of Directors;

[1] Includes the IESO Registered Pension Plan and IESO Supplementary Employee Retirement Plan (SERP reserve).

5.03 **IESO Board of Directors** are responsible for:

- To adopt a Treasury Policy setting out policies for the IESO's borrowing, investment, foreign exchange, financial affairs, and other treasury related activities;
- To ensure any proposed change to the Treasury Policy is sent to the Minister of Finance for approval

6. PERMITTED ACTIVITIES

6.1 Permitted Borrowings:

a) All new borrowing facilities must be approved by the IESO Board of Directors.

b) The CFO will renew the annual SERP's letter of credit posted with the SERP trustee.

c) All borrowing facilities must be denominated in Canadian dollars.

d) The IESO shall establish bank accounts' overdraft capacity and services with its bank(s).

e) The IESO may only borrow from the following list of lenders:
   i. Government of Canada, Canadian provincial governments or any of their agencies; and
   ii. Canadian Schedule I or Schedule II or Schedule III financial institutions;

f) As determined by the CFO, the IESO may obtain a credit rating(s) to assist the IESO with establishing the IESO's creditworthiness to prospective lenders or counterparties.

g) Borrowing facilities shall only be utilized for the following purposes:
   i. To ensure the IESO corporation's operating liquidity and for purchases of IESO corporation's capital assets;
   ii. To ensure liquidity to complete the IESO's mandate for the Ontario electricity markets' settlements including the settlements for any Ontario government programs that the IESO is a service provider;
   iii. To ensure funding of any amounts, including variance accounts and timing differences, as prescribed by the Ontario Electricity Act and any Ontario regulation;
   ~~iii.~~iv. To ensure funding of any amounts resulting from or required by Ontario's Fair Hydro program;
   ~~iv.~~v. To ensure funding as may be necessary to manage timing differences between the receipts and payments with respect to IESO procurement contracts, electricity markets transactions, Smart Metering, and taxes; and

~~v.~~vi. As directed by the Minister of Energy;

6.2 Permitted Investments and Forward Foreign Exchange Contracts:

a) See **Schedule "A": Approved Financial Instruments Listing** for a listing of permitted investments and counterparties.
b) Investments or counterparties not listed in **Schedule "A"** are prohibited.
c) All investments must be denominated in either Canadian or US dollars.

End.

Schedule "A"
Independent Electricity System Operator ("IESO")
Approved Financial Instruments Listing

Permitted Categories of Investment Products or Hedging Financial Instrument	***Allowable Counterparties or Issuers***	***Minimum S&P's Rating or equivalent ([1])***	***Maximum Face Amounts per counterparty or issuer***	***Max Term Limit***
1. Deposits held in bank accounts *2. Term Deposits* *3. Bankers' Acceptances* *4. Bearer Deposit Notes* *5. Certificates of Deposit* *6. Guaranteed Investment Certificates*	*Canadian Schedule I Banks*	*Short term: **"A-1+"***	*$~~420~~500 million per counterparty;*	*65 days*
7. Treasury Bills *8. Bonds* *9. Debentures* *10. Promissory Notes*	*Government of Canada Or Canadian Provincial Government, Or Government Agency (fully guaranteed by the Government of Canada or Provincial government)*	*TBills and Promissory Notes: **"A-1+"*** *Bonds and Debentures: **"AA-"***	*Government of Canada and Province of Ontario: unlimited* *Other: $500million*	*365 days*
11. US$: Spot Market Purchases	*Canadian Schedule I Banks*	*Short term: **"A-1+"***	*The total estimated US$ expenditures within the next 100 days.* *Maximum of US$5million*	*100 days*
12. US $: Forward Foreign Exchange Contracts	*Canadian Schedule I Banks*	*Up to 1 year: **"A-1+"*** *Long term: **"AA-"***	*The total estimated US$ expenditures in the approved IESO business plan (annual expenses and capital expenditures to meet contractual obligations) less any US$ currency held by the IESO.* *Maximum of US$25million*	*25 months ([2])*

[1] All counterparties must have at least two (2) ratings that meet the IESO's minimum S&P's rating or equivalent (e.g. S&P, Moody or DBRS).
[2] US$ spot, and US$ Forward Foreign Exchange Contracts will be utilized to manage foreign exchange risk and not to engage in speculative trading.

ieso
Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1
t 416.967.7474
www.ieso.ca

June 15, 2017

The Honorable Charles Sousa
Minister of Finance
7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto, ON
M7A 1Y7

Dear Minister:

Re: Independent Electricity System Operator ("IESO")
IESO Treasury Policy (version June 14, 2017)

Ontario Regulation 280/14 (the "Regulation"), as amended, prescribes requirements for the IESO regarding its treasury activities. The Regulation requires the IESO to adopt a statement setting out the IESO's investment, borrowing, and financial management policies and procedures (known herein as the "IESO Treasury Policy").

The IESO's Board of Directors approved the attached revised (*black-lined to highlight the changes made*) IESO Treasury Policy on June 14, 2017.

As required by the Regulation, the IESO submits the attached revised IESO Treasury Policy for your review and requests your approval of the same.

Please contact me (905.403.6944), Kimberly Marshall, IESO Chief Financial Officer (416.969.6232), or John Rattray, IESO General Counsel (416.506.2856) for any questions you or your staff may have regarding this request.

Sincerely,

Anthony Martinello
Director, Treasury and Pension Operations

Attachment: IESO Treasury Policy (version June 14, 2017)

cc: Scott Thompson, Deputy Minister, Ministry of Finance
Gadi Mayman, Chief Executive Officer, Ontario Financing Authority

From:	Ronald Kwan
To:	Gadi Mayman
Subject:	Fw: IESO and OFA - FHP Line of Credit Facility Directive
Date:	Tuesday, June 27, 2017 3:19:10 PM
Attachments:	04 - Directive IESO FHP 2017 v5.docx

Hi Gadi,

Are you okay with keeping a 25 bps spread on the new OFA-IESO credit facility, consistent with existing and past OFA credit facilities for the IESO?

Ron

From: Gavin He
Sent: June 27, 2017 2:01 PM
To: Ronald Kwan
Cc: Bruno Amara; Salman Qadir
Subject: IESO and OFA - FHP Line of Credit Facility Directive
Hi Ron,
Please find attached the draft IESO credit facility package for your review and approval. The package has been reviewed by OFA and MOF Legal.
The documents are also saved under below folder:
\\ofina.on.ca\ofadfs\Users\CEF\Hydro 2017\IESO\Financing\IESO-OFA - FHP Line of Credit\Minister Directive Package
Regards,
Gavin He

DIRECTIVE

MINISTER OF FINANCE

INDEPENDENT ELECTRICITY SYSTEM OPERATOR CREDIT FACILITY

To: Ontario Financing Authority ("OFA")

Whereas:

Under the *Capital Investment Plan Act, 1993* ("CIPA"), the OFA provides financing to public bodies as directed by the Minister of Finance.

The Independent Electricity System Operator ("IESO"), a public body for the purposes of CIPA, has requested funding from the OFA to support the IESO's role in the implementation and administration of the *Ontario Fair Hydro Plan Act, 2017* (the "OFHP").

In order to fulfil the Province's commitments under the OFHP, it is desirable for the Minister of Finance to provide direction to the OFA to provide a revolving credit facility for the purposes of providing short to medium term financing related to the OFHP.

Therefore:

Pursuant to sub-section 16(2) of CIPA, the OFA is directed to lend to the IESO under a revolving credit facility (the "Line of Credit") for the purpose of short to medium term financing related to the IESO's implementation of the OFHP, an aggregate principal amount of up to CAD $2 billion.

The Line of Credit shall be subject to the following terms:

- The Line of Credit shall be evidenced by an agreement between the IESO and the OFA containing terms and conditions consistent with this Directive (the "Credit Agreement").

- Interest on the Line of Credit shall be payable at a rate equal to the Province's cost of funds based on the terms of the Credit Agreement, and as determined by the Chief Executive Officer of the OFA or the Assistant Deputy Minister, Corporate and Electricity Finance Division, OFA, or a person designated by either of them, plus a twenty-five (25) basis point spread.

- All amounts outstanding under the Line of Credit shall be repaid in full on or before the date no later than September 30, 2022.

- The Line of Credit shall be subject to such other terms as the OFA deems appropriate from time to time.

Dated:

____

Charles Sousa
Minister of Finance

From:	Gadi Mayman
To:	Mike Manning; Ronald Kwan
Cc:	Anna Strathy; Gavin He
Subject:	Fw: OFA : IESO
Date:	Thursday, April 13, 2017 8:00:48 AM

Hi Mike and Ron, could one of you please get back to Anthony and handle this?

Thanks,
Gadi

From: Anthony Martinello
Sent: Thursday, April 13, 2017 7:41 AM
To: Gadi Mayman
Cc: Kim Marshall; Michael Boll
Subject: OFA : IESO

Mr. Mayman,

Kim and I would like to set up a 30min call with you to discuss the proposed Fair Hydro rollout and the potential impact on the IESO credit needs.

Would you be available next week/preferred date? Let me know and I will send out a meeting invite.

Regards

From: Gadi Mayman
To: Anna Strathy
Subject: Fw: OIC s22 CIPA - OFA-IESO - LRC package
Date: Tuesday, May 30, 2017 5:20:33 PM
Attachments: 1 - CIPA - OIC s22 - OFA_FHP - LRC_MinistryApprovalForm v6_Markup_RK.doc
4 - CIPA OIC s.22 May 2017 (v.2) - ENG and FRE_Markup.docx

With the attachments.

From: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Sent: Tuesday, May 30, 2017 5:07 PM
To: Gadi Mayman
Subject: FW: OIC s22 CIPA - OFA-IESO - LRC package

Hi Gadi,

Just an FYI. It's a work in progress, but the DMO wanted to see a draft for today, which we will try to do.

I'm inclined to just have the amount as $2 bn, to meet the IESO request for the FHP-specific facility, unless there are other reasons/needs to expand the authority for other OFA purposes that you are aware of.

Ron

From: Ronald Kwan
Sent: May-30-17 16:41
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO - LRC package

Hi,

I started a markup.

Ron

From: Gavin He
Sent: May-30-17 11:19
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: OIC s22 CIPA - OFA-IESO - LRC package

Hi Ron,

Please find attached the LRC package for an OIC authorizing the Minister of Finance to lend to the OFA. In order for the OFA to lend to the IESO as part of the proposed Fair Hydro Plan Act, the OFA borrows from the Province (Minister of Finance). The OIC is being obtained under section 22 of the Capital Investment Plan Act.

The package is getting sign-off from MOF legal at the moment, and it's aiming to get yours and Gadi's sign off today in order to get this to DMO to make sure this will be on June 27th LRC date. MOF legal has already reviewed the package, so I do not expect any further changes from them. I will provide you the hard copy of the package once Legal signed off on that.

The documents are also saved here:
Z:\Users\CEF\Hydro 2017\IESO\Financing\IESO-OFA - FHP Line of Credit\LRC Draft Package

Thanks,
Gavin He

LEGISLATION AND REGULATIONS COMMITTEE:
MINISTRY APPROVAL FORM

LRC Tracking #: OICNA-13188
EVista Tracking #: SUB-NAOIC-2017-01004

Ministry of Finance

Capital Investment Plan Act
Order in Council

Profile at a Glance

Priority: Consequential to Commitment
Public Interest: Low
Key Stakeholder Interest: Very high
New Costs/Burdens: Yes for Government
New Savings/Opportunities: Yes for Government

Proposed Items for Review

1. Approval of Order in Council ("OIC") under section 22 of the *Capital Investment Plan Act, 1993 ("CIPA"),* authorizing the Minister of Finance to make a loan to the Ontario Financing Authority ("OFA").

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy		
TB/MBC	LRC, June 27, 2017	June 27, 2017

Deputy Minister Date

Minister Date

LEGISLATION AND REGULATIONS COMMITTEE: MINISTRY APPROVAL FORM

s. 1 Proposal and Context

- Approval is being sought for an OIC under section 22 of *Capital Investment Plan Act, 1993* ("CIPA"), which will authorize the Minister of Finance to provide loan(s) to the Ontario Financing Authority ("OFA") in an amount of up to $3.5 billion. Under the proposed OIC, loan(s) could be advanced during the period between the effective date of the OIC and June 30, 2053.

Commented [RK1]: Why this amount? Unless we can provide a reason beyond the FHP, I'd rather not go so high.

Commented [RK2]: Why this date? Tied to what?

- Subsection 22(1) of CIPA authorizes the Minister of Finance to make loans to the OFA in the amounts, times and on the terms and conditions authorized by Lieutenant Governor in Council ("LGIC"). Subsection 22(2) provides a statutory appropriation for loans made by the Minister to the OFA under subsection 22(1).

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- Existing OICs authorize the Minister of Finance to provide loans to the OFA of up to $x, under which the OFA has provided loans and credit facilities to …

Commented [RK3]: Include IESO in the list.

- This proposed OIC is required to expand the overall Minister of Finance lending authority to the OFA to allow the OFA to provide loans ["including"?] under credit facilities requested by the Independent Electricity System Operator (~~to the~~ ("IESO"). This ~~and~~ will help the IESO to fulfil the commitments under the proposed Fair Hydro Act, 2017, under anticipated and potential timing differences in the implementation of the proposed Fair Hydro Plan. The timing of this OIC is critical to ensure borrowing authority for the OFA is available ~~as it will be required~~ to provide the IESO its requested financing arrangements upon the enactment of the proposed *Ontario Fair Hydro Plan Act, 2017.*

s. 2 Approach and Intended Outcomes

- Under CIPA, the OFA provides financing to public bodies as directed by the Minister of Finance. The OFA obtains the funds it needs for its lending program by borrowing from the Province. This OIC would authorize the Minister of Finance under section 22 of CIPA to provide additional loans to the OFA.

- As per subsection 3(1) of CIPA, the Minister of Finance is responsible for the administration of CIPA with respect to the OFA.

- This proposed OIC is required to assist in fulfilling the commitments under the proposed *Ontario Fair Hydro Plan Act, 2017.*

- It is expected that as part of the implementation of the proposed arrangements, the Minister of Finance will direct the OFA to provide a revolving credit facility for short term financing related to the on-going *Ontario Fair Hydro Plan Act, 2017*. In particular, the OFA would be directed to provide a credit facility~~will be lending~~ to the Independent Electricity System Operator ("IESO"). The IESO is a public body for the purposes of CIPA.

