From: Ken Kandeepan
To: Carlos Yep; Ronald Kwan; John Kim; John Psinas; Scott Nelms (ENERGY)
Subject: Draft email for issues to be discussed with OPCD
Date: Wednesday, June 28, 2017 4:47:29 PM

Hi All

Pls find below the issues that we need to discuss with Cindy and staff. Pls review and give me your comments/edits at your earliest. Once we finalize I will send it off to Cindy requesting a meeting for next week.

- Provincial Support Agreement – OFA raised the issue of issuing a guarantee to OPG which in turn would guarantee the Trust, instead of a direct provincial guarantee to the latter. Cindy to indicate after discussing with OPG whether this strengthens the accounting treatment and if so is it worth pursuing.
- Provincial Support Agreement – in the event of an indemnification event what process does the Province have to recover the 44% equity funding provided to OPG and how formally should that process be structured vis a vis the requirements of the accounting treatment.
- OPG's issuance of the sub debt to the Province – a number of options are available for determining the coupon. Issuance at the upper end benefits OPG while the opposite benefits the ratepayer in terms of the debt that has to be repaid. Should the Province assume a role in this determination and if so will that have any impacts on the accounting treatment.
- OPG fees – need to review underlying language to ensure that the performance fees are capped at +-$1 million per annum. OPG proposing an asset management fee of 10bps on the AUM. Assuming the AUM is equal to the debt or the investment asset 10bps amounts to $25 million per annum in 10 years' time. Is issuance of debt actually asset management and how relevant is this fee to the accounting structure
- Mechanism for the Trust to earn interest over the first 5 years (before the CEA kicks in)

Thanks

Ken k

From: Ronald Kwan
To: John Kim
Subject: FW: OPG
Date: Monday, June 12, 2017 6:11:29 PM

Hi John,

Do you think you could draft something high-level, consulting with CMD and Legal?

Thanks,
Ron

-----Original Message-----
From: Subrahmanyan, Sriram (MOF) [mailto:Sriram.Subrahmanyan@ontario.ca]
Sent: June-12-17 18:10
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Ann Langleben (MOF) <Ann.Langleben@ontario.ca>; Patel, Lesley (MOF) <Lesley.Patel@ontario.ca>; Daniela Klassen (MOF) <Daniela.Klassen@ontario.ca>
Subject: RE: OPG

Thanks. Can you provide some language on this to Rob and Daniela? We're writing a summary of our position for the MO in case OPG approaches them.

From: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>
Date: Monday, Jun 12, 2017, 5:25 PM
To: Subrahmanyan, Sriram (MOF) <Sriram.Subrahmanyan@ontario.ca<mailto:Sriram.Subrahmanyan@ontario.ca>>
Cc: Lewis, Robin (MOF) <Robin.Lewis@ontario.ca<mailto:Robin.Lewis@ontario.ca>>
Subject: RE: OPG

Hi Sriram,

A Provincial support agreement (or agreements) is being worked on, and there are services or performance guarantee portions discussed but a tax or PILs component does not sound familiar to me. I'll enquire.

It's more about a Provincial payment guarantee to bondholders of the financing entity under certain circumstances.

Ron

From: Subrahmanyan, Sriram (MOF) [mailto:Sriram.Subrahmanyan@ontario.ca]
Sent: June-12-17 12:58
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>
Subject: OPG

Ron, no sure if you were on the call this morning. OPG mentioned a provincial guarantee to negate tax or (I think) other liabilities, and that they're working on the wording. Do you have a copy of this, or any detail?

thanks

From:	Nelms, Scott (MOF)
To:	Gadi Mayman; Mike Manning; Ronald Kwan
Subject:	Fair Hydro Business Issues
Date:	Sunday, June 25, 2017 5:23:31 PM

Hi Gadi, Mike, Ron,

I had a chat with Ken Hartwick on Friday afternoon about our position on fees as well as progress on what we have been calling "business issues" (equity injection process, sub-debt agreement, guarantees). He agreed that we could push out the fees conversation from this round of regulation drafting, but wanted to make sure we set up time in early July to talk through these issues and land them asap. Here is where I think we are on each point:

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Let me know if this makes sense or if I am missing anything.

Thanks,

Scott

From: Hresa Gavaris
To: Gadi Mayman; Ronald Kwan; Ken Kandeepan; James Devine; Carlos Yep; Anna Strathy; Scott Nelms (ENERGY); Gavin He
Cc: Anis Hirani
Subject: Fair Hydro Business Issues

From:	Gadi Mayman
To:	Scott Nelms (ENERGY)
Cc:	Ronald Kwan; Ken Kandeepan; Anna Strathy; Mike Manning; James Devine; Carlos Yep
Subject:	Fw: Fair Hydro Business Issues
Date:	Sunday, June 25, 2017 7:26:22 PM
Attachments:	Financing Plan_May 2017.pdf

Jim's reminded me that he's also away meeting with investors until Thursday, so I've added Carlos to the list for a Capital Markets perspective when we get together.

Gadi

From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Sunday, June 25, 2017 6:52 PM
To: Gadi Mayman; Mike Manning; Ronald Kwan; Ken Kandeepan; James Devine
Cc: Anna Strathy
Subject: RE: Fair Hydro Business Issues

FYI – this may provide helpful context. From OPG last week.

From: Nelms, Scott (MOF)
Sent: June-25-17 5:58 PM
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Cc: Strathy, Anna (OFA)
Subject: RE: Fair Hydro Business Issues

Thanks Gadi. I will look for time perhaps Wednesday afternoon and try to gather the same group that talked through the guarantees. Need to work around LRC, TB, Cab schedules.