- Under the proposed *Ontario Fair Hydro Plan Act, 2017,* the IESO would incur a monthly funding shortfall in the early years of the plan, as a portion of the Global Adjustment charge to ratepayers will be deferred to the future. Global Adjustment amounts initially collected will, therefore, be insufficient to fund the IESO's contractual obligations to electricity producers and service providers.
- The proposed *Ontario Fair Hydro Plan Act, 2017* allows the IESO ~~to sell~~ the right to recover those deferred amounts from specified consumers in the future (the "regulatory asset") and the ability~~.~~ to sell that asset.
  - It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG SPV", an OPG special purpose vehicle or trust).
  - The cash received would be used by the IESO to fund the current Global Adjustment shortfall.
- However, there is expected to be initial and potential timing differences. The OPG SPV is not anticipated to be established and able to borrow to finance the purchase of the regulatory asset from the IESO until later in 2017. Even once the SPV is set up to borrow, there may be timing differences between the IESO's monthly settlement process when it has to pay generators and when the SPV purchases the asset from IESO. Also, under ~~T~~the proposed legislation, ~~however, does not require the~~ OPG's SPV is not required to purchase any portion of the regulatory asset.
- As a result, IESO requires short-term financing to be in place for initial and potential monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset. ~~This short-term financing may also be required before the OPG SPV is operating and before it has its own financing in place to purchase the regulatory asset.~~

- IESO has requested that the OFA provide a revolving credit facility of up to $2 billion to support its role in the implementation of the *Ontario Fair Hydro Plan Act, 2017*. The $2 billion request from IESO is based on current data and assumptions which could change.

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- ~~, therefore, i~~It is proposed that the OIC authorization be $3.5 billion [to ensure that there is sufficient ~~contingency~~borrowing authority in place for the OFA to meet the IESO and other requirements ~~once the implementation begins~~].

- For the OFA to accommodate this request, the OFA requires additional borrowing authority from the Minister of Finance to ensure that it has sufficient funds to lend, hence the current request for an OIC.

- If approved, t~~T~~he Minister of Finance will subsequently~~be required to~~ provide a Directive to the OFA to direct it to provide credit facilities ~~make loans~~ to the IESO in an amount not to exceed $~~3~~2.5 billion.
  - The OFA currently provides a credit facility to the IESO of $975 million.
  - The IESO has requested that the existing credit facility be reduced to $475 million, and a new credit facility be provided of $2 billion, for a total amount of $2.475 million.

Commented [RK4]: $2bn, unless there is an identifiable other reason OFA needs more borrowing authority.

Commented [RK5]: Add in only if this is justifiable.

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s. 3 Direction and Urgency

- As announced on March 2, 2017, and highlighted as a commitment in Budget 2017, the Province intends to implement the *Ontario Fair Hydro Plan Act, 2017*, which would reduce electricity bills by 25 per cent on average for eligible households.
- The ability for the OFA to have the requisite borrowing and lending capacity is instrumental in supporting implementation~~ing~~ of the proposed *Ontario Fair Hydro Plan Act, 2017*.
- Ministry of Energy proposed ~~R~~regulations under the proposed *Ontario Fair Hydro Plan Act, 2017* are expected to track for Cabinet approval by end of June 2017. It is expected that this OIC also be submitted for approval~~ed~~ concurrently as it ~~is~~supports a crucial component of the successfully implementation~~ing~~ of the Fair Hydro Plan.
- A related Cabinet Minute from the Ministry of Energy is tracking for June 27, 2017 date.

s. 4 Impact Assessment and Costs

- With this OIC, the Minister of Finance will be authorized to lend an additional amount of $x billion to the OFA. Subject to the terms and conditions of a

Directive from the Minister of Finance, loans from the Minister of Finance to the OFA are expected to be at the Province's cost of funds.

- Loans advanced will result in increased borrowing in the debt markets by the Province.
- Loans are expected to be repaid and, therefore, no fiscal impact is expected.

s. 5 Implementation

- If the OIC is approved and signed, the Minister of Finance will have authorization to provide a loan to the OFA. A Directive from the Minister will be required that will provide direction to the OFA on how ~~the OFA~~it can use the proceeds of the loan.

s. 6 Delivery and Results Tracking

- As described in section 2 above, the requirement for this OIC is a result of the Province's proposed *Ontario Fair Hydro Plan Act, 2017* and is required to ensure the timely implementation and support for the success of the Fair Hydro Plan.

s.7 Stakeholder Consultations

- As described in section 2 above, the requirement for this OIC is a result of the Province's proposed Fair Hydro Plan. The related Cabinet note for the initiative should be referred to.

s.8 Other Jurisdictions and Harmonization

- N/A

s. 9 Communications

- N/A

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
Ministry Policy/Program	Bruno Amara Snr Manager, Electricity Finance Branch Ontario Financing Authority	(416) 325-1489
Ministry Legal	Patrick Rundans Legal Counsel, Legal Services Branch Ministry of Finance	416-212-4538
Ministry Communications	N/A	N/A
Assistant or Deputy Minister's Office	Jonathan Tekle Policy Advisor Deputy Minister's Office	416-325-8736
Cabinet Office Policy	[name] [title] Cabinet Office	

Appendices

Appendix A: The Proposed OIC

Document Version/Version du document: document: MOF.2017.OFA[EFB]v.2

Authority Verified/Compétence vérifiée: ___________________________________

Please print name/Nom en lettres moulées s.v.p.: ___________________________________

Telephone/Téléphone: ___________________________________

Recommended by the Treasury Board/Management Board of Cabinet on:
Recommandé par le Conseil du Trésor / Conseil de gestion du gouvernement le: ________________

Secretary/Secrétaire: ___________________________________

Executive Council of Ontario/Conseil exécutif de l'Ontario **[Bilingual]**

[Bilingue]

Ontario

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor of Ontario, by and with the advice and concurrence of the Executive Council of Ontario, orders that:

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure de l'Ontario, sur l'avis et avec le consentement du Conseil exécutif de l'Ontario, décrète ce qui suit :

WHEREAS pursuant to subsection 22(1) of the *Capital Investment Plan Act, 1993* (the "Act"), the Minister of Finance may purchase securities of or make loans to corporations established under subsection 2(1) of the Act in such amounts, at such times and on such terms and conditions as the Lieutenant Governor in Council considers expedient;

AND WHEREAS the Ontario Financing Authority (the "OFA") is a corporation established under subsection 2(1) of the Act;

AND WHEREAS pursuant to subsection 6(3) of the Act, the power of a corporation established under subsection 2(1) of the Act to borrow and issue securities, among other things, may only be exercised under the authority of a by-law that has been approved by the Minister of Finance;

AND WHEREAS the OFA wishes to borrow up to Three Billion Five Hundred Million Dollars in lawful money of Canada from the Minister of Finance and has been authorized to do so by a borrowing by-law approved in accordance with the Act;

Commented [RK1]: Why this amount? Unless we can provide a reason beyond the FHP, I'd rather not go so high.

THEREFORE:

Pursuant to subsection 22 (1) of the Act, the Minister of Finance is authorized to lend a maximum of Three Billion Five Hundred Million Dollars in lawful money of Canada to the OFA on the following terms and conditions:

(a) the loan may be advanced in such amounts and at such time or times as required by the OFA;

(b) repayment of advances made under the loan plus accrued interest may be made in whole or in part at any time provided that the loan plus any accrued interest shall be fully repaid by June 30, 2053;

(c) each advance (an "Advance") made under the loan hereby authorized shall bear interest at a rate which is determined as follows:

(i) from the date of the Advance to (but excluding) the date of repayment the Advance shall bear interest at a per annum rate equivalent to the yield earned on ninety day Province of Ontario treasury bills on the date before the Advance Date as determined by the Province, provided that if an Advance is outstanding for longer than ninety days, the interest rate shall be reset on the last day of each ninety day period (the "Reset Date") to the yield earned on ninety day Province of Ontario treasury bills immediately preceding the Reset Date for such ninety day period as determined by the Province;

(ii) in the event that moneys included in an Advance are used by the OFA for the purpose of funding loans to third parties (a "Third Party Loan"), the rate of interest payable by the OFA to the Province on the portion of the Advance so used shall be adjusted effective as of the date that the portion of the Advance is used to fund the Third Party Loan so that the per annum rate of interest payable by the OFA on such moneys is equivalent to the per annum rate of interest payable to the OFA under the Third Party Loan less an amount as may be determined by the Minister of Finance in respect of such Third Party Loan or a class of such Third Party Loans, until but excluding the date on which the Third Party Loan is repaid, at which time the interest rate set out in subparagraph (i) shall again be applicable to that portion of the Advance; and

(iii) in the event that moneys described in subparagraph (ii), once repaid, are subsequently used to fund loans to third parties, subparagraph (ii) shall again be applicable in determining the interest rate payable to the Province on that portion of the Advance used to fund such loan, and so on, until the Advance shall be repaid to the Province in full;

(iv) despite subparagraphs (ii) and (iii), in the event that no interest is payable to the OFA under a Third Party Loan, no interest shall be payable by the OFA on the portion of the Advance so used and to the extent that the terms of a Third Party Loan provide for the deferral of the payment of accrued interest for a period, the interest payment terms of an Advance or portion thereof shall also be deferred for a similar period.

(d) interest for any period of less than one year shall be payable for the actual number of days included in such period, computed on the basis of a 365-day year;

(e) despite paragraph (b) of this Order, interest on any portion of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall accrue on the basis stated above but shall become payable only to the extent the OFA receives payment of interest under the relevant Third Party Loan;

(f) despite paragraph (b) of this Order, any portion of the principal of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall become payable only to the extent the OFA receives repayment of principal under the relevant Third Party Loan; and

(g) the loan hereby authorized shall be evidenced by a promissory note.

____

ATTENDU QUE le ministre des Finances peut, en vertu du paragraphe 22 (1) de la *Loi de 1993 sur le plan d'investissement* (la « Loi »), acheter des valeurs mobilières des personnes morales créées en vertu du paragraphe 2 (1) de la Loi ou leur consentir des prêts selon les montants, aux moments et aux conditions que le lieutenant-gouverneur en conseil estime opportuns;

ATTENDU QUE l'Office ontarien de financement (l'« OOF ») est une personne morale créée en vertu du paragraphe 2 (1) de la Loi;

ATTENDU QUE, conformément au paragraphe 6 (3) de la Loi, le pouvoir qu'ont les personnes morales créées en vertu du paragraphe 2 (1) de la Loi de contracter des emprunts et d'émettre des valeurs mobilières, entre autres, ne peut être exercé qu'aux termes d'un règlement administratif approuvé par le ministre des Finances;

ATTENDU QUE l'OOF souhaite emprunter jusqu'à concurrence de trois milliards cinq cent millions de dollars en monnaie légale du Canada du ministre des Finances et qu'il a été autorisé à le faire par un règlement administratif d'emprunt approuvé conformément à la Loi;

PAR CONSÉQUENT :

en vertu du paragraphe 22 (1) de la Loi, le ministre des Finances est autorisé à prêter un montant maximal de trois milliards cinq cent millions de dollars en monnaie légale du Canada à l'OOF, aux conditions suivantes :

a) le prêt peut être consenti selon les montants et aux moments qui conviennent à l'OOF;

b) le remboursement des avances consenties au titre du prêt, plus les intérêts courus, peut à tout moment être effectué en totalité ou en partie, pourvu que le prêt et les intérêts courus soient entièrement remboursés au plus tard le 30 juin 2053;

c) chaque avance (« avance ») faite au titre du prêt autorisé par les présentes portera intérêt au taux est fixé comme suit :

(i) de la date où elle a été faite jusqu'à la date (non comprise) de son remboursement, l'avance portera intérêt à un taux annuel équivalant au rendement gagné sur des bons du Trésor de la province de l'Ontario de quatre-vingt-dix jours à la date précédant la date de l'avance fixée par la province, pourvu que ce taux d'intérêt soit rajusté le dernier jour de chaque période de quatre-vingt-dix jours (« date de rajustement ») selon le rendement gagné sur de tels bons du Trésor immédiatement avant la date de rajustement pour une période de quatre-vingt-dix jours décidée par la province, si l'avance est impayée pendant plus de quatre-vingt-dix jours;

(ii) dans l'éventualité où l'OOF se servirait de sommes comprises dans une avance pour financer des prêts à des tiers, le taux d'intérêt à payer par l'OOF à la province sur la partie de l'avance ainsi utilisée sera rajusté à la date à laquelle la partie de l'avance sera utilisée pour le financement du prêt à un tiers de façon que le taux d'intérêt annuel à payer par l'OOF sur de telles sommes soit équivalent à ce dernier taux moins un montant que pourra fixer le ministre des Finances à l'égard d'un tel prêt ou d'une telle catégorie de prêt, jusqu'à la date (non comprise) à laquelle le prêt à un tiers sera remboursé, date à laquelle le taux d'intérêt établi au sous-alinéa (i) s'appliquera de nouveau à cette partie de l'avance;

(iii) dans l'éventualité où les sommes décrites au sous-alinéa (ii), une fois remboursées, seraient ultérieurement utilisées pour le financement de prêts à des tiers, le sous-alinéa (ii) s'appliquera de nouveau dans l'établissement du taux d'intérêt à payer à la province sur la partie de l'avance utilisée à cette fin, et ainsi de suite, jusqu'à ce que l'avance ait été remboursée intégralement à la province;

(iv) malgré les sous-alinéas (ii) et (iii), dans l'éventualité où aucun intérêt ne serait payable à l'OOF au titre d'un prêt à un tiers, aucun intérêt ne sera à payer par l'OOF sur la partie de l'avance ainsi utilisée et dans la mesure où les conditions du prêt à un tiers prévoient le report du paiement d'intérêts courus pour une période, le paiement d'intérêts au titre d'une avance ou d'une partie d'une avance sera également reporté pour une période d'égale durée;

d) l'intérêt payable relativement à toute période de moins d'un an sera calculé en fonction du nombre de jours réellement compris dans cette période, par rapport à une année comptant 365 jours;

e) par dérogation à l'alinéa a) ci-dessus, l'intérêt sur toute partie d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers est calculé comme il est indiqué ci-dessus, mais cet intérêt devient payable uniquement dans la mesure où l'OOF reçoit un paiement d'intérêts au titre du prêt à un tiers;

f) par dérogation à l'alinéa b) ci-dessus, toute partie du capital d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers devient payable uniquement dans la mesure où l'OOF reçoit un remboursement du capital au titre du prêt à un tiers

g) le prêt autorisé en vertu des présentes sera attesté par un billet à ordre.

____
Recommended: Minister of Finance
Recommandé par : Le ministre des Finances

____
Concurred: Chair of Cabinet
Appuyé par : Le président/la présidente du Conseil des ministres

Approved and Ordered:
Approuvé et décrété le :

____
Lieutenant Governor
La lieutenante-gouverneure

From:	Ronald Kwan
To:	Gadi Mayman
Subject:	Fwd: IESO - OFA
Date:	Tuesday, October 17, 2017 3:59:51 PM

Hi Gadi,

Aside from Anthony introductory remarks, I think his point 2 may raise eyebrows.

Ron

Begin forwarded message:

From: Anthony Martinello <Anthony.Martinello@ieso.ca>
Date: October 17, 2017 at 11:05:56 AM EDT
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>, John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OFA

Ronald/John,

Based on verbal feedback thus far, OPG has not raised a material concern with the proposed intercept letter. The IESO has raised the point that this intercept letter may extend to non-Min of Energy monies (e.g. MOECC) which I still have to land/discuss with my in-house legal. I hope to final this letter soon.

A few items as FYI for the proposed fair hydro structure:

1.
DRAFT - IESO is expected to post a letter of credit (or maybe a letter of guarantee solely written by IESO) in favour of the Trust for any non-credit rated LDCs defaults risk during the period 2021 to 2047. The amount has not been finalized but may be up to $75 million.

2.
DRAFT - The Trust is looking for the IESO to give a 1st priority/security over all IESO assets including accounts receivables in favour of the Trust. This item is being discussed amongst all parties. If this proceeds, the IESO will have to amend/restructure its current credit facilities with TD Bank, OFA, and OEFC as all are unsecured pari-passu.

Regards.

From: Ronald Kwan
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Date: Tuesday, October 17, 2017 3:59:51 PM

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Regards.

From: Gadi Mayman
To: Ken Kandeepan; Ronald Kwan
Cc: Mike Manning; Anna Strathy; Gavin He
Subject: Fwd: IESO_OFA FEP 2017 Credit Letter
Date: Friday, May 12, 2017 11:06:35 PM
Attachments: IESO_OFA FHP 2017 Credit Letter.docx
ATT00001.htm

Begin forwarded message:

From: Georgia Ritchie-Wust <georgia.ritchie-wust@ieso.ca>
Date: May 12, 2017 at 2:07:32 PM EDT
To: "gadi.mayman@ofina.on.ca" <gadi.mayman@ofina.on.ca>, "mike.manning@ofina.on.ca" <mike.manning@ofina.on.ca>, "Salman.Qadir@ofina.on.ca" <Salman.Qadir@ofina.on.ca>
Cc: Anthony Martinello <Anthony.Martinello@ieso.ca>, Kim Marshall <Kim.Marshall@ieso.ca>
Subject: IESO_OFA FEP 2017 Credit Letter

Hi,

At the request of Anthony Martinello, I'm forwarding a copy of the signed letter from Kim Marshall re the above-mentioned subject matter.

If you have any questions please feel free to contact Anthony Martinello directly at anthony.martinello@ieso.ca

Thanks,

Georgia Ritchie-Wust | Executive Assistant to Kim Marshall, VP, Corporate Services & CFO
Independent Electricity System Operator (IESO) | T: (905) 855-6379 | T: (416) 969-6012 | F: (905) 855-6459
Postal Station A, Box 4474, Toronto, ON M5W 4E5
Web: www.ieso.ca[ieso.ca] | Twitter: IESO_Tweets[twitter.com] | LinkedIn: IESO[linkedin.com]

Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator

Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900

www.ieso.ca

May 12, 2017.

Mr. Gadi Mayman
Chief Executive Officer
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario, M7A 1Y7

Re: **IESO Credit Requirements for the 2017 Fair Hydro Plan**

Dear Mr. Mayman,

As you are aware the Ontario government has announced its intension to implement the proposed Fair Hydro Plan (FHP) to reduce electricity prices for eligible consumers in the province. Proposed legislation was introduced this month for the FHP. The Independent Electricity System Operator (IESO) is preparing to implement the FHP and has determined that in order to support the IESO's role in FHP implementation it will need greater credit liquidity than currently exists.

An existing credit facility between the IESO and the Ontario Financing Authority (OFA) is currently available for $975 million which includes support for the current Regulated Price Plan (RPP) program. The IESO proposes that a separate and additional credit facility be provided by either the OFA or Ontario Electricity Financial Corporation (OEFC) to support only the FHP credit needs. A separate facility for the FHP is preferable to ensure operational efficiency and interest tracking.

IESO's FHP Credit Requirements and Rationale

Below we have outlined the IESO's expected credit needs including the current OFA facility as follows:

	OFA:IESO Facility	New FHP facility
Current credit facilities	$975 million	$ -
Reduction due to FHP	($500 million)	$ -
Increase due to FHP	$ -	$2,000 million
Totals Credit Facilities	$475 million	$2,000 million

The above $500 million reduction in the current OFA facility is to eliminate duplicate credit needs and reflect the replacement of the current RPP by the new FHP. In addition, the IESO has had recent discussions with OFA staff to explain the rationale to support the overall $2,000 million FHP commitment.

We suggest the new FHP credit facility consider the following key provisions:

- 5 year term - to align with the FHP's initial period of deferral of electricity prices plus a contingency period (i.e. to September 30, 2022);
- interest charge - to be Province's cost of funds for borrowing with a similar term as determined by OFA / OEFC plus 0.25 percent per annum;
- Draws - to be based on minimum of 7 days to a maximum of 95 days, to minimize interest costs and permit efficient FHP asset transfers; and
- Existing $975 million OFA facility : draws to permit for FHP purposes until a new separate credit agreement for FHP purposes has been made available;

Upon your reply to this letter, the IESO will seek any necessary IESO Board of Directors' approval for the above credit facilities and we will provide such evidence for your records.

We appreciate your continued support and look forward to working with you. Please contact me should you need anything further.

Sincerely,

K Marshall

Kimberly Marshall
Vice President Corporate Services, Chief Financial Officer and Treasurer
416-969-6232

From:	Anna Strathy
To:	Gadi Mayman
Subject:	Fwd: OFA-IESO Credit Agreements
Date:	Wednesday, October 25, 2017 6:32:13 PM

Hi Gadi, please see Ron's email below. Given that you've conditioned the MO on #3, I'm wondering whether we proceed with the exemption as the most expeditious option. It may be worth a call to Ken Hartwick first to confirm that OPG is onside with that approach. What do you think?

--
Anna Strathy
Special Policy Advisor to the CEO
Ontario Financing Authority
416.325.8032

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** October 25, 2017 at 4:32:01 PM EDT
> **To:** Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject: OFA-IESO Credit Agreements**
>
> Hi Anna,
>
> I understand from John that when he spoke to Anthony at the IESO this afternoon that he said that their negotiation with OPG Trust could take several weeks. While OPG Trust wants this, IESO is asking for the rationale, including wanting to talk to Moody's and DBRS. So this could still take a while.
>
> In that context, and the context of the next IESO settlement period in November, would Gadi prefer to 1) go forward with the intercept letter and credit facility with the intercept provision in the next few days, for now, with the potential of a later amendment to accommodate a potential outcome of the IESO-OPG discussions; 2) push harder on OPG, with 1 or 3 as a backup; or 3) seek the Minister's exemption from the intercept policy?
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> Ron

From: Ronald Kwan
To: Gadi Mayman
Cc: Mike Manning; Ken Kandeepan
Subject: Fwd: OFA-IESO, discussion re Fair Hydro
Date: Monday, April 17, 2017 6:33:51 PM

Hi Gadi,

FYI.

Has there been much discussion on this in the Thursday morning meetings?

While the OFA has a facility or the old OPA businesses of the IESO, and the OEFC for the IESO, a long-term facility for this purpose would be new, and not what Cabinet/TB may be expecting.

Even for the short term, I thought there had been some discussion earlier of OPG drawing on other facilities.

Ron

Begin forwarded message:

> **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> **Date:** April 17, 2017 at 3:59:19 PM EDT
> **To:** "Scott Nelms (ENERGY)" <Scott.Nelms@ontario.ca>
> **Subject: Re: OFA-IESO, discussion re Fair Hydro**
>
> Thanks Scott.
>
> Has the accounting treatment been discussed in the case of IESO financing through the OFA? Would it make a difference if the bulk of the Reg asset is sold to OPG in a given year, but some fraction is retained by IESO?
>
> As for other components of the TB Report Back, I would assume that one approval item is the operating asset appropriation amount in Energy for the equity injection. Is that right?
>
> Ron
>
> On Apr 17, 2017, at 3:51 PM, Nelms, Scott (MOF) <Scott.Nelms@ontario.ca> wrote:
>
>> I think we want to get as much covered off in the TB sub, so if something needs to be included that seems like the right place. As far as I know nothing has been drafted as everything is focused on landing the legislation.

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: April-17-17 3:38 PM
To: Nelms, Scott (MOF)
Subject: Re: OFA-IESO, discussion re Fair Hydro

Hi Scott,
Understood. And will this be part of the TB Report Back in a couple weeks?
Ron

On Apr 17, 2017, at 3:05 PM, Nelms, Scott (MOF) <Scott.Nelms@ontario.ca> wrote:

> If OPG decides it no longer has the ability to purchase the asset permanently, IESO needs a way to finance on a long term basis.
>
> ---
>
> **From:** Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
> **Sent:** April-17-17 3:03 PM
> **To:** Nelms, Scott (MOF)
> **Subject:** Re: OFA-IESO, discussion re Fair Hydro
>
> Hi Scott,
> Thanks. In the latter case, though, would that be assumed not as a temporary situation -- otherwise, why a long term facility?
> I would have otherwise assumed it was still a temporary situation.
> Ron
>
> On Apr 17, 2017, at 1:30 PM, Nelms, Scott (MOF) <Scott.Nelms@ontario.ca> wrote:
>
>> I have yet to see any numbers. I think we are still at the concept level. As you know, OPG will buy the asset from IESO on an ongoing basis. What has yet to be determined is frequency of these transactions, which could be anywhere from weeks to 3 months of delay. Therefore IESO needs a larger credit facility from OFA to meet this temporary shortfall.
>> In addition, there may be circumstances where OPG does not purchase the asset (either due to temporary market conditions or overall capacity issues). Therefore IESO needs the capacity to finance these shortfalls until the market recovers or Province decides on a different course of action. I see this as a contingent fund, which only needs to become

available in the event one of these circumstances arise.

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]

Sent: April-17-17 10:52 AM
To: Nelms, Scott (MOF)
Subject: Fwd: OFA-IESO, discussion re Fair Hydro

Hi Scott,
I am likely behind the curve on this.
I could see short term financing needs, especially early on perhaps, but long term financing from the OFA (vs OPG'S SPV)?
Why is that arising?
Thanks,
Ron

Begin forwarded message:

> **From:** Anthony Martinello <Anthony.Martinello@ieso.ca>
> **Date:** April 16, 2017 at 11:55:08 AM EDT
> **To:** Kim Marshall <Kim.Marshall@ieso.ca>, Ronald Kwan <Ronald.Kwan@ofina.on.ca>, Michael Boll <Michael.Boll@ieso.ca>, Mike Manning <Mike.Manning@ofina.on.ca>, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, Victor Buza <Victor.Buza@ieso.ca>
> **Subject: OFA-IESO, discussion re Fair Hydro**
>
> Below are the proposed agenda items for our meeting.
> Agenda:
> 1.Draw Amounts
> -IESO may need to fund a) Fair Hydro forecast variances (short term), and b) Fair Hydro amounts not purchased by the OPG SPV

(long term);
-in order to minimize costs and maximize cash-flow flexibility (matching to OPG SPV buys) – any appetite to amending the current 28 day minimum for draws;
2.IESO's Fair Hydro role
-IESO's credit rating agencies (Moody's Aa2, and DBRS) will examine IESO's credit capacities/solvency – need to update IESO/OFA's credit facilities to remove material adverse effect clauses or similar clauses and acknowledge/agree IESO's role in the Fairy Hydro plan and commitment to advance funds under the credit facility if needed for the Fair Hydro cash-flows.
3.General
General comments regarding IESO's Fair Hydro needs vs. IESO regular ongoing needs (corporate and market)
Regards.

From: Ronald Kwan
To: Gadi Mayman
Cc: Anna Strathy
Subject: IESO Credit Facility and Intercept Provision Exemption
Date: Friday, September 15, 2017 1:56:51 PM
Attachments: DIRECTIVE Aug 16 (vAug18LisaMallesSignedOff)_clean_vFinalClean3.docx
01 - IESO-OFA - FHP LoC - Intercept Directive v12Clean3.docx

Hi Gadi,

Just a heads up, in case you had not heard, that the Deputy is, understandably, raising questions on getting a Minister's exemption from the OFA's public bodies lending policy requiring an intercept provision for the IESO facility, since there is no transfer amount to intercept in this case.

You may recall that OFA Legal had identified this issue in the summer, after the Minister's directive was provided on the IESO facility. It was identified as Legal was drawing up the credit facility documents, and they raised the issue on compliance with the lending policy, and in the context of attestations and scrutiny on compliance issues.

While it was raised at the time that an intercept provision would be moot in this case, we moved forward to seek a Minister's exemption from that part of the lending policy, as provided for under the policy.

Just as a reminder, attached are the related materials.

Happy to discuss.

Ron

DIRECTIVE

MINISTER OF FINANCE

LOANS TO THE INDEPENDENT ELECTRICITY SYSTEM OPERATOR

To: Ontario Financing Authority ("OFA")

Whereas:

Under the *Capital Investment Plan Act, 1993* ("CIPA"), the OFA provides financing to public bodies as directed by the Minister of Finance ("Minister").

Effective January 1, 2015, the Ontario Power Authority (the "OPA") and the Independent Electricity System Operator amalgamated and continued as a corporation without share capital under Part II of the *Electricity Act, 1998* (the "Amalgamation") with the name Independent Electricity System Operator ("IESO").

Pursuant to directives dated December 22nd, 2004, October 3rd, 2005, July 28th, 2006, October 14th, 2010, December 18th, 2013, and November 28th, 2016, the Minister approved and directed the OFA to make loans (the "Advances") to the OPA and the IESO after the Amalgamation from time to time in an aggregate amount not to exceed $975 million at any time, as considered necessary by the OPA and IESO after the Amalgamation to meets its purposes.

Pursuant to the Amalgamation the obligations of the OPA became obligations of the IESO.

The terms and conditions governing the Advances are set out in a credit agreement entered into between the OFA and the OPA dated January 1, 2005, as subsequently amended by amending agreements dated February 14, 2005, October 11, 2015, September 27, 2006, July 13, 2007, November 9, 2010, December 20, 2013, December 19, 2014 and November 30, 2016 (as so amended, the "Original Credit Facility Agreement").

The IESO had requested a new revolving credit facility in an amount of up to $2 billion from the OFA to support the IESO's role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act"). In the same request, the IESO had requested a reduction to its existing credit facility from the current $975 million to $475 million.

Pursuant to a directive from the Minister dated June 29, 2017 (the "2017 Directive"), the OFA was directed to provide a new revolving credit facility of up to $2 billion to the IESO for the purposes of providing short to medium term financing related to the IESO's role in the implementation of the OFHP Act (the "OFHP Credit Facility").

Pursuant to the OFA Lending Policy, the OFA is required to include an intercept provision in respect of loans made by the OFA to public bodies on an unsecured basis, unless otherwise directed by the Minister, Treasury Board or Cabinet. The intercept provision applies to money appropriated by the Legislature for a public body.