From: Gadi Mayman [mailto:Gadi.Mayman@ofina.on.ca]
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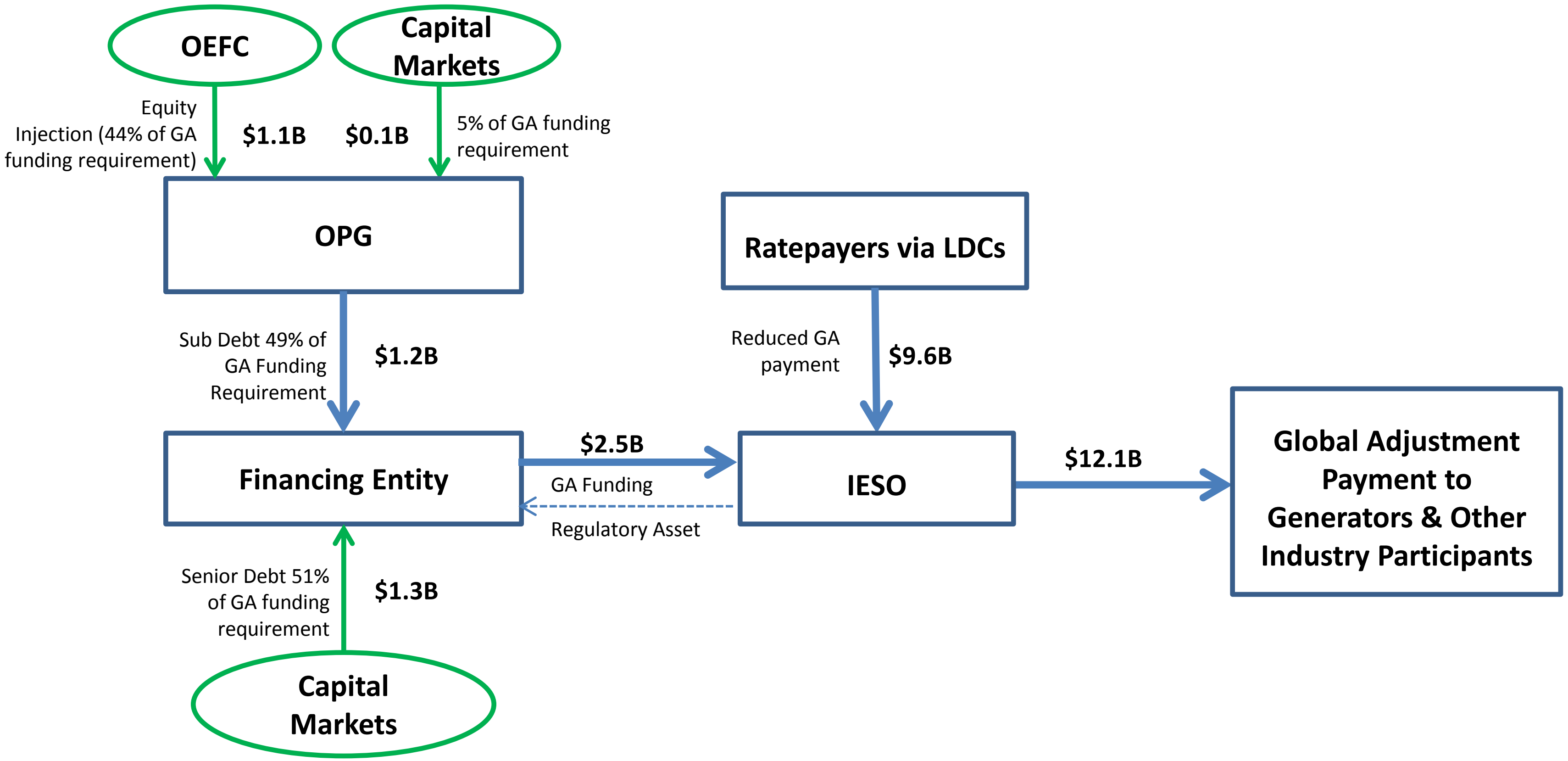

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- Debt components are:

	Risk Profile	Source	% of Total Funding Requirement
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The rationale for the structural debt percentages are:

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ONTARIO POWER GENERATION

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  - Starting 2027, the accumulated debt created by the deferral will be recovered and paid down by 2047
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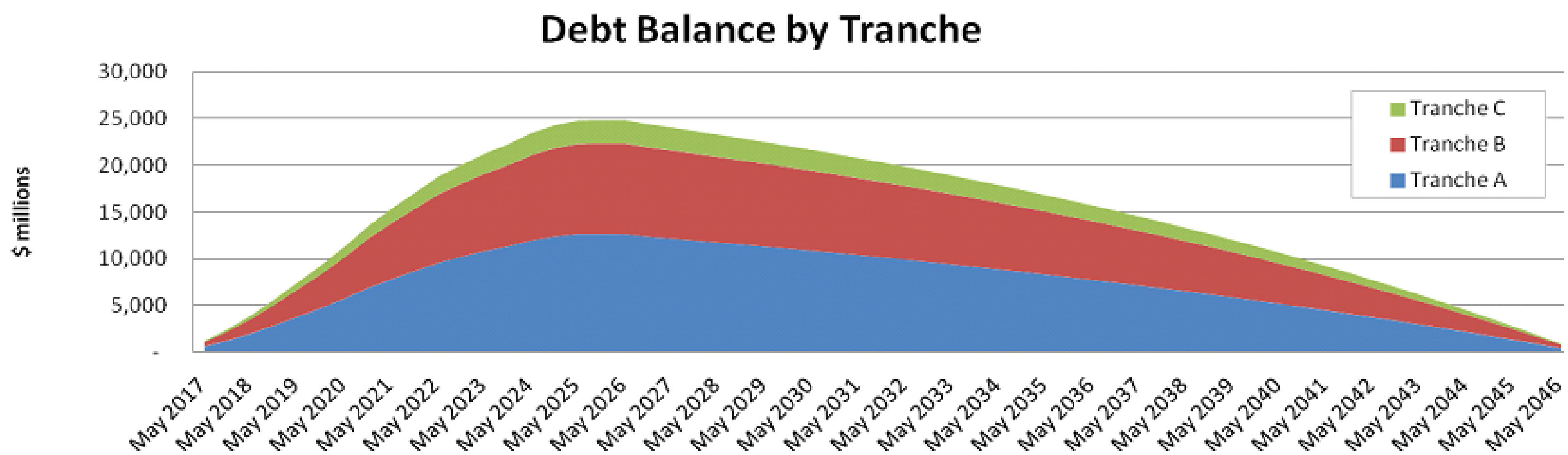
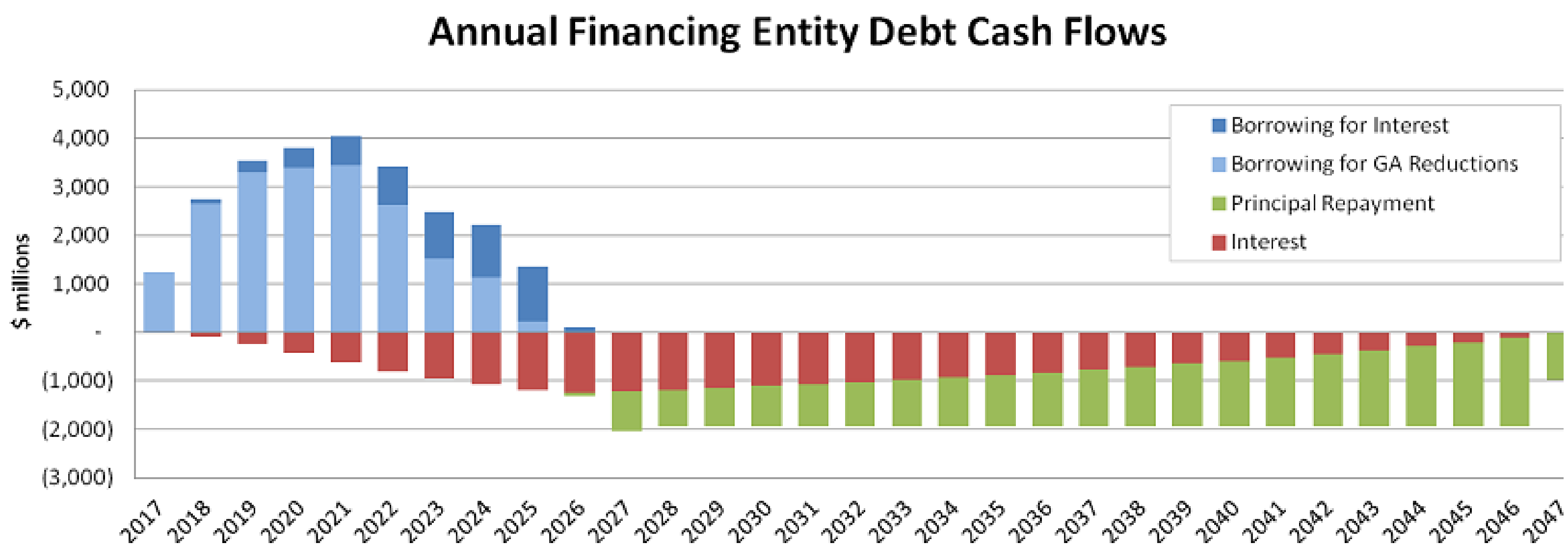
Debt Profile & Cash Flows