The IESO is a public body for the purposes of CIPA.

As there is no operational funding appropriated by the Legislature for the IESO, the intercept provision has no application for OFA loans to the IESO.

Therefore:

The OFA is not required to include an intercept provision in the following two credit facility agreements with the IESO:

a) the Original Credit Facility Agreement, as may be amended from time to time; and,
b) the OFHP Credit Facility agreement, as may be amended from time to time.

(together, the "IESO Credit Facility Agreements")

The IESO Credit Facility Agreements shall remain subject to all other terms and conditions as set out in the applicable directives.

Dated , 2017

~~Minister of Finance~~

~~Per~~ ______________________________

~~The Honourable Liz Sandals~~

~~President of Treasury Board~~

~~Alternate for the Minister of Finance~~

Charles Sousa

Minister of Finance

OFA -- IESO CREDIT FACILITY
MINISTER OF FINANCE DIRECTIVE FOR AN EXEMPTION FROM THE INTERCEPT PROVISION ("INTERCEPT EXEMPTION DIRECTIVE")
REQUIRED UNDER THE OFA'S LENDING POLICY

CONTEXT

The IESO had requested a new revolving credit facility in an amount of up to $2 billion from the OFA to support its role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act"). In the same request, the IESO had requested a reduction to its existing credit facility (currently provided under the "Original Credit Facility Agreement", see Background section) from the current $975 million to $475 million.

On June 29, 2017, the OFA received a directive from the Minister to accommodate the IESO's request and provide a revolving credit facility to the IESO in an amount of up to $2 billion (the "OFHP Credit Facility").

Pursuant to the OFA Lending Policy, the OFA is required to include an intercept provision in respect of loans made by the OFA to public bodies on an unsecured basis, unless otherwise directed by the Minister of Finance [or Treasury Board or Cabinet]. In accordance with section 23 of the *Capital Investment Plan Act, 1993* ("CIPA"), the intercept provision allows the Minister to deduct amounts equal to any amounts the public body fails to pay to the OFA under a loan agreement from money appropriated by the Legislature for payment to the public body.

Per the requirements of the OFA's Lending Policy, the OFA is returning to request a Minister's direction to exempt the requirement to include an intercept provision in the OFHP Credit Facility agreement with the IESO, as well as the Original Credit Facility Agreement, both of which may be amended from time to time.

- The OFA Lending Policy provides the following requirement for unsecured loans to public bodies under CIPA:

> Except where otherwise directed by the Minister of Finance, Treasury Board or Cabinet, and prior to the OFA making any loan to a public body, the OFA will [e]nsure that it has an appropriate intercept in place for the loan.

- The OFA Lending Policy also includes the following requirements in relation to the intercept provision:

> The public body and its responsible ministry are to agree that the Minister of Finance is entitled to deduct from money appropriated by the Legislature for payment to the public body amounts equal to any amounts that the public body fails to pay to the OFA on account of indebtedness under its loan agreement with the OFA.

RECOMMENDATION

- OFA staff recommend the Minister sign the attached Intercept Exemption Directive allowing the OFA to exclude intercept provisions from the OFHP Credit Facility Agreement, as well as the Original Credit Facility Agreement, both of which may be amended from time to time.

- The requested Intercept Exemption Directive would only apply to the two specified IESO credit facilities.

MINISTER'S DIRECTIVE

- The Minister of Finance's Intercept Exemption Directive would authorize the OFA to exempt the Original Credit Facility Agreement and the OFHP Credit Facility agreement, both as amended from time to time, from the OFA Lending Policy requirement to include an intercept provision.

RATIONALE FOR EXEMPTION

- This Intercept Exemption Directive will enable the IESO to fulfil its commitments under the OFHP Act as the IESO will have to finance for a short or medium term period the funding shortfalls in the implementation of the OFHP Act, as well as the continued implementation of the market support function for the IESO through the $475 million facility (to be amended from the current $975 million facility).

- Including an intercept provision in the credit facility agreements with the IESO would have no practical usefulness as the IESO receives no operational funding from the Province of Ontario.

- While the IESO settlements system for the electricity sector may facilitate the flow of appropriations of the Ministry of Energy for energy-related programs such as the Ontario Rebate for Electricity Consumers (OREC), the Rural or Remote Rate Protection Program (RRRP), the Ontario Electricity Support Program (OESP) etc., these payments are for the benefit of various electricity consumers.

- Intercepting these program specific payments, which are appropriated by the Legislature for the Ministry of Energy, under which the IESO may only be providing a conduit to local distribution companies under the IESO settlement system to provide benefits to ratepayers, in order to recover loan payments would not be in alignment with the wording or intent of the OFA's Lending Policy.

FISCAL IMPACT

- There is no expected incremental fiscal impact for the Province from providing an exemption from the intercept provision requirement of the OFA Lending Policy.
  - [The IESO is an entity consolidated to the Province and if there were any amounts to intercept, there would be no incremental fiscal impact of having the Intercept Exemption Provision.]

BACKGROUND

<u>The IESO</u>

- The IESO is a not-for-profit corporate entity established in 1998 by the *Electricity Act*, *1998*. It is governed by an independent Board of Directors and its Chair and Directors are appointed by the Province.

- The IESO has full statute-based authority for establishing, monitoring and enforcing reliability standards in the province. All the companies that make up the power system in Ontario must meet the IESO's standards.

- Its fees and licences to operate are set by the Ontario Energy Board and it operates independently of all other participants in the electricity market.

- The IESO is a public body for the purposes of CIPA.

OFA Credit Facilities to the IESO

- Pursuant to directives dated December 22nd 2004, October 3rd, 2005, July 28th, 2006, October 14th, 2010, December 18th, 2013, and November 28, 2016, the Minister of Finance ("Minister") approved and directed the Ontario Fiancing Authority ("OFA") to make loans (the "Advances") to the Ontario Power Authority (the "OPA") from time to time in an aggregate amount not to exceed $975 million at any time, as considered necessary by the OPA to meets its purposes.

- Effective January 1, 2015, the OPA and the Independent Electricity System Operator amalgamated and continued as a corporation without share capital under Part II of the *Electricity Act, 1998* (the "Amalgamation") with the name Independent Electricity System Operator ("IESO").

- Pursuant to the Amalgamation the obligations of the OPA became obligations of the IESO.

- The terms and conditions governing the Advances are set out in a credit agreement entered into between the OFA and the OPA dated January 1, 2005, as subsequently amended by amending agreements dated February 14, 2005, October 11, 2015, September 27, 2006, July 13, 2007, November 9, 2010, December 20, 2013, December 19, 2014 and November 30, 2016 (as so amended, the "Original Credit Facility Agreement").

Electricity Finance Branch / Corporate and Electricity Finance Division
Ontario Financing Authority
August 18, 2017

From: David Barrett
To: Charles Sousa (MOF)
Cc: Scott Thompson (CAB); Gadi Mayman
Subject: IESO Treasury Policy for Approval - Reg 280/14
Date: Monday, June 19, 2017 6:13:30 PM
Attachments: Item 8(iii) BLACKLINED Treasury Policy June 14 2017.pdf
Item 8(iv) BLACKLINED Schedule A - IESO Treasury Policy.pdf
IESO Finance Policy Update June 2017 Reg 280-14.pdf

Dear Minister Sousa:

On behalf of the IESO, I am sending the attached IESO Treasury Policy and Schedule A (version June 14, 2017) for your review and approval.
Should you have questions on this, please contact either Anthony Martinello, Kimberly Marshall or John Rattray whose information is contained in the accompanying letter.

Sincerely,
David Barrett

David Barrett, CPA, CA | Supervisor, Government Affairs
Independent Electricity System Operator (IESO) | T: (416) 969-6224 | M: (905) 601-6481
1600-120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca[ieso.ca] | Twitter: IESO_Tweets[twitter.com] | LinkedIn: IESO[linkedin.com]
Conservation: www.saveONenergy.ca[saveonenergy.ca] | Twitter: saveONenergyOnt[twitter.com] | LinkedIn: saveONenergy[linkedin.com]

IESO Statement of Investment, Borrowing and Financial Management Policies and Procedures ("Treasury Policy")			
Office of Primary Responsibility	Treasury, Corporate Services	Policy #	**Treasury 01**
Subject.:	**IESO TREASURY POLICY**	Page:	1 of 4, and Schedule A
Approved by	Board of Directors	Effective	June 24, 2015
		Revised	June 14, 2017~~n / a~~

1. DEFINITIONS

CFO: means the IESO's Chief Financial Officer

IESO: means the Independent Electricity System Operator.

Treasury Policy: means this policy document, and means the Statement of Investment, Borrowing and Financial Management Policies and Procedures as referenced in Ontario Regulation 280 / 14.

2. PURPOSE:

The purpose of this Treasury Policy is as follows:

a) To adopt a policy for the sound and efficient management of the IESO's borrowing, investment, foreign exchange, financial affairs, and other treasury related activities;

b) To make investments when the investments are advisable for the sound and efficient management of the IESO's financial affairs;

c) To adhere to Ontario Regulation 280 / 14 made under the Electricity Act, 1998, as amended;

3. SCOPE

This Treasury Policy applies to all treasury related activities of the IESO (corporation) and the IESO's administered markets.

This Treasury Policy must be reviewed on an annual basis.

4. OUT OF SCOPE

This Treasury Policy does not apply to any activities pertaining to the IESO's pension plans[1].

Nothing in this Treasury Policy restricts the IESO's authority to enter into contracts referred to in section 25.32 or 25.35 of the Electricity Act.

5. RESPONSIBILITIES

5.01 **Director~~Manager~~, Treasury and Pension Operations (or equivalent)** is responsible for:

- Manage all day-to-day treasury activities and ensure adherence to this Treasury Policy;
- To establish documented treasury processes and procedures for internal control purposes;
- As necessary, recommend to the CFO any appropriate changes to Treasury Policy;
- Provide the CFO on a timely basis with any policy violations, concerns, or issues;
- To provide a report on the IESO's treasury activities to the CFO and IESO Board of Directors at least each quarter.

5.02 **Chief Financial Officer** is responsible for:

- Establish prudent and effective treasury and risk management practices;
- To manage the relationships between government and the IESO regarding all treasury matters;
- Reviewing any proposed changes to the Treasury Policy before submission to the IESO Board of Directors;

[1] Includes the IESO Registered Pension Plan and IESO Supplementary Employee Retirement Plan (SERP reserve).

5.03 **IESO Board of Directors** are responsible for:

- To adopt a Treasury Policy setting out policies for the IESO's borrowing, investment, foreign exchange, financial affairs, and other treasury related activities;
- To ensure any proposed change to the Treasury Policy is sent to the Minister of Finance for approval

6. PERMITTED ACTIVITIES

6.1 **Permitted Borrowings:**

a) All new borrowing facilities must be approved by the IESO Board of Directors.

b) The CFO will renew the annual SERP's letter of credit posted with the SERP trustee.

c) All borrowing facilities must be denominated in Canadian dollars.

d) The IESO shall establish bank accounts' overdraft capacity and services with its bank(s).

e) The IESO may only borrow from the following list of lenders:
   i. Government of Canada, Canadian provincial governments or any of their agencies; and
   ii. Canadian Schedule I or Schedule II or Schedule III financial institutions;

f) As determined by the CFO, the IESO may obtain a credit rating(s) to assist the IESO with establishing the IESO's creditworthiness to prospective lenders or counterparties.

g) Borrowing facilities shall only be utilized for the following purposes:
   i. To ensure the IESO corporation's operating liquidity and for purchases of IESO corporation's capital assets;
   ii. To ensure liquidity to complete the IESO's mandate for the Ontario electricity markets' settlements including the settlements for any Ontario government programs that the IESO is a service provider;
   iii. To ensure funding of any amounts, including variance accounts and timing differences, as prescribed by the Ontario Electricity Act and any Ontario regulation;
   ~~iii.~~iv. To ensure funding of any amounts resulting from or required by Ontario's Fair Hydro program;
   ~~iv.~~v. To ensure funding as may be necessary to manage timing differences between the receipts and payments with respect to IESO procurement contracts, electricity markets transactions, Smart Metering, and taxes; and

~~v.~~vi. As directed by the Minister of Energy;

6.2 Permitted Investments and Forward Foreign Exchange Contracts:

a) See **Schedule "A": Approved Financial Instruments Listing** for a listing of permitted investments and counterparties.
b) Investments or counterparties not listed in **Schedule "A"** are prohibited.
c) All investments must be denominated in either Canadian or US dollars.

End.

Schedule "A"
Independent Electricity System Operator ("IESO")
Approved Financial Instruments Listing

Permitted Categories of Investment Products or Hedging Financial Instrument	***Allowable Counterparties or Issuers***	***Minimum S&P's Rating or equivalent ([1])***	***Maximum Face Amounts per counterparty or issuer***	***Max Term Limit***
1. Deposits held in bank accounts *2. Term Deposits* *3. Bankers' Acceptances* *4. Bearer Deposit Notes* *5. Certificates of Deposit* *6. Guaranteed Investment Certificates*	*Canadian Schedule I Banks*	*Short term: **"A-1+"***	*$~~420~~500 million per counterparty;*	*65 days*
7. Treasury Bills *8. Bonds* *9. Debentures* *10. Promissory Notes*	*Government of Canada* *Or* *Canadian Provincial Government,* *Or* *Government Agency (fully guaranteed by the Government of Canada or Provincial government)*	*TBills and Promissory Notes: "**A-1+**"* *Bonds and Debentures: "**AA-**"*	*Government of Canada and Province of Ontario: unlimited* *Other: $500million*	*365 days*
11. US$: Spot Market Purchases	*Canadian Schedule I Banks*	*Short term: "**A-1+**"*	*The total estimated US$ expenditures within the next 100 days.* *Maximum of US$5million*	*100 days*
12. US $: Forward Foreign Exchange Contracts	*Canadian Schedule I Banks*	*Up to 1 year: "**A-1+**"* *Long term: **"AA-"***	*The total estimated US$ expenditures in the approved IESO business plan (annual expenses and capital expenditures to meet contractual obligations) less any US$ currency held by the IESO.* *Maximum of US$25million*	*25 months ([2])*

[1] All counterparties must have at least two (2) ratings that meet the IESO's minimum S&P's rating or equivalent (e.g. S&P, Moody or DBRS).
[2] US$ spot, and US$ Forward Foreign Exchange Contracts will be utilized to manage foreign exchange risk and not to engage in speculative trading.

June 15, 2017

ieso
Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
1600-120 Adelaide Street West
Toronto, ON M5H 1T1
t 416.967.7474
www.ieso.ca

The Honorable Charles Sousa
Minister of Finance
7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto, ON
M7A 1Y7

Dear Minister:

Re: Independent Electricity System Operator ("IESO")
IESO Treasury Policy (version June 14, 2017)

Ontario Regulation 280/14 (the "Regulation"), as amended, prescribes requirements for the IESO regarding its treasury activities. The Regulation requires the IESO to adopt a statement setting out the IESO's investment, borrowing, and financial management policies and procedures (known herein as the "IESO Treasury Policy").

The IESO's Board of Directors approved the attached revised (*black-lined to highlight the changes made*) IESO Treasury Policy on June 14, 2017.

As required by the Regulation, the IESO submits the attached revised IESO Treasury Policy for your review and requests your approval of the same.

Please contact me (905.403.6944), Kimberly Marshall, IESO Chief Financial Officer (416.969.6232), or John Rattray, IESO General Counsel (416.506.2856) for any questions you or your staff may have regarding this request.

Sincerely,

Anthony Martinello
Director, Treasury and Pension Operations

Attachment: IESO Treasury Policy (version June 14, 2017)

cc: Scott Thompson, Deputy Minister, Ministry of Finance
Gadi Mayman, Chief Executive Officer, Ontario Financing Authority

From: Georgia Ritchie-Wust
To: Gadi Mayman; Mike Manning; Salman Qadir
Cc: Anthony Martinello; Kim Marshall
Subject: IESO_OFA FEP 2017 Credit Letter
Date: Friday, May 12, 2017 2:07:51 PM
Attachments: IESO_OFA FHP 2017 Credit Letter.docx

Hi,

At the request of Anthony Martinello, I'm forwarding a copy of the signed letter from Kim Marshall re the above-mentioned subject matter.

If you have any questions please feel free to contact Anthony Martinello directly at anthony.martinello@ieso.ca

Thanks,

Georgia Ritchie-Wust | Executive Assistant to Kim Marshall, VP, Corporate Services & CFO
Independent Electricity System Operator (IESO) | T: (905) 855-6379 | T: (416) 969-6012 | F: (905) 855-6459
Postal Station A, Box 4474, Toronto, ON M5W 4E5
Web: www.ieso.ca[ieso.ca] | Twitter: IESO_Tweets[twitter.com] | LinkedIn: IESO[linkedin.com]

Corporate Services collaborates with you to deliver solutions and expertise that enable the IESO to achieve its goals.

*"We are what we repeatedly do. **Excellence**, therefore, is not an act but a **habit**".*
.....(Aristotle)

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

May 12, 2017.

Mr. Gadi Mayman
Chief Executive Officer
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario, M7A 1Y7

Re: **IESO Credit Requirements for the 2017 Fair Hydro Plan**

Dear Mr. Mayman,

As you are aware the Ontario government has announced its intension to implement the proposed Fair Hydro Plan (FHP) to reduce electricity prices for eligible consumers in the province. Proposed legislation was introduced this month for the FHP. The Independent Electricity System Operator (IESO) is preparing to implement the FHP and has determined that in order to support the IESO's role in FHP implementation it will need greater credit liquidity than currently exists.

An existing credit facility between the IESO and the Ontario Financing Authority (OFA) is currently available for $975 million which includes support for the current Regulated Price Plan (RPP) program. The IESO proposes that a separate and additional credit facility be provided by either the OFA or Ontario Electricity Financial Corporation (OEFC) to support only the FHP credit needs. A separate facility for the FHP is preferable to ensure operational efficiency and interest tracking.

IESO's FHP Credit Requirements and Rationale

Below we have outlined the IESO's expected credit needs including the current OFA facility as follows:

	OFA:IESO Facility	New FHP facility
Current credit facilities	$975 million	$ -
Reduction due to FHP	($500 million)	$ -
Increase due to FHP	$ -	$2,000 million
Totals Credit Facilities	$475 million	$2,000 million

The above $500 million reduction in the current OFA facility is to eliminate duplicate credit needs and reflect the replacement of the current RPP by the new FHP. In addition, the IESO has had recent discussions with OFA staff to explain the rationale to support the overall $2,000 million FHP commitment.

We suggest the new FHP credit facility consider the following key provisions:

- 5 year term - to align with the FHP's initial period of deferral of electricity prices plus a contingency period (i.e. to September 30, 2022);
- interest charge - to be Province's cost of funds for borrowing with a similar term as determined by OFA / OEFC plus 0.25 percent per annum;
- Draws - to be based on minimum of 7 days to a maximum of 95 days, to minimize interest costs and permit efficient FHP asset transfers; and
- Existing $975 million OFA facility : draws to permit for FHP purposes until a new separate credit agreement for FHP purposes has been made available;

Upon your reply to this letter, the IESO will seek any necessary IESO Board of Directors' approval for the above credit facilities and we will provide such evidence for your records.

We appreciate your continued support and look forward to working with you. Please contact me should you need anything further.

Sincerely,

K Marshall

Kimberly Marshall
Vice President Corporate Services, Chief Financial Officer and Treasurer
416-969-6232

From:	Anna Strathy
To:	"Kaj.Thiru@ontario.ca"
Cc:	"Graham.Smith2@ontario.ca"; Gadi Mayman; Ronald Kwan; Mara Bakic; Usman Zahid
Subject:	IO Revolving Credit Facility
Date:	Monday, March 26, 2018 4:18:05 PM

Hi Kaj,

Per our call just now, I can confirm that the $100 million revolving line of credit is indeed coming across your desk for the first time. You may be thinking of a $2B revolving credit facility provided to the IESO (Independent Electricity System Operator) in November to facilitate implementation of the Fair Hydro Plan.

Anna

Anna Strathy
Special Policy Advisor to CEO
Ontario Financing Authority
1 Dundas Street West, 14th Floor
416.325.8032 | anna.strathy@ofina.on.ca

From:	Anna Strathy
To:	"Kaj.Thiru@ontario.ca"
Cc:	"Graham.Smith2@ontario.ca"; Gadi Mayman; Ronald Kwan; Mara Bakic; Usman Zahid
Subject:	IO Revolving Credit Facility
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Ontario Financing Authority
1 Dundas Street West, 14th Floor
416.325.8032 | anna.strathy@ofina.on.ca

From: Ronald Kwan
To: Gadi Mayman; Mike Manning
Subject: OEFC-IESO Credit Facilities and Amendment
Date: Wednesday, November 29, 2017 8:15:43 AM
Attachments: IESO-OEFC Note_v8.docx
ATT00001.htm

Hi Gadi, Mike,

Staff updated the BN on the IESO request to amend the OEFC credit facilities for permitted liens.

Staff heard from the IESO yesterday that without the terms of the OEFC facilities being amended this week, it would need to ask for an interim waiver from the OEFC to avoid being in default. If feasible, it may make sense to simply go ahead with amending the facilities for permitted liens instead.

Ron

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

- On November 28, 2017, IESO staff wrote to staff that without the terms of the OEFC facilities being amended, it would need to ask for an interim waiver from the OEFC to avoid being in default.

CONTEXT

- Under the FHP, the IESO and Ontario Power Generation (OPG) are interacting to refinance a portion of the Global Adjustment over a longer period of time.

- IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO sought and received its Board's approval on Nov 22, 2017 to enter into a security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the various agreements. IESO staff wrote:

  "…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."

- The IESO provided a draft Security Agreement, dated November 7th, 2017, between them and the OPG Trust to OFA. According to the draft Security Agreement, in the unlikely event that the IESO runs into financial difficulty, the IESO would give OPG Trust a priority in the IESO's assets, including all accounts of the IESO and all cash and proceeds from LDCs, that would put OPG Trust ahead of unsecured creditors, including the OFA and the OEFC.
  - The security agreement is not limited to the Clean Energy Adjustment funds collected by the IESO only.

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid breaching the terms of the existing agreements with OEFC.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017 the IESO had requested that the OFA make similar changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- With the proposed new security agreement between OPG Trust and the IESO, OPG Trust would have a priority claim against the IESO's assets, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low.
  - The extent of this risk is subject to uncertainty at this time, given that the regulations that govern the payments related to the Fair Allocation Amount in each period, and how that relates to the obligations to the Financing Entity, are still under development.

- IESO is an agency of the government consolidated line-by-line in the Province's accounts.

- The OFA agreed to IESO's requested changes to the OFA credit facilities.

- OFA'S Capital Markets Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993* and any changes to the OEFC agreements should take this into account.

- According to the Minister's Directives associated with the OEFC Agreements, the loan and the credit facilities are "subject to such other terms as OEFC deems appropriate." Therefore, an amendment for permitted liens can be done under the existing directives, and new or revised directives from the Minister of Finance are not deemed necessary. This would be consistent with the approach when the pre-existing OFA-IESO credit facility agreement was amended for permited liens on November 6, 2017.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens".

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch, Corporate and Electricity Finance Division
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 28, 2017

From:	Ronald Kwan
To:	Gadi Mayman; Mike Manning
Subject:	OEFC-IESO Credit Facilities and Amendment
Date:	Wednesday, November 29, 2017 8:15:43 AM
Attachments:	IESO-OEFC Note_v8.docx ATT00001.htm

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Electricity Finance Branch, Corporate and Electricity Finance Division
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 28, 2017

From: Anthony Martinello
To: Gadi Mayman
Cc: Kim Marshall; Michael Boll
Subject: OFA : IESO
Date: Thursday, April 13, 2017 7:41:17 AM

Mr. Mayman,

Kim and I would like to set up a 30min call with you to discuss the proposed Fair Hydro rollout and the potential impact on the IESO credit needs.

Would you be available next week/preferred date? Let me know and I will send out a meeting invite.

Regards

From: Gadi Mayman
To: Ronald Kwan
Subject: RE: IESO - OFA
Date: Tuesday, October 17, 2017 5:13:57 PM

Just left you a VM. Nothing urgent.

From: Ronald Kwan
Sent: Tuesday, October 17, 2017 4:00 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: Fwd: IESO - OFA

Hi Gadi,

Aside from Anthony introductory remarks, I think his point 2 may raise eyebrows.

Ron

Begin forwarded message:

> **From:** Anthony Martinello <Anthony.Martinello@ieso.ca>
> **Date:** October 17, 2017 at 11:05:56 AM EDT
> **To:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>, John Kim <John.Kim@ofina.on.ca>
> **Cc:** Victor Buza <Victor.Buza@ieso.ca>
> **Subject: IESO - OFA**
>
> Ronald/John,
>
> Based on verbal feedback thus far, OPG has not raised a material concern with the proposed intercept letter. The IESO has raised the point that this intercept letter may extend to non-Min of Energy monies (e.g. MOECC) which I still have to land/discuss with my in-house legal. I hope to final this letter soon.
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> A few items as FYI for the proposed fair hydro structure:
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> 1.
> DRAFT - IESO is expected to post a letter of credit (or maybe a letter of guarantee solely written by IESO) in favour of the Trust for any non-credit rated LDCs defaults risk during the period 2021 to 2047. The amount has not been finalized but may be up to $75 million.
>
> 2.
> DRAFT - The Trust is looking for the IESO to give a 1st priority/security over all

IESO assets including accounts receivables in favour of the Trust. This item is being discussed amongst all parties. If this proceeds, the IESO will have to amend/restructure its current credit facilities with TD Bank, OFA, and OEFC as all are unsecured pari-passu.

Regards.

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To:	Ronald Kwan
Subject:	RE: IESO - OFA
Date:	Tuesday, October 17, 2017 5:13:57 PM

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> Regards.
>

From: Ronald Kwan
To: Anna Strathy; Ken Kandeepan
Cc: Gadi Mayman
Subject: RE: IESO Credit Facility and Intercept Provision Exemption
Date: Monday, September 18, 2017 5:38:03 PM

Hi Anna,

We'll look into this. Note that it would not be just IESO's agreement required.

The OFA lending policy on intercepts also involves the oversight ministry of an agency:

> …prior to any loan agreement entered into between the OFA and a public body, such public body and its responsible ministry are to agree that the Minister of Finance is entitled to deduct from money appropriated by the Legislature for payment to the public body amounts equal to any amounts that the public body fails to pay to the OFA on account of indebtedness under its loan agreement with the OFA. In addition, the public body is to agree that any notice from the OFA to the Minister of Finance in relation to its failure to pay under its loan agreement may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance.

In that context of going forward and including an intercept provision in the credit facility, Energy would need to provide such agreement (this is from last month`s discussions by staff with OFA Legal). Note that we have not discussed this with Energy at this point. There may be some challenges to expeditiously have Energy provide written agreement in this regard, noting that IESO will be wanting the facility in place soon.

As an aside, we had asked TBS staff in August to confirm our understanding that at this point there are no such moneys appropriated by the Legislature for payment to the IESO, but we'd want to confirm that more formally under this option of proceeding.

Perhaps an option could be that Energy might simply confirm that there are no such amounts appropriated (currently, though the question of the future could arise), or come to an internal agreement that since there are no amounts to intercept, that Energy does not need to agree to an intercept -- and see if folks are comfortable moving forward on that basis – to include an intercept provision now, which would have no practical effect, and move forward in the near term with a general amendment to the OFA lending policy that would provide for no intercept clause in the case of loans / credit facilities to public bodies that have no appropriated amounts to intercept.

Ron

From: Anna Strathy
Sent: September-18-17 14:40
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gadi Mayman <Gadi.Mayman@ofina.on.ca>

Subject: RE: IESO Credit Facility and Intercept Provision Exemption

Hi Ken, Ron,

I spoke to Gadi and it sounds like the Deputy's preference would be to add the intercept provision to the agreement with IESO (explaining to them that it is required under our Lending Policy, but would not actually apply in this case) and therefore not have to seek an exemption from the Minister nor have to involve the Board in a change to our Lending Policy.

Would IESO be amenable to this?

Anna

From: Anna Strathy
Sent: Monday, September 18, 2017 11:02 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: IESO Credit Facility and Intercept Provision Exemption

Thanks, Ron.

Gadi – in a separate email chain, Ken provided his concurrence: that not obtaining the Minister's exemption should have no impact on IESO's accounting; however it would be inconsistent with a requirement in the OFA's Lending Policy.

Ron/Ken, could you circle back with Legal and make the suggestion of an amendment to the OFA Lending Policy?

Thanks, Anna

From: Ronald Kwan
Sent: Monday, September 18, 2017 10:53 AM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: Re: IESO Credit Facility and Intercept Provision Exemption

Hi Anna,

The intercept issue is not an IESO accounting issue, but an OFA lending policy interpretation issue.

As such, I would think of the first step is more an internal to the OFA one, on getting approval/direction to move forward to provide a facility to the IESO without the "security" of an intercept clause envisaged in a plain reading of the OFA lending policy. I think if the Chair and CEO are fine with seeing the OFA lending policy as at most a wording issue and not a non-compliance issue -- i.e., that in effect an intercept is only required when there is an amount to intercept -- then we can move forward on providing a credit facility without an intercept on that basis.

We'd need to respond that way to Legal, as it has been Legal's advice on the issue of compliance with the policy that has led to the exemption request and not have to check a non-compliance box in the quarterly compliance checklist.