Financing Plan – Funding Alternatives

Key Considerations

- There are several potential funding sources that can be considered to structure the overall financing program, including securitization (issued in Canada or the U.S.), bonds, bank financing, and subordinated debt

Short Term	
ABCP Conduit	▪ R-1(high)/P-1 credit ratings required from DBRS and Moody's (limited market capacity if these ratings are not achieved) ▪ Requires periodic take-outs to repay warehouse funding; take-out risk needs to be addressed as amortization of debt currently not contemplated to commence until after year 10
Bank	▪ No external rating required ▪ Take-out risk needs to be addressed as amortization of debt currently not contemplated to commence until after year 10
Long Term	
Canadian Term ABS	▪ AAA ratings required from at least two of DBRS, Moody's, S&P or Fitch (limited market capacity if these ratings are not achieved) ▪ Tenors > 10 years to be explored
Canadian Bond	▪ This type of financing has not been tested in the Canadian market ▪ AAA ratings not required to access the market ▪ Provides access to broadest investor base in the Canadian market
US Term Debt (ABS/Bonds)	▪ Proven market for securitization and higher market capacity available than Canadian Term ABS ▪ Ratings required from at least two of S&P, Moody's or Fitch (AAA required for Term ABS) ▪ Requires cross-currency swaps
Subordinated Debt	▪ Nature of subordinated debt, repayment terms/flexibility and contingent Provincial support applicable to subordinated debt will impact pricing ▪ Quantum of subordinated debt creates equity like thickness and may serve as a credit enhancement for the senior debt

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Indicative Pricing Consideration

Indicative Pricing Considerations

- Although all of the debt issued by the Financing Entity is expected to be afforded the same level of protection including a provincial guarantee, a higher return on the subordinated debt (sub debt) would be required to compensate for incremental risk to the extent:
  - The rating agencies attribute a lower rating to the sub debt relative to the senior debt because of its ranking in the cash flow waterfall
  - The ratings of senior debt need to be credit enhanced by all or a portion of the sub debt as follows:
    1) Flexibility to defer charges to rate payers and hence extend the expected duration of the sub debt to manage the total amount charged to rate payers as a proportion of the total bill during the recovery period – could result in non repayment by 2047 if a hard cap is included
    2) Defer principal payments on certain classes of sub debt until more senior notes are fully repaid

Feature	Tranche B Subordinated Debt	Tranche C Subordinated Debt
	Explanation	**Explanation**
Credit Risk	Credit enhancement to Tranche A (senior debt)	Credit enhancement to Tranche A (senior debt) Act as first “loss absorber”
Duration/Tenor Premium	Same duration as Market Notes	Same duration as Market Notes
Certainty of timing of payments	Same as Market Notes but lower in the waterfall	Some additional volatility in timing of payments, but trued-up every 6 months
Liquidity Premium	Issue size expected to be similar to senior debt	Relatively small amount which will have less liquidity

From:	Nelms, Scott (MOF)
To:	Ronald Kwan
Subject:	Outstanding Business Issues Ontario Fair Hydro Plan
Date:	Tuesday, May 30, 2017 6:12:40 PM
Attachments:	Outstanding Business Issues Ontario Fair Hydro Plan.docx

Fyi – here is a document that we have pulled together for Thursday's discussion. I think Kaitlin has also shared with colleagues at OFA for review. I shared with John at OPG and he asked that we include a few bullets on the sub debt term sheet in development between OPG and OFA. We plan to add that in.

Outstanding Business Issues – Ontario Fair Hydro Plan
Briefing Note

PURPOSE
Provide an overview of a few of the key remaining outstanding business issues that OPG and the Province are working through

BUSINESS ISSUES

1. **Service and Performance Guarantees**
   - As part of the OFHP, the IESO will create and sell a regulatory asset to the OPG financing entity
   - In order to provide assurances to those with claims against the Financing Entity (eg. Holders of debt), and support credit ratings, the Province is providing both a Service Guarantee and a Performance Guarantee to ensure that the obligations of the IESO are carried out including obligations related to collecting and remitting clean energy adjustments.
   - **Next Steps:**
     - OPG and OFA and working towards the development of a term sheet
     - <u>Timing:</u> Guarantees are required to support rating agency review which is expected by the end of July

2. **Payments in Lieu of Taxes (PILs) Exemption**
   - The Province would like to minimize to the extent possible , the PILs payable by the OPG financing vehicle, as those costs will be recovered from ratepayers
   - The Province is considering regulation changes to exempt the income arising as a consequence of the Fair Hydro Plan from PILs
   - As part of the OFHP, the financing entity will raise debt and acquire “investment assets” from the IESO. Given the unique nature of the investment assets, there are no specific rules which govern the manner which investment assets should be treated for tax purposes, and further analysis is required to ensure the cost of the investment assets are appropriately recognized as a deduction or offset in computing the income of the financing entity
   - **Next Steps:**
     - The Ministries of Finance, OFA and OPG are working together to determine required regulation changes
     - <u>Timing:</u> [TBD]

3. **Equity Injection Process**
   - OPG will require equity injections on a monthly basis in order to maintain its capital structure, and will require flexibility in order to issue shares as needed by the Province

- The Ministry of Energy received appropriation for $1.1B through PRRT to support equity injections for the 2017-18 period, and will continue to provide multi-year forecasts each year through PRRT
- **Next Steps:**
  - The Ministry of Energy, OFA and OPG are working through the short term mechanics of this process which will ultimately feed into a Master Subscription Agreement. A draft term sheet is underway.
  - Timing: OPG will require the ability to issue equity in July, so mechanics and agreements should be finalized in June

4. Management Fees

- OPG will be providing all required services to the Trust as part of the OFHP, including planning, strategy, financing, deal execution etc.
- The legislation allows OPG to establish and charge a management fee for those services in accordance with the regulations which are currently in development
- OPG and OEB are currently working together on a management fee structure that balances the interests of minimizing costs and satisfying accounting consolidation requirements
- There are two components to the model proposed by OPG:
  - Cost recovery: the structure will also allow for recovery of costs, subject to OEB's prudence review. OEB and OPG are in discussions in order to develop a model that is consistent with OEB's processes.
  - Performance management fee: OPG has the ability to over-earn or lose depending on its cost of funds for sr. debt relative to a benchmark. Any savings / costs would be shared equally between ratepayers and OPG to +/-$1M. Above or below $1M, all savings / costs flow to ratepayers.
- **Next Steps:**
  - OPG and OEB will bring forward a recommended framework for developing management fees
  - Timing: For incorporation into regulations being brought forward in June

From:	Nelms, Scott (MOF)
To:	Gadi Mayman; Mike Manning; Ronald Kwan; Ken Kandeepan; James Devine
Cc:	Anna Strathy
Subject:	RE: Fair Hydro Business Issues
Date:	Sunday, June 25, 2017 6:52:49 PM
Attachments:	Financing Plan_May 2017.pdf

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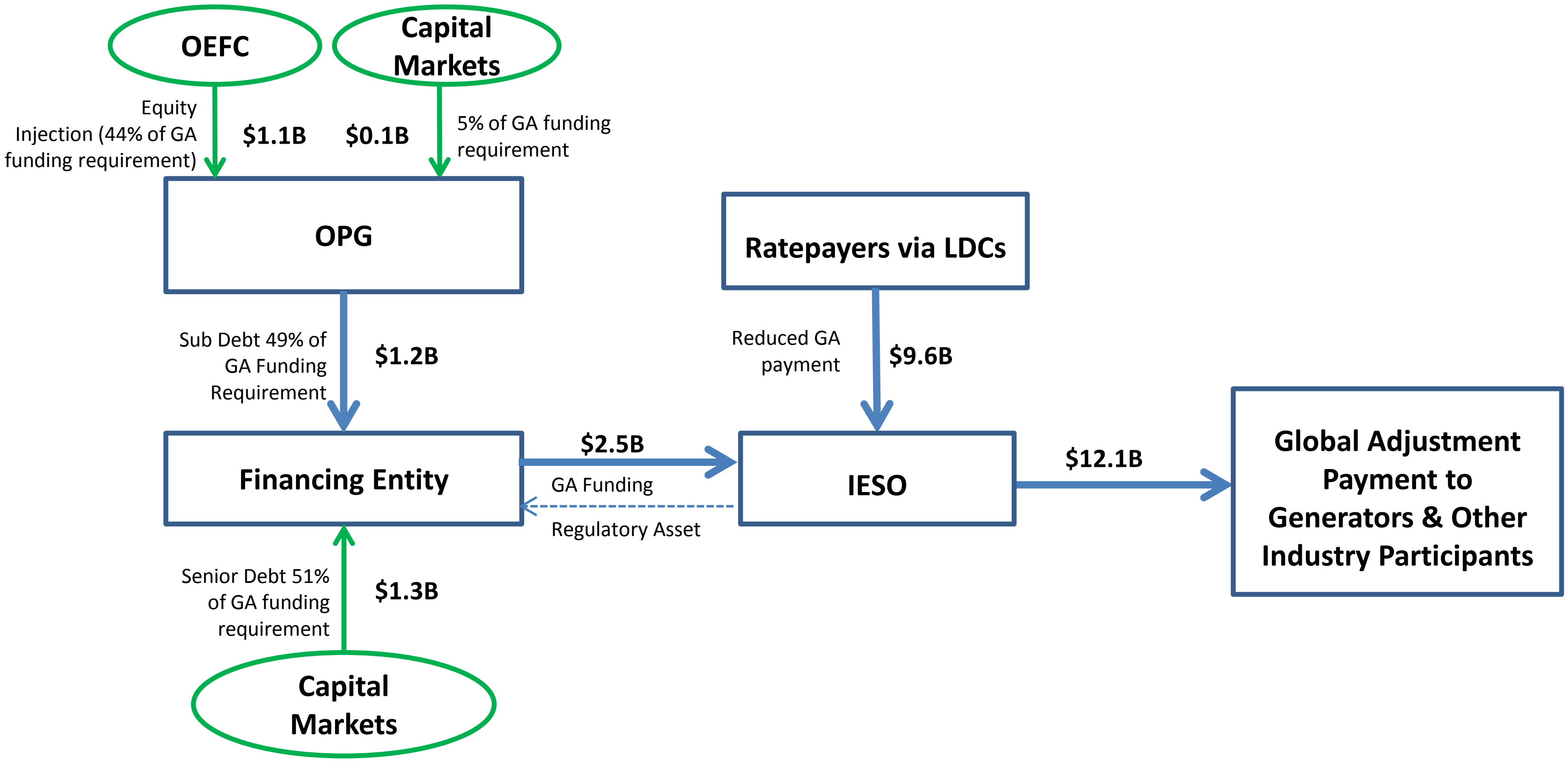