If we move forward on that basis, the next time the lending policy is amended, the wording could then be clarified that an intercept is required only where applicable. The Board may ask about the "security" issue too, at that time.

If IESO has the credit facility, then it can finance the GA deferrals until OPG's financing entity purchases the regulatory asset, which I would think is the key accounting issue for the IESO. Whether it needs the larger facility right now is more of a timing issue. This monthly settlement, they are likely to take their total draw so far to over $600 million of the existing $975 facility, so could draw for another month or so before running out of room.

Ron

On Sep 18, 2017, at 10:10 AM, Anna Strathy <Anna.Strathy@ofina.on.ca> wrote:

> Hi Ron,
>
> The Deputy spoke to Gadi this morning about the intercept, and he remains uncomfortable seeking the Minister's exemption for something that is ultimately moot.
>
> If we did not seek an exemption, would there be any impact to IESO's accounting?
>
> Anna
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** Friday, September 15, 2017 1:57 PM
> **To:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject:** IESO Credit Facility and Intercept Provision Exemption
>
> Hi Gadi,
>
> Just a heads up, in case you had not heard, that the Deputy is, understandably, raising questions on getting a Minister's exemption from the OFA's public bodies

lending policy requiring an intercept provision for the IESO facility, since there is no transfer amount to intercept in this case.

You may recall that OFA Legal had identified this issue in the summer, after the Minister's directive was provided on the IESO facility. It was identified as Legal was drawing up the credit facility documents, and they raised the issue on compliance with the lending policy, and in the context of attestations and scrutiny on compliance issues.

While it was raised at the time that an intercept provision would be moot in this case, we moved forward to seek a Minister's exemption from that part of the lending policy, as provided for under the policy.

Just as a reminder, attached are the related materials.

Happy to discuss.

Ron

From: Anna Strathy
To: Ken Kandeepan; Ronald Kwan
Cc: Gadi Mayman
Subject: RE: IESO Credit Facility and Intercept Provision Exemption
Date: Monday, September 18, 2017 2:40:16 PM

Hi Ken, Ron,

I spoke to Gadi and it sounds like the Deputy's preference would be to add the intercept provision to the agreement with IESO (explaining to them that it is required under our Lending Policy, but would not actually apply in this case) and therefore not have to seek an exemption from the Minister nor have to involve the Board in a change to our Lending Policy.

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> Hi Ron,
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> **From:** Ronald Kwan
> **Sent:** Friday, September 15, 2017 1:57 PM
> **To:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>
> **Cc:** Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Subject:** IESO Credit Facility and Intercept Provision Exemption

Hi Gadi,

Just a heads up, in case you had not heard, that the Deputy is, understandably, raising questions on getting a Minister's exemption from the OFA's public bodies lending policy requiring an intercept provision for the IESO facility, since there is no transfer amount to intercept in this case.

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While it was raised at the time that an intercept provision would be moot in this case, we moved forward to seek a Minister's exemption from that part of the lending policy, as provided for under the policy.

Just as a reminder, attached are the related materials.

Happy to discuss.

Ron

From:	Anna Strathy
To:	Gadi Mayman
Cc:	Ken Kandeepan; Ronald Kwan
Subject:	RE: IESO Credit Facility and Intercept Provision Exemption
Date:	Monday, September 18, 2017 11:09:29 AM

Will do.

From: Gadi Mayman
Sent: Monday, September 18, 2017 11:09 AM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Re: IESO Credit Facility and Intercept Provision Exemption

Thanks, Anna. Please let Dave know what's happening.

On Sep 18, 2017, at 11:01 AM, Anna Strathy <Anna.Strathy@ofina.on.ca> wrote:

> Thanks, Ron.
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lending policy as at most a wording issue and not a non-compliance issue -- i.e., that in effect an intercept is only required when there is an amount to intercept -- then we can move forward on providing a credit facility without an intercept on that basis.

We'd need to respond that way to Legal, as it has been Legal's advice on the issue of compliance with the policy that has led to the exemption request and not have to check a non-compliance box in the quarterly compliance checklist.

If we move forward on that basis, the next time the lending policy is amended, the wording could then be clarified that an intercept is required only where applicable. The Board may ask about the "security" issue too, at that time.

If IESO has the credit facility, then it can finance the GA deferrals until OPG's financing entity purchases the regulatory asset, which I would think is the key accounting issue for the IESO. Whether it needs the larger facility right now is more of a timing issue. This monthly settlement, they are likely to take their total draw so far to over $600 million of the existing $975 facility, so could draw for another month or so before running out of room.

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From:	Anna Strathy
To:	Gadi Mayman
Cc:	Ken Kandeepan; Ronald Kwan
Subject:	RE: IESO Credit Facility and Intercept Provision Exemption
Date:	Monday, September 18, 2017 11:01:41 AM

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Ron/Ken, could you circle back with Legal and make the suggestion of an amendment to the OFA Lending Policy?

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Cc:	Gadi Mayman; Ken Kandeepan
Subject:	RE: IESO Credit Facility and Intercept Provision Exemption
Date:	Monday, September 18, 2017 10:10:57 AM

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From:	Ronald Kwan
To:	Gadi Mayman
Cc:	Anna Strathy; Ken Kandeepan; John Kim
Subject:	RE: IESO Credit Facility and Intercept Provision Exemption
Date:	Tuesday, September 19, 2017 8:45:25 AM

Hi Gadi,

We'll follow up with Energy and OFA Legal on that path. John had had previous discussions with OFA Legal, so we'll communicate to them the proposed path too.

Ron

From: Gadi Mayman
Sent: September-18-17 11:28 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: Re: IESO Credit Facility and Intercept Provision Exemption

I like the proposed path in the last paragraph of your email, Ron. Let's see if we can make that work.

Gadi

From: Ronald Kwan
Sent: Monday, September 18, 2017 5:38:02 PM
To: Anna Strathy; Ken Kandeepan
Cc: Gadi Mayman
Subject: RE: IESO Credit Facility and Intercept Provision Exemption

Hi Anna,

We'll look into this. Note that it would not be just IESO's agreement required.

The OFA lending policy on intercepts also involves the oversight ministry of an agency:

> …prior to any loan agreement entered into between the OFA and a public body, such public body and its responsible ministry are to agree that the Minister of Finance is entitled to deduct from money appropriated by the Legislature for payment to the public body amounts equal to any amounts that the public body fails to pay to the OFA on account of indebtedness under its loan agreement with the OFA. In addition, the public body is to agree that any notice from the OFA to the Minister of Finance in relation to its failure to pay under its loan agreement may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance.

In that context of going forward and including an intercept provision in the credit facility, Energy would need to provide such agreement (this is from last month`s discussions by staff with OFA

Legal). Note that we have not discussed this with Energy at this point. There may be some challenges to expeditiously have Energy provide written agreement in this regard, noting that IESO will be wanting the facility in place soon.

As an aside, we had asked TBS staff in August to confirm our understanding that at this point there are no such moneys appropriated by the Legislature for payment to the IESO, but we'd want to confirm that more formally under this option of proceeding.

Perhaps an option could be that Energy might simply confirm that there are no such amounts appropriated (currently, though the question of the future could arise), or come to an internal agreement that since there are no amounts to intercept, that Energy does not need to agree to an intercept -- and see if folks are comfortable moving forward on that basis – to include an intercept provision now, which would have no practical effect, and move forward in the near term with a general amendment to the OFA lending policy that would provide for no intercept clause in the case of loans / credit facilities to public bodies that have no appropriated amounts to intercept.

Ron

From: Anna Strathy
Sent: September-18-17 14:40
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: IESO Credit Facility and Intercept Provision Exemption

Hi Ken, Ron,

I spoke to Gadi and it sounds like the Deputy's preference would be to add the intercept provision to the agreement with IESO (explaining to them that it is required under our Lending Policy, but would not actually apply in this case) and therefore not have to seek an exemption from the Minister nor have to involve the Board in a change to our Lending Policy.

Would IESO be amenable to this?

Anna

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Sent: Monday, September 18, 2017 11:02 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
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From:	Ronald Kwan
To:	Gadi Mayman
Cc:	Mike Manning; Anna Strathy; Gavin He; Ken Kandeepan
Subject:	RE: OFA : IESO
Date:	Thursday, April 13, 2017 11:06:25 AM
Attachments:	image001.png

Hi Gadi,

All very interesting.

On one point, how would a thread directly from individual ratepayers to the lenders to the GA smoothing work? That would seem particularly challenging.

Ron

From: Gadi Mayman
Sent: April-13-17 10:47
To: Ronald Kwan ; Ken Kandeepan
Cc: Mike Manning ; Anna Strathy ; Gavin He
Subject: Re: OFA : IESO

Thanks, this came up at this morning's rate mitigation meeting, and the IESO people were happy to hear that we're on this, as they're a little nervous about how they're going to finance the regulatory asset until OPG is set up to take it on and pay for it.

I'm adding Ken to close the loop on the exchange that we had last night about the OPG letter - I asked Serge to add in the OFA, and he instructed Steen to do so, and, yes, the letter will be posted, at some point, on OPG's website.

In the half hour that I was able to attend the meeting, the discussion was around the legislation. The biggest point of contention was about OPG's need to have a direct recourse to ratepayers, and the legislative need for a thread directly from individual ratepayers to the lenders to the GA smoothing. The OEB doesn't like that concept at all. The other point that is of interest to us is that they are not looking at putting the guarantee mechanism into the legislation - although there will be some description in the legislation about what, I think they called indemnification will be needed, and then they will leave the guarantee to a commercial one. No surprise that OPG's dealer advisors are saying they need a full provincial guarantee, which OPG is pushing back on, and saying that the guarantee can only be if a future government changes the value of the regulatory asset (this is where the indemnification language in the legislation is necessary). Cindy, of course, as well as me for different reasons, is fussed about the nature of that guarantee, so we asked if they could sort that out with the dealers before the legislation is tabled. We don't want to end up with the dealers holding OPG hostage six months from now - not that they'd ever do that, would they Mike 🙂?

I'm sure Scott will send out his fuller synopsis later today, and that'll also cover what happened in the last hour, after I'd left.

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From: Ronald Kwan
Sent: Thursday, April 13, 2017 8:37:54 AM
To: Gadi Mayman

Cc: Mike Manning; Anna Strathy; Gavin He
Subject: Re: OFA : IESO

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Will do.

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On Apr 13, 2017, at 8:00 AM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:

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> **Sent:** Thursday, April 13, 2017 7:41 AM
> **To:** Gadi Mayman
> **Cc:** Kim Marshall; Michael Boll
> **Subject:** OFA : IESO
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> Regards
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From:	Ken Kandeepan
To:	Ronald Kwan
Cc:	Mike Manning; Anna Strathy; Gavin He; Gadi Mayman
Subject:	RE: OFA : IESO
Date:	Thursday, April 13, 2017 10:53:33 AM
Attachments:	image001.png

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From:	Ronald Kwan
To:	Ken Kandeepan
Cc:	Gadi Mayman; Mike Manning; Anna Strathy; Gavin He
Subject:	RE: OFA : IESO
Date:	Thursday, April 13, 2017 11:07:15 AM
Attachments:	image001.png

Hi Ken,

Sure. IESO is setting up a call for Tuesday afternoon, likely 2:30.

Ron

From: Ken Kandeepan
Sent: April-13-17 10:54
To: Ronald Kwan
Cc: Mike Manning ; Anna Strathy ; Gavin He ; Gadi Mayman
Subject: RE: OFA : IESO

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Cc:	Anna Strathy
Subject:	RE: OIC s22 CIPA - OFA-IESO - LRC package
Date:	Tuesday, May 30, 2017 10:11:20 PM
Attachments:	1 - CIPA - OIC s22 - OFA_FHP - LRC_MinistryApprovalForm v8.doc

Hi Gadi,

Latest draft attached.

Ron

From: Gadi Mayman
Sent: May-30-17 5:20 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Re: OIC s22 CIPA - OFA-IESO - LRC package

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Sent: Tuesday, May 30, 2017 5:07 PM
To: Gadi Mayman
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Z:\Users\CEF\Hydro 2017\IESO\Financing\IESO-OFA - FHP Line of Credit\LRC Draft Package

Thanks,
Gavin He

LEGISLATION AND REGULATIONS COMMITTEE:
MINISTRY APPROVAL FORM

LRC Tracking #: OICNA-13188
EVista Tracking #: SUB-NAOIC-2017-01004

Ministry of Finance

Capital Investment Plan Act

Order in Council

Profile at a Glance

Priority: Consequential to Commitment
Public Interest: Low
Key Stakeholder Interest: Very high
New Costs/Burdens: Yes for Government
New Savings/Opportunities: Yes for Government

Proposed Items for Review

1. Approval of Order in Council ("OIC") under section 22 of the *Capital Investment Plan Act, 1993 ("CIPA"),* authorizing the Minister of Finance to make a loan to the Ontario Financing Authority ("OFA").

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy		
TB/MBC	LRC, June 27, 2017	June 27, 2017

Deputy Minister — Date

Minister — Date

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- Existing OICs authorize the Minister of Finance to provide loans to the OFA under which the OFA has provided loans and credit facilities to colleges, school boards and other public agencies such as Infrastructure Ontario, IESO, Ontario Lottery and Gaming Corporation and Liquor Control Board of Ontario.

- This proposed OIC is required to expand the overall Minister of Finance lending authority to the OFA to allow the OFA to provide loans [“including”?] under credit facilities requested by the Independent Electricity System Operator (“IESO”). This will help the IESO to fulfil the commitments under the proposed Fair Hydro Act, 2017, under anticipated and potential timing differences in the implementation of the proposed Fair Hydro Plan. The timing of this OIC is critical to ensure borrowing authority for the OFA is available to provide the IESO its requested financing arrangements upon the enactment of the proposed *Ontario Fair Hydro Plan Act, 2017.*

s. 2 Approach and Intended Outcomes

- Under CIPA, the OFA provides financing to public bodies as directed by the Minister of Finance. The OFA obtains the funds it needs for its lending program by borrowing from the Province. This OIC would authorize the Minister of Finance under section 22 of CIPA to provide additional loans to the OFA.

- As per subsection 3(1) of CIPA, the Minister of Finance is responsible for the administration of CIPA with respect to the OFA.

- This proposed OIC is required to assist in fulfilling the commitments under the proposed *Ontario Fair Hydro Plan Act, 2017.*

- It is expected that as part of the implementation of the proposed arrangements, the Minister of Finance will direct the OFA to provide a revolving credit facility for short term financing related to the on-going *Ontario Fair Hydro Plan Act, 2017*. In particular, the OFA would be directed to provide a credit facility to the Independent Electricity System Operator ("IESO"). The IESO is a public body for the purposes of CIPA.

- Under the proposed *Ontario Fair Hydro Plan Act, 2017,* the IESO would incur a monthly funding shortfall in the early years of the plan, as a portion of the Global Adjustment charge to ratepayers will be deferred to the future. Global Adjustment amounts initially collected will, therefore, be insufficient to fund the IESO's contractual obligations to electricity producers and service providers.
- The proposed *Ontario Fair Hydro Plan Act, 2017* allows the IESO the right to recover those deferred amounts from specified consumers in the future (the "regulatory asset") and the ability to sell that asset.
    - It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG SPV", an OPG special purpose vehicle or trust).
    - The cash received would be used by the IESO to fund the current Global Adjustment shortfall.
- However, there is expected to be initial and potential ongoing timing differences. The OPG SPV is not anticipated to be established and able to borrow to finance the purchase of the regulatory asset from the IESO until later in 2017. Even once the SPV is set up to borrow, there may be timing differences between the IESO's monthly settlement process when it has to pay generators and when the SPV purchases the asset from IESO. Also, under the proposed legislation, OPG's SPV is not required to purchase any portion of the regulatory asset.
- As a result, IESO requires short-term financing to be in place for initial and potential monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset.

- IESO has requested that the OFA provide a revolving credit facility of up to $2 billion to support its role in the implementation of the *Ontario Fair Hydro Plan Act, 2017*. The $2 billion request from IESO is based on current data and assumptions which could change.

- It is proposed that the OIC authorization be $2.0 billion [to ensure that there is sufficient borrowing authority in place for the OFA to meet the IESO requirements.

- For the OFA to accommodate this request, the OFA requires additional borrowing authority from the Minister of Finance to ensure that it has sufficient funds to lend, hence the current request for an OIC.

- If approved, the Minister of Finance will subsequently provide a Directive to the OFA to direct it to provide credit facilities to the IESO in an amount not to exceed $2.5 billion.
  - The OFA currently provides a credit facility to the IESO of $975 million.
  - The IESO has requested that the existing credit facility be reduced to $475 million, and a new credit facility be provided of $2 billion, for a total amount of $2.475 million.

s. 3 **Direction and Urgency**

- As announced on March 2, 2017, and highlighted as a commitment in Budget 2017, the Province intends to implement the *Ontario Fair Hydro Plan Act, 2017,* which would reduce electricity bills by 25 per cent on average for eligible households.
- The ability for the OFA to have the requisite borrowing and lending capacity is instrumental in supporting implementation of the proposed *Ontario Fair Hydro Plan Act, 2017*.
- Ministry of Energy proposed regulations under the proposed *Ontario Fair Hydro Plan Act, 2017* are expected to track for Cabinet approval by end of June 2017. It is expected that this OIC also be submitted for approval concurrently as it supports a crucial component of the successfully implementation of the Fair Hydro Plan.
- A related Cabinet Minute from the Ministry of Energy is tracking for June 27, 2017 date.

s. 4 **Impact Assessment and Costs**

- With this OIC, the Minister of Finance will be authorized to lend an additional amount of $x billion to the OFA. Subject to the terms and conditions of a

Directive from the Minister of Finance, loans from the Minister of Finance to the OFA are expected to be at the Province's cost of funds.

- Loans advanced will result in increased borrowing in the debt markets by the Province.
- Loans are expected to be repaid and, therefore, no fiscal impact is expected.

s. 5 Implementation

- If the OIC is approved and signed, the Minister of Finance will have authorization to provide a loan to the OFA. A Directive from the Minister will be required that will provide direction to the OFA on how it can use the proceeds of the loan.

s. 6 Delivery and Results Tracking

- As described in section 2 above, the requirement for this OIC is a result of the Province's proposed *Ontario Fair Hydro Plan Act, 2017* and is required to ensure the timely implementation and support for the success of the Fair Hydro Plan.

s.7 Stakeholder Consultations

- As described in section 2 above, the requirement for this OIC is a result of the Province's proposed Fair Hydro Plan. The related Cabinet note for the initiative should be referred to.

s.8 Other Jurisdictions and Harmonization

- N/A

s. 9 Communications

- N/A

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
Ministry Policy/Program	Bruno Amara Snr Manager, Electricity Finance Branch Ontario Financing Authority	(416) 325-1489
Ministry Legal	Patrick Rundans Legal Counsel, Legal Services Branch Ministry of Finance	416-212-4538
Ministry Communications	N/A	N/A
Assistant or Deputy Minister's Office	Jonathan Tekle Policy Advisor Deputy Minister's Office	416-325-8736
Cabinet Office Policy	[name] [title] Cabinet Office	

Appendices

Appendix A: The Proposed OIC

From:	Ronald Kwan
To:	Gadi Mayman
Cc:	Anna Strathy
Subject:	RE: OIC s22 CIPA - OFA-IESO - LRC package
Date:	Tuesday, May 30, 2017 5:29:16 PM

Thanks Gadi.

Works for me too, and staff are redrafting to reflect that.

Ron

From: Gadi Mayman
Sent: May-30-17 17:20
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Re: OIC s22 CIPA - OFA-IESO - LRC package

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Thanks,
Gavin He

From: Ronald Kwan
To: Gadi Mayman
Cc: Anna Strathy
Subject: RE: OIC s22 CIPA - OFA-IESO - LRC package
Date: Wednesday, May 31, 2017 7:00:27 AM
Attachments: 1 - CIPA - OIC s22 - OFA_FHP - LRC_MinistryApprovalForm v8_Markup.doc

---

Thanks Gadi.

A few other edits too.

Ron

From: Gadi Mayman
Sent: May-30-17 11:46 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: Re: OIC s22 CIPA - OFA-IESO - LRC package

Looks good. There's still an x instead of 2 at the bottom of page 4 in s.4.

Gadi

From: Ronald Kwan
Sent: Tuesday, May 30, 2017 10:11 PM
To: Gadi Mayman
Cc: Anna Strathy
Subject: RE: OIC s22 CIPA - OFA-IESO - LRC package

Hi Gadi,

Latest draft attached.

Ron

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LEGISLATION AND REGULATIONS COMMITTEE:
MINISTRY APPROVAL FORM

LRC Tracking #: OICNA-13188
EVista Tracking #: SUB-NAOIC-2017-01004

Ministry of Finance

Capital Investment Plan Act
Order in Council

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- N/A

s. 9 Communications

- N/A

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
Ministry Policy/Program	Bruno Amara Snr Manager, Electricity Finance Branch Ontario Financing Authority	(416) 325-1489
Ministry Legal	Patrick Rundans Legal Counsel, Legal Services Branch Ministry of Finance	416-212-4538
Ministry Communications	N/A	N/A
Assistant or Deputy Minister's Office	Jonathan Tekle Policy Advisor Deputy Minister's Office	416-325-8736
Cabinet Office Policy	[name] [title] Cabinet Office	

Appendices

Appendix A: The Proposed OIC

From: Gadi Mayman
To: Anna Strathy
Cc: Ken Kandeepan; Ronald Kwan
Subject: Re: IESO Credit Facility and Intercept Provision Exemption
Date: Monday, September 18, 2017 11:09:14 AM

Thanks, Anna. Please let Dave know what's happening.

On Sep 18, 2017, at 11:01 AM, Anna Strathy <Anna.Strathy@ofina.on.ca> wrote:

> Thanks, Ron.
>
> Gadi – in a separate email chain, Ken provided his concurrence: that not obtaining the Minister's exemption should have no impact on IESO's accounting; however it would be inconsistent with a requirement in the OFA's Lending Policy.
>
> Ron/Ken, could you circle back with Legal and make the suggestion of an amendment to the OFA Lending Policy?
>
> Thanks, Anna
>
> ---
>
> **From:** Ronald Kwan
> **Sent:** Monday, September 18, 2017 10:53 AM
> **To:** Anna Strathy <Anna.Strathy@ofina.on.ca>
> **Cc:** Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
> **Subject:** Re: IESO Credit Facility and Intercept Provision Exemption
>
> Hi Anna,
>
> The intercept issue is not an IESO accounting issue, but an OFA lending policy interpretation issue.
>
> As such, I would think of the first step is more an internal to the OFA one, on getting approval/direction to move forward to provide a facility to the IESO without the "security" of an intercept clause envisaged in a plain reading of the OFA lending policy. I think if the Chair and CEO are fine with seeing the OFA lending policy as at most a wording issue and not a non-compliance issue -- i.e., that in effect an intercept is only required when there is an amount to intercept -- then we can move forward on providing a credit facility without an intercept on that basis.
>
> We'd need to respond that way to Legal, as it has been Legal's advice on the issue

of compliance with the policy that has led to the exemption request and not have to check a non-compliance box in the quarterly compliance checklist.

If we move forward on that basis, the next time the lending policy is amended, the wording could then be clarified that an intercept is required only where applicable. The Board may ask about the "security" issue too, at that time.

If IESO has the credit facility, then it can finance the GA deferrals until OPG's financing entity purchases the regulatory asset, which I would think is the key accounting issue for the IESO. Whether it needs the larger facility right now is more of a timing issue. This monthly settlement, they are likely to take their total draw so far to over $600 million of the existing $975 facility, so could draw for another month or so before running out of room.

Ron

On Sep 18, 2017, at 10:10 AM, Anna Strathy <Anna.Strathy@ofina.on.ca> wrote:

Hi Ron,

The Deputy spoke to Gadi this morning about the intercept, and he remains uncomfortable seeking the Minister's exemption for something that is ultimately moot.

If we did not seek an exemption, would there be any impact to IESO's accounting?

Anna

From: Ronald Kwan
Sent: Friday, September 15, 2017 1:57 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: IESO Credit Facility and Intercept Provision Exemption

Hi Gadi,

Just a heads up, in case you had not heard, that the Deputy is, understandably, raising questions on getting a Minister's exemption from the OFA's public bodies lending policy requiring an intercept provision for the IESO facility, since there is no transfer amount to intercept in this case.

You may recall that OFA Legal had identified this issue in the summer, after the Minister's directive was provided on the IESO facility. It was identified as Legal was drawing up the credit facility documents, and they raised the issue on compliance with the lending policy, and in the context of attestations and scrutiny on compliance issues.

While it was raised at the time that an intercept provision would be moot in this case, we moved forward to seek a Minister's exemption from that part of the lending policy, as provided for under the policy.

Just as a reminder, attached are the related materials.

Happy to discuss.

Ron

From:	Ronald Kwan
To:	Anna Strathy
Cc:	Gadi Mayman; Ken Kandeepan
Subject:	Re: IESO Credit Facility and Intercept Provision Exemption
Date:	Monday, September 18, 2017 10:53:09 AM

Hi Anna,

The intercept issue is not an IESO accounting issue, but an OFA lending policy interpretation issue.

As such, I would think of the first step is more an internal to the OFA one, on getting approval/direction to move forward to provide a facility to the IESO without the "security" of an intercept clause envisaged in a plain reading of the OFA lending policy. I think if the Chair and CEO are fine with seeing the OFA lending policy as at most a wording issue and not a non-compliance issue -- i.e., that in effect an intercept is only required when there is an amount to intercept -- then we can move forward on providing a credit facility without an intercept on that basis.

We'd need to respond that way to Legal, as it has been Legal's advice on the issue of compliance with the policy that has led to the exemption request and not have to check a non-compliance box in the quarterly compliance checklist.

If we move forward on that basis, the next time the lending policy is amended, the wording could then be clarified that an intercept is required only where applicable. The Board may ask about the "security" issue too, at that time.

If IESO has the credit facility, then it can finance the GA deferrals until OPG's financing entity purchases the regulatory asset, which I would think is the key accounting issue for the IESO. Whether it needs the larger facility right now is more of a timing issue. This monthly settlement, they are likely to take their total draw so far to over $600 million of the existing $975 facility, so could draw for another month or so before running out of room.

Ron

On Sep 18, 2017, at 10:10 AM, Anna Strathy <Anna.Strathy@ofina.on.ca> wrote:

> Hi Ron,
>
> The Deputy spoke to Gadi this morning about the intercept, and he remains uncomfortable seeking the Minister's exemption for something that is ultimately moot.

If we did not seek an exemption, would there be any impact to IESO's accounting?

Anna

From: Ronald Kwan
Sent: Friday, September 15, 2017 1:57 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: IESO Credit Facility and Intercept Provision Exemption

Hi Gadi,

Just a heads up, in case you had not heard, that the Deputy is, understandably, raising questions on getting a Minister's exemption from the OFA's public bodies lending policy requiring an intercept provision for the IESO facility, since there is no transfer amount to intercept in this case.

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Just as a reminder, attached are the related materials.

Happy to discuss.

Ron

From:	Gadi Mayman
To:	Ronald Kwan; Anna Strathy; Ken Kandeepan
Subject:	Re: IESO Credit Facility and Intercept Provision Exemption
Date:	Monday, September 18, 2017 11:27:59 PM

I like the proposed path in the last paragraph of your email, Ron. Let's see if we can make that work.

Gadi

From: Ronald Kwan
Sent: Monday, September 18, 2017 5:38:02 PM
To: Anna Strathy; Ken Kandeepan
Cc: Gadi Mayman
Subject: RE: IESO Credit Facility and Intercept Provision Exemption

Hi Anna,

We'll look into this. Note that it would not be just IESO's agreement required.

The OFA lending policy on intercepts also involves the oversight ministry of an agency:

> …prior to any loan agreement entered into between the OFA and a public body, such public body and its responsible ministry are to agree that the Minister of Finance is entitled to deduct from money appropriated by the Legislature for payment to the public body amounts equal to any amounts that the public body fails to pay to the OFA on account of indebtedness under its loan agreement with the OFA. In addition, the public body is to agree that any notice from the OFA to the Minister of Finance in relation to its failure to pay under its loan agreement may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance.

In that context of going forward and including an intercept provision in the credit facility, Energy would need to provide such agreement (this is from last month`s discussions by staff with OFA Legal). Note that we have not discussed this with Energy at this point. There may be some challenges to expeditiously have Energy provide written agreement in this regard, noting that IESO will be wanting the facility in place soon.

As an aside, we had asked TBS staff in August to confirm our understanding that at this point there are no such moneys appropriated by the Legislature for payment to the IESO, but we'd want to confirm that more formally under this option of proceeding.

Perhaps an option could be that Energy might simply confirm that there are no such amounts appropriated (currently, though the question of the future could arise), or come to an internal agreement that since there are no amounts to intercept, that Energy does not need to agree to an intercept -- and see if folks are comfortable moving forward on that basis – to include an intercept provision now, which would have no practical effect, and move forward in the near term with a general amendment to the OFA lending policy that would provide for no intercept clause in the case of loans / credit facilities to public bodies that have no appropriated amounts to intercept.

Ron

From: Anna Strathy
Sent: September-18-17 14:40
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: RE: IESO Credit Facility and Intercept Provision Exemption

Hi Ken, Ron,

I spoke to Gadi and it sounds like the Deputy's preference would be to add the intercept provision to the agreement with IESO (explaining to them that it is required under our Lending Policy, but would not actually apply in this case) and therefore not have to seek an exemption from the Minister nor have to involve the Board in a change to our Lending Policy.