ONTARIO POWER GENERATION

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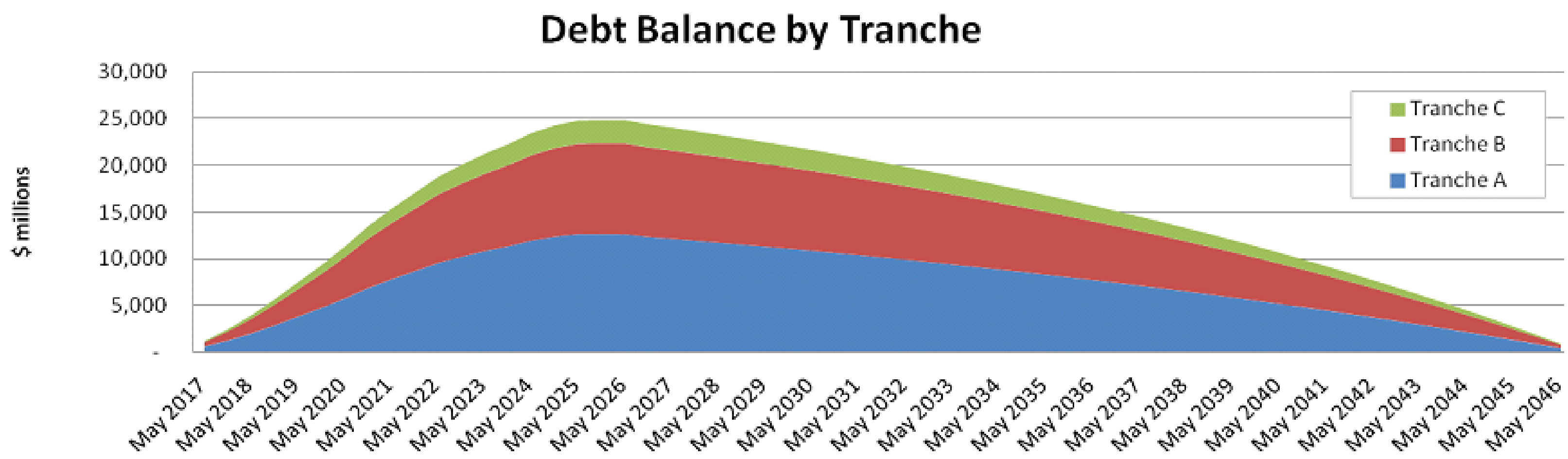
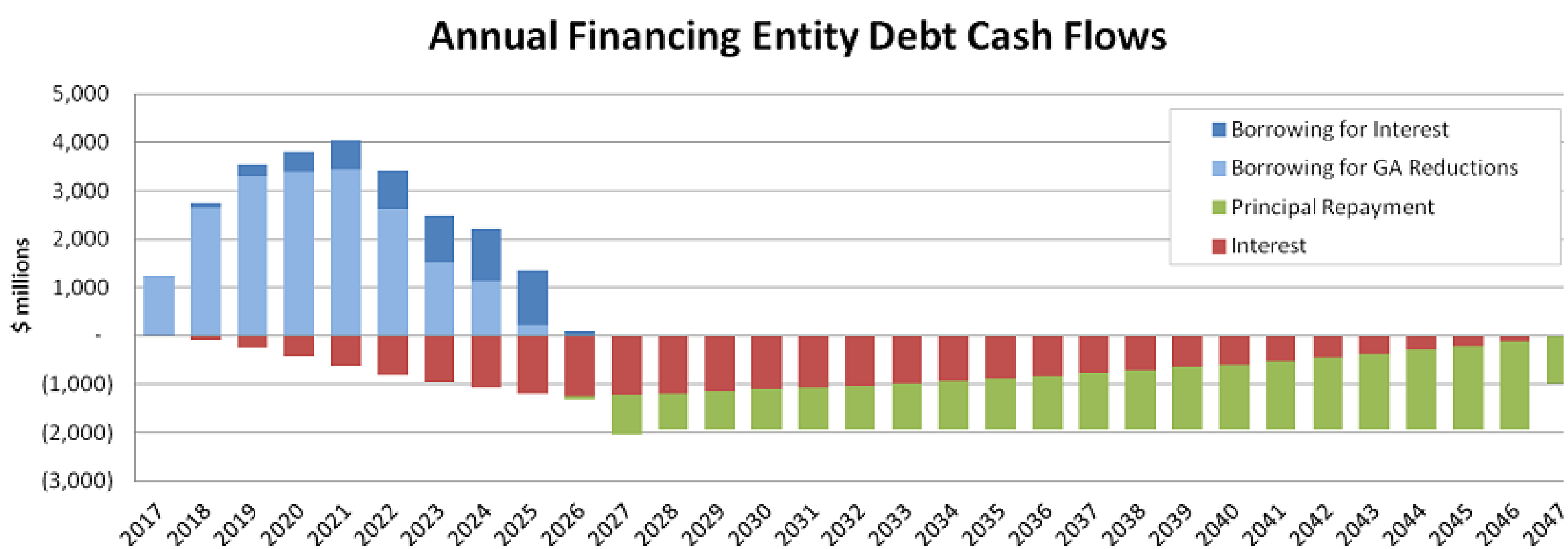
  - Target to keep the charge paid by ratepayers during the amortization period to less than 10% of a customers bills to meet credit rating agency guidelines

Debt Profile & Cash Flows





ONTARIO POWER GENERATION

Financing Plan – Funding Alternatives

Key Considerations

- There are several potential funding sources that can be considered to structure the overall financing program, including securitization (issued in Canada or the U.S.), bonds, bank financing, and subordinated debt

Short Term	
ABCP Conduit	▪ R-1(high)/P-1 credit ratings required from DBRS and Moody's (limited market capacity if these ratings are not achieved) ▪ Requires periodic take-outs to repay warehouse funding; take-out risk needs to be addressed as amortization of debt currently not contemplated to commence until after year 10
Bank	▪ No external rating required ▪ Take-out risk needs to be addressed as amortization of debt currently not contemplated to commence until after year 10
Long Term	
Canadian Term ABS	▪ AAA ratings required from at least two of DBRS, Moody's, S&P or Fitch (limited market capacity if these ratings are not achieved) ▪ Tenors > 10 years to be explored
Canadian Bond	▪ This type of financing has not been tested in the Canadian market ▪ AAA ratings not required to access the market ▪ Provides access to broadest investor base in the Canadian market
US Term Debt (ABS/Bonds)	▪ Proven market for securitization and higher market capacity available than Canadian Term ABS ▪ Ratings required from at least two of S&P, Moody's or Fitch (AAA required for Term ABS) ▪ Requires cross-currency swaps
Subordinated Debt	▪ Nature of subordinated debt, repayment terms/flexibility and contingent Provincial support applicable to subordinated debt will impact pricing ▪ Quantum of subordinated debt creates equity like thickness and may serve as a credit enhancement for the senior debt

ONTARIO POWER GENERATION

Indicative Pricing Consideration

Indicative Pricing Considerations

- Although all of the debt issued by the Financing Entity is expected to be afforded the same level of protection including a provincial guarantee, a higher return on the subordinated debt (sub debt) would be required to compensate for incremental risk to the extent:
  - The rating agencies attribute a lower rating to the sub debt relative to the senior debt because of its ranking in the cash flow waterfall
  - The ratings of senior debt need to be credit enhanced by all or a portion of the sub debt as follows:
    1) Flexibility to defer charges to rate payers and hence extend the expected duration of the sub debt to manage the total amount charged to rate payers as a proportion of the total bill during the recovery period – could result in non repayment by 2047 if a hard cap is included
    2) Defer principal payments on certain classes of sub debt until more senior notes are fully repaid

Feature	Tranche B Subordinated Debt	Tranche C Subordinated Debt
	Explanation	**Explanation**
Credit Risk	Credit enhancement to Tranche A (senior debt)	Credit enhancement to Tranche A (senior debt) Act as first "loss absorber"
Duration/Tenor Premium	Same duration as Market Notes	Same duration as Market Notes
Certainty of timing of payments	Same as Market Notes but lower in the waterfall	Some additional volatility in timing of payments, but trued-up every 6 months
Liquidity Premium	Issue size expected to be similar to senior debt	Relatively small amount which will have less liquidity

From:	Nelms, Scott (MOF)
To:	Gadi Mayman; Mike Manning; Ronald Kwan; Ken Kandeepan; James Devine
Cc:	Anna Strathy
Subject:	RE: Fair Hydro Business Issues
Date:	Sunday, June 25, 2017 5:46:30 PM

Thanks Gadi. I will look for time perhaps Wednesday afternoon and try to gather the same group that talked through the guarantees. Need to work around LRC, TB, Cab schedules.

From: Gadi Mayman [mailto:Gadi.Mayman@ofina.on.ca]
Sent: June-25-17 5:39 PM
To: Nelms, Scott (MOF); Manning, Mike (OFA); Kwan, Ronald (OFA); Kandeepan, Ken (OFA); Devine, James (OFA)
Cc: Strathy, Anna (OFA)
Subject: Re: Fair Hydro Business Issues

I'm adding Ken and Jim to this conversation, as Mike is away this week and Jim is filling in for him. I'm away Thursday and Friday, but would be happy to find some time Tuesday or Wednesday for the internal meeting you're suggesting, Scott.

Gadi

From: Nelms, Scott (MOF)
Sent: Sunday, June 25, 2017 5:23 PM
To: Gadi Mayman; Mike Manning; Ronald Kwan
Subject: Fair Hydro Business Issues

Hi Gadi, Mike, Ron,

I had a chat with Ken Hartwick on Friday afternoon about our position on fees as well as progress on what we have been calling "business issues" (equity injection process, sub-debt agreement, guarantees). He agreed that we could push out the fees conversation from this round of regulation drafting, but wanted to make sure we set up time in early July to talk through these issues and land them asap. Here is where I think we are on each point:

- Fees: OPG wants a very light touch from OEB and, formulaic approach that mimics fee structures for portfolio managers (base fee tied to AUM + variable fee tied to performance). ENE agrees with the variable fee component (limited to $1M floor / ceiling), but has concerns about a base fee that does not tie to costs and wants a more substantive role for OEB.

- Guarantees: as you know the Province's position was shared on Friday

- Equity Injections: I believe OPG has provided a draft structure. Unless OFA has concerns, I think this is largely procedural.

- Sub-debt: I don't have much visibility in to this one. I heard folks from OFA were in discussions. This should link in with the fees conversation given the relationship with performance.

I would suggest we try and have an internal conversation later this week to discuss where we are on each of these in order to be ready to meet with OPG the following week.

Let me know if this makes sense or if I am missing anything.

Thanks,

Scott

From:	John Kim
To:	Ronald Kwan
Subject:	RE: Fair Hydro Business Issues
Date:	Wednesday, June 28, 2017 2:36:14 PM

Sure, I can go.

From: Ronald Kwan
Sent: Wednesday, June 28, 2017 2:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Fair Hydro Business Issues

Hi John,

Are you able to attend? I wouldn`t want to make it too big, as it's a small room.

Ron

-----Original Appointment-----
From: Hresa Gavaris
Sent: June-26-17 10:47
To: Hresa Gavaris; Gadi Mayman; Ronald Kwan; Ken Kandeepan; James Devine; Carlos Yep; Anna Strathy; Scott Nelms (ENERGY); Gavin He
Cc: Anis Hirani
Subject: Fair Hydro Business Issues
When: June-28-17 15:00-15:30 (UTC-05:00) Eastern Time (US & Canada).
Where: Capital Markets Boardroom, 14th Floor, 1 Dundas St W

From:	Ronald Kwan
To:	John Kim
Cc:	Bruno Amara
Subject:	RE: OPG
Date:	Wednesday, June 14, 2017 3:18:17 PM
Attachments:	DRAFT note on PILs and Guarantee-v02_with MOF Legal Edits_Markup.docx

Hi,

Not sure what relevance the IESO credit facility has on the PILs issue. Can it be omitted?

And I added in a comment.

Ron

-----Original Message-----
From: John Kim
Sent: June-14-17 14:43
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OPG

Hi Ron,

Pls. see attached with edits from MOF Legal. CMD did not comment.

Thanks,

John

-----Original Message-----
From: Ronald Kwan
Sent: Monday, June 12, 2017 10:59 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OPG

Thanks John.

Ron

-----Original Message-----
From: John Kim
Sent: June-12-17 8:58 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OPG

Sure, will draft something and aim for tomorrow as it would involve others.

-----Original Message-----
From: Ronald Kwan
Sent: June-12-17 6:11 PM
To: John Kim <John.Kim@ofina.on.ca>
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Hi John,

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Thanks,
Ron

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Sent: June-12-17 18:10
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Ann Langleben (MOF) <Ann.Langleben@ontario.ca>; Patel, Lesley (MOF) <Lesley.Patel@ontario.ca>; Daniela Klassen (MOF) <Daniela.Klassen@ontario.ca>
Subject: RE: OPG

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Date: Monday, Jun 12, 2017, 5:25 PM
To: Subrahmanyan, Sriram (MOF) <Sriram.Subrahmanyan@ontario.ca<mailto:Sriram.Subrahmanyan@ontario.ca>>
Cc: Lewis, Robin (MOF) <Robin.Lewis@ontario.ca<mailto:Robin.Lewis@ontario.ca>>
Subject: RE: OPG

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It's more about a Provincial payment guarantee to bondholders of the financing entity under certain circumstances.

Ron

From: Subrahmanyan, Sriram (MOF) [mailto:Sriram.Subrahmanyan@ontario.ca]
Sent: June-12-17 12:58
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>
Subject: OPG

Ron, no sure if you were on the call this morning. OPG mentioned a provincial guarantee to negate tax or (I think) other liabilities, and that they're working on the wording. Do you have a copy of this, or any detail?

thanks

DRAFT

There are a number of distinct outstanding business issues related to Ontario's Fair Hydro Plan that are under discussion between the Province and electricity sector organizations, primarily OPG. These include the following:

1. A **Provincial Support Agreement** whereby the Province (Minister of Finance and Minister of Energy jointly) ~~will~~ would provide support to ~~credit ratings of~~ the financing entity established by OPG and ~~provide assurances to~~ prospective debt holders by providing certain guarantees that obligations o~~r~~f the IESO are fulfilled ("performance guarantee") and ensuring that funding obligations of the financing entity are met under certain circumstances e.g., repeal of the Fair Hydro Act by a future government, amendments to the Fair Hydro Act that have a material and adverse impact on the financing entity ('payment guarantee/indemnity").
2. **Payment in lieu of Taxes** (PILs) exemption for the financing entity to minimise PILs payments as these costs would be recovered from ratepayers
3. Establishment of **OPG management fees** for provision of services to the financing entity
4. Indemnity Agreements by the Minister of Energy for IESO and OPG (and its subsidiaries) and directors, officers and employees to indemnify them against all losses, costs, damages and other expenses and claims which might be brought against them as a result of activities undertaken in support of the Fair Hydro Plan.
5. ~~Approving a **new IESO credit facility** of $2 billion to manage temporary funding shortfalls in deferral financing e.g., due to cash timing differences.~~

Each of these initiatives are still under development/negotiation and being discussed among various Provincial interests (Ministry of Finance, Electricity Investment and Governance Secretariat, Ontario Financing Authority, Ministry of Energy) and electricity sector organizations OPG and IESO.

As different Provincial interests may be more or less involved in these different initiatives there may be a benefit to having a coordinated approach to these discussions.

Commented [RK1]: I see that this reflects the new draft of the Support Agreement circulated by Toby earlier.

The old draft seemed in some ways narrower – not an impact on the financing entity, but an impact that would affect its ability to pay its obligations. Could the new version be potentially seen as broader in some respects, and what was the rationale for a change in that respect?

From:	John Kim
To:	Ronald Kwan
Cc:	Bruno Amara
Subject:	RE: OPG
Date:	Wednesday, June 14, 2017 2:43:30 PM
Attachments:	DRAFT note on PILs and Guarantee-v02_with MOF Legal Edits.docx

Hi Ron,

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Thanks John.

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Sent: June-12-17 12:58
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Cc:	Bruno Amara
Subject:	RE: OPG
Date:	Monday, June 12, 2017 8:57:46 PM

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thanks

From:	Ronald Kwan
To:	Sriram Subrahmanyan (MOF)
Cc:	Robin Lewis (MOF); Ann Langleben (MOF); Patel, Lesley (MOF); Daniela Klassen (MOF); Scott Nelms (ENERGY); John Kim
Subject:	RE: OPG
Date:	Monday, June 12, 2017 7:11:24 PM

Hi Sriram,

Perhaps I missed the reference on the call, as I was drawn away for part.

I think the potential impact on the proposed provincial support agreement is arguably tenuous.

The payment guarantee (drafting is on-going) could be potentially triggered under certain circumstances (basically if there is an impact on bondholder) such as the Act is repealed; or if it is amended, or a regulation is amended, in a way that adversely impacts the ability of a Financing Entity to fully pay all funding obligations.

Given that the financing entity can recover, under the Act, taxes or PILs, if payable, from ratepayers (as I understand it), should mean that there should be no such impact on the financing entity's ability to pay bondholders -- there would just be a ratepayer impact if PILs or taxes are paid, which is why the PILs exemption is being asked for.

That said, if OPG is making such an argument, I'd want to hear the strength of their case too, of course, but it seems a stretch.

Perhaps Scott or John would have more to add on this.

Ron

-----Original Message-----
From: Subrahmanyan, Sriram (MOF) [mailto:Sriram.Subrahmanyan@ontario.ca]
Sent: June-12-17 18:41
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Ann Langleben (MOF) <Ann.Langleben@ontario.ca>; Patel, Lesley (MOF) <Lesley.Patel@ontario.ca>; Daniela Klassen (MOF) <Daniela.Klassen@ontario.ca>; John Kim <John.Kim@ofina.on.ca>
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Subject: RE: OPG

Hi Sriram,

I believe the MO is aware of the proposal for a provincial support agreement / guarantees.

We can try drafting a short summary on what that is about. Not sure how it would fit into a tax-related note. Perhaps John could discuss with Ann and Rob.

Ron

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Cc:	Robin Lewis (MOF); Ann Langleben (MOF); Patel, Lesley (MOF); Daniela Klassen (MOF); John Kim
Subject:	RE: OPG
Date:	Monday, June 12, 2017 6:40:45 PM

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To: Subrahmanyan, Sriram (MOF)
<Sriram.Subrahmanyan@ontario.ca<mailto:Sriram.Subrahmanyan@ontario.ca>>
Cc: Lewis, Robin (MOF) <Robin.Lewis@ontario.ca<mailto:Robin.Lewis@ontario.ca>>, Langleben, Ann (MOF)
<Ann.Langleben@ontario.ca<mailto:Ann.Langleben@ontario.ca>>, Patel, Lesley (MOF)
<Lesley.Patel@ontario.ca<mailto:Lesley.Patel@ontario.ca>>, Klassen, Daniela (MOF)
<Daniela.Klassen@ontario.ca<mailto:Daniela.Klassen@ontario.ca>>, Kim, John (OFA)
<John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>>
Subject: RE: OPG

Hi Sriram,

I believe the MO is aware of the proposal for a provincial support agreement / guarantees.

We can try drafting a short summary on what that is about. Not sure how it would fit into a tax-related note. Perhaps John could discuss with Ann and Rob.

Ron

-----Original Message-----
From: Subrahmanyan, Sriram (MOF) [mailto:Sriram.Subrahmanyan@ontario.ca]
Sent: June-12-17 18:10
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Ann Langleben (MOF) <Ann.Langleben@ontario.ca>; Patel, Lesley (MOF) <Lesley.Patel@ontario.ca>; Daniela Klassen (MOF) <Daniela.Klassen@ontario.ca>
Subject: RE: OPG

Thanks. Can you provide some language on this to Rob and Daniela? We're writing a summary of our position for the MO in case OPG approaches them.

From: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>
Date: Monday, Jun 12, 2017, 5:25 PM
To: Subrahmanyan, Sriram (MOF)
<Sriram.Subrahmanyan@ontario.ca<mailto:Sriram.Subrahmanyan@ontario.ca>>
Cc: Lewis, Robin (MOF) <Robin.Lewis@ontario.ca<mailto:Robin.Lewis@ontario.ca>>
Subject: RE: OPG

Hi Sriram,

A Provincial support agreement (or agreements) is being worked on, and there are services or performance guarantee portions discussed but a tax or PILs component does not sound familiar to me. I’ll enquire.

It’s more about a Provincial payment guarantee to bondholders of the financing entity under certain circumstances.

Ron

From: Subrahmanyan, Sriram (MOF) [mailto:Sriram.Subrahmanyan@ontario.ca]
Sent: June-12-17 12:58
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>
Subject: OPG

Ron, no sure if you were on the call this morning. OPG mentioned a provincial guarantee to negate tax or (I think) other liabilities, and that they’re working on the wording. Do you have a copy of this, or any detail?

thanks

From:	Ronald Kwan
To:	Sriram Subrahmanyan (MOF)
Cc:	Robin Lewis (MOF); Ann Langleben (MOF); Patel, Lesley (MOF); Daniela Klassen (MOF); John Kim
Subject:	RE: OPG
Date:	Monday, June 12, 2017 6:21:48 PM

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To:	Ronald Kwan
Cc:	Robin Lewis (MOF); Ann Langleben (MOF); Patel, Lesley (MOF); Daniela Klassen (MOF)
Subject:	RE: OPG
Date:	Monday, June 12, 2017 6:10:20 PM

Thanks. Can you provide some language on this to Rob and Daniela? We're writing a summary of our position for the MO in case OPG approaches them.

From: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>
Date: Monday, Jun 12, 2017, 5:25 PM
To: Subrahmanyan, Sriram (MOF)
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Subject: RE: OPG

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From:	Ronald Kwan
To:	Sriram Subrahmanyan (MOF)
Cc:	Robin Lewis (MOF)
Subject:	RE: OPG
Date:	Monday, June 12, 2017 5:25:17 PM

Hi Sriram,

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thanks

From:	John Kim
To:	Ronald Kwan
Cc:	Bruno Amara
Subject:	RE: OPG
Date:	Wednesday, June 14, 2017 3:41:12 PM

Sure, the bullet can be deleted.

Don't believe the comment was intended for inclusion in going back to TPD so will consider your comments.

John

-----Original Message-----
From: Ronald Kwan
Sent: Wednesday, June 14, 2017 3:18 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OPG

Hi,

Not sure what relevance the IESO credit facility has on the PILs issue. Can it be omitted?

And I added in a comment.

Ron

-----Original Message-----
From: John Kim
Sent: June-14-17 14:43
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OPG

Hi Ron,

Pls. see attached with edits from MOF Legal. CMD did not comment.

Thanks,

John

-----Original Message-----
From: Ronald Kwan
Sent: Monday, June 12, 2017 10:59 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OPG

Thanks John.

Ron

-----Original Message-----
From: John Kim
Sent: June-12-17 8:58 PM

To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: OPG

Sure, will draft something and aim for tomorrow as it would involve others.

-----Original Message-----
From: Ronald Kwan
Sent: June-12-17 6:11 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: FW: OPG

Hi John,

Do you think you could draft something high-level, consulting with CMD and Legal?

Thanks,
Ron

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From: Subrahmanyan, Sriram (MOF) [mailto:Sriram.Subrahmanyan@ontario.ca]
Sent: June-12-17 18:10
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Cc: Robin Lewis (MOF) <Robin.Lewis@ontario.ca>; Ann Langleben (MOF) <Ann.Langleben@ontario.ca>; Patel, Lesley (MOF) <Lesley.Patel@ontario.ca>; Daniela Klassen (MOF) <Daniela.Klassen@ontario.ca>
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thanks

From:	John Kim
To:	Ronald Kwan; Bruno Amara
Cc:	Gavin He
Subject:	RE: Outstanding Business Issues Ontario Fair Hydro Plan
Date:	Tuesday, May 30, 2017 7:49:16 PM

Hi Ron,

We have reviewed and working to add the indemnities section, re: OPG/IESO board, etc.

Should be tomorrow when we are ready.

Thanks,

John

From: Ronald Kwan
Sent: May-30-17 7:44 PM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Outstanding Business Issues Ontario Fair Hydro Plan

Hi,

Please review.

Thanks,
ron

From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: May-30-17 6:13 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Outstanding Business Issues Ontario Fair Hydro Plan

Fyi – here is a document that we have pulled together for Thursday's discussion. I think Kaitlin has also shared with colleagues at OFA for review. I shared with John at OPG and he asked that we include a few bullets on the sub debt term sheet in development between OPG and OFA. We plan to add that in.

From:	Nelms, Scott (MOF)
To:	Ronald Kwan
Subject:	RE: Outstanding Business Issues Ontario Fair Hydro Plan
Date:	Tuesday, May 30, 2017 9:36:31 PM

Thanks Ron. Took a quick skim. Looks good to me.

Sent with BlackBerry Work (www.blackberry.com)

From: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>
Date: Tuesday, May 30, 2017, 8:05 PM
To: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca<mailto:Scott.Nelms@ontario.ca>>
Subject: RE: Outstanding Business Issues Ontario Fair Hydro Plan

Hi Scott,

Separately, staff have also been working on the LRC approval form for an OIC to enable the OFA to meet the IESO's request for an expanded credit facility.

Comments welcome, though noting that we were told that DMO and CO want this ASAP (meaning today!).

Ron

From: Ronald Kwan
Sent: May-30-17 7:44 PM
To: Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>
Subject: RE: Outstanding Business Issues Ontario Fair Hydro Plan

Thanks Scott. I'll take a look.

Ron

From: Nelms, Scott (MOF) [mailto:Scott.Nelms@ontario.ca]
Sent: May-30-17 6:13 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>
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From:	Gadi Mayman
To:	Scott Nelms (ENERGY); Mike Manning; Ronald Kwan; Ken Kandeepan; James Devine
Cc:	Anna Strathy
Subject:	Re: Fair Hydro Business Issues
Date:	Sunday, June 25, 2017 5:38:44 PM

I'm adding Ken and Jim to this conversation, as Mike is away this week and Jim is filling in for him. I'm away Thursday and Friday, but would be happy to find some time Tuesday or Wednesday for the internal meeting you're suggesting, Scott.

Gadi

From: Nelms, Scott (MOF)
Sent: Sunday, June 25, 2017 5:23 PM
To: Gadi Mayman; Mike Manning; Ronald Kwan
Subject: Fair Hydro Business Issues

Hi Gadi, Mike, Ron,

I had a chat with Ken Hartwick on Friday afternoon about our position on fees as well as progress on what we have been calling "business issues" (equity injection process, sub-debt agreement, guarantees). He agreed that we could push out the fees conversation from this round of regulation drafting, but wanted to make sure we set up time in early July to talk through these issues and land them asap. Here is where I think we are on each point:

- Fees: OPG wants a very light touch from OEB and, formulaic approach that mimics fee structures for portfolio managers (base fee tied to AUM + variable fee tied to performance). ENE agrees with the variable fee component (limited to $1M floor / ceiling), but has concerns about a base fee that does not tie to costs and wants a more substantive role for OEB.

- Guarantees: as you know the Province's position was shared on Friday

- Equity Injections: I believe OPG has provided a draft structure. Unless OFA has concerns, I think this is largely procedural.

- Sub-debt: I don't have much visibility in to this one. I heard folks from OFA were in discussions. This should link in with the fees conversation given the relationship with performance.

I would suggest we try and have an internal conversation later this week to discuss where we are on each of these in order to be ready to meet with OPG the following week.

Let me know if this makes sense or if I am missing anything.

Thanks,

Scott