Would IESO be amenable to this?

Anna

From: Anna Strathy
Sent: Monday, September 18, 2017 11:02 AM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: RE: IESO Credit Facility and Intercept Provision Exemption

Thanks, Ron.

Gadi – in a separate email chain, Ken provided his concurrence: that not obtaining the Minister's exemption should have no impact on IESO's accounting; however it would be inconsistent with a requirement in the OFA's Lending Policy.

Ron/Ken, could you circle back with Legal and make the suggestion of an amendment to the OFA Lending Policy?

Thanks, Anna

From: Ronald Kwan
Sent: Monday, September 18, 2017 10:53 AM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
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Happy to discuss.

Ron

From: Gadi Mayman
To: Ronald Kwan
Cc: Anna Strathy
Subject: Re: IESO and OFA - FHP Line of Credit Facility Directive
Date: Tuesday, June 27, 2017 3:44:01 PM

Yes. I think it makes logical sense to continue to be consistent with where we've been.

From: Ronald Kwan
Sent: Tuesday, June 27, 2017 3:19 PM
To: Gadi Mayman
Subject: Fw: IESO and OFA - FHP Line of Credit Facility Directive

Hi Gadi,

Are you okay with keeping a 25 bps spread on the new OFA-IESO credit facility, consistent with existing and past OFA credit facilities for the IESO?

Ron

From: Gavin He
Sent: June 27, 2017 2:01 PM
To: Ronald Kwan
Cc: Bruno Amara; Salman Qadir
Subject: IESO and OFA - FHP Line of Credit Facility Directive

Hi Ron,

Please find attached the draft IESO credit facility package for your review and approval. The package has been reviewed by OFA and MOF Legal.

The documents are also saved under below folder:
\\ofina.on.ca\ofadfs\Users\CEF\Hydro 2017\IESO\Financing\IESO-OFA - FHP Line of Credit\Minister Directive Package

Regards,
Gavin He

From: Gadi Mayman
To: Ronald Kwan
Cc: Anna Strathy
Subject: Re: Intercept letter agreement IESO MOE OFA
Date: Monday, November 06, 2017 5:53:54 PM

Fantastic. One item done, now we just need to get the protection agreement in place for the Ministers to sign.

Thanks,
Gadi

On Nov 6, 2017, at 5:51 PM, Ronald Kwan <Ronald.Kwan@ofina.on.ca> wrote:

Hi Gadi,

FYI. The letter is signed, and the credit facility too.

Ron

From: Gavin He
Sent: November-06-17 17:42
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Usman Zahid <Usman.Zahid@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: Intercept letter agreement IESO MOE OFA

Hi Ron,

FYI – please see attached a scanned copy of the intercept letter agreement signed by Energy and IESO.

Regards,
Gavin He

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Here you go.

Thanks,

John

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Subject: FW: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup4Clean_EnergyEdits_OFA IESO Edits Oct 24_v3.docx

Fyi.

From: Gavin He
Sent: Wednesday, October 25, 2017 11:03 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>

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Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup4Clean_EnergyEdits_OFA IESO Edits Oct 24_v3.docx

Thanks Lisa.

Could you help us put this in a letter agreement format, with signing lines, etc? We can do the letter head, etc.

From: Lisa Stein
Sent: Wednesday, October 25, 2017 9:25 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup4Clean_EnergyEdits_OFA IESO Edits Oct 24_v3.docx

I am fine with #1 below. In any event, as previously discussed, OCCSDC is an agent of MOECC, not Energy.

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Sent: Tuesday, October 24, 2017 5:42 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
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Subject: FW: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup4Clean_EnergyEdits_OFA IESO Edits Oct 24_v3.docx

Hi Lisa,

Are we able to work with the #1 below?

Thanks,

John

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Tuesday, October 24, 2017 5:18 PM
To: John Kim <John.Kim@ofina.on.ca>; Tom McKinlay (MAG) <Tom.McKinlay@ontario.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>; Michael Boll <Michael.Boll@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup4Clean_EnergyEdits_OFA IESO Edits Oct 24_v3.docx

Hi John.

<!--[if !supportLists]-->1. <!--[endif]-->The changes made are acceptable except for those made to the penultimate paragraph – please amend this para to read as follows:

> For further certainty, the OFA and ENERGY acknowledge and agree that the intercept provision as provided for herein, and this letter agreement generally, shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than ENERGY or through Ontario Climate Change Solutions Deployment Corporation.

<!--[if !supportLists]-->2. <!--[endif]-->Re the "[Energy to confirm]" comment, we are ok with the sentence as written and don't need to confirm anything further.

<!--[if !supportLists]-->3. <!--[endif]-->Kimberly Marshall would sign the Intercept Letter on behalf of IESO.

Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079
1600-120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca[ieso.ca] | Twitter: IESO_Tweets[twitter.com] | LinkedIn: IESO[linkedin.com]

From: John Kim [mailto:John.Kim@ofina.on.ca]

Sent: October 24, 2017 4:11 PM
To: Tom McKinlay (MAG); Victor Buza
Cc: Lisa Stein; Anthony Martinello; Michael Boll; Gavin He
Subject: FW: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup4Clean_EnergyEdits_OFA IESO Edits Oct 24_v3.docx

Hi Tom, Victor,

I don't yet have final go ahead but we are close so sharing the latest version. Pls. advise if any issue with the attached. Copying Michael at Tom's request.

Also for the square bracketed part [Energy to confirm], pls. advise if any issue with that part as well.

Pls. also let me know who at IESO would sign.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

<Intercept Letter MOE_OFA_IESO Fully Executed - Nov 6 2017.pdf>

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To: Ronald Kwan
Cc: Anna Strathy
Subject: Re: Intercept letter agreement IESO MOE OFA
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Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup4Clean_EnergyEdits_OFA IESO Edits Oct 24_v3.docx
We can push back saying – we are already saying payments that are not appropriations of Energy is already ruled out. But then there is a risk of delay. If we are specifically ruling out this Ontario Climate Change solutions Deployment Corp. that is a known exemption, is it a problem to include?

From: John Kim
Sent: Tuesday, October 24, 2017 5:25 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Intercept letter agreement IESO MOE OFA Sept 2017-

rev_Markup4Clean_EnergyEdits_OFA IESO Edits Oct 24_v3.docx

Hi Lisa,

Are we able to work with the #1 below?

Thanks,

John

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Tuesday, October 24, 2017 5:18 PM
To: John Kim <John.Kim@ofina.on.ca>; Tom McKinlay (MAG) <Tom.McKinlay@ontario.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>; Michael Boll <Michael.Boll@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup4Clean_EnergyEdits_OFA IESO Edits Oct 24_v3.docx

Hi John.

<!--[if !supportLists]-->1. <!--[endif]-->The changes made are acceptable except for those made to the penultimate paragraph – please amend this para to read as follows:

> For further certainty, the OFA and ENERGY acknowledge and agree that the intercept provision as provided for herein, and this letter agreement generally, shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than ENERGY or through Ontario Climate Change Solutions Deployment Corporation.

<!--[if !supportLists]-->2. <!--[endif]-->Re the "[Energy to confirm]" comment, we are ok with the sentence as written and don't need to confirm anything further.

<!--[if !supportLists]-->3. <!--[endif]-->Kimberly Marshall would sign the Intercept Letter on behalf of IESO.

Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079
1600-120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca[ieso.ca] | Twitter: IESO_Tweets[twitter.com] | LinkedIn: IESO[linkedin.com]

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: October 24, 2017 4:11 PM
To: Tom McKinlay (MAG); Victor Buza
Cc: Lisa Stein; Anthony Martinello; Michael Boll; Gavin He
Subject: FW: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup4Clean_EnergyEdits_OFA IESO Edits Oct 24_v3.docx

Hi Tom, Victor,

I don't yet have final go ahead but we are close so sharing the latest version. Pls. advise if any issue with the attached. Copying Michael at Tom's request.
Also for the square bracketed part [Energy to confirm], pls. advise if any issue with that part as well.
Pls. also let me know who at IESO would sign.
Thanks,
John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Mike Manning; Anna Strathy; Gavin He; Ken Kandeepan
Subject:	Re: OFA : IESO
Date:	Thursday, April 13, 2017 11:26:27 AM
Attachments:	image001.png

Yes, that was the crux of the OEB's concern, given that's not how the system currently works when a ratepayer doesn't pay their bill.

From: Ronald Kwan
Sent: Thursday, April 13, 2017 11:06 AM
To: Gadi Mayman
Cc: Mike Manning; Anna Strathy; Gavin He; Ken Kandeepan
Subject: RE: OFA : IESO

Hi Gadi,

All very interesting.

On one point, how would a thread directly from individual ratepayers to the lenders to the GA smoothing work? That would seem particularly challenging.

Ron

From: Gadi Mayman
Sent: April-13-17 10:47
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: OFA : IESO

Thanks, this came up at this morning's rate mitigation meeting, and the IESO people were happy to hear that we're on this, as they're a little nervous about how they're going to finance the regulatory asset until OPG is set up to take it on and pay for it.

I'm adding Ken to close the loop on the exchange that we had last night about the OPG letter - I asked Serge to add in the OFA, and he instructed Steen to do so, and, yes, the letter will be posted, at some point, on OPG's website.

In the half hour that I was able to attend the meeting, the discussion was around the legislation. The biggest point of contention was about OPG's need to have a direct recourse to ratepayers, and the legislative need for a thread directly from individual ratepayers to the lenders to the GA smoothing. The OEB doesn't like that concept at all. The other point that is of interest to us is that they are not looking at putting the guarantee mechanism into the legislation - although there will be some description in the legislation about what, I think they called indemnification will be needed, and then they will leave the guarantee to a commercial one. No surprise that OPG's dealer advisors are saying they need a full provincial guarantee, which OPG is pushing back on, and saying that the guarantee can only be if a future government changes the value of the regulatory asset (this is where the indemnification language in the legislation is necessary). Cindy, of course, as well as me for different reasons, is fussed about the nature of that guarantee, so we asked if they could sort that out with the dealers before the legislation is tabled. We don't want to end up with the dealers holding OPG hostage six months from now - not that they'd ever do that, would they Mike ?

I'm sure Scott will send out his fuller synopsis later today, and that'll also cover what happened in the last hour, after I'd left.

Gadi

From: Ronald Kwan
Sent: Thursday, April 13, 2017 8:37:54 AM
To: Gadi Mayman
Cc: Mike Manning; Anna Strathy; Gavin He
Subject: Re: OFA : IESO

Hi Gadi,

Will do.

Ron

On Apr 13, 2017, at 8:00 AM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:

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> **Sent:** Thursday, April 13, 2017 7:41 AM
> **To:** Gadi Mayman
> **Cc:** Kim Marshall; Michael Boll
> **Subject:** OFA : IESO
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> Mr. Mayman,
>
> Kim and I would like to set up a 30min call with you to discuss the proposed Fair Hydro rollout and the potential impact on the IESO credit needs.

Would you be available next week/preferred date? Let me know and I will send out a meeting invite.

Regards

From:	Gadi Mayman
To:	Ronald Kwan; Ken Kandeepan
Cc:	Mike Manning; Anna Strathy; Gavin He
Subject:	Re: OFA : IESO
Date:	Thursday, April 13, 2017 10:46:47 AM
Attachments:	OutlookEmoji-.png

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Regards

From: Gadi Mayman
To: Anna Strathy
Subject: Re: OFA-IESO Credit Agreements
Date: Wednesday, October 25, 2017 6:39:07 PM

I'm leaning that way, but I agree that I should talk to Ken H. first. I'll call him tomorrow.

On Oct 25, 2017, at 6:32 PM, Anna Strathy <Anna.Strathy@ofina.on.ca> wrote:

> Hi Gadi, please see Ron's email below. Given that you've conditioned the MO on #3, I'm wondering whether we proceed with the exemption as the most expeditious option. It may be worth a call to Ken Hartwick first to confirm that OPG is onside with that approach. What do you think?
>
> --
> Anna Strathy
> Special Policy Advisor to the CEO
> Ontario Financing Authority
> 416.325.8032
>
> Begin forwarded message:
>
> > **From:** Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> > **Date:** October 25, 2017 at 4:32:01 PM EDT
> > **To:** Anna Strathy <Anna.Strathy@ofina.on.ca>
> > **Subject: OFA-IESO Credit Agreements**
> >
> > Hi Anna,
> >
> > I understand from John that when he spoke to Anthony at the IESO this afternoon that he said that their negotiation with OPG Trust could take several weeks. While OPG Trust wants this, IESO is asking for the rationale, including wanting to talk to Moody's and DBRS. So this could still take a while.
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From:	Gadi Mayman
To:	Ronald Kwan
Cc:	Anna Strathy
Subject:	Re: OIC s22 CIPA - OFA-IESO - LRC package
Date:	Tuesday, May 30, 2017 5:20:13 PM

$2 billion makes sense to me.

Gadi.

From: Ronald Kwan
Sent: Tuesday, May 30, 2017 5:07 PM
To: Gadi Mayman
Subject: FW: OIC s22 CIPA - OFA-IESO - LRC package

Hi Gadi,

Just an FYI. It's a work in progress, but the DMO wanted to see a draft for today, which we will try to do.

I'm inclined to just have the amount as $2 bn, to meet the IESO request for the FHP-specific facility, unless there are other reasons/needs to expand the authority for other OFA purposes that you are aware of.

Ron

From: Ronald Kwan
Sent: May-30-17 16:41
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO - LRC package

Hi,

I started a markup.

Ron

From: Gavin He
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Please find attached the LRC package for an OIC authorizing the Minister of Finance to lend to the OFA. In order for the OFA to lend to the IESO as part of the proposed Fair Hydro Plan Act, the OFA borrows from the Province (Minister of Finance). The OIC is being obtained under section 22 of the Capital Investment Plan Act.

The package is getting sign-off from MOF legal at the moment, and it's aiming to get yours and Gadi's sign off today in order to get this to DMO to make sure this will be on June 27th LRC date. MOF legal has already reviewed the package, so I do not expect any further changes from them. I will provide you the hard copy of the package once Legal signed off on that.

The documents are also saved here:
Z:\Users\CEF\Hydro 2017\IESO\Financing\IESO-OFA - FHP Line of Credit\LRC Draft Package

Thanks,
Gavin He

From: Gadi Mayman
To: Ronald Kwan
Cc: Anna Strathy
Subject: Re: OIC s22 CIPA - OFA-IESO - LRC package
Date: Tuesday, May 30, 2017 11:45:41 PM

Looks good. There's still an x instead of 2 at the bottom of page 4 in s.4.

Gadi

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To: Gadi Mayman
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Hi Gadi,

Latest draft attached.

Ron

